

**CARPINTERIA SANITARY DISTRICT
IN THE
COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA**

MINUTES

These are the **minutes** of the **regular** meeting of the Governing Board of the Carpinteria Sanitary District in the City of Carpinteria, County of Santa Barbara, and State of California.

The Governing Board of the Carpinteria Sanitary District held a regular meeting on **May 1, 2012**, at 5:30 p.m. at its District administrative office located at 5300 Sixth Street, Carpinteria, California.

Directors Present: Lin Graf – President
Jeff Moorhouse – President Pro-Tem
Pat Horwitz – Treasurer
Mike Modugno – Secretary
Michael Damron – Secretary Pro-Tem

Staff Present: Craig Murray – General Manager
Kim Garcia – Board Clerk
Hamid Hosseini – Finance Director

Legal Counsel
Present: Anthony Trembley

Public Present: Mr. Thomas Johnsen, Fieldman, Rolapp & Associates

President Graf called the meeting to order and asked Director Horwitz to lead the Board and staff in the Pledge of Allegiance.

Board Approval of Agenda - President Graf asked if there were any modifications and/or changes to the agenda. Hearing none, President Graf said the agenda was approved as submitted.

Board Approval of Minutes of the Meeting of March 20, 2012 - Director Damron made a motion that the Minutes of the March 20, 2012 Board meeting be approved as submitted; Director Horwitz seconded the motion, the motion was approved by a 5-0 vote.

Board Approval of Minutes of the Meeting of April 17, 2012 – Legal Counsel noted two corrections, p. 4, 11th line from bottom--remove *the* from before the words *environmental review*, line should read *emergency work is statutorily exempt from environmental review under the California* and p.5, 1st line add s to the end of the word *section*, line should read *steel pipe. At the same time, measurements of the unsupported sections will be taken by.* Director Damron made a motion that the Minutes of the April 17, 2012 Board meeting be approved as modified; Director Modugno seconded the motion, and the motion was approved by a 4-0-1 vote with Director Horwitz abstaining from voting.

Public Forum – None.

Refinancing Opportunities – 2003 Wastewater Refunding Bonds and Assessment District 2007-1 Bonds/Agreement with Fieldman, Rolapp & Associates for Financial Advisory Services

General Manager said the District currently has approximately \$12M in outstanding bond debt that was originally incurred in 1993 to fund a major upgrade to the wastewater treatment plant. In 2003, while the municipal bond interest rates were favorable, the District refunded the bonds. The current obligation is in the form of the District's 2003 Wastewater Refunding Bonds and our annual debt service for this issue is approximately \$1.2M.

General Manager said the market for municipal bonds is currently in a low interest rate environment. The Board Finance committee received a presentation at its March meeting from Mr. Jim Cervantes of Stone & Youngberg, who underwrote the bonds in 2009 for the assessment district. Mr. Cervantes gave an overview of current market conditions, discussed how refunding the existing revenue bonds would make good fiscal sense and how the District may realize a savings in excess of \$100,000 per year by refinancing the bonds now, without extending the maturity period for the existing debt.

General Manager said the digester replacement project, currently in the design phase, will require a capital investment of approximately \$3M. While discussing refinancing of existing debt, there has been some consideration given to funding this capital project with a long term bond issue that could be coordinated with a refunding.

General Manager said in 2009, the District issued land-secured bonds for Assessment District 2007-1. These funds are being used to pay for the septic to sewer conversion projects and are the obligation of the participating property owners. Since the time of issuance in 2009, the market for land secured debt has improved significantly and refunding these bonds could recognize a significant annual savings for the individual land owners.

General Manager said since 2009, Fieldman, Rolapp & Associates, the firm the District engaged as a financial advisor for the Assessment District 2007-1 transaction, has maintained contact with District staff and has provided periodic updates of market conditions. General Manager said at the request of staff, Mr. Tom Johnsen will make a presentation to the Board that gives an overview of a proposed refinancing scenario.

