



January 15, 2019

TO: LOCSO Board of Directors
FROM: Ann Kudart, Administrative Services Manager
SUBJECT: **Agenda Item 11B – 2/7/2019 Board Meeting**
Approve Prior Meeting Minutes

President
Marshall E. Ochylski

Vice President
Charles L. Cesena

Directors
Matthew D. Fourcroy
Vicki L. Milledge
Christine M. Womack

General Manager
Renee Osborne

District Accountant
Robert Stilts, CPA

Unit Chief
Scott M. Jalbert

Battalion Chief
Greg Alex

DESCRIPTION

Attached are the minutes of the Board of Directors meeting held January 10, 2019 your approval.

STAFF RECOMMENDATION

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 Board of Directors meeting held January 10 2019.

Attachment

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**Los Osos Community Services District
DRAFT Minutes of the Regular Meeting of January 10, 2019**

AGENDA ITEM	DISCUSSION OR ACTION
<p>1. CALL TO ORDER/FLAG SALUTE/SILENT OBSERVANCE/ROLL CALL</p>	<p>President Milledge called the meeting to order at 5:34 p.m., led the flag salute and asked for a moment of silent observance.</p> <p>Roll Call: Charles Cesena, Director – Present Matthew Fourcroy, Director – Present Christine Womack, Director – Present Marshall Ochylski, Vice President – Present Vicki Milledge, President – Present</p> <p>The following staff was present: Renee Osborne, General Manager Roy Hanley, District Counsel Jose Acosta, Utility Systems Manager Ann Kudart, Administrative Services Manager</p>
<p>2. ANNOUNCEMENT OF CLOSED SESSION ITEMS</p>	<p>Legal Counsel Hanley announced that the Board would convene to Closed Session for the following:</p> <p>A. <u>CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION [Government Code 94956.9(d)(1)]</u> One (1) potential case relative to the election</p> <p>B. <u>CONFERENCE WITH LEGAL COUNSEL-LIABILITY CLAIM [Government Code 94961]</u> Claimant: Jason Zatt, Utility Compliance Technician II Agency Claimed Against: Los Osos Community Services District</p> <p>C. <u>PUBLIC EMPLOYEE PERFORMANCE EVALUATION [Government Code 54957(b)(1)]</u> Employee Performance Evaluation – District Legal Counsel</p>
<p>3. PUBLIC COMMENT</p>	<p>Julie Tacker, Vita Miller, Linde Owen, and Stephen Best commented on the election issues and opposed Director Womack remaining on the Board.</p>
<p>4. ADJOURN TO CLOSED SESSION</p>	<p>The Board adjourned to Closed Session at 5:50 p.m.</p>
<p>5. RECONVENE TO OPEN SESSION AND REPORT OUT OF CLOSED SESSION MEETING</p>	<p>The Board reconvened to Open Session at 7:03 p.m. and President Milledge led the flag salute.</p> <p>The following Directors were present: Charles Cesena, Director – Present Matthew Fourcroy, Director – Present Christine Womack, Director – Present Marshall Ochylski, Vice President – Present Vicki Milledge, President – Present</p> <p>The following Staff was present: Renee Osborne, General Manager Roy Hanley, District Counsel Jose Acosta, Utility Systems Manager Ann Kudart, Administrative Services Manager</p> <p>Legal Counsel Hanley reported that the Board took no reportable action in Closed Session.</p>
<p>6. BOARD OFFICER ELECTIONS A. Election of Board President and Vice President for 2019</p>	<p>President Milledge called for nominations for Board President and nominated Vice President Ochylski. Director Cesena nominated himself, seeing no other nominations, the floor was opened to public comment.</p> <p>Public Comment – Vita Miller, Steve Best, and Linde Owen supported Director Cesena for Board President.</p> <p>Lynette Tornatzky supported Vice President Ochylski for Board President.</p> <p>The Board voted by ballot; Administrative Services Manager Kudart opened and read each vote aloud; and on a ballot vote of 3-2, Vice President Ochylski was elected 2019 Board President.</p>

