



# **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

[www.sslocsd.org](http://www.sslocsd.org)

## **AGENDA**

### **BOARD OF DIRECTORS MEETING**

City of Arroyo Grande, City Council Chambers

215 East Branch Street

Arroyo Grande, California 93420

**Wednesday, February 04, 2015 at 6:00 P.M.**

#### **Board Members**

Matthew Guerrero, Director

Jim Hill, Chairman

John Shoals, Vice Chairman

#### **Agencies**

Oceano Community Services District

City of Arroyo Grande

City of Grover Beach

#### **Alternate Board Members**

Mary Lucey, Director

Tim Brown, Director

Barbara Nicolls, Director

Oceano Community Services District

City of Arroyo Grande

City of Grover Beach

---

### **1. CALL TO ORDER AND ROLL CALL**

### **2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA AND CLOSED SESSION PERTAINING TO PERFORMANCE EVALUATION OF DISTRICT LEGAL COUNSEL**

This public comment period is an invitation to members of the community to present comments, thoughts or suggestions on matters not scheduled on this agenda. Comments should be limited to those matters which are within the jurisdiction of the District. The Brown Act restricts the Board from taking formal action on matters not published on the agenda. In response to your comments, the Chair or presiding Board Member may:

- Direct Staff to assist or coordinate with you.
- It may be the desire of the Board to place your issue or matter on a future Board meeting agenda.

Please adhere to the following procedures when addressing the Board:

- Comments should be limited to three (3) minutes or less.
- Your comments should be directed to the Board as a whole and not directed to individual Board members.
- Slanderous, profane or personal remarks against any Board Member, Staff or member of the audience shall not be permitted.

Any writing or document pertaining to an open-session item on this agenda which is distributed to a majority of the Board after the posting of this agenda will be available for public inspection at the time the subject writing or document is distributed. The writing or document will be available for public review in the offices of the Oceano

CSD, a member agency located at 1655 Front Street, Oceano, California. Consistent with the Americans with Disabilities Act (ADA) and California Government Code §54954.2, requests for disability related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires modification or accommodation in order to participate at the above referenced public meeting by contacting the General Manager or Bookkeeper/Secretary at (805) 481-6903.

**3. CLOSED SESSION**

- (1) Closed session Pursuant to Government Code section 54957 (b) 1:  
Performance Evaluation of District legal counsel.

**4. REPORT ON CLOSED SESSION**

**5. CONSENT AGENDA**

The following routine items listed below are scheduled for consideration as a group. Each item is recommended for approval unless noted. Any member of the public who wishes to comment on any Consent Agenda item may do so at this time. Any Board Member may request that any item be withdrawn from the Consent Agenda to permit discussion or to change the recommended course of action. The Board may approve the remainder of the Consent Agenda on one motion.

**3A. Review and Approval of the Minutes of the January 21, 2015 Meeting**

**3B. Review and Approval of Warrant Register**

**6. PLANT SUPERINTENDENT'S REPORT**

**7. BOARD ACTION ON INDIVIDUAL ITEMS**

**A. RESPONSE TO QUESTIONS FROM THE PUBLIC**

Staff recommend the Board receive and file response to questions submitted by the public.

**B. PRESENTATION OF ANNUAL REPORT OF WASTE DISCHARGE 2014**

Staff recommends the Board receive a presentation from District Superintendent John Clemons of the Annual Summary of Plant Operations for 2014

**C. ROTATION OF DISTRICT MEETINGS**

This item was continued from the meeting of January 7, 2015.

**D. RESOLUTION 2014- 324; SUBMITTING APPLICATION FOR RECYCLED WATER FACILITIES WATER PLANNING STUDY**

Staff recommends the Board adopt a resolution for submittal of a grant application to the State Water Resources Control Board for a Water Recycling Facilities Planning Grant.

**9. MISCELLANEOUS ITEMS**

**A. MISCELLANEOUS ORAL COMMUNICATIONS**

**B. MISCELLANEOUS WRITTEN COMMUNICATIONS**

**10. PUBLIC COMMENT ON CLOSED SESSION**

**11. CLOSED SESSION**

(1) Conference with Legal Counsel – Existing Litigation; Pursuant to  
Government Code Section 54956.9  
SSLOCSD v California State Water Resources Control Board et. al.

(2) Discussion regarding employee compensation - (Cost of Living Adjustment)

**12. REPORT ON CLOSED SESSION**

**13. ADJORNMENT**

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

**City of Arroyo Grande, City Council Chambers  
215 East Branch Street  
Arroyo Grande, California 93420**

**Minutes of the Meeting of Wednesday January 21, 2015  
6:00 P.M.**

**1. CALL TO ORDER AND ROLL CALL**

**Present: Director Matthew Guerrero, Oceano Community Services District; Vice Chair John Shoals, City of Grover Beach; Chair Jim Hill, City of Arroyo Grande**

**District Staff in Attendance: Mike Seitz, District Counsel; John Clemons, District Superintendent; Amy Simpson, District Bookkeeper/Secretary; Shannon Sweeny, District Engineer**

**2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA**

Director Hill opened the public comment period.

Tim Brown-Conflict of Interest with Seitz and the District. Asks the Board to consider their fiduciary duty to the rate payers. Asks very specifically that the District terminate Legal Counsels contract for insubordination. He expects to hear from each Board member at some point what their point is on this issue.

Debbie Peterson- Reviewed agendas, budgets, and accounts from the District and the County. How much really has been spent on legal? Since 2005 including estimates for 2014 and 2015, 1.7 million has been spent on legal fees over 11 years. This is a huge sum of money in comparison to revenue of 33 million. This is an extraordinary disconnect. How much was engineering/administration making? Over that 11 year period he made almost 6 million. How come the county books and bank statements do not match? Money from hookup fees which is supposed to go to expansion fund and possibly the LAIF fund, went to the Operating fund instead, the total of almost 2 million dollars was not put into the expansion fund. It needed to go to operating to fix the operating account because expenditures exceeded revenues. The other fix was that payroll was not being paid from the operating account. Payroll was coming out of LAIF fund which is a savings account. \$50,000 a month was transferred to Rabobank which is a payroll account. See attached spreadsheets. District is required to report all three balances to the county. LAIF balance does not change on county statements since 2010. But the balance is not accurately shown at the 2.5 million actual balance in 2014. Looking at the statements you would think nothing happened for nine years. Still has more questions and will look to the Board for more answers.

Director Guerrero let the public know that LAIF transfers are no longer happening and the balances reported on the county balance sheet has been made up to reflect the actual numbers.

Mark London- District retained John Wallace and John Wallace & Associates in March of 1986. In 1997 there was the establishment of an Investment Policy. In paragraph two, District Administrator appointed to Finance Officer. He can invest, direct funds and see to place funds however he see fit and wherever he wish with the requirement to give a quarterly report and annual summary. 2009 policy reestablished. He cannot believe the amount of conflict of Interest apparent in having an Administer, Engineer and Finance manager.

Otis Page –If there is fault here in accounting and legal advice, it is a fault of the Board. If there is a fraud it should be exposed. It is Boards responsibility.

Patty Welsh- Asked twice of Mr. Seitz to mediate the situation. Asks the Board to sever the contract with Seitz. Referred to her signs assembled in the front row to remind the Board of what she is saying in regards to Seitz.

Ron Holt – Look carefully at what led to the need for investigation. Make investigation relevant and appropriate so we don't waste money on irrelevant investigation.

Patricia Price – Auditor should not be involved with the District in anyway.

Mary Lucey – What was Board leadership of the time that was in question? Looking for dates and years when the money was depleted? What expenditures happened? Has there been any communication with the Wallace Corporation?

Andrea Seastrand – Asked for forensic audit.

Director Hill closed public comment and then reopened Public Comment on the Consent Agenda due to the public request.

#### CONSENT AGENDA

Debbie Peterson asked for clarification on the minutes of January 07, 2015 meeting. Director Guerrero had mentioned \$700,000 and she would like that number clarified. The amended minutes should read, *In the past, the Board found that expenses from litigation were being coded to the Operating Fund.* The \$700,000 came from the tabulating of the amounts from the claim against SDRMA.

Debbie Peterson - If they weren't supposed to come from the Operating Fund, what Fund were they supposed to come from?

Guerrero - Tabulating amount from SDRMA for failure to cover the District. What fund would they come from?

Director Guerrero said it was a coding issue. There is no Litigation Fund.

Director Shoals let everyone know that the back and forth responses between the public and the Board is making some people uncomfortable.

Debbie Peterson- "Bylaws state any Director may call and request an item to place on the agenda. Legal fees represent 13% of the outgoings. Cash is sitting in County Account and she is hoping the Board will consider moving money to LAIF from the treasury. Amend the money taken from Operation expenses for litigation.

3A. Review and Approval of the Minutes of the January 04, 2015 Meeting

3B. Review and Approval of Warrant

3C. Financial Review of December

**Action:** Consent agenda approved unanimously with amended minutes from January 07, 2015. "In the past, the Board found that expenses from litigation were being coded to the operating fund."

#### PLANT SUPERINTENDENT'S REPORT

Director Guerrero noticed the BOD's and TSS levels are higher than he is used to seeing them. And also asked about the stability of the structure under the splitter box. Is it a cause for concern? Superintendent Clemons let everyone know that we are just assessing it at this time. He will comment at the next meeting when more information is available.

District Manager Rick Sweet said, "It is a large piece of concrete and it seems to be settling" We are evaluating if there is an issue, or is there a simple solution. That is what is being evaluated at this time.

**Action:** The Board received and filed the Plant Superintendent's report.

Legal Counsel Mike Seitz gave a report addressing public comments in regards to issue of lapse of insurance that people thought would cover the spill and the resulting fine. No District insurance between 2009 to the present has ever lapsed. The District has been covered by Comprehensive General Liability throughout that time. The issue is whether or not that insurance would cover a fine. Insurance is an expert field and the District does have an expert in regards to the case involving SDRMA. SDRMA coverage and all commercial general liability coverage that the attorney was aware of, provides no coverage for fines. In terms of costs associated with the defense of the fine, there is litigation pending and we are seeking total recovery of all costs of defense and expert costs that were expended during the Regional Board hearing and subsequent to that it is in front of the courts now and SDRMA has tried to get out by way of demure unsuccessfully. This is a positive thing for the District and we expect to prosecute and recover as much as we can in regards to those costs.

#### Public Comment

Debbie Peterson- Her understanding is that what lapsed was coverage for the District Administrator

Up until 2009, at the back of every audit was Coverage of Insurance. In 2010 the reporting stopped and hasn't been done since.

Seitz- 2011 there were 3 separate lawsuits from employees. One was laid off, two were terminated. In all of these the District was named, the District Administrator was named and the Wallace Group was named. All had to deal with claims of wrongful termination and whistle blower status. There were denial of coverage in regards to the District Engineer on two of those matters. The question had to do with coverage afforded by SDRMA. Unbeknownst to the District, SDRMA coverage changed and no longer covered contract employees whether that be an administrator or somebody acting at an administrative capacity. At one occasion they did provide insurance for the Administrator but never for the District Engineer. It was not related to the spill. Those were related to those personnel actions and the coverage afforded under SDRMA and the policies it provided to the District

Director Hill asked for a written report on the insurance report from Mike Seitz. It is an oral report but Seitz said there is a lengthy letter in regards to denial of coverage for District Engineer.

Director Shoals wants the letter from Seitz that went through SDRMAs analysis regarding coverage to the District Engineer and an employee liability situation.

Director Hill opened public comment for comments regarding insurance.

Patty Welsh finds it interesting that insurance was not checked year to year.

Tim Brown said the insurance company had to give a notice of change in coverage. If they did not give notice you would have all kinds of grounds to go after SDRMA.

Mark London asked if the District paid for Wallace defense since there was no insurance.

Otis Page asked who is responsible for monitoring the insurance.

Patricia Price - Why did liability insurance get denied to the District Engineer? What was the liability for? If he is not covered, is he liable for his mistakes or does District pay for liability? Who is culpable and who is responsible and who finds the fault? Is that what we are in court for? If risk management wouldn't provide coverage for liability, was there an option to get a regular insurance company at that time?

Seitz- At no time did any insurance lapse. It was a change of terms of format in coverage.

Seitz response to Browns comment - This was referred to outside counsel for review when SDRMA denied coverage. Because SDRMA is a risk management program and not a typical insurance company they can do things differently. This attorney was geared up if there was

an action available to sue to get us coverage on each of these actions and it was determined based upon SDRMA being a risk management program instead of insurance company that they can do things differently than insurance companies in terms of notice. Following the determination by SDRMA, they were willing to sell the District a writer that would provide that coverage the Board voted to pay that coverage.

Mary Lucey- Remembers an insurance coverage change was announced in the Board meeting. They talked about Engineer not being covered. It was not announced that there was a difference between SDRMA and regular insurance company.

#### **Operational Audit Presentation**

Manager Rick Sweet gave a little background on Shannon's vast experience. Shannon Sweeney was brought on in February of 2013 by Paul Karp to do an evaluation of the operation and an analysis of the financial situation to see where money should be allocated and how operation should change to make the plant run more efficiently. She could explain what was done after Wallace was gone and what action was taken, she can give a good summary of what she did at that time as an expert.

Director Guerrero spoke to how Shannon reviewed all of the operations from start to finish and understood how the operation was supposed to work. She also spent time on the budget and going over operational costs. She has tremendous education in how it operated in the past. He is glad she is here to show you that there is positive information from the plant.

District Engineer Shannon Sweeney gave a presentation on the operation of the plant and how the plant was not performing as designed. She worked with the Water Board to see how she could get the plant operating as a biological plant as it was designed. The plant had been struggling for a very long time.

The operators were doing the text book answers to fix a plant. The result was that it became more broken and further away from a biological plant. There was also a void in leadership at the plant. There was no Superintendent so that was also a task to find a new Chief Plant Operator. John Clemons was hired at this time and helped to get this plant running the way it was supposed to be run.

Mrs. Sweeney found that there was an excessive amount of money spent on chemicals. Over \$600,000 was spent on chemicals in trying to fix the plant. By switching the plant off of chemicals to a biological plant, there was a huge savings. The operators were trying to fix the plant, she does not believe there was malfeasance. The plant was just not being operated as a designed.

She also looked at the MBI's that were established and evaluated whether those items were needed or could be deferred and looked at bringing the budget closer to the revenue.

Director Guerrero and Shannon also redid the budget items. They reviewed all line items because there had not been a balanced budget in years. It was a wing and a prayer and it did come in below budget.

Shannon described the pro forma which projects over a number of years that the revenues will be budgeted correctly to project into the future. There was a huge savings that could be foreseen by decreasing the budgeted amount for chemicals.

Shoals asked if it is possible to continue to run this plant in the layout we have. The answer is yes. Mr. Clemons is providing the leadership and operational know how to keep it running. He asked about the plant operator's role in running the plant and if it is on par with other plants from an organizational stand point.

Mrs. Sweeney used the Summerland plant for a comparison in organizational structure and mirrored it. She worked with Mr. Clemons to get the plant staffed the way it needed to be.

Director Guerrero clarified that what he meant by a wing and a prayer. He is glad that experts like Paul Karp, Shannon, and John Clemons were brought in.

Mrs. Sweeney believes the financial and operational numbers are in line with what you expect from a plant of this type.

Hill is concerned that the operators in the past years had used the text book approaches to fix the plant and those did not work and actually took the process down another path.

Shannon said it is easy to tell that a plant is sick. It is not easy to figure out what is wrong with your bacteria? Operators were searching for ways to fix it and they just weren't the right ones.

Guerrero asked whose job was it to fix the plant. Shannon was brought into look at the process and how to fix it. She was not here previous to know how it was structured.

Superintendent Clemons spoke of the addition of the number 2 primary clarifier and that was actually the basis of problem. It was put in with the idea that the average daily flow would grow but the flow never got to that point. There was now not enough flow to support this clarifier. The staff did not know that this low flow was basis of the problem. Experts were brought in in 2001, but he was an expert in refining and not fixing. There was a lack of understanding of why the plant was sick.

Conservation is a good thing, but flow went down at the plant and that was the cause of the plant being sick.

#### **PUBLIC COMMENT**

Brad Snook- Wants to know about the probability of the plant being in compliance when it was taken over, what's the probability that the plant was in compliant in the first place? Look at past and see if samples were reported correctly.

Otis Paige Has questions of responsibility. How can a Board be held responsible for a process of this type? It's a question of competency of running this plant. What did go wrong, who is responsible? Audit of competency of running plant in the past. Why did it get out of control? Freud? Who is responsible? Requests an audit of the management of process. If you can bring competency to the table, this issue goes away. Was there an incompetent administrator in the past?

Beatrice Spencer – Difference on amount of money stated purely on chemicals. She would question management on what was wrong with expense on chemicals.

Debbie Peterson- Gave a handout that is attached. Engineer doesn't have gifts of a finance expert. Clearly there were production issues. Still financial issues that have not been addressed. Get a financial expert on the caliber of Shannon and have them work together. There are a whole lot of administration reviews that were not done in the past.

Patty Welsh- Believes management had a problem, was not looking at the big picture. Who was responsible for looking at the big picture? If we don't know the problem how can we keep it running good? If Mr. Clemons leaves, will we have that problem again?

April McLaughlin – How often do you see Administer as Engineer? If chemical costs being in the \$600,000s don't get a flag raised, then when do outrageous fees get looked at? Requests audit.

Mark London- Conflict between Admin and Engineer and Treasurer. Situations such as bids for CCT construction coming in under Wallace Group bids but the contract going to the Wallace group should initiate further looking into.

#### **5C. ROTATION OF DISTRICT MEETING**

Postponed to the next meeting if we have the information needed for an action on that item.

#### **5D. CONSIDERATION OF OPTIONS TO REVIEW LONG TERM EXPENDITURE HISTORY**



Sweet – Provided a list of options to consider. Suggested that the Board may want to hear from Special Counsel tonight in closed session regarding options in regards to the ACL before making an action for this item.

Shoals requested that we discuss this item tonight. That we take comments from the public to help decide how we move forward.

Guerrero – Forensic audit – And it was used in terms of criminal investigation. When it came around what was going on was the rebuilding of the District. He was looking for something factual and reasonable to start this process. Nobody said, “This is what you look at.” If that was the case, we could have used DA for white collar investigation. But because he didn’t have anything, his efforts and energy were used to move forward to get into this position now where the plant is operating as it is supposed to.

But there are different proposals now. We need to know “What question are we trying to answer?”

Hill – “Are public funds properly accounted? Does not want to wait till after closed session to discuss. Closed session is to receive information on litigation and these items do not seem to be related with the accounting of funds at the District.

1. Fine related to spill of 2010
2. Action against SDRMA to compensate for the litigation expense of item 1.

Shoals agrees to go through the process of discussing option for audit or financial review. He is not on the Board to conduct a witch hunt he is on the Board to serve the public’s best interest. He can see thanks the experts, Shannon Sweeney, Paul Karp, and John Clemons, and Mr. Sweet that we are on our way to the financial component of it.