General Manager said should the Board elect to move forward, it is recommended that we enlist the services of Fieldman, Rolapp & Associates as a financial advisor on new transactions. Fieldman, Rolapp & Associates would help facilitate the process by making arrangements with bond counsel, underwriters, bond trustees, and so forth. General Manager said attached to the staff report is a draft agreement that would engage Fieldman, Rolapp & Associates, this form of agreement has been reviewed, minor amendments were made by District legal counsel and Fieldman, Rolapp & Associates agreed to the amendments.

General Manager introduced Mr. Thomas Johnsen, CIPFA of Fieldman, Rolapp & Associates who will give a presentation to the Board. Mr. Johnsen thanked the Board for allowing his attendance at the meeting. Mr. Johnsen said refinancing the current bonds would lower the debt service amount without extending the maturity date. Mr. Johnsen distributed to Board members and staff a Summary of Refunding Analysis and provided a comprehensive overview of the document contents and market conditions.

General Manager said part of the proposed scope of work will include how best to finance the digester project. Mr. Johnsen said Fieldman, Rolapp ran a couple of models related to adding \$3M and came up with different structure scenarios. Mr. Johnsen said with relation to the Assessment District 2007-1 Bonds under state law a) the term cannot be extended; b) there must be savings each year; and c) the principal amount of the refunding

bonds cannot exceed the principal amount of the refunded bonds. A public hearing is not required if all three criteria are met.

Director Damron said in 2025 when the bonds are paid in full, the District's long term debt will be paid as there is no other debt outstanding. General Manager said the District has tried to maintain a pay-as-you-go approach to fund ongoing capital upgrades.

General Manager said during the finance committee meetings there has been discussion on the best way to finance the digester replacement project, one of which being the State revolving fund loan. At this point in the market, the spread between the State loan interest rates and what could be achieved in the municipal bond market are not significant. The State revolving fund loan requires an enormous amount of compliance and administration which will not outweigh the benefit of the small savings. Director Horwitz asked whether the plan should be to proceed with the bond refunding and concurrently investigate raising new capital for the digester project.

General Manager said perhaps Mr. Johnsen could comment on economies of scale and why it would make sense to refinance the revenue and assessment bonds on a parallel path. Mr. Johnson said there would be economies of scale if the transactions were done on approximately the same schedule with many of the same people coordinating the transactions. The proposed fee is net of all costs and reflects the parallel path method.

Director Modugno asked if the interest rates set at the time of issue. Mr. Johnsen said records are kept of all bond issues and prior to the sale a pricing a "comp" sheet is used to negotiate the best price. Director Moorhouse said that during the last bond issue better institutional pricing could have been received using a better marketing strategy. Mr. Johnsen said this would be a negotiated transaction with Stone & Youngberg.

Director Moorhouse made a motion that staff proceed with potential refunding of the outstanding bond debt and authorize the District General Manager to enter into a contract with Fieldman, Rolapp & Associates for financial advisory services. Director Damron seconded the motion. Legal Counsel said he would like to distribute red-lined versions, to include his amendments, of the proposed draft agreement to the Board for review. The motion (including revised form of agreement distributed by Legal Counsel) was approved by a 5-0 vote.

General Manager's Status Report – General Manager reported on the following:
Bluffs Sewer Relocation Project Update – General Manager said work is continuing on the trenchless installation of the inverted siphon pipelines under Carpinteria Creek at Carpinteria Avenue. Both the 6-inch and 8-inch pipes were successfully installed. General Manager said today he watched the tie over, where flow from the old line was transferred to the new siphon and everything seemed to be working just as designed. General Manager said an incident occurred on April 24th where a minor release of drilling mud was discovered in the bed of Carpinteria Creek. This type of release, referred to as a "frac-out", can occur when drilling fluid, that is underground in the bore path, is pressurized and pushed through a fracture in the geology until it reaches the surface. The District inspector notified the contractor who implemented the "frac-out" response plan which was a permit condition and a requirement for this type of project. A vacuum truck was used to remove excess mud and clean the surrounding area. The City of Carpinteria was notified and their staff responded. The Department of Fish and Game was notified the day of the incident. During the afternoon of April 24th and the morning of April 25th a biologist, contracted by the City of Carpinteria, was on site to oversee the cleanup activities and who reported that there was no impact to any species of concern. The release was fully contained. General Manager said the Grant Manager from the SWRCB Division of Financial Assistance visited the project site today and was pleased with the continued progress. **CASA Conference** – General Manager said he