AGENDA ITEM	DISCUSSION
<p>6. BOARD OFFICER ELECTIONS A. Election of Board President and Vice President for 2019 (continued)</p>	<p>President Ochylski opened nominations for 2019 Vice President and nominated Director Cesena. Seeing no other nominations, the floor was opened to public comment.</p> <p>Public Comment – Vita Miller and Julie Tacker supported Director Cesena for Vice President.</p> <p>President Ochylski called for a vote by acclamation to elect Director Cesena as 2019 Board Vice President; the vote carried 5-0.</p>
<p>7. PRESENTATION A. Draft Fiscal Year 2017/2018 Audit Report</p>	<p>Adam Guise of Moss, Levy & Hartzheim provided a summary of the draft Independent Auditors' Report for Fiscal Year ending June 30, 2018 as submitted with the agenda packet. Mr. Guise reported that this is a draft of the financial statements and with acceptance by the Board would become the Final Fiscal Year 2017/2018 Audit. He reported that it is a clean audit opinion; that the District came in under budget on expenditures for both the General fund and Fire fund; that GASB 75 is a new Government auditing standard statement this year changing the reporting for retiree health benefits and requiring the full liability in the financial statements; that the loans to Bayridge Estates and Vista de Oro had been treated as transfers and are now shown as loans to be paid back to the Water fund.</p> <p>Mr. Guise reported disclosure findings regarding the inventory and that the District needs to take inventory count by June 30th to get an accurate representation of parts on hand balance; and, that the District is required to repay \$25,000 per year into the Bond Reserve Account until the balance is brought up to the minimum requirement for the bond issuance, that the transfer order was given but did not occur, was remedied in October, and that going forward the District should ensure the payment is made when the order is given to the bank.</p> <p>Public Comment – Julie Tacker commented that the page regarding the findings was not available and that the payroll should be monitored more closely in future audits.</p> <p>A motion was made by Director Womack that the Board receive and file the Fiscal Year 2017/2018 Audit Report. The motion was seconded by Director Milledge and carried 5-0.</p>
<p>8. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA</p>	<p>Julie Tacker believed the Closed Session and Finance Committee agendas should have been noticed as special meetings; commented that there was no ceremonial item welcoming the new Directors; no explanation regarding the elections issues; and, that she had found a payroll anomaly regarding director's compensation.</p> <p>Linde Owen commented on overpayment of director compensation and repayment if necessary.</p> <p>Vita Miller supported the previous speaker's comments and commented on the unfairness of the recent election process.</p> <p>Steve Best commented on the recent election issues and the need for transparent government for Los Osos.</p> <p>Tom Wright asked for the Board's permission to start a free lending library for the community, which he would donate, in front of the Fire Station.</p>
<p>9. ADMINISTRATIVE AND COMMITTEE REPORTS</p> <p>A. Fire Department Report</p> <p>B. Sheriff Department Report</p> <p>C. Utilities Department Report</p>	<p>Chief Alex was unavailable. The Chief's Report for December 2018 was submitted in the agenda packet.</p> <p>Commander Manuele, Sheriff's Coast Station, provided a report of Sheriff Department activities for the month of December 2018 with 617 calls for service which included assaults, disturbances, burglary, thefts, vandalism, phone scams.</p> <p>Utility Systems Manager Acosta provided a summary of the November 2018 activities of the Utilities Department as submitted in the agenda packet, reporting that residential water usage was 61.4 per person per day, a decrease from this same time last year. He reported on production and runtime hours by well site, water billing information, Utilities Department operations and maintenance, water distribution and treatment, and rainfall totals; that he is expecting additional quotes for decommissioning the Bayridge Estate tanks and that a second location was found for disposal; and, an upcoming drainage basin brush removal.</p>

