

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

February 8, 2016

1. CALL TO ORDER

The Governing Board of the MONTECITO SANITARY DISTRICT convened a regular meeting at 1:15 p.m. on February 8, 2016 at 1042 Monte Cristo Lane, Montecito, California.

ATTENDANCE

Present: Directors Thomas Kern, Jeff Kerns, Judith M. Ishkanian, Warner B. Owens, and Bob Williams

Also Present: Diane M. Gabriel, MSD General Manager/District Engineer
Toni M. McDonald, MSD District Administrator
Alex Alonzo, MSD Operations Manager
Carole Rollins, MSD Laboratory/Pretreatment Manager
Ricardo Larroude, MSD Collections Supervisor
Daniel Jacquez, MSD Chief Plant Operator

2. APPROVAL OF MINUTES OF THE LAST MEETING

The minutes of January 11, 2016 were included in the agenda packet.

On MOTION by Director Williams and second by Director Ishkanian, the Board approved unanimously without abstention the minutes of January 11, 2016.

3. APPROVAL OF PAYROLL AND PAYABLES

On MOTION by Director Kern and second by Director Kerns, the Board approved unanimously without abstention these payroll and accounts payable expenses from January 12, 2016 through February 8, 2016:

| | |
|---------------------------|-------------------|
| Accounts Payable Expenses | \$ 161,054.69 |
| Capital Improvement | 77,634.35 |
| Payroll Expenses | <u>152,063.32</u> |
| Total Expenses | \$ 390,752.36 |

4. PUBLIC COMMENT

None.

5. **OLD BUSINESS**

A. **MONTECITO WATER REUSE**

Director Williams stated the Music Academy is interested in acquiring recycled water, and asked about the capital costs to treat our effluent to purple pipe standards. General Manager Gabriel answered Director William's questions regarding the costs associated with tertiary treatment, that Montecito Water District has not allowed Goleta Water District to truck recycled water into Montecito, and that MWD representatives have denied its interest in a recycled water program.

ACTION: None

6. **NEW BUSINESS**

A. **2015 ANNUAL SUMMARY REPORT TO THE REGIONAL WATER QUALITY CONTROL BOARD**

The National Pollution Discharge Elimination System (NPDES) annual report was included in the agenda packet as Exhibit A. General Manager Gabriel introduced Laboratory and Pretreatment Manager Carole Rollins and Chief Plant Operator Daniel Jacquez, who went over the report in detail and answered questions from the Board.

General Manager Gabriel introduced Rico Larroude, Collections Supervisor, who presented an overview of the Collection System Maintenance 2015 accomplishments and goals for 2016, which are also a requirement of the annual reporting.

ACTION: None

B. **OCEAN OUTFALL – ANNUAL INSPECTION**

Laboratory and Pretreatment Manager Rollins presented a summary of the Ocean Outfall Pipeline Exterior inspection completed by Harbor Offshore on December 16, 2015. This inspection concluded that:

- the outfall continues to exhibit small pockets of bridging with dynamic activity;
- there is no apparent danger of pipeline shifting or breakage;
- the line is sound and well supported; and
- the diffuser section is clear of obstructions and operating adequately

ACTION: None

C. **CONTINUING DISCLOSURE ANNUAL REPORT FOR FISCAL YEAR ENDING JUNE 30, 2015**

The Continuing Disclosure Annual Report for Fiscal Year Ending June 30, 2015 was included in the agenda packet as Exhibit B. District Administrator McDonald explained this report is a

required reporting component of the District's Certificate of Participation (COP) bond obligation. Ms. McDonald reported the Continuing Disclosure Annual Report summarizes Fiscal Year 2014-15 financial information and operating data. This report will be provided to the Electronic Municipal Market Access (EMMA) with the Audited Financial Statements for Fiscal Year 2014-15, in compliance with Rule 15c2-12 of the Securities Exchange Act of 1934.

ACTION: Staff

D. FISCAL YEAR 2015-16 CAPITAL IMPROVEMENT PROJECT STATUS REPORT – THROUGH DECEMBER 31, 2015

General Manager Gabriel reviewed the status of the mission critical capital improvement project through December 31, 2015, and reported on project developments since that date.

ACTION: None

E. OPERATIONS AND MAINTENANCE (O&M) BUDGET STATUS REPORT THROUGH DECEMBER 31, 2015

District Administrator McDonald reviewed and answered questions about the O&M Budget Status report for the second quarter of FY 2015-16.

ACTION: None

F. QUARTERLY INVESTMENT REPORT – DECEMBER 31, 2015

District Administrator McDonald discussed the change in investment accounts for the second quarter of Fiscal Year 2015-16.

ACTION: None

G. QUARTERLY INVESTMENT POLICY STATEMENT – DECEMBER 31, 2015

Director Kern summarized District Investment Policy 2013-883, which was adopted in October 2013, and read and signed the required Quarterly Certification Statement.

