



**COSTA MESA SANITARY DISTRICT
MINUTES OF BOARD OF DIRECTORS REGULAR MEETING
JULY 28, 2016**

CALL TO ORDER

The Board of Directors of the Costa Mesa Sanitary District met in regular session on July 28, 2016 at 5:30 P.M. at 628 W. 19th Street, Costa Mesa.

**PLEDGE OF
ALLEGIANCE**

President Scheafer led the Pledge of Allegiance.

INVOCATION

Vice President Perry led the Invocation.

ROLL CALL

DIRECTORS PRESENT: Michael Scheafer, Arthur Perry, Robert Ooten, Arlene Schafer, James Ferryman

DIRECTORS ABSENT: None

STAFF PRESENT: Scott Carroll, General Manager; Alan Burns, District Counsel; Robin Hamers, District Engineer; Noelani Middenway, District Clerk; Wendy Davis, Finance Manager; Marc Davis, District Treasurer.

OTHERS PRESENT: Lawrence Jones, CR&R; Luke Money, The Daily Pilot; Jim Mosher, resident; Roger Faubel, Roger Faubel Public Affairs, Inc.; Peter Whittingham, Curt Pringle & Associates.

CEREMONIAL MATTERS AND PRESENTATIONS – NONE

ANNOUNCEMENT OF LATE COMMUNICATIONS – NONE

PUBLIC COMMENTS – NONE

President Scheafer opened public comments. Seeing no one from the public wishing to comment, President Scheafer closed public comments.

President Scheafer requested to move Items 24 and 25 to follow the Consent Calendar. Hearing no indication of opposition, Items 24 and 25 were moved to follow the Consent Calendar.

CONSENT CALENDAR

1. Board of Directors Study Session Meeting Minutes of June 14, 2016 The Board of Directors Study Session Meeting Minutes of June 14, 2016 was approved as presented.
2. Board of Directors Special Meeting Minutes of June 23, 2016 The Board of Directors Special Meeting Minutes of June 23, 2016 was approved as presented.
3. Board of Directors Regular Meeting Minutes of June 23, 2016 The Board of Directors Regular Meeting Minutes of June 23, 2016 was approved as presented.
4. Occupancy Report and Payment to CR&R Environmental Services The Board of Directors accepted the occupancy count as presented using 22,398 as the correct number of active units and directed staff to prepare a warrant to CR&R Environmental Services in the amount of \$219,397.37 to be ratified in the July 2016 warrant list, for June 2016 collection.
5. Contract Payment to CR Transfer for Recycling & Disposal Services The Board of Directors approved payment to CR Transfer in the amount of \$197,165.93 for recycling and disposal services for the month of June 2016.
6. Adoption of Warrant Resolution No. CMSD 2017-01 Approving District Warrant Registers The Board of Directors adopted Warrant Resolution No. CMSD 2017-01 approving District warrants for the month of June 2016 in the amount of \$1,012,933.29.
7. Payroll Transparency Disclosure for June 2016 The Board of Directors approved the Payroll Transparency Disclosure for June 2016 as presented.
8. Directors' Compensation and The Board of Directors approved the

Reimbursement of Expenses	Directors' Compensation and Reimbursement of Expenses for June 2016 as presented.
9. Sewer Lateral Assistance Program (SLAP) Update	The Board of Directors approved the SLAP report as presented.
10. Resolution No. 2016-890 Ordering that Publication of Ordinance No. 115 Confirming Annual Charges for Solid Waste and Wastewater for 2016-17 has Occurred	The Board of Directors adopted Resolution No. 2016-890.

Director Ferryman made a motion to approve the Consent Calendar as presented. Vice President Perry seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

END OF CONSENT CALENDAR

NEW BUSINESS

24. Mesa Water District Optimal Governance Structure Study
Recommendation: That the Board of Directors discuss the study and provide direction to staff.

District Treasurer, Marc Davis, provided a review of the study. Mr. Davis commented that he has concerns regarding the objectivity of Arcadis U.S. Inc., provided that Arcadis U.S. Inc. has conducted other studies and projects for Mesa Water District in past years.

Secretary Ooten indicated that he has concerns with changes that were made to the line cleaning portion of the study.

General Manager, Scott Carroll, requested that the Board of Directors refrain from questions and comments until Mr. Davis concludes his presentation.

