

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

December 8, 2014

1. CALL TO ORDER

The Governing Board of the MONTECITO SANITARY DISTRICT convened a regular meeting at 1:15 p.m. on December 8, 2014 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

Tracey Solomon – Bartlett, Pringle & Wolf
Gene Sinsler – Resident
James Hawkins – Heal the Ocean
Bob Hazard – *Montecito Journal* and Resident
Donna Senauer - Resident

2. APPROVAL OF MINUTES OF THE LAST MEETING

The minutes of November 10, 2014 were included in the agenda packet.

On MOTION by Director Ishkanian and second by Director Owens, the minutes were approved with the following vote: Ishkanian, Aye; Owens, Aye; Kerns, Aye; Kern, Aye, Williams, Abstain

3. APPROVAL OF PAYROLL AND PAYABLES

On MOTION by Director Owens and second by Director Ishkanian, the Board approved unanimously without abstention the payroll and accounts payable expenses from November 11, 2014 through December 8, 2014:

| | |
|------------------------------|-------------------|
| Accounts Payable Expenses | \$ 123,469.11 |
| Payroll and Related Expenses | <u>145,716.50</u> |
| Total Expenses | \$ 269,185.61 |

4. PUBLIC COMMENT

No member of the public addressed the board.

5. OLD BUSINESS

The A & O Committee reported that the committee and General Manager met on November 19th to discuss how to approach revision of the District Site Master Plan. Director Kerns reported that the details of their discussion would be presented under New Business Item C.

6. NEW BUSINESS

A. FINANCIAL AUDIT REPORT – FISCAL YEAR 2013-2014

Ms. Tracey Solomon, CPA (Bartlett, Pringle and Wolf, LLP) presented and reviewed the June 30, 2014 and 2013 Draft Financial Statements, which were in the agenda packet.

Ms. Solomon summarized the Independent Auditors' Report: the financial statements were free of material misstatement and fairly presented the District's financial position as of June 30, 2014 and 2013. Ms. Solomon noted there had been a change in accounting policy. Due to GASB 65, the restatement of bond issuance costs, there was a decrease in net worth in Fiscal Year 2012-2103 and Fiscal Year 2011- 2012 of \$324,899 and \$338,437 respectively. GASB 68, the defined benefit plan disclosure, will be carried out this fiscal year and be shown in next year's audited statements.

The draft Management Letter was reviewed by Ms. Solomon. It considers the District's internal controls to be relevant to the financial statements. No internal control deficiencies were found and the previous year's comment re: missing credit card approval has been rectified and removed.

Ms. Solomon reported that the Management's Discussion and Analysis portion of the report (pages 3 through 12), which is an overview of District transactions (net assets, revenues, operating expenses, and COPs), was prepared by District Management and is not subject to audit. Pages 13 through 35 of the report were discussed in detail; these pages concern assets, liabilities, revenues, expenses, and variances of the prior year. After Board questions were answered in detail, Ms. Solomon concluded by discussing the notes and supplementary information portions of the financial statements.

ACTION: Bartlett Pringle & Wolf / Staff

B. NOTICE OF COMPLETION FOR EJS CONSTRUCTION WORK ON CANOPY PROJECT/OPERATIONS CENTER

At its November 25, 2013 meeting the Board awarded a contract in the amount of \$117,500 to EJS Construction, Inc. for the construction of an exterior covered walkway along the easterly side of the District's main office building and the operations center. At its April 14, 2014 meeting the Board authorized the General Manager to issue EJS Construction a change order in the amount of \$78,488 to complete additional work, including the construction of a covered carport / walkway between the maintenance building and the testing laboratory building.

During the course of construction, three contract change orders were issued that changed the total cost of construction to \$197,840.88. This total is within the \$197,988 COP funding authorized for the project. General Manager Gabriel reported that EJS has successfully completed the construction of all of these improvements to the satisfaction of the District.

On MOTION by Director Williams and second by Director Owens to accept the work and issue a Notice of Completion for the Canopy Project at the Operations Center for EJS Construction, the MOTION passed unanimously without abstention.

ACTION: Staff

C. MSD TREATMENT PLANT SITE PLAN UPDATE – SITING A DESALINATION FACILITY TO PRODUCE POTABLE WATER FOR MONTECITO WATER DISTRICT

Director Kerns reported that the A&O Committee had reviewed the 2004 Site Master Plan regarding the ability to provide tertiary treatment or desalination. General Manager Gabriel explained that the Master Plan had included an ability to undergo full reconstruction while the existing plant operated and that the 2004 plan had incorporated tertiary treatment. She also discussed her letter to Montecito Water District requesting answers to questions re: a possible desalination project and tertiary treatment of wastewater. When these questions are answered, staff may work with industry experts and consultants to address these possible projects.

Director Owens stated that MSD has only one opportunity to do this kind of project due to the limited area and that MSD's mission needs to be maintained along with its Good Neighbor Policy.

The General Manager reminded that MSD's mission is collection, treatment, and disposal of wastewater. She requested authority to issue \$10,000 purchase orders for expert assistance in creating a feasibility study, not to exceed \$38,000, which remains in the budget. The feasibility study shall detail the Board's options for consideration.

