

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF THE MIDWAY CITY
SANITARY DISTRICT OF ORANGE COUNTY
14451 CEDARWOOD AVENUE
WESTMINSTER, CA 92683**

April 29, 2019

CALL TO ORDER

President C. Nguyen called the special meeting of the Governing Board of the Midway City Sanitary District to order at 14451 Cedarwood Avenue, Westminster, California on Monday, April 29, 2019 at 5:21 P.M.

BOARD MEMBERS PRESENT:

Al P. Krippner (absent)
Margie L. Rice
Andrew Nguyen (absent)
Sergio Contreras
Chi Charlie Nguyen

OTHERS AT MEETING:

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

PLEDGE AND INVOCATION

Director S. Contreras led the Pledge of Allegiance. GM K. Robbins gave the Invocation.

PUBLIC COMMENTS

None

NEW BUSINESS

A. Budget Workshop – Overview of the Fiscal Year 2019-2020 (July 1, 2019 through June 30, 2020) Operating Budget, Capital Improvement Projects and Reserves

Finance/HR Director R. Housley stated that the overview of the District's 2019-2020 budget meeting was meant to be interactive and he encouraged the Board to ask questions, and give comments and recommendations at any time.

Finance/HR Director R. Housley stated that the District currently has a total residential population of 103,684, with a total of 20,717 solid waste customers and 34,596 total sewer connections. The District's rate for residential solid waste and sewer service remains unchanged at \$264.00 per year, however commercial solid waste services from CR&R will have a Consumer Price Index (CPI) increase of 3.41% and the Orange County landfill will have a Consumer Price Index (CPI) increase of 2.55%, effective July 1, 2019.

Finance/HR Director R. Housley stated that for the 2019-2020 budget, the District's revenues were projected at \$12,596,301, expenses at \$9,433,842 and capital outlay and improvements at \$1,180,000, leaving a potential increase to the enterprise fund by year-end of \$1,982,459. Staff is projecting \$1,000,000 to go towards the District's CalPERS and OPEB unfunded payments as well as depreciation budgeted for capital projects at \$1,458,000, leaving the District's fund balance at year-end for reserves, contingencies and emergencies at approximately \$2,440,459.

Director S. Contreras asked if the capital outlay and improvements budget included the upgrades to the District offices.

Finance/HR Director R. Housley stated that it includes the planning and architectural design portion only.

Director S. Contreras asked if the money to pay for the District upgrades would come from reserves and if there was a fund for that.

Finance/HR Director R. Housley stated that there was a building capital and outlay fund for that project.

GM K. Robbins stated that the construction for the project would probably start around this time next year, so the construction portion of the project would be in next year's budget.

Finance/HR Director R. Housley stated that the budget is a planning document and that the District is extremely conservative and realistic with its revenues, taking into account past history and trends. He also emphasized that the cost of everything goes up so expenses are constantly increasing.

GM K. Robbins reminded the Board that the District has a \$670 million liability underground with its sewer lines.

Finance/HR Director R. Housley stated that the District has always taken the approach to pay off its debt, use cash, live within its means, and pay things off as they come up in order to not have to backpedal like many other agencies.

Finance/HR Director R. Housley reported that the District currently has 5 Board members and a total of 28 employees – 7 in Administration, 14 in Solid Waste, 4 in Sewer and 3 in Maintenance, with the current 3-year Memorandum of Understanding (MOU) expiring on June 30, 2021. There will be a 3.0% cost of living allowance (COLA) for represented employees and step increases have been included, with the majority of represented employees at the top step. With the new budget there will be an increase to the health insurance cap to \$1,875 per month and premiums for dental, life and vision insurance for employees only are paid by the District. The CalPERS retirement rates for employer contributions will see minimal increases and all employees will pay 100% of their employee contribution toward CalPERS retirement costs.

Finance/HR Director R. Housley stated that the District's projected revenues include 2% for property taxes, residential sewer and solid waste user fees remain unchanged, as well as commercial, industrial and other business sewer user fees, 337 special agreements are increasing by 2% (\$926.45), franchise fees for commercial and industrial solid waste services are increasing by 14% (\$1,000,000) and investment earnings are projected to be 2.5%.

Finance/HR Director R. Housley reviewed the District's expenses stating that approximately 23% of the District's overall budget will go to salary and wages, 16% for benefits, 24% for residential tonnage (black and green containers), 21% for day-to-day operations, and 16% for depreciation and amortization. He stated that the District remains debt-free, and that there will be an 8% reduction in worker's compensation rates and a 6% increase in property, general liability and auto liability insurance. The District will potentially make additional discretionary payments to CalPERS retirement and health unfunded liabilities estimated around \$1 million. The residential tonnage fees for OC Waste and Recycling landfill are increasing 2.55% and the service component from CR&R will increase 3.41%. Due to that CPI increase, the District will pay an additional \$38,000 for the black containers and \$26,000 for the green organics containers and these costs will continue to be absorbed by the District and not passed on to the District's residential customers. There is no charge to the District for recyclables in the blue containers.

President C. Nguyen asked if the District needs to do more to promote proper recycling in order to reduce the District's expenses.

Finance/HR Director R. Housley stated that staff does push recycling into the blue containers daily with every call and that the District puts out the calendar as well as other means of outreach.

GM K. Robbins stated that the numbers are slowly going in the right direction, in part because the District is translating its information into 3 languages now.

Director M. Rice stated that the District will be in its 14th year without raising rates.

President C. Nguyen stated that the District should include something on the flyer that it will be sending out warning residents that eventually their costs will go up or there could be potential fines in the future to pay if they do not recycle properly.

Director S. Contreras agreed and stated that if there is even the mention or thought of a fine or cost increase, people will listen.

GM K. Robbins stated that in 2022 there will be new laws in effect and there will be consequences to deal with at that time. The District will need to address those once they become clearer next year.

The District's capital outlay and improvement budget is proposed to be \$1,180,000 for 2019-2020 with \$250,000 going toward the District's building design and solar project, \$60,000 toward replacing the District van, \$350,000 toward one CNG solid waste truck, \$20,000 for a cart lift attachment for the back of a truck, \$500,000 for a CNG sewer vactor truck and \$275,000 for 8 lift station pumps.

GM K. Robbins explained that the current lift station pumps are ten years old, run 24/7, are starting to see wear, and will not last another five years. He stated that the cost of a fine from the State if the pumps fail would far exceed the cost of new pumps.

No action was taken.

INFORMATIONAL ITEMS

None

BOARD CONCERNS/COMMENTS

Directors M. Rice and S. Contreras thanked Finance/HR Director R. Housley for the simple and easy to read budget report and presentation.

President C. Nguyen stated that there would be a City event in honor of Black Friday tomorrow, Tuesday, April 30th at 10 A.M. that everyone was welcome to attend. He thanked GM K. Robbins for helping out at the District's clean up event on Saturday, April 27th at Goldenwest Park.

GM/STAFF CONCERNS/COMMENTS

GM K. Robbins stated that he would be out of the office half day on Thursday, May 2 and all day on Friday, May 3 for personal reasons, and then the following week due to the Waste Expo in Las Vegas, Nevada.

Finance/HR Director R. Housley thanked everyone for their patience through the process of the budget workshop.

GENERAL COUNSEL CONCERNS/COMMENT

General Counsel J. Eggart stated that he would be out of town for the May 23, 2019 Budget meeting.

CLOSED EXECUTIVE SESSION

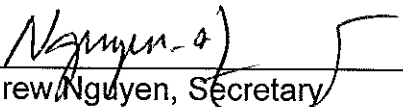
CLOSED SESSION: During the course of conducting the business set forth on this agenda as a regular meeting of the Board, the Chair may convene the Board in closed session to consider matters of pending real estate negotiations, pending or potential litigation, or personnel matters, pursuant to Government 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 C. Nguyen adjourned the meeting to Wednesday, May 1, 2019 at 5:00 P.M. at the District office at approximately 6:14 P.M.


Andrew Nguyen, Secretary