



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

Staff Report

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: July 15, 2015

Subject: SHORT TERM AGREEMENT WITH OCEANO COMMUNITY SERVICES DISTRICT (OCSD) FOR BILLING AND COLLECTION SERVICES

RECOMMENDATION

That the Board approves a short-term agreement with the Oceano Community Services District (OCSD) for billing and collection services.

BACKGROUND

In May of this year questions arose pertaining to the ability of the OCSD to justify their cost to the District for billing and collection services. At the June 3, 2015 Board meeting, the Board directed that member agencies not be paid for billing services pending, that member agencies provide justification for their costs and billing options be presented to the Board.

At the June 17, 2015 Board Meeting, the Board directed that pending payments to member agencies be paid and that the District Manager engage in discussions with Member Agencies to define standards, practices and costs to provide billing services and to develop agreements with each member agency for provision of billing services (copy of staff report attached).

At the July 1, 2015 Board Meeting, the Board considered options for billing services during the period in which negotiations with member agencies are underway in order to ensure that the District would continue to receive revenue from customer's historically billed by OCSD. The Board authorized District Legal Counsel to begin investigation and analysis of all legally feasible options for customer billing but to make no commitments in the interim period (copy of staff report attached).

On July 10, 2015 the District received correspondence from the OCSD indicating that, lacking an agreement between the District and the OCSD for billing processing and

collection, the OCSD would no longer be able to provide these services on behalf of the District (copy of letter attached). The OCSD offered to continue these services at the rate of \$3,666.00 per two-month billing period. In addition, as requested by the Board, the OCSD provided a line item justification for the amount charged. To facilitate implementation of billing services prior to the critical date of August 1 (the date of the start of the next billing cycle) and to avoid the loss of funds to the District, the OCSD is willing to hold a special meeting on July 17, 2015 to act on a proposed agreement with the District.

DISCUSSION

In response to the letter from the OCSD, District Counsel has drafted an agreement (copy attached) that:

- Requires the OCSD to participate in negotiations with the District and the other member agencies to negotiate terms of an agreement to define standards, practices and costs to provide billing services.
- Limits the term of the agreement to two months.
- Provides a 30-day termination notice.
- Compensates the OCSD at the justified amount proposed.

The District receives approximately \$3 million in annual revenue from the member agencies for regional collection and treatment of wastewater. Of that \$3 million in annual revenue, approximately \$500,000 is derived from customers residing within the OCSD. Revenues collected are utilized for operations, capital replacement and future capital projects. There are no reserve funds and all funds are programmed for eventual expenditure. It is therefore important that all anticipated funds be collected to offset the costs of the District and to fund the District's adopted budget. For instance, if the District chooses to not collect from the OCSD for a two-month period the resulting loss in revenue would be approximately \$84,000. This \$84,000 would need to be replaced by billing the entirety of the District's customers. This would result in an additional eventual charge to each customer of \$6.00.

Options

1. Decline to approve the short-term agreement for billing services with the OCSD.

Richard G. Sweet, PE
District Manager

Attachment: Staff Report from June 17, 2015 Board Meeting
Staff Report from July 1, 2015 Board Meeting
Letter from OCSD dated July 10, 2015
Proposed Short-Term Agreement for Billing Services Between OCSD and District



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Staff Report

To: Board of Directors

From: Richard Sweet, PE, District Manager

Date: June 17, 2015

Subject: **MEMBER AGENCY PAYMENTS FOR BILLING SERVICES;
AGREEMENT WITH OCEANO COMMUNITY SERVICES DISTRICT
(OCSD); REQUEST TO AUTHORIZE PAYMENTS TO MEMBER
AGENCIES; REQUEST TO ENGAGE IN DISCUSSIONS WITH
MEMBER AGENCIES**

RECOMMENDATION:

1. That the Board review the history and status of Member Agency payments for Billing Services;
2. Approve executing the proposed agreement with the OCSD revising the term of the agreement to ninety days;
3. Approve payments to the member agencies in amounts billed to the District for the 2014-15 fiscal year;
4. And direct the District Manager to engage in discussions with the Member Agencies to define standards, practices and costs to provide billing services and to develop agreements with each member agency for provision of billing services.

