

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
February 21, 2007

1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 6:02 p.m., Wednesday, February 21, 2007.

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

Board members absent: None

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

Visitors present: Karen Shanley, District Financial Advisor, Jon Hanlon, Boyle Engineering Corp., Rick Brandis and Nicki Tallman, Brandis Tallman LLC, and Dorothy Fones

2. PUBLIC COMMENTS

There were no comments.

3. REPORT ON DISTRICT INVESTMENTS AND RECOMMENDATIONS FOR REINVESTMENT

Karen Shanley's written report was received as well as a handout showing historical and current market trends. She pointed out that the return on short-term investments is higher than longer-term at this time and that the District must maintain a balanced approach to investments. She recommended short-term investments for CIP (capital improvement projects), to cover debt service, and to fund District reserves. A security is expected to be called in June. When called, Shanley suggested the District transfer those funds to LAIF (Local Agency Investment Fund) since LAIF has been maintaining a 5%+ return. With the uncertainty in the market, the funds would be earning a decent yield but still be available for reinvestment.

4. DISCUSS AND REVIEW PROPOSED 5-YEAR PLAN FOR FUNDING DEFICIT OPERATIONS AND CAPITAL IMPROVEMENT PROJECTS (CIP) PROGRAM:

A. Presentation by Brandis Tallman LLC

Rick Brandis and Nicki Tallman, of Brandis Tallman LLC, a full-service investment firm, introduced themselves to the Board, reporting their firm was responsible for securing District funding for the Lift

Station No. 2 Reconstruction project in 2004. Ms. Tallman gave a presentation of the District's financial standing, with recommendations for financing CIP (capital improvement projects), including the Morro Bay Wastewater Treatment Plant upgrade, and for developing policy for setting sewer rates.

- B. Review and Discuss Projections for Revenue Enhancement Through Increased Sewer User Fees

MOTION: First by McHale with second by Fones to table the item until the next Board meeting.
VOTE: 5-0

It was the consensus of Board members to address agenda Item No. 7 before Items 5 and 6.

7. PHASE I SEWER LINE REPLACEMENT PROJECT:

- A. Consideration to Authorize 90% Progress Payment in the Amount of \$326,079 to Mocon Corporation

Jon Hanlon, Boyle Engineering Corp., reported that the Phase I Sewer Line Replacement Project has been completed and that the four change orders issued during construction did not increase costs. Director Fones commended Mr. Hanlon and Boyle Engineering Corp. for work performed for the District. President Enns expressed approval of Mocon Corporation, as well.

MOTION: First by Fones with second by Lyon to authorize the 90% progress payment in the amount of \$326,079 to Mocon Corporation. VOTE: 5-0

- B. Consideration to Accept Phase I Sewer Line Replacement Project as Complete with Filing of Notice of Completion

President Enns directed staff to file the Notice of Completion.

8. CONSIDERATION TO APPROVE EXPANDED SCOPE OF PHASE II LINE REPLACEMENT PROJECT TO INCLUDE COST FOR APPROXIMATELY 185 LINEAR FEET OF SEWER PIPE REQUIRING A MID-YEAR BUDGET MODIFICATION OF \$54,700

Supervisor Callahan's written report was received. He asked for a mid-year budget modification of \$54,700 of District reserves to repair/replace damaged sewer lines on Studio Drive between Hacienda and Gracia Street. The project would be included in the upcoming Phase II Line Replacement Project.

MOTION: First by McHale with second by Fones to approve expanded scope of Phase II Line Replacement Project to include cost of approximately 185 linear feet of sewer pipe requiring a mid-year budget modification of \$54,700. VOTE: 5-0

5. "DRAFT" ORDINANCE NO. 28 ESTABLISHING A FEE SCHEDULE FOR VARIOUS DISTRICT PERMITS AND SERVICES (SECOND READING):

- A. Review and Discuss Staff Report

Manager Connelly's written report was received. Revisions to the "draft" ordinance since first reviewed at the January Board meeting include the addition of a new fee (Sewer Lateral Permit), one renamed fee (Sewer Lateral Certificate, formerly Sewer Lateral Inspection Fee), and removal of the Sewer Lateral Escrow Deposit, as it pertains to Ordinance 26 which has not been adopted at this time.

- B. Open Public Hearing

President Enns opened the Public Hearing. There were no questions or comments received.

- C. Close Public Hearing

President Enns closed the Public Hearing.

D. Board Consideration to Adopt Ordinance No. 28 Establishing a Fee Schedule for Various Services

MOTION: First by McHale with second by Lyon to adopt Ordinance No. 28 Establishing a Fee Schedule for Various Services. ROLL CALL VOTE: Enns (abstain), Raimondo (yes), Fones (abstain), McHale (yes), Lyon (yes)

6. REVIEW AND DISCUSS RECOMMENDED CHANGES AND MODIFICATIONS TO "DRAFT" SEWER LATERAL MAINTENANCE ORDINANCE NO. 26

Manager Connelly's written report was received. Responding to Board members concerns and recommended changes to the "draft" ordinance, Connelly offered to remove all references to "Transfer of Property". Director Raimondo asked why adoption of a new ordinance is necessary when earlier ordinances address sewer laterals. Manager Connelly answered that Ordinance 26 will clarify responsibilities of homeowners, and activities and procedures for maintenance. Staff was given direction to modify the latest edited version to reflect recommended changes, for consideration at the next regular Board meeting.

9. STAFF COMMUNICATIONS AND INFORMATION ITEMS

A. O & M Supervisor's Report

1. Operations & Maintenance Activities – January 2007

Supervisor Callahan's written report was received. Documentation of pipeline defects was completed in January. President Enns asked Callahan if the overview map and sample video footage or photos showing the defective lines could be available for the Board's review. Callahan indicated he would have that information available at the next regular meeting.

2. Report of Emergency Expenditure in the amount of \$13,994.49 for Sewer Line Replacement on Studio Drive (between Gracia and Flores Streets)

Supervisor Callahan's written report was received.

3. Report of Proposed Expenditure in an Approximate Amount of \$1,550 for Expanded Video Inspection of the Jointly Owned Main Street Sewer Line in Morro Bay

Supervisor Callahan's written report was received.

B. District Manager's Report – Administrative Office Activity & Operations for January/February 2007

Manager Connelly's written report was received.

10. CONSENT CALENDAR

A. Minutes of:

1. Regular Meeting of January 17, 2007
2. Special Meeting of February 8, 2007

B. Approval to Pay Outstanding Bills at February 21, 2007

MOTION: First by McHale with second by Lyon to approve the Consent Calendar in its entirety. VOTE: 4-1, with Fones abstaining.

11. BOARD MEMBER COMMENTS

Board members interested in progress on the Bus Barn property (13 Birch Ave.) negotiations were told that a counterproposal has been tendered.

12. SCHEDULE AGENDA ITEMS FOR THE MARCH 21, 2007 BOARD MEETING
 - Review and discuss projections for revenue enhancement through increased sewer user fees
 13. MEETING AND CONFERENCE REMINDERS
 - Special Meeting March 14 to discuss materials received by Carollo Engineers for the March 15 JPA meeting
 14. ADJOURNMENT
- MOTION: First by Raimondo with second by McHale to adjourn the meeting. VOTE: 5-0

Minutes recorded by: _____
Nancy Martin