

OJAI VALLEY SANITARY DISTRICT

BOARD PACKET

SPECIAL MEETING

DECEMBER 6, 2010



BOARD OF DIRECTORS

PETER M. KAISER, CHAIRMAN
STAN GREENE, VICE-CHAIRMAN
RUSS BAGGERLY, ASSISTANT SECRETARY
JOHN R. BURG, DIRECTOR
GEORGE GALGAS, DIRECTOR
WILLIAM C. MURPHY, DIRECTOR
WILLIAM O'BRIEN

Staff: John K. Correa, General Manager
Brenda Krout, Clerk of the Board
Ronald E. Sheets, Operations Superintendent
Mark A. Zirbel, Legal Counsel



OJAI VALLEY SANITARY DISTRICT

A Public Agency

1072 Tico Road, Ojai, California 93023

(805) 646-5548 • FAX (805) 640-0842

www.ojaisan.org

NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that the Ojai Valley Sanitary District Board of Directors will hold a special meeting at **6:00 p.m. on Monday December 6, 2010** at the District Office located at 1072 Tico Road, Ojai, California.

If you require special accommodations for attendance at or participation in this meeting, please notify our office 24 hours in advance at (805) 646-5549. (Govt. Code Section 54954.1 and 54954.2(a).

The Ojai Valley Sanitary District Board of Directors encourages all interested parties to speak on any issue or subject matter subject to the District's jurisdiction. It is the desire of the Board that its business be conducted in an orderly and efficient manner.

PUBLIC INPUT:

All comments from the public are to be addressed to the Board of Directors, not to District Staff, Consultants or District Legal Counsel.

Items Not On The Agenda:

All speakers are requested to fill out a **Speaker Card (Green)** and submit it to the Clerk of the Board. All speakers are requested to present their information to the Board as concisely as possible with a three (3) minute time limit. This time limit may be modified by the Board Chairperson if necessary. If a member of the **public does not wish to speak** but wishes the Board to have benefit of their position on an issue, **they can present a Comment Card (Peach)** which will be acknowledged by the Chairperson. No response will be given or action taken unless an emergency exists as defined in subdivision (b) of the Government Code 54954.2. Items requiring action will be referred to staff or placed on a subsequent agenda.

Items On The Agenda:

All speakers are requested to fill out a **Speaker's Card (Green)** and submit it to the Clerk of the Board before the item is taken up for consideration. All speakers are requested to present their information to the Board as concisely as possible with a three (3) minute time limit. Allowing an individual to speak more than three minutes is at the discretion of the Chairperson of the Board. Speakers are encouraged to refrain from restating previous testimony. If a member of the **public does not wish to speak** but wishes the Board to have benefit of their position on an issue, they can present a **Comment Card (Peach)** which will be acknowledged by the Chairperson.

AGENDA

The agenda is posted at the District Office no later than 24 hours preceding this Board meeting, and contains all items on which Board action will be allowed pursuant to Government Code Section 54956. Action will be taken on unanticipated items only when an emergency (as defined in Section 54956.5) exists or as otherwise allowed under Section 54954.2(b). All Board meetings are tape recorded in their entirety (excluding authorized closed sessions).

The business to be transacted is as follows:

SPECIAL MEETING - AGENDA

December 6, 2010

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1. **Call to Order**
2. **Seating of Newly Elected Directors**
3. **Roll Call**
4. **Pledge of Allegiance**
5. **Additions or amendments to the Agenda (Special Meeting None Permitted)**
6. **Public Concerns** (items not on the agenda - three minute limit).

This is an opportunity for members of the public to speak on items not on the agenda.

7. **Board Concerns** (Items not on the agenda - three-minute limit)

ACTION ITEMS:

8. **Morale-Building Activity Policy – Resolution No. 2010-20**

Adopt Resolution No. 2010-20, Resolution For The Adoption of Morale-Building Activity Policy, effective immediately.

9. **Debt Restructuring Considerations**

- a. Direct staff to proceed with the selected Debt Restructuring Alternative bringing back to the Board the appropriate documents to facilitate the restructuring;

OR

- b. Direct staff as the Board deems appropriate.

