

CAYUCOS SANITARY DISTRICT
200 Ash Avenue
PO Box 333, Cayucos, CA 93430-0333
805-995-3290

GOVERNING BOARD
R. B. Enns, President
R. H. McHale, Vice-President
H. Fones, Director
S. Lyon, Director
M. Foster, Director

SPECIAL MEETING
MINUTES
MARCH 17, 2010

1. ESTABLISH QUORUM AND CALL TO ORDER

President Robert Enns called the meeting to order at 5:00 p.m.

Board members present were President Enns, Vice-President Bud McHale, and Directors Hal Fones, Shirley Lyon and Michael Foster

Staff present was District Manager Bill Callahan, Administrative Services Officer (ASO) Lewis Brookins and Administrative Services Technician Nancy Martin

Consultants present were District Counsel Tim Carmel and Karen Shanley (District Financial Advisor)

Visitors present were Dorothy Fones

2. PUBLIC COMMENTS

President Enns opened the meeting to Public Comments; there were none.

3. ANNOUNCEMENT OF CLOSED SESSION ITEMS

President Enns announced Closed Session at 5:05 p.m.

CLOSED SESSION

4. CONFERENCE WITH REAL PROPERTY NEGOTIATORS – pursuant to Government code section 54954.8

Property: Portions of Lots 28 and 30 of Atascadero Beach, as per map filed in Book 2, Page 15 and part of Parcel Map, Book 2, Page 90. Assessor's Parcel Numbers 066-331-028, 066-331-032, 066-331-034, 066-331-038

Agency Negotiators: Bill Callahan, District Manager
Tim Carmel, District Counsel

Negotiating Parties: Robert Schultz, Morro Bay City Attorney

Negotiation: Price, terms of payment and square footage needed

RECONVENE TO OPEN SESSION – 6:10 P.M.

5. ANNOUNCE ACTIONS TAKEN IN CLOSED SESSION

There were no actions to announce.

6. PUBLIC COMMENTS

Dorothy Fones shared an article from the Sunday Tribune regarding the City of San Diego. The California Coastal Commission has allowed San Diego to continue operating its wastewater treatment plant under a waiver from the U.S. Clean Water Act, pumping 50 billion gallons of partially treated sewage in the ocean annually. Fones was pleased to note that when the Morro Bay/Cayucos Wastewater Treatment Plant Upgrade is complete, the plant will not be operating under a waiver and the outfall will be at tertiary level.

7. DISCUSSION OF CURRENT DISTRICT INVESTMENTS WITH KAREN SHANLEY, DISTRICT INVESTMENT ADVISOR, WITH CONSIDERATION TO REINVEST

Karen Shanley provided a written report (handout) with an overview of District investment accounts and a listing of current offerings. She recommended the District continue rolling over the locally placed Certificates of Deposit and invest a portion of the money market cash reserves in four to six year holdings.

MOTION: First by Foster with second by McHale authorizing Karen Shanley, District Investment Advisor, to invest \$1,000,000 in available cash reserves at a target rate of 3% with a 5-6 year maturity. VOTE: 5-0

MOTION: First by Fones with second by Lyon to give express authority to make the \$1,000,000 investment approved this date with a term to maturity of not more than six years. VOTE: 5-0

8. DISCUSSION OF DISTRICT FIVE AND TEN YEAR CAPITAL AND FINANCIAL PROJECTIONS

ASO Brookins' written reports included five and ten year cash flow projections, comparing financing projected capital projects to using District reserves for financing all but the Morro Bay/Cayucos Wastewater Treatment Plant (WWTP) Upgrade. USDA is currently offering loans up to \$500,000 at 4% interest, with no closing costs and no penalty for early pay off. He reported that financing a portion (up to \$500,000) of other projected capital projects (District Operations and Maintenance Garage, Lift Station 3 Upgrade, Equalization Basin at Lift Station 5) and paying the remainder out of pocket would allow maintaining a healthy balance in District reserves to cover unforeseen WWTP costs and emergencies, as well as ongoing maintenance/special projects.

