



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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AGENDA

BOARD OF DIRECTORS MEETING

City of Arroyo Grande, City Council Chambers

215 East Branch Street

Arroyo Grande, California 93420

Wednesday, June 17, 2015 at 6:00 P.M.

Board Members

Jim Hill, Chair

John Shoals, Vice Chair

Matthew Guerrero, Director

Agencies

City of Arroyo Grande

City of Grover Beach

Oceano Community Services District

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

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 District Manager or Bookkeeper/Secretary at (805) 481-6903.

3. 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 Minutes of May 20, 2015

3B. Review and Approval of Minutes of June 03, 2015

3C. Review and Approval of Warrants

4. PLANT SUPERINTENDENT'S REPORT

5. BOARD ACTION ON INDIVIDUAL ITEMS:

5A. REVIEW OF PAST MANAGEMENT PRACTICES; APPROVAL OF WORK PLAN

Staff recommends that the Board review and approve the Work Plan, Attachment "A" for "Review of Past Management Practices" prepared by Knudsen Associates.

5B. DEBIT CARD POLICY; PROHIBITION OF CASH WITHDRAWALS

Staff recommends that the Board reviews and recommends any modifications and adopts the attached proposed District Debit Card Policy.

5C. REQUEST TO ISSUE REQUEST FOR PROPOSALS (RFP) FOR DISTRICT COUNSEL

Staff recommends that the Board review and approve for issuance a request for proposals (RFP) for District Counsel, Attachment "A".

5D. FINAL AUDIT

Staff recommends that the Board approve the 2014 Audit.

5E. WORKERS COMP QUOTES

Staff recommends that the Board direct the District Manager to execute an agreement with the lowest cost option, of those from which quotes were sought, for Workers Compensation Insurance.

5F. REQUEST FROM OCSD TO ENTER INTO AN AGREEMENT TO PAY \$22,000 ANNUALLY FOR BILLING AND COLLECTIONS SERVICES.

Staff recommends that the Board review the history and status of Member Agency payments for billing services; Approve executing the proposed agreement with the OCSD revising the term of the agreement to ninety days; 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.

6. MISCELLANEOUS ITEMS

- 6A. Miscellaneous Oral Communications**
- 6B. Miscellaneous Written Communications**

1. CSDA Board of Directors 2015 Election

7. PUBLIC COMMENT ON CLOSED SESSION

8. CLOSED SESSION

- (1) Conference with Legal Counsel regarding Existing Litigation;
Pursuant to Government Code Section 54956.9; b1; South San
Luis Obispo County Sanitation District vs. State Water
Resources Control Board
Case Number
34-2012-80001209-CU-WM-GDS
District vs. SDRMA

9. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

10. ADJOURNMENT

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 May 20, 2015
6:00 P.M.

1. CALL TO ORDER AND ROLL CALL

Present: Chairman Jim Hill, City of Arroyo Grande; Director John Shoals, City of Grover Beach; Alternate Mary Lucey, Oceano Community Services District;

District Staff in Attendance: Rick Sweet, District Manager; Mike Seitz, District Counsel; John Clemons, Plant Superintendent; Amy Simpson, District Bookkeeper/Secretary.

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Director Hill opened the public comment period.

Beatrice Spencer requests that the Board hire AGP to record the meetings.

Debbie Peterson believes AGP would be very useful. Also asks the question of when Mr. Knudson will be starting.

There being no more public comment, Director Hill closed the public comment period.

3. CONSENT AGENDA

3A. Review and Approval of the Minutes of the May 06, 2015 Meeting

3C. Review and Approval of Warrants

3D. Review of Financials as of April 30, 2015

Removal of OCSD billing appears on the Revised Warrant Register until further clarification of the charges.

Julie Tacker asked about the OCSD warrant. She believes \$22,000 for administrative fee to process District payments was justified at some point in time. She gave a brief history of how this temporary charge was negotiated. She does not remember it ever coming back to the Board as a contract. It should reflect actual costs and not a random number.

Action: 3B and 3C were approved 2-0 with Director Lucey abstaining.

Action: 3A approved 2-0 with Director Lucey abstaining.

4. PLANT SUPERINTENDENT'S REPORT

Plant Superintendent Clemons presented the Plant Superintendent's Report which shows that the Plant numbers remain steady and strong and are in compliance with regulatory limits. Mr. Clemons spoke about the maintenance, safety and training, and projects being done by Staff at the Plant.

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

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5. BOARD ACTION ON INDIVIDUAL ITEMS:

Director Hill requested that 5B, Audit presentation, be heard ahead of 5A out of consideration for Alex Hom being in the audience to present the audit.

5B. FY 2014 DRAFT AUDIT PRESENTATION

The Board received a presentation of the FYE 2014 audit report of the District's financial records by Moss, Levy & Hartzheim, LLP, the District's independent auditor.

Alex Hom told the Board that he was glad to give modified clean opinion. He listed the findings which included actions that had been corrected regarding payroll. He also recommended that the District use a credit card instead of the debit card and that someone sign off on the Superintendents time card.

The one major adjustment is on page 8 and it is a prior period adjustment to the fixed asset schedule. There were pieces of equipment that had never been taken off the schedule. Alex and Superintendent John Clemons went over the fixed asset schedule and made the adjustments to the fixed asset schedule for 2014.

District Manager Rick Sweet will be signing the Superintendents time cards.

The District has a plan in place to get a credit card.

The District staff is investigating a long term investment to fund the liability. Staff is looking into using the CERBT program from Calpers.

District manager Rick Sweet suggested the Board look at revisions to the retirement medical plan. Currently the retired employees are receiving 100% medical. This was a mistake on the Calpers side and Calpers has corrected this issue. CalPers should have been using the unequal method for Retiree medical.

Director Hill asked about the depreciation amount.

Due to the high value of the plant, this is a pretty standard amount. He also asked about the 2010 ACL being in the audit. It is in the budget, not the audit.

Alex Hom was directed to break out Legal and Accounting so they will be separate line items.

PUBLIC COMMENT

Debbie Peterson asked about the OPEB which stands for Other Post Employment Benefits. This is the annual required contribution of the medical benefits. This is the increase in the liability. Also asked the relative interest rates of the County Treasury and LAIF.

Patty Welsh asked how long you have to be invested in Pers to get the medical benefit.

Julie Tacker asked where the findings letter that identified the things the auditor mentioned was. The findings letter will come once the audit is approved.

Beatrice Spencer asked about the annual workman's comp contribution for the entire year.

Action: The final report with the Management Letter will be brought back at the next meeting.

5A. FY 2015-16 PRELIMINARY BUDGET

The Board reviewed and considered the proposed FY 2015-16 Preliminary Budget and directed staff to notice a public hearing set for the June 3, 2015 meeting

Director Lucey asked District Manager Rick Sweet if 10 hours a week is sustainable. Rick Sweet believes that something has to occur, just not sure what that is at this point. She asked about the Zone 1/1A increase. She believes that the fine should be put into the budget. Staff has built and tried to conserve the cash balance to cover the fine. She also asked about the FOG program.

Director Hill asked about the Ocean Outfall. He also feels the fine should be included in the budget.

Superintendent Clemons suggested that there be a note to mention the fine and the cash balance that is available to cover the fine.

Ron Holt asked the formula of depreciation, the settlement payable, and the Post-Employment Benefits, and Professional Services-Other 19-7079.

Debbie Peterson spoke about historical LAIF account balances being incongruous. She suggested reviewing the cash balance charts.

Julie Tacker asked about the Info Truck, the SSMP, and the Rate Study. She also suggested that the budget have last year's actuals. She also suggested that there be a discussion about a full time administrator or a Co- Administrator. Would like to see the \$22,000 admin fee discussion revisited. Likes the idea of the AGP video. Suggests that a letter of intent offering the FOG service to AG and Grover Beach.

The Info Truck is an agency, a group of engineers, which digitalize all of Standard Operating Procedures, the O&M, and all data sheets. This allows the Operators to take the daily numbers and enter them directly to a tablet for immediate review by management. Info Truck also creates videos to show these procedures. The cost includes the tablets and materials.

The SSMP is done every other year and there should be virtually no cost.

The Rate Study has \$5,000 carried over from last year.

Sharon Brown mentioned some clean up items to be done. She asked about predicting revenues from member agencies, brine, and cell phones.

Beatrice Spencer asked about Workman's Comp insurance. She would suggest getting a quote from another provider.

All Board members would like to have a presentation from AGP video.

Director Shoals directed staff to have actuals from FY 2013-14. He also recommended having a discussion on the time constraints of District Administration. He also wants to keep an eye on employment benefits.

Director Hill asked that the Accounting Funds chart remove the Solids Handling.

Action: The Board approved unanimously to adopt the final budget based on comments and directions after the public hearing on June 3, 2015.

5C. REDUNDANCY PROJECT

The Board received the report, and discussed issues and provided direction to staff.

Julie Tacker suggests that there be no time schedule in the permit to complete the project. She also suggest that it be called a companion project including both Redundancy and the Recycled Water Project.

The Board had a discussion about a 218 policy. Director Hill is concerned about time limit in the permit process. He agrees with the RWQCB that redundancy is important. The Board suggested that the time frame start once the project is accepted from the Coastal Commission.

Action: The Board filed the report

5D. WATER RECYLING PROJECT

The Board received the report, and had a discussion on issues and provided direction to staff.

Beatrice Spencer, Debbie Peterson, Julie Tacker, and Patty Welsh all gave public comment.

Action: The Board received and filed the report.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

Legal Counsel Michael Seitz submitted his resignation. The reason relates to the Santa Maria Groundwater Adjudication. He represents the NCSD, which is a member of the Nipomo Mesa Management Area. The Northern Cities Management Area comprises the member agencies of SSLOCSD. Due to the fact that there is increasing tension between NMMA and the NCMA, he must resign from his position at the District's legal counsel due to a possible future conflict with his representation of MCMA. He thanked the Board for their confidence in Shipsey and Seitz since inception. The Board members thanked Seitz for his time and loyalty to the District.

7. PUBLIC COMMENT ON CLOSED SESSION

Director Hill asked for public comment.

There being no public comment, Director Hill closed the public comment period.

8. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

- (1) Conference with Legal Counsel regarding Existing Litigation; Pursuant to Government Code Section 54956.9(b1); South San Luis Obispo County Sanitation District vs. State Water Resources Control Board
Case Number
34-2012-80001209-CU-WM-GDS
- (2) Conference with Legal Counsel regarding Potential Litigation
Government Code section 54956.9 (2) Allen DFEH Number
444099-139808;

Action: The Board heard a report from Legal Counsel and took no reportable Action.

9. ADJOURNMENT

There being no further business to come before the Board, Director Hill adjourned the meeting at approximately 9:40p.m.

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

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 June 03, 2015
6:00 P.M.

1. CALL TO ORDER AND ROLL CALL

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

District Staff in Attendance: Rick Sweet, District Manager; Mike Seitz, District Counsel; John Clemons, Plant Superintendent; Amy Simpson, District Bookkeeper/Secretary.

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Director Hill opened the public comment period.