Tim Brown – There is a Grand Jury report that clearly talks about conflict of interest. Look at the history to make sure we don’t make same mistake again. There is a long term history and the presentation shows that the plant wasn’t operating correctly. John Wallace had a conflict of interest and lined his pockets. He had his own interests at hand and not the rate payers. There is a criminal issue in regards to the bidding process for CCT. What was the Boards reasoning for spending money to fight the fine? Bring previous malfeasance to light. There has been a constant misrepresentation of the health of the District based on the movement of funds. The Board has at some point agreed that the plant was not ran correctly.

Shoals – Asked District Manager Sweet to go over the options one more time.

Sweet –

1. Line Item Evaluation
2. Forensic Audit
3. Financial Investigation
4. Choose to Proceed Relying on the Information Developed in Past Governmental Audits
5. Sequential Pursuit of a Combination of Options
6. Other

Shoals - Would it be done independently through a RFP process?

Sweet- Board would approve Requests for Proposals. Solicit hopefully 3 firms. The Board would help select firm. Believes the selection process could take 6 weeks to 3 months to engage a firm. It is important the community receives the results they believe they would like.

Patty Welsh – Forensic audit because of the Grand Jury’s findings. Make sure there wasn’t lining of pockets. Wants the Board to answer questions the public has asked.

Sweet let her know that a good deal of the questions have been addressed tonight. We are still trying to assemble what questions are meant to be answered. We believe most questions have been answered and the few that have not been answered will be answered in the next meeting.

Question answering are not agenized but Seitz does have answers and these questions will be agenized February 4, 2015.

Beatrice Spencer- Reference to Matts Bleeding Plant statement. We want to know why the plant was bleeding. Where did all the money go?

Andrea Seastrand – Where the dollars have been spent. If there was anything inappropriate, she wants the people to be held accountable. Wants forensic audit.

Mark London – The District has 3 funded financial accounts. The balance in 2004 was approximately 11.6 million. By 2013 those accounts were less than 3 million. Look at years of 2002 the District was contributing about \$250,000 to \$500,000 into the reserves. In 2014 the operators have been able to put about 2 million into those accounts in little more than a year. Look at 2002 to 2013. He would like a forensic audit. Handout attached.

Sweet – We did not develop 2 million dollars in 14 months. The plant is operating very close to a balanced budget now. There was a fair amount of cash on hand that was moved to investment account. The question is how much cash on hand to maintain and feel comfortable.

Hill – There were a number of capital improvement projects built at the plant during these years. One question may be the economic administration of those types of things as well.

Sweet – We are budgeted to spend \$600,000 in capital improvements and upgrades and those continue today.

Debbie – Her and Jeff Lee developed a RFP for scope of work and has pulled out the unfinished plans that belong to the District that are not at the District. The District still does not have all the plans that belong to the District. The whole organism needs to be investigated. She thinks the time is overstated for amount of time it would take a professional to audit. Forensic audits are what you do when you sale a business or reorganize and not necessarily a legal issue. It is not a criminal investigation. Current staff has not received full history. There are a whole lot of things that need to be looked at. In 2012 auditor spoke of deficiencies in internal control and other deficiencies.

Sharon Brown – Forensic audit of the whole operation to improve. Once we gain the information, what do we plan to do with the finding of the investigation? If it is criminal, what can we do? If we can’t do anything, is it worth doing?

Brad Snook gave a letter from Surfrider. Refers to Sweeney’s presentation. Why if we were we already in compliance, did we have to put it back together? The plant Superintendent testified at the hearing. The issue of forensic audit should also focus on was suspending aimed toward compliance? Was there a major project that would have actually brought the plant in compliance? We don’t know and a forensic audit might answer some questions.

Ron Holt – Can forensic audit reveal incompetence in administration? Will it provide proof that funds were wasted or misused? Was there spending on unnecessary things? Is there other types of investigation to cover that? Maybe we need more than one type of investigation.

Kevin Rice – Red flag was the Grand jury report. Bigger red flag was the Districts response given to the grand jury. “It is the opinion of the District that the unsubstantiated assertions

and accusations were both unprofessional and offensive.” Used analogy of a firefighter turning around when the smoke stops. No, still go investigate. The public is looking for assurance that there was not malfeasance. Were unnecessary projects done in a make work fashion, were there overcharged prices?

#### Board Discussion

Shoals is here to make sure this plant is operating properly and that were trying to do the right things based on the information we have. Needs to have more evidence to go down certain paths. He is open to doing an audit. Look at combination of options. 1<sup>st</sup> being the line item evaluation. Use someone independent to come in and look at line items. Initiate a review to compare how things were done in the past and today. Wants to do this in a sequential and efficient manner. Have things arisen, major red flags, show us numbers and then go to next step.

Guerrero – Multi disciplinary investigator, talk to all people involved with the plant to see if they know of any malfeasance. Agrees with Shoals proposal and we will probably find that we have farther to go, and this will help us to form the questions to clarify the issue.

Hill – There is a big black cloud hanging over this District and it is public perception. Not related to current staff. In previous staff there was little to no sharing of information to the Board and public. Adverse grand jury report has to leave you with questions. Specific items like the Kennedy Jenks bid of \$100,000 might be contract oversight but a different organization was brought in. Conflict of interest by contract in undeniable. Need to establish a Reserve Policy. Spoke of hookup fees and money goes to expansion. Rather than that, those funds were spent for day to day operations and salaries. These are the things he would like to see established. Does Board have an Investment Policy and a Reserve Policy? An in depth audit needs to look at these to clear this black cloud. Does not see \$40,000 as unreasonable amount if these things can be investigated and reestablish on a sound operational and financial footing. Prove to public that we are responsible stewards to public funds and public trust. Having a full investigation and audit will demonstrate this. Support forensic audit by someone from out of the area totally independent of the District.

Guerrero – Level of expertise is more than financial, it’s engineering, personnel, and operational. There may have been reasons for projects costs. Was there a change order? And how far do we want the investigator to go?

Hill – Audit trail should show this change. Does not want to speculate or close his eyes to what may have happened because he does not have the answers. Someone with experience can look at numbers and get an idea on where they may want to look further. There are a lot of questions that we can start with. We can look at the audit trail. We owe it to the public to do that.

Shoals – Agrees to establish a Reserve Policy. How have we used reserves in the past? Word forensic has taken on a life of its own. There are a lot of things to learn. Wants to do the initial line by line audit. Suggests bringing an independent auditor to help guide us into finding what we need to be looking at. Make sure audit is for all the right reasons and not all the wrong reasons.

Hill – Example that he was on the Board and voted for some of the projects. He wants to know if projects were financially advised, financially executed. Look back 12 years or some reasonable time to look at.

Guerrero- Get someone that can help us define how far to go back and the scope of investigation.

Hill - Prepare scope of work to have an independent outside auditor with both financial and technical components. Look at prior operations of the District and look at current operations and help us understand what is going on and help us tell the public where the money went.

Sweet – Sounds like the Board wants something more encompassing like a management audit, prepared by management consultants.

Hill – More interested on financial investigations and not operations.

Sweet – Did we do right thing on construction management of projects? This answer will not come from a financial audit. These are different types of questions and he has not taken a look at getting a guide to give us those types of answers. That will take a management audit.

Shoals – Says yes, get reliable cost.

Sweet – Cost may be different than he provided tonight now that the project has changed.

**ACTION:** Shoals moves that Rick provide direction to staff to move forward with a project.

#### MISCELLANEOUS COMMUNICATIONS

#### PUBLIC COMMENTS ON CLOSED SESSION

Closed session Pursuant to Government Code section 54957 (b) 1: Performance Evaluation of District legal counsel.

Conference with Legal Counsel – Existing Litigation; Pursuant to Government Code Section 54956.9

SSLOCSD v California State Water Resources Control Board et. al.

District vs. SDRMA

District vs US Energy

Tim Brown – Clear insubordination from point of review of the public. This is part of old regime, part of black cloud. Clear direction was given to attorney and has not been followed. Minimum put his contract up for bid and get other offers with a fresh perspective.

Debbie Peterson – Quoted the Brown Act. Consider who the attorney for a public agency works for. He is not here to protect the agency. He is here to protect the people that created the District. If counsel could have settled for ½ cost of our fine but chooses to continue to fight, who is he working for? Is Counsel protecting rate payers? Whose money is being protected?

#### CLOSED SESSION

#### REPORT ON CLOSED SESSION

There was no reportable action out of closed session this evening.

Hill would like to request consideration of expanding Board to 5 members on a future agenda.

Guerrero would like an update on the Recycled Water Feasibility Study.

#### ADJOURNMENT

There being no further business to come before the Board, Director Hill adjourned the meeting at approximately 10:46 p.m.

***THESE MINUTES ARE DRAFT AND NOT OFFICIAL UNTIL APPROVED BY THE BOARD OF DIRECTORS AT A SUBSEQUENT MEETING.***

Received from Debbie Peterson Attachment A.

REORGANIZATION  
PER BUDGET 7.2.14

PAST  
6 YEARS  
FISCAL YEAR END JUNE 30TH

SSLOCS D LEGAL FEES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL 2010-2015
ADAMSKI MOROSKI MADDEN CUMBERLAND									27,516			27,516
ANASTASIA MYLONAS							1,912					1,912
ANDRE MORRIS & BUTTERY									19,929			19,929
DC FROST ASSOCIATES						3,418						3,418
DOWNEY BRAND ATTORNEYS								26,723	229,437			256,161
JUST RESOLUTIONS							4,965					4,965
LAW OFFICES OF WOOSLEY & PORTER									15,000			15,000
LIEBERT CASSIDY WHITMORE							14,040					14,040
SCHINDLER LAW GROUP								6,201	5,059			11,259
SHIPSEY & SEITZ	33,684	35,586	36,836	57,775	95,714	128,832	168,319	196,396	106,231			859,374
WAAG & CO						3,981	6,663					10,644
TOTAL LEGAL FEES	33,684	35,586	36,836	57,775	95,714	136,231	195,898	229,321	403,173	*	248,000	1,722,046

\* These figures are not yet out, so budget totals were used.

between them  
4,000 \$20m

ADMIN/ENGINEERING

ADMIN/ENGINEERING	289,050	490,559	76,822	73,118	398,120	360,189	478,985	511,093	58,068	81,447	190,000	3,007,452
CAPITAL		36,371	409,823	542,574	340,618	467,291	350,579	125,410	355,749	76,708	150,000	2,855,121
TOTAL	289,050	526,929	486,645	615,692	738,738	827,480	829,564	636,504	413,816	158,155	340,000	5,862,573
TOTAL LEGAL & ADMIN	322,734	562,515	523,481	673,467	834,452	963,711	1,025,462	865,824	816,989	407,983	588,000	7,584,619
INCOME FOR EXPANSION FUND 20	455,018	498,331	299,456	233,746	86,006	67,451	104,568	44,550	15,202	83,024	85,000	1,972,352
PAYROLL TAKEN FROM INVESTMENT ACC	400,000	550,000	500,000	550,000	450,000	650,000	610,000	600,000	660,000	165,000	0	5,135,000
TOTAL	855,018	1,048,331	799,456	783,746	536,006	717,451	714,568	644,550	675,202	248,024	85,000	7,107,352



**SLO County Detail Report Fiscal Year Ended 6/30/15**  
**Note that it has now been brought up to date.**

ZFIR\_FUNDDETAIL - Fund Detail Report  
 Report ZFIR\_FUND\_DETAIL\_ALV\_200710  
 Run Date: 01/13/2015 Time: 09:13:15  
 User LCORR  
 System PRD/300

Total Records 0000000003

Year	Fund	Account	Period	Entered	Pstng Date	Text	Debit Amount	Credit	Net Amount	Cum Amt
2014	4101000000	1550025	12		6/30/2014	Previous Balance	6,019,331.00	0.00	6,019,331.00	6,019,331.00
*					6/30/2014				6,019,331.00	
**					6/30/2014				6,019,331.00	
2015	4101000000	1550025	5	12/3/2014	11/26/2014	To reduce LAIF Acct bal ance at 07/01/2013	0.00	3,181,037.77-	3,181,037.77-	2,838,293.23
2015	4101000000	1550025	5	12/3/2014	11/26/2014	For July '13- Mar '14 LAIF & Rabo- bank activity	0.00	434,736.83-	434,736.83-	2,403,556.40
*					11/26/2014				3,615,774.60-	
**					11/26/2014				3,615,774.60-	
***									2,403,556.40	

INITIAL SELECTIONS

Fiscal Year 2015  
 Beginning Period 001  
 Ending Period 012  
 Fund(s) Single value 4101000000  
 Account(s) Single value 1550025  
 Report Layout LCFUNDDDETAIL



A

01/13/2015 SLO County Detail Report Fiscal Year Ended 6/30/10  
 No entries. Balance is the same at 6/30/10 as Fiscal Year Ended 2014.

Dynamic List Display

01/13/2015 ZFIR\_FUNDEDETAIL - Fund Detail Report

**Note the \$1.2m discrepancy between this statement and LAIF for the same date, same account.**

ZFIR\_FUNDEDETAIL - Fund Detail Report  
 Report ZFIR\_FUND\_DETAIL\_ALV\_200710  
 Run Date: 01/13/2015 Time: 09:08:58  
 User LCCORR  
 System PRD/300

Total Records 0000000001

Year	Fund	DT	Account	Period	Entered	Pstng Date	Text	Debit Amount	Cr	Net Amount
2010	4101000000		1550025	12		6/30/2010	Previous Balance	6,019,331.00	0.00	6,019,331.00
*						6/30/2010				6,019,331.00
**						6/30/2010				6,019,331.00
***										6,019,331.00

INITIAL SELECTIONS

Fiscal Year 2011  
 Beginning Period 001  
 Ending Period 012  
 Fund(s) Single value 4101000000  
 Account(s) Single value 1550025  
 Report Layout LCFUNDEDETAIL

**Statement of Account Activity in Capital Expansion Fund showing \$50,000 withdrawal. Note the \$1.2m discrepancy between this statement and the County's for the same date, same account.**

Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT  
BUSINESS OFFICE  
P. O. BOX 339  
OCEANO,, CA 93445

[www.treasurer.ca.gov/pmia](http://www.treasurer.ca.gov/pmia)

-laif

October 06, 2010

PMIA Average Monthly Yields

Account Number [REDACTED]

Transactions

Tran Type Definitions

June 2010 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
6/10/2010	6/9/2010	RW	1274395	JOHN L. WALLACE	-50,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,867,492.70
Total Withdrawal:	-50,000.00	Ending Balance:	4,817,492.70



Special District Risk  
Management Authority

Maximizing Protection.  
Minimizing Risk.

1112 I Street, Suite 300  
Sacramento, California 95814-2865  
T 916.231.4141  
T 800.537.7790  
F 916.231.4111  
www.sdrma.org

Attachment B



March 21, 2011

John L. Wallace  
Wallace Group  
612 Clarion Court  
San Luis Obispo, CA 93401

Re: Our Claim No: EP 4754  
Claimant: Devina Douglas  
Date of Loss: July 9, 2010

Dear Mr. Wallace:

The South San Luis Obispo County Sanitary District is a self-insured public entity and a member of Special District Risk Management Authority (SDRMA) a Joint Powers Authority (JPA).

I am writing in reference to the summons and complaint case number CV110124 filed in San Luis Obispo Superior Court by Jeffrey D. Stulberg, Esq. on behalf of Devina Douglas on February 22, 2011. The complaint names John Wallace and the Wallace Group as defendants. At this time I am advising you that a coverage question is pending relative to whether or not the Liability Coverage Agreement issued to the South San Luis Obispo County Sanitary District would provide coverage for you and the Wallace Group for this occurrence.

The Liability Coverage Agreement may not provide coverage for you or the Wallace Group due to the following exclusion:

**"VI. Exclusions**

**FF. To any claim for Personal Injury, Property Damage, Public Officials Errors and Omissions, Employee Benefits, Acts, Errors or Omissions, or Wrongful Employment Practices** arising out of the acts or omissions of any consultant or contractor who is not a fulltime employee of the **Covered Party**, but who is appointed by the **Covered Party** to act as its official, agent, or other representative. "

Additionally, we are also investigating the issue of primary coverage considering the following condition in our Memorandum of Coverage cited in the GENERAL TERMS AND CONDITIONS APPLICABLE TO ALL PROGRAMS:

**"Other Insurance**

The coverages provided pursuant to this Memorandum shall apply only in excess of any insurance available to any Covered Party. In addition, except with respect to the policies referred to herein, the coverages provided pursuant to this Memorandum shall apply only in excess of coverage or benefits provided by self-insurance arrangements, pools, self-insurance trusts, captive insurance companies, retention groups, reciprocal exchanges, or any other plan or agreement of risk transfer or assumption."

SDRMA is willing to proceed with the investigation and/or defense of this claim however we will do so only on the condition that our actions will not prejudice any rights or defenses we currently have under the Liability Coverage Agreement, whether such rights have been specifically referred to in this letter.

By expressly reserving our right to deny coverage under the Liability Coverage Agreement at a later date, none of our actions by investigating and/or defending this claim shall be construed in any way as waiving or creating an estoppel of our rights under the Liability Coverage Agreement; nor shall they be deemed in any way to be an admission of liability or coverage under the Liability Coverage Agreement.

SDRMA expressly reserves the right to institute, at any time after receipt of this letter, an action to have the rights of the parties hereto determined.

Should you have questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Tyler".

Barbara Tyler, CCLA  
Claims/Loss Prevention Manager



VI. Exclusions, continued

- (4) Internet Backbone Provider, meaning any person or entity that routes or provides channels for packets that transport data from point to point on the Internet; or
  - (5) Entity or individual that derives ninety percent or more of gross revenue or conducts or executes ninety percent or more of business transactions on or through the Internet; or
  - (6) Entity or individual that is in the business of providing electronic mail services; or
  - (7) Entity or individual that is in the business of developing, supplying and/or installing encryption software for use on the Internet.
- "Internet" as utilized in this exclusion shall mean the international computer network of interoperable packet switched data networks, also known as the worldwide web or worldwide network of computers.

DD. CEQA:

To liability imposed upon a **Covered Party** (or which is reputed to a **Covered Party**) under the "California Environmental Quality Act" and any law amendatory thereof.

EE. Prior Manifestation:

To a **Claim or Suit** seeking damages consisting of, or arising from **Personal Injury or Property Damage** that any **Covered Party** knew or should have known existed before the commencement of this **Coverage Period**, or that were manifested prior to this **Coverage Period**. **Personal Injury or Property Damage** will be deemed to have been manifested as of the earliest date by which any damage or injury occurred, irrespective of whether any **Covered Party** was aware of the existence of any such damage or injury, and irrespective of whether such damage or injury may have been continuous or progressive or may have been due to repeated exposure to substantially the same harmful conditions or may have become progressively worse during this **Coverage Period**.