9. CONSIDERATION TO ALLOCATE FUNDS FOR THE CONSTRUCTION OF A DISTRICT OPERATIONS AND MAINTENANCE GARAGE

Vice-President McHale and Director Foster stepped down, citing a conflict of interest due to the proximity of their personal residences to the proposed District O&M Garage.

Manager Callahan's written report was received along with photographs of the current shop on Cabrillo. He asked the Board to consider financing a portion of the proposed District O&M Garage project (up to \$500,000) with a USDA loan, and to fund the remainder (\$200,000) using District capital reserve funds. USDA offers loans up to \$500,000 at 4% interest, with no closing fees and no penalties for early pay off; loans greater than \$500,000 incur a \$30,000 Bond Counsel Fee. Board members discussed funding the entire project out of pocket as well as partially with a loan.

MOTION: First by Lyon with second by Fones directing staff to obtain a \$500,000 USDA loan and allocating \$200,000 in District capital reserve funds for the construction of the District O&M Garage, and to proceed as quickly as possible. VOTE: 3-2, with McHale and Foster abstaining.

Vice-President McHale and Director Foster were reseated.

10. DISCUSSION OF A STATE REVOLVING FUND LOAN OPTION TO FINANCE THE CONSTRUCTION OF THE MORRO BAY/CAYUCOS WASTEWATER TREATMENT PLANT

ASO Brookins' written report was received. He stated that a State Revolving Fund (SRF) loan appears to be the easiest and best option for financing the Wastewater Treatment Plant Upgrade. The project is currently on the SRF Priority List with funding available at this time. Since the District and Morro Bay operate under a Joint Powers Agreement (JPA), a single financing agreement is likely, with the City of Morro Bay the single entity applying for the loan. The District and Morro Bay will enter into a legal cost sharing agreement that will be

considered/evaluated along with the application. The current interest rate for a SRF loan is 2.9%, and the rate will be locked in when the application is approved. An additional application for preliminary financing may reimburse costs for the design, as well as the Facility Master Plan, Revenue Rate Study and Environmental Impact Report, with the reimbursed funds added to the total loan amount.

11. STAFF COMMUNICATIONS AND INFORMATION ITEMS (NO ACTION REQUIRED)

The written staff reports were received.

12. CONSENT CALENDAR

- A. Approval of Minutes for the February 10, 2010 Special Board of directors Meeting
- B. Approval of Minutes for the February 17, 2010 Special Board of Directors Meeting
- C. Approval to pay outstanding bills as of March 17, 2010

MOTION: First by McHale with second by Fones to approve the Consent Calendar in its entirety. VOTE: 5-0

13. BOARD MEMBER COMMENTS

Two Board members pointed out noticing a sewer odor at the intersection of Ocean Avenue and 1st Street. Manager Callahan indicated staff would look into it.

Board members commended ASO Brookins on his financial projection reports.

14. MEETINGS, CONFERENCES, AND SEMINARS

- A. Morro Bay-Cayucos Wastewater Treatment Plant (JPA) Meeting, Date: April 8, 2010, Hosted by Morro Bay, Location: TBD, Time: 6:00 p.m.
- B. Morro Bay-Cayucos Wastewater Treatment Plant (JPA) Technical Advisory Committee Meeting, Date: Friday, March 26, 2010, Hosted by Morro Bay, Location: Morro Bay Public Services Conference room, Time: 11:00 a.m.to 1:00 p.m.

15. SCHEDULE AGENDA ITEMS FOR THE APRIL 21, 2010 BOARD MEETING

- Discussion of Inflow/Infiltration Update
- Discussion of Customer Satisfaction Survey
- Consideration of final four elements of Sanitary Sewer Management Plan (SSMP)

16. ADJOURNMENT

The meeting adjourned at 8:00 p.m.

Minutes recorded by: *Nancy Martin*
Nancy Martin, Administrative Services Tech.