INFORMATION ITEMS

10. **Discussion** (items not on the agenda - three-minute limit)

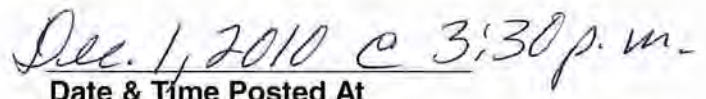
- a. Public - (Public is requested to present completed speaker's card to Clerk of the Board)
- b. Board Members
- c. General Manager

11. **Adjournment**

A staff report providing more detailed information is available for most agenda items, and may be reviewed in the District office during regular business hours (Monday through Friday from 8 a.m. to 5 p.m.). Copies of individual reports may be requested from the Clerk of the Board (646-5548).

ATTEST TO POSTING:


Brenda Krout – Clerk of The Board


Date & Time Posted At
District Office



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December 1, 2010

Board of Directors
Ojai Valley Sanitary District
Ojai, CA 93023

MORALE-BUILDING ACTIVITY POLICY – RESOLUTION NO. 2010-20

Several months ago the Board identified a need for the District to have a formal policy on the 'use of public funds'. The Finance Committee was assigned the task of working with staff and District Legal Counsel to develop such a policy. District Legal Counsel is in the process of completing the first draft of such a policy which will be presented to the Finance Committee for their review and input. It is anticipated that the Finance Committee's work on this draft policy will not be completed and ready to be presented to the Board until after the first of the new year.

However, as a part of the efforts to develop a 'use of public funds policy', it was determined that it would be appropriate for the Board to adopt a portion of such a policy as we are approaching the time of year when the District has traditionally incurred holiday related expenses (i.e. holiday party, turkey/hams for employees and Directors, etc.). This policy would be an interim policy, until the full 'use of public funds policy' can be completed.

District Legal Counsel prepared a draft policy to address morale-building activities (which would include the holiday activities). This draft was presented to the Finance Committee at their November 29, 2010 meeting. The Finance Committee made minor changes to the draft and unanimously supported presenting the revised Morale-Building Activity Policy to the Board with a recommendation that the Board adopt the policy.

The draft Morale-Building Activity Policy is attached as Resolution No. 2010-20, for your review and adoption.

RECOMMENDATION

It is recommended the Board adopt Resolution No. 2010-20, Resolution For The Adoption of Morale-Building Activity Policy, effective immediately.

John K. Correa
General Manager

OJAI VALLEY SANITARY DISTRICT
RESOLUTION NO. 2010-20
RESOLUTION FOR THE ADOPTION
OF
MORALE-BUILDING ACTIVITY POLICY

I. FINDINGS

WHEREAS, Ojai Valley Sanitary District ("District") funds should only be used when there is a substantial benefit that advances a public purpose and results in better service to the public and more efficient use of ratepayer dollars; and

WHEREAS, the use of District funds for board and employee morale-building activities provides a substantial benefit that advances the District's public purpose and results in better service to the public and more efficient use of ratepayer dollars by promoting a positive work environment, which fosters better coordination and communication among board members and staff; and

WHEREAS, this policy provides guidance to elected and appointed District officials and District employees on the use and expenditure of District resources for employee morale-building activities; and

WHEREAS, this policy supplements current District regulations satisfying the requirements of Government Code sections 53232.2.

II. AUTHORIZED EXPENSES FOR EMPLOYEE MORALE-BUILDING ACTIVITIES

The District may pay for or reimburse costs for meals or light refreshments associated with official morale-building and appreciation activities that serve a public purpose. Examples of such morale-building activities include gatherings to honor a departing employee or board member, employee or board member recognition receptions, and holiday gatherings.

The District may present District employees and board members with an annual, non-cash, holiday gifts of tangible personal property (e.g., ham, turkey or gift basket), provided that all employees receive a substantially similar gift, the value of each employee gift is of de minimus value not to exceed thirty dollars (\$30.00), and the expenditure is previously approved by the District Board of Directors based upon a finding that the expenditure serves the public purpose of morale-building. The non-cash holiday gift may not take the form of cash or a cash-equivalent such as a gift certificate.

