

**MINUTES OF THE ADJOURNED REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE MIDWAY CITY
SANITARY DISTRICT OF ORANGE COUNTY
14451 CEDARWOOD AVENUE
WESTMINSTER, CA 92683**

June 18, 2015

CALL TO ORDER

President Cobo called the adjourned regular meeting of the Governing Board of the Midway City Sanitary District to order at 14451 Cedarwood Avenue, Westminster, California on Thursday, June 18, 2015 at 5:00 P.M.

BOARD MEMBERS PRESENT:

Al P. Krippner
Joy L. Neugebauer
Tyler Diep
Margie L. Rice
Frank Cobo

OTHERS AT MEETING:

Ken Robbins, General Manager
Robert Housley, Finance/HR Director
Danielle Gerardo, Board Secretary
Joseph Larsen, Labor Counsel (arrived at 5:40 P.M.)

PLEDGE AND INVOCATION

Director Diep led the Pledge of Allegiance. Director Neugebauer gave the Invocation.

PUBLIC COMMENTS

None

OLD BUSINESS

None

NEW BUSINESS

A. Budget Workshop – Overview of the Fiscal Year 2015-2016 (July 1, 2015 through June 30, 2016) Operating Budget, Capital Improvement Projects and Reserves

GM Robbins stated that CNG safety training is a new item that has been added to the fiscal year 2015-2016 budget.

Director Neugebauer requested that staff let the Board know when the CNG safety training would be taking place in case any of them wished to attend.

Finance/HR Director Housley reported that the operating budget for fiscal year 2015-2016 is \$14.16 million. The Capital Outlay and Improvements budget is \$3.37 million for a total of \$17.53 million. The expected potential decrease to the fund balance is expected to be approximately -\$6.3 million if everything is expensed and revenues come in exactly as it is in the budget. That number includes paying off \$5.1 million in COP debt, paying for all new CNG trucks, planning and building of the CNG fueling station, a new sewer pump truck with boom, completion of joint siphon and parallel project with the County of Orange, a sewer lining projects, extensive public outreach and increased health and safety training for District employees. Workers compensation and liability insurance rates are expected to remain the same.

Finance/HR Director Housley pointed out that the District has had no rate increases for residential sewer and solid waste services for nine consecutive years even though the District has been dealing with rising personnel costs, paying off debt and liabilities, and projects.

Director Neugebauer asked if an increase in assessed valuation which raises the District's revenue and adding connections to the District's system would be the correct answer if someone were to ask how it is possible that the District does not need to raise rates and maintains the same level of service with rising costs.

Finance/HR Director Housley confirmed that Director Neugebauer was correct and that good planning year after year, a slow approach to saving funds to pay off debt to do projects and slow, prudent, conservative budgeting by the Board have also helped. He added that the elimination of RDA agencies, the renegotiation of the franchise fee agreement a few years ago, reorganization within the District, renegotiating with vendors, and switching insurance carriers have also helped save the District money. Future legislature and the State looking to enterprise Districts for financial help could eliminate or divert property taxes so getting rid of those liabilities now puts the District in a good fiscal position so that if rates do need to be raised in the future, it will be due to all other options being exhausted.

President Cobo stated that it took good planning.

Director Rice stated that it is due to good leadership.

GM Robbins stated that, with regard to the redevelopment agencies being dissolved, not all of the money comes into the District. The City is still appropriating about \$2 million per year from the District so as the City of Westminster pays off its debts, the District may potentially receive more of those revenues in the future.

Finance/HR Director Housley reviewed the Primary Revenue by Source graph and an Operating Expenses by Department graph.

Director Neugebauer asked which part of the revenue chart reflects investment earnings because later in the budget document it explains how the District is prefunding a portion of its other post employment benefits (OPEB) with investment earnings.

Finance/HR Director Housley stated that the District's investment earnings used for OPEB are in California Employees Retirement Trust (CERT) and are not included in those numbers because it is in a trust and is not cash that the District has access to.

Finance/HR Director Housley reviewed the budget expenses by department, with the sewer department at 54.49%, the solid waste department at 30.49%, administration at 11.91% and fleet maintenance at 3.11%. The District's tonnage fees are increasing 1.66%, with the District absorbing those costs. Reviewing the District's reserves, the District is at 61% of the funded status of its goals for the year. The District will not be expensing \$1 million each year toward debt so in a few years the fund balance will rise and the District has saved over \$800,000 in interest over the next five years. The fund balance also includes the \$1.7 million sent to CalPERS to pay the unfunded liability on the retirement side.

