

**MINUTES OF THE
REGULAR MEETING
of the
BOARD OF DIRECTORS
for the
MONTECITO SANITARY DISTRICT**

January 10, 2011

1. CALL TO ORDER

The Governing Board of the MONTECITO SANITARY DISTRICT met in regular session on the 10th day of January 2011 at 1042 Monte Cristo Lane, Montecito, California, at 1:15 p.m.

ATTENDANCE

Present: Directors Charles C. Arnold, Judith M. Ishkanian, Jeff Kerns; Edward P. McAniff

Absent: Director Cannata

Also Present: Diane Gabriel, General Manager; Debbie Hughey, Office Manager

Item 6.A. & B. Melissa Fassett, Legal Counsel, Price, Postel & Parma

2. APPROVAL OF MINUTES OF THE LAST MEETING

The minutes from the prior Board meeting were included in the agenda packets for Board review. Upon MOTION by Director Ishkanian, and seconded by Director Arnold, the minutes of December 13, 2010 were approved as submitted.

3. APPROVAL OF PAYROLL AND PAYABLES

Upon MOTION by Director McAniff, and seconded by Director Ishkanian, the Board approved the PAYROLL AND ACCOUNTS PAYABLE EXPENSES for the District through January 10, 2011 as follows:

| | |
|-----------------------------|-------------|
| Accounts Payable (12/17/10) | \$13,270.58 |
| Accounts Payable (12/29/10) | \$31,425.01 |
| Accounts Payable (1/10/11) | \$79,447.17 |
| Payroll (12/16/10) | \$31,879.29 |
| Payroll Related (12/16/10) | \$ 9,072.44 |

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| | |
|----------------------------|----------------------------|
| Payroll (12/30/10) | \$36,344.58 |
| Payroll Related (12/30/10) | \$26,533.12 |
| TOTAL | <u>\$227,972.19</u> |

4. PUBLIC FORUM

No member of the public was present to address the Board on non-agenda items.

5. OLD BUSINESS

A. ORGANIZATIONAL MEETING

President Kerns noted the appointments for Officers and Consultants elected at the Board meeting held on December 13, 2010. These appointments were:

Officers

- President Jeff Kerns
- General Manager/District Engineer Diane M. Gabriel
- Legal Counsel Price, Postel & Parma
(w/ Mark Manion as Lead Counsel)

President Kerns then announced the new appointments for Officers and Committee members as follows:

Officers:

- Vice President Judith M. Ishkanian
- Secretary Edward P. McAniff
- Treasurer Chuck C. Arnold

Standing Committees – Formal Assignment by President Kerns:

- Finance Directors Arnold and Kerns
- Administration & Operations Directors Cannata and Arnold
- Personnel Directors Ishkanian and McAniff
- Public Information Directors Ishkanian and McAniff

Board members discussed the date, time and place for holding regular meetings and determined that they are to remain the same (1:15 pm, Second and last Mondays of each month to be held at Montecito Sanitary District, 1042 Monte Cristo Lane, Santa Barbara).

6. NEW BUSINESS

A. LIABILITY CLAIM – CLOSED SESSION

The Board met in closed session with the District's legal counsel to discuss a liability claim. Claimant: Alvaro Perez. Agency claimed against: Montecito Sanitary District (Government Code section 54956.95).

Upon returning to open session, Ms. Melissa Fassett, District Legal Counsel, stated that no reportable action was taken on the part of the Board during the closed session.

B. PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL RELEASE – CLOSED SESSION

The Board met in closed session with the District's legal counsel to discuss public employee discipline/dismissal/release (Government Code Section 54957).

Upon returning to open session, Ms. Melissa Fassett, District Legal Counsel, stated that no reportable action was taken on the part of the Board during the closed session.

C. REVOCABLE LICENSE AGREEMENT – 860 PICACHO LANE

Manager Gabriel reported that Mr. Michael Towbes and Mrs. Anne Smith Towbes, current owners of 860 Picacho Lane had numerous improvements constructed within the District's 17' wide sewer easement located on their property. The most significant improvements include a 5' high retaining wall and a restroom structure. The District was unaware of these improvements at the time of construction and would typically discourage such encroachment into the District easement. In order for the Towbes to keep the improvements in their current location, they will need to comply with the requirements of the Revocable License Agreement. These requirements include reimbursement to the District in the amount of \$30,797.12 for the repair and relining of an existing 8" sewer main which was completed shortly after the improvements were discovered. Additionally, the Towbes are required to pay a processing fee to the District in the amount of \$2,000 to cover the cost of administrative staff and legal counsel review. The District has received payment of the above stated amounts and the agreement has been signed by the Towbes and notarized.

After discussion, a MOTION was made by Director Arnold, and seconded by Director Ishkanian that the Board approve and execute the Revocable License Agreement for 860 Picacho Lane and direct staff to record the document with the County Recorder's Office so that future property owners are made aware that the improvements are encroachments into the District's easement and they are subject to removal at the District's sole discretion.. The MOTION passed unanimously.