attended the CASA Spring Conference from April 25th to April 27th held at the Napa Valley Marriott. General Manager said while at the conference he attended the CSRMA Executive Board and Board meetings and the CSRMA workshop covering topics such as employment law updates, worker's compensation updates and changes to the sewer system management plan requirements. **Operations Update** – General Manager said the WWTP is operating in full compliance with our NPDES permit. Annual operating and capital budget development activities are underway. General Manager said the collection system is operating well with no problems to report since our last meeting. General Manager said Sylvania Lighting Services has completed installation of the Lighting Efficiency Upgrade Project. Cushman Contracting was on site today for the removal of the District's scum concentrator. A surplus sale to the City of San Mateo was previously authorized for this piece of equipment. The installation of the flow meter at Lift Station No. 5 is nearly complete. Today, Fugro, a geotechnical firm, was on site to conduct a number of borings and used CPT (Cone Penetrometer Testing) to analyze the geology in the area where the new digester will be constructed.

Emergency Outfall Repair Project – Continuation of Emergency Action – General Manager said on April 17th, the Board passed Resolution No. R-247, which determined an emergency condition existed pursuant to Public Contract Code section 20806 and 1102. The District is now proceeding with emergency repairs to repair the failure in its 24-inch diameter ocean outfall pipeline and to provide underpinning support to address an imminent failure threat in the unsupported areas of the pipe.

On Monday, April 30th, the District's contractor installed a stainless clamp on the outfall where the break was. The flow to the pipe was shutoff, the clamp was secured and epoxy was placed so that release will no longer escape from the area. Originally, a shore based operation for delivery of grout to the custom nylon support bags was proposed however, after meeting with the pumping contractor it was determined that offshore, by hand, placement would pose less of a risk and be equally as efficient. District staff is communicating this change to each regulatory agency who has issued emergency permits, the Coastal Commission and the Army Corps of Engineers.

The item on tonight's Agenda is a requirement of Public Contract Code Section 22050(c)(1). At each regularly scheduled meeting an item will come before the Board, who will be asked to, by a four-fifths majority vote, approve the continued emergency action as prescribed by Resolution No. R-247 until the action is terminated.

Director Moorhouse made a motion that the Board continue emergency action as prescribed in Resolution No. R-247. Director Damron seconded the motion. Director Modugno asked if the alternative method of grout bag placement will be permanent. General Manager said this method has been used previously by the District and will have a lasting outcome. The motion was approved by the following 5-0 roll call vote. Director Damron voted aye, Director Moorhouse voted aye, President Graf voted aye, Director Horwitz voted aye, Director Modugno voted aye.

Proposition 84 Regional IRWMP Process – Updated MOU for Continued Participation and Funding – General Manager said the attached Memorandum of Understanding is an agreement between the agencies participating in the Proposition 50 Integrated Regional Water Management Planning Process, the subsequent Proposition 84, and the County of Santa Barbara as the grant administrator. The Santa Barbara County Water Agency has taken a step back as the lead agency and the group has engaged various consultants to fill in the gaps. Our region was given a \$550,000 grant award to fund an update to the IRWMP document and to undertake two separate planning efforts related to recycled water (South Coast) and salt and nutrient management (North county). General

Manager said he and Director Modugno are participating in the South Coast recycled water planning activities. The net result will be approximately a \$500 District contribution for the current fiscal year. By the end of the year a revised IRWMP document will be distributed and through this MOU the District will be able to participate in additional rounds of grant funding opportunities. If the timing is right, the District may apply for the digester project funding through second round Proposition 84 implementation grants.