BACKGROUND:

The agencies that presently form the District are the Oceano Community Services District (OCSD) and the Cities of Arroyo Grande and Grover Beach. These agencies will be referred to as the member agencies (MA's). For many years the MA's have billed their customers for the wastewater treatment and conveyance services that the District provides. The District has compensated the MA's for this service. In 2012, there were discussions between the OCSD and the District regarding the amount that the District compensated the OCSD for these services. Attached, please find an October, 2012 staff report that discusses the situation at that time.

Apparently there were subsequent discussions with MA's that resulted in a change in requested payments by MA's for billing services. The District cannot locate any agreements with MA's that document the terms of these payments. Below is a table that provides a history of the payments to MA's.

Year/Agency	Arroyo Grande	Grover Beach	OCSD
2009-10	\$13,278	\$2,259	\$4,930
2010-11	\$12,813	\$2,262	\$4,930
2011-12	\$12,497	\$4,000	\$4,930
2012-13	\$12,316	\$9,000	\$4,930
2013-14	\$12,097	\$20,000	\$22,000
2014-15	\$12,030	\$20,000	\$22,000

Payments identified in the 2014-15 fiscal year (FY) for City of Grover Beach and OCSD represent total requested payments. Payment to OCSD for the second half of the 2014-15 FY (\$11,000) has been requested by OCSD but has not been authorized by the Board. The bill from Grover Beach for the 2014-15 FY has not yet been received but is anticipated in the amount noted (\$20,000).

Payments to the MA's are accomplished in two different ways. The City of Grover Beach and OCSD submit bills to the District. The District subsequently processes the bills through the normal process of placing the bills on the warrant register for Board approval. The City of Arroyo Grande withholds their payments from revenues received.

The projected annual revenue received from each of the MA's and the approximate number of services is listed below.

Agency	Arroyo Grande	Grover Beach	OCSD
Services	6,500	4,800	2,500
Projected Revenue	\$1,440,500	\$1,050,000	\$500,000

At the District Board meeting of June 3, 2015, the Board considered a request for payment from the OCSD for the second half of the 2014-15 FY for \$11,000 and declined to authorize payment of this amount prior to substantiation of the request.

At the OCSD Board meeting of June 10, 2015, the OCSD acted on a proposed agreement, copy attached with cover letter, with the SSLOCSD that requires that the SSLOCSD pay the OCSD the pending \$11,000 and continue to pay the OCSD an annual fee of \$22,000 for billing of the OCSD's customers. Failure to execute the agreement will result in the OCSD failing to continue to bill the SSLOCSD customers after July 1, 2015.

DISCUSSION:

The recent history of how the payments are established to each MA is unclear. The City of Grover Beach has shared the method that they utilized to determine the cost to the District. This method is attached. The method is identified as, "Used by Arroyo Grande." There are no agreements between the District and the MA's indentifying payments, methods or terms by which each party performs. Development of

agreements would require a negotiation process. It is anticipated that this process would take, at least, ninety days.

Given that the OCSD has presented the District with an agreement whereby the terms require the District to pay the present OCSD balance of \$11,000 and enter into a year long contract to continue to bill and collect revenue for the District, there is an immediate need to reach a conclusion on this issue to continue to collect revenue. The approximate monthly revenue that can be anticipated from the OCSD is \$42,000 (1.25% of projected annual District revenue). To maintain the revenue stream and provide ample time to develop a mutually acceptable agreement it may be possible to execute the proposed agreement for a period of ninety days. The OCSD has stressed that for consideration of any such counter offer, the District must pay the present due amount of \$11,000.