- FF. To any claim for **Personal Injury, Property Damage, Public Officials Errors and Omissions, Employee Benefits, Acts, Errors or Omissions, or Wrongful Employment Practices** arising out of the acts or omissions of any consultant or contractor who is not a fulltime employee of the **Covered Party**, but who is appointed by the **Covered Party** to act as its official, agent, or other representative.

VII. Additional Exclusion  
Applicable to Coverage A,  
Personal Injury or Property  
Damage Due to an  
Occurrence

Coverage A, **Personal Injury or Property Damage** due to an **Occurrence**, does not apply to:

- A. Any **Personal Injury or Property Damage** due to an **Auto Accident**, to any **Public Officials and Employees Errors and Omissions** due to a **Wrongful Act**, to any **Employee Benefits Act, Error or Omission** or to any **Wrongful Employment Practice** as defined in Coverages B, C, D, and E respectively in this Liability Coverage Agreement.

VIII. Additional Exclusion  
Applicable to Coverage B,  
Personal Injury or Property  
Damage Due to an Auto  
Accident

Coverage B, **Personal Injury or Property Damage** due to an **Auto Accident**, does not apply to:

- A. Any **Personal Injury or Property Damage** due to an **Occurrence**, to any **Public Officials and Employees Errors and Omissions** due to a **Wrongful Act**, to any **Employee Benefits Act, Error or Omission** or **Wrongful Employment Practices** as defined in Coverages A, C, D, and E

B

## Memorandum of Coverages



### Defense and Settlement Provisions, continued

Member disputes the recommended settlement, and provided that SDRMA does not exercise its option to unilaterally effectuate settlement, the Member may elect to undertake the further investigation and/or defense of the claim solely at its own expense, and pay such amounts of indemnity that exceed the amounts recommended by SDRMA up to the limits of risk financing afforded herein, and also pay the additional costs of investigation and/or defense cost incurred from the date such investigation and/or defense is undertaken by the Member.

### Other Insurance

The coverages provided pursuant to this Memorandum shall apply only in excess of any insurance available to any Covered Party. In addition, except with respect to the policies referred to herein, the coverages provided pursuant to this Memorandum shall apply only in excess of coverage or benefits provided by self-insurance arrangements, pools, self-insurance trusts, captive insurance companies, retention groups, reciprocal exchanges, or any other plan or agreement of risk transfer or assumption.

### Voluntary Payments

The Covered Party shall not, except at their own expense, voluntarily make any payment, assume any obligation, or incur any expense, other than for first aid, without the written consent of SDRMA.

### Authorization Clause

By acceptance of this Memorandum, the Member agrees to act on behalf of its officers, employees and agents with respect to the giving and receiving of notice of claim, the payment of contributions and assessments, and the receiving of any return contributions that may become due under this Memorandum, and said officers, employees and agents agree that the named Member shall act on their behalf.

### Acceptance

By acceptance of this Memorandum, the Member agrees that this Memorandum and Exhibits, together with the Sixth Amended and Restated Joint Powers Agreement and Bylaws and successor documents thereto, embodies all agreements existing between itself and SDRMA or any of its representatives or any insurers relating to this Memorandum or the coverages provided pursuant thereto.

### Arbitration

As a condition precedent to any right of action against SDRMA, any dispute between the Member or any other Covered Party and SDRMA regarding or arising out of the risk financing afforded under the terms of this Memorandum or the coverages provided pursuant thereto, including its formation or validity, or any transaction under the Coverage Agreements issued to the Member by SDRMA, or any dispute or claim of any nature arising from or related in any way to the relationships governed by the Coverage Agreements issued to the Member by SDRMA, whether arising before or after termination shall be resolved by final and binding arbitration before a certified Arbitrator (affiliated with J.A.M.S., Two Embarcadero Center, Suite 1100, San Francisco, CA 94111), in accordance with its then existing applicable rules of practice and procedure and in accordance with the provisions of the California Code of Civil Procedure, Sections 1280, et seq. The arbitration shall be before a single neutral arbitrator selected jointly by SDRMA and the Member or other Covered Party. If SDRMA and the Covered Party do not agree on the identity of the Arbitrator, the Arbitrator will be appointed by J.A.M.S. Said arbitration shall take place in Sacramento, California unless the Member or other Covered Party and SDRMA jointly agree in writing to a different location. The Arbitrator shall have the power to determine all procedural rules for the holding of the Arbitration including but not limited to determining the arbitrability of claims, prehearing discovery, inspection of documents, examination of witnesses, etc. Both SDRMA and the Member or other Covered Party shall share equally in the cost of the Arbitration and shall otherwise bear their own costs and attorneys' fees in connection with such Arbitration. Judgment upon any arbitration award may be entered in any court having jurisdiction thereof.



Received from Debbie Peterson  
Attachment C

Point	out	moss	levy	hartzheim	2012	review.
Net investment in capital assets					12,276,059	
Restricted for capital expansion					7,143,239	
Unrestricted					(4,590,890)	

From 2013

audited accounts. The amount restricted for capital expansion is very close to the amount I came up with based on figures from the accounts. What this means is that the unrestricted funds, which there are none, are short \$4,590,890.

### Condensed RFP for Audit as presented to the Board in January 2013.

#### Scope of Work

*Consultants will be expected to exercise professional discretion in determining which issues are most critical and should be recommended for follow up. These responsibilities will include the following.*

#### Independent of the influence or involvement of the District Administrator and/or the Wallace Group:

- Complete an in-depth review of the District finances, including income & expenses within all accounts such as, but not limited to operations, maintenance, capital projects, reserve and revolving.
- Complete an in-depth review of the District operations and organization including personnel, equipment, purchases, repairs and maintenance costs.
- Develop, evaluate and compare operational alternatives for the Sanitation District, reviewing all services required to operate the district below the level of the board to determine if expenditures can be reduced and/or revenues can be increased.
- Review of policies, practices, procedures, equipment and Plant to rule out and/or prevent Fraud, Waste or Abuse.
- Evaluate current and a minimum of five (5) years of purchasing practices and procedures, including invoicing by District Administrator, engineering service providers, legal counsel and other service providers and contractors.
- Evaluate Plant, staff, operations and materials costs as compared to other wastewater Plants and advise as to working conditions, work load and typical costs.
- Suggest operational efficiencies, cost saving opportunities, best practices and appropriate controls.
- Advise on setting up systems, practices and procedures that provide financial and operational information that the Board needs for responsible oversight, accounting comparison of budgets versus expenses for the last five (5) fiscal years and relevant analysis of all District accounts for Board and management use.

**Next Page: auditors' 'material weaknesses and significant deficiencies.'**

**significant deficiencies.**

**significant deficiencies.**

**CONDITION:**

**CONDITION:**

**CAUSE:**

**CAUSE:**

**EFFECT:**

**EFFECT:**

## RECOMMENDATION:

## RECOMMENDATION:

## DISTRICT'S RESPONSE:

DISTRICT'S RESPONSE:

**FUTURE ACTIONS:**

**FUTURE ACTIONS:**

C



have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See Finding 2012-3.

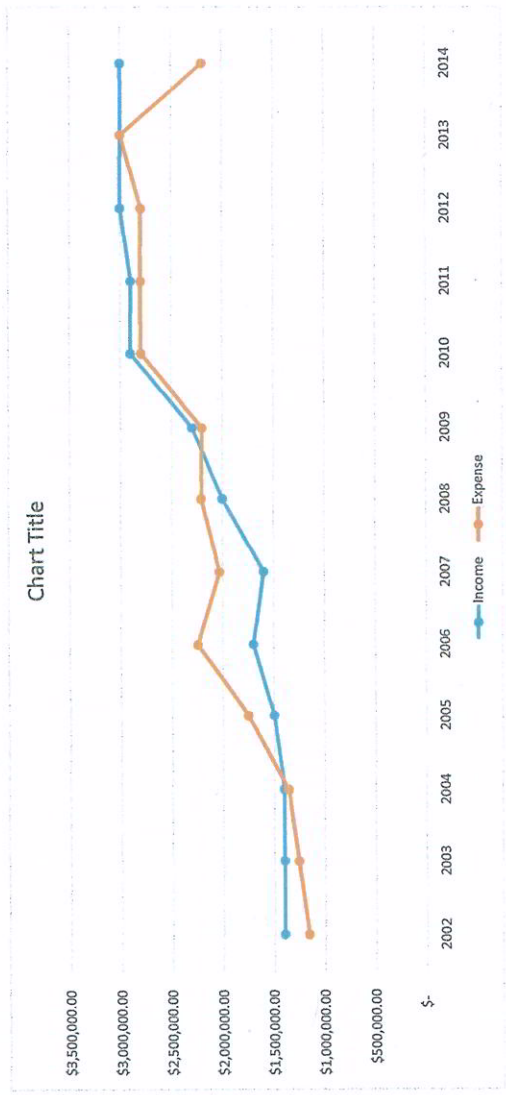
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. See Findings 2012-1 and 2012-2.

Received from Marc London

Attachment D

D

		South San Luis Obispo County Sanitation District														
		Income vs Expenses														
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Income	\$	1,400,000.00	\$	1,400,000.00	\$	1,700,000.00	\$	2,000,000.00	\$	2,300,000.00	\$	2,800,000.00	\$	3,000,000.00	\$	3,000,000.00
Expense	\$	1,160,000.00	\$	1,260,000.00	\$	2,250,000.00	\$	2,030,000.00	\$	2,200,000.00	\$	2,800,000.00	\$	3,000,000.00	\$	2,200,000.00







To: South SLO County Sanitation District

DT: 01/20/15

Attn: Board of Directors

Jim Hill, Mayor of Arroyo Grande

John Shoals, Mayor of Grover Beach

Matthew Guerrero, Director of Oceano CSD

***Re: Agenda Item 5C --Consideration to review long term expenditure history***

Since 2011, Surfrider Foundation San Luis Obispo (the "chapter") has been asking South San Luis Obispo County Sanitation District (the "District") to increase their accountability in protecting environmental health. Evidence of our requests are shown in the public meeting records at the District, Oceano CSD, the City Councils of Grover Beach and Arroyo Grande, and in testimony to the Central Coast Regional Water Quality Control Board ("Regional WQ"). In early 2013, the chapter slowed its call for "an independent investigation into potential malfeasance by {then} Plant Administrator and Chief Engineer, the Wallace Group" when Mayor Debbie Peterson's questions regarding operational oversight were being internally investigated and some problems (operational and organizational) were resolved. However, since the independent investigation requested by our chapter never occurred, there remain many unanswered concerns also expressed by District employees, members of the Board of Directors, and District ratepayers which will only be resolved by further independent investigation of past operational practices accompanied by a thorough financial audit of District records.

Few ratepayers know how a Waste Water Treatment Plant (WWTP) such as the District's plant is regulated by Regional WQ, i.e. "The Honor System". The plant has specific standards set by Regional WQ that it must meet in the interest of safeguarding environmental health, to avoid fines, or to avoid the potential loss of the District's discharge permit. On a daily basis, the District is required to submit to Regional WQ the results of effluent samples which are taken by



District employees and sometimes tested in an on-site laboratory by District employees. The employees who perform these tests are certified technicians through the State of California, who in theory are obligated to protect their certifications by honestly reporting the District's daily water testing results. However, if discharge violations are not reported or if whistleblower reports of illegal reporting practices are not filed with Regional WQ, violations may never be known because WWTP's are not regularly audited by regulators. Thus, when the Honor System breaks down, the public may never know their environmental health has been at risk. The chapter believes the District's Board of Directors has access to legal testimony by whistleblowers (Supervisor Scott Mascolo, Water Quality Testing Technician Devina Douglas, and Plant Superintendent Jeff Appleton) to justify appropriate cause to investigate whether District Management placed the certifications of these technicians and our community's environmental health at risk because, simply stated, the Honor System broke down due to mismanagement of SSLOCSD's operations.

The function of a Waste Water Treatment Plant is to treat effluent to the standards of its Discharger Permit. For many years, SSLOCSD Management stated the value of maintaining the status quo was to "keep rates low". The SSLOCSD's major sewage spill of December 2010 and the testimony of Jeff Appleton at the State Water Board hearing regarding that spill, are direct indications that either the plant's Engineering was deficient or that Management was not requesting appropriate resources toward protecting the environment from a potential sewage spill. Since the WWTP was built in a flood plain, the potential for the flood which contributed to the spill of December 2010 was well documented and understood. However, questions asked by California State Water Board lawyers and our chapter at the September 7<sup>th</sup>, 2012 Regional WQ hearing regarding the spill remain valid: Was it mismanagement by the Plant Administrator and Chief Engineer that contributed to the eventual spill? Financial records show District surpluses and plentiful reserves in the years prior to the spill. Where did all the money go? If the money was invested in other necessary projects but this risk still remained, why wasn't District leadership actively pursuing new revenues? This is one of the reasons, among many other reasons raised by others on the Board of Directors, by employees, and by the public, for a thorough financial audit of District records going back as far as 2004.

In our chapter's recent public comments to the SSLOCSD Board of Directors, we have asked the board to agree to manage a suitable outcome by agreeing to further independent investigation of past operational practices accompanied by a thorough financial audit of District records. We also asked that records or documentation provided by the public could be submitted to investigators anonymously, thus allowing all available facts to be considered in the investigation and will open the "communication pipeline" with the community. In a thorough investigation, any illegitimate documents can be easily dismissed. Our hope for SSLOCSD's Board of Directors in 2015 is "the buck stops here", and we ask you to vote in support an independent investigation (Forensic / Operational audit) of the District's operational practices accompanied by a thorough financial audit of District records starting in 2004.

Signed,

Executive Committee of Surfrider Foundation San Luis Obispo:

Jennifer Jozwiak, Co-Chair

Niel Dilworth, Co-Chair

Brad Snook, Volunteer Coordinator

From the Desk of Julie Tacker  
P.O. Box 6070  
Los Osos, CA 93412  
805.528.3569

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
1600 ALOHA PL / P.O. BOX 339  
OCEANO, CA 93475

December 17, 2014

**RE: SSLOCSD v California State Water Resources Control Board et.al. SLOCSC # 14 CV 0596**

Dear Board of Directors,

At your December 3, 2014 you asked that the public submit questions as they relate to the district's case against the State in hopes of correcting public perception and any myths that may continue to surround the case.

These are my questions:

How much money has been spent defending the district from the ACL to date? At the March 20, 2013 meeting of your board, a staff report showed nearly \$700,000 had been spent at that time. Please provide an update for these expenses for the public.

How much was the settlement that fell through? Oceano CSD Board member Mary Lucey reported in public that the amount was \$300,000. If that amount is accurate, or anywhere close, why didn't the district settle at that time?

Lastly, the contract with attorney Melissa Thorne, Downey Brand, is from January 2012. In my opinion, the scope of work has changed -- yet the contract has not. Why is the contract hourly and not on a contingency basis? What is the budget for this outside counsel?

Thank you for your consideration.

A handwritten signature in cursive script that reads "Julie Tacker".

Julie Tacker



To the SSLOCSD Board of Directors and General Manager

re: SSLOCSD Investigatory Options

During the January 21 meeting of the SSLOCSD Board of Directors, there was much discussion of the nature of an investigation of past financial dealings of the SSLOCSD. I didn't spend as much time speaking on the subject as I should have because I suspected that there was already too much opinion being thrown out without adequate knowledge to support it and because the meeting was sufficiently long that my brain was already getting foggy. So here is a more organized summary of my thoughts on the subject.

I am not a CPA or financial expert but I wasn't convinced that a forensic audit will reveal all the information about past mismanagement or abuses that have occurred -- or even the most important of them. So, I did a little research on-line and asked a CPA I know about the subject. Audits are generally good for discovering bad bookkeeping procedures and attempts to steal by "cooking the books." They can reveal failure to record or mis-recording of income, expenses and transfers of funds. They can reveal mis-categorization of funds. It is entirely possible that such things have occurred and should be brought to light. Forensic audits are simply more detailed and exacting audits that focus in on areas where there is a possibility of fraud or other intentional theft by financial manipulation. They are done in such a manner as to provide legal proof of what has occurred.

However, there are other ways to defraud an organization or waste money through negligence or incompetence that may not be exposed by a forensic audit. Some examples would be engaging in unnecessary operations, over-paying for work done, and rigging RFPs to favor certain bidders for contract work for reasons unrelated to the scope of the work needed. There is also the possibility of failure to put work out for bid when it should have been done and awarding the work to a favored contractor when not the lowest bidder. A forensic audit might be able to detect the latter instances provided that adequate records of bidding processes were kept. Is this the case at SSLOCSD?

These examples of mismanagement (or corruption) are much more likely to occur when the District Manager is also a principal of a firm doing much of the contracted work for the district. I think they are more likely to have resulted in the larger portion of wasted funds than any intentional bookkeeping tricks. They may not even be illegal in some cases although they are certainly unethical and there may be some laws violated if done while using state or federal funds. I think that an "Operational Audit" is the term for what is needed to lay bare such details.

If the purpose of an inquiry into past practices is to lay grounds for legal actions to recover funds from Mr. Wallace as District Manager (or from his firm, Wallace and Associates, as the prime engineering contractor used by the SSLOCSD during the time he was District Manager), you will have to decide if the expense of doing either or both a forensic audit and an operational audit is likely to justify their costs. This expense may be more justifiable if the purpose of such an inquiry is also to just clear the air about how and why the SSLOCSD spent such exorbitant amounts of money while he was in charge.

However, I think that it is possible to find much of the information using already existing data and less expensive processes to get a better idea if the costs of the big audits are worthwhile. If nothing else, getting the records compiled and organized while doing this might save costs if you do hire more expensive professional auditors later. I am particularly concerned with the expense of the operational audit as the type of auditors involved typically charge very high rates and I would not be surprised if they approached six figures. Unless such an audit revealed clear evidence of actions that would make possible large-scale legal compensation from Mr. Wallace, I can't see spending an amount on it that could exceed 25% of the annual budget for the District. It is up to you to decide if such a price would be worth the benefit of proving to the public what exactly went wrong but my hope is that this could be done in a way that does not cost the SSLOCSO substantially more than it could reasonably expect to recover via a lawsuit. (Trustworthy legal advice on this subject is essential.)