Mr. Davis presented several sources of concern within the study, including the use of financial statements from 2015 and the lack of consideration of changes made to the District's biennial budget since its adoption in 2015. He clarified that Mesa Water District's AAA credit rating is in reference to their bonds rather than a rating of their agency as a whole. Mr. Davis also shared that the District has an asset replacement plan that is based upon a 35-year rolling look ahead to plan necessary infrastructure improvements. In terms of real estate, he noted that the study proposes that Mesa Water District's current headquarters has sufficient space to house a consolidated

agency; however, Mesa Water District's Board of Directors held a closed session meeting to discuss acquiring the property next door to its headquarters in May of 2016. Mr. Davis addressed the financial management portion of the study and indicated that the estimated one-time and annual savings calculations are flawed and should not be relied upon to make informed decisions about whether the two agencies should be consolidated. He added that the study's data was used by Mesa Water District's Board of Directors in a decision to submit an advisory ballot measure during their July 28, 2016 Special Meeting.

Secretary Ooten read the advisory ballot measure that was passed at Mesa Water District's July 28, 2016 Special Board Meeting.

Discussion followed regarding the language used in the advisory ballot measure and the possibility of challenging the advisory ballot measure. Additionally, discussion followed regarding Mesa Water District's debt and the proposed service area of a consolidated agency.

President Scheafer noted that Mesa Water District does not currently serve the area of Santa Ana Heights, while the District does serve this area.

Vice President Perry asked when the deadline for the advisory ballot measure and all responses were due.

District Clerk, Noelani Middenway, noted that they are due on August 12, 2016.

Finance Manager, Wendy Davis, provided commentary regarding Mesa Water District's financial status.

Discussion followed regarding the proposed service area, the proposed organizational structure of a consolidated agency, and possible Brown Act violations regarding the Mesa Water District Board of Director's decision to initiate a study.

Mr. Carroll suggested that the Board of Directors approve the formation of an Ad Hoc Committee containing two Board Members to meet with District staff and consultants in regards to the District's public relations.

President Scheafer opened public comments and invited Jim Mosher, a member of the public, to speak.

Mr. Mosher provided commentary regarding the advisory ballot measure.

President Scheafer closed public comments.

Mr. Carroll asked if an Ad Hoc Committee could provide staff with direction to proceed with proposed actions.

The Board of Directors indicated that the Ad Hoc Committee may provide staff with direction.

Vice President Perry made a motion to establish an Ad Hoc Committee including President Scheafer and Secretary Ooten (and Vice President Perry as an alternate) to meet with staff and consultants in regards to the District's public relations and Mesa Water's proposed consolidation. Assistant Secretary Schafer seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

25. Professional Consulting Services

Recommendation: That the Board of Directors considers entering into an agreement with Roger Faubel Public Affairs, Inc. for professional consulting services.

Mr. Carroll presented a proposal for the District to enter into an agreement with Roger Faubel Public Affairs, Inc. to enhance the District's public relations.

President Scheafer opened public comments and invited Mr. Mosher to speak.

Mr. Mosher provided commentary regarding the nature of the agreement and the role of the Ad Hoc Committee.

Assistant Secretary Schafer made a motion to enter into an agreement with Roger Faubel Public Affairs, Inc. for professional consulting services. Secretary Ooten seconded the motion, which passed unanimously with a 5-0 vote.

Roger Faubel of Roger Faubel Public Affairs, Inc. and Peter Whittingham of Curt Pringle & Associates provided commentary regarding the scope of work for the agreement.

The Board of Directors directed District Counsel, Alan Burns, to submit a public records request to Mesa Water District for all emails pertaining to the study and the proposed consolidation.

There were no further questions or comments.

President Scheafer adjourned the meeting to a brief recess at 6:47 P.M. and reconvened from the recess at 6:53 P.M.

PUBLIC HEARINGS - NONE

GENERAL MANAGER'S REPORTS

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11. Preliminary FY 2015-16 Year-End Budget (4th Quarter Budget Report)
Recommendation: That the Board of Directors receive and files the report.

Ms. Davis presented the 4th Quarter Budget Report. She noted savings that the District experienced due to paying a lower tonnage rate for the Organics Recycling Program during FY 2015-16.

Discussion followed regarding local developments and their responsibility to maintain their sewer laterals.

There were no further questions or comments and the report was received.

12. CMSD Contribution Program Application – CMHS Mustang Football Stadium Banners
Recommendation: That the Board of Directors accepts the application from the CMHS Mustang Football Program and approve a monetary contribution of \$1000 for two stadium banners.

Mr. Carroll presented the Contribution Program Application from Costa Mesa High School.

Vice President Perry asked if the requested monetary contribution included the cost of producing the banners.

Mr. Carroll noted that the cost of production is included in the request.

Director Ferryman made a motion to accept the application and approve a monetary contribution of \$1000 for two stadium banners. Vice President Perry seconded the motion, which passed unanimously with a 5-0 vote.

Discussion followed regarding the Contribution Program Application.

There were no further questions or comments.