ACTION: Directors Arnold, Ishkanian and Staff

D. SEWER MAIN REHABILITATION (SLIP LINING) – ENGINEERING DESIGN SERVICES – CONTRACT WITH LARRY C. FALBERG, P.E. CIVIL ENGINEER

Manager Gabriel reported that the rehabilitation project (funded by the District's capital improvement program) being constructed by Repipe is expected to be completed by the end of January. However, the Collection Staff, through their CCTV efforts, continue to identify sewer pipes that need rehabilitation throughout the District. Mr. Larry Falberg provided staff with a proposal to develop bid documents, including plans, specifications and cost estimates, for sewer rehabilitation to be performed in various locations throughout the District. His proposal is for work to be done on a time and materials basis for a not to exceed amount of \$48,000.

After some discussion, a MOTION was made by Director Ishkanian, and seconded by Director McAniff that the Board authorize the execution of an agreement with Larry Falberg, P.E., Civil Engineer, for design services in an amount not to exceed \$48,000. The MOTION passed unanimously.

ACTION: Staff

E. QUARTERLY BUDGET STATUS REPORT – SECOND QUARTER – PERIOD ENDED DECEMBER 31, 2010

The budget status report for the second quarter of the current fiscal year was distributed to the Board. The report shows that total expenses budgeted are \$3,398,000 and the actual expenses to date have been \$1,339,433.89. These expenses include the debt service payment of \$318,838.75 which was made on December 10, 2010. Overall, 62% of the total Operations & Maintenance budget for this fiscal year remains unspent.

F. NOTICE TO PROPERTY OWNERS AND RESIDENTS – RAIN WATER CONNECTIONS TO THE SANITARY SEWER

The General Manager briefed the Board regarding the responses that the District received specific to a Notice that was issued after the significant rain event shortly before the Christmas Holiday. A copy of the Notice was enclosed in the agenda packets. The Notice notified residents that they may be sending rainwater flows into the sanitary sewer system creating the potential for sewage overflows. Property owners were requested to check their property to confirm that they are not discharging rainwater into the sanitary sewer system and to contact the District if they had questions or wanted District crews to come out and inspect their property. Manager Gabriel reported that the District has received approximately 30 calls and scheduled approximately 10 site visits to date.

The Board expressed their interest in educating the public on such items as outdoor sinks and showers, swimming pool drainage and other potential problems affecting the District's conveyance and treatment of wastewater. The Public Information Committee will consider meeting in the future to discuss disseminating various types of information that would be beneficial to the public.

G. QUARTERLY INVESTMENT CERTIFICATION STATEMENT – DECEMBER 31, 2010

The District is required to make quarterly statements certifying that:

1. The investments made on behalf of the District by LAIF and the Santa Barbara County Treasurer's office were made in accordance with the District's current Investment Policy;
2. A complete and timely record of all investment transactions is maintained in the District office from reports supplied by LAIF and the Santa Barbara County Treasurer's office, and
3. The Montecito Sanitary District is able to meet its pool's expenditure requirements for the next six months.

Treasurer Arnold certified that the above statements were correct and the quarterly statement was signed immediately following the Board meeting.

H. CERTIFICATES OF PARTICIPATION (COPs) – STATUS REPORT

As a condition of the District's Continuing Disclosure Agreement that is associated with the COPs, any time a material change occurs it must be disclosed to the owners of the COPs in a report that is titled "Reporting of Significant Event". Recently MBIA Insurance Corporation (the company underwriting the insurance on the COPs) has been assigned a rating by Standard and Poor's of "BBB". The prior Standard and Poor's (S&P) rating of MBIA was "A". This rating downgrade is considered to be a material change and therefore a "significant event". Although the District has no control over such ratings, and nothing was done by the District to create the downgrade, nor could any action on the part of the District prevent such a change, a report had to be filed. Mr. Joshua Lentz, of Fieldman/Rolapp & Associates compiled the report and filed it on behalf of the District to the Municipal Securities Rulemaking Board. A copy of the report was enclosed in the agenda packets. It was noted that this rating downgrade is of the Bond Insurer and that the District's underlying rating on the 2007 Certificates of Participation is still rated by S&P "AA-".

I. INFORMATIONAL ITEMS

1. Attendance at CASA Mid Year Conference January 12 - 14, 2011 – Manager Gabriel and Director Kerns will be attending and reporting back to the Board.

J. AGREEMENT(S) TO BE SIGNED

No Agreements to be signed

7. OPERATIONS AND MAINTENANCE

The Board reviewed the Operations and Maintenance information included in their agenda packets.

8. ITEMS FOR THE NEXT AGENDA

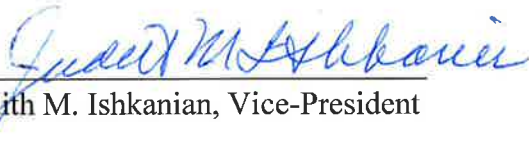
President Kerns and Manager Gabriel will report on their attendance at the CASA Mid-Year Conference.

9. ADJOURNMENT

There being no further business to come before the Board, it was MOVED by Director Arnold, and seconded by Director Ishkanian, that the meeting be adjourned. The MOTION carried, and the meeting adjourned at 2:48 pm.



Jeff Kerns, President




Judith M. Ishkanian, Vice-President



Edward P. McAniff, Secretary



Charles C. Arnold, Treasurer



Deirdre M. Cannata, Director