

MENDOCINO CITY COMMUNITY SERVICES DISTRICT

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Minutes of April 28, 2008

Regular meeting was called to order at 7:00 p.m. in the business office at the Wastewater Treatment Plant. Present were Directors Ball, Kraynek, Dill, Schwartz and O'Brien. Also present were Superintendent Mike Kelley and Secretary Jodi Mitchell.

1. Minutes of March 31, 2008

MOTION Dill/Kraynek: To approve the minutes of March 31, 2008 as presented.
ROLL CALL VOTE AYES: Directors Kraynek, Ball, Dill, Schwartz and O'Brien
NOES: None
ABSENT: None
ABSTAIN: None

2. Superintendent Kelley requested a change to the agenda to add an action item to new business for discussion and approval of expenses for a survey and inspection of the ocean outfall line. Mike explained that Alpha Diving had planned to perform their annual survey in July, however, Humboldt State University divers provided additional information regarding damage they discovered on the ocean outfall line while recently diving in the area.

The Secretary informed the Board that Government Code Section 61044 subjects the Board of Directors to the Ralph M. Brown Act. The Brown Act provides an exception to the agenda requirements, and the board may discuss an item, which was not previously placed upon an agenda if the Board determined there was a need for immediate action, which could not reasonably wait for the next regularly scheduled meeting. The statute specified that action must have come to the attention of the body after the agenda had already been posted, and a determination must be made for immediate action by two-thirds of the total body.

MOTION Kraynek/Dill: To add item 5(e) to the agenda, for discussion of the Ocean Outfall Line, considering the severity of the issue.
ROLL CALL VOTE AYES: Directors Kraynek, Ball, Dill, Schwartz and O'Brien
NOES: None
ABSENT: None
ABSTAIN: None

3. Communications

On April 9th, staff received a visit from Phil Gorny and Diana Hershey. Mr. Gorny was the Planning Team Manager with the County of Mendocino and he was working with Planner Diana Hershey regarding the Mendocino Town Update. Staff provided information pertaining to Groundwater Management and the District's Municipal Service Review, which contained information they were seeking regarding sewer hookups and plant capacity. Correspondence was received from Phil Gorny, thanking the District staff for their prompt reply to their request for information, and he trusted that they would maintain a beneficial working relationship as the Planning Team began their update of the Mendocino Town Plan.

4. Public Comment – None

5. New Business

a. Discussion of 2008/2009 Budget and Proposed Monthly Sewer Rate Increase

Superintendent Kelley provided the Board with a memorandum regarding review of monthly sewer service charges, plant capacity and current plant loading.

Superintendent Kelley provided the Board with a Memorandum regarding the proposed 2008/2009 budget and monthly sewer rate increase. Mike reported that he met with the Finance Committee and addressed two major items that were increased in the proposed budget: 1) Equipment Replacement and 2) Operator Compensation.

Larson and Associates estimated that the Mendocino Sewerage System had a current replacement value of \$9,431,878. Based on their recommendation, the District should be setting aside \$288,095 per year for annual equipment replacement. Since much of the system was over 30 years old, each component in the system was re-calculated, and the annual amount for straight line depreciation of the system, over the remaining useful life, was determined at \$351,011. The current equipment replacement line item in the annual budget was \$100,000.00 per year. The Board agreed that increasing the equipment replacement line item in the budget over a period of years may be a more fair and reasonable approach to existing users. Since most of the components were in excellent condition, the District would have more time to increase the equipment replacement reserves over a period of years and suggested a \$50,000 increase this year, and every two years for the next eight years to increase the annual equipment replacement fund to the \$351,000 per year goal. Finance Committee member Sam Kraynek pointed out that the Board should consider cost of compliance if a spill should occur due to insufficient equipment replacement funds, and noted that the District's Auditor, for the past two years, has recommended increasing the equipment replacement fund.

The Finance committee reviewed current salaries for operators, including the Superintendent's salary. Superintendent Kelley outlined the operator's certificate levels and responsibilities, and noted that the operator's compensation was currently 30% below average for similar positions, and historically underpaid by MCCSD. Mike noted that he read in a trade journal that 50% of the water and wastewater certified operators in California would retire in the next 5 years, and attempts by other agencies to steal trained operators would only increase in the future. Mike was of the opinion that the District needed to stay competitive to retain good employees and that the District would not be able to replace retiring employees with qualified individuals with 30% below normal salaries.

The California EPA and the California State Water Resources Control Board published an annual survey of sewer user charges for California wastewater agencies. The information collected by the survey included level of treatment, location of the system, population served, monthly sewer treatment charges and connections and if the facility was funded by grants. The 2006/2007 Wastewater User Charge Survey Report indicated that MCCSD's fees were below average for equivalent sewerage systems in California. MCCSD monthly fees were not based on the strength of the wastewater from different user groups, such as a restaurant, for example, who has up to five times as much BOD than a residence. Director Schwartz commented that the District's Wastewater Treatment Plant was exceptional and equal to, or better than, the very best in the State. Mike noted the District was miles ahead of other treatment plants, with their installation of their Class A biosolids equipment.

Discussion moved to item 5(e) Costs for Survey and Inspection of the Ocean Outfall

The Board discussed expenses for a survey and inspection of the ocean outfall line. Mike explained that Alpha Diving had planned to do their annual survey in July, however, Humboldt State University divers provided additional information regarding damage they discovered on the ocean outfall line while diving in the area. The instructor of HSU was concerned about what they found, and Mike noted that technically, the District could be in violation if the flow was not exiting from the diffuser. Corrosion may be causing the problem and the District would need to look at options for a solution to salvage the outfall line. Mike estimated the remaining useful life left to be 5 years; 10 would be questionable.

Alpha Diving provided a cost estimate for the primary survey with two options. 1) Primary Survey and Annual Inspection (\$6,500) or 2) Primary survey, annual inspection and all joints cleaned, identified and completely documented on video tape. The cost estimate for option #2 was \$10,500. Mike noted that Alpha Diving could possibly begin the inspection within a week or so. The District must identify the problem in order to take any repair action.

MOTION Schwartz/Ball: To approve expenses for Alpha Diving to perform the survey and inspection as outlined under the Cost Estimate for Primary Survey, option #2, in the amount of \$10,500.

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ROLL CALL VOTE AYES: Directors Kraynek, Ball, Dill, Schwartz and O'Brien
 NOES: None
 ABSENT: None
 ABSTAIN: None

President O'Brien responded to a fire alarm, and Vice President Schwartz continued the meeting in his capacity as Vice President.

Discussion moved to Agenda item 5(a) Discussion of 2008/2009 Budget and Proposed Monthly Sewer Rate Increase

The Board reviewed the proposed budget for the 2008/2009 fiscal year. The proposed budget included a 13.7% monthly sewer fee increase. Superintendent Kelley noted that the charge for water management would remain at 15.13% of the sewer use fees, but the amount would increase as a result of the increased sewer fees. The proposed budget reflected an increase in some of the line item expenses, including the wages/benefits categories, and the equipment replacement fund. The 2008/09 revenue was \$750,612, an increase of \$92,957 over last year. Expenses were \$750,465, an increase of \$93,293 over last year's budget expenses, leaving a net income of \$148.

Superintendent Kelley recommended increasing the equipment replacement budget, keep a running account of Capital Improvement and the Equipment Replacement revenues, develop a multi-year schedule to increase the annual Equipment Replacement budget, and adopt a revenue program for the 2008/09 budget that will ensure the long-term financial stability of the District.

MOTION Kraynek/Dill: To accept the 2008/2009 budget as illustrated.

ROLL CALL VOTE AYES: Directors Kraynek, Ball, Dill, and Schwartz
 NOES: None
 ABSENT: Director O'Brien
 ABSTAIN: None

5. New Business

b. Introduction of Ordinance No. 08-1

The Board reviewed Ordinance No. 08-1 – an Ordinance of the MCCSD increasing monthly sewer service charges. The baseline residential or ESD monthly sewer service fee shall be increased for all monthly sewer service charges by 13.7% for all billing commencing July 1, 2008. The baseline residential monthly rate would be \$42.36 and other monthly rates shall rise accordingly. The charge for Groundwater Management would remain at 15.13%.

MOTION Kraynek/Ball: To waive the reading of Ordinance No. 08-1.

ROLL CALL VOTE AYES: Directors Kraynek, Ball, Dill, and Schwartz
 NOES: None
 ABSENT: Director O'Brien
 ABSTAIN: None

MOTION Kraynek/Dill: To introduce Ordinance No. 08-1, an Ordinance to increase the monthly sewer service charges effective 7/1/08.

ROLL CALL VOTE AYES: Directors Kraynek, Ball, Dill, and Schwartz
 NOES: None
 ABSENT: Director O'Brien
 ABSTAIN: None

c. Discussion of Overflow Emergency Response Plan

Superintendent Kelley reported that a copy of the Overflow Emergency Response Plan was available to Board members. The Overflow Emergency Response Plan (OERP) defined the Mendocino City Community Services District's plans, procedures and requirements for responding, remediation and reporting sanitary sewer overflows from sewers and lift stations. The OERP was developed to satisfy

terms and conditions of the CRWQCB North Coast Region, NPDES General Waste Discharge Requirements and the State Water Board's General Order.

d. Approval of a Contract for Design of the Heeser Drive Lift Station Improvements

MCCSD received an estimate from Kelly Grimes and David Carpenter for the design and engineering of the Heeser Drive Lift Station improvements. The District planned to construct an access road and a small building at the lift station to house an emergency generator and for maintenance of the lift station wet well. Their hourly rate would be \$125 per hour and the total cost was estimated in the range of \$5,00 to \$8,000.00. Mike noted that the estimate would also include set up and installation of the generator venting and exhaust, and slab installation. The Board requested a more detailed description of the proposed work.

MOTION Kraynek/Dill: To approve expenses not to exceed \$8,000 for design and engineering of the Heeser Drive Facility.

ROLL CALL VOTE
AYES: Directors Kraynek, Ball, Dill, and Schwartz
NOES: None
ABSENT: Director O'Brien
ABSTAIN: None

6. Water Management

a. Groundwater Extraction Permit Application approval Extension

1. Jeremy Norris, 45036 Ukiah Street, APN 119-234-08

On May 22, 2006, the MCCSD Board of Directors approved a Groundwater Extraction Permit Application for a 900 sq. ft. commercial office. The property owner had two years to complete the Groundwater Extraction Permit process and obtain final approval. The water meter has been installed and the property shared a common water system with Mendocino Center Associates. The Deed Restriction was filed with the Mendocino County Recorder. Once the floor plans were received for the new development, the District would issue a Final Groundwater Extraction Permit.

MOTION Dill/Kraynek: To approve the Application for a two year extension for a Groundwater Extraction Permit Application Approval for Jeremy Norris on APN 119-234-08.

ROLL CALL VOTE
AYES: Directors Kraynek, Ball, Dill, and Schwartz
NOES: None
ABSENT: Director O'Brien
ABSTAIN: None

2. Jeremy Norris, 45030 Ukiah Street, APN 119-234-09

On May 22, 2006, the MCCSD Board approved a Groundwater Extraction Permit Application for a 700 sq. ft. commercial retail office or shop, and a single family residence. The property owner had two years to complete the Groundwater Extraction Permit process and obtain final approval. The water meter has been installed and the properties share a common water system with Mendocino Center Associates. The Deed Restriction has been filed with the Mendocino County Recorder. Once the floor plans have been received for the new development, the District would issue a Final Groundwater Extraction Permit.

MOTION Dill/Kraynek: To approve the Application for a two year extension for a Groundwater Extraction Permit Application Approval for Jeremy Norris on APN 119-234-09.

ROLL CALL VOTE
AYES: Directors Kraynek, Ball, Dill, Schwartz and O'Brien
NOES: None
ABSENT: Director O'Brien
ABSTAIN: None

President O'Brien returned from a fire call and resumed his position as chairman.

7. Old Business

8. Attorney's Report

9. District Superintendent's Report

During the month of April, the treatment plant operated normally. Plant personnel performed routine plant maintenance and equipment repair.

Staff finished installing the new crane and the vise on the service truck. The Chrysler dealer installed a new dash in the truck.

The District was in the process of obtaining prices for replacement roads for the Main Street and Heeser Drive Lift Stations. The lift stations had been surveyed for the work.

A new computer was installed in the office on April 22nd.

Aerator #1 and #2 had been rebuilt and would be reinstalled during May 2008.

No recycled water was transferred to the High School during the month of March 2008. Two water transfers were made during April 2008.

Staff took their regular monthly safety meeting online. The Safety Officer also conducted the monthly safety inspection of the plant.

10. Committee Reports

Secretary Mitchell reported that early in 2005 Judy Chapman initiated an application for annexation of her parcel located on the East side of Gurley Lane into the MCCSD. In April of 2005, the District received a notice of the public hearing on adoption of LAFCO's proposed policy for the SOI/MSR process. In August of 2006, LAFCO initiated their request for submission of the required Municipal Service Review, and in April of 2007, the District provided the requested information. LAFCO has not contacted the District to date regarding their Municipal Service Review. Mrs. Chapman contacted the District and inquired about the status of the proposed annexation. The District explained that they provided the required MSR to LAFCO in April of 2007. Mr. Gorny, the Planning Team Manager with the County of Mendocino, and Planner Diana Hershey, inquired about the District's MSR because they were under the impression that small district's were not submitting the requested information in a timely manner to LAFCO. This information was relayed to President O'Brien, and on April 14th a letter was addressed to the Mendocino County LAFCO Board of Directors asking for the status of the Districts' Municipal Service Review and the status of the Judy Chapman annexation into the MCCSD boundaries.

11. District Secretary's Report

Cash Disbursements

MOTION Kraynek/Schwartz: To approve payment for checks #8208 – 8261, noting no checks were void.

ROLL CALL VOTE	AYES:	Directors Kraynek, Ball, Dill, Schwartz and O'Brien
	NOES:	None
	ABSENT:	None
	ABSTAIN:	None

Quarterly Report of Income and Expenses

The Board reviewed the quarterly report of income and expenses for the period of January through March 2008. Total revenue to date was \$501,272 to date with expenses of \$522,261, leaving a net loss of \$20,989 to date. 76% of Total revenue budgeted was received, while expenses were at 79% of budgeted expenses.

Secretary Mitchell reminded the Board that the next meeting was scheduled for May 19th, due to the Memorial Day Holiday. The meeting adjourned.

Respectfully submitted,

Jodi Mitchell
District Secretary