Ron Holt

Arroyo Grande Resident

Grover Beach Business Owner

.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
WARRANT REGISTER  
02/04/2015 FY 2014/15

ISSUED TO	BUDGET LINE ITEM	DESCRIPTION	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ALLTECH COMPUTERS	COMMUNICATIONS	TECH SUPPORT	020415-9180	7011	164.00	164.00
AMY SIMPSON	MEMBERSHIPS/SEMINARS/MEETINGS	PER DIEM	81	7050	115.00	115.00
ARAMARK	EMPLOYEE UNIFORMS	01/23/15, 01/30/15	82	7025	461.87	461.87
AUTOSYS, INC.	SCADA PROF SERVICES	SERVICE	83	20-8010	6,005.00	6,005.00
BRENNTAG PACIFIC, INC.	PLANT CHEMICALS	SODIUM HYPOCHLORITE	84	8050	4,604.73	4,604.73
CALIFORNIA ELECTRIC SUPPLY	EQUIPMENT MAINTENANCE	ELECTRICAL	85	8030	1,009.99	1,009.99
CALPERS	MEDICAL INSURANCE	HEALTH	86	6010	18,936.71	18,936.71
CCWT	LAB SUPPLIES	TRI BED TANK RENTAL	87	8040	181.50	181.50
CHARTER	COMMUNICATIONS	TELEPHONE	88	7011	290.63	290.63
D'ANGELOS	EQUIPMENT MAINTENANCE	PAINT	89	8030	82.73	82.73
DOCTORS MED PLUS MEDICAL	HOUSEHOLD	EMPLOYEE PHYSICALS	90	7079	330.00	330.00
FASTENAL	EQUIPMENT MAINTENANCE	MISCELLANEOUS SUPPLIES	92	8030	65.93	200.55
	TOOLS	SHOP TOOLS		8055	134.62	
FISHER SCIENTIFIC	LAB SUPPLIES	EQUIPMENT		8040	260.97	260.97
I.I. SUPPLY	EQUIPMENT MAINTENANCE	SPLITTER BOX	96	8030	244.85	244.85
JB DEWAR INC	VEHICLE FUEL AND OIL	766869	97	8020	161.19	161.19
JIM HILL	BOARD SERVICE	JANUARY	98	7075	200.00	200.00
JOHN SHOALS	BOARD SERVICE	JANUARY	99	7075	200.00	200.00
MATTHEW GUERRERO	BOARD SERVICE	JANUARY	9201	7075	200.00	200.00
O.C.S.D.	UTILITIES WATER	JANUARY	02	7094	66.71	66.71
R.S. FIRE PROTECTION	SAFETY SUPPLIES	FIRE EXTINGUISHER	03	8056	81.70	81.70
STANLEY SECURITY	COMMUNICATIONS ALARM	SERVICE ALARMS	04	7011	158.00	158.00
STATE FUND	WORKERS COMPENSATION	ADDITIONAL DEPOSIT, FEBRUARY	05	6080	12,509.71	12,509.71
USA BLUEBOOK	EQUIPMENT MAINTENANCE	CABLE	06	8030	269.38	1,164.74
	OFFICE EXPENSE	STACK TRAYS FOR DRAWINGS		8045	820.12	
	SAFETY SUPPLIES	RAINSUITS		8056	75.24	
VWR	LAB SUPPLIES	LAB	07	8040	230.12	504.97
	EQUIPMENT MAINTENANCE	ELECTRICAL		8030	123.24	
	SAFETY SUPPLIES	SOAP		8056	151.61	
WATER SPECIALTY CONSULT. SERV.	ZONE 1/1A	SHANNON SWEENEY	08	7095	560.00	2,320.00
	ENGINEERING	SHANNON SWEENEY		7077	1,760.00	
WILLIAM JACKMAN	MEDICAL REIMBURSEMENT	FY 15/15	10	6075	514.00	514.00
W.W. GRAINGER	EQUIPMENT MAINTENANCE	MISCELLANEOUS SUPPLIES	11	8030	182.87	182.87
<b>SUB TOTAL</b>					<b>\$ 50,455.55</b>	<b>\$ 50,455.55</b>
SO. SLO CO. SANITATION DISTRICT	PAYROLL REIMBURSEMENT	01/23/15	12	1016	\$ 24,994.56	24,994.56
SO. SLO CO. SANITATION DISTRICT	CALPERS RETIREMENT REIMBURSEMENT	01/29/15	13	6060	\$ 6,855.64	6,855.64
<b>GRAND TOTAL</b>					<b>\$ 82,305.75</b>	<b>\$ 82,305.75</b>

We hereby certify that the demands numbered serially from 020415-9180 to 020415-9213 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

DATE: \_\_\_\_\_

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Board Member

\_\_\_\_\_  
Board Member

\_\_\_\_\_  
Secretary



# SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

www.sslocsd.org

Subject: **Superintendent's Report**

January 30, 2015

Chart 1 – **Plant Data**

January 2015*	INF Flow MGD	Peak Flow MGD	INF BOD mg/L	EFF BOD mg/L	INF TSS mg/L	EFF TSS mg/L	Fecal Coli	Cl2 lbs/day	BOD REM Eff. %
Average	2.34	3.71	367	30.5	421	32.1	27	162	92
High	2.57	4.4	410	46.0	458	48.0	240	361	
Limit	5.0			40/60/90		40/60/90	2000		80
CY 2014 Monthly									
Average	2.35	3.8	392	26	406	31	87	160	94
High	2.70	4.8	444	34	470	39	1600	327	

- \* = Plant data through January 30th.

Limit – 40/60/90 represent NPDES Permit limits for the monthly average, weekly average, and instantaneous value for plant effluent BOD and TSS.

## Maintenance

- Removed #2 moyno sludge pump at sec. clarifier.
- Installed new plug valves at secondary clarifier pump room.
- Cleared clog in sludge bed #9 drain line.
- Installed new Waterchamp chlorine mixer.
- Repaired broken waterline near heating and mixing building.

## Call outs

- January 27, 10:32pm – FFR VFD #2 fail.

## In-Progress



- Garing, Taylor, and Associates is working with staff to review and ensure the integrity of the District's A.G. sewer bridge. Currently planning to touch up the exterior coating. Considering lining the interior.
- GT&A is working with staff to assess the stability of the foundation under the splitter box.
- Staff completed an inventory of Plant equipment.
- Staff has completed and submitted the District's 2014 Annual Monitoring Report to the Regional Water Quality Control Board.

**Training**

- Staff attended a safety meeting on recognizing pinch points.
- Staff attended a training and review session on the Secondary Treatment Process in the District's O&M manual.
- Superintendent J. Clemons and Bookkeeper Amy Simpson participated in a CSDA webinar training session entitled Annual Employment Law Update.

**Miscellaneous**

- Staff met with Alex Handler of Bartle, Wells and Associates regarding the rate survey.
- Staff met with engineers from WSC engineering, Shannon Sweeney, and Theresa Mc Clish of Arroyo Grande regarding the Satellite Plant Project.

Best regards,

John Clemons  
Superintendent



## **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339, Oceano, California 93475-0339  
1600 Aloha Oceano, California 93445-9735  
Telephone (805) 489-6666 FAX (805) 489-2765  
[www.sslocsd.org](http://www.sslocsd.org)

---

### **Staff Report**

**To:** Board of Directors  
**From:** Richard G. Sweet, PE, District Manager  
**Date:** February 4, 2015

#### **Subject: Submittal of Response to Questions Submitted by the Public**

#### **Recommendation:**

It is the staff recommendation that the Board receive and file response to questions submitted by the public, attachment "A."

#### **Background:**

At the District Board meeting of December 3, 2014, the Board asked the public attending the meeting to submit questions to the District and the District would subsequently provide responses to the questions. Questions were submitted via email, and public comment at Board meetings. The District has responded to many of the questions during agenda discussions at the January 21, 2015 Board meeting regarding the "SDRMA Insurance Coverage" and

"Consideration of Options to Review Long Term Expenditure History." The remaining questions and their corresponding responses are on Attachment "A."

Richard G. Sweet, PE  
District Manager

Attachment "A"

## **MISCELLANEOUS WRITTEN COMMUNICATIONS**

**B1.** Have the full transcripts of the Water Board hearing been made available to the present Board of Directors? Were the full transcripts made available to the full Board of Directors (including alternates) in reviewing evidence and in making the decision to bring the present lawsuit against the State Water Board? What are the issues raised by the State or through public testimony during the hearing which remain unanswered and undocumented by the District, according to the present Board of Directors? According to the present Board of Directors, what is the best way to address those unanswered concerns?

Brad Snook

Much of Mr. Snook's request is part of SSLOCSD V SWB and can't be responded to. I believe that the District has obtained copies of the hearing transcript and the transcripts can be made available to the Board upon request

**B2.** I am asking for a full audit of the San dist, because I do not think anyone is fully aware of why or how the district got into the mess they did.

If you don't know how you got there, how in God's name are you going to keep from going there again? Was it financial malfeasance, was it operational mistake, was it the major conflict of interest with John Wallace, or something else?

As a resident who is now having my water rates increase and having to cover a fine for something I had no control over, I am not happy at all. I don't trust what I am being told and the fact the district has refused to do an audit even after the grand jury findings is WRONG.

Why does John Wallace not have to pay any fines? maybe through an audit he will be held financially responsible for some of this.

I don't trust Matt Guerrero as he is one of the ones who has voted against the audit, as did Tony Ferrera. It seems Debbie Peterson and Jim Hill are the only people who want to get to the bottom of this mess, but I am hoping John Shoals will get off board and vote for an audit. Mary Lucey has made it fairly clear she is not going to vote for an audit.

I know there are a lot of angry people out there and it is just a shame they don't get listened to. Do the right thing and figure out what caused the problem so it won't happen again, hopefully. You can't correct what you don't know is wrong.

Patty Welsh  
AG resident

This issue was on the agenda January 21st. The Board will review Request for Proposals for a evaluation of past management performance at the Februar 4<sup>th</sup> meetingThe previous Board considered the question of a forensic audit of the District Administrator and decided not to perform a forensic audit. The District did retain a panel of experts to perform an operational assessment (audit). That audit was completed in 2012 and was publicly reported. In addition the Board authorized the County Auditor to review the District financial controls in 2011-12 and received a written report.

**B3.** Dear Board Members,

In response to your most recent invitation to present questions to your Board, we've polled members of our group and would like to offer you the following questions:

1. What is the status of the District's current N.P.D.E.S permit and how can a Master Plan be developed without taking into consideration what impacts permit compliance might have in regards to future treatment capacity?
2. Will the Board commit to actively pursuing recovery of funds issued to John Wallace/The Wallace Group for sub-par, mismanaged, and double charged billings that were incurred during his dual role of District Administrator / District Engineer as well as recovery of any and all legal fees and fines incurred as a result of negligence and mismanagement as defined by the R.W.Q.C.B. A.C.L.?

Trinity Neo

The District presently is operating and is in compliance with the Districts N.P.D.E.S. permit. The District plans to stay in compliance.  
The second item is the subject of a closed session item.



## **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339 Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

<http://www.sslocsd.org/>

---

Each year the South San Luis Obispo Sanitation District is required to submit an Annual Report of Operations to the Regional Water Quality Control Board. This report includes water quality monitoring data, compliance record, operator certifications, discussion of the O&M manual, discussion of the pretreatment program, District laboratory certification, bio-solids program and the District's brine waste program. This report is due by February 1 of each year. This year the District submitted its report electronically on January 30, 2015. Below is a brief summary of the report.

2014 included a number of maintenance projects aimed at shoring up plant reliability. Notable improvements were:

- Installation of additional a third fixed film reactor (FFR) pump.
- Lined a leaking sewer line near the headworks.
- Replaced check valves at the influent pumps.
- Replaced the back-up chlorine analyzer.
- Instituted a valve exercise program.

The District also completed a number of projects aimed at efficiency improvements. These projects included:

- Installation of a dual gas boiler.
- Installation and reprogramming of variable frequency drives (VFD) on the influent pumps.
- Installation of vfd on sludge mixing pump,
- Installation of a sludge conveyor and FFR pump motors,  
Installation of a sludge conveyor at the centrifuge building
- A voluntary PG&E energy usage audit.

These improvements have led to a reduced energy bill in the months of November and December 2014.

Biochemical Oxygen Demand (BOD) removal efficiency was 94%. That is the highest efficiency achieved (along with CY 2008) in 15 years. The plant incoming BOD this year (392 mg/L) was over 20% higher than the average annual BOD for the past 15 years (302 mg/L), yet our annual discharge BOD, 26 mg/L, remained well below our permit monthly limit of 40 mg/L.

Daily chlorine usage for the year averaged 160 lbs. per day. In the Calendar Year (CY) 2010 daily chlorine usage was 956 lbs. per day. In the CY 2013 usage was 294 lbs. per day; a nearly 45% reduction in chlorine usage since last year, and an over 80% reduction in chlorine usage since CY 2010. This also results in a decrease in sodium bisulfite (de-chlorination chemical) usage.

Fecal coliform average monthly values for CY 2014 were high (87 MPN/100 ml) when compared to the 15 year average of 26 MPN/100ml, however they were not close to our permitted daily limit of 2000 MPN/100ml.

Permit limits were violated on three occasions during CY 2014. In September there were two violations for exceeding our fecal coliform seven sample median limit of 200 MPN/100ml with values of 240 and 220 MPN/100ml. The fecal coliform exceedances were a result of debris build up in the (Chlorine Contact Tank) CCT. The cleaning schedule of the CCT has been adjusted to eliminate this issue.

There was a single violation for high chlorine residual in March. The high chlorine residual exceedance occurred during a change in scour procedures at the chlorine contact chamber (CCT). This issue has been corrected.

Two studies are underway to support required redundancy at the plant:

1. A preliminary engineering design study and costs estimate.
2. A rate study to determine possible rate structures required to support a redundancy project and increasing operational costs.

Overall, the District had a very busy and productive year. Fiscally, spending was well within revenue generated. The District took on three new staff members to replace three who moved on. That is a total of seven new staff members since March 2013. We now enjoy a good relationship with all of the regulatory agencies who we are associated with (i.e. RWQCB, APCD, SLO Co. Environmental Health, etc.). We are looking forward to continue success and progress in District operations.

Sincerely,  
John L. Clemons  
SSLOCSO Superintendent



## **SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

Post Office Box 339 Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

[www.sslocsd.org](http://www.sslocsd.org)

---

### **Staff Report**

To: Board of Directors  
From: Richard Sweet, PE, District Manager  
Date: February 4, 2015

Subject: **ADOPTION OF RESOLUTION FOR SUBMITTAL OF A GRANT  
APPLICATION FOR PREPARATION OF PLANNING STUDY FOR  
A RECYCLED WATER PROJECT**

#### **RECOMMENDATION:**

That the Board adopt a resolution for submittal of a grant application to the State Water Resources Control Board for a Water Recycling Facilities Planning Grant.

#### **BACKGROUND**

On November 5, 2014, the Board approved an agreement with Water System Consulting (WSC) to prepare a planning Study for a recycled water project.

The Board encouraged District staff to entertain possible solutions in developing a recycled water project as a means to provide supplemental water to the Northern Cities Management Area of the groundwater basin. The District worked with Water System Consulting (WSC), the Northern Cities Management Area Engineer, to identify a planning grant opportunity that will provide fifty percent of the cost of a planning study to detail design elements associated with a concept to develop a satellite treatment facility on the sewer trunk line that services most of Arroyo Grande. The advantages of this concept are:

1. The proposed location is outside the Coastal Zone and the jurisdiction of the Coastal Commission. Expansion of the SSLOCSD plant in the Coastal Zone could face significant opposition.
2. The proposed location would provide opportunities for groundwater recharge, landscape irrigation and agriculture irrigation water with very little distribution piping. This is a significant cost savings over many other alternatives.
3. The proposed location is in an area where the groundwater would benefit from percolation of the effluent.

4. Brine generated through the satellite treatment plant can be discharged through the existing trunk sewer line for eventual discharge at the SSLOCSD ocean discharge line.
5. Project may satisfy redundancy requirement for SSLOCSD.
6. The project is eligible for a planning grant: 50% local match
7. With the approval of the water bond last November there will be significant grant opportunities for recycled water projects as the funding distribution policy is developed. Timing is excellent to take advantage of this funding opportunity.

The item was discussed at the Board meeting of October 1, 2014. There were comments of support from the Surf Rider representative and other members of the public.

The District received a proposal from WSC for preparation of the planning grant and the planning study. The costs of the services within the proposal are \$6,700 for the grant preparation and \$150,000 for preparation of the planning study. Seventy five thousand dollars (fifty percent) for preparation of the planning study would be derived from the planning grant. The planning grant requires a fifty percent match. Therefore \$6,700 for preparation of the grant and a fifty percent local match would need to come from local revenue sources. The total local revenue sources required would be \$81,700 ( $1/2 \times \$150,000 + \$6,700$ ). The City of Arroyo Grande has agreed to contribute fifty percent of the local match (\$40,850). The District will contribute the remaining fifty percent. The initial work within the study will consist of the development of an economic feasibility study. If the District determines that the project is **not** economically feasible the study will be terminated and no further expenses will be incurred.

#### **DISCUSSION:**

The project Kick Off Meeting was held Friday, January 26, 2015. The initial item of work is completion of an application for the Water Recycling Facilities Planning Study Grant to the Water Resources Control Board for a matching grant of \$75,000. Submittal of the grant application requires adoption of a resolution in support of the application by the lead agency. A copy of the model resolution required by the Water Resources Control Board is attached and accompanied by a draft application.

Richard G. Sweet, PE  
District Manager

Attached: Model Resolution for Application of Water Recycling Facilities Planning Grant  
Draft Water Facilities Grant Application



**California State Water Resources Control Board  
Division of Financial Assistance  
Office of Water Recycling**

**Water Recycling Facilities Planning Grant Application**

<b>A. Applicant Information</b>	
<b>Agency Name:</b>	South San Luis Obispo County Sanitation District
Street Address:	1600 Aloha Pl, Oceano CA 93445
Mailing Address:	P.O. Box 339, Oceano CA 93475
Authorized Representative (Name/Title/Phone):	Rick Sweet/ General Manager/(805)489-6666
Contact Person (Name/Title/Phone)	Rick Sweet/ General Manager/(805)489-6666
<b>B. Facilities Planning Study Information</b>	
1. Study Title:	Satellite Water Resource Recovery Facility
2. Regional Water Quality Control Board:	Central Coast Region
3. Estimated Project Schedule:	
a. Study starting date: April 2015 b. Submittal of draft facilities plan: September 2015 c. Submittal of final facilities plan: December 2015	
4. Plan of Study: Please submit a plan of study prepared according to the directions in the Water Recycling Funding Guidelines, Part Two. (Label this as Attachment 2.)	
<b>C. Facilities Planning Study Information</b>	
1. Total Study Cost:	\$149,896
2. Requested Grant Amount:	\$74,849
The maximum grant is 50 percent of the total eligible study cost up to a maximum grant of \$75,000.	
Funds for Cash Flow: The grant applicant is expected to have funds available to handle cash flow for the entire study cost, pending receipt of grant disbursements. Does the Agency have local funds on hand to cover the entire estimated study cost? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Other Financial Assistance: Describe any other loans, grants, or other financial assistance being provided to the grant applicant to assist in this study. The City of Arroyo Grande will be contributing \$40,877 to cover 50% of the remaining study cost.	
<b>D. Authorization</b>	
Submit a certified copy of a resolution adopted by the governing body authorizing the application and acceptance of a grant from the Water Recycling Facilities Planning Grant Program. A model resolution is provided for your reference. (Label this as Attachment 1.)	
<b>E. Certification and Signature of Authorized Representative</b>	
I certify that the information in this application, including all attachments, is true and correct to the best of my knowledge and belief. I understand that updated information will be required to be submitted later.	
Signature:	Printed Name:
Date:	Agency's Federal I.D. No.:

**South San Luis Obispo County Sanitation District**

**Recycled Water Facilities Planning Study**

**Attachment 1: Resolution**

Draft

## **South San Luis Obispo County Sanitation District**

### **Recycled Water Facilities Planning Study**

#### **Attachment 2: Plan of Study**

## **Introduction**

The South San Luis Obispo County Sanitation District (District) provides wastewater transmission and treatment service for the Cities of Arroyo Grande and Grover Beach and the Oceano Community Services District (Member Agencies). The Oceano Community Services District (OCSO) provides wastewater collection service to the unincorporated Oceano and Halcyon communities. The District's Wastewater Treatment Plant (WWTP) currently produces disinfected secondary effluent, which is discharged to the ocean. Each of the Member Agencies' water supply portfolios has been significantly impacted by drought conditions over the last 9 years. As a result, the District and the Member Agencies have been evaluating supplemental water supply opportunities, including recovery and reuse of recycled water that is currently discharged to the ocean. The purpose of the Recycled Water Facilities Planning Study (RWFPS) will be to evaluate and select a preferred alternative for a Satellite Water Resource Recovery Facility (SWRRF) or scalping plant within the District's collection system to develop recycled water as a supplemental water supply source and improve the water supply reliability for the Member Agencies.