Debbie Peterson asked if Knudson had started the Management Review.

Rick Sweet responded that the contracts have been executed. Knudson is starting a work plan and making arrangements for the interviews.

She also asked about the RWQCB fine.

Director Hill attended the meeting of the RWQCB and spoke with the District Chair and indicated the Boards desire to settle the litigation. He has endeavored to establish a contact to discuss the settlement.

There being no more public comment, Director Hill closed the public comment period.

3. CONSENT AGENDA

3A. Review and Approval of Warrants

Director Hill asked about the State Fund warrant for Workers Compensation. He asked if it was unusually high. He urged staff to follow up with getting quotes for new Workers Compensation insurance.

He is also concerned about the fairness of paying OCSD so much more than the other agencies. He wants to see the justification of the reasonable cost of providing the service. He would like all agencies to follow the same protocol and all the agreements should be made publicly in an open meeting where everyone agrees to it.

Rick Sweet commented that Grover and Arroyo are also allowed to charge the \$22,000 but they have not chosen to charge the full amount. He gave background of the where he believed the \$22,000 charge originally came from. There is currently no agreement for any agency that the District is aware of. There was a number of discussions and the first payment of \$11,000 was

made in 2013.

Legal Counsel suggested putting this item on a future agenda because no action can be taken tonight.

Director Hill would like to remove the OCSD bill from this warrant.

Director Guerrero advised against withholding the bill because that has been an agreement and practice.

Julie Tacker gave comment in regards to the OCSD bill and where the \$22,000 flat rate may have originated.

Tim Brown recommends doing a contract with each agency so everything is clear.

Beatrice Spencer spoke of OCSD bill and State Fund bill. She believes State Fund is the worst and there has to be a better rate.

Director Shoals asked to bring back the discussion on agency billing in a month. If there is a policy, he believes we need to honor it. He made a motion to approve the warrant register minus the OCSD bill.

Action: 3A was approved by roll call vote with 2 yes and Director Guerrero voting no on approval of the warrants.

4. PLANT SUPERINTENDENT'S REPORT

Plant Superintendent Clemons presented the Plant Superintendent's Report which shows that the Plant numbers remain steady and strong and are in compliance with regulatory limits. Mr. Clemons spoke about the maintenance, safety and training, and projects being done by Staff at the Plant.

Director Guerrero asked for an update on SCADA and if the skip loader was still in use.

Superintendent John Clemons said the District has transitioned from Wonderware to Rockwell. He said that the crew is working on the screens and expects it to be up and running in the next couple of months. He also said the skip loader has not had any problems. It was because of the Air Board that it was due to be replaced. The Air Board has changed their decision and now it is due to be replaced in 2019.

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

5. BOARD ACTION ON INDIVIDUAL ITEMS:

5A. PRESENTATION OF, AND PUBLIC HEARING FOR, ADOPTION OF THE FISCAL YEAR 2015/16 FISCAL YEAR BUDGET

Director Guerrero asked about attorney's fees and if it is necessary to make a budget amendment to account for the higher fees for the interim legal counsel.

Director Hill spoke to the Worker's Comp line item. He expects to see quotes for other Work Comp carriers. He also directed staff to look into AGP video. The amount for benefits and unfunded liability seems high to him. He asked about the retiree health benefit. He believes that

100% retiree medical is unsustainable. He requested a copy of the Resolution that speaks to retiree medical. He asked what Administrative Cost is composed of. Asks why costs are going up? He would like to see a line item or place holder for AGP.

Rick Sweet pointed out that there are new items in this category like Source Control Program, Computer Support, the Management Review,

Director Hill asked about Fund 20 and thinks that redundancy might reside in this fund. He asked if \$35,000 is enough for the redundancy project.

Rick Sweet said that we hope it's enough to get the permit process started. No construction will be taking place in this year.

Director Shoals asked to decide about AGP as a Board at a future meeting.

Beatrice Spencer, Julie Tacker, April McLaughlin, Tim Brown, Andrea Seastrain, and Patricia Price all commented on the budget.

Director Shoals responded that the Board is interested in AGP and will have a conversation about obtaining the services of AGP at a future meeting. He also said the Board should have a discussion about reserves and unfunded liability. He referred to Rick Sweet to answer the comments given from the public.

Rick Sweet said that unfunded liability was addressed in the audit report. He spoke of the CERBT program and said that this is a program to pay down the unfunded liability. The unfunded liability refers to Other Post-Employment Benefits. He said the employee benefits are negotiated items and would need to have discussion with employees before anything can be negotiated. The Review of Past Management Practices is budgeted and interviews with the past management are being arranged. Line item referring to District Administrator- a full time administrator is in the range of \$225,000 with full loaded benefits. This would be the norm for a District similar to this. He suggested another option would be to use Contract Project Managers for projects like the Satellite Plant and the Redundancy Project. The District does have considerable cash balance. The majority of the cash balance is to be set aside for the upcoming projects. The audit did not identify an unfunded liability in regards to Pers retirement system. It referred to OPEB which is retiree health care.

Director Guerrero would like to see a line item for depreciation of major expenses. A line item that would anticipate budgetary revenue requirements for future replacements. He spoke about Mrs. Sweeny's pro forma. It's nice to know when major expenditures are coming.

Director Shoals asked if this line item would be comparable to a Capital Improvement Plan. It should have a fund balance dedicated to certain projects that would show reserves available.

District Manager Rick Sweet responded that Fund 26, Capital Replacement Fund, is set up for this purpose. This year we put in \$500,000 that was originally in the Capital Replacement fund that Director Guerrero spoke of. Structures, Grounds Replacement is the line item that shows these costs. Staff should consider a Capital Replacement list outside of the budget.

PUBLIC COMMENT

Action: The Board approved unanimously by roll call vote the 2015/16 Budget with some direction to create a companion document showing a ten year look ahead fund schedule.

5B. FY 2014 DRAFT AUDIT PRESENTATION

Action: That Board approved unanimously by roll call vote to continue approval of the 2014 Audit to the Board meeting of June 20, 2015.

5C. NOTICE OF VIOLATION; REQUEST TO EXECUTE "ACCEPTANCE OF CONDITIONAL RESOLUTION AND WAIVER OF RIGHT TO PUBLIC HEARING"

Julie Tacker asked why it took so long to receive these fines from years past.

District Counsel Mike Seitz said that a couple months ago there was a modification of Regional Board policy and they have become much more aggressive these finds help fund their projects. These are the considered the type of violations that eventually have a statute of limitations, but no one has reached the statute in terms of a court of appeals decision.

This is a civil liability not a penalty regardless of what the Board conveys here.

Action: The Board directed the District Manager to execute the "Acceptance of Conditional Resolution and Waiver of Right to Hearing" and authorize payment of nine thousand dollars (\$9,000) as a "mandatory minimum penalty" for violations occurring from 2011 to 2014. This was approved unanimously by roll call vote.

5D. REQUEST TO ENGAGE BROWNSTEIN HYATT FARBER SCHRECK AS INTERIM DISTRICT COUNSEL

Stephanie Hastings of BHFS introduced herself and gave background on the law firm's expertise. She disclosed that their law firm does provide representation to Golden State Water and she does not envision a potential conflict of interest. She introduced her associate Jenna who is a super star in Brown Act and public agencies. Jenna Shoaf would be the primary who will be attending meetings. The firm does charge for travel time.

Julie Tacker spoke in opposition to using interim legal counsel. She believes this is excessive due to the fact that there will not be a lot going on in the next few weeks.

April McLaughlin asked for clarification of how this firm was selected to be contacted. She suggests that 10 hours a week is not enough time for a District Manager.

Tim Brown would like an explanation how this law firms potential conflict is any different than Mr. Seitz's stated reason for resignation.

Patricia Price agrees with the previous speakers.

District Counsel Seitz feels that this is a very competent firm and does not see potential conflict in the next 10 to 12 weeks.

Director Shoals believes that leaving the District uncovered legally is irresponsible. The Board had directed District Manager Rick Sweet to go forward and seek interim legal counsel during the last closed session.

Action: The Board approved unanimously by roll call vote to direct the District Manager to execute an agreement with Brownstein Hyatt Farber Schreck to perform the duties of interim District Counsel.

Director Guerrero thanked Mike Seitz.

Mike Seitz said that his firm has represented the District for 54 years.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

Mike Seitz wanted to address certain contentions regarding him.

1) There has been allegations that he represents John Wallace, He has never represented John Wallace or Wallace Group.

2) Contention that he is resigning due to Review of Past Management Practices. He is not resigning due to the Management Review. If he thought that the District was aiming at him, he would stay. The RFP does not mention his position or him so he feels comfortable leaving.

7. PUBLIC COMMENT ON CLOSED SESSION

Director Hill asked for public comment.

There being no public comment, Director Hill closed the public comment period.

8. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

- (1) Conference with Legal Counsel regarding Existing Litigation; Pursuant to Government Code Section 54956.9;b1; South San Luis Obispo County Sanitation District vs. State Water Resources Control Board
Case Number
34-2012-80001209-CU-WM-GDS

Action: The Board heard a report from Legal Counsel and took no reportable Action.

Additionally the Board entered into negotiations with Mike Seitz in regards to handling litigation matters on behalf of the District during the interim period and agreed unanimously to retain his services during the interim period to oversee litigation. The contract is not signed, once it is signed by the end of this week or beginning of next, it will be a public document.

9. ADJOURNMENT

There being no further business to come before the Board, Director Hill adjourned the meeting at approximately 8:20p.m.