13. Unfunded Other Post-Employment Benefits (OPEB)
Recommendation: That the Board of Directors approve a \$125,000 appropriation from Net Position towards paying down the District's California Employers' Retiree Benefit Trust Fund (CERBT) obligation as of June 30, 2016.

Ms. Davis presented report details and noted that the appropriation will remove the District's Unfunded OPEB liability for the year.

Discussion followed regarding the District's history of fiscal prudence toward funding its Unfunded OPEB liability.

Vice President Perry made a motion to approve a \$125,000 appropriation from Net Position towards paying down the District's CERBT obligation. Assistant Secretary Schafer seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

14. FY 2015-20 Strategic Plan Update (4th Quarter)

Recommendation: That the Board of Directors accepts and files the report.

Mr. Carroll presented the FY 2015-20 Strategic Plan Quarterly Update.

There were no questions or comments and the report was received.

15. Reschedule August 9, 2016 Study Session and Host the Meeting at 290 Paularino Avenue – Oral Report

Recommendation: That the Board of Directors approves rescheduling the August 9, 2016 study session meeting to August 16, 2016 and direct staff to host the meeting at 290 Paularino Avenue.

Mr. Carroll presented the proposed rescheduling of the August Study Session, which was previously discussed by the Board of Directors at the July 12, 2016 Study Session.

Vice President Perry made a motion to approve rescheduling the August 9, 2016 study session meeting to August 16, 2016 at 290 Paularino Avenue. Director Ferryman seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

16. Rewarding Ideas Program

Recommendation: That the Board of Directors approves rewarding Joel Ortiz, Wastewater Maintenance Worker III, \$500.00 for his idea to relocate the Adams Pump Station mobile generator to Calvert Avenue.

Mr. Carroll presented the idea submitted by Mr. Ortiz.

Secretary Ooten made a motion to approve rewarding Joel Ortiz \$500.00 for his idea to relocate the Adams Pump Station mobile generator to Calvert Avenue. Vice President Perry seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

ENGINEER'S REPORTS

17. Project Status Report

Recommendation: That the Board of Directors receive and file the report.

District Engineer, Robin Hamers, presented the Capital Improvement Program (CIP) report.

There were no questions or comments and the report was received.

18. Conflict of Interest Report

1. 227 22nd Street, Costa Mesa, which is owned / developed by Mark Cernicky.

Mr. Hamers noted one conflict of interest report to be filed.

There were no questions or comments and the report was received.

19. Project No. 310 – Indus Sewer and Manhole Rehabilitation – Acceptance of Improvements

Recommendation: That the Board of Directors approves the following:

1. Accept improvements as completed and file a Notice of Completion.
2. Authorize payment of 5% retention 35 days after Notice of Completion is recorded.
3. Exonerate Labor and Material Bond 35 days after Notice of Completion is recorded and exonerate Faithful Performance Bond one year after Notice of Completion is recorded.

Mr. Hamers presented report details.

Discussion followed regarding the public's positive response to the District's CIP projects.

Vice President Perry made a motion to accept improvements as completed and file a Notice of Completion, authorize payment of 5% retention 35 days after the Notice of Completion is recorded, and exonerate the Labor and Material Bond 35 days after the Notice of Completion is recorded and exonerate the Faithful Performance Bond one year after the Notice of Completion is recorded. Assistant Secretary Schafer seconded the motion, which carried unanimously with a 5-0 vote.

There were no further questions or comments.

20. Project No. 316 Adams Pump Station Electrical Improvements – Consideration of Easement Agreement and Temporary Construction Easement Agreement

Recommendation: That the Board of Directors approves the following:

1. Approve and execute the Easement Agreement and transmit to the County Recorder for recording.
2. Authorize payment to Mr. Ibarra in the amount of \$10,000.
3. Approve and execute the Temporary Construction Easement Agreement.
4. Direct the General Manager to continue proceeding with the project.

Mr. Hamers presented report details and related attachments.

Assistant Secretary Schafer made a motion to approve and execute the Easement Agreement and transmit to the County Recorder for recording, authorize payment to Mr. Ibarra in the amount of \$10,000, approve and execute the Temporary Construction Easement Agreement, and direct the General Manager to proceed with the project. Vice President Perry seconded the motion, which carried unanimously with a 5-0 vote.

Discussion followed regarding the potential liability associated with the easement.

There were no further questions or comments.

TREASURER'S REPORTS

21. Investment Report for the Month of June 2016

Recommendation: That the Board of Directors approves the Investment Report for the month of June 2016.

Mr. Davis provided report details and noted that the portfolio was earning 1.188% as of June 30, 2016.

Assistant Secretary Schafer made a motion to approve the Investment Report for the month of June 2016. Director Ferryman seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

ATTORNEY'S REPORTS - NONE

LOCAL MEETINGS

- A. Orange County Sanitation District (OCSD) – (Director Ferryman)
Recommendation: That the Board of Directors accepts oral report.