Options

1. The District decline to pay pending and anticipated bills from the OCSD, and Grover Beach for billing service for the 2014-15 fiscal year and negotiate terms of an agreement for billing services. This may reduce the District's revenue stream.
2. That the District decline to pay pending bills from the OCSD, decline to enter into the proposed agreement from the OCSD and negotiate terms of an agreement for billing services. This may reduce the District's revenue stream.
3. The District negotiates short-term agreements with MA's and evaluates and subsequently pursues an alternate billing method such as collection through property tax.

Richard G. Sweet, PE
District Manager

Attachments: October 2012 Staff Report
Cover Letter an Proposed Agreement from OCSD
Analysis of Sanitation District Costs from Grover Beach



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Staff Report

To: Board of Directors

From: Richard Sweet, PE, District Manager

Date: July 1, 2015

Subject: **CONSIDERATION OF INTERIM OPTIONS REGARDING OCSD'S
REQUESTED PAYMENT OF DISTRICT CUSTOMER BILLING
SERVICES RENDERED FOR THE PERIOD COMMENCING JULY
1, 2015**

RECOMMENDATION:

Staff recommends that the Board consider the options set forth in this staff report and direct staff how to proceed.

BACKGROUND:

At the Board meeting of June 17, 2015, staff presented the Board with background on the District's payments to member agencies for billing services. As stated in the staff report for that meeting, for many years the District's member agencies (Oceano Community Services District (OCSD) and the Cities of Arroyo Grande and Grover Beach) have billed their customers for the wastewater treatment and conveyance services that the District provides. In return, the District has compensated the member agencies for this service. Since 2013, the District has paid approximately \$12,000/year to the City of Arroyo Grande, \$20,000/year to the City of Grover Beach, and \$22,000/year to OCSD for these services. The per customer rate for each member is different.

At the Board meeting of June 17, 2015, the Board directed staff to negotiate with member agencies in order to develop a written agreement outlining the billing fees and costs going forward.

This item—consideration of interim options—has been placed on the July 1, 2015 agenda based on the Board's direction at the June 17, 2015 Board Meeting and staff's subsequent discussions with OCSD's general counsel regarding billing services beginning July 1, 2015. The urgency of this item is that OCSD has requested that the

District agree to reimburse OCSD for its billing services commencing July 1, 2015. The July 1 Board Meeting provides the only opportunity to timely address this issue.

DISCUSSION:

Acknowledging the importance of this issue to the District, staff has split discussion and consideration of member agency billing into two separate phases.

Phase 1

The first phase, which will be presented at the July 1, 2015 Board meeting, will consider interim options for reimbursement for billing services undertaken during the period between July 1, 2015 and execution of a written agreement with each of the member agencies providing service. These options include:

Option 1: Authorize the District Manager to enter into a letter agreement with all three (3) members that the District will continue to pay each member at the member's current annual rate, pro-rated monthly for the period July 1 – August 31, 2015. For OCSD, the pro-rated amount for the two-month period would be approximately \$3,666.00. If an agreement is reached among the parties by August 31, 2015, the agreement may provide that the agreed-upon rate would apply retroactively to July 1, 2015. OCSD's legal counsel has expressed that OCSD would be willing to continue billing the District's customers under this arrangement.

Option 2: Authorize the District Manager to set aside a reasonable amount of funds in a District reserve account to pay for the costs of all customer billing services provided by the members to the District for the period beginning July 1, 2015 and until such time as a long-term agreement is negotiated with the member agencies or an alternative method of billing is established. This option would require a future agreement between the District and the billing parties regarding the rate to be applied for the period beginning July 1, 2015. It is unknown whether OCSD would support this option.

Option 3: Investigate all legally feasible options for billing services beginning July 1, 2015, but make no commitments for the interim period. Under this option, the District would proceed without considering how to pay for billing services rendered by member agencies in the case that a negotiated agreement is not reached. This option risks OCSD refusing to provide continued billing services for the period beginning July 1, 2015 without the District's commitment to pay OCSD for services rendered.