PASSED AND ADOPTED this 6th day of December, 2010, upon the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Peter M. Kaiser, Chairman

CERTIFICATION:

I, Russ Baggerly, Assistant Secretary of the Board of Directors of the Ojai Valley Sanitary District, do certify that the above is a true and accurate copy of Resolution No. 2010-20 adopted by the Board of Directors on December 6, 2010.

Russ Baggerly, Assistant Secretary



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December 1, 2010

Board of Directors
Ojai Valley Sanitary District
Ojai, CA 93023

DEBT RESTRUCTURING CONSIDERATIONS

I have developed the additional financing plans as requested at your November 9, 2010 special meeting. At the November 9th meeting I presented three financing alternates.

I have assumed a 3% annual increase for expenses in all alternates. After the current year, I assumed that there would be no additional income or unspent expenses in any of the future years; this assumption assures we are comparing apples to apples. If extra funds do become available in any of the years, the affect would be the same in all alternates.

The first alternate presented to you in November was called Restructured Loan A; it is now re-labeled Alternate A. Alternate A is the loan restructuring outlined by Saul Rosenbaum several weeks ago; this alternative would reduce the District's expenses by \$984,000 annually. However, this alternate does that and nothing else; it holds the current sewer service rate unchanged for as long as possible and then starts to increase it at the 3% rate to match expenses.

The second alternate presented to you in November was called Restructured Loan B; it is re-labeled to be Alternate B. Alternate B is the same loan restructuring as Alternate A but attempts to have a reduction to the sewer service rates. In Alternate B the District would reduce sewer service rates by the maximum amount possible in the very next year and then would increase the rates to match expenses, by the 3% per year.

The third alternate presented to you in November was called Restructured Loan C; it is re-labeled to be Alternate C. Alternate C is the same loan restructuring as Alternates A and B, but tries to save interest expenses by paying off the District's remaining debt. In Alternate C the District would accumulate savings to aggressively pay off the remaining debt issues early which are not currently eligible for restructuring; this would save the District interest expenses. In this alternative we would be sacrificing immediate lower sewer service rates in order to pay off the other debt early.

At the November 9, 2010 meeting, Director Baggerly and Mark Zirbel, District Legal Counsel, both favored a plan which used Treatment Plant Replacement Reserve funds to lower the service charge in the years leading up to the State Revolving Fund (SRF)

loan completion and thereafter to rebuild that reserve fund from service charge income. I completed that alternate which is labeled Alternate Z.

After completing Alternate Z, I developed another alternative where the Treatment Plant Replacement Reserve funds would be used to pay off the SRF loan and then rebuild that Reserve fund from service charges over the next several years. This alternative is labeled Internal Loan on the charts.

Also at the November 9, 2010 meeting Director Murphy had some ideas on the refinancing but after discussing the ideas with me he chose to support Alternate C.

After working on the two new alternatives and reflecting on the discussion at the November special meeting, I want to emphasize the following points:

- 1) All alternates (except Alternate Z) reduce our debt ratio, with the Internal Loan reducing it the most.
- 2) Service charge rates over the next 10 years will be within 5 percent of one another no matter which alternate is selected. For example in 2020 rates are projected to be between \$59.50 & \$62.50.
- 3) If we are able to save money in some years, or lucky enough to receive extra income, those funds will be saved to pay off a loan early or rebuild the reserve fund earlier resulting in lower service charges in the future. (To maintain consistency, all the alternates are prepared assuming we have no savings or extra income opportunity)

The reason that we have such a large amount of debt is that the predecessor agencies did not save money for replacement of facilities. Not saving money for replacement of facilities was a common approach in the past; however, today we now have learned that that approach is not acceptable.

This brings up the question which is "do the ratepayers of today have any reason to pay a greater share of the cost for the lack of savings in the past or should it be equalized in some way so future ratepayers shoulder some responsibility for these past actions as well?"

Alternate A tries to benefit the current ratepayers; Alternate B aggressively tries to benefit the current ratepayers; Alternate C tries to aggressively balance the obligations of current and future ratepayers, Alternate Z tries to benefit current ratepayers while not refinancing any loan and the Internal Loan tries to benefit current ratepayers by using an Internal loan to pay-off the SRF Loan.

I have produced a series of charts which show you the Alternates in comparison to one another and a close-up on the next ten years. I have also included a chart that shows the District's debt ratio for each of the Alternatives in the same close-up period.