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

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
WARRANT REGISTER
06/17/2015 FY 2014/15

	BUDGET LINE ITEM		WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ABALONE COAST ANALYTICAL, INC	CHEMICAL ANALYSIS	2525	061715-9523	7078	190.00	190.00
ALLIED ADMINISTRATORS	DENTAL INSURANCE	JULY	24	6025	1,055.36	1,055.36
ALLSTAR INDUSTRIAL SUPPLY	EQUIPMENT MAINTENANCE	1414, 1415, 1416,	25	8030	1,770.05	1,770.05
ALLTECH COMPUTERS	COMPUTER SUPPORT	NEW HARD DRIVE	26	7015	86.39	86.39
AMIAD	EQUIPMENT MAINTENANCE	MULTIPLE	27	8030	535.37	535.37
ARAMARK	UNIFORMS	06/05/15, 06/12/15	28	7025	440.14	440.14
ARIAS, MICHAEL	MEMBERSHIPS, SEMINARS, MEETINGS	CONFERENCE PARKING	29	7050	262.11	612.11
	PERMITS, FEES, LICENSES	GRADE III EXAM		7068	350.00	
AUTOSYS, INC	CAPITAL EQUIPMENT	SCADA	30	20-8010	2,270.00	2,270.00
BRENNTAG	PLANT CHEMICALS	BPI527339	31	8050	4,749.42	4,749.42
CALIFORNIA ELECTRIC	EQUIPMENT MAINTENANCE	MULTIPLE	32	8030	1,180.15	1,180.15
CARQUEST	VEHICLE MAINTENANCE	780539	33	8032	72.25	72.25
CITY OF GROVER BEACH	BILLING SERVICES	FY14/15	34	7081	20,000.00	20,000.00
COAST CART, INC	CAPITAL EQUIPMENT	CHUSHMAN HAULER	35	26-8010	9,197.00	9,197.00
CCWT	LAB SUPPLIES	27699	36	8040	60.00	60.00
CWEA	PERMITS, FEES, LICENSES	MEMBERSHIP RENEWAL, LAB CERT	37	7068	79.00	79.00
EVANTEC	LAB SUPPLIES	150912	38	8040	112.32	112.32
FASTENAL	EQUIPMENT MAINTENANCE	1412951	39	8030	180.24	626.71
	HOUSEHOLD	1412840		8035	6.78	
	TOOLS	1412775		8055	219.85	
	SAFETY SUPPLIES	1412987		8056	103.68	
	STRUCTURE MAINTENANCE REGULAR	1412828, 1412839		8060	116.16	
FERGUSON ENTERPRISES, INC.	EQUIPMENT MAINTENANCE	859772	40	8030	347.02	487.90
	REPLACEMENT IN FUND 26	1997954		26-8065	140.88	
GARING TAYLOR & ASSOC	ENGINEERING	SEWER BRIDGE	41	7077	965.00	965.00
JB DEWAR	FUEL	88642	42	8020	161.35	161.35
MCMMASTER-CARR	EQUIPMENT MAINTENANCE	30844890	43	8030	157.32	157.32
MINERS	HOUSEHOLD		44	8035	68.56	417.52
	EQUIPMENT MAINTENANCE			8030	255.47	
	SAFETY SUPPLIES			8056	93.49	
NESTLE PURE LIFE	HOUSEHOLD	WATER	45	8040	130.76	130.76
OCSD	BILLING	FINAL PAYMENT	46	7074	11,000.00	11,000.00
	UTILITIES-WATER	3/18/15 TO 5/18/15	47	7094	190.64	190.64
OFFICE DEPOT	OFFICE SUPPLY'S	APRIL	48	8045	190.68	190.68
SCHINDLER LAW GROUP	LEGAL OUTSIDE COUNSEL	SDRMA	49	7070	427.47	427.47
SDRMA	INSURANCE/LIABILITY	15/16	50	7043	28,089.81	28,089.81
SHIPSEY & SEITZ	LEGAL COUNSEL	PREP & ATTEND MEETINGS	51	8056	2,160.50	15,869.30
		GENERAL LEGAL SERVICES			7,742.40	
		LITIGATION			5,966.40	
SO CAL GAS	UTILITIES-GAS		52	7092	1,658.74	1,658.74
SOUTH COUNTY SANITARY	GARBAGE		53	7093	104.25	104.25
SPRINT	COMMUNICATIONS	CELL PHONES	54	7013	139.49	139.49
STANLEY SECURITY	ALARMS		55	7011	62.20	62.20
TRIBUNE	ADVERTISING	BUDGET	56	7005	108.48	108.48
USA BLUEBOOK	TOOLS	649925	57	8055	273.23	273.23
VWR	LAB SUPPLIES	MULTIPLE	58	8040	188.93	188.93
SUB TOTAL					\$ 103,659.34	\$ 103,659.34
SO. SLO CO. SANITATION DISTRICT	PAYROLL REIMBURSEMENT	05.29.15	59		26,337.87	26,337.87
	RABOBANK MAY ACTIVITY		60		6,762.42	6,762.42
	PETTY CASH REIMBURSEMENT	05/12/15	61		75.41	75.41
SUB TOTAL						
GRAND TOTAL					\$ 129,997.21	\$ 129,997.21

We hereby certify that the demands numbered serially from 061715-9523 to 061715-9561 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

1600 Aloha Oceano, California 93445-9735
Telephone (805) 489-6666 FAX (805) 489-2765

Date: June 12, 2015

To: SSLOCSD Board of Directors

From: John Clemons, District Superintendent

Via: Rick Sweet, District Manager

Subject: **Superintendent's Report**

Operations

Chart 1 – Plant Data

May 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	2.12	3.45	402	21.0	455	26.8	32	136	95.2
High	2.31	4.00	430	21.3	480	31.2	79	188	
Limit	5.0			40/60/90		40/60/90	2000		80
CY 2014 Monthly									
Average	2.35	3.8	392	26	406	31	87	188	93.4
High	2.70	4.8	444	34	470	39	1600	250	

- * = Plant data through June 12th.

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

Treatment processes continue to operate efficiently. All KPI (key performance indicator) parameters are well within permit limits.

Staff has taken primary clarifier #2 out of operation. This was done to reduce the amount of sludge being fed to Digester #2, which is being operated as a primary digester at this time. This prevents overfeeding to the digester. Overfeeding a digester often results in a

“sour” digester. Current process data suggests that this change has not impacted process performance.

Maintenance

- Disassembled and repaired 8” check valve at sec. system recirc pump.
- Performed hydraulic flush on FFR.
- Pulled and cleaned grinder blades on #2 grinder.
- Inspected and greased bearings on FFR exhaust fans.
- Cleared rags and debris from primary clarifier #1 sludge pump.
- Drained primary clarifier #2.
- Cleared blockage in sludge line going to centrifuge.
- Completed all scheduled work orders.

Call Outs

- No call outs this period.

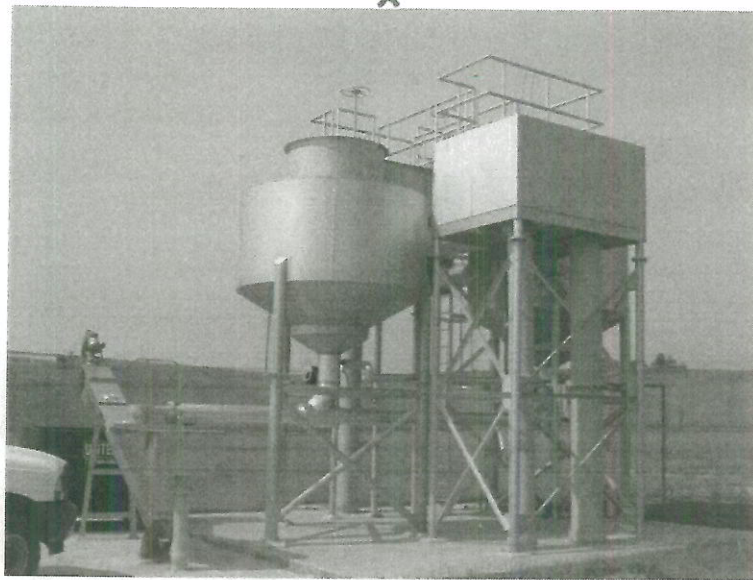
In-Progress

- Garing, Taylor, and Associates is working with staff to review and ensure the integrity of the District’s A.G. sewer bridge. Inspection was performed on April 22nd. Awaiting approval from Fish and Game to perform work.
- Digester #1 cleaning. Draining digester #1.
- Staff has begun work with MKA Engineers to draft an RFP for a new Grit Removal System. (Example system pictured in Attachment “A”.)
- Staff has begun planning for installation of a mechanical bar screen in the headworks. Meeting with MKA to discuss development of an RFP for the project. Example of Duperon FlexRake in (Attachment “B”).
- Staff has begun meeting with InfoTruck(Digital Mentor Inc). to discuss scope of services and Plant specific needs. (Attachment “C”)
- Staff is currently developing SCADA screens and working with AutoSys Inc. and Rockwell Automation representatives to fully implement the SCADA System. (Attachment D)

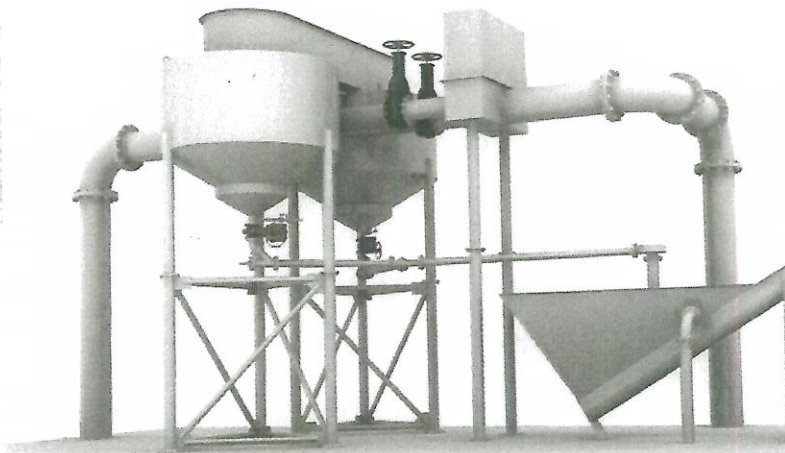
Best regards,

John Clemons
Superintendent

ATTACHMENT A



CLOSE X





Gear Motor
(Energy Efficient)

Front-Clean
Front-Return

Drive Head

Bearing

Patented FlexLink™

Deadplate
Scraper
(flight)

NO CARRYOVER

Debris
Blade

Discharge
Point

Duperon® FlexRake®
(Patented)

Link Slide

Anchorage

Deck

Discharge
Dumpster

Screen

FLOW

NO
LOWER
SPROCKET
BEARINGS
OR
SHAFT

Shown without enclosure

Self-Regulating Compaction Provides a Reliable, No-Hassle Way to Reduce Landfill Costs

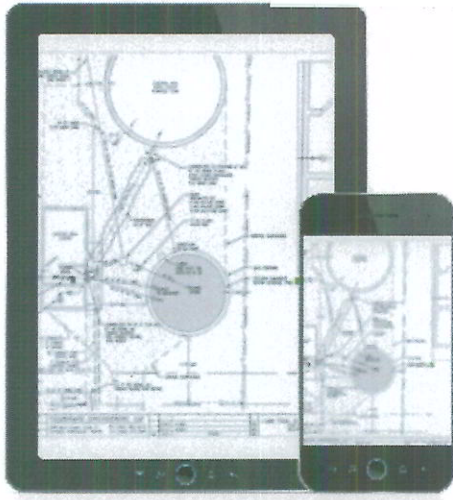
WASHER COMPACTOR

Positive Displacement, Dual-Auger System

Robustly simple, high-efficiency, non-batching process machine that cleans and compacts screenings less than 4 inches. Standard discharge lengths up to 20 feet.