ACTION: None

H. FINANCE COMMITTEE – REPORT

Director Kern reported on the Finance Committee meetings of January 25th and February 4th. At the January 25th meeting further refinements of assumptions used for the Cost of Services study were made, and staff was directed to work with Water Consultancy and make further revisions. At the February 4th meeting the Committee reviewed the revisions and agreed the proposed rates reflected the target of the rate study. Director Kern reiterated that the rate adjustments are necessary, as capital projects have been financed for the last eight years with COP funding, which will be exhausted by the end of this fiscal year. Along with inflationary increases in Operations and Maintenance expenses and the District's ongoing debt service, the proposed rate adjustments will fund ongoing capital projects. Director Kern reported the study showed an approximate increase in the Single Family Dwelling Unit rate of approximately \$400 over a three year period. The Board agreed that the Committee and Staff continue their work on the Cost of Services study.

Director Kern stated the March 14th Board of Directors meeting will include a presentation on the draft Cost of Services study by Water Consultancy.

Director Kern also reported that the Committee had discussed creating a new reserve fund policy to allow the District to cover normal operating costs, debt service, and capital projects. The Finance Committee will discuss this reserve target at future meetings before a presentation to the Board.

ACTION: Committee, Staff

I. PUBLIC INFORMATION COMMITTEE – REPORT

Director Ishkanian reported on the January 28th meeting of the Public Information Committee. The Committee discussed the required noticing of District customers regarding the proposed rate adjustments. The Committee recommended that a mailer similar to the one sent noticing the last rate change in July 2009 be used to carry out the required Proposition 218 notices mailed to customers. The Committee also recommended that the General Manager attend the monthly Montecito Association meeting on February 9th to notify their committee of the proposed rate increase. Director Ishkanian also reported that the Committee and General Manager are willing to communicate directly with community leaders as needed.

ACTION: Staff

J. ADMINISTRATION AND OPERATIONS (A&O) COMMITTEE REPORT

Director Kerns reported on the Administration and Operations Committee meeting of February 1st. The Committee discussed the proposed North Sierra Vista sewer main extension.

The Committee recommended getting a proposal from attorney Karl Berger, a specialist in public agency construction agreements, to prepare an agreement with the Miramar for the design and construction of sanitary sewer facilities to serve the proposed resort. The facilities are a condition of approval for the project to be designed, built, and maintained by the District, and paid for by the Miramar.

Director Kerns also reported the Committee had reviewed the District's Master Plan. The Committee recommends that staff acquire a proposal from an architect for the building of the planned Administrative offices off of Channel Drive. The Committee recommends that staff include the cost of the architectural design in the next fiscal year draft budget.

ACTION: Staff

K. NORTH SIERRA VISTA SEWER MAIN EXTENSION – ENGINEERING DESIGN SERVICES – CONTRACT WITH MICHAEL VIETTONE CIVIL ENGINEERING

General Manager Gabriel reported that on July 28, 2014 the Board approved Resolution 2014-889 approving the annexation of four parcels into the Montecito Sanitary District. The four properties in the North and South Sierra Vista area: 330 and 300 North Sierra Vista, and two parcels with one owner both with the address of 100 South Sierra Vista, were approved for annexation by LAFCO at their November 6, 2014 meeting.

The property owners have considered moving forward with the design and construction of the sewer main extension that would be needed to serve their properties. However, concerns over the cost and the lack of willing participation on the part of one of the property owners have caused them to delay. One of the parcels has a failing septic system and the soils in the area have created problems on other properties in the neighborhood in the past.

The District has participated in a number of sewer main extension projects in recent years. If the Board is in agreement with the recommendation from the A&O Committee, the District would participate in this sewer main extension project which would be approximately 670 feet of pipeline to serve four parcels.

General Manager Gabriel recommended that the Board authorize the execution of a professional services contract with Michael Viettone Civil Engineering for the development of the construction / bid documents for a sewer main extension on North Sierra Vista. Staff has negotiated a time and materials amount of \$11,200 which is a very reasonable fee for these design services. There are adequate funds in the FY 2015-16 O&M budget for Professional Engineering Services to provide the upfront funding of these services. Ms. Gabriel also noted that once the sewer main construction is completed, participating property owners would be required to pay the District back their proportionate share of these costs (i.e., each property would be responsible for one fourth of the cost). Also, it was the recommendation of the A&O Committee to move forward with the project in this manner (i.e., District participation).

Upon MOTION by Director Ishkanian and second by Director Williams, the Board approved unanimously without abstention the execution of a professional services contract with Michael

M. AGREEMENTS SIGNED

None

7. OPERATIONS AND MAINTENANCE

The Board reviewed the information in the agenda packet.

8. ITEMS FOR THE NEXT AGENDA

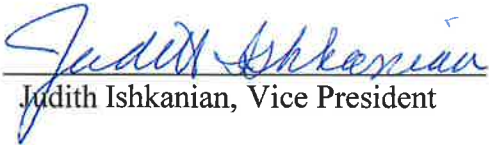
Meeting of February 29th cancelled
March 14th – Cost of Services presentation

9. ADJOURNMENT

There being no other business, on MOTION to adjourn by Director Williams and second by Director Kerns, the MOTION passed unanimously without abstention and the meeting adjourned at 4:10 p.m.



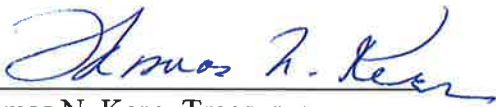
Warner B. Owens, President



Judith Ishkanian, Vice President



Jeff Kerns, Secretary



Thomas N. Kern, Treasurer



Robert Williams, Director