

**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**

April 18, 2018

CALL TO ORDER

President Nguyen called the adjourned regular meeting of the Governing Board of the Midway City Sanitary District to order at 14451 Cedarwood Avenue, Westminster, California on Wednesday, April 18, 2018 at 5:00 P.M.

BOARD MEMBERS PRESENT:

Al P. Krippner
Margie L. Rice
Tyler Diep (absent)
Frank A. Cobo
Chi Charlie Nguyen

OTHERS AT MEETING:

Ken Robbins, General Manager
Robert Housley, Finance/HR Director
James Eggart, General Counsel
Danielle Gerardo, Board Secretary

PLEDGE AND INVOCATION

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

PUBLIC COMMENTS

None

NEW BUSINESS

A. Budget Workshop – Overview of the Fiscal Year 2018-2019 (July 1, 2018 through June 30, 2019) Operating Budget, Capital Improvement Projects and Reserves

GM Robbins stated that this was the first of three meetings pertaining to the District's fiscal year 2018-2019 budget and turned the meeting over to Finance/HR Director Housley.

Finance/HR Director Housley presented the Board with a Power Point presentation with an overview of the District's 2018-2019 budget, stating that the numbers would be refined with each meeting. The District as a whole serves around 102,147 residents within its 10.4 miles. There are 20,499 total solid waste customers and 34,485 total sewer connections. The residential rates have remained unchanged for 13 years at \$177 per year for solid waste, and \$87 per year for sewer, for a total of \$264 per year for both services. He stated that the District will be having a rate study done in the near future to determine if the District's rates are in line with the services provided. Commercial sewer rates remain unchanged since 2017 and bin services will have a CPI increase as of July 1, 2018 of 2.79%. The District's revenues are projected at \$11,081,300, expenses are projected at \$9,156,974 and the capital outlay and improvements budget is projected at \$2,075,000. The potential increase to enterprise fund by year end is 1,292,326 - minus an estimated CalPERS unfunded liability payment of \$1,000,000 which leaves a fund balance of \$292,326 at year end. Finance/HR Director Housley stated that this shows that the District's revenues and expenses are in line with what is budgeted and that even though the District has had some large capital outlay projects, the fund balance has stayed somewhat stable.

Finance/HR Director Housley stated that staffing levels are set to change with the hiring of two new solid waste utility/relief drivers due to the new organics program. Benefits will increase due to the new three year MOU which includes a 3% cost of living allowance, step increases, and an increase to \$1,700 for the health insurance cap effective January 1, 2019. CalPERS retirement rates employer contributions will see minimal increases and premiums for dental, life and vision insurance for employees continue to be paid by the District. All employees will continue to pay 100% of their employee contribution towards CalPERS retirement costs.

Finance/HR Director Housley stated that the CPI for proposition 13 property tax assessments is 2.962%, however the District will budget 2.0% to the ad valorem base which will increase the District's budget by approximately \$28,800. The residential sewer and solid waste user fees will remain unchanged and commercial, industrial and other business sewer user fees will also remain unchanged. The 337 special agreement services will be rolled up 2% which will increase the budget approximately \$1,800. The District's franchise fees for 2018-2019 are estimated to be approximately \$900,000. The District's investments are projected to earn 1.5% which is approximately \$50,000 more than the previous budget.

Finance/HR Director Housley stated that in order for the District to implement the new organics program with as little fiscal impact as possible, he had to reduce the budget for each department. Salaries and wages make up 23% of the budget, benefits 16%, residential tonnage from the black and green containers 24%, day to day operations

21%, depreciation and amortization for future capital outlay and replacement 16%, and the District continues to be debt free.

GM Robbins stated that the District has done a lot over the past seven years – installed the CNG station, purchased new CNG trucks, paid off the outstanding debt, purchased a new vactor trucks, paid employee raises and benefits, totaling over \$15 million, and all without raising rates.

Finance/HR Director Housley stated that the District is budgeting 1.6 million for the new organics program because the tonnage cost for the green containers is quite a bit more than the black containers.

GM Robbins stated that the District would need to wait until the program is fully implemented to see the numbers and if necessary, consider proposing a rate increase. The increases and the new organics program costs are to be absorbed by the District and not passed on to the customers at this point in time.

There was discussion regarding the containers and the lack of proper recycling within the District.

Finance/HR Director Housley stated that the District's workers compensation insurance rates had been reduced by 8% but that property, general liability and auto liability insurance would increase 6%.

The District's residential tonnage fees from O.C. Waste and Recycling for the landfill will increase 2.03% and CR&R's service will increase 2.79%. The charge for black containers will be increasing from \$51.62 to \$52.81 and the green containers will cost the District \$89.94 per ton. The District is not charged for the blue recycling containers.

Finance/HR Director Housley reviewed the capital outlay and improvement budget which includes the purchase of two new CNG solid waste trucks, a second new sewer vactor truck and the delivery and purchase of 18,000 new organic green carts - totaling \$2,075,000.

Director Nguyen asked whatever happened to the solar panel project that was budgeted for in 2017-2018.

GM Robbins stated that the District will look at this again sometime in the future and do an RFP for the project.

Finance/HR Director Housley reviewed the costs for the implementation and operation of the new organics program with two new trucks, the carts including delivery and organic kitchen pails for residential homes totaling \$1.695 million. The ongoing costs per year for two new drivers, tonnage fees for organics and the increase to utilities, repairs and maintenance, insurance, depreciation and other operating costs estimated at \$843,000 for a total of \$2,538,000 in the first year of implementation.

INFORMATIONAL ITEMS

None

BOARD CONCERNS/COMMENTS

Director Rice stated that she is proud of the District and commended staff.

Director Cobo stated that the meeting was very educational.

President Nguyen stated that he represented the District at the grand opening of John's Pizza at the Westminster Mall. He asked if the District had a certificate that could be provided at events like this in the future.

GM Robbins stated that he would put something together.

President Nguyen stated that Director Krippner would be attending the Orange County Sanitation District meeting on April 25, 2018 in his place as the District's alternate.

GM/STAFF CONCERNS/COMMENTS

None

GENERAL COUNSEL CONCERNS/COMMENT

None

CLOSED EXECUTIVE 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 Nguyen adjourned the meeting to Tuesday, May 1, 2018 at 5:00 P.M. at the District office at approximately 6:13 P.M.

Margie L. Rice
Margie L. Rice, Secretary