## **Jurisdiction/Service Area**

The District is located in the central coast region of California. Its service area includes 165 square miles in southwestern San Luis Obispo County. The District collects wastewater from the member agencies through three primary trunk lines that transport it to the District's Wastewater Treatment Plant (WWTP). Each of the member agencies operates their own collection systems to capture and convey wastewater to the District's trunk lines. Figure 1 shows the city limits/service areas for the Member Agencies and the location of the District's WWTP.



## Legend

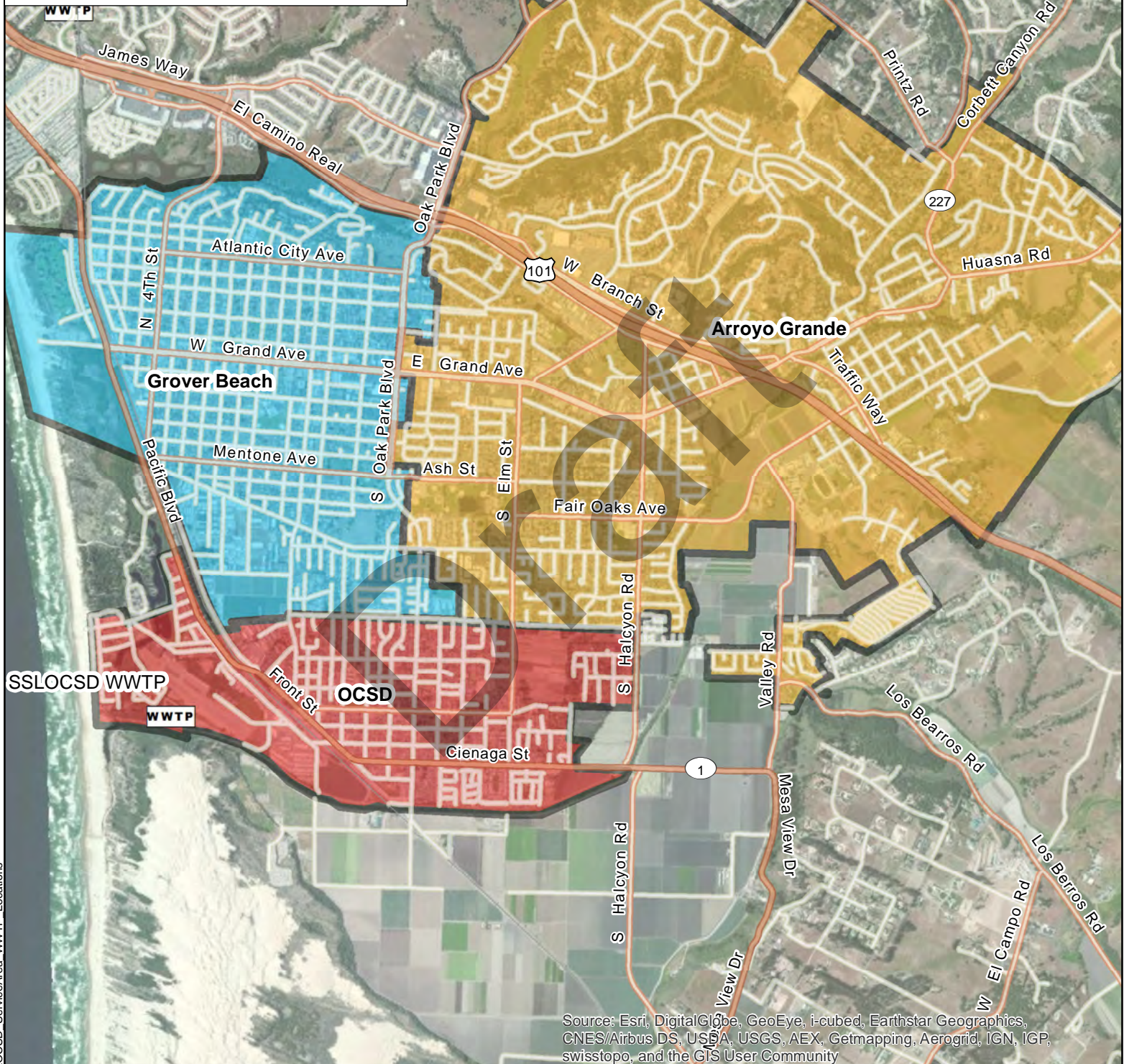
WWTP Wastewater Treatment Plants

## SSLOCSD Agency Boundaries

Grover Beach

Arroyo Grande

Oceano Community Services District



Source: Esri, DigitalGlobe, GeoEye, i-cubed, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community



**Figure 1**  
**SSLOCSD Service Area**



0 1,900 3,800 Feet



## Sources of Recycled Water and Existing Facilities

The source of water for the proposed recycled water system will be wastewater collected by the Member Agencies and delivered to the District. As of 2010, the total population served by the District was approximately 38,000 persons. In 2014, the average annual flow to the WWTP was 2.35 MGD. Table 1 below summarizes the current and projected annual wastewater volumes for the District.

**Table 1. Current and Projected Recycled Water Supplies from SSLOCSD**

	<b>Existing (2014)</b>		<b>Projected (2035)</b>	
<b>Potential Recycled Water Supplies</b>	2.35 mgd	2,633 afy	3.5 mgd	3,921 afy
Notes: 1. Wastewater flows and projections come from the 2014 Regional Recycled Water Strategic Plan				

The WWTP includes an in-channel screen, primary clarifiers, a secondary treatment trickling filter, secondary clarifiers, anaerobic digesters and disinfection contact basin. The primary clarifiers have a combined volume of 320,625 gallons and a combined overflow rate of 610 gpd/sf under average annual daily flow. Sludge from the primary clarifiers is sent to the digesters, while the primary effluent is discharged to a trickling filter for secondary treatment and then to the 665,000 gallon secondary clarifier. After secondary clarification, the wastewater is disinfected with sodium hypochlorite in a chlorine contact chamber, de-chlorinated and discharged from the plant through an ocean outfall line.

The WWTP currently lacks sufficient redundancy in its secondary treatment system to allow the existing trickling filter to be taken out of service for extended maintenance or in the event of a process upset. It is envisioned that development of a SWRRF would provide the SSLOCSD with new upstream treatment capacity and increased redundancy at the existing WWTP due to decreased flow rates.

## Anticipated Recycled Water Alternatives

The District anticipates developing recycled water as a supplemental supply source through the development of a SWRRF and use of recycled water for landscape/agriculture irrigation and/or indirect potable reuse. As part of the preliminary analysis that has been completed in preparation for developing the RWFPS, two conceptual locations for a proposed SWRRF were evaluated. The conceptual SWRRF locations are shown in the Figure 2 and the average flows at these locations are summarized in Table 2.



## Legend



Potential WWTP Locations



Trunk Lines



Wastewater Treatment Plants

## SSLOCSD Agency Boundaries



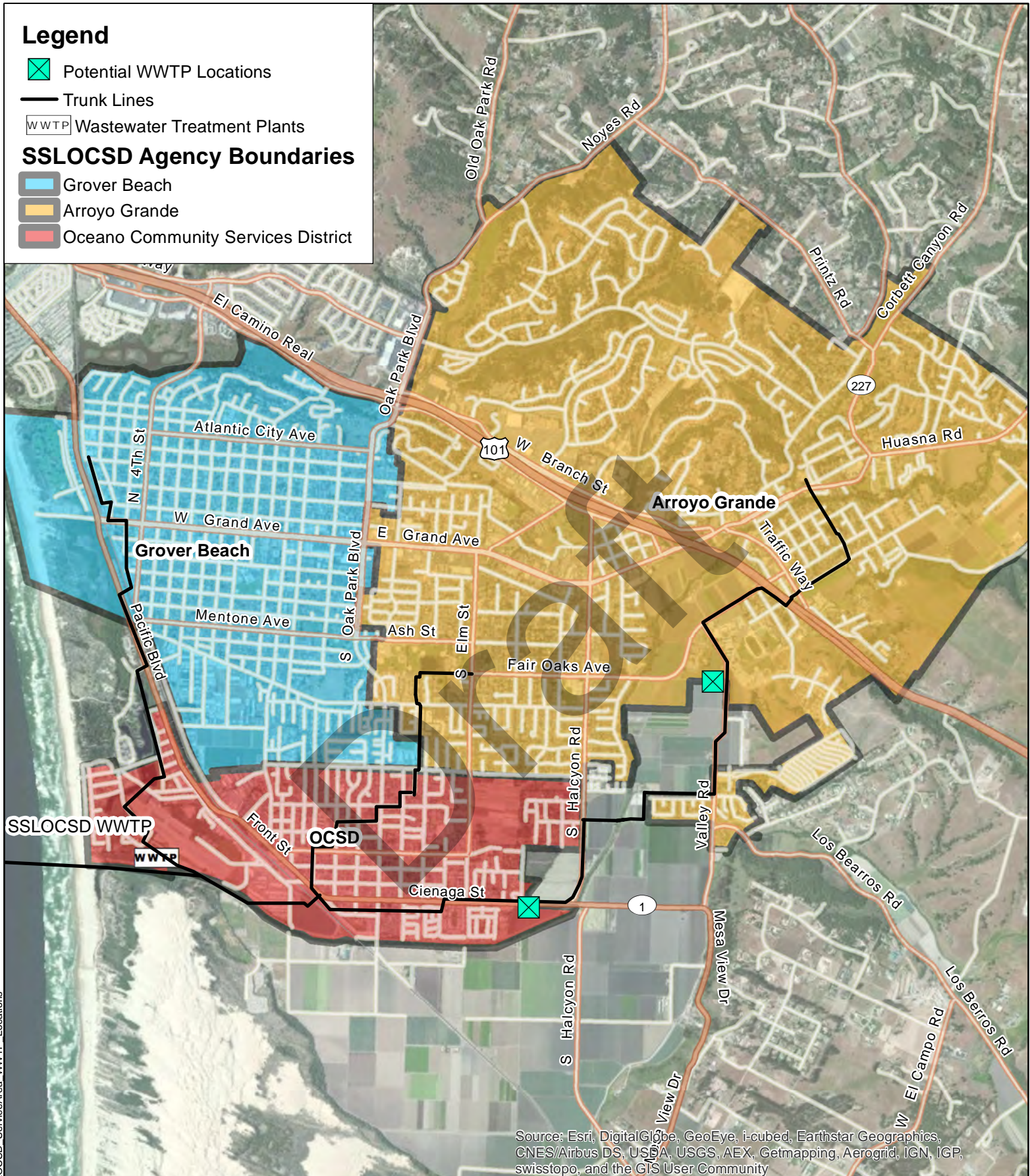
Grover Beach



Arroyo Grande



Oceano Community Services District



Source: Esri, DigitalGlobe, GeoEye, i-cubed, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community



**Figure 2**  
**SSLOCSD**  
**Service Area and WWTP Locations**



0 1,900 3,800 Feet



**Table 2. Average Flows to Conceptual SWRRF Locations**

<b>Conceptual SWRRF Location</b>	<b>Average Flows (gpd)<sup>1</sup></b>	<b>Average Flows (AFY)</b>
Alternative 1	0.56	753
Alternative 2	0.82	1,103
Notes: 1. Flow estimates obtained from the District's Wastewater Collection System Model.		

During the development of the RWFPS, multiple SWRRF and recycled water end use alternatives will be evaluated. It is anticipated that the treatment and use alternatives evaluated will include disinfected tertiary for unrestricted irrigation, disinfected tertiary with partial reverse osmosis for agricultural irrigation and advanced treatment for groundwater recharge.

The County of San Luis Obispo recently completed a Regional Recycled Water Strategic Plan, which included an evaluation of recycled water alternatives for the District. The City of Pismo Beach, which is adjacent to the Member Agencies' service areas to the north, is also nearing completion of a RWFPS for its wastewater treatment plant. The relevant findings from these studies will be incorporated into the evaluation of the SWRRF alternatives.

Additionally, several prior studies, including the District's Desalination Funding Study, the Lopez Lake Spillway Raise Project and the Urban Water Management Plan for the City of Arroyo Grande have identified a few potential alternative supplemental water supply sources. The findings from these non-recycled water alternative studies will be summarized in the RFWPS and compared against the proposed recycled water alternatives.

The alternatives for this RWFPS will be developed using consistent planning and design requirements (e.g. delivery and system pressure, peak delivery and storage criteria, level of treatment, cost basis, etc.). The identified alternatives, along with non-recycled water alternatives, will then be evaluated to develop a preferred project alternative.

### Stakeholder Participation

The District intends to conduct numerous stakeholder meetings to coordinate project objectives and elements and encourage stakeholder input. A Water Recycling Forum with local agriculture and other stakeholders was held by the District in 2012 to address water recycling and its impact on water quality, effective groundwater management, and how a water recycling program will comply California Recycled Water goals.

The District will continue to encourage stakeholder participation throughout the development of the RWFPS. The District will conduct meetings and educational workshops with Member Agencies, local community members and potential recycled water customers to address stakeholder concerns, determine goals and challenges and to develop public support for recycled water use. A plan to encourage recycled water use for potential customers will be developed to establish long-term contracts for recycled water applications.

In addition, representatives from each of the District's Member Agencies and the City of Pismo Beach meet on a monthly basis to manage their shared water supply resources. Along with project specific meetings, these monthly meetings will provide a venue to continuously coordinate and collaborate with stakeholder agencies.

### Potential Problems

Potential problems that could delay progress of the RWFPS and proposed actions to mitigate these problems are shown in the table below.

**Table 3. Potential Problems and Mitigating Actions for the RWFPS**

<b>Potential Problem</b>	<b>Mitigating Action</b>
Loss of Funding	The RWFPS is anticipated to be funded by three agencies, including the State Water Resources Control Board (SWRCB). This reduces the burden on each of the agencies and reduces risk of funding loss.
Multi-Agency Coordination	Numerous stakeholder, public outreach and project team meetings are included in the proposed scope of work to assist in building consensus and agency buy-in.
Limited Data	Several recycled water planning studies have recently been completed on District and neighboring facilities that will provide extensive data for use in completing the SWRRF RWFPS. Additionally, ongoing investigations to characterize the regions hydrogeology will assist in evaluating opportunities for recycled water groundwater recharge.

### Entities Conducting the Study

The District has selected Water Systems Consulting, Inc. (WSC) to complete the RWFSP. WSC is currently completing a RWFPS for the City of Pismo Beach and participated in the development of the San Luis Obispo County's Regional Recycled Water Strategic Plan. Additionally, WSC is on the steering committee for an ongoing study to characterize the portion of the Santa Maria Groundwater Basin that could be recharged with recycled water from the SWRRF.

District Staff will work closely with WSC and representatives from the District's Member Agencies to utilize all available existing reports and studies to ensure that the RWFPS builds upon previous work and meets the needs of the District and its Member Agencies. Additionally, District staff will continue to work closely with WSC to better define the alternatives and to work with permitting and resource agencies to develop an implementation plan.

### Budget

A detailed scope of work and budget for the RWFPS is included as part of the District's contract with Water Systems Consulting, Inc. as Attachment A to this Plan of Study. To reduce the impact on its rate payers, the District is looking to leverage its available funding by obtaining a



\$75,000 grant from the SWRCB Water Recycling Funding Program and by splitting the local matching costs with the City of Arroyo Grande. Table 4 outlines the proposed cost sharing amongst the three funding sources.

**Table 4. Summary of Project Costs**

<b>Project Cost Summary</b>	
<b>Scope of Work Element</b>	<b>Project Cost</b>
RWFPS Grant Application	\$6,806
Recycled Water Facilities Planning Study	\$149,896
<b>Total Cost</b>	<b>\$156,700</b>
<b>Project Cost Share for Participating Agencies</b>	
<b>Agency</b>	<b>Cost Share</b>
District	\$40,877
City of Arroyo Grande	\$40,877
RWFPS Grant	\$75,000
<b>Total Agency Cost Share</b>	<b>\$156,700</b>

Both the District and the City of Arroyo Grande possess sufficient reserves to cover the costs of completing the RWFPS prior to being reimbursed through the SWRCB Water Recycled Funding Program.

## Schedule

The following table summarizes the proposed schedule for the completion of the RWFPS. A more detailed schedule is included as Attachment B.

**Table 5. Proposed Project Schedule**

<b>Scope of Work Element</b>	<b>End Date</b>
Facilities Planning Study	August 2015
Submittal of Draft Report	September 2015
Submittal of Final Report	December 2015

**Attachment A: Contract, Scope, and Fee Estimate**

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
1600 Aloha Place  
Oceano, CA 93445**

**PLANNING STUDY FOR SATELLITE TREATMENT FACILITY  
FOR RECYCLED WATER PROJECT**

Project Location: South San Luis Obispo County Sanitation District

**THIS AGREEMENT** (hereinafter referred to as "Agreement") is made by and between the South San Luis Obispo County Sanitation District, a county sanitation district duly existing and operating pursuant to the provisions of Health and Safety Code §4700 et seq. (hereinafter referred to as "SSLOCSD"), and Water Systems Consulting, Inc. (herein referred to as "WSC" or "Consultant"), a California corporation, P.O. Box 4255, San Luis Obispo, California 93404, wherein Consultant agrees to provide the SSLOCSD and SSLOCSD agrees to accept the services specified herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and conditions contained herein, the parties agree as follows:

**1. DESIGNATED REPRESENTATIVES.** Richard G. Sweet, General Manager and/or John Clemens, Plant Superintendent of SSLOCSD, at telephone number (805) 481-6903 are the representatives of SSLOCSD and will administer this Agreement for and on behalf of SSLOCSD. Jeff Szytel and/or Dan Heimel, (805) 457-8833 are the authorized representatives for Consultant. Changes in designated representatives shall be made only after advance written notices to the other party.

