



October 20, 2014

TO: LOCSD Board of Directors

FROM: Ann Kudart, Administrative/Accounting Assistant III *agkudart*

SUBJECT: **Agenda Item 11B – 11/13/2014 Board Meeting**
Approve Meeting Minutes of October 2, 2014

President
Craig V. Baltimore

Vice President
R. Michael Wright

Directors
Leonard A. Moothart
Marshall E. Ochylski
Jon-Erik G. Storm

General Manager
Kathy A. Kivley

District Accountant
Michael L. Doyel

Fire Chief
Robert Lewin

Battalion Chief
Phill Veneris

DESCRIPTION

Attached are minutes from the October 2, 2014 LOCSD Board of Directors Regular Meeting.

SUMMARY OF STAFF RECOMMENDATION

Staff recommends that the Board approve the attached minutes.

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

Motion: I move that the Board approve the minutes of the meetings of October 2, 2014.

Attachment

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**Los Osos Community Services District
Board of Directors
DRAFT Minutes of the Regular Meeting of October 2, 2014**

AGENDA ITEM	DISCUSSION OR ACTION
<p>1. CALL TO ORDER/FLAG SALUTE/ROLL CALL</p>	<p>President Baltimore called the meeting to order at 6:02 p.m. and led the flag salute.</p> <p><u>Roll Call:</u> Leonard Moothart, Director – Present Marshall Ochylski, Director – Arrived at 6:04 p.m. Jon-Eric Storm, Director – Present Michael Wright, Vice Present – Absent Craig Baltimore, President - Present</p> <p>The following Staff were present: Kathy Kivley, General Manager Michael Seitz, District Legal Counsel Ann Kudart, Administrative/Accounting Assistant</p>
<p>2. ANNOUNCEMENT OF CLOSED SESSION ITEMS, PUBLIC COMMENT ON CLOSED SESSION ITEMS, AND CONVENING OF CLOSED SESSION</p> <p>3. PUBLIC COMMENT</p> <p>4. ADJOURN TO CLOSED SESSION</p>	<p>District Legal Counsel Seitz announced that the Board would convene to Closed Session for the following:</p> <p>A. <u>EXISTING LITIGATION (Government Code, §54956.9(d) (1).)</u> Conference with Legal Counsel Regarding Existing Litigation (Formally Initiated): - <i>LOCSD v. Golden State et al</i> (Groundwater Adjudication), Case No. CV040126 (San Luis Obispo Superior Court) - <i>In re Los Osos Community Services District (ND-06-10548)</i> United States Bankruptcy Court, Central District of California, Northern Division</p> <p>B. <u>PERSONNEL MATTERS (Government Code §54957)</u> - Public Employee Performance Evaluation – District General Manager</p> <p>Public Comment – Lynette Tornatzky supported the General Manager's performance and urged the Board to consider a positive evaluation.</p> <p>Richard Margetson asked when the Board would speak publicly on the ISJ; commented that a Board member should have attended the recent Regional Water Quality Control Board (RWQCB) meeting; and did not support a positive evaluation of the General Manager's performance.</p> <p>The Board adjourned to Closed Session at 6:07 p.m.</p>
	<p>The Board reconvened to Open Session at 7:03 p.m. and led the flag salute.</p> <p><u>Roll Call:</u> Leonard Moothart, Director – Present Marshall Ochylski, Director – Left at 8:45 p.m. Jon-Eric Storm, Director – Present Michael Wright, Vice Present – Absent Craig Baltimore, President - Present</p> <p>The following Staff were present: Kathy Kivley, General Manager Michael Seitz, District Legal Counsel Phill Veneris, Battalion Chief Rob Miller, District Engineer Margaret Falkner, Utility Compliance Technician Ann Kudart, Administrative/Accounting Assistant</p>
<p>6. RECEIVE REPORT OUT OF CLOSED SESSION</p>	<p>District Legal Counsel Seitz reported that the Board heard a report in regards to the ISJ and the Bankruptcy from Legal Counsel but took no reportable action. In regards to Personnel Matters, the Board began the General Manager's evaluation and expect to complete it at their next Board meeting.</p>
	<p>President Baltimore asked for a moment of silence for the tragic loss of Margay Edwards, daughter of FAC Member Jeff Edwards and step-daughter of ESAC Member Julie Tacker.</p>
<p>7. PRESENTATIONS AND PUBLIC HEARINGS</p>	<p>None.</p>

