

**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 14, 2016**

**CALL TO ORDER**

President Rice called the adjourned regular meeting of the Governing Board of the Midway City Sanitary District to order at 14451 Cedarwood Avenue, Westminster, California on Tuesday, June 14, 2016 at 5:00 P.M.

**BOARD MEMBERS PRESENT:**

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

**OTHERS AT MEETING:**

Kenneth Robbins, General Manager  
Robert Housley, Finance/HR Director  
Danielle Gerardo, Board Secretary  
Nitin Patel, White Nelson Diehl Evans  
Daphne Munoz, White Nelson Diehl Evans  
Pete Schnauffer, AFSCME Local 1734 Union  
Anita Spencer, Resident

**PLEDGE AND INVOCATION**

GM Robbins led the Pledge of Allegiance. Director Neugebauer gave the Invocation.

**PUBLIC COMMENTS**

None

**REPORTS**

President Rice stated that there was a wonderful presentation at the City for Flag Day today.

GM Robbins stated that it was good to be back from his vacation and that he was very thankful to everyone for doing a great job while he was out.

Director Cobo stated that the trip to Las Vegas for the Waste Expo was beneficial.

### **Presentation from Nitin Patel, White Nelson Diehl Evans**

Finance/HR Director Housley stated that Nitin Patel from White Nelson Diehl Evans was at the District to give the Board an update due to developments between the auditing world and the actuarial world and how it will affect or reflect on the District's valuation report for the GASB 45 or OPEB.

Nitin Patel from White Nelson Diehl Evans stated that he was at the District to give the Board an overview of discussions they have had with the District related to its Other Post Employment Benefits Plan (OPEB). Under the standards the District is required to have an actuarial valuation done every three years to determine what the District's liability is for its OPEB. The District currently participates in the CalPERS Pemco Program where premiums are paid into the program. In 2014 there was a change – the actuarial Board changed the statement so that you had to include adjusted premiums with some exceptions. Prior to that, the GASB standards and the actuarial standards allowed the use of unadjusted premiums to determine liability. The GASB standards say that it is up to the actuary profession to come up with a valuation because they are the specialist. Once they did that there was some controversy as to how the actuarial profession interprets this particular standard.

Nitin Patel reported that the District is using Total Compensation Systems to do its valuation, and that he is the only actuary that White Nelson Diehl Evans is aware of that is using the exception allowed by the standard to use on adjusted premiums, and that he discloses that in his report. Other actuaries use adjusted premiums. After some discussion and meetings with other audit firms, White Nelson Diehl Evans came to the conclusion that he is the actuary, that the standards say it is his responsibility to come up with the valuation, and that they will accept that because he has a methodology that he is using for the District's report.

When compared to the last valuation report done for the District, the methodology is the same. The liability is about the same, slightly less because of assumptions he used. If he had used adjusted premiums the District's liability would have been much higher. This becomes really important when you have to implement GASB statement 75, which will not be until 2018.

Director Neugebauer stated that none of the District's Board members participate in CalPERS and are in a self-funded plan. She asked Mr. Patel what the degree of risk within the pool of prepaid pension and retirement funds was.

Mr. Patel stated that he could not say and that there is always risk of different degrees.

Director Neugebauer stated that she remembered being told that the District was funded into perpetuity and wanted to know if the District should continue to prepay or just build a reserve for it.

Mr. Patel stated that he could not answer the question and that it was up to the Board to decide how to invest the District's money.

## **NEW BUSINESS**

### **A. Budget Workshop – Overview of the Fiscal Year 2016-2017 (July 1, 2016 through June 30, 2017) Operating Budget, Capital Improvement Projects and Reserves**

GM Robbins stated that this was the Board's third review of the budget with a mockup of the final draft in order for any last changes to be made before the final approval goes before the Board at the meeting on Tuesday, June 28, 2016.

Finance/HR Director Housley stated that the Board had a copy of the whole budget with the exception of the resolutions for user rates and the actual budget which will be adopted at the meeting and public hearing on June 28, 2016.

Finance/HR Director Housley began by reviewing the executive summary, stating that the District's budget for fiscal year 2016-2017 is a \$10,695,000 operating budget and a \$1,603,000 capital outlay and improvements budget, and is balanced. Some of the capital improvements projected are: a solar panel project for District facilities, completion of a joint siphon and parallel sewer line project with the County of Orange, sewer lining projects, a new fleet maintenance service truck, a new CNG bulky truck, two new sewer service trucks, a sewer Vactor truck, sewer line Smart Covers, extensive public outreach and assistance programs and a commitment to health, safety and educational training. Primary revenues for the District are: user fees (62.93%), property taxes (13.38%), pass-thru funds (13.09%), and franchise fees (8.18%).

Finance/HR Director Housley reviewed the operating expenses by department with solid waste at 51.34%, sewer at 19.62%, administration at 20.36%, fleet maintenance at 5.5%, and Board of Directors at 3.13%. He reminded the Board that Director of Operations Castro was moved from the solid waste department to administration which is why one is lower and the other is higher.