**2. NOTICES.** Any notice or consent required or permitted to be given under this Agreement shall be given to the respective parties in writing, by first-class mail, postage prepaid, or otherwise delivered as follows:

**SSLOCSD:** South San Luis Obispo County Sanitation District  
P.O. Box 339  
Oceano, CA 93445  
Attn: Richard G. Sweet  
Phone: (805) 481-6903  
Facsimile: (805) 489-2765

**CONSULTANT:** Water Systems Consulting, Inc.  
P.O. Box 4255  
San Luis Obispo, CA 93403  
ATTN: Jeff Szytel  
Phone: (805) 457-8833  
Facsimile: (805) 888-2764

or at such other address or to such other person that the parties may from time to time designate. Notices and consents under this section, which are sent by mail, shall be deemed to be received five (5) days following their deposit in the U.S. mail.

**3. ATTACHMENTS.** Attached to this Agreement are the following Exhibits. Said Exhibits shall be initiated by Consultant upon request of SSLOCSD or by SSLOCSD directly. Said Exhibits are incorporated herein by reference:

A. Description of scope of services (the Project) to be performed by Consultant, including a timeline for Project completion. (Exhibit "A")

B. A Fee Estimate from the Consultant is attached as Exhibit "B".

C. Consultant shall provide insurance as listed in Exhibit "C".

**4. SCOPE OF SERVICES.**

A. SSLOCSD has determined the Project involves performance of professional and technical services of a temporary nature.

B. Consultant agrees to provide the services to SSLOCSD in accordance with Exhibit "A".

C. The Consultant shall perform its services in character, sequence and timing so that they will be coordinated with the requirements of SSLOCSD and other consultants of SSLOCSD.

**5. TERM.** Consultant shall commence performance immediately.

**6. COMPENSATION OF CONSULTANT.**

C. The City of Arroyo Grande has agreed to reimburse the District \$40,877 for completion of the planning study; and

D. SSLOCSD and Consultant have agreed that Consultant will prepare the grant application and an economic feasibility study prior to completing the Facilities Planning Study and District will determine if the project for a satellite treatment facility is economically feasible. If District determines project is not economic viable, agreement will be terminated. District agrees to pay Consultant for work performed to the date that the economic feasibility study is completed; and

E. The Consultant will be paid for services provided to SSLOCSD in accordance with the schedule set forth in Exhibit "B".

F. Payment of undisputed amounts is due within 60 days of receipt of invoices. Invoices shall reflect the phase to which the request for payment is being invoiced in accordance with the "Scope of Service" (Exhibit "A") and the percentage of completion of each phase.

G. Consultant will not receive compensation in excess of one hundred and fifty-six thousand seven hundred dollars (\$156,700) without written authorization from SSLOCSD.

H. Payment to Consultant shall be considered as full compensation of all personnel, materials, supplies, and equipment used in carrying out the services as stated in Exhibit "A".

I. SSLOCSD's failure to discover or object to any unsatisfactory work or billing prior to payment will not constitute a waiver of SSLOCSD's right to:

1. Require Consultant to correct such work or billings; or
2. Seek any other legal remedy.

**7. REIMBURSABLE COSTS.** Consultant shall be reimbursed at cost for reimbursable costs as provided in Exhibit "B".

**8. EXTRA SERVICES.** Should services be requested by District which are considered to be beyond the scope of Basic Services in this Agreement by the Consultant, the Consultant shall provide a written request for consideration of Additional Services to the SSLOCSD Contract Administrator.

**9. INDEPENDENT CONTRACTOR.** Consultant, its agents and contractors are independent contractors, responsible for all methods and means used in performing the Consultant's services under this agreement, and are not employees, agents or partners of SSLOCSD.

**10. PERFORMANCE STANDARDS.**

A. Compliance with laws.

(1) Consultant shall (and shall cause its agents and contractors), at its sole cost and expense, to comply with all District, County, State and Federal ordinances, regulations and statutes now in force or which may hereafter be in force with regard to the Project and this Agreement. The judgment of any court of competent jurisdiction, or the admission of Consultant in any action or proceeding against Consultant, whether SSLOCSD be a party thereto or not, that Consultant has violated any such ordinance or statute, shall be conclusive of that fact as between Consultant and SSLOCSD. Any corrections to Consultant's instruments of professional service which become necessary as a result of the Consultant's failure to comply with these requirements, due to failure to meet the Standard of Care, shall be made at the Consultant's expense.

(2) Should these requirements change after the date of design or drawing preparation, Consultant shall be responsible for notifying SSLOCSD of such change in requirements. Consultant will bring the instruments of professional service into conformance with the newly issued requirements at the written direction of SSLOCSD. Consultant's costs for providing services pursuant to this paragraph shall be submitted to SSLOCSD as Additional Services.

B. Standard of Performance. Consultant represents that it has the skills, expertise, and licenses/permits necessary to perform the services required under this Agreement. Accordingly, Consultant shall perform all such services in the manner and according to the standards observed by a competent practitioner of the same profession in which Consultant is engaged (hereinafter "Standard of Care"). All products of whatsoever nature which Consultant delivers to SSLOCSD pursuant to this Agreement shall conform to the standards of quality normally observed by a person practicing in Consultant's profession. Consultant shall correct or revise any errors or omissions at SSLOCSD's request without additional compensation. Permits and/or licenses shall be obtained and maintained by Consultant without additional compensation throughout the term of this Agreement.

**11. TAXES.** Consultant shall pay all taxes, assessments and premiums under the federal Social Security Act, any applicable unemployment insurance contributions, Workers Compensation insurance premiums, sales taxes, use taxes, personal property taxes, or other taxes or assessments now or hereafter in effect and payable by reason of or in connection with the services to be performed by Consultant.

**12. CONFLICT OF INTEREST.** Consultant covenants that Consultant presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under the Agreement. Consultant further covenants that in the performance of this Agreement, no person having any such interest shall be employed by Consultant.

**13. RESPONSIBILITIES OF SSLOCSD.** SSLOCSD shall provide all information reasonably necessary by Consultant in performing the services provided herein.

**14. OWNERSHIP OF DOCUMENTS.** All drawings, specifications, data, and other instruments of professional service prepared by Consultant during the performance of this Agreement shall become the property of SSLOCSD. However, Consultant shall not be liable for SSLOCSD's use of documents and instruments of professional service if used for other than the Project or scope of services contemplated by this Agreement.

**15. RECORDS, AUDIT AND REVIEW.** Consultant shall keep such business records pursuant to this Agreement as would be kept by a reasonably prudent practitioner of Consultant's profession and shall maintain such records for at least four (4) years following the termination of this Agreement. All accounting records shall be kept in accordance with generally accepted accounting practices. SSLOCSD shall have the right to audit and review all such documents and records at any time during Consultant's regular business hours or upon reasonable notice.

**16. INDEMNIFICATION.**

**A.1 Indemnification Pertaining to General Liability other than Professional Liability.**

The following applies to general liability claims other than professional liability claims:

Consultant shall indemnify, defend, and hold harmless the South San Luis Obispo County Sanitation District, the Board of Directors, each member thereof, present and future, its officers, agents and employees from and against any and all liability, expenses, including defense costs and legal fees, and claims for damages whatsoever, including, but not limited to, those arising from breach of contract, bodily injury, death, personal injury, property damage, loss of use, or property loss however the same may be caused by willful misconduct or negligence of Consultant or anyone for whom Consultant is legally responsible. The obligation to indemnify, defend and hold harmless includes, but is not limited to, any liability or expense, including defense costs and legal fees, arising from the negligent acts or omissions, or willful misconduct of Consultant, its officers, employees, agents, subcontractors, or vendors in performing services pursuant to this Agreement. It is further agreed, Consultant's obligations to indemnify, defend and hold harmless will apply even in the event of concurrent negligence on the part of the South San Luis Obispo County Sanitation District, the Board of Directors, each member thereof, present and future, or its officers, agents and employees, except for liability resulting solely from the active negligence or

willful misconduct of the South San Luis Obispo County Sanitation District, its officers, employees or agents. Payment by the South San Luis Obispo County Sanitation District is not a condition precedent to enforcement of this indemnity. In the event of any dispute between Consultant and the South San Luis Obispo County Sanitation District, as to whether liability arises from the negligence of Consultant or that of the sole negligence of the South San Luis Obispo County Sanitation District or its officers, employees, agents, subcontractors or vendors, Consultant will be obligated to pay for the South San Luis Obispo County Sanitation District' defense until such time as a final judgment has been entered adjudicating either the Consultant to be not negligent or the South San Luis Obispo County Sanitation District as solely negligent.

#### A.2 Indemnification Pertaining to Professional Liability (Services).

The following applies to professional liability claims where professional malpractice or breach of professional performance standards as identified in Section 10 are alleged:

Consultant shall indemnify and hold harmless the South San Luis Obispo County Sanitation District, the Board of Directors, each member thereof, present and future, its officers, agents and employees from and against any and all liability, expenses, damages whatsoever to the extent caused by the negligent acts or omissions, or willful misconduct of Consultant, its officers, employees, agents, subcontractors, or vendors in performing professional Services pursuant to this Agreement.

B. Nothing contained in the foregoing indemnity provisions shall be construed to require Consultant to indemnify the South San Luis Obispo County Sanitation District, against any responsibility or liability in contravention of Civil Code §2782.

C. Neither termination of this Agreement or completion of the Scope of Services under this Agreement shall release Consultant from its obligations referenced in subsection A, above, as to any claims, so long as the event upon which such claims is predicated shall have occurred prior to the effective date of any such termination or completion and arose out of or was in any way connected with performance or operations under this Agreement by Consultant, its employees, agents or consultants, or the employee, agent or consultant of any one of them.

D. Submission of insurance certificates or submission of other proof of compliance with the insurance requirements in the Agreement does not relieve Consultant from liability referenced in subsection A, above. The obligations of this article shall apply whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

**17. INSURANCE.** Consultant shall procure and maintain, in insurance companies as set forth in Exhibit "C".

**18. PERSONNEL.** The Consultant represents that it has, or will secure at its own expense, all personnel required in performing the services under this Agreement. All of the services required hereunder will be performed by the Consultant or under Consultant's supervision, and all personnel engaged in the work shall be qualified to perform such services.



**19. NONEXCLUSIVE AGREEMENT.** Consultant understands that this is not an exclusive Agreement and that SSLOCSD shall have the right to negotiate with and enter into contracts with others providing the same or similar services as those provided by Consultant as the SSLOCSD desires.

**20. ASSIGNMENT.** Consultant shall not assign any of its rights nor transfer any of its obligations under this Agreement without the prior written consent of SSLOCSD and any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination.

**21. TEMPORARY SUSPENSION.** The SSLOCSD's Contract Administrator shall have the authority to suspend this Agreement and the services contemplated herein, wholly or in part, for such period as he/she deems necessary due to unfavorable conditions or to the failure on the part of the Consultant to perform any provision of this Agreement. Consultant will be paid for services performed through the date of temporary suspension. In the event that Consultant's services hereunder are delayed for a period in excess of six (6) months due to causes beyond Consultant's reasonable control, Consultant's compensation shall be subject to renegotiation.

**22. TERMINATION.**

A. Right to terminate. SSLOCSD retains the right to terminate this Agreement for any reason by notifying Consultant in writing thirty (30) days prior to termination. Upon receipt of such notice, Consultant shall promptly cease work and notify SSLOCSD as to the status of its performance. SSLOCSD shall pay Consultant for its reasonable costs and expenses through the date of termination. However, if this Agreement is terminated for fault of Consultant, then SSLOCSD shall be obligated to compensate Consultant only for that portion of Consultant services which are of benefit to SSLOCSD, up to and including the day Consultant receives notice of termination from SSLOCSD.

B. Return of materials. Upon such termination, Consultant shall immediately turn over to the District copies of studies, drawings, mylars, computations, computer models and other instruments of professional services, whether or not completed, prepared by Consultant, or given to Consultant in connection with this Agreement. Consultant, however, shall not be liable for SSLOCSD's use of incomplete materials or for SSLOCSD's use of complete documents if used for other than the project or scope of services contemplated by this Agreement.

C. Should SSLOCSD fail to pay Consultant undisputed payments set forth in Section 6, above, Consultant may, at Consultant's options, suspend its services or terminate this agreement if such failure is not remedied by SSLOCSD within thirty (30) days of written notice to SSLOCSD of such late payment.

**23. DISPUTE RESOLUTION.** The following procedures apply only to disputes where the amount in controversy is less than \$50,000.

A. SSLOCSD and Consultant agree that disputes between them arising out of or relating to this Agreement where the amount in controversy is less than \$50,000 shall be submitted to nonbinding mediation, unless the parties mutually agree otherwise. If the dispute is not settled by mediation, then the parties agree to submit the dispute to binding arbitration as provided in subsection B, below.

B. Either party may demand arbitration by filing a written demand with the other party within thirty (30) days from the date of final mediation, in accordance with the prevailing provisions of the California Arbitration Act at the time of written demand. The arbitration procedures are as follows:

(1) The parties may agree on one arbitrator. If they cannot agree on one arbitrator, there shall be three: one named in writing by each of the parties within five days after demand for arbitration is given, and a third chosen by the two appointed. Should either party refuse or neglect to join in the appointment of the arbitrator(s) or to furnish the arbitrator(s) with any papers or information demanded, the arbitrator(s) may proceed ex parte.

(2) A hearing on the matter to be arbitrated shall take place before the arbitrator(s) within the County of San Luis Obispo, state of California, at the time and place selected by the arbitrator(s). The arbitrator(s) shall select the time and place promptly and shall give each party written notice of the time and place at least sixty (60) days before the date selected. The procedures of the California Arbitration Act are incorporated herein by reference.

(3) If there is only one arbitrator, his or her decision shall be binding and conclusive on the parties, and if there are three arbitrators, the decision of the two shall be binding and conclusive. The submission of a dispute to the arbitrator(s) and the rendering of a decision by the arbitrator(s) shall be binding on the parties. A judgment confirming the award may be given by any Superior Court having jurisdiction, or that Court may vacate, modify, or correct the award in accordance with the prevailing provision of the California Arbitration Act.

(4) If three arbitrators are selected, but no two of the three are able to reach an agreement regarding the determination of the dispute, then the matter shall be decided by three new arbitrators who shall be appointed and shall proceed in the same manner, and the process shall be repeated until a decision is agreed on by two of the three arbitrators selected.

(5) The costs of the arbitration shall be borne by the losing party or shall be borne in such proportions as the arbitrator(s) determine(s).

**24. SSLOCSD NOT OBLIGATED TO THIRD PARTIES.** SSLOCSD shall not be obligated or liable for payment hereunder to any party other than the Consultant.

**25. COSTS AND ATTORNEY'S FEES.** The prevailing party in any action between the parties to this Agreement brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorney's fees expended in connection with such an action from the other party.

**26. SECTION HEADINGS.** The headings of the several sections, and any table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof.

**27. SEVERABILITY.** If any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions hereof, and such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein.

**28. REMEDIES NOT EXCLUSIVE.** Except as provided in Sections 22 and 23, no remedy herein conferred upon or reserved to SSLOCSD is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**29. TIME OF PERFORMANCE.** Time is of critical importance in this Agreement and each covenant and term is a condition herein.

**30. NO WAIVER OF DEFAULT.** No delay or omission of SSLOCSD to exercise any right or power arising upon the occurrence of any event of default shall impair any such right or power or shall be construed to be a waiver of any such default of an acquiescence therein; and every power and remedy given by this Agreement to SSLOCSD shall be exercised from time to time and as often as may be deemed expedient in the sole discretion of SSLOCSD.

**31. ENTIRE AGREEMENT AND AMENDMENT.** In conjunction with the matters considered herein, this Agreement contains the entire understanding and agreement of the parties and there have been no promises, representations, agreements, warranties or undertakings by any of the parties, either oral or written, of any character or nature hereafter binding except as set forth herein. This Agreement may be altered, amended or modified only by an instrument in writing, executed by the parties to this Agreement and by no other means. Each party waives their future right to claim, contest or assert that this Agreement was modified, canceled, superseded, or changed by any oral agreements, course of conduct, waiver or estoppel.

**32. SUCCESSORS AND ASSIGNS.** All representations, covenants and warranties set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

**33. CALIFORNIA LAW.** This Agreement shall be governed by the laws of the State of California. Any litigation regarding this Agreement or its contents shall be filed in the County of San Luis Obispo, if in state court, or in the federal court nearest to San Luis Obispo County, if in federal court.

**34. EXECUTION OF COUNTERPARTS.** This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the parties shall preserve undestroyed, shall together constitute one and the same instrument.

**35. AUTHORITY.** All parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement in the names, titles, and capacities herein stated and on behalf of any entities, persons, or firms represented or purported to be represented by such entity(ies), person(s), or firm(s) and that all formal requirements necessary or required by any state and/or federal law in order to enter into this Agreement have been fully complied with. Furthermore, by entering into this Agreement, Consultant hereby warrants that it shall not have breached the terms or conditions of any other contract or agreement to which Consultant is obligated, which breach would have a material effect hereon.

**36. PRECEDENCE.** In the event of conflict contained in the numbered sections of this Agreement and the provisions contained in the Exhibits, the provisions of the Exhibits shall prevail over those in the numbered sections.

**37. FORCE MAJEURE.** Neither party shall hold the other responsible for damages or delays in performance caused by force majeure (acts of nature) or other events beyond the reasonable control of either party.

**IN WITNESS WHEREOF**, the parties have executed this Agreement to be effective on the date executed by the SSLOCSD.


**CONSULTANT**

By:   
Jeff Szytel

Title: PRESIDENT / CEO

Date: 12/11/2014

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

By:   
Richard G. Sweet, General Manager

Date: 12/17/14

ATTEST 

## **Exhibit A: Detailed Scope of Work**

### **TASK 1.0 FPGP APPLICATION ASSISTANCE**

WSC will assist the South San Luis Obispo County Sanitation District (SSLOCSD) to obtain funding from the Water Recycling Facilities Planning Grant Program (FPGP) administered by the State Water Resources Control Board (SWRCB) for a Satellite Water Resources Recovery Facility (SWRRF) project. This scope includes preparing, submitting and managing the FPGP application for the SWRRF project.

#### **1.1 FPGP Application Management and Support**

- WSC will manage the SWRRF project application through the FPGP process on behalf of SSLOCSD.
- WSC will participate in an initial kickoff call with the SWRCB to start the application development process.
- WSC will provide ongoing coordination with SSLOCSD to gather required documentation and forms to complete and submit the FPGP application.
- WSC will coordinate and participate in a meeting with SWRCB staff to review the FPGP applications package.