AGENDA ITEM	DISCUSSION
<p>8. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA</p>	<p>Vita Miller read a letter regarding her displeasure with Vice Chairperson Storm's behavior at the September 16, 2014 meeting and provided a copy of the letter for the record.</p> <p>Keith Swanson announced that a Candidates Forum would be held on October 10, 2014 at 6:30 p.m. at the South Bay Community Center.</p> <p>Lynette Tornatzky commented on the Candidates Forum.</p> <p>Chuck Cesena commented on the Candidates Forum. He commented on the recent RWQCB meeting concerning the Cease and Desist Orders and on the hearing concerning the Los Osos Groundwater Basin.</p> <p>Linde Owen commented on the need for District representation at the recent RWQCB hearing concerning the Groundwater Basin; that secrecy has not helped the ISJ proceeding; and is concerned about wasted water at the local park.</p> <p>Richard Margetson commented on the letter Director Storm wrote to the RWQCB concerning the Cease and Desist Orders.</p> <p>Legal Counsel Seitz reported that the RWQCB has accepted an invitation from the ISJ Committee to attend their upcoming meeting. Mr. Seitz addressed the confidentiality of the ISJ.</p>
<p>9. ADMINISTRATIVE AND COMMITTEE REPORTS</p> <p>A. CAL FIRE Report</p> <p>B. Utilities Department Report</p> <p>C. General Manager's Report</p> <p>D. Interlocutory Stipulated Judgment (ISJ) Report</p> <p>E. LOCAC Report</p> <p>F. Emergency Services Advisory Committee (ESAC) Report</p> <p>G. Utilities Advisory Committee (UAC) Report</p> <p>H. Finance Advisory Committee (FAC) Report</p>	<p>Battalion Chief Veneris announced Station 15-South Bay's upcoming Fire Safety Fair to be held on October 11th at Vons parking lot from 11:00 a.m. to 3:00 p.m. He reported on the August 2014 report as submitted in the agenda packet.</p> <p>Utility Compliance Technician Falkner reported on the August 2014 operations of the Utilities Department, reporting on water production and consumption. She reported that the 8th Street and El Moro well was out of service at the end of August due to electrical problems and is now back in service, and that the South Bay well will be out of service until the nitrate removal project is completed. She reported on the meter reading, the operations and maintenance of the water system, water conservation outreach campaign, that staff has been working with the rate study consultant, and that she has been working on the annual drainage reports.</p> <p>General Manager Kivley reported that during the month of September 2014 she was involved in the continuing ISJ negotiations, finalizing the employee MOU, authorizing the preparation of utility billing inserts regarding potential rate increase and water conservation, and continuing budget adjustments. She reported that effective September 22, 2014, Michael Doyel started his tenure as District Accountant.</p> <p>District Legal Counsel Seitz reported that the committee reached an agreement in principal regarding the finance and governance, that the items are being finalized for submission to the court in December or January for final judgment, and if the court rules in favor of the plan it becomes public at that time.</p> <p>LOCAC Member Paul Malykont reported that at the September meeting the Council heard a report from Highway Patrol; County Staff reported that the Community Plan was delayed and reported on the McDonald's project; runoff at the park was addressed; Supervisor Gibson reported that the wastewater site construction is ongoing and public tours available quarterly; the County received seismic studies from PG&G regarding Diablo Canyon but have not yet reviewed; the Seawater Instruction Report was being reviewed but no release date given; RTA reported on fares; and two vacation rental referrals were discussed.</p> <p>President Baltimore reported that at the September 16, 2014 ESAC meeting the Committee discussed the upcoming Fire Safety Fair and the Fire Flow Map updates and that the next meeting would be held October 21, 2014.</p> <p>Director Ochylski reported that the FAC held a Joint Meeting with UAC on September 10, 2014 to discuss the scope for a water rate study. Director Moothart reported that Alex Handlers of Bartle Wells Associated provided a presentation of key issues the District is facing with water rates and finances. General Manager Kivley announced that the next joint FAC/UAC meeting would be held November 19, 2014.</p>

