

CAYUCOS SANITARY DISTRICT
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GOVERNING BOARD

R. B. Enns, President
N. Raimondo, Vice-President
H. Fones, Director
R. H. McHale, Director
S. Lyon, Director

MINUTES
REGULAR MEETING
December 13, 2006

1. SEATING OF BOARD MEMBERS APPOINTED IN LIEU OF ELECTION: HAL FONES, BUD MCHALE AND SHIRLEY LYON

President Enns welcomed Shirley Lyon to the Board and introduced her to the visitors present.

2. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 6:05 p.m., Wednesday, December 13, 2006.

Board members present: Vice-President Nat Raimondo and Directors Hal Fones, Bud McHale and Shirley Lyon

Staff present: District Manager Bonnie Connelly, Supervisor Bill Callahan and Account Clerk Nancy Martin

Visitors present: Financial Advisor Karen Shanley, District Counsel Tim Carmel, Jon Hanlon (Boyle Engineering), Dick Weiss, John Gilbert (Pacific Glow Homeowners Association) and Dorothy Fones

3. PUBLIC COMMENTS

There were no public comments.

4. STATUS REPORT ON DISTRICT INVESTMENTS AND OVERALL MARKET CONDITIONS

Due to low returns on five- to ten-year investments at this time and the Money Market only offering 4.4%, Karen Shanley, District financial advisor, recommended transferring funds from a maturing Treasury bond to LAIF, which is offering 5%±. There being no action to be taken, Ms. Shanley wished the Board and staff a Merry Christmas and took her leave.

5. REVIEW AND DISCUSS MORRO BAY/CAYUCOS SANITARY DISTRICT WASTEWATER TREATMENT PLANT (WWTP-JPA) ISSUES

Director Fones suggested, and the Board concurred, to address Agenda item 6 before item 5.

6. REVIEW AND DISCUSS SEWER LATERAL MAINTENANCE “DRAFT” ORDINANCE NOS. 26 AND 27, BASED ON PUBLIC COMMENTS RECEIVED AT THE NOVEMBER 30, 2006 PUBLIC HEARING

President Enns stepped down citing conflict of interest and turned the meeting over to Vice-President Raimondo.

Supervisor Callahan’s written update of the two ordinances was received. A suggestion for ensuring compliance of regulations regarding sewer laterals would be to require new property owners to place monies in escrow for that purpose. Director Lyon felt the District should not rely on the point of sale for implementing policy, as properties are not turned over readily. She did not recommend holding monies in escrow and suggested developing an incentive program.

District Counsel Carmel reported that ordinances are hard to enforce. He recommended sending new policy to real estate professionals who will inform the buyer of the situation, and which will eventually become common practice.

Mr. Gilbert, President of the Pacific Glow Homeowners Association, felt that penalties for violations to the ordinance are too severe, especially the statement, “Every day that the property owner is in violation of this Ordinance shall constitute a new and separate offense.” Carmel responded that that type of wording is consistent with public entities; that it gives the incentive to ensure compliance. He added that the decision of the District to implement the ordinances is discretionary and that there is a purpose to the ordinances. He recommended having information available to the public and of providing presentations to real estate groups.

Mr. Gilbert referred to Ordinance 27, Section E that lists exceptions to prohibition of common building sewer laterals and connections, Subsection 3: “Where a lateral is maintained by a homeowner’s association or other entity that is party to a formal, recorded lateral maintenance agreement.” He asked for clearer language, as well as no cost to the condominium owners for preparation of the agreement.

Additionally, he asked that the term “sole discretion” be replaced with “reasonable discretion” wherever used in the draft documents. It was pointed out that the term “sole discretion” does not empower one to act without discretion, and serves to designate who is responsible.

It was the consensus of the Board to direct District Counsel and staff to implement suggestions made for further review and consideration at the next Board meeting.