#### **1.2 FPGP Application Preparation**

- WSC will complete the application form and compile SSLOCSD's resolution authorizing the FPGP grant application.
- WSC will prepare the Plan of Study consisting of the following components:
  1. A description of the recycled water service area that will be studied.
  2. The potential sources of recycled water and a summary of the unit processes currently in use at existing treatment facilities.
  3. A description of the current disposal/reuse of the wastewater that is proposed to be recycled.
  4. A map of the study area showing the sources of recycled water and potential service area(s).
  5. Identification of the water and wastewater agencies having jurisdictions over the sources of recycled water and/or the potential service area.
  6. A general description of water recycling and potable water supply alternatives that will be evaluated.
  7. A description of the opportunities for stakeholder participation, for example, public meeting with the local community members, potential recycled water users, and other agencies that have a stake in the study.

8. A schedule with the start and completion dates of major tasks associated with the facilities planning study.
  9. A list of potential problems that may cause delay in the progress of the study and description of the proposed actions to reduce the impact of these potential problems.
  10. Identification of the entities that will be conducting the study and description of their roles. This may include a description of proposed subcontracts with consultants or interagency agreements with other agencies, and any force account work.
  11. Proposed budget for the study, including estimated costs of specific tasks, sources of financing, and sources of funds for cash flow until grant reimbursement.
- WSC will make necessary adjustments to the FPGP application package components after the review meeting with the SWRCB to obtain approval of the Plan of Study, thus allowing the SWRCB to issue a grant commitment.

## TASK 2.0 RECYCLED WATER FACILITIES PLANNING STUDY PREPARATION

### 2.0 Investment Analysis

#### 2.0.1 Conceptual Design Criteria

- Quantify the amount of water available for a SWRRF along the SSLOCSD trunklines from the City of Arroyo Grande through review of SSLOCSD Hydraulic Model.
- Define conceptual design criteria for the facility. It is anticipated that the conceptual design for the facility will include the following:
- Capacity to treat current Average Dry Weather Flow (ADWF)
  - Advanced level of treatment suitable for groundwater recharge
  - Solids conveyed downstream with membrane concentrate
- It is assumed that the SSLOCSD will provide information on potential locations and corresponding land acquisition costs for the treatment and recharge facilities.

#### 2.0.2 Cost Estimates

- Develop planning level cost estimates for constructing and operating a SWRRF in the SSLOCSD collection system.
- Utilize existing planning level cost estimates for alternative SSLOCSD WWTP improvements to meet the redundancy requirements for comparison with the SWRRF.
- Utilize planning level cost estimates for supplemental water supply alternatives. Cost estimates to be obtained from the Pismo Beach Recycled Water Facilities Planning Study.



### 2.0.3 Investment Analysis

- Compare planning level cost estimates for the SWRRF against cost estimates for SSLOCSD redundancy requirements and supplemental water supply alternatives.
- Evaluate and summarize key considerations and constraints for project implementation

### 2.0.4 Draft Investment Analysis TM

- Prepared draft Investment Analysis TM documenting the results of the Investment Analysis.

*Deliverable: Draft Investment Analysis TM*

### 2.0.5 Investment Analysis Review Meeting

- Plan, schedule and lead a meeting with SSLOCSD staff (and key stakeholders as appropriate) to review the results of the Investment Analysis.

*Deliverable: WSC will provide agenda and meeting materials at least three (3) working days prior to the meeting will provide summary notes with action items within five (5) working days following the meeting.*

### 2.0.6 Final Investment Analysis TM

- Prepared a final Investment Analysis TM that incorporates comments from SSLOCSD staff and other stakeholders.

*Deliverable: Final Investment Analysis TM*

## 2.1 Project Management

### 2.1.1 Project Administration

#### 2.1.1.1 Project schedule

- Prepare project schedule and update as-required based upon actual progress and SSLOCSD direction. Submit revised schedules to the SSLOCSD as necessary.

#### 2.1.1.2 Progress reports

- Prepare progress reports to be submitted with each monthly invoice. The reports will include: 1) summary of activities accomplished in the current month; 2) outstanding information and/or coordination needs; and 3) schedule updates.

*Deliverable: WSC will provide a preliminary project schedule at the Kickoff Meeting and will provide updated project schedules as-needed throughout the project. WSC will provide monthly progress reports with project invoices.*

### 2.1.2 Kickoff Meeting

- WSC will plan, organize and facilitate a Kickoff Meeting with SSLOCSD staff.

- The purpose of the meeting will be to: (1) discuss the goals and objectives of the Planning Study including the Study Parameters identified in the Plan of Study approval by the SWRCB; (2) review the scope and schedule of the project including assumptions and proposed methodologies; (3) identify data needs and sources; (4) define coordination requirements; (5) set dates/times for the subsequent workshops; (6) confirm level and nature of SWRCB involvement during the project; (7) discuss and develop strategies for stakeholder involvement; (8) finalize the conceptual design criteria for the Investment Analysis; and (9) identify action items and required follow-up.
- Budget is based on a 2-hour meeting attended by WSC's Principal, Associate Engineer I, and Assistant Engineer.

*Deliverable: WSC will provide agenda and meeting materials at least three (3) working days prior to the meeting and will provide summary notes with action items within three (3) working days following the meeting.*

## 2.1.3 Workshops

### 2.1.3.1 Workshop #1: Conceptual Alternatives Development

- (1) Plan, schedule and lead a workshop with SSLOCSD staff (and key stakeholders as appropriate) to develop conceptual alternatives for the SWRRF, including customer/use type, treatment, storage, and distribution. The workshop is anticipated to include the following topics:
  - (a) Review water supplies and characteristics (Task 2.3)
  - (b) Review wastewater characteristics and facilities (Task 2.4)
  - (c) Review treatment requirements (Task 2.5)
  - (d) Review recycled water market/opportunities (Task 2.6)
  - (e) Review legal, permitting and environmental criteria (Task 2.7)
  - (f) Review planning and design assumptions (Task 2.8.1)
  - (g) Develop up to three (3) conceptual treatment alternatives
  - (h) Develop up to three (3) conceptual distribution alternatives
  - (i) Develop up to three (3) conceptual storage alternatives
  - (j) Develop non-recycled water alternative
- (2) Budget is based on a 3-hour workshop attended by WSC's Principal, Associate Engineer I, Assistant Engineer, and Staff Planner II.

South San Luis Obispo County Sanitation District  
Recycled Water Facilities Planning Study

*2.1.3.2 Workshop #2: Alternatives Evaluation and Screening*

- (1) Coordinate a workshop with SSLOCSD staff to evaluate and screen each of the conceptual alternatives developed in Workshop #1, and to develop/select a preferred alternative for treatment, storage and distribution.
- (2) Develop screening/evaluation criteria for the conceptual alternatives, including:
  - (a) Cost (capital, O&M, NPV, EAC and \$/AF)
  - (b) Water supply benefits
  - (c) Water quality considerations
  - (d) Flexibility, expandability
  - (e) Sequencing/phasing/schedule considerations
  - (f) Consistency with project goals/objectives
- (3) Evaluate and compare the conceptual alternatives by applying the selected screening/evaluation criteria
- (4) Select the preferred project alternative, which may combine aspects/components of more than one conceptual alternative
- (5) Budget is based on a 3-hour workshop attended by WSC's Principal, Associate Engineer I, Assistant Engineer, and Staff Planner II.

*Deliverable: WSC will provide agenda and meeting materials at least three (3) working days prior to each workshop and will provide summary notes with action items within three (3) working days following the meeting.*

**2.1.4 Deliverable Review Meetings**

*2.1.4.1 Deliverable Review Meeting #1: Draft Recycled Water Facilities Planning Study*

- (1) Plan, schedule and lead a meeting to review the draft recycled water facilities planning study
- (2) Budget is based on a 2-hour meeting attended by WSC's Principal, Associate Engineer I, and Assistant Engineer.

*2.1.4.2 Deliverable Review Meeting #2: Final Draft Recycled Water Facilities Planning Study*

- (1) Plan, schedule and lead a meeting to review the final draft recycled water facilities planning study
- (2) Budget is based on a 2-hour meeting attended by WSC's Principal, Associate Engineer I, and Assistant Engineer.

*Deliverable: WSC will provide agenda and meeting materials at least three (3) working days prior to the meeting and will provide notes with action items within three (3) working days following the meeting.*

## 2.2 Background

### 2.2.1 Study Area

- Prepare a summary of the Study Area that includes:
  - (1) Narrative description of the Study Area
  - (2) Descriptive maps and diagrams showing vicinity, jurisdictional boundaries, proposed annexation areas, regional topography/geography, groundwater basin boundaries, hydrologic features, and current and projected land use.
- The proposed Study Area shall include the current SSLOCSD service area, proposed scalping locations along the SSLOCSD trunk lines for the City of Arroyo Grande, and the remainder of the Northern Cities Management Area (NCMA).

### 2.2.2 Goals and Objectives

- Summarize goals and objectives defined during the Kickoff Meeting.

## 2.3 Water Supplies and Characteristics

### 2.3.1 Water supply characteristics

- Summarize current and projected water supplies for the Member agencies based on 2010 Urban Water Management Plans (2010 UWMPs) and NCMA Technical Group (TG) Annual Reports.
- For each water supply source, summarize:
  - (1) Source characteristics
  - (2) Capacities of existing facilities
  - (3) Wholesale agencies and delivery mechanisms
  - (4) Fixed and variable costs
  - (5) Management considerations including reliability
  - (6) Water quality considerations

### 2.3.2 Water Demand Characteristics

- Summarize current and projected water demand from 2010 UWMPs and NCMA TG Annual Reports.

### 2.3.3 Water Pricing

- Summarize the current water rate structures for the MEMBER Agencies and any planned or upcoming rate increases.



## 2.4 Wastewater Characteristics and Facilities

### 2.4.1 Existing Facilities

- Describe existing wastewater treatment plant facilities including capacity, current flows, description of treatment processes and design criteria. It is assumed that this information will be readily available from previous documents.
- Summarize the SSLOCSD's existing waste discharge requirements
- Characterize current and projected future influent flows. It is assumed that flow projection estimates will be available from previous studies.
- Characterize current effluent water quality including any seasonal variation
- Summarize source(s) of industrial or other problem constituents (including high-TDS infiltration) and control measures
- Summarize current wastewater flow variations including peaking factors for maximum month (MM), maximum day (MD), peak hour wet weather flow (PHWWF)
- Describe existing recycling including users, quantities, and contractual and pricing arrangements (none expected)
- Summarize existing rights to use of treated effluent after discharge (none expected)

### 2.4.2 Future Facilities

- Outline expected future waste discharge requirements based on conversations with the SSLOCSD staff, review of the Basin Plan, and meetings with SSLOCSD staff and the Regional Water Quality Control Board
- Describe plans for new wastewater treatment facilities to achieve regulatory compliance

## 2.5 Treatment Requirements

### 2.5.1 Recycled Water Quality Requirements

- Describe required water qualities and/or treatment requirements for each category of potential recycled water use
- Describe regulatory requirements for recycled water including Title 22 unrestricted irrigation, and groundwater recharge
- Describe Basin Plan requirements for recycled water use
- Describe water quality related requirements of the RWQCB to protect surface or ground water from problems resulting from recycled water
- Describe operational and on-site requirements for recycled water (such as backflow prevention, buffer zones, etc.)

## 2.6 Recycled Water Market/Opportunities

### 2.6.1 Update Market Analysis

- Obtain and review recent customer consumption data for potential recycled water customers identified in the Regional Recycled Water Strategic Plan
- Describe validation and market analysis methodology. For each identified user or category of potential user, summarize type of use, expected annual use, peak use, estimated internal capital investment required (on-site conversion costs), needed water cost savings, desire to use recycled water, date of possible initial use of recycled water, present and future source(s) of water and quality of use, quality and reliability needs and wastewater disposal methods.

### 2.6.2 Preliminary Market Assurances

- Contact a representative sample of potential future recycled water users and obtain preliminary market assurances. It is anticipated that WSC would develop a plan to approach the top 20 potential customers (in terms of total projected recycled water use) and attempt to obtain a preliminary assurance in the form of a letter, email or other form of correspondence. It is assumed that the member agencies will assist in contacting and obtaining assurances from the identified customers within their service area.
- Develop map of proposed service area based on results of market assessment.

## 2.7 Legal, Permitting and Environmental Criteria

### 2.7.1 Tentative Water Recycled Requirements of RWQCB

- Contact RWQCB to obtain preliminary requirements for development of a recycled water treatment and distribution system.

### 2.7.2 Permitting Requirements

- Identify and summarize the probable permitting requirements for implementing recycled water projects. Utilize previously completed recycled water studies as the basis for developing the summary of probable permitting requirements.
- It is assumed that the SSLOCSD staff will take the lead in coordinating with the RWQCB and obtaining approval for utilizing a SWRRF to meet the WWTP's redundancy requirements.

### 2.7.3 Water Rights Considerations

- Summarize potential water rights impacts the development of the recycled water program could have on the NCMA Agencies' water rights.

### 2.7.4 Environmental Documentation Requirements (CEQA)

- Research and summarize the necessary environmental documentation requirements to implement a recycled water program.

## 2.8 Project Alternatives Analysis

### 2.8.1 Planning and Design Assumptions

- Develop relevant planning and design assumptions and criteria that will be used when evaluating project alternatives. These assumptions should include:
  - (1) Delivery and system pressure criteria
  - (2) Peak delivery criteria
  - (3) Storage criteria
  - (4) Cost basis: key assumptions; cost index; cost escalation and contingency factors; discount rate; evaluation term for present worth analysis; etc.
  - (5) Planning period
  - (6) Conceptual infrastructure design criteria

### 2.8.2 Alternatives Development - Treatment

- Develop up to two (2) conceptual facility alternatives for each of the following levels of treatment:
  - (1) Title 22 unrestricted irrigation
  - (2) Partial Reverse Osmosis
  - (3) Groundwater recharge (Advanced Treatment)
- Each conceptual treatment alternative will include:
  - (1) Narrative description including summary of required unit processes and summary of pros, cons and/or key considerations
  - (2) Simplified process flow diagram
  - (3) Conceptual location and layout
  - (4) Preliminary estimates of capital and O&M cost, net present value, equivalent annual cost, and cost per acre-foot of supply

### 2.8.3 Alternatives Development - Distribution systems

- Develop up to two (2) conceptual distribution system alternatives for each of the following levels of treatment:
  - (1) Title 22 unrestricted irrigation
  - (2) Groundwater recharge (Advanced Treatment)
    - (a) Analysis of groundwater recharge distribution alternatives will be based upon findings from the Pismo Beach Recycled Water Facilities Planning Study.
- Each conceptual distribution system alternative will describe pumping and piping improvements, and will include:

South San Luis Obispo County Sanitation District  
Recycled Water Facilities Planning Study

- (1) Narrative description including summary of required infrastructure and summary of pros, cons and/or key considerations
- (2) Conceptual location and layout
- (3) Preliminary estimates of capital and O&M cost, net present value, equivalent annual cost, and cost per acre-foot of supply

**2.8.4 Alternatives Development – Recycled Water Storage**

- Develop up to two (2) conceptual alternatives for recycled water system storage. Each conceptual alternative will include:
  - (1) Narrative description including summary of required infrastructure and summary of pros, cons and/or key considerations
  - (2) Conceptual location and layout
  - (3) Preliminary estimates of capital and O&M cost, net present value, equivalent annual cost, and cost per acre-foot of supply

**2.8.5 Non-recycled Water Alternative**

- Review the following previously completed studies to identify a preferred non-recycled water supply alternative:
  - (1) 2010 Urban Water Management Plan (WSC, 2011)
  - (2) Lopez Lake Spillway Raise Project (Stetson 2012)
  - (3) Desalination Water Supply Study (Wallace 2006)
  - (4) SSLOCSD of Arroyo Grande Water Supply Alternative Study (Wallace 2004)
  - (5) South San Luis Obispo County Desalination Funding Study (Wallace 2008)
  - (6) Coastal Branch Capacity Assessment (WSC 2011)
  - (7) Other relevant water supply studies
- Summarize existing estimates of capital and O&M cost, net present value, equivalent annual cost, and cost per acre-foot of the non-recycled water supply based on previously completed studies

**2.8.6 Water Conservation/Reduction Analysis**

- Summarize the MEMBER agencies' current and future plans for water conservation. WSC will utilize 2010 UWMPs, NCMA TG reports, and other available resources as the basis for a water conservation summary.

**2.8.7 No Project Alternative**

- Evaluate the no project alternative and include in alternatives analysis.

**2.8.8 Conceptual Alternatives Analysis**

- Summarize the outcome from Workshop #2 including:

- (1) Screening/evaluation criteria
- (2) Results from the screening/evaluation
- (3) Preferred conceptual alternatives for treatment, distribution and storage

## 2.9 Recommended Facilities Project Plan

### 2.9.1 Preferred Alternative

- Develop preliminary design criteria and refined pipeline routes for the preferred alternative
- Prepare updated maps, figures, process flow diagram(s), and layouts to reflect the preferred treatment, distribution and storage alternatives
- Update cost estimates based on final configuration and considering expected time of construction
- Prepare list of all potential users, quantity of recycled water use, peak demand and commitments obtained to-date
- Compare reliability of the recycled water facilities to the user requirements
- Summarize on-site improvements required including cost
- Prepare a schedule for the implementation of the recycled water project that includes design and construction of the treatment plant upgrades and construction of the distribution system infrastructure. Provide phasing considerations/recommendations in the preferred project plan.

## 2.10 Stakeholder Involvement

### 2.10.1 Stakeholder Outreach

- Conduct stakeholder meetings to coordinate project objectives, elements, etc. Document stakeholder outreach efforts.
- Budget based on three (3) 1-hr meetings attended by WSC's Principal and Associate Engineer I.

### 2.10.2 Public Outreach

- Provide project updates at public meetings as requested by the SSLOCSD, including preparation of an explanatory presentation and/or graphics presenting the analysis and/or conclusions contained within the Recycled Water Facilities Planning Study
- Document public outreach efforts.
- Budget based on two (2) 1-hr meetings attended by WSC's Principal and Associate Engineer I.

## 2.11 Implementation Plan

### 2.11.1 Coordination and Governance

- Determine needed agreements and ordinances for implementing a preferred alternative recycled water system.



South San Luis Obispo County Sanitation District  
Recycled Water Facilities Planning Study

- Evaluate recycled water mandatory use ordinances and provide SSLOCSD with recommended course of action.
- Prepare a draft user contract for connecting customers.

2.11.2 Construction Financing Plan and Revenue Program

- Prepare funding plan that outlines sources and timing of funds for design and construction.
- Summarize pricing policy recommendations for recycled water
- Evaluate costs that can be allocated to water pollution control and/or water supply reliability
- Develop criteria and annual projections for:
  - (1) Water prices for each user or category of users
  - (2) Recycled water used by each user
  - (3) Annual costs (required revenue) of recycling project
  - (4) Allocation of costs to users
  - (5) Unit costs to serve each user or category of users
  - (6) Sensitivity analysis assuming portion of potential users fail to use recycled water

2.11.3 Detailed Schedule

- Develop a detailed schedule for the implementation of the recycled water project that includes design and construction, critical milestones from the financing and revenue program and on-site customer improvements.

