

**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 **November 6, 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 – Musick, Peeler & Garrett, LLP

Public Present: Scott Ferguson – Jones Hall
Tom Johnsen – Fieldman Rolapp & Associates

President Graf called the meeting to order and asked Director Modugno to lead those present in the Pledge of Allegiance.

Board Approval of Agenda - President Graf asked if there were any modifications and/or changes to the agenda. General Manager suggested moving Item No. 1 under General Reports down on the Agenda to be heard after Item No. 4. President Graf agreed with the modification and the Agenda was approved as modified.

Board Approval of Minutes of the Meeting of October 16, 2012 – Director Horwitz made a motion that the Minutes of the October 16, 2012 Regular Board meeting be approved as submitted; Director Damron seconded the motion, and the motion was approved by a 3-0-2 vote, with Director Modugno and Director Moorhouse abstaining from voting.

Public Forum – None.

Standard & Poors Rating – Coastal Districts Financing Authority / Carpinteria Sanitary District – General Manager said the District Board previously authorized an agreement with Standard & Poors Rating Services to provide an independent credit rating for the agency. District staff and the finance team made a credit presentation to Standard & Poors on October 11th in San Francisco. The District received an AA- / Stable rating. Attached to the Board packet was the published long term rating summary that resulted from the Standard & Poors credit analysis.

General Manager said that the District's finance team believes this was a very favorable outcome that reflects the District's strong financial position.

Resolution No. R-257 – Approving, Authorizing and Directing Execution of Certain Financing Documents and Directing Certain Related Actions in Connection With Financing Certain Improvements to the District's Wastewater System – General Manager said in 1993 the Carpinteria Sanitary District issued \$19.25M in revenue bonds to finance a major upgrade to its wastewater treatment facility. These bonds were refinanced in 2003 to take advantage of favorable interest rates. The remaining existing debt, approximately \$11.25M, has an associated annual debt service of \$1.2M and the bonds are scheduled to fully mature in 2025.

General Manager said the current market for high quality municipal revenue bonds, particularly those related to utility enterprise agencies, is very good. Interest rates are at or near historical lows based on industry accepted index values. The District and its independent financial advisor, Fieldman Rolapp and Associates, have carefully evaluated a prospective financing of the District's outstanding 2003 Wastewater Revenue Refunding Bonds and it's anticipated that a refunding in the current market would result in a net present value savings of approximately \$1M.

General Manager said the District is also proceeding with the Aerobic Digester Replacement Project within the wastewater treatment facility. The project estimated construction cost is \$4.5M. This project will benefit customers throughout its 50-year design life and the District Board has elected to pursue long term bond financing to pay for the improvements.

General Manager said that a bond financing transaction that would accomplish both of the funding objectives has been prepared by the District's financing team. The existing debt would be refinancing without extending the term and the new debt would be amortized over a 30-year period.

General Manager said the revenue bonds would be issued by the Coastal Districts Financing Authority, a joint exercise of powers authority that was formed in April 1993. In its prior meetings, the District Board has taken the necessary steps to reinstate this Authority for the purpose of the anticipated bond issuance.

General Manager introduced Scott Ferguson of Jones Hall, who gave an overview of Resolution No. R-257. Mr. Ferguson said Jones Hall is acting as bond counsel and disclosure counsel for the bond transaction. Resolution No. R-257 is the mechanism by which the District Board of Directors would approve the proposed bond sale. Additionally, the resolution approves and authorizes execution of four documents necessary to proceed with the transaction.

Mr. Ferguson said the Installment Sale Agreement is an agreement between the District and the Authority which creates the legal obligation for the District to make payments for the term of the bonds and to comply with covenants set forth in the bond documents.

Mr. Ferguson said the Preliminary Official Statement, if approved, is the document to be disseminated to the prospective investors and contains everything material about the bonds and the credit for the bonds.

Mr. Ferguson said the Continuing Disclosure Certificate is an attachment to the Preliminary Official Statement and under which the District agrees to prepare and to file an annual continuing disclosure statement updating the bond investors on the status of the bonds and the District's financial standing.

Mr. Ferguson said the last document is the Bond Purchase Agreement which is the agreement between the District, the Authority and Stone & Youngberg, which is now a division of Stifel Nicolaus, the bond underwriter. In this agreement Stone & Youngberg agrees to purchase all of the bonds from the Authority on the closing date and to conduct a public offering of the bonds to investors.

General Manager introduced Tom Johnsen of Fieldman, Rolapp & Associates, who provided an overview of the bond transaction. Mr. Johnsen said in May 2012 the projected net present value savings for the bond refinancing was \$1.1M, now the current projected net present value savings is \$1.28M. A new money component to fund the digester project was introduced. The annual debt service for the new money would be approximately \$1.23M. Combining the refunding and the new money together creates an annual debt service total of less than the District's existing annual debt service through the maturity of the existing bonds, 2025.