GM Robbins stated that the District has also been prepaying a portion of OPEB debt which will save over \$5.5 million in interest over the next 20-30 years and that money can be put toward future projects.

Director Neugebauer stated that there were several entities that the County would not bill and collect for so the District had to take over billing them. She asked if the County may add more entities to that list.

Finance/HR Director stated that the only way that would occur is if a property became wholly exempt and owned by the government and that the County cannot just arbitrarily add people to the list.

Finance/HR Director Housley reviewed the operating budget summary, noting that total revenues are about \$10-11 million with \$9.5 budgeted for this current fiscal year. The District is at \$10,382,160 possibly due to pass-through funds. Total expenditures average around \$7 million each year.

Finance/HR Director Housley stated that depreciation allows the District to budget reserve funds for future projects. He reviewed the capital outlay and improvements budget and operating expenses by department. He noted that total labor and benefits were expected to increase by less than \$6,500 and utilities were increased by \$42,000 because staff doesn't know how much it will cost to run the CNG station when completed. It will take a year or two to determine exactly what that cost will be. Safety education and training was increased by \$14,000 and an increase in depreciation and amortization of \$400,000 is also due to the CNG station.

Finance/HR Director Housley reminded the Board of the public hearing for adoption of the budget which would be on June 30, 2015 at 5 P.M.

A motion was made by Director Neugebauer, seconded by Director Rice to continue consideration of the budget to the public hearing on June 30, 2015. The motion was approved by the following 5-0 vote:

AYES: Cobo, Diep, Krippner, Neugebauer, and Rice

NAYS:

ABSTAIN:

ABSENT:

INFORMATIONAL ITEMS

None

President Cobo convened the meeting to closed session at 5:43 P.M. pursuant to Government Code Section 54957.6.

CLOSED SESSION

CLOSED SESSION: During the course of conducting the business set forth on this agenda as a regular meeting of the Board, the Chair may convene the Board in closed session to consider matters of pending real estate negotiations, pending or potential litigation, or personnel matters, pursuant to Government Code Sections 54956.8, 54956.9, 54957 or 54957.6, as noted.

Reports relating to (a) purchase and sale of property; (b) matters of pending or potential litigation; (c) employment actions or negotiations with employee representatives; or which are exempt from public disclosure under the California Public Records Act, may be reviewed by the Board during a permitted closed session and are not available for public inspection. At such time as the Board takes final action on any of these subjects, the minutes will reflect all required disclosures of information.

A. CONFERENCE WITH LABOR NEGOTIATORS (Government Code Section 54957.6) Agency Designated Representatives: General Manager Robbins, Finance Director Housley and Labor Counsel Joseph Larsen, Employee Organization: American Federation of State, County, and Municipal Employees, LOCAL 1734-01

President Cobo reconvened the meeting at 6:05 P.M.

Labor Counsel stated that there was no reportable action taken due to the closed session.

BOARD CONCERNS/COMMENTS

Director Neugebauer asked why CR&R was not mentioned on the Midway City Community Cleanup Event flyer.

GM Robbins stated that it is sponsored by the County of Orange and recognizes Rainbow Environmental because they provide the bins.

Director Neugebauer stated that she spent two hours watching the TET Parade on Channel 3 and that Midway City Sanitary District representatives were at the very end, without exception.

Director Rice stated that she does not feel the District should participate next year.

Director Rice thanked Finance/HR Director Housley for the great job he did on the budget.

GM/STAFF CONCERNS/COMMENTS

GM Robbins stated that next Tuesday, June 23, 2015, he was having the trees in front of the District office trimmed at a cost of \$480 by Southern California Arborist. The District paid \$2,350 to have the trees trimmed in 2009.

Several Directors asked to be provided with a business card.

GENERAL COUNSEL CONCERNS/COMMENTS

None

ADJOURNMENT

President Cobo adjourned the meeting to Tuesday, June 30, 2015 at the District office at 5:00 P.M. at approximately 6:13 P.M.


Al Krippner, Secretary