5. REVIEW AND DISCUSS MORRO BAY/CAYUCOS SANITARY DISTRICT WASTEWATER TREATMENT PLANT (WWTP-JPA) ISSUES

A. Review and Discuss Facility Master Plan, Chapter 8 – Tertiary Treatment Alternatives for WWTP Upgrade

Supervisor Callahan provided a handout summarizing noteworthy portions of Chapter 8 for review and discussion. Board members, as well as staff, District Counsel and Jon Hanlon (District Engineer) expressed difficulty understanding the document, especially, given the short time allowed for their review before the WWTP-JPA meeting. A recommendation was made for Carollo to include a list of definitions of standard terms used, and staff offered assistance in finding answers for questions raised. Callahan pointed out in his report that the monthly rate projections shown in Chapter 8 do not include

operational costs, and that those costs will be determined when a treatment alternative is chosen. Vice-President Raimondo and District Counsel, Tim Carmel, both recommended a “casual” reading of the document prior to the December 14 JPA meeting.

- B. Award of Joint Consultant Services Agreement with Carollo Engineers for Preparation of Independent Draft Revenue Programs, in Conjunction with WWTP Upgrade, (Reference WWTP-JPA 12/14/06 Meeting Agenda Item B-2)

Contrary to action taken at the September WWTP-JPA meeting, Morro Bay staff began negotiations on a separate contract with Carollo Engineers for a Draft Revenue Program. It was noted that the two communities do have different revenue needs and that the independent revenue programs are only a part of the overall Financial Plan. President Enns asked, and District Counsel Tim Carmel affirmed, that the agreement is acceptable.

- C. Review Invoice for the Fourth Quarter, FY 2005-2006 (Reference WWTP-JPA 12/14/06 Meeting Agenda Item C-1)

Manager Connelly reported she had reviewed the invoice and had discovered clerical errors, which were brought to the attention of Morro Bay staff. She recommended approval of payment of the revised figure. Action will be taken at the WWTP-JPA meeting December 14, 2006.

- D. Approval to Pay First Quarter FY 06-07 Progress Billing for \$21,422.00 from City of Morro Bay for Carollo Engineer’s Invoices for WWTP Upgrade Facility Master Plan

MOTION: First by McHale with second by Fones to approve payment of first quarter FY 06-07 progress billing from the City of Morro Bay for \$21,422.00. VOTE: 5-0

7. STAFF COMMUNICATIONS AND INFORMATION ITEMS (No action required)

- A. O&M Supervisor’s Report – Operations & Maintenance – November 2006
- B. Status Report on Phase I Sewer Line Replacement Project

Supervisor Callahan’s written report was received and he answered questions from the Board. President Enns stated Mocon Corporation appeared to be doing a good job and with the impending holidays, he indicated he would approve a progress payment to Mocon at this time, if Mocon were able to pull something together.

- C. District Manager’s Report – Monthly Activity & Operations – November/December 2006

Manager Connelly’s written report was received. President Enns asked if the District should hire a consultant for the District’s revenue program. Connelly stated she met with representatives of Brandis Tallman LLC for assistance in developing a funding strategy for capital improvement projects as well as for part of the WWTP upgrade. She added that their assistance is at no charge to the District as they are in hopes of providing brokerage services to obtain future funding for the District for District CIP and the WWTP upgrade.

8. CONSENT CALENDAR

- A. Minutes of:
 - 1. Regular Meeting of November 15, 2006
 - 2. Public Hearing/Special Meeting of November 30, 2006
- B. Approval to Pay Outstanding Bills at December 13, 2006

President Enns asked Item A-2 to be pulled as he and Director Lyon did not attend the special meeting on November 30, and asked for a separate motion to be made on the item.

