

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

REGULAR MEETING
MINUTES
February 18, 2009

OPEN SESSION:

1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 6:05 p.m., Wednesday, February 18, 2009.

Board members present: President Robert Enns, Vice-President Bud McHale, Director Hal Fones, Director Shirley Lyon and Director Michael Foster

Staff present: District Manager Bill Callahan and Administrative Services Officer Bonnie Connelly

Consultants present: District Engineer Jon Hanlon, Architect Jon McAlpin and Accountant Ryan Cornell (Moss, Levy and Hartzheim, CPAs)

Visitors present: Dorothy Fones

2. PUBLIC COMMENTS

There were no public comments received.

3. FY 2007/2008 DISTRICT AUDIT

Administrative Services Officer Connelly introduced Ryan Cornell of Moss, Levy and Hartzheim, CPAs who was there to present the audit. He presented a brief overview of the audit. Director Foster suggested a comparative financial statement presentation be used in the future to which Mr. Cornell affirmed that it would be no problem to institute. Director Foster asked to what extent the District's payments to the City of Morro Bay were reviewed to which Mr. Cornell replied that the invoices were reviewed against the backup and supporting documentation accompanying the invoice but that the test of the underlying expenditures would occur more so with the annual WWTP (JPA) audit. Director Foster asked that if the audit included an evaluation of internal controls to which Mr. Cornell stated that information was derived through interview of the staff to verify that controls and procedures were in place. Mr. Cornell asserted that, given the staffing levels of the District, that what is currently in place represents the best that the District can do given staffing limitations. In addition, he maintained that there has been ongoing communications over time with District staff as to implementation of improved loss control and cash control procedures. Director Foster stated that while he does not totally understand the District's financial system and procedures, that through brief discussions with staff, he feels there may be areas warranting tighter controls.

MOTION: First by McHale with second by Fones to accept the FY 07-08 Audit, as presented by Moss, Levy and Hartzheim. Vote: 5-0.

4. REPORT ON DISTRICT O&M SHOP PROGRESS

Directors McHale and Foster have a standing conflict of interest due to the proximity of their personal residences to the proposed District O&M shop. Jon McAlpin spoke to the progress he was making on the shop addition stating that the electrical, mechanical and plumbing consultants were about 90% the way through and the civil drawings likewise about 90% complete. He estimated that it would be about 3-4 weeks for submission to the County for plan check. There was discussion about the County requiring a handicapped curb ramp at the corner of Ash Ave. and Cayucos Drive, despite the fact that it was exempted when the District undertook remodel of its current office building. Additionally, it was related that in the past the County had pursued plans to install such a ramp under its own capital project program. Jon stated that this subject arose in very preliminary over-the-counter discussions with County staff and that he would be following up with the County since he questioned the ability to install such a ramp in that location.

Jon stated that since the curb ramp issue was taking more time than anticipated to address through the County, he would have to establish a separate budget, apart from the project working budget, to track and recoup such time.

Having already stepped down, Director Foster spoke, prefacing that his remarks were intended as a private citizen and not as a Board member. He stated that he was of the opinion that the District should not oppose installing the ramp or campaign the County for an exemption, in looking at the ramp as a matter of public policy and public benefit.

Dorothy Fones expressed concern over the possible danger of placing a ramp in that particular location for safety reasons stemming from the steep grade level and cautioned that it would need to be carefully engineered and designed.

5. ASSEMBLY BILL 1047 AND THE UNIFORM PUBLIC CONSTRUCTION COST ACCOUNT ACT (UPCCAA)

Manager Callahan introduced the item stating that Administrative Services Officer Connelly had conducted most of the research and outline of the provisions of the Act which now allows the District to undertake projects costing \$30,000 or less through force account, negotiated contract or purchase order. Furthermore, the District can utilize informal bidding for projects in excess of \$30,000 up to \$125,000. Participation in the Act would require resolution of the Board to be filed with the State Controller's Office as well as formal adoption of the District's intended use of the informal bidding process and procedures. Manager Callahan stated that his intent was to just introduce the item and to follow-up next month with the applicable resolution(s) to implement the Act.