AGENDA ITEM	DISCUSSION
D. General Manager Report	General Manager Osborne provided a summary of the GM's activities for December 2018 as submitted with the agenda packet reporting that staff has been working with the Auditor on the draft Audit, mid-year budget adjustments, the weed abatement ordinance, refinancing of the Wastewater Bonds, the 2019 Water Conservation Campaign, the Los Osos Low Income Assistance Fund, and that staff will be moving from Suite 102 to Suite 110.
E. Los Osos/Baywood Park Chamber of Commerce Report	Steve Vinson announced the Chamber's 2019 Board and Officers; the upcoming January 18 th Community Awards Dinner and Installation and the March 14 th Business Expo.
F. Finance Advisory Committee Report	Committee Chairperson Ochylski reported on the December 8 th FAC meeting in which the Committee recommended Board approval regarding reconciling the fire reserves for fiscal year 2017/18, the bond refinancing, the warrant register, and to receive and file the financial reports.
G. Directors Announcements of District and Community Interest and Reports on Attendance at Public Meetings, Training Programs, Conferences, and Seminars	None
H. Appointment by Board President of an Ad Hoc Committee to Review the Board Bylaws	President Ochylski appointed himself and Vice President Cesena to an Ad Hoc Committee to review the Bylaws for adoption at the Board's February meeting.
I. Response to Previously Asked Questions	President Ochylski directed that staff address the questions regarding Director Compensation and the 2019 Election issues at the February 7, 2019 Board meeting.
J. Parks and Recreation Committee Letter to the Board of Directors	President Ochylski clarified that the Board's intention was to request reimbursement for the replacement of the rubber chips project from the County and not for the Parks and Recreation Committee member to solicit funds from the community.
10. PUBLIC COMMENT ON THE ADMINISTRATIVE AND COMMITTEE REPORTS AND THE CONSENT AGENDA	<p>President Ochylski asked if anyone wished to pull an item from consent to be heard separately or tabled and Legal Counsel Hanley requested that Item 11H be pulled to be heard separately.</p> <p>Public Comment – Julie Tacker commented on the reimbursement from the County for the rubber chip removal project; suggested the District see if Morro Bay National Estuary Program would want the Low Income Assistance Program monies back; and, opposed Agenda Item 11F process without prior Board authorization.</p> <p>Linde Owen would like to be involved with the upcoming Water Conservation program; thanked Mr. Vinson for his Chamber Report; commented on vehicle vandalism; the move to Suite 110; and supported the County reimbursing the District for the rubber chip removal project.</p>
11. CONSENT AGENDA A. Receive Administrative and Committee Reports B. Approve Meeting Minutes of December 6, 2018 C. Approve Warrant Register for December 2018 D. Receive Financial Reports for the Period Ending December 31, 2018 E. Adopt Resolution Deleting Director Tornatzky as Signer on All District Bank Accounts and Adding Director Fourcroy as Signer on All District Bank Accounts F. Ratify Contract with NBS for Reassessment Report	<p>A motion was made by Vice President Cesena that the Board receive and file the Administrative and Committee Reports and approve the Consent Agenda with the exception of Item 11H. The motion was seconded by Director Womack and carried with the following vote:</p> <p>Ayes: Directors Cesena, Womack, Fourcroy, Milledge, Ochylski Nays: None Abstain: None Absent: None</p>