Phase 2

The second phase would involve a broader investigation and analysis of the District's customer billing issue. In order to prepare for this discussion, district counsel has begun researching the District's various options for collecting fees for the District's services, including the possibility of having the County collect the District's fees on the property tax rolls, and negotiating an agreement with all member agencies. These options, among others, will be presented to the Board at a later Board meeting.

Options

1. Authorize the District Manager to enter into a letter agreement with all three (3) member agencies to continue paying each agency at the current rate for the interim period of July 1, 2015 -- September 1, 2015. In the event a long-term agreement with the three agencies is achieved prior to September 1, 2015, the agreement may provide for an alternative payment for the interim period.
2. Authorize the District Manager to set aside a reasonable amount of funds in a reserve account to pay for the costs of billing services rendered on behalf of the District until such time as a long-term agreement is reached.
3. Begin investigation and analysis of legally feasible options for customer billing, but make no commitments for the interim period.

Richard G. Sweet, PE
District Manager



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

(805) 481-6730 FAX (805) 481-6836

July 10, 2015

South San Luis Obispo Sanitation District ("Sanitation District")
1600 Aloha Pl. / P.O. BOX 339
Oceano, CA 93475
Atten: Richard Sweet

Re: Follow up on Correspondence dated June 10, 2015
Lapse in Offer by Oceano CSD (OCSD) Board of Directors
Consideration of an Offer if tendered by the Sanitation District

Dear Mr. Sweet:

On June 11, 2015, I delivered to you a letter approved by the OCSD Board of Directors (Board) at their meeting of June 10, 2015, which included an offer to continue billing services to the Sanitation District for fiscal year 2015-16. The proposed offer was extended to July 1, 2015 and is now expired. This correspondence is being provided to you with the understanding that your Board provided direction to Sanitation District staff to develop recommendations on how the Sanitation District might perform or otherwise secure billing services.

With the lapse of the OCSD Board's offer and no action by the Sanitation District Board for the OCSD Board to consider, our Board has been informed by legal counsel that OCSD staff lacks authority to continue billing services for the Sanitation District without a written agreement approved by our governing boards.

In order to assist you with development of potential recommendations to your Board, OCSD legal counsel and I met with you and Sanitation District legal counsel on Friday, June 10, 2015. At this meeting, I reviewed the enclosed document with you and your legal counsel. As we all discussed and understood at our meeting, this draft document was prepared less than 24 hours before our meeting because time is of the essence. The next OCSD billing will be sent to customers before the end of this month. Pending action by your Board, the OCSD Board is prepared to hold a special meeting on Friday, June 17, 2015 to consider any offer that your Board might provide.



Oceano Community Services District

Board of Directors Meeting

Without knowledge of what you may recommend to your Board, I affirm that I will continue to recommend that the billing services should be provided in the amount (\$3,666 per billing period) previously negotiated by the general managers who preceded us until such time that a different amount might be agreed upon. The attachment should be considered as a basis to initiate further negotiations. To the extent that your Board provides an agreement and offer, and if approved by the OCSD Board, customers will continue to be billed based on amounts as provided by the Sanitation District pursuant to the Sanitation District's current authorized rate structure.

Please contact me should you have any questions in this regard.

OCEANO COMMUNITY SERVICES DISTRICT

A handwritten signature in blue ink, appearing to read "Paavo Ogren", is written over a horizontal line.

PAAVO OGREN
General Manager

**OCEANO COMMUNITY SERVICES DISTRICT - ADOPTED PRELIMINARY ADMINISTRATIVE BUDGET
EXPENDITURE WORKSHEET & UTILITY BILLING COST ALLOCATIONS
FISCAL YEAR 2015-16**

Operations & Maintenance:		Direct Labor - Utility Billing				
Expenditure Accounts 4100		2015-16 Budget	Account Clerk #1	Account Clerk #2	Sub-Total Account Clerks	Indirect Labor
Personnel						
010	Wages and Salaries	348,908				
020	Overtime	4,618				
061	PERS	48,321				
	PERS UAL Payment	15,000				
070	SUI (Unemp Ins)	3,038				
071	Medicare Employer Portion	5,127				
072	FICA	0				
075	State Compensation Ins	10,421				
080	Boat Allowance	750				
090	Employee Insurance	38,400				
097	Cell Phone Allowance	900				
098	Moving Expense	0				
099	Auto Allowance	0				
Total Personnel Cost		\$ 475,483	\$ 66,936	\$ 50,289	\$ 117,225	\$ 358,258
						\$ 475,483

Time Allocable to Utility Billing		80%	10%			
Allocable Direct Labor		\$ 53,549	\$ 5,029	\$ 58,578	\$ 416,905	\$ 475,483
Percentages of Total Labor				12.3%	87.7%	100.0%
12% Allocable Indirect Labor					\$ 51,361	

Services and Supplies		Direct Expenses Utility Billing	Undistributed Expenses	Excluded Expenses	Net Allocable Overhead Expenses	Total
110	Communications & Dispatch		\$ 5,000		\$ 5,000	\$ 5,000
150	Insurance (100% in Admin, then allocated, in 2015-16)		22,500		22,500	22,500
163	Maint: Wtr/Swr Struct		0		0	-
170	Maint: Equipment		3,500		3,500	3,500
173	Maint: Structures		10,000		10,000	10,000
180	Memberships		5,500		5,500	5,500
190+191	Over and Short + misc		200		200	200
193	Bank Fees		2,000		2,000	2,000
200	Office Expense		6,000		6,000	6,000
205	Outside UB Mailing Expense	7,500	0		0	7,500
210	Postage		1,500		1,500	1,500
217	Contract Accounting		0		0	-
218	Audit - Estimate (not in contract)		19,500		19,500	19,500
220	Professional Services		17,500		17,500	17,500
221	Information Technology		5,000		5,000	5,000
222	Contract Engineering		0		0	-
223	Legal Services	500	71,500	71,500	0	72,000
224	Annual Software Maint.	3,500	9,000		9,000	12,500
225	Board Member Stipends		18,000		18,000	18,000
230	Legal Notices		2,000		2,000	2,000
235	Books/Journals/Subsc		1,500		1,500	1,500
241	Rents/Leases: Equip		3,000		3,000	3,000
247	LAFCD 15-18 charged to Admin then allocated		15,000	15,000	0	15,000
248	Air Pollution Control District Permits Licenses and Fees		1,000	1,000	0	1,000
260	Special Dept Exp Elections Expense		5,000	5,000	0	5,000
280	Private Vehicle Mileage		500		500	500
285	Classes/Seminars		5,000		5,000	5,000
286	Board Member Travel/Expense		1,500	1,500	0	1,500
290	Utilities		8,500		8,500	8,500
	Contingency					-
Total Services and Supplies		\$ 11,500	\$ 239,700	\$ 94,000	\$ 145,700	\$ 251,200

Direct Expenditures	\$ 11,500	4.58%
12.3% Allocation of Indirect Expenditures	\$ 17,950	7.15%
Total		11.7%

	Excluding Indirect Labor	Including Indirect Labor
Total Allocable Utility Billing Expenditures	\$ 88,027.39	\$ 139,388.54
Divide by Two Agencies	\$ 44,013.69	\$ 69,694.27
Divide by Three Services (OCSD Water, OCSD Sewer, San Dist Sewer)	\$ 29,342.46	\$ 46,462.85
Divide by Four (50% OCSD Water, 25% OCSD Sewer, 25% San Dist Sewer)	\$ 22,006.85	\$ 34,847.13
Divide by Four Functions, except a/c 205 (Two Agencies)	\$ 23,881.85	\$ 36,722.13