- Consistent Compaction Regardless of Debris Size or Volume
- Positive Displacement—What Goes In, Comes Out
- Up To 84% Volume Reduction, Up To 60% Dry Solids—Reduces Landfill Costs
- Accepts Non-Standard Wastewater Debris (Rocks, Clothing, Concrete, Metal) up to 4 inches (Note: electronic "idle" prevents damage from larger debris)

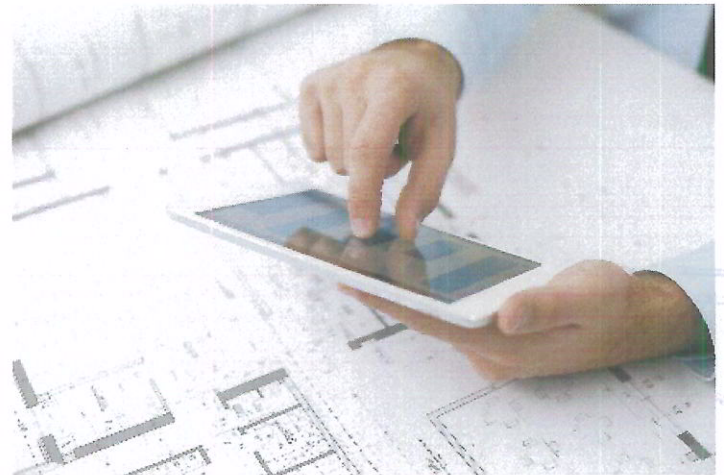




Everything You Need, In One Place

Utility data, including historical as-built plans, operation and maintenance manuals, and lab records, are critical tools for the operation and management of a utility. Retrieval of these records is often reliant on a sole employee's institutional knowledge of the system. No longer.

The DigitalMentor™ tools, along with DigitalMentor™ and support from our experts combine to provide you with an intuitive data system that facilitates intelligent document storage and retrieval.



Designed by Utility

Experts

We are engineers, utility operators, utility managers, and technical experts with 25 years experience each in the water and wastewater business. We know the industry, and its day to day needs.

DigitalMentor™ began as a way to harness the power of digital document storage in these fields. We saw first hand that through better access to information and clearer communication, there were significant reductions in operational costs, more consistent compliance, and the end result was better water and wastewater quality.

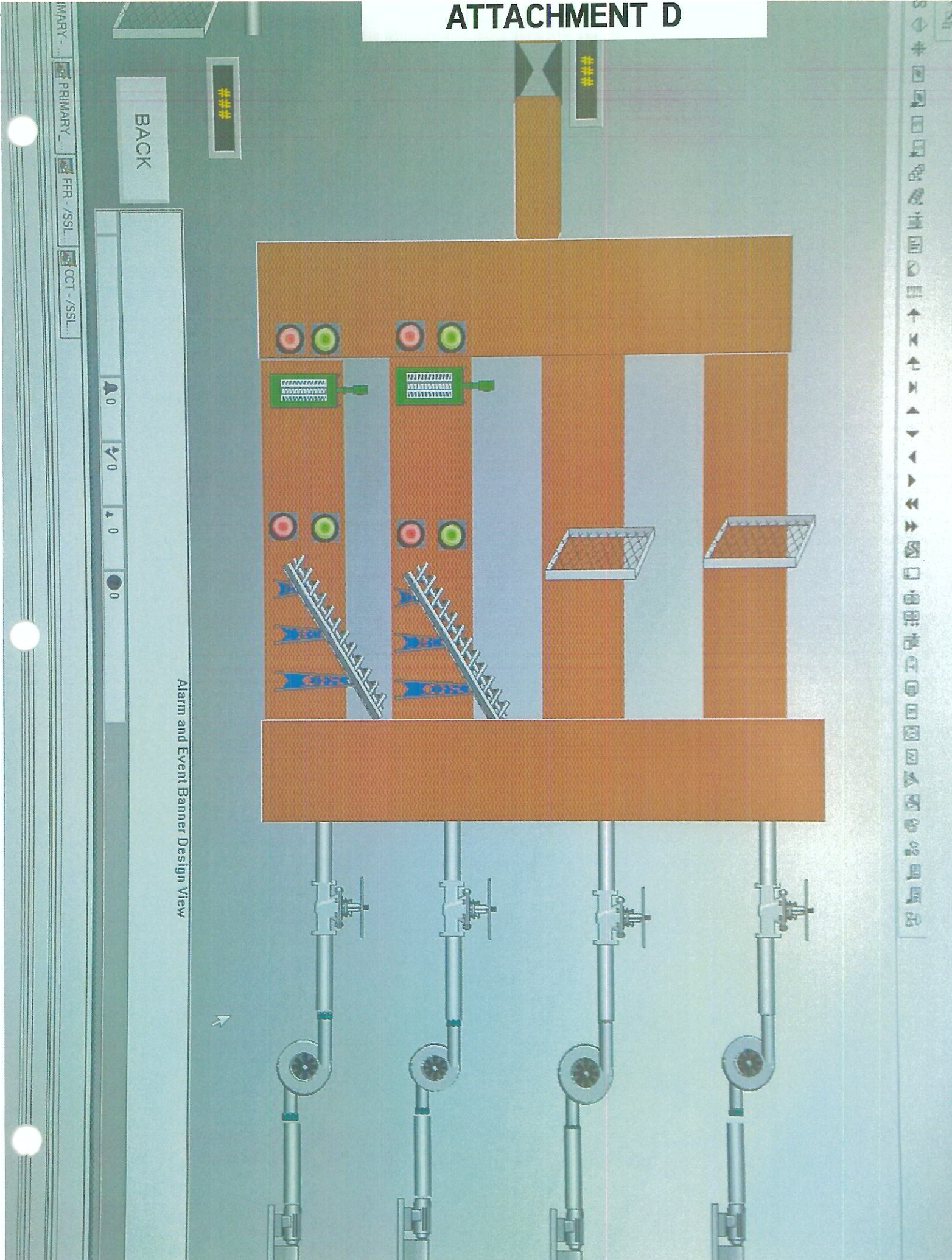


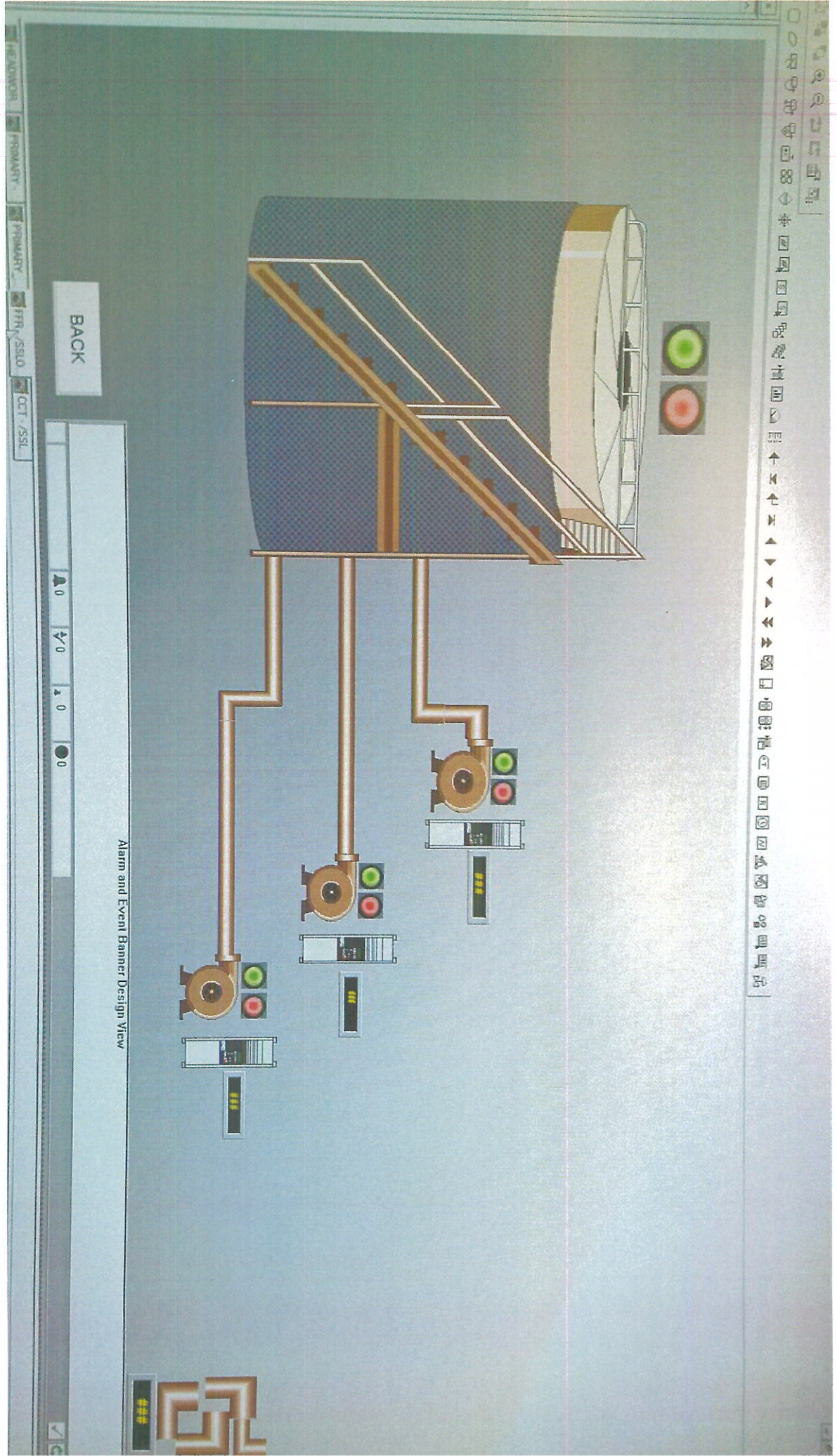
Proven & Cost Effective

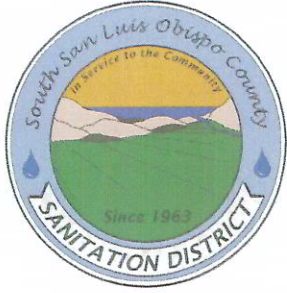
Not having the plans you need can result in time consuming trips back to the office, which are frustrating for employees and can be devastating to budgets. The DigitalMentor™ service helps you create an online library of plans, so employees will have access to all the information they need, wherever they are.

DigitalMentor™ has been implemented with water and sewer utilities and has doubled the operator effectiveness, decreased reliance on consultants, and improved preventative maintenance. Off the shelf equipment and low-cost applications, and a result in cost-effective enhancements at all levels of an

ATTACHMENT D







SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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

www.sslocsd.org

Staff Report

To: Board of Directors
From: Richard Sweet, PE, District Manager

Date: June 17, 2015

Subject: **REVIEW OF PAST MANAGEMENT PRACTICES; APPROVAL OF
WORKPLAN**

RECOMMENDATION:

That the Board review and approve the Work Plan, Attachment "A," for "Review of Past Management Practices" prepared by Knudsen Associates.

BACKGROUND

At the February 18th, 2015 Board meeting the Board approved issuance of a Request for Proposals (RFP) for "Review of Past Management Practices" for the period from 2004 to February 2013.

At the May 6, 2015 Board meeting, the Board heard a report from the Citizens RFP Review Committee (Committee) recommending that Knudsen Associates be awarded the contract to perform "Review of Past Management Practices." The Board affirmed the Committee's recommendation and directed the District Manager to enter into an agreement with Knudsen and Associates.

The RFP defined a two-phase process. The first phase requires the development of a work plan that defines the procedures that will be pursued to attain the goals of the proposal. The second phase requires a written report that will detail the results developed out of the implementation of the process defined within the work plan.

DISCUSSION:

To satisfy the requirements of the contract for Review of Past Management Practices, Knudsen Associates has submitted the Work Plan, Attachment "A," for the Board's consideration. The work plan is a more detailed presentation to that cited in Knudsen Associates proposal. The work plan is divided into three phases.