AGENDA ITEM	DISCUSSION
<p>11. CONSENT AGENDA (continued) G. Approve Reconciliation of Fire Reserve H. Approve Addendum One to Commercial Lease Agreement for District Offices</p>	
<p>12. GENERAL ACTION ITEMS</p> <p>A. High Water Bill Due to Broken Pipe at 1190 7th Street</p>	<p>General Manager Osborne provided a summary of the staff report as submitted with the agenda packet.</p> <p>Alan Black, representing the property owner, appealed to the Board for relief and to consider modifying the relief policy within the Stage III Water Shortage Contingency Plan to allow for these types of non-negligent leaks.</p> <p>Public Comment – None</p> <p>Utility Systems Manager Acosta reported that there were no other complaints in the neighborhood or throughout the District regarding any surges; that the District has operating valves that act as surge protectors and that our well sites have filter tanks that act as surge protection as well; that the District has tools in place to assist with surges; and, that the recommendation of adding transient or pressure monitoring devices has been discussed at UAC for future SCADA upgrades.</p> <p>District Counsel Hanley reported that the District’s emergency policy is not based only on shortage and as it currently stands the District does not have the power to grant relief.</p> <p>The Board directed that the policy be referred to Utilities Advisory Committee for review and recommendations.</p>
<p>B. Adopt Resolution Adopting the District’s Debt Management Policy</p>	<p>Bud Levine, Municipal Advisor, reported that State law requires that a debt management policy be in place by local agencies related to the issuance and administration of debt and required to consider refunding. Paul Thimming, Bond and Disclosure Counsel, reported that it is a guideline to view debt.</p> <p>Public Comment - None</p> <p>Director Womack moved that the Board support staff in their efforts and to move forward in the pursuit of grants for the project. The motion was seconded by Director Fourcroy and carried with the following vote:</p> <p>Ayes: Directors Womack, Fourcroy, Milledge, Cesena, Ochylski Nays: None Abstain: None Absent: None</p>
<p>C. Issuance of Limited Obligation Refunding Bonds WW Assessment District #1</p>	<p>Bud Levine introduced the Financing Team including himself and Mark Pressman of Wulff, Hansen & Co., Municipal Advisors; Bond and Disclosure Counsel Paul Thimming, Quint & Thimming LLP; Nicki Tallman and Jeff Land, Brandis Tallman, LLC, Underwriters; and not present, the District’s Assessment Administrator, NBS and the Fiscal and Escrow Agent, US Bank.</p> <p>The Financing Team provided a PowerPoint Presentation providing a brief history of the 2002 Bonds to finance the acquisition and construction of public wastewater improvements; discussed the current market, why consider refinancing and refunding benefits; reviewed the necessary legal documents to be approved and adopted; preliminary saving to the property owners; and, went over the financing timeline.</p> <p>Public Comment – Julie Tacker commented that there is no contract in place for the Financing Team and how much would they get paid if it should all come to fruition.</p> <p>Mr. Levine reported that the Underwriter’s fee is \$81,000; Municipal Advisor’s fee is \$45,000; Bond Counsel fee of \$60,000 and Disclosure Counsel fee of \$30,000; Reassessment Engineer NBS is \$30,000; Rating would be approximately \$20,000; Verification Agent analysis fee is \$25,000; a Trustee fee of \$5,000; miscellaneous fees of \$15,000; and, if any of the fees end up being lower then excess would go to the debt payment.</p>