Finance/HR Director reviewed the District's revenues versus operating expenditures and capital improvements for each year.

Director Neugebauer stated that she felt that the healthy reserves that the District has should be noted and added to the second paragraph of the Executive Summary which reads, "The 2016-2017 operating and capital budgets *and reserves* are presented for all District activities and these budgets are balanced with current resources matching

appropriations". Director Neugebauer referred to the pie chart on page 10 of the Executive Summary, which shows that the Board of Directors' expenses at 3.13% and asked if that was higher than last year and if so, was it due to election costs for this year being charged to the Board of Directors. She stated that she didn't think that the cost of the election, even though it is for the Board, should be totally charged to the Board of Directors.

Finance/HR Director stated that Board's compensation rate was increased and the election costs alone are budgeted at \$50,000.

Director Neugebauer stated that she wants the patrons of the District to get a clear picture and did not think that it was feasible to charge the cost of the election to the Directors, and that it should be administrative.

Director Diep stated that the cost of the election could be shifted over to administration but that there was going to be an increase because the meeting stipend for Board members went up in the last year anyway.

President Rice stated that it is for the Directors and if you look back at the chart you can see that it fluctuates slightly but it is what it is.

Finance/HR Director asked, for clarification, if it was Board consensus to put it in Admin or leave it where it's at.

Director Diep stated that he didn't think it was a consensus. Director Cobo agreed.

Director Neugebauer stated that it benefits the District because it is part of the operation of the District and a change would affect the pie chart.

President Rice stated that every Board she has been on charges the Board with the cost of the election.

Director Neugebauer asked if the City charges the cost of the election to the City Council.

President Rice responded that they did – under Council expense.

Finance/HR Director Housley reviewed the general/enterprise fund balance which increased over the last few years and then was reduced approximately \$5 million over the last year due to over \$6 million in COP funds that were retired, \$3.5 million in new CNG trucks, \$3-4 million for the CNG station, prefunding and paying down almost \$2 million in unfunded retirement benefits, all in the last 12-18 months.

Finance/HR Director Housley reviewed the operating budget summary, the capital outlay and improvements budget.

Director Neugebauer made a few suggestions for change including, on page 29 - deleting the annual COP service payments due in January and August of each year because the District retired that debt in August of 2016 and on page 33 she suggested putting the Board of Directors' election expenses under other operating expenses.

GM Robbins suggested adding four lifts or hoists for the fleet maintenance department in the amount of \$60,000 and the Board was in consensus.

Finance/HR Director stated that it is a balanced budget and the District is not using fund reserves like it did this year, and is once again not raising rates. He stated that he would make the suggested changes and bring back the final draft to the June 28, 2016 meeting and public hearing for Board approval.

Director Neugebauer stated that she had suggested the word "better" for the front page of the budget to read, "In an effort to help protect the environment and reduce greenhouse gases, Midway City Sanitary District acquired new Compressed Natural Gas Solid Waste trucks to *better* serve the residents and businesses of the District".

GM Robbins stated that he had some information that does not affect the District because the District does not pay out health benefits that are unused by its employees but was discussed over the past 5 years. The 9<sup>th</sup> Circuit of Appeals Court approved that, in the event that an employee gets cash in lieu of health benefits it must be included in the regular rate for overtime purposes under the Fair Labor Standard Act. This will have a huge impact on some agencies. There will be retro pay and PERS rates will also need to be adjusted.

## **INFORMATIONAL ITEMS**

None

## **BOARD CONCERNS/COMMENTS**

Director Cobo stated that the Board had a great trip to Las Vegas for the Waste Expo and came back with lots of ideas that would help the District. He especially liked the locks for recycle containers to deter scavengers.

GM Robbins stated that he has looked into the locks. They were originally designed to keep vermin out of the trash, and it works well for that purpose, but scavengers can just get a stick to pry the containers open.

Director Neugebauer stated that she spoke with one of the Southern California Edison workers who were repairing the downed power poles across the street from the District and they told her that the core of each of the two poles were completely rotted out. She told him that the year that the District put the artificial turf in, the channel overflowed and

there was water up to the first step. He didn't know about that and said that it could have had something to do with it. She stated that when an event like that happens, she prefers a phone call instead of an email and would not have been happy if someone else had told her about the incident. She commended staff for not letting it interrupt service.

President Rice thanked and commended Finance/HR Director Housley on the budget.

### **GM/STAFF CONCERNS/COMMENTS**

GM Robbins stated that there would be a regular meeting on Tuesday, June 21, 2016.

Finance/HR Director thanked the Board for working with him through the budget process and all the great suggestions.

### **GENERAL COUNSEL CONCERNS/COMMENTS**

None

### **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.

None

### **ADJOURNMENT**

President Rice adjourned the meeting to Tuesday, June 21, 2016 at 5 P.M. at the District office at approximately 5:59 P.M.

  
Frank Cobo, Secretary