Work Plan Phase 1

Review of district documents, audit reports, accounting records, prior investigative reports and internal controls.

Work Plan Phase 2

Interview with prior administrator and employees, evaluation of contracting process and plant operation.

Work Plan Phase 3

The preparation of written conclusions and findings. The presentation of the written report for review and acceptance by the Board.

Options

1. Refer this matter to the Citizens RFP Review Committee for their review and recommendation. This will delay the project at least two weeks.

Richard G. Sweet, PE
District Manager

Attachments: Attachment "A" Work plan

KNUDSON & ASSOCIATES

WORK PLAN

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Review of Management Practices

Richard Sweet, PE, District Manager

South San Luis Obispo County Sanitation District

1600 Aloha Place

Oceano, CA 93475

JUNE 9, 2015

IMPORTANT CONFIDENTIALITY NOTICE

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The information contained in this document represents the views and opinions of Knudson & Associates on the issues discussed, as of the date of publication. We cannot and do not warrant or predict results of final developments.

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1. Based upon the information provided in the RFP and based upon our background research, we have designed a work plan that will cover the areas set forth in the RFP. Further, we will work with Amy Simpson, Rick Sweet and John Clemons at the district office in order to; access the accounting records, access the historical business records retained at the district office and access the audit reports stored at the district office. We expect that once we begin our work, we will identify additional areas to review that were not obvious during the RFP process. This is not an uncommon occurrence because of the nature of complex financial organizations with a history of dating back to 2004.
2. Our work plan is divided into three phases; the First Phase will be a fact finding process to evaluate the extensive business and accounting records of the district for the period 2004 to February 2013.

PHASE ONE

3. We understand that there are 56 boxes of records received from Mr. Wallace soon after his departure in 2013. We will review those 56 boxes of records at the District office for content and completeness, and we will isolate certain files for further review. The review of the records covering the period 2004 to 2013 will be time consuming, but a necessary step in order to identify potential problems in the record keeping process. The most obvious documents that we will seek will be contracts between the District and their major service providers and the major vendors providing goods or services to the District.

- a. We will obtain and analyze the prior audited financial statements for the period 2004 to 2013. We will develop a tracking program to isolate anomalies and trends in the previous auditor's financial statements, which will form the basis for further inquiries into payouts to identified vendors/recipients of District funds and supported by the documents contained in the 57 boxes of records provided by Mr. Wallace.

- b. Working with Amy Simpson we will review the electronic QuickBooks accounting records and perform certain analysis to identify anomalies and areas of concern. This could be a time-consuming process because of the volume of records and the fact that our work will cover nine years of records (2004 to 2013). We have been advised that the accounting records for the period 2004 to 2008 were not in electronic form, but in the form of handwritten ledgers, which will require us to manually review each year and isolate certain line items for inclusion into the overall evaluation of the accounting system covering the 2004 to 2013 period.

c. We understand that Amy Simpson started her work at the district in 2014 and is the person most knowledgeable about the QuickBooks accounting system.

d. There may be additional records that we will want to analyze but are not yet known to us at this time, but will become apparent during our review of the known records available at the District. We might ask the District to request records from parties who might have possession of District records covering the period 2004 to 2013, which have not been turned over to the District.

e. We will review prior minutes of the Board which relate to contracts or invoices that have been considered for approval and identified by our review for further investigation. We will review prior investigative reports and work performed by the District Attorney's Office related to the Wallace Group.

f. We will review any other investigative work performed by prior District Board Members or local city activists that might be available.

4. In summary, our goals in Phase One will be to examine the internal "Controls" used by Mr. Wallace to insure that all expenses were properly recorded and that materials purchased were actually received by the district. We will examine the "Approval" process for payments and contracts to determine whether district guidelines were followed with respect to bidding on projects and/or the approval of expenditures.

5. We will look for "Weaknesses" in the bookkeeping/accounting system related to expenditures, record keeping and expenses paid by the district. We will do some "Testing" of expenditure items that are high in dollar value. We will review the previous practice of using capital expenditure funds (LAIF) for general operating expenses. And finally, we will look for conflicts of interest between vendors and district officials and whether personal benefits were received by Mr. Wallace or his employees.

PHASE TWO

6. The Second Phase of the project will include investigating the areas identified in Phase One, and will include the interview of current/former employees of the district, and board members, current and former.

a. We will locate and interview past employees and coordinate our interviews with their schedules. In particular, we will attempt to interview past District employees, the past District manager, and the personnel that worked for the Wallace Group on District matters.

b. We will talk with prior accountants/bookkeepers who were involved in the processing of invoices and the record keeping process at the District during the period 2004 to 2013

c. We will work with the District to obtain the names and contact information for the prior employees of the District. Our strategy will be to contact all out of area interviews by telephone to determine availability for an interview. If out of area interviews are required, we will consult with the District on how best to achieve that goal without incurring significant travel expenses.

d. Knudson & Associates has the ability to track down out of area people through commercial data base searches.

7. In Phase Two we will also focus our efforts on the "Operation" review of the District and attempt to validate a sampling of contracts and any related supporting documents that will document past practices associated with the awarding of contracts and whether the contracted services were performed and were consistent with the operations of SSLOCSD. We will consult with district officials including Mr. John Clemons, District Supervisor for the SSLOCSD.

8. There have been several allegations regarding the conduct of Mr. Wallace during his tenure as director of the SSLOCSD. We will review all of the allegations and attempt to contact the relevant parties. Our review of the "Wallace" documents that he turned over to the district upon his retirement will be designed to identify any malfeasance by Mr. Wallace or his employee's.

PHASE THREE

9. Finally, at the end of our work, we will prepare a report with related exhibits of our investigative findings and meet with District Management and Board Members of the SSLOCSD in order to present our findings.

a. The format of our final report will be similar to our proposal to the SSLOCSD with particular detail regarding our work in Phases One and Two; and any relevant exhibits obtained during our work.

Sincerely,

Carl R. Knudson
Knudson & Associates



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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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: June 17, 2015

Subject: **DEBIT CARD POLICY; PROHIBITION OF CASH WITHDRAWALS**

RECOMMENDATION

That the Board reviews, recommends any modifications and adopts the attached proposed District Debit Card Policy.

BACKGROUND

The auditors from Moss, Levy and Hartzheim presented their annual financial audit of the District at the May 20, 2015 Board meeting. One of the items noted was the use of the District debit card for ATM cash withdrawals that occurred in 2013. In the Fall of 2013, the auditors suggested the District establish a credit card program, instead of using the District debit card for certain purchases for which the normal purchasing procedures either cannot be applied (e.g. Internet purchases) or when it is not practical to do so (e.g., employee travel on District business).

In October 2013 the Board of Directors approved a resolution authorizing the District Administrator to enter into an agreement with a vendor for a credit card program. It appears that initial efforts were made to acquire District credit cards but the effort did not result in credit cards being issued.

DISCUSSION

The District is presently processing documents to secure District credit cards; however, until such time as the District Credit Card Program is in place, there is a need to adopt a policy with regard to the use of the District debit card. The proposed policy defines appropriate uses and restrictions and, more specifically, prohibits cash withdrawals.

Options

1. Decline to adopt the Debit Card Policy.
2. Direct substantial changes to the draft Debit Card Policy and direct that the Board consider a revised policy at a future date.

Richard G. Sweet, PE
District Manager

Attachment: South San Luis Obispo County Sanitation District Debit Card Policy (draft)

- 1.0 Purpose:** To establish guidelines and procedures for the use of South San Luis Obispo County Sanitation District (District) debit cards.
- 2.0 Policy:** Debit cards shall only be used to make District purchases or pay for services when a vendor will not accept the normal procedures or when the employee is in a position where he/she cannot access the normal purchasing procedures.
- 3.0 Procedures:**
 - 3.1** Use of the District debit card shall be by written authorization of the District Administrator, via a documented process.
 - 3.2** The District debit card will be issued for a limited duration of time, on a case-by-case basis, and must be promptly returned (checked back in) with appropriate receipts for purchases.
 - 3.3** Use of the District debit card shall be strictly for District business, following normal purchasing procedures pursuant to the District Purchasing Policy and Procedures and any other District policy with regard to purchasing, including but not limited to, Personnel Policy Manual Section 6000 – Business Travel & Reimbursement.
 - 3.4** The District debit card shall not be used at any ATM to make cash withdrawals. Nor shall the District debit card be used with a purchase to obtain cash back.
 - 3.5** The District debit card shall not be used for personal use at any time.
 - 3.6** Employees shall have no expectation of privacy when using the District debit card.
 - 3.7** Misuse or mismanagement of the District debit card is a violation of this policy, as well as a violation of any other District purchase policy and subject to discipline, up to and including termination of employment.
 - 3.8** Lost/Stolen cards shall be reported immediately to the District Administrator, or in his/her absence to the Plant Superintendent. The District Administrator or his/her designee shall contact the appropriate debit card carrier to report the card lost/stolen and freeze future purchases.
- 4.0 Violations of Policy:** Within the discretion of the District and other lawful authorities, an employee's violation of this policy, shall subject an employee to personnel/disciplinary action up to and including termination; and also to criminal, civil or administrative liability. Each employee using a District debit card shall be accountable per this policy for any violation of same that said employee knew or reasonably should have known would arise from a particular action, omission or purchase.



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339 Oceano, California 93475-0339
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Telephone (805) 489-6666 FAX (805) 489-2765
www.sslocsd.org

Staff Report

To: Board of Directors
From: Richard Sweet, PE, District Manager

Date: June 17, 2015

Subject: **REQUEST TO ISSUE REQUEST FOR PROPOSALS (RFP) FOR
DISTRICT COUNSEL**

RECOMMENDATION:

That the Board review and approve for issuance a request for proposals (RFP) for District Counsel, Attachment "A."

BACKGROUND:

Long time District Counsel, Mike Seitz, with the firm of Shipsey and Seitz resigned as District Counsel effective June 3, 2015. At the June 3rd Board meeting the Board engaged the services of Brownstein Hyatt Farber Shreck to perform the services of interim District Counsel. In addition, the Board directed that RFPs be prepared to engage permanent Counsel.

DISCUSSION:

Attachment "A" comprises the proposed RFP to seek District Legal Counsel. The Scope of Work defines a wide range of tasks to be performed by District Legal Counsel including, advising the Board on legal issues related to water, wastewater, labor, litigation, the Brown Act, parliamentary procedures, ordinances, resolutions, emerging legislation, contracts, and agreements. It requests attendance at Board meetings and response to Board and staff inquiries.

The timeline specifies the release of the RFP on June 19, 2015, receipt of proposals on July 17, 2015 and award of contract on August 19, 2015.

Options

1. Request substantial changes to the RFP and delay issuance of the RFP until the Board can reconsider this item at their July 1, 2015 meeting. The timeline would need to be adjusted to accommodate this.