All Options "Exclude" any amortization of Utility Billing Software or Hardware
All Options "Exclude" any salary increases that may result from current Union MOU negotiations

SHORT-TERM AGREEMENT FOR BILLING SERVICES

THIS SHORT-TERM AGREEMENT FOR BILLING SERVICES (“**Agreement**”) is made and effective as of the ____ of July, 2015 (“**Effective Date**”) by and between the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district (“**SSLOCSD**”), and OCEANO COMMUNITY SERVICES DISTRICT, a community services district (“**OCSD**”) (collectively, the “**Parties**”) at Arroyo Grande, California.

WHEREAS, OCSD has provided bi-monthly customer billing services (“**Billing Services**”) to SSLOCSD rate payers within its jurisdiction for many years; and

WHEREAS, SSLOCSD desires that OCSD continue to provide these Billing Services on a short-term basis; and

WHEREAS, OCSD agrees to provide continued Billing Services to SSLOCSD as provided in this Agreement; and

WHEREAS, in good faith, the Parties agree to participate in negotiations with SSLOCSD and the other member agencies to negotiate terms of a long-term agreement to define standards, practices and costs to provide Billing Services; and

WHEREAS, the Parties understand and agree that Billing Services do not include any ancillary services such as billing for the collection of connection fees or other fees or costs that will be billed and collected directly by SSLOCSD.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. INCORPORATION OF RECITALS.

- 1.1 **Incorporation of Recitals.** SSLOCSD and OCSD agree the foregoing Recitals are true and correct and are hereby incorporated by reference.

2. SERVICES.

- 2.1 **Services.** OCSD agrees to continue to bill SSLOCSD customers who are also OCSD customers for the services provided by SSLOCSD to such customers and to remit payment received from the charges billed to SSLOCSD on a bi-monthly basis. It is the intention of the Parties that OCSD services pursuant to this paragraph shall be undertaken in the same manner and method as has been done in the past.
- 2.2 **Limitation on Services.** The Parties agree that Billing Services do not include any ancillary services such as billing for the collection of connection fees or other fees or costs that will be billed and collected directly by SSLOCSD.

3. **TERM.** The initial term of this Agreement shall begin on the Effective Date and shall continue until and including August 31, 2015 (“**Initial Term**”) and shall renew automatically for successive two (2) month terms (“**Subsequent Term(s)**”), unless terminated by either Party pursuant to Section 5.

4. **COMPENSATION.**

- 4.1 **Compensation.** SSLOCSD agrees to pay OCSD \$3,666.00 (“**Service Fee**”) on the following payment schedule. For the Initial Term, SSLOCSD shall pay OCSD \$3,666.00 on the Effective Date of this Agreement. For each Subsequent Term, SSLOCSD shall pay OCSD \$3,666.00 on the first day of each Subsequent Term. OCSD shall provide SSLOCSD with an invoice for the Service Fee at least fifteen (15) days before each payment is due.

5. **TERMINATION.**

- 5.1 **Termination Without Cause.** Either party may terminate this Agreement, for any or no reason, upon thirty (30) days written notice to the other party as provided in Section 7.2. In the event of a termination, the date of termination shall be deemed to be the first business day occurring after the expiration of the notice period.
- 5.2 **Termination With Cause.** Either party may terminate this Agreement by written notice (as provided in Section 7.2) if the other party commits a material breach of this Agreement and fails to cure such breach within thirty (30) days of receipt of said written notice. In the event of a termination, the date of termination shall be deemed to be the first business day occurring after the expiration of the notice period.
- 5.3 **Termination Upon Mutual Consent.** This Agreement may also be terminated by mutual consent of the Parties and in accordance with the terms and conditions of any plan of termination established by the Parties. In the event of a termination by mutual consent, the date of termination shall be such date as is agreed upon by the Parties. The Parties may agree to suspend or terminate a portion of this Agreement and such suspension or termination shall not make void or invalidate the remainder of this Agreement.
- 5.4 **Payment Upon Termination.** In the event this Agreement is terminated pursuant to this Section, OCSD shall reimburse SSLOCSD for the remaining balance already paid for Services through the end of the current term..