The Internal Loan Alternate has a feature not shared with the other plans. We will save almost \$1 million in interest payments to the State and any interest paid on the internal loan is paid to ourselves and not to an investor or bank.

Board of Directors
December 1, 2010
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Given the array of refinancing ideas and the fact that interest rates appear to be rising, I recommend the Internal Loan Alternate.

If you have any comments or questions on this information report, please contact me at 646-5548.

RECOMMENDATION

It is recommended the Board:

- a. Direct staff to proceed with the selected Debt Restructuring Alternative bringing back to the Board the appropriate documents to facilitate the restructuring;

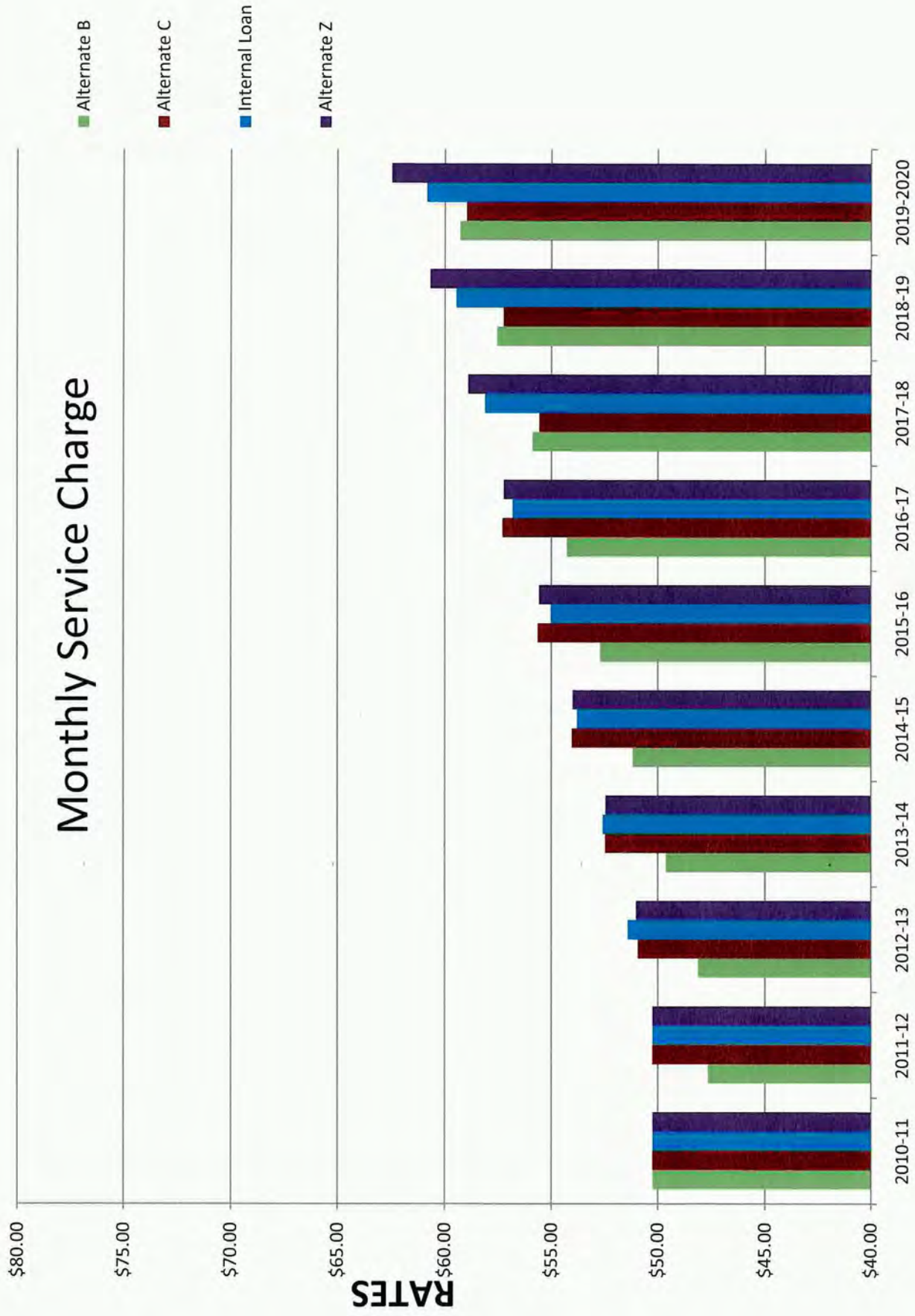
OR

- b. Direct staff as the Board deems appropriate.