6. ORDINANCE NO. 27 GOVERNING COMMON SEWER LATERALS

Manager Callahan asked for any changes or comments to the "final" draft document. There being none, staff was directed to proceed through the notice and posting process and to bring the document forward next month for adoption.

7. RECRUITMENT FOR ADMINISTRATIVE SERVICES OFFICER POSITION

Directors McHale and Lyon, having met and discussed the matter at a Personnel Committee Meeting, had given their nod to the position description, announcement and recruitment strategy that staff had presented.

President Enns asked staff if they felt that full-time status was necessary since it was his feeling that certain activities and projects were complete and not apt to recur. Manager Callahan stated that District Staff never seem to run out of work to do and that there always seems to be something on the

horizon or special projects that surface. He felt that full-time would be necessary on the front end but that the hours could always be reevaluated as time went on. Director Foster commented that there would likely be some functions that could be pushed down to other staff or possibly outsourced such as the payroll function but that cost-benefit analysis would have to be done. Director Foster went on to say that he felt there needed to be more emphasis in the position description on knowledge and experience with accounting and financial systems, particularly in the procurement, upgrade and installation of computer software. Also, he stressed the importance for the prospective employee to possess the ability and know how to procure grants and loans and experience with public financing. He stated that it appeared to him that the District's internal accounting systems were outdated and antiquated. He stated that inclusive of the recruitment and selection process should be a written exam to test the applicants' accounting abilities and not just self-described through the application and oral interview. He further stated that since the prospective candidate for hire would be working under the direction of the District Manager, and seeing that he does not possess accounting experience, and therefore would have difficulty assessing and evaluating such capability in an applicant-candidate, a written test would be essential.

8. DISCUSSION OF WET WEATHER CAPACITY RESEARCH AND ENHANCEMENT STRATEGIES

Manager Callahan gave his written report identifying strategies for capacity enhancement at Lift Station #2 to achieved increasing pump output and installation of air relief valve(s) on areas of the associated force main. Likewise, construction of an equalization basin at lift station #5 was discussed to address capacity problems on the District's 15" Main Street sewer line and alleviate "high water" operations during wet weather. His recommendation was to seek a proposal to have the District Engineer provide a more in-depth study of the lift station deficiencies identified in the report with a more concrete action plan to alleviate problems, and at the same time to commence negotiations with Chevron for possible acquisition of adjacent land in the event that location of an equalization basin becomes necessary.

9. STAFF COMMUNICATIONS AND INFORMATION ITEMS

A. District Manager's Report

Manager Callahan asked for questions and comments to his written report, to which there were none.

B. Administrative Services Officer's Report

Administrative Services Officer Connelly asked for questions or comments to her written report, to which there were none.

F.3. Cash, Savings & Investments Report for Month-Ended January 31, 2009

Director Foster inquired as to what the -\$8,718.14 change in value on the financial report represented. Administrative Services Officer Connelly said she would get back to him with the information as she did not have the account statement readily available from which the data was extracted but likely had to do with principal payments received and market valuation.

10. CONSENT CALENDAR

A. Minutes of Regular Board Meeting of January 21, 2009

B. Approval to Pay Outstanding Bills of February 18, 2009

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

11. BOARD MEMBER COMMENTS

There were no comments received.

12. MEETINGS, CONFERENCES, AND SEMINARS

A notice for CSDA-sponsored new board and returning board members orientation and training in Templeton on March 21, 2009 was circulated to the Board.

13. AGENDA ITEMS FOR THE MARCH 18, 2009 MEETING

No specific agenda items referred.

14. ADJOURNMENT

MOTION: First by Lyon with second by Fones to adjourn the meeting. Vote: 5-0

Meeting was thereafter adjourned at 7:55 p.m.

Minutes recorded by

Bonnie E. Connelly, Administrative Services Officer
Clerk to the Board