Director Moorhouse made a motion that the Board adopt Resolution R-257 as presented. Director Damron seconded the motion and 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, and Director Modugno voted aye.

Municipal Service Review/Sphere of Influence Update - General Manager said District staff last reported on the status of LAFCO's Municipal Service Review and Sphere of Influence Update process following the September 6th LAFCO hearing. At that meeting, a motion was made, and unanimously approved, that invited the District to work with LAFCO to undertake the update process required by statute every five years.

General Manager said in mid-October, the District received a preliminary agenda for the November LAFCO hearing. The agenda included an action item recommending that the Commission adopt the District's current sphere of influence and approve a related Municipal Service Review reflecting no changes to the current boundary. District staff had extensive communications with LAFCO's executive officer following receipt of the preliminary agenda.

General Manager said that LAFCO staff maintains that an application for sphere amendment is required for boundary changes. District staff has consistently maintained that the Sphere of Influence Update process is the appropriate mechanism to evaluate and consider an expanded District sphere boundary and that a specific sphere amendment application was not required.

General Manager said in order to provide a starting point for the Municipal Service Review/Sphere of Influence Update, District staff prepared and submitted a Questionnaire for Amending a Sphere of Influence to LAFCO on October 25th. A copy of the Questionnaire and transmittal were attached to the Board packet.

General Manager said LAFCO considered this item at their November 1st regular meeting. A recommendation was made by the LAFCO Executive Director, altered from the original proposed recommendation, to continue the item for six months to allow LAFCO and the District to undertake the review process. This recommendation was approved by the LAFCO Commission.

General Manager's Status Report – General Manager reported on the following:
WWTP Security Issues – General Manager said the perimeter fence at the wastewater treatment facility was cut in two locations. Staff did not find that any items had been stolen and there was no apparent damage to District facilities. The incident was reported to law enforcement and additional security measures will be implemented. **Rincon Point Septic Sewer Project Update** – General Manager said the Santa Barbara County Planning Commission hearing to consider the Coastal Development Permit/Conditional Use Permit for the project was rescheduled from November 14th to December 12th. Redesign of the Caltrans bridge attachment has been completed and resubmitted. The project team is working to finalize all of the required easements. Due to permitting delays, it's now anticipated that bidding will occur after the first of the year. **Digester Replacement Project Update** – General Manager said an electrical design workshop was held on October 26th at the treatment plant. Carollo design staff was on site for field inspections and a meeting with District staff to nail down instrumentation and electrical issues. District staff is evaluating high speed turbo blower options and as part of the effort visited an installation at the Victor Valley Wastewater Authority on November 2nd. **Operations Update** – General Manager said the WWTP is operating in full compliance with our NPDES permit. The inlet valves for the aeration blowers were rebuilt in-house and reinstalled. The blowers are now functioning as designed and staff is coordinating with SCE on baseline energy use monitoring. Staff installed a timer in the control system for the rotary screw press to expand the operational period. Operations staff has been making changes and updates to control panels and instrumentation throughout the plant. Matt Oliver attended a three-day training session to obtain NASSCO certification for CCTV pipeline inspection and defect coding.

Finance Committee – Director Horwitz reported that the committee met on October 22nd and reviewed the monthly reports.

Personnel Committee – Did not meet.

Public Relations Committee – Did not meet.

CASA Legislative Committee Report – None.

LAFCO Report – None.

SBCSDA Report – None.

Board Member Vacation Dates – None.

Future Agenda Items – Director Moorhouse suggested adding a standard agenda item for a CSRMA Report. There was consensus for this addition.

CLOSED SESSION – 6:15 p.m.

Legal counsel led the Board in to closed session on the following agendized items:

CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Significant exposure to litigation pursuant to Government Code Section 54956.9(b): two cases. 1) October 25, 2012, Mark Gilbert claim; 2) Notice of Violation No. 9896 – Santa Barbara County Air Pollution Control District, dated January 17, 2012.

LIABILITY CLAIMS: Per Government Code Section 54956.9(b)(3)(C). Claimant: Mark Gilbert. Agency Claimed Against: Carpinteria Sanitary District.

RECONVENE OPEN SESSION – 6:38 p.m. President Graf reconvened the open session. Legal Counsel reported, regarding the October 25, 2012 Mark Gilbert claim, in accordance with Government Code Section 54957.1, on a vote of 5-0 the District Board of Directors directed the General Manager to provide written notice to claimants attorney, in accordance with Government Code Section 911.3, that the claim was not filed timely and is being returned without further action.

Adjournment. There being no further items to discuss, President Graf adjourned the meeting at 6:39 p.m.

Lin Graf
President

Mike Modugno
Secretary

Jeff Moorhouse
President Pro-Tem

Michael Damron
Secretary Pro-Tem

Pat Horwitz
Treasurer