6. **FUTURE NEGOTIATIONS.**

- 7.1 **Agreement to Negotiate in Good Faith.** SSLOCSD and OCSD each agree, in good faith, to participate in negotiations with SSLOCSD and the other member agencies to negotiate terms of a long-term agreement to define standards, practices and costs to provide Billing Services.

7. **GENERAL PROVISIONS.**

7.1 **Further Assurances.** SSLOCSD and OCSD each agree to cooperate with one another, to use their best efforts, to act in good faith, and to promptly perform such acts and execute such documents or instruments as are reasonably necessary and proper to consummate the transactions contemplated by this Agreement.

7.2 **Notices.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if personally served or on the second day after mailing if mailed by first-class mail, registered or certified, return receipt requested, postage prepaid and properly addressed as follows:

SSLOCSD:

Rick Sweet, District Manager
South San Luis Obispo County Sanitation District
P.O. Box 339
Oceano, CA 93475
P: (805) 489-6670
F: (805) 489-2765

OCSD:

Paavo Ogren, General Manager
Oceano Community Services District
1655 Front St.
Oceano, CA 93445
P: (805) 481-6730
F: (805) 481-6836

Any party may change their address for the purpose of this paragraph by giving the other party written notice of the new address in the above manner.

7.3 **Waiver.** No waiver of a provision of this Agreement shall constitute a waiver of any other provision, whether or not similar. No waiver shall constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

12.11 **Force Majeure.** Neither SSLOCSD nor OCSD shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

7.12 **Construction of Terms.** All parts of this Agreement shall in all cases be construed according to their plain meaning and shall not be construed in favor or against either of the parties. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, the remainder of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated thereby. In the event of any provision shall be adjudged invalid, void or unenforceable, the parties hereto agree to enter into a supplemental agreement to effectuate the intent of the parties and the purposes of this Agreement.

- 7.13 **Controlling Law.** The Parties understand and agree that the laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement, with venue proper only in the County of San Luis Obispo, State of California.
- 7.14 **Authorization.** All officers and individuals executing this and other documents on behalf of the respective Parties hereby certify and warrant that they have the capacity and have been duly authorized to execute said documents on behalf of the entities indicated.
- 7.15 **Entire Agreement.** This Agreement constitutes the entire Agreement between the Parties and supersedes all prior and contemporaneous agreements, representations and understandings of the Parties. This Agreement may be altered, amended or modified only by a supplemental writing executed by the Parties to this Agreement and by no other means. Each party waives any future right to claim, contest, or assert that this Agreement was modified, canceled, superseded, or changed by any oral agreement, course of conduct, waiver or estoppel.
- 7.16 **Counterparts.** This Agreement may be executed in counterparts, each of which shall remain in full force and effect as to each party.
- 7.17 **Severability.** In the event that any term or provision of this Agreement shall be held to be invalid, void or unenforceable, then the remainder of this Agreement shall not be affected, impaired or invalidated, and each such term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

IN WITNESS WHEREOF, the parties have executed this Agreement at the place and as of the date first written above.

"SSLOCSD"
South San Luis Obispo County Sanitation District

"OCSD"
Oceano Community Services District

By: _____
Rick Sweet, District Manager

By: _____
Paavo Ogren, General Manager

APPROVED AS TO FORM:
South San Luis Obispo County Sanitation District

APPROVED AS TO FORM:
Oceano Community Services District

By: _____
Jena Shoaf, on behalf of
Brownstein Hyatt Farber Schreck, LLP
Acting as Legal Counsel for SSLOCSD

By: _____
Jeff Minnery, legal counsel