General Manager said the County of Santa Barbara Supervisors is expected to consider this updated MOU in May, therefore if our Board decides to approve we will be a step ahead. General Manager said staff's recommendation is that the Board elect to continue participation in the regional IRWMP program and contribute funds and resources on a pro-rata basis for the Proposition 84 IRWMP process.

Director Modugno made a motion that the Board approve the Memorandum of Understanding (MOU) for Participation in the State-wide Proposition 84 Process and Related Integrated Regional Water Management (IRWM) Activities in Santa Barbara County. Director Damron seconded the motion and the motion was approved by a 5-0 vote.

Cash Contract No. 400 – BHI Management Consulting – Professional Services for a Strategic Plan – General Manager said this item is being brought before the Board following conversations regarding conducting a Board workshop and or strategic planning session. Board and staff reviewed an outline from a strategic planning document prepared for Dublin San Ramon Services District that was facilitated by Brent H. Ives Management Consulting. Mr. Ives has been active with CASA and has done work for various agencies.

General Manager said at the request of staff, BHI Consulting has submitted a proposal outlining scope of services for a typical strategic planning process. The proposed process is one that requires commitment and involvement from the Board and both administrative and operational staff.

The Board discussed the proposal and Director comments indicated that this level of effort to prepare a strategic plan might not be in alignment with the needs of our small agency. In many aspects, we already have a clear, sound path forward identified and in motion. Director Damron suggested continued Board level discussion to determine the most appropriate approach to long range planning. A facilitated planning effort may ultimately be desired, but should follow an internal review and working session.

Director Moorhouse said he would suggest to the program planning division of CASA that a seminar be conducted on how agencies can effectively conduct strategic planning for the upcoming conference in August.

General Manager said he appreciates the Board feedback. This item was presented based on conversion during a previous Board meeting regarding the desire to conduct an all inclusive, facilitator led strategic planning session and provide a legacy product.

President Graf said it was the consensus of the Board to table this agenda item.

Finance Committee – Director Horwitz said the Finance Committee met Monday, April 23rd to review the monthly reports.

Personnel Committee – Director Moorhouse said the Personnel Committee met on April 18th regarding tonight's closed session item.

Public Relations Committee – Did not meet.

CASA Legislative Committee Report – Director Moorhouse distributed a handout from the CASA Spring Conference and also gave an oral update on several assembly bills.

LAFCO Report – Director Moorhouse said he will be attending the LAFCO meeting on Thursday, May 3rd.

SBCSDA Report – General Manager said he and Director Modugno attended the monthly SBCSDA meeting on April 23rd. Director Modugno said he appreciated the meeting being held closer to South County. General Manager said a presentation was made regarding utility rate setting.

Board Member Vacation Dates – None.

Future Agenda Items – None.

CLOSED SESSION – 6:56 p.m.

PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE: pursuant to Government Code section 54957.

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Significant exposure to litigation pursuant to Government Code Section 54956.9(b): one case concerning April 24, 2012 “Frac-out” minor release of drilling mud in Carpinteria Creek as part of the Bluffs Sewer Relocation Project.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION: Per Government Code Section 54957. Title: General Manager.

CONFERENCE WITH LABOR NEGOTIATORS: Per Government Code Section 54957.6. Agency designated representatives: Anthony Trembley, District Legal Counsel. Unrepresented employee: General Manager.

RECONVENE OPEN SESSION – 8:10 p.m. President Graf reconvened the open session and stated that there was no action taken on any closed session items to report.

Adjournment. There being no further items to discuss, President Graf adjourned the meeting at 8:10 p.m.

Lin Graf
President

Mike Modugno
Secretary

Jeff Moorhouse
President Pro-Tem

Michael Damron
Secretary Pro-Tem

Pat Horwitz
Treasurer