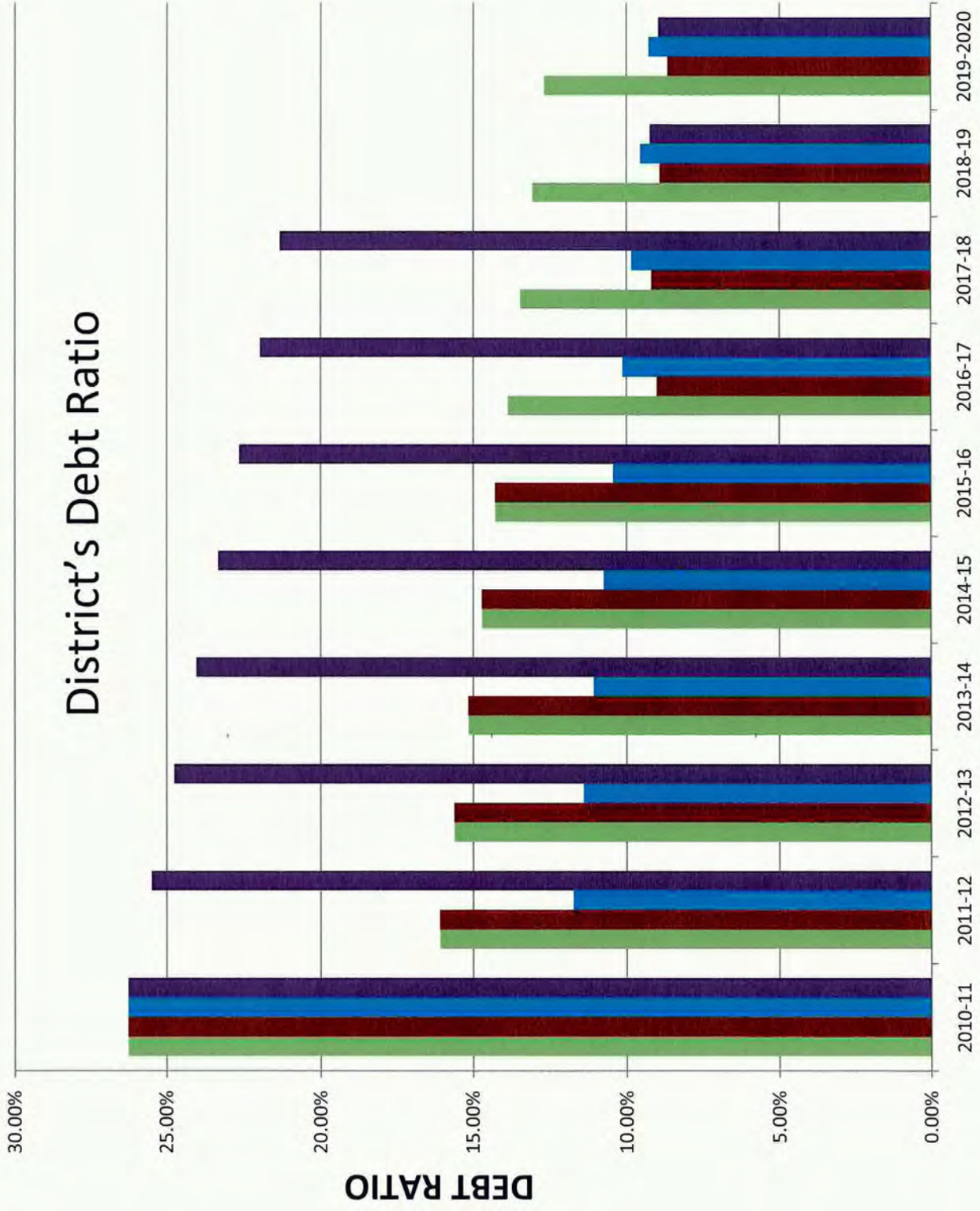

John Correa
General Manager

Enc.