2. Direct that the RFP not be issued and that Interim District Counsel be retained as Permanent Legal Counsel.

Richard G. Sweet, PE
District Manager

Attachments: Attachment "A" Proposed RFP for District Legal Counsel

South San Luis Obispo County Sanitation District

Request for Proposals
for
Professional Services for District Legal Counsel

June 2015

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
REQUEST FOR PROPOSALS
FOR
DISTRICT LEGAL COUNSEL**

I. INTENT

The South San Luis Obispo County Sanitation District (SSLOCSD) is seeking to contract with an experienced municipal law attorney or law firm to serve as its general legal counsel. SSLOCSD invites interested individuals or firms with a minimum of 5 years of public law experience representing wastewater services districts, water agencies, special districts, cities, or other local governments to submit a written proposal to provide general legal services.

II. DISTRICT SERVICES

The SSLOCSD provides wastewater collection, treatment and disposal services to the three member agencies including the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District. In addition to collection and treatment services, the District also provides additional services including an Industrial/Commercial Pretreatment Program and a Fats, Oils and Grease (FOG).

The District is governed by a three-member body known as the District Board; which includes one representative from each of its member agencies, specifically, the City of Arroyo Grande, the City of Grover Beach and the Oceano Community Services District.

Further information about the SSLOCSD is available on the district website (<http://sslocsd.org>)

III. SCOPE OF WORK

Although the following list is not intended to be exclusive, district legal counsel is expected to provide the services listed below:

- Advise the Board of Directors, District Administrator and staff on issues related to wastewater and water law, contracts related to providing services, and labor law.
- Advise the Board of Directors, District Administrator, and staff on commencement or defense of litigation; and litigate such issues as directed.
- Advise SSLOCSD's Board of Directors, District Administrator and staff on the Brown Act, parliamentary procedures for running meetings, and public official conflict requirements.
- Provide legal advice to the District Administrator and District staff including alerts on any changes of law that will impact the SSLOCSD.
- Prepare and/or review all ordinances, resolutions, contracts, joint powers agreements and other agreements entered into by the District.
- Research and submit legal opinions on various topics as requested by the Board of Directors and/or the District Administrator.
- Recommend for approval Special Counsel from time to time, on matters customarily warranting such need by reason of special expertise.
- Enforce District ordinances and regulations through administrative and judicial actions as requested by the Board and/or the District Administrator.
- Attend Board meetings as requested, including review of draft Agenda items.
- Return all phone calls and emails from the Board of Directors and any staff members within a reasonable amount of time.

IV. REQUESTS FOR PROPOSALS

A. Proposal Timeline

- | | |
|--|---------------------------|
| • Notice of proposed RFP posted | June 13, 2015 |
| • Release RFP | June 19, 2015 |
| • Deadline to pose all inquiries | June 30, 2015 |
| • Proposals due | July 17, 2015 |
| • Review panel will evaluate proposals | Week of
July 20, 2015 |
| • Notify top candidates and conduct interviews | Week of
August 3, 2015 |

- Negotiate contract August 6, 2015 – August 12, 2015
- Award of contract by Board August 19, 2015

B. Inquiries

All inquiries by interested attorneys concerning this Request for Proposal must be directed in writing to SSLOCSD's District Administrator, Rick Sweet, PE, at the District offices c/o Amy Simpson (amy@sslocsd.us) located at 1600 Aloha Place/P. O. Box 339, Oceano, CA 93475. **All inquiries must be physically received no later than noon on Friday, July 17, 2015. Responses to all inquiries will be posted on the District website on July 7, 2015.**

C. Proposal Submission

Interested attorneys and/or firms should submit one (1) signed original and five (5) copies of their proposals with all attachments. Additionally, attorneys or firms shall provide the District with an electronic copy sent to Mr. Rick Sweet, PE c/o Amy Simpson at (amy@sslocsd.us). Please mark the original as the "Master Copy." The Master Copy will be used to resolve any discrepancies between the copies. All proposals will be retained by SSLOCSD upon submission.

Proposals must be physically received by SSLOCSD no later than noon on Friday, July 17, 2015. Any proposal submitted after this time will not be considered. Proposals must be received timely by SSLOCSD offices and addressed as follows:

Mr. Rick Sweet, PE
South San Luis Obispo County Sanitation District
1600 Aloha Place/P. O. Box 339
Oceano, CA 93475

D. Proposal Format and Content

Each proposal shall include as a minimum, the following information in this format:

- 1) Cover letter that includes
 - i. Signature of the individual who is authorized to contractually bind the firm
 - ii. Name, title, address, telephone number and email address of the individual to whom correspondence

- and other contacts should be directed during the selection process
 - iii. An explanation of the firm's understanding of the desired work
 - iv. A brief narrative of the firm's background and history
- 2) A description of qualifications that includes:
- i. Legal name of the firm
 - ii. Attorney and/or firm résumé
 - iii. Firm's experience in providing legal services to wastewater services districts or other entities managed by boards of directors
 - iv. Any additional information that SSLOCSD would need to know in terms of assessing the firm's qualifications and experience
 - v. Contact information of three references from other government agencies or customers for whom the firm has performed similar services in the past 5 years
- 3) Cost proposal
- Submit a cost proposal that includes a schedule of all hourly rates for all classifications of positions necessary to carry out legal services for SSLOCSD (this would include hourly rates for partners, associates, paralegals, etc.) and attendance at Board of Director meetings.

V. SELECTION PROCESS

A. Evaluation of Proposals

Proposals will be evaluated based on the following:

- 1) Relative experience of the firm in providing legal services for wastewater services districts or other public entities, and in providing services similar to those listed in Section III
- 2) Thoroughness of proposal
- 3) Ability of firm to meet the needs of SSLOCSD
- 4) Costs of services

The top attorneys and/or firms will be contacted and interviewed by a panel no later than **August 7, 2015**. Additional information may be requested from top ranking firms and SSLOCSD reserves the right to select a firm that will best serve the District's needs as determined by the Board of Directors and SSLOCSD staff.

B. Selected General Terms of the Agreement

If a contract cannot be negotiated with a selected attorney or firm for any reason, SSLOCSD reserves the right to select another attorney or firm. In submitting a proposal, the firm is representing that it possesses the licenses and qualifications to practice law in the state of California.

The prices offered by the attorney and/or firms is considered to be a **firm offer** for the scope of services described in Section III and may not be altered after receipt by SSLOCSD (this does not foreclose the potential to renegotiate fees and costs at a later date once the attorney/firm is retained).

Any firm selected will be considered an independent contractor. Under no circumstances will the firm or any of its employees become agents of the SSLOCSD.

If selected, the attorney/firm would be required to produce evidence of adequate malpractice insurance. The firm would be required to maintain such insurance throughout its relationship with the SSLOCSD.

Even if selected, the SSLOCSD would reserve the right to terminate any agreement reached with the selected firm at any time and in any appropriate manner.



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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www.sslocsd.org

Staff Report

To: Board of Directors
From: Richard Sweet, PE, District Manager
Date: June 17, 2015

Subject: **APPROVAL OF 2014 AUDIT**

RECOMMENDATION:

That the Board approval the 2014 Audit.

BACKGROUND

At the meeting of July 16, 2014, the Board approved retaining Moss, Levy & Hartzheim, LLP to perform the annual audit for the District. The auditors reviewed District financial statements and records and met with District staff to develop the Audit Report. At the May 20, 2015 Board meeting the Board took public input and provided direction on changes to the audit. The Board directed that accounting and legal be separated in the audit report.

The District improved its fiscal standing during 2014 fiscal year (FY). The change in net assets for FY 2013 was a negative (\$2,191,626) while in FY 2014 the change in net assets was a negative (\$460,183). Cash and cash equivalent assets increased in value from the 2013 FY by \$675,045. The improved cash assets are being secured to pay for ongoing capital improvement projects to update and replace existing equipment and improve plant operations. The decline in net assets reflects depreciation of District facilities.

DISCUSSION:

The District has received the final 2014 Audit including the Schedule of Findings and Responses letter, attached. The District's has agreed with all of the findings and has

defined corrective responses. The District staff take these findings seriously and are creating policies and practices to implement the corrective responses.

Richard G. Sweet, PE
District Manager

Attachment: Schedule of Findings and Responses



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
South San Luis Obispo County Sanitation District
Oceano, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South San Luis Obispo County Sanitation District (the District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2014-1 through 2014-3, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

MEMBER AMERICAN INSTITUTE OF CPAs · CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS · CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

South San Luis Obispo County Sanitation District's Response to Findings

South San Luis Obispo County Sanitation District's response to the findings identified in our audit is describe in the accompanying Schedule of Findings and Responses. South San Luis Obispo County Sanitation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hargheim LLP

Santa Maria, CA
May 14, 2015

FINDING 2014-1
PAYROLL

Criteria:

All employees should be paid according to the hours approved on the time card.

Condition:

During our testing of payroll transactions, it was noted that in 2 out of 25 transactions, the employee was underpaid according to the timecard.

Cause:

District oversight.

Effect:

Two employees were underpaid.

Recommendation:

The District should review and recalculate timecards according to the District's internal control policy.

District's Response:

The District agrees with your recommendation and has implemented the recommended changes. The District bookkeeper now uses a spreadsheet to enter the employee timecards and once completed, the spreadsheet is given to the Superintendent to review before payroll is reported.

FINDING 2014-2
DEBIT CARD

Criteria:

Debit Card withdrawals have a high risk of misappropriations of assets.

Condition:

During our examination of debit card transactions, it was noted that \$2,740 was withdrawn from the ATM and used for conference fees and expenses.

Cause:

District oversight.

Effect:

Potential misappropriation of funds due to the high fraud risk of debit cards.

Recommendation:

The District should replace the debit card with a District credit card in order to decrease the risk of misappropriation of assets.

District's Response:

The District agrees with your recommendation and is researching two different credit card options; one through CSDA and the other from Rabobank.

South San Luis Obispo County Sanitation District
Schedule of Findings and Responses
June 30, 2014

FINDING 2014-3
DEBIT CARD

Criteria:

All debit card transactions should have supporting documentation.

Condition:

During our examination of debit card purchases, it was noted that 2 receipts were not found.

Cause:

District oversight.

Effect:

A lack of internal control procedures could cause a material misstatement in the financial statements or possible misappropriation of assets.

Recommendation:

The District should enforce a policy that requires all transactions not through the standard check system to have proper documentation.

District's Response:

The District has corrected this issue, the bookkeeper does not allow any transactions to occur without proper documentation.

**SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT**

FINANCIAL STATEMENTS
June 30, 2014

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
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MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South San Luis Obispo County Sanitation District
Oceano, California

Report on the Financial Statements

We have audited the accompanying financial statements of the South San Luis Obispo County Sanitation District (District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South San Luis Obispo County Sanitation District, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 2 to the basic financial statements effective July 1, 2013, the South San Luis Obispo County Sanitation District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, of the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015, on our consideration of the South San Luis Obispo County Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hargreaves LLP

Santa Maria, CA
May 14, 2015

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
POST OFFICE BOX 339
1600 ALOHA PLACE
OCEANO, CA 93475

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014

The following is a discussion of the consolidated financial condition and the results of operations of the South San Luis Obispo County Sanitation District (the District) for the year ending June 30, 2014. This discussion refers to and is qualified by information contained in the financial statements and in the notes to the financial statements. Thus, it should be read together with these statements in the Audit Report. The financial audit of the South San Luis Obispo County Sanitation District has been performed by Moss, Levy & Hartzheim, CPAs, in accordance with U.S. generally accepted auditing standards.