Public comment included:

Gene Sinsler urged MSD to begin working on the project before receiving answers from Montecito Water District.

James Hawkins from Heal the Ocean supports staff's plan pending receipt of answers from Montecito Water District. Heal the Ocean supports full advanced treatment of wastewater.

Bob Hazard proposed two solutions to the current water problem: buy water from Slippery Rock and produce potable water using wastewater and desalinated water.

General Manager Gabriel explained that blending wastewater with desalinated water is a future consideration and option, which is not permitted at this time by the state health authorities. Further, any long range water plan would need to incorporate Santa Barbara County long range water supply plans.

On MOTION by Director Kerns and second by Director Owens directing the General Manager to undertake an investigation and study to determine the feasibility of the Water District's request to site a desalination facility on the MSD treatment plant site and authorizing the General Manager to issue purchase orders in amounts not to exceed \$10,000 to wastewater treatment experts and specialized consultants as the need for expertise may arise during the course of the study, such purchase orders not to exceed the \$38,000 that remains in the Operations and Maintenance budget line item for Special Projects, the MOTION passed unanimously without abstention.

ACTION: Staff

D. RESOLUTION NO. 2014-891 – INVENTORY OF DISTRICT LANDS AND AIR SPACE

The Government Code requires the District to conduct an annual inventory of all District lands and air space to determine whether any exceeds the District's needs. No excess land or air space under the District's ownership has been identified. A proposed Resolution No. 2014-891 was included in the agenda packet.

After discussion, on MOTION made by Director Owens and second by Director Williams, Resolution No. 2014-891 was adopted and executed. The MOTION passed with this roll call vote:

AYES: Owens, Williams, Ishkanian, Kern, Kerns
NAYS: None
ABSENT: None
ABSTAIN: None

ACTION: Board Officers

E. RESOLUTION NO. 2014-892 – APPROVING DISTRICT HOLIDAYS FOR 2015

Each year the Board is required to adopt a resolution approving the next year's legal holidays. Proposed Resolution No. 2014-892 (in the agenda packet) set these 2015 approved holidays:

1. January 1st - New Year's Day
 2. Third Monday in February - President's Day
 3. Last Monday in May - Memorial Day
 4. July 4th - Independence Day
 5. First Monday in September - Labor Day
 6. Fourth Thursday in November - Thanksgiving Day
 7. December 25th - Christmas Day
- If a holiday falls on a Sunday, the Monday following is the observed Holiday and the District office is closed on that Monday.
 - If a holiday falls on a Saturday, the preceding Friday is the observed Holiday and the District office is closed on that Friday.

After discussion, on MOTION made by Director Kerns and second by Director Owens, Resolution No. 2014-892 was adopted and executed. The MOTION passed by this roll call vote:

AYES: Owens, Williams, Ishkanian, Kern, Kerns
NAYS: None
ABSENT: None
ABSTAIN: None

ACTION: Board Officers

F. UNION PACIFIC RAILROAD COMPANY (UPR) LEASE PROPOSAL

The Board reviewed the proposed lease agreement with Union Pacific Railroad, which was included in the agenda packet. General Manager Gabriel noted that the lease had been prepared by District Legal Counsel and fully reviewed by the A&O Committee. The A&O Committee is recommending that the Board approve the proposed lease and authorize District Counsel to forward the lease to UPR.

The General Manager explained that this proposed lease may not be accepted by UPR and it is possible that negotiations will continue. Director Owens explained that the proposed lease, although not the UPR standard lease, was written with the philosophy to provide a reasonable person what is sought in a lease. Director Kerns stated the intention is to provide UPR with the insurance and indemnification coverage that the Committee and District Counsel believe to be the impetus for UPR to request that the District enter its standard lease.

On MOTION by Director Ishkanian and second by Director Kerns authorizing District Counsel to forward the proposed lease to UPR, the MOTION passed unanimously without abstention.

ACTION: District Counsel

G. INFORMATION ITEMS

- General Manager Gabriel reported the MSD Annual Holiday Party will be Saturday, December 20th at Café Stella from 6 PM-9:30 PM.
- CASA 2015 Winter Conference will be held January 21-23 in Palm Springs. Directors Ishkanian and Williams have expressed interest in attending.
- Directors received a memo from District Counsel outlining Ethics Training and Conflicts of Interest from Multiple Board Memberships. Directors were asked to direct any questions regarding possible Incompatible Offices to District Counsel.

7. OPERATIONS AND MAINTENANCE

The Board reviewed the information in the agenda packet.

8. ITEMS FOR THE NEXT AGENDA

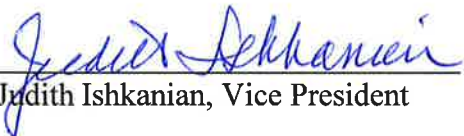
- Board organization changes for calendar year 2015

9. ADJOURNMENT

There being no other business, on MOTION to adjourn by Director Williams and second by Director Ishkanian, the MOTION passed unanimously without abstention and the meeting adjourned at 3:26 p.m.



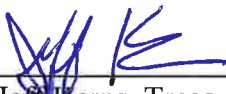
Thomas N. Kern, President



Judith Ishkanian, Vice President



Warner B. Owens, Secretary



Jeff Kerns, Treasurer



Robert Williams, Director