MOTION: First by McHale and Fones to approve Items A-1 and B of the Consent Calendar. VOTE:5-0

MOTION: First by Fones with second by Raimondo to approve Item A-2 of the Consent Calendar. VOTE: 3-2, with Enns and Lyon abstaining

9. ELECTION OF OFFICERS FOR SEATING AT THE JANUARY 17, 2007 BOARD MEETING

MOTION: First by Fones with second by McHale to nominate Robert B. Enns for President of the Cayucos Sanitary District Board of Directors for the calendar year 2007. VOTE: 5-0

MOTION: First by McHale with second by Fones to nominate Nat Raimondo for Vice-President of the Cayucos Sanitary District Board of Directors for the calendar year 2007. VOTE: 5-0

10. CONSIDERATION TO MAKE DISTRICT BOARD COMMITTEE REASSIGNMENTS

Manager Connelly's written report was received. With Craig Bell no longer serving on the Board of Directors there are now three subcommittee vacancies, the O&M Technical Advisory Committee, the Investment Committee, and the Safety Committee.

President Enns offered the following changes, with concurrence by the Board:

- O&M Technical Advisory – Enns to fill vacancy
- Investment – Raimondo to remain as the sole member
- Safety – Lyon to fill vacancy (Manager Connelly reported that insurance premiums could be reduced if safety meetings are held and minutes taken and submitted to SDRMA)
- Personnel – McHale to remain, Enns to be taken off, Lyon to fill Enns' position

11. BOARD MEMBER COMMENTS

Director Raimondo asked for an update on the property at 13 Birch Avenue in Cayucos. Callahan reported he had spoken with George Erdelyi, School District Superintendent, and was told a decision should be made on the property in a month or two.

12. DIRECTOR RAIMONDO'S REQUEST FOR CONSIDERATION BY BOARD FOR POSSIBLE COST PARTICIPATION TO FURNISH AND DISPOSE OF WASTE GENERATED FROM 23 TRASH RECEPTACLES FOR PLACEMENT AND USE OF THE MUTT MITT PROJECT (Tabled from November 15, 2006 Meeting)

Manager Connelly's written report with projected costs involved, as well as issues raised by Tom Martin (Integrated Waste Management) was received. With the response from the garbage company, Vice-President Raimondo recommended not pursuing the plan.

13. DIRECTOR RAIMONDO'S REQUEST TO DISCUSS PUBLIC OUTREACH FOR THE FACILITY MASTER PLAN

Vice-President Raimondo spoke on the importance of keeping the public informed about the treatment plant upgrade and suggested holding town hall meetings. Director Fones recommended having handouts available at the Sanitary District office. Staff was directed to ask Bruce Keogh if the District might use the informational mailers sent with water bills in Morro Bay for that purpose. It was noted that Tracy Clinton (Carollo Engineers) is preparing a power point presentation for use by Cayucos and Morro Bay. Manager Connelly recommended further discussion at the JPA meeting December 14, 2006.

14. SCHEDULE AGENDA ITEMS FOR THE JANUARY 17, 2007 BOARD MEETING

- A. Consideration of Adoption of District Policy:
 - 1. Duties of the Board President
 - 2. Duties of Directors
 - 3. Ethics Training Policy (for AB1234 Compliance)
 - 4. Compensation and Reimbursement Policy for AB1234 Compliance)
- B. "Draft" Ordinance No. 26 Regulating District Sewer Lateral Maintenance, Repair and Installation
- C. "Draft" Ordinance No. 27 Governing Common Sewer Laterals Servicing Multiple Dwelling or Building Units
- D. FY 05-06 Audit Presentation

15. MEETING AND CONFERENCE REMINDERS:

- A. WWTP Upgrade Joint Meeting on Thursday, December 14, 2006 at Multi-Purpose Room, Community Center, 1001 Kennedy Way in Morro Bay
- B. WWTP Upgrade Joint Meeting on Thursday, January 25, 2007 (tentative – location pending)
Re: Facility Master Plan – Full Secondary (Option Partial Tertiary)

16. ADJOURNMENT

The meeting adjourned at 8:35 p.m.

Minutes recorded by: _____
Nancy Martin