Overall Performance

South San Luis Obispo County Sanitation District realized an overall increase in cash and cash equivalents of \$ 675,045. However, the District realized a decrease in Net Assets of \$460,183 from the previous fiscal year. This decrease is the result of a Net Operating Loss of \$621,441 for FYE 2014. The District realized a Net Operating Loss of \$1,322,049 for FYE 2013 meaning that the District lost \$700,608 less in FYE 2014 than in the previous fiscal year. Net operating loss in FYE 2014 is due primarily to Depreciation which was \$1,351,494.

Total District Operating Revenues showed an increase of \$74,052 (1.98%).

Total District Operating Expenses showed a decrease of \$626,556 (14.2%) from the previous year. With the exclusion of Depreciation expense, however, operating expenses were \$661,686 less than the prior year (\$2,415,261 for FYE 2014 compared to \$3,076,947 for FYE 2013) which is a decrease of 22%.

Several expense categories showed significant reduction: Employee Benefits \$37,171 (12.3%), Retirement Contribution \$13,006 (17.14%) OPEB Expense \$19,801 (14.19%), Repairs and Maintenance \$39,775 (14.34%), Equipment Rental \$2,416 (45.49%), Special Services \$83,333 (33.80%), Fuel and Oil \$1,449 (14.29%), Membership, Permit, and License Fees \$27,624 (30.17%), Legal and Accounting \$207,458 (44.88%), Plant Chemicals, Lab and Analysis \$129,433 (35.96%), Environmental Regulation Fees \$118,985 (83.08%), Solids Handling \$29,472 (42.93%), Small Tools \$3,139 (14.4%).

The decrease in Employee Benefits expenses was due to a decrease in Workers Comp expenses.

Retirement Contribution expenses decreased due to one Classic CalPers member being on Disability Leave and one employee leaving half way through the year.

OPEB Expense is a liability calculated by the District's Actuary.

Special Services expense decrease was due to a drastic drop in the cost of the District Administrator and Engineering savings.

Memberships, Fees, and Licenses expense decreased due to a reduction in Source Control Program costs and Air/Water Board permit prep costs.

Legal and Accounting is due to a decrease in Outside Legal Counsel costs.

Plant Chemicals, Lab and Analysis decrease is due to reduction in use of plant chemicals and as a result of performing in-house lab analysis that were previously contracted out.

Environmental Regulations Fees is primarily due to the cost of the NOV response, and due to prep for the WDR and SSMP being performed by District staff.

Solids Handling reduction was a result in changing contractors and negotiating a new contract.

Three expense categories showed significant increases: Payroll Tax and Benefits \$7,603 (16.03%), Communications \$1,651 (17.04%), Property Taxes \$26,126 (65.84%).

Zone 1 1/A, Property Tax is approximately \$26,000 per year. This apparent difference is due to the timing of property tax payment. There really is no significant difference.

Business-Type Activities

Wastewater Treatment is the primary business-type activity of the South San Luis Obispo County Sanitation District. The Operating Fund provides for revenues and expenses and is a self-supporting fund.

Comparative Revenue from Sewer Service Fees Fiscal Years Ending 2013 & 2014

	FYE 2013	FYE 2014
Sewer Service Fees	\$3,071,262	\$3,145,314

Net increase of \$74,052 for FYE 2014

Capital Improvement Activities

The District continues to improve plant performance and capacity through planning and completion of a number of capital improvements. Some of the capital purchases and projects completed during the fiscal year ended 2014 include:

- IT System Upgrade
- SSMP Update & Biannual Audit
- Replace all Influent Pump VFD's
- Purchase Ford F150 to replace Ranger
- Installed Dual Gas Boiler
- O&M Manual Update
- Installed Secondary System Recirculation Pump and Pipes
- Replaced FFR Pumps 1&2
- Installed Centrifuge Centrate Piping to Sludge beds
- Replaced Influent Pump #2
- Replace Influent pump check valves
- Installed sludge conveyor at centrifuge

As capital improvement is always an on-going effort at the District, many projects were added to the District's construction-in-progress listing. On-going projects at the District include:

- Influent Grinder Service
- Long-range Plant Expansion
- Grit Removal System
- Mechanical Bar Screen
- CIPP Lining
- Refurbishment of AG Creek Sewer Bridge
- SCADA System Upgrade
- Sludge Bed VFD's
- Digester Cleaning
- Primary Clarifier No. 1 Catwalk
- Secondary Clarifier Inspection /Refurbishment
- O&M Manual & Training
- Chemical Metering Pumps
- Trunk Line Inspection
- Install Catwalk at CCT

Capital Improvements are funded by three different funds according to the project's intent and benefit:

The Operating Fund primarily provides for the purchase of equipment and plant improvements which will benefit the overall plant performance.

The Expansion Fund primarily provides for those projects which will ultimately increase plant capacity. This fund's primary revenue source is through new, user-connection fees.

The Replacement Fund primarily provides for the replacement of existing plant equipment and processes. This fund receives its revenue through transfers from the Operating Fund.

Summary

The District has improved its fiscal standing during this fiscal period. The change in net assets for FYE 2014 was a negative (\$460,183) as compared to a negative (\$2,191,626) in FYE 2013. That is a 79% improvement in net assets change. The District did realize a total cash increase of \$675,045 in its cash and cash equivalents when compared to FYE 2013. There was a decrease in the District's cash and cash equivalents in FYE 2013 of \$57,950 and FYE 2012 of \$381,173. This demonstrates a current trend of positive gains in District cash and cash equivalents. The District continues to improve its cash balance standing to prepare for upcoming Capital Improvement Projects. The cash balance at FYE 2014 is \$4,586,534. One should bear in mind however, that this District did experience a net operating loss of \$621,441 for FYE 2014 when also considering depreciation losses. While cash balance has improved significantly, the District's net asset have decreased.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2014

ASSETS

Current Assets:

Cash and investments	\$ 4,586,534
Accounts receivable	402,727
Prepaid expenses	<u>37,163</u>

Total current assets	<u>5,026,424</u>
----------------------	------------------

Noncurrent Assets:

Deposits	7,295
Capital Assets	
Land	431,425
Construction in progress	541,691
Property, plant & equipment	26,668,462
Accumulated depreciation	<u>(17,465,192)</u>

Total noncurrent assets	<u>10,183,681</u>
-------------------------	-------------------

Total assets	<u>15,210,105</u>
--------------	-------------------

LIABILITIES

Current Liabilities:

Accounts payable	75,429
Accrued liabilities	24,219
Accrued interest payable	5,212
Settlement payable	1,109,813
Loan payable, current portion	<u>61,591</u>

Total current liabilities	<u>1,276,264</u>
---------------------------	------------------

Long-Term Liabilities:

Loan payable, less current portion	205,137
Compensated absences	49,247
Other post employment benefits	<u>611,233</u>

Total long term liabilities	<u>865,617</u>
-----------------------------	----------------

Total liabilities	<u>2,141,881</u>
-------------------	------------------

NET POSITION

Net investment in capital assets	9,909,658
Restricted for capital expansion	3,966,816
Unrestricted	<u>(808,250)</u>

Total net position	<u>\$ 13,068,224</u>
--------------------	----------------------

The notes to basic financial statements are an integral part of this statement.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

Operating Revenues:

Sewer services fees	\$ 3,145,314
---------------------	--------------

Total operating revenues	<u>3,145,314</u>
--------------------------	------------------

Operating Expenses:

Gross wages	591,188
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Payroll taxes and benefits	47,419
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Employee benefits	263,668
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Retirement contribution	62,894
-------------------------	--------

OPEB expense	119,785
--------------	---------

Uniforms	12,517
----------	--------

Repairs and maintenance	237,509
-------------------------	---------

Equipment rental	2,895
------------------	-------

Insurance	27,727
-----------	--------

Depreciation	1,351,494
--------------	-----------

Communications	9,689
----------------	-------

Utilities	180,645
-----------	---------

Property tax	39,684
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Special services	163,198
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Office and supplies	16,493
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Fuel and oil	8,683
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Membership, permits and license fees	63,927
--------------------------------------	--------

Legal	246,684
-------	---------

Accounting	8,092
------------	-------

Plant chemicals, lab, and analysis	230,473
------------------------------------	---------

Environmental regulation fees	24,241
-------------------------------	--------

Solids handling	39,186
-----------------	--------

Small tools	<u>18,664</u>
-------------	---------------

Total operating expenses	<u>3,766,755</u>
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Net operating loss	<u>(621,441)</u>
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Non-Operating Revenues (Expenses):

From other governmental agencies	25,666
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Interest income	3,158
-----------------	-------

Lease income	24,547
--------------	--------

Interest expense	<u>(15,173)</u>
------------------	-----------------

Total non-operating revenues (expenses)	<u>38,198</u>
---	---------------

Capital Contributions:

Connection fees	<u>123,060</u>
-----------------	----------------

Change in net assets	<u>(460,183)</u>
----------------------	------------------

Net Position:

Net position, beginning of fiscal year	14,828,408
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Prior period adjustment	<u>(1,300,001)</u>
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Net position, beginning of fiscal year- restated	<u>13,528,407</u>
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Net position, end of fiscal year	<u><u>\$ 13,068,224</u></u>
----------------------------------	-----------------------------

The notes to basic financial statements are an integral part of this statement.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 3,139,871
Payments to vendors	(1,879,072)
Payments to employees	<u>(462,551)</u>
Net cash provided by operating activities	<u>798,248</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from other governmental agencies	25,666
Lease income	<u>24,547</u>
Net cash provided by noncapital financing activities	<u>50,213</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital contributions	123,060
Acquisition and construction of capital assets	(226,613)
Payments of capital debt	(58,481)
Interest paid on capital debt	<u>(16,316)</u>
Net cash used by capital and related financing activities	<u>(178,350)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>4,934</u>
Net cash provided by investing activities	<u>4,934</u>

Net change in cash and cash equivalents	675,045
Cash and cash equivalents, July 1, 2013	<u>3,911,489</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 4,586,534</u>

The notes to basic financial statements are an integral part of this statement.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (Continued)
For the Fiscal Year Ended June 30, 2014

Reconciliation of operating loss to net cash provided

by operating activities:

Operating loss \$ (621,441)

Adjustments to reconcile operating loss to net

cash used by operating activities:

Depreciation 1,351,494

Change in net assets and liabilities:

Accounts receivable 3,062

Prepaid expenses (4,942)

Deposits (3,563)

Accounts payable (54,999)

Accrued liabilities 601

Compensated absences 8,251

OPEB liability 119,785

Net cash provided by operating activities \$ 798,248

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - REPORTING ENTITY

The reporting entity is the South San Luis Obispo County Sanitation District. The District is responsible for trunk main and sewer pipes from the Cities of Arroyo Grande, Grover Beach, and the Oceano Community Services District. The District is governed by a three-member body, known as the District Board, who are appointed by the respective member agencies on a yearly basis. The District Board includes one representative from each of its Member Agencies, specifically, the City of Arroyo Grande, City of Grover Beach and the Oceano Community Services District. The District provides wastewater disposal services.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Policies - The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

- B. Accounting Method - The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.