AGENDA ITEM	DISCUSSION
<p>9. ADMINISTRATIVE AND COMMITTEE REPORTS (continue)</p> <p>I. Directors' Announcement of District and Community Interest and Reports on Attendance at Public Meetings, Training Programs, Conferences and Seminars</p>	<p>Director Ochylski, as LAFCO Special Districts Representative, reported that assuming a settlement of the ISJ litigation is reached the Los Osos Basin would then be included as an exempted basin.</p>
<p>10. PUBLIC COMMENT FOR ADMINISTRATIVE AND COMMITTEE REPORTS AND THE CONSENT CALENDAR</p>	<p>Chuck Cesena commented on the ISJ update; that the ESAC report did not cover the whole meeting; and urged the Board to take advantage of the qualified member on the committees.</p> <p>Lynette Tornatzky commented on her interest in Agenda Item 11E.</p> <p>Linde Owen commented on the severe fire season; commented on the recent RWQCB meeting hearing, their change of staff and urged the Board to support them.</p> <p>Keith Swanson commented on Agenda Item 11E; recognized UAC and the subcommittee that prepared the current rate structure; financials not reviewed for the last few months as two FAC meetings were canceled; Admin allocation from the Drainage fund; recovery of emergency responses from the Water Department during construction of the collection system; and the water conservation consultant fee.</p> <p>Richard Margetson commented that the ESAC report should have been given by the Vice Chairperson and commented on the actions that occurred at the meeting.</p>
<p>11. CONSENT AGENDA</p> <p>A. Receive Administrative and Committee Reports</p> <p>B. Approve Meeting Minutes of September 4, 2014</p> <p>C. Receive Warrant Register for the Month of September 2014</p> <p>D. Receive Current Expenditure Reports</p> <p>E. Adopt Resolution Rescinding the Prior Action as to the Solid Waste Interfund Loan and Write Off the Interfund Loan from the Water Fund to the Wastewater Fund</p> <p>F. Adopt Resolution to Reverse Entry for the I-Bank Reserve in Fiscal Year 13/14</p>	<p>A motion was made by Director Ochylski to receive and file the Administrative and Committee Reports, and to approve the items on the Consent Calendar. The motion was seconded by Director Moothart and carried with the following vote:</p> <p>Ayes: Directors Ochylski, Moothart, Storm, Baltimore Nays: None Abstain: None Absent: Wright</p>
<p>12. GENERAL ACTION ITEMS</p> <p>A. Approve Contract with Bartle Wells Associates to Conduct Water Rate Study</p>	<p>General Manager Kathy Kivley gave a brief summary of the item. District Engineer Rob Miller reported that Alex Handlers of Bartle Wells Associates (BWA) would be providing a version of the presentation he gave at the joint FAC/UAC meeting on September 10, 2014.</p> <p>Mr. Handlers gave a presentation providing a brief background of BWA as consultants specializing in water rates and finance and has conducted over 2,000 water rate and fee studies. He gave an overview of the District's customer base, water finances and financial challenges, the District's water rate history and current water rates. Mr. Handlers discussed the steps in the process to complete the formal rate study and related Proposition 218 process as increased revenues will be necessary to fund approved capital improvements and provide stable income during periods of reduced water sales.</p> <p>Public Comment – Keith Swanson appreciated the presentation and the interaction of the committees at the joint meeting but feels the District is acting too soon, not knowing the impact of the ISJ adjudication on the District finances and future projects.</p>

AGENDA ITEM	DISCUSSION
<p>12. GENERAL ACTION ITEMS</p> <p>A. Approve Contract with Bartle Wells Associates to Conduct Water Rate Study (continued)</p>	<p>Linde Owen appreciated the presentation and opposed the cost of the water rate study supporting the past subcommittee that worked pro bono; supported keeping the tiered system; and encouraged the increased rates implemented in short stages.</p> <p>Director Ochylski left the dais.</p> <p>Chuck Cesena voiced his appreciation of the presentations and support of the Consultant; and urged the Board to address the existing billing software issues.</p> <p>Richard Margetson commented that if the prior rate study subcommittee was reconvened the billing software issues should be addressed with the Consultant.</p> <p>Lynette Tornatzky commented that she was impressed with Mr. Handlers two presentations and urged the Board to approve the contract and move ahead with the study.</p> <p>A motion was made by Director Moothart to approve the contract (Exhibit A) with Bartle Wells Associates in an amount not to exceed \$32,000, establish a contingency fund for additional services in an amount not to exceed \$10,000, and authorize the General Manager to execute the contract on behalf of the District. The motion was seconded by Director Storm and carried with the following vote:</p> <p>Ayes: Directors Moothart, Storm, Baltimore Nays: None Abstain: None Absent: Ochylski, Wright</p> <p>President Baltimore reconvened the 2011 Water Rate Subcommittee to meet with the Consultant to share historical knowledge.</p>
<p>B. Introduce by Title Only and Consider Ordinance Amending Title 2 of District Code Regarding Leak Adjustment Credits</p>	<p>General Manager Kivley introduced the item and Utility Compliance Technician Falkner reported that this item would amend Section 2.01.20 of the District Code to limit criteria for a leak adjustment credit to internal household plumbing.</p> <p>Public Comment – Linde Owen commented that this item should go to the UAC and then brought back to the Board.</p> <p>Richard Margetson agreed that this item should go to the UAC for their recommendation to the Board.</p> <p>A motion was made by Director Storm to continue this item to a future meeting and direct this to the Utilities Advisory Committee. The motion as seconded by Director Moothart and carried with the following vote:</p> <p>Ayes: Directors Storm, Moothart, Baltimore Nays: None Abstain: None Absent: Ochylski, Wright</p>
<p>13. DISCUSSION OF PULLED CONSENT ITEMS</p>	<p>None.</p>
<p>14. FUTURE AGENDA ITEMS</p>	<p>None.</p>
<p>15. CLOSING BOARD COMMENTS</p>	<p>Director Storm thanked Staff and Mr. Handlers for the presentation and thanked everybody for a good meeting.</p> <p>Director Moothart encouraged the public to attend the October 11th Fire Safety Fair.</p> <p>President Baltimore thanked the public for their comments.</p>
<p>16. ADJOURNMENT</p>	<p>The meeting adjourned at 9:20 p.m.</p>