2.12 Prepare Recycled Water Facilities Planning Study

2.12.1 Prepare Draft Recycled Water Facilities Planning Study

- Prepare draft Executive Summary and compile draft report including title page(s), acknowledgements, table of contents, list of figures, list of tables, draft chapters, reference list and appendices.

*Deliverable: Draft Recycled Water Facilities Planning Study*

2.12.2 Final Draft Recycled Water Facilities Planning Study

- Prepare Final Draft Recycled Water Facilities Planning Study based on comments received from the SSLOCSD and any identified stakeholders on the draft Recycled Water Facilities Planning Study

*Deliverable: Final Draft Recycled Water Facilities Planning Study*

2.12.3 Final Recycled Water Facilities Planning Study

- Prepare Final Recycled Water Facilities Planning Study based on comments received from the SSLOCSD on the Final Draft Recycled Water Facilities Planning Study.

South San Luis Obispo County Sanitation District  
Recycled Water Facilities Planning Study

*Deliverable: Final Recycled Water Facilities Planning Study*

## Deliverable Summary

Task	Deliverable Description	Format/Copies	Due Date
1.2	FPGP Application	Emailed PDF	See project schedule
2.0.4	Draft Investment Analysis TM	Emailed PDF	See project schedule
2.0.5	Investment Analysis TM Review Meeting Agenda and Minutes	Emailed PDF	See project schedule
2.0.6	Final Investment Analysis TM	Emailed PDF	See project schedule
2.1.1	Project Schedule	Emailed PDF and 11x17 hardcopies for all meeting attendees	At Kickoff Meeting and revised as-needed
2.1.2	Kickoff Meeting Agenda and Minutes	Emailed PDF	See project schedule
2.1.3	Workshops #1 and #2 Agenda and Minutes	Emailed PDF	See project schedule
2.1.4	Deliverable Review Meetings #1 and #2 Agenda and Minutes	Emailed PDF	See project schedule
2.12.1	Draft Recycled Water Facilities Planning Study	Emailed PDF and four (4) hardcopies	See project schedule
2.12.2	Final Draft Recycled Water Facilities Planning Study	Emailed PDF and four (4) hardcopies	See project schedule
2.12.3	Final Recycled Water Facilities Planning Study	Emailed PDF and four (4) hardcopies	See project schedule

South San Luis Obispo County Sanitation District  
Recycled Water Facilities Planning Study

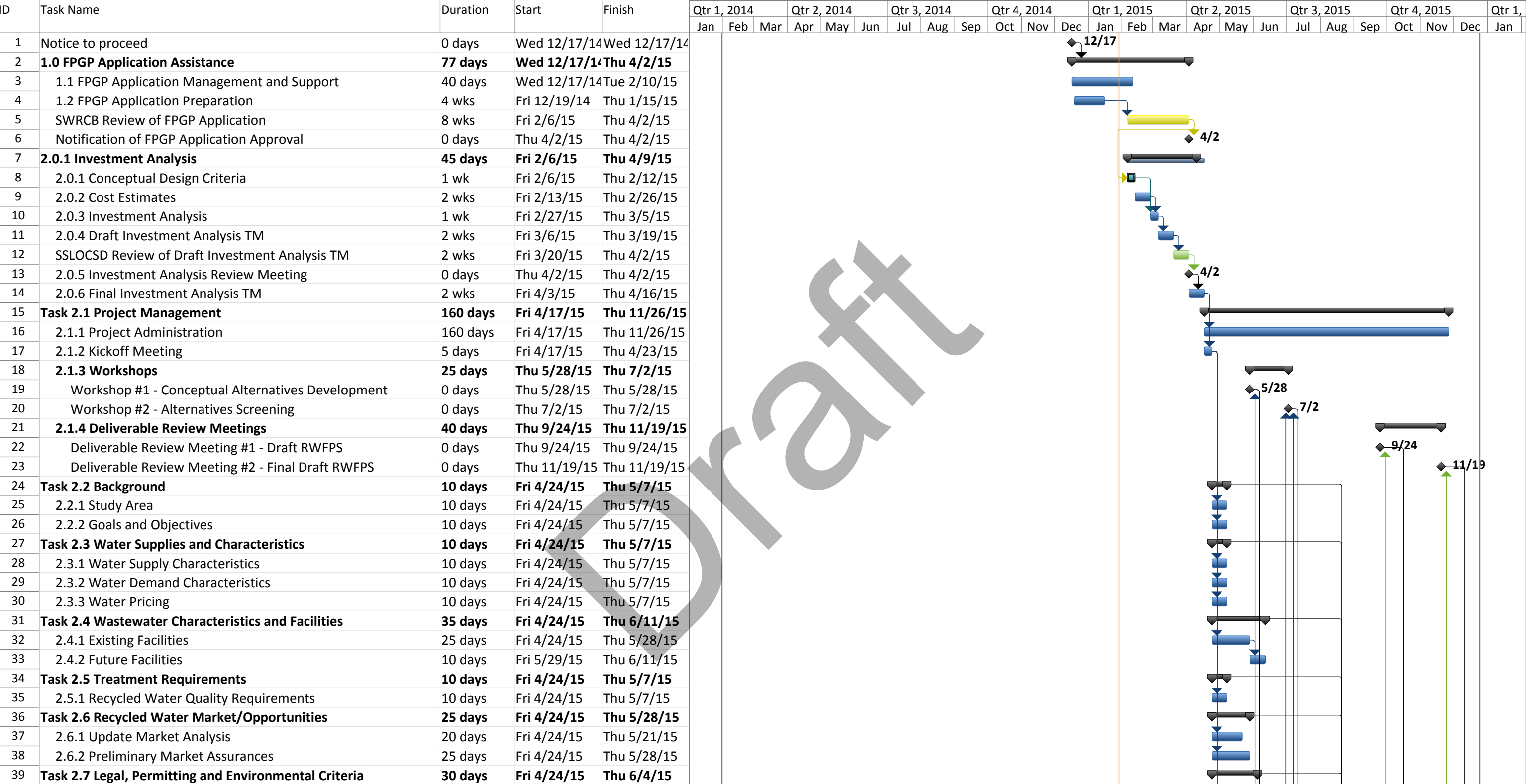
**Exhibit B: Fee Estimate**

Task No.	Task Description	Fee Assessment										
			Principal	Sr.Engineer III	Associate Engineer I	Assistant Engineer	Staff Planner II	Clerical/ Admin	Total Labor Hours	Total Labor Cost	Total Expenses	Total Fee
<b>1.0</b>	<b>FPGP Application Assistance</b>	-	6	2	14	0	16	2	40	\$ 6,606	\$ 200	\$ 6,806
1.1	FPGP Application Management and Support		4		6		4	2	16	\$ 2,752	\$ 100	\$ 2,852
1.2	FPGP Application Preparation		2	2	8		12		24	\$ 3,854	\$ 100	\$ 3,954
<b>2.0</b>	<b>Investment Analysis</b>	-	10	8	24	50	0	0	92	\$ 13,670	\$ 400	\$ 14,070
2.0.1	Conceptual Design Criteria		2		2	4			8	\$ 1,292	\$ -	\$ 1,292
2.0.2	Cost Estimates		2	6	8	20			36	\$ 5,306	\$ 200	\$ 5,506
2.0.3	Investment Analysis				2	4			6	\$ 736	\$ -	\$ 736
2.0.4	Draft Investment Analysis TM		2	2	4	12			20	\$ 2,910	\$ 100	\$ 3,010
2.0.5	Investment Analysis Review Meeting		2		4	4			10	\$ 1,608	\$ -	\$ 1,608
2.0.6	Final Investment Analysis TM		2		4	6			12	\$ 1,818	\$ 100	\$ 1,918
<b>2.1</b>	<b>Project Management</b>	-	20	0	60	24	8	14	126	\$ 19,784	\$ 600	\$ 20,384
2.1.1	Project Administration		2		30			14	46	\$ 6,472	\$ 200	\$ 6,672
2.1.2	Kickoff Meeting		4		8	8			20	\$ 3,216	\$ 100	\$ 3,316
2.1.3	Workshops		8		14	10	8		40	\$ 6,534	\$ 200	\$ 6,734
2.1.4	Deliverable review meetings		6		8	6			20	\$ 3,562	\$ 100	\$ 3,662
<b>2.2</b>	<b>Background</b>	-	0	2	5	0	12	0	19	\$ 2,824	\$ 100	\$ 2,924
2.2.1	Study Area			1	4		10		15	\$ 2,173	\$ 100	\$ 2,273
2.2.2	Goals and objectives			1	1		2		4	\$ 651	\$ -	\$ 651
<b>2.3</b>	<b>Water Supply and Characteristics</b>	-	0	2	10	0	16	0	28	\$ 4,138	\$ 200	\$ 4,338
2.3.1	Water supply characteristics			1	4		8		13	\$ 1,911	\$ 100	\$ 2,011
2.3.2	Water demand characteristics			1	6		8		15	\$ 2,227	\$ 100	\$ 2,327
<b>2.4</b>	<b>Wastewater Characteristics and Facilities</b>	-	4	1	16	28	4	0	53	\$ 7,335	\$ 200	\$ 7,535
2.4.1	Existing facilities			1	4	12	2		19	\$ 2,385	\$ 100	\$ 2,485
2.4.2	Future facilities		4		12	16	2		34	\$ 4,950	\$ 100	\$ 5,050
<b>2.5</b>	<b>Treatment Requirements</b>	-	0	2	2	0	8	0	12	\$ 1,826	\$ 100	\$ 1,926
2.5.1	Recycled water quality requirements			2	2		8		12	\$ 1,826	\$ 100	\$ 1,926
<b>2.6</b>	<b>Recycled Water Market/Opportunities</b>	-	0	2	10	20	42	0	74	\$ 9,644	\$ 300	\$ 9,944
2.6.1	Update market analysis			1	8	12	34		55	\$ 7,209	\$ 200	\$ 7,409
2.6.2	Preliminary market assurances			1	2	8	8		19	\$ 2,435	\$ 100	\$ 2,535
<b>2.7</b>	<b>Legal, Permitting and Environmental Criteria</b>	-	0	6	13	12	16	0	47	\$ 6,796	\$ 100	\$ 6,896
2.7.1	Tentative water recycling requirements of RWQCB			1	1	4	2		8	\$ 1,071	\$ -	\$ 1,071
2.7.2	Permitting requirements			2	4	8	8		22	\$ 2,982	\$ 100	\$ 3,082
2.7.3	Water rights considerations			1	6		2		9	\$ 1,441	\$ -	\$ 1,441
2.7.4	Environmental documentation requirements (CEQA)			2	2		4		8	\$ 1,302	\$ -	\$ 1,302
<b>2.8</b>	<b>Project Alternatives Analysis</b>	-	8	7	33	84	36	0	168	\$ 22,591	\$ 700	\$ 23,291
2.8.1	Planning and design assumptions			1	1	4	2		8	\$ 1,071	\$ -	\$ 1,071
2.8.2	Alternatives Development - Treatment		8	2	10	20	16		56	\$ 8,462	\$ 300	\$ 8,762
2.8.3	Alternatives Development - Distribution			1	10	32	8		51	\$ 6,219	\$ 200	\$ 6,419

South San Luis Obispo County Sanitation District  
Recycled Water Facilities Planning Study

Task No.	Task Description	Fee Assessment										
			Principal	Sr.Engineer III	Associate Engineer I	Assistant Engineer	Staff Planner II	Clerical/ Admin	Total Labor Hours	Total Labor Cost	Total Expenses	Total Fee
2.8.4	Alternatives Development - Storage			1	4	10	2		17	\$ 2,175	\$ 100	\$ 2,275
2.8.5	Non-recycled Water Alternative			1	2	4	2		9	\$ 1,229	\$ -	\$ 1,229
2.8.6	Water conservation/reduction analysis						4		4	\$ 524	\$ -	\$ 524
2.8.7	No project alternative				2	4			6	\$ 736	\$ -	\$ 736
2.8.8	Conceptual alternatives analysis			1	4	10	2		17	\$ 2,175	\$ 100	\$ 2,275
<b>2.9</b>	<b>Recommended Facilities Project Plan</b>	-	4	4	24	20	8	0	60	\$ 8,976	\$ 300	\$ 9,276
2.9.1	Preferred alternative		4	4	24	20	8		60	\$ 8,976	\$ 300	\$ 9,276
<b>2.10</b>	<b>Stakeholder Involvement</b>	-	5	0	12	8	28	0	53	\$ 7,794	\$ 200	\$ 7,994
2.10.1	Stakeholder outreach		3		6	4	14		27	\$ 4,036	\$ 100	\$ 4,136
2.10.2	Public outreach		2		6	4	14		26	\$ 3,758	\$ 100	\$ 3,858
<b>2.11</b>	<b>Implementation Plan</b>	-	6	10	18	26	16	0	76	\$ 11,648	\$ 400	\$ 12,048
2.11.1	Coordination and governance		2	4	2	4	8		20	\$ 3,264	\$ 100	\$ 3,364
2.11.2	Construction financing plan and revenue program		2	4	12	16	8		42	\$ 6,104	\$ 200	\$ 6,304
2.11.3	Detailed schedule		2	2	4	6			14	\$ 2,280	\$ 100	\$ 2,380
<b>2.12</b>	<b>Prepare Recycled Water Facilities Planning Study</b>	-	16	16	48	68	42	0	190	\$ 28,370	\$ 900	\$ 29,270
2.12.1	Draft Recycled Water Facilities Planning Study		6	6	24	28	18		82	\$ 12,144	\$ 400	\$ 12,544
2.12.2	Final Draft Recycled Water Facilities Planning Study		6	6	16	24	12		64	\$ 9,674	\$ 300	\$ 9,974
2.12.3	Final Recycled Water Facilities Planning Study		4	4	8	16	12		44	\$ 6,552	\$ 200	\$ 6,752
Column Totals		-	79	62	289	340	252	16	1038	152,002	4,700	\$ 156,702

Attachment B: Recycled Water Facilities Planning Study



Project: Schedule\_SWRRF RWFPS  
Date: Thu 1/29/15

Task

Split

Milestone

Summary

Project Summary

External Tasks

External Milestone

Inactive Task

Inactive Milestone

Inactive Summary

Manual Task

Duration-only

Manual Summary Rollup

Manual Summary

Start-only

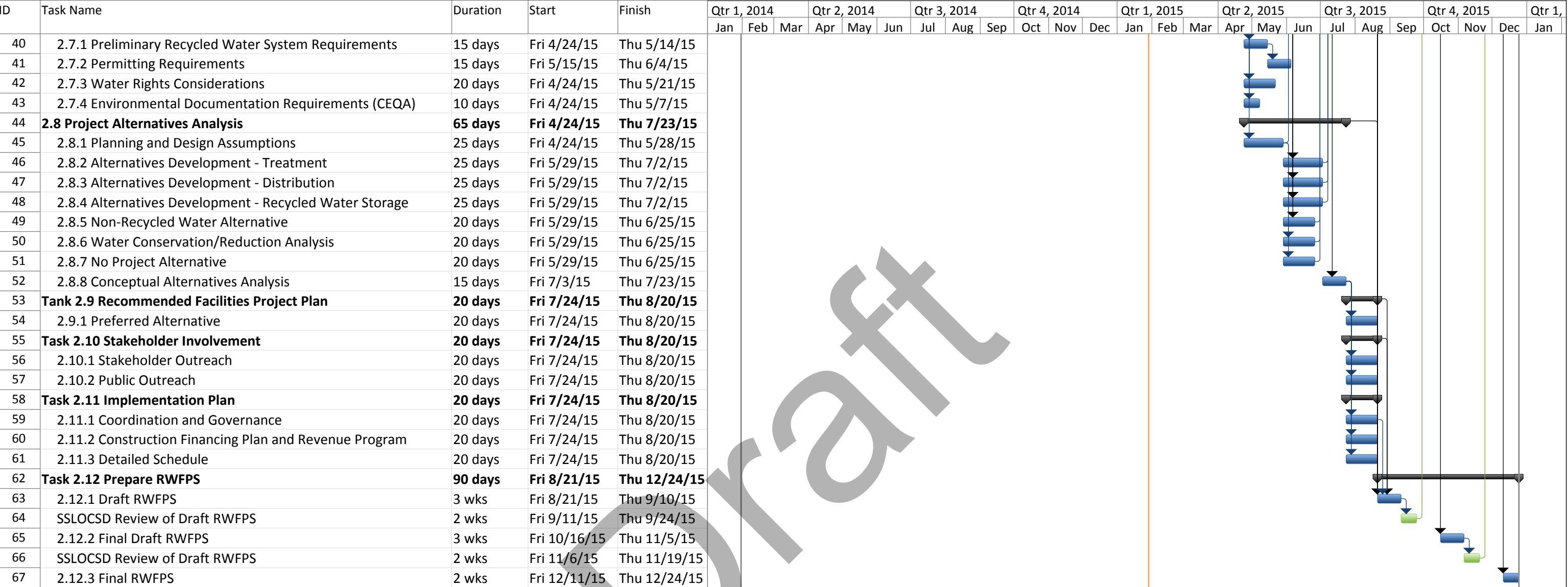
Finish-only

Deadline

Progress



Attachment B: Recycled Water Facilities Planning Study



Project: Schedule\_SWRRF RWFPS  
Date: Thu 1/29/15

Task

Split

Milestone

Summary

Project Summary

External Tasks

External Milestone

Inactive Task

Inactive Milestone

Inactive Summary

Manual Task

Duration-only

Manual Summary Rollup

Manual Summary

Start-only

Finish-only

Deadline

Progress

RESOLUTION NO. 2015-324

A RESOLUTION OF THE SOUTH SAN LUIS OBISPO  
COUNTY SANITATION DISTRICT BOARD OF DIRECTORS  
APPROVING THE ADOPTION FOR A SUBMITTAL OF A GRANT APPLICATION  
FOR PREPARATION OF PLANNING STUDY FOR A RECYCLED WATER PROJECT

BE IT RESOLVED by the South San Luis Obispo County Sanitation District that the District Manager or his designee is hereby authorized and directed to sign and file, for and on behalf of the South San Luis Obispo County Sanitation District, a Water Recycling Facilities Planning Grant Application for a grant from the State Water Resources Control Board in the amount not to exceed \$75,000 for a facilities planning study of a Recycled Water Project, and

BE IT RESOLVED that the South San Luis Obispo County Sanitation District hereby agrees and further does authorize the aforementioned representative or his designee to certify that the Agency has and will comply with all applicable state statutory and regulatory requirements related to any state grant funds received, and

BE IT FURTHER RESOLVED that the District Manager or his designee of the South San Luis Obispo County Sanitation District is hereby authorized to negotiate and execute a grant contract and any amendments or change orders thereto on behalf of the South San Luis Obispo County Sanitation District.

**CERTIFICATION**

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held on February 4, 2015.

---

Richard Sweet  
District Manager

---

Jim Hill  
Chairman Board of Directors,  
South San Luis Obispo County Sanitation District

---

Michael W. Seitz  
District Legal Counsel