AGENDA ITEM	DISCUSSION
<p>C. Issuance of Limited Obligation Refunding Bonds WW Assessment District #1 (continued)</p>	<p>Director Womack moved that the Board adopt Resolution 2019-03 of Intention to Levy Reassessments and to issue Refunding Bonds; Resolution 2019-04 accepting the Reassessment Report and ordering the reassessments to be levied per the Report prepared by NBS Government Finance Group; and, Resolution 2019-05 approving the issuance of the Bonds, the documents related to the issuance of the Bonds, and officially designating the finance team. The motion was seconded by Vice President Cesena and carried with the following vote:</p> <p>Ayes: Directors Womack, Cesena, Fourcroy, Milledge, Ochylski Nays: None Abstain: None Absent: None</p>
<p>D. Not Used</p>	
<p>E. Consider LAFCO Request for Voting Delegate; Approval of Alternative Quorum Procedure; and, Nomination for Special District Member</p>	<p>General Manager Osborne provided a brief summary of the staff report as submitted with the agenda packet.</p> <p>Public Comment - None</p> <p>Vice President Cesena moved that the Board designate Marshall E. Ochylski as a voting delegate to attend the January 25, 2019 Special District Annual Meeting in Avila Beach; approve the Alternative Quorum Procedure; and, to direct staff to submit the completed ballot to LAFCO nominating Marshall E. Ochylski as the Special District Member. The motion was seconded by Director Milledge and carried 5-0.</p>
<p>F. Introduction and First Reading by Title Only of an Ordinance Regarding Abatement of Hazardous Vegetation</p>	<p>President Ochylski provided a summary of the staff report as submitted with the agenda packet.</p> <p>Public Comment - None</p> <p>Director Milledge that the Board conduct the first reading by title only of Ordinance 2019-01, set date of final adoption for February 7, 2018. The motion was seconded by Director Fourcroy and carried with the following vote:</p> <p>Ayes: Directors Milledge, Fourcroy, Womack, Cesena, Ochylski Nays: None Abstain: None Absent: None</p>
<p>G. Review and Potential Approval of a Board Resolution Exempting the 8th Street Well Site Building Project from SLO Building Codes</p>	<p>District Counsel Hanley reported that the District is not trying to exempt the building from all codes but only the County code which would require sprinklers which is a fire safety requirement which is above and beyond the State imposed Uniform Fire Code.</p> <p>Public Comment – None</p> <p>Director Fourcroy recommended that District Engineer Miller provide a memo that the District will not follow the County Code but that the District is still in compliance with the California Building Code Section 903 and outlining what the use and occupancy classification of the structure is and what, if any, fire sprinklers are required per California Code.</p> <p>President Ochylski moved that the Board adopt Resolution 2019-06 exempting the previously approved 8th Street Building Project from the County of San Luis Obispo Building Codes with the addition of “Whereas, the District will propose to comply with the California Building Code Section 903”. The motion was seconded by Director Fourcroy and carried with the following vote:</p> <p>Ayes: Directors Ochylski, Fourcroy, Milledge, Womack, Cesena Nays: None Abstain: None Absent: None</p>

AGENDA ITEM	DISCUSSION
<p>12H. Review of Letter Concerning County's Sale of Reclaimed Water to Dryland Farmers</p>	<p>Vice President Cesena reported that the Board sent a letter to the County in June requesting an update on the status of the dryland farm contracts and that we have had no response from the County and that they it is time to follow up.</p> <p>Public Comment – Julie Tacker commented on only one contract with Mr. Goodwin is in play at this time; that Ron Munds should be invited to provide a status update; opposed public funds expended; and, does nothing for seawater intrusion mitigation.</p> <p>Linde Owen – offered to address this item at the Board of Supervisors and the Basin Management Committee meetings.</p> <p>The Board recommended that Vice President Cesena, as a representative of the District, address the Basin Management Committee at their January 16th meeting regarding the District concerns surrounding the sale of reclaimed water to dryland farmers.</p>
<p>13. DISCUSSION OF PULLED CONSENT ITEMS</p> <p>11H. Approve Addendum One to Commercial Lease Agreement for District Offices</p>	<p>District Counsel Hanley reported that within the last few days the landlord, in addition to the other terms added to the addendum, would like to offer to extend the lease to the year 2023.</p> <p>Public Comment – Linde Owen requested clarification on the change.</p> <p>Director Womack moved that the Board approve Addendum One as recommended to extend the lease to 2023 to the Commercial Lease Agreement and authorize the President of the Board to execute the Agreement on behalf of the District. The motion was seconded by Director Milledge and carried 5-0.</p>
<p>14. FUTURE AGENDA ITEMS</p>	<p>President Ochylski directed that discussions regarding the election and director compensation be placed on the February agenda.</p>
<p>15. CLOSING BOARD COMMENTS</p>	<p>President Ochylski reminded the public of the January 18th Chamber of Commerce Community Awards Dinner and Installation of 2019 Board of Directors.</p>
<p>16. ADJOURNMENT</p>	<p>The meeting adjourned at 9:56 p.m.</p>