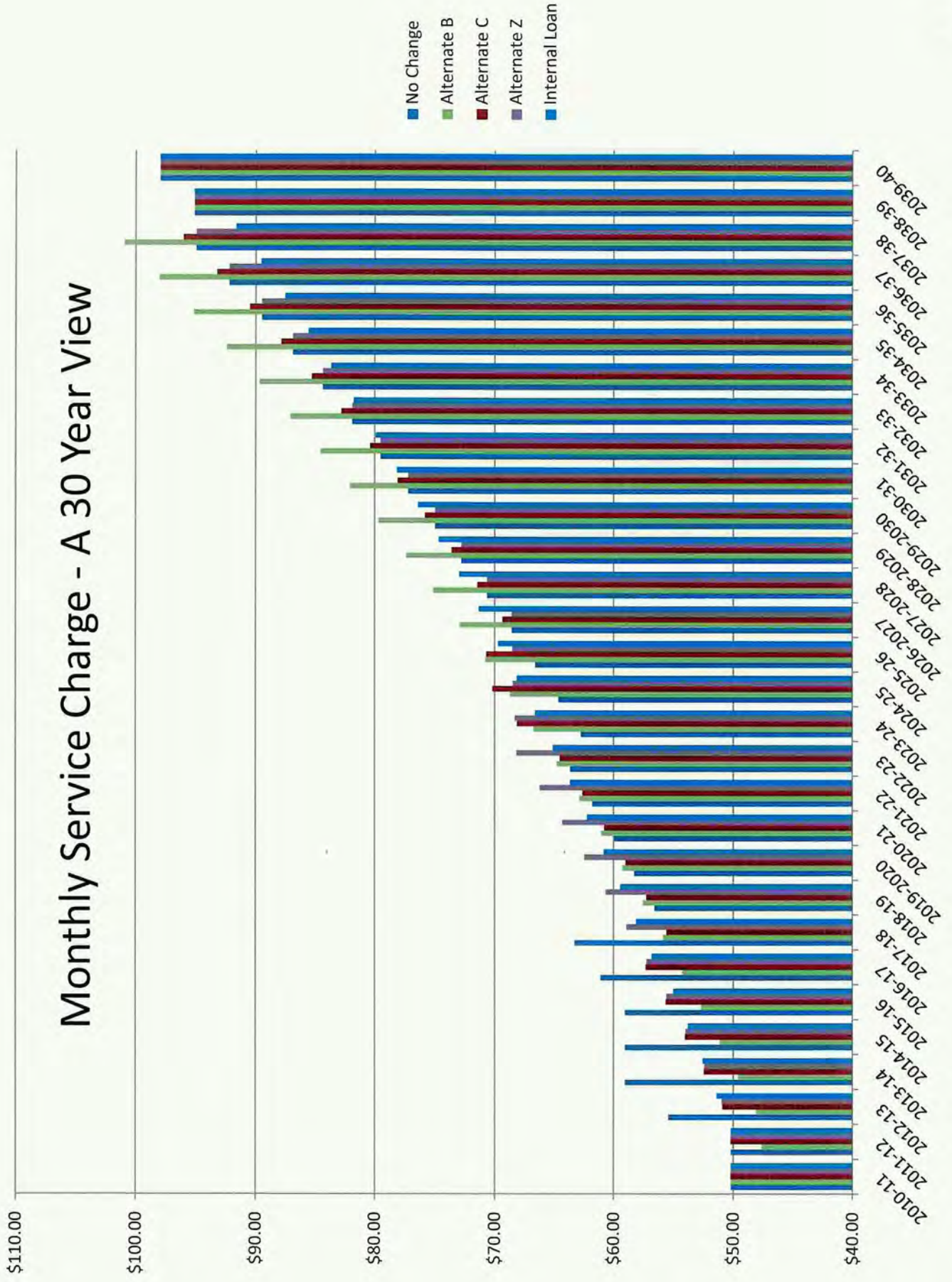
Monthly Service Charge



District's Debt Ratio



Monthly Service Charge - A 30 Year View



Monthly Service Charge – A Different 30 Year View