- C. Fund Financial Statements - The fund financial statements provide information about the District's proprietary fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Proprietary Fund Type

Enterprise Fund

Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- D. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.
- E. Property, Plant, and Equipment - Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation - Capital assets owned by the District are depreciated over their estimated useful lives (ranging from 5-40 years) under the straight-line method of depreciation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Receivables - The District did not experience bad debt losses; accordingly, no adjustment has been made for doubtful accounts, and accounts receivable is shown at the adjusted value.
- H. Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- I. Compensated Absences - Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. The amounts are included in current liabilities.
- J. Restricted Assets - Restricted assets are financial resources segregated for a special purpose such as construction of improvements and financing of debt obligations. These assets are for the benefit of a distinct group and as such are legally or contractually restricted.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

L. Net Position

GASB Statement No. 63, requires that the difference between assets added to the deferred outflows of resources and liabilities be added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

M. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the GASB Statement No. 65 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 66 (Continued)

Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2014 the District had the following cash and investments on hand:

Cash on hand	\$	140
Cash in Bank		90,199
Cash and investments with County Treasurer		2,091,245
Local Agency Investment Fund (LAIF)		<u>2,404,950</u>
Total cash and investment	\$	<u><u>4,586,534</u></u>

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	5 years	15%	10%
Money Market Mutual Funds	N/A	None	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>More than 60 Months</u>
San Luis Obispo Investment Pool	\$ 2,091,245	\$ 2,091,245	\$ -	\$ -	\$ -
State Investment Pool (LAIF)	2,404,950	2,404,950			
	<u>\$ 4,496,195</u>	<u>\$ 4,496,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			
			AAA	Aa	Baa	Not Rated
San Luis Obispo Investment Pool	\$ 2,091,245	N/A	\$ -	\$ -	\$ -	\$ 2,091,245
State Investment Pool (LAIF)	2,404,950	N/A				2,404,950
	<u>\$ 4,496,195</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,496,195</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2014, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Pool (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2014, is shown below:

	Balance July 1, 2013	Additions	Deletions	Prior Period Adjustment	Balance June 30, 2014
Land	\$ 431,425	\$ -	\$ -	\$ -	\$ 431,425
Construction in progress	1,813,196	48,155		(1,319,660)	541,691
Property, Plant, & Equipment	26,542,203	178,458	(32,130)	(20,069)	26,668,462
Total capital assets	28,786,824	226,613	(32,130)	(1,339,729)	27,641,578
Less Accumulated Depreciation	(16,185,556)	(1,351,494)	32,130	39,728	(17,465,192)
Net capital assets	\$ 12,601,268	\$ (1,124,881)	\$ -	\$ (1,300,001)	\$ 10,176,386

NOTE 5 - LOAN PAYABLE

On October 19, 2009, the District received a loan from Municipal Finance Corporation in the amount of \$483,159. The purpose of the loan was to install a new electrical generator system. The District will make semi-annual payments under the loan agreement of \$37,398 through August 16, 2017. The interest rate for the loan is 5.25%. Future debt service payments are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2015	\$ 61,591	\$ 13,206	\$ 74,797
2016	64,867	9,930	74,797
2017	68,318	6,479	74,797
2018	71,952	2,845	74,797
	<u>\$ 266,728</u>	<u>\$ 32,460</u>	<u>\$ 299,188</u>

NOTE 6 - LONG-TERM DEBT

The changes in long-term debt at June 30, 2014, are as follows:

	July 1, 2013	Additions	Retirements	Balance June 30, 2014		
				Total	Current	Long Term
Compensated Absences	\$ 40,996	\$ 32,115	\$ (23,864)	\$ 49,247	\$ -	\$ 49,247
Loan Payable	325,209		(58,481)	266,728	61,591	205,137
OPEB	491,448	150,441	(30,656)	611,233		611,233
Total	<u>\$ 857,653</u>	<u>\$ 182,556</u>	<u>\$ (113,001)</u>	<u>\$ 927,208</u>	<u>\$ 61,591</u>	<u>\$ 865,617</u>

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - DISTRICT EMPLOYEES' RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The South San Luis Obispo County Sanitary District's (the District) defined benefit pension plan, Public Employees' Retirement System (PERS), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The PERS is part of the Public Agency portion of the California Public Employees' Retirement System, (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes with the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the PERS are required to contribute 8% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2013/2014, was 11.403%. The contribution requirements of the plan members are established by State statute and employer contribution rate was established and may be amended by CalPERS. The South San Luis Obispo County Sanitary District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$41,786, \$47,479, and \$49,115, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District provides post-retirement health benefits to all retirees who retire from the System and have reached the minimum age of 50.

Funding Policy

The District is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The System used the alternative measurement method as allowed under GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan (including administrative costs), and changes in the System's Net OPEB Obligation/(Asset):

	Fiscal Year Ending June 30, 2014
Annual Required Contributions	\$ 130,783
Interest on Net OPEB Obligation/(Asset)	19,658
Annual OPEB Cost/Expense	150,441
Contributions made	30,656
Increase in Net OPEB Obligations/(Asset)	119,785
Net OPEB Obligations/(Assets) - beginning of fiscal year	491,448
Net OPEB Obligations/(Assets) - end of fiscal year	\$ 611,233

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation/(Asset) (Continued)

The District's Annual OPEB cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation (Asset) are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2012	\$ 116,152	\$ 16,345	14%	\$ 351,862
June 30, 2013	\$ 161,749	\$ 22,163	14%	\$ 491,448
June 30, 2014	\$ 150,441	\$ 30,656	20%	\$ 611,233

The funded status of the plan was as follows:

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Projected Unit Credit Actuarial Accrued Liabilities</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UUAL as a Percentage of Covered Payroll</u>
June 30, 2012	\$ -	\$ 798,486	\$ 798,486	0%	\$ 438,683	182%
June 30, 2013	\$ -	\$ 1,017,897	\$ 1,017,897	0%	\$ 405,804	251%
June 30, 2014	\$ -	\$ 1,295,363	\$ 1,295,363	0%	\$ 366,444	353%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The District did not pre-fund retiree healthcare costs nor establish an irrevocable trust for retiree healthcare costs. The decision not to use an irrevocable trust was made because of the current national and state economic issues and the possibility that the funds may be required to provide current services.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were available for issuance which is May 14, 2015.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

According to the District's staff and attorney, no contingent liabilities are outstanding and no lawsuits are pending of any real financial consequence.

NOTE 11 – SETTLEMENT PAYABLE

On October 3, 2012, the District was levied a penalty of \$1,109,813 from the Regional Water Control Board for a sewage spill in December 2010. As of June 30, 2014, the balance was \$1,109,813.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$(1,300,001) was for the correction to capital assets of \$(1,339,729) and accumulated depreciation on capital assets of \$39,728.



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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Staff Report

To: Board of Directors

From: Richard Sweet, PE, District Manager

Date: June 17, 2015

Subject: **WORKER'S COMPENSATION INSURANCE; REQUEST TO
EXECUTE AN AGREEMENT FOR LOWEST COST OPTION**

RECOMMENDATION:

That the Board direct the District Manager to execute an agreement with the lowest cost option, of those from which quotes were sought, for Worker's Compensation Insurance.

BACKGROUND:

The District has experienced a relatively high rate of Workers Compensation Claims due to issues that have arisen in the past. This has led to a yearly premium from the District's Worker's Compensation Insurer, State Fund, of approximately \$110,000. There has been considerable input from the public regarding this level of premium with many indicating that the District should seek an alternative provider. The term of the District's Worker's Compensation Insurance is July 1st to June 30th.

The District's "Experience Modification" was 176% last year. The "Experience Modification" defines the amount the expected loss of a similar agency compares to the actual loss experienced by the District. That means that last year the actual loss was 176% of that expected. This has a negative effect on District premiums. This upcoming year the District's Experience Modification is projected to be 104%. This reduction should result in a considerable reduction in premiums.

DISCUSSION:

Since the Board meeting of May 20, 2015, the District has been actively engaged in seeking quotes from three separate organizations that provide insurance to public entities for Workers Compensation Insurance. The three organizations are:

- State Fund – The District's present provider
- California Sanitation District Risk Management Association (CSDRMA)
- Special District Risk Management Association (SDRMA)

The District is expecting to receive quotations with the reduced Experience Modifications from the insurance organizations the week of June 22nd through June 26th. Given that the next Board meeting is on July 1st, and the term of the insurance is July 1st through June 30th, the District Manager is requesting authority to engage the lowest cost option from the quotes received.

Options

1. Authorize the District Manager to retain the present insurance provider, State Fund.
2. Decline to authorize the District Manager to engage a Workers Compensation Insurance provider and leave the District self-insured.

Richard G. Sweet, PE
District Manager



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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.

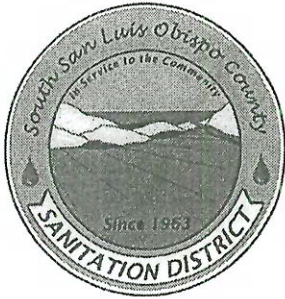
Given that the OCSD has presented the District with an agreement whereby the terms require the District to pay the present OCSD balance of \$11,000 and enter into a year long contract to continue to bill and collect revenue for the District, there is an immediate need to reach a conclusion on this issue 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: John Wallace, District Administrator 
Date: October 3, 2012
Subject: Member Agency costs for District service charge billings

Recommendation:

District Staff to continue to negotiate an equitable fee with our Member Agencies for including the District service charges on their utility bills and to report back to the Board at a future date. In parallel, continue to investigate other methods for billing District sewer service charges.

Funding:

Preliminary discussions indicate that the costs of these services would increase significantly and the adopted FY 2012-13 Budget does not provide for these increases at this time.

Discussion:

The District has had a long-standing arrangement with our Member Agencies to include our District's service charges on their utility bills. This obviously benefits the District by not having to separately bill customers of three different agencies and benefits the rate payers of the District by a more cost effective and accurate billing process.

Many years ago the City of Arroyo Grande and the OCSD established fees for the billing services to provide for the added cost to include the District on their utility billing and to collect and distribute those monies to the District. Currently the District has budgeted \$15,000 for the City of Arroyo Grande (6,366 services) and \$5,000 for OCSD (2,440 services) for this fiscal year for the basic billing services. The basic billing excludes District requested software modifications which were budgeted at an additional \$5,000 for each agency. Billing is sent out bi-monthly which amounts to six bills per year for each agency.

When the City of Grover Beach (4,750 services) annexed into the District in 1997 an agreement was reached to pay \$0.08 per bill per customer billing cycle, again bi-monthly or six times per year. This amounts to approximately \$2,300 per year for the current number of services. The current budget provides for \$4,000 per year for the City of Grover Beach.

Actual costs billed from the three agencies in FