

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

November 14, 2011

1. CALL TO ORDER

The Governing Board of the MONTECITO SANITARY DISTRICT met in regular session on the 14th day of November 2011 at 1042 Monte Cristo Lane, Montecito, California, at 1:15 p.m.

ATTENDANCE

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

Absent: None

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

Item 6.A. Danna McGrew and Tracey Solomon, Bartlett, Pringle & Wolf

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 Cannata, and seconded by Director McAniff, the minutes of October 31, 2011 were approved as submitted.

3. APPROVAL OF PAYROLL AND PAYABLES

Upon MOTION by Director Arnold, and seconded by Director McAniff, the Board approved the PAYROLL AND ACCOUNTS PAYABLE EXPENSES for the District through November 14, 2011 as follows:

Accounts Payable (11/14/11)	\$37,743.56
Payroll (11/03/11)	\$35,517.77
Payroll Related (11/03/11)	\$10,351.20

TOTAL

\$83,612.53

4. **PUBLIC COMMENT**

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

5. **OLD BUSINESS**

A. **SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION (LAFCO) – MEETING – NOVEMBER 3, 2011**

On October 12, 2011, the District received a Notice of Hearing for the LAFCO meeting to be held in Santa Barbara on November 3, 2011. An item on the LAFCO agenda that was of interest to the Board was the continued discussion of the CALAFCO proposed amendments to Government Code Section 56133 regarding out of agency service agreements. At their meeting on October 31st the Board discussed sending District representatives to the November 3rd LAFCO meeting. It was decided that President Kerns, the General Manager and one other Director would attend.

President Kerns, Director Arnold and the General Manager attended the November 3rd LAFCO meeting. At the November 14th Board meeting they informed the Board that the local LAFCO voted NO on the proposed amendments to Government Code Section 56133. LAFCO boards throughout the State will need to vote on this item to legalize the proposed amendments but at this time there is no draft in the Legislature for these changes to Government Code Section 56133.

ACTION: None Required

6. **NEW BUSINESS**

A. **FINANCIAL AUDIT REPORT – FISCAL YEAR 2010-2011**

Manager Gabriel introduced Ms. Danna McGrew and Ms. Tracey Solomon, CPA's with Bartlett, Pringle and Wolf, LLP Certified Public Accountants and Consultants (BPW). Ms. McGrew and Ms. Solomon attended the meeting to present and review the June 30, 2011 and 2010 Draft Financial Statements with the Board. A copy was provided to each Director in their agenda packets.

Ms. McGrew began the presentation by informing the Board that the audit went well and that the auditors received full cooperation from management and there were no disagreements regarding accounting and auditing issues. She summarized the Independent Auditors' Report stating that the financial statements were free of material misstatement and that the statements presented fairly the financial position of the Montecito Sanitary District as of June 30, 2011 and 2010. Ms. McGrew also noted that the changes in the District's financial position and its cash flows conform to accounting principles generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Ms. McGrew then presented the

Management's Discussion and Analysis portion of the report, covering pages 2 through 9, which consisted of an overview of the District's transactions (net assets, revenues, operating expenses, COP's). Ms. McGrew reviewed, in general, the remainder of the report with the Board. She then turned over the presentation to Ms. Solomon who explained specific details relating to the assets, liabilities, revenues and expenses and answered all questions to the satisfaction of the Board.

Following Ms. Solomon's discussion, a draft of the Management Letter, distributed to the Board, was reviewed by Ms. McGrew. The Management Letter is written to suggest possible improvements but does not specifically affect the audit. Ms. McGrew noted that the letter which suggested recommendations regarding internal controls is already being addressed by staff. Both Ms. McGrew and Ms. Solomon thanked the District staff for their full cooperation and availability during the audit.

President Kerns thanked them for their report. After discussion, a MOTION was made by Director Arnold, and seconded by Director Ishkanian that the June 30, 2011 and 2010 Draft Financial Statements be accepted with minor changes and corrections and the report to be put in final form for distribution. The MOTION passed unanimously.

ACTION: Bartlett, Pringle & Wolf/Staff

B. SANTA BARBARA LOCAL AGENCY FORMATION COMMISSION (LAFCO) – SPECIAL DISTRICTS APPOINTMENTS

The District received a letter from LAFCO (included in the agenda packets) dated November 2, 2011 explaining that the terms on the LAFCO Board for Special District Member Cathy Schlottmann and Alternate Special District member John Fox will expire March 1, 2012. The Board discussed that they would like to review letters from potential candidates, if available, and would discuss possible nominations at the next Board meeting if such information is available.

ACTION: None Required

C. CAPITAL IMPROVEMENT PROJECT – COP FUNDS – STATUS REPORT

The General Manager reviewed with the Board the status of the current capital improvement projects. The Office Manager presented a request to the Board to increase the approved funding amount for the replacement of the District's computer workstations which had previously been approved at a cost of \$12,000. A MOTION was made by Director Arnold, and seconded by Director Cannata, directing staff to proceed with the purchase and installation for new computers for a cost not to exceed \$20,000. The MOTION was approved unanimously.

ACTION: Staff

D. CIMA DEL MUNDO ROAD SEWER MAIN EXTENSION – DEDICATION AGREEMENT WITH MR. GEORGE JOSEPH

Manager Gabriel informed the Board that an agent for Mr. George Joseph, owner of 907 and 915 Cima Del Mundo Road, approached the District about connecting to the District's sanitary sewer system. In order for Mr. Joseph's two lots to be connected to the collection system, it is necessary to construct approximately 735 feet of 8" sewer main. The District's "Dedication Agreement for Sewer Facilities" calls for Mr. Joseph to design the sewer main extension in accordance with District standards, obtain all permits, grant all necessary easements, construct the sewer and dedicate the sewer to the District. Additionally, the agreement requires that Mr. Joseph post a bond with the District in the full amount of the accepted construction bid amount of \$150,000. The proposed mainline extension will serve both lots but at this time Mr. Joseph is only planning to build one single family residence on the 915 Cima Del Mundo property.

The General Manager presented an exhibit to the Board showing the proposed sewer main location. After discussion a MOTION was made by Director Ishkanian, and seconded by Director McAniff, that the Board approve the execution of the "Dedication Agreement for Sewer Facilities for the Cima Del Mundo Road Sewer Main Extension" which will be signed by President Kerns and Secretary McAniff. The MOTION was approved unanimously.

ACTION: Board President and Secretary/Staff

E. INFORMATIONAL ITEMS

1. Santa Barbara County Chapter of California Special Districts Association – Annual Chapter Meeting will be held on Friday, December 2, 2011 at 6:00 p.m. at the Marriott in Buellton. It was decided that any Board member who wanted to attend could go.
2. Manager Gabriel informed the Board that at the CSDA annual chapter dinner meeting, Michael Viettone, Civil Engineer, will receive a CSDA Outstanding Service Award. Manager Gabriel nominated Mr. Viettone for his excellent work as the District's construction manager and inspector for the new laboratory building.

F. AGREEMENT(S) TO BE SIGNED

No Agreements.

7. OPERATIONS AND MAINTENANCE

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

8. ITEMS FOR FUTURE AGENDAS

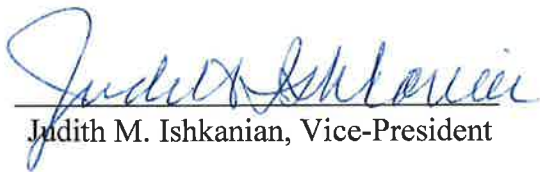
None.

9. ADJOURNMENT

There being no further business to come before the Board, it was MOVED by Director Cannata, and seconded by Director Ishkanian, that the meeting be adjourned. The MOTION carried, and the meeting adjourned at 3:00 pm.



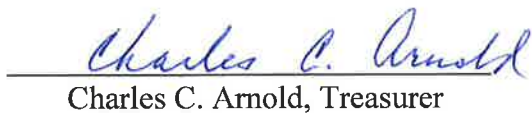
Jeff Kerns, President



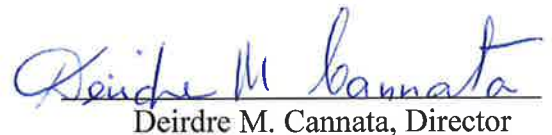
Judith M. Ishkanian, Vice-President



Edward P. McAniff, Secretary



Charles C. Arnold, Treasurer



Deirdre M. Cannata, Director