Director Ferryman provided an overview of the OCSD meeting on July 27, 2016 and noted that OCSD is looking to purchase a new headquarters building.

There were no further questions or comments and the report was received.

- B. Santa Ana River Flood Protection Agency (SARFPA) – (Vice President Perry)
Recommendation: That the Board of Directors accepts oral report.

Vice President Perry provided an overview of the SARFPA meeting that he and Director Ferryman attended.

There were no further questions or comments and the report was received.

- C. Independent Special Districts of Orange County (ISDOC) – (President Scheafer)

Recommendation: That the Board of Directors accepts oral report.

President Scheafer provided an overview of the ISDOC Executive Committee meeting on July 12, 2016.

There were no further questions or comments and the report was received.

- D. California Special Districts Association (CSDA) - (Assistant Secretary Schafer)

Recommendation: That the Board of Directors accepts oral report.

Assistant Secretary Schafer provided updated regarding CSDA. She noted that CSDA will hold its Annual Conference in San Diego from October 10-13, 2016.

There were no further questions or comments and the report was received.

- E. Special District Risk Management Authority (SDRMA) – (President Scheafer)

Recommendation: That the Board of Directors accepts oral report.

President Scheafer noted that the next SDRMA meeting will take place on August 3-4, 2016, and an oral report will be provided at the August Board Meeting.

There were no further questions or comments and the report was received.

- F. Other Meetings Qualifying for Reimbursement under CMSD Ordinance No. 55, Operations Code Section 3.01.030

Recommendation: That the Board of Directors accepts oral report.

Vice President Perry shared that he, Assistant Secretary Schafer, and Director Ferryman attended the Water Advisory Committee of Orange County (WACO) meeting on July 8, 2016.

President Scheafer noted that he and Gina Terraneo, Management Analyst I, will no longer be able to attend the Solid Waste Association of North American (SWANA) WASTCON® Conference on August 22-25, 2016.

There were no further questions or comments and the report was received.

OLD BUSINESS – NONE

NEW BUSINESS

22. Resolution No. 2016-891 Nomination to Serve on the Executive Committee of the Independent Special District of Orange County (ISDOC)
Recommendation: That the Board of Directors adopt Resolution No. 2016-891 nominating President Scheafer to serve as President of the Executive Committee of ISDOC.

Mr. Carroll presented Resolution No. 2016-891.

Directory Ferryman made a motion to adopt Resolution No. 2016-891 nominating President Scheafer to serve as President of the Executive Committee of ISDOC. Vice President Perry seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

23. Resolution No. 2016-892 Nomination to Serve on the Executive Committee of the Independent Special District of Orange County (ISDOC)
Recommendation: That the Board of Directors adopt Resolution No. 2016-892 nominating Assistant Secretary Schafer to serve as Vice President of the Executive Committee of ISDOC.

Mr. Carroll presented Resolution No. 2016-892. He noted that a correction was to be made to the recommendation, as it would nominate Assistant Secretary Schafer to serve as First Vice President of the Executive Committee of ISDOC.

Vice President Perry made a motion to adopt Resolution No. 2016-892 nominating Assistant Secretary Schafer to serve as First Vice President of the Executive Committee of ISDOC. Director Ferryman seconded the motion, which passed unanimously with a 5-0 vote.

There were no further questions or comments.

ORAL COMMUNICATIONS AND DIRECTOR COMMENTS

Vice President Perry shared that he will not be present for the August Study Session and Board Meeting.

ADJOURN TO CLOSED SESSION

President Scheafer opened public comments and invited Mr. Mosher to speak.

Mr. Mosher provided commentary regarding Item 27. He indicated concern regarding the nature of the District's "significant exposure to litigation."

26. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

(Government Code Section 54956.9(d)(1)):

1. Costa Mesa Sanitary District v. Santa Ana Regional Water Quality Control Board (OC Sup Ct #30-2016-0084260 CU-CM-CJC)

In regards to Item 26, Mr. Burns shared that the Attorney General has not completed the report and therefore there is nothing to report at this time.

President Scheafer adjourned to closed session at 7:48 P.M.

27. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to para (2) of subdivision (d) of Government Code Section 54956.9 (1 case)

RECONVENE TO OPEN SESSION

President Scheafer reconvened to open session at 7:59 P.M. He reported that the Board of Directors gave General Manager, Scott Carroll, direction in regards to anticipated litigation.

ADJOURNMENT

There being no further business to come before the Board, President Scheafer adjourned the meeting at 7:59 P.M.

Robert Ooten
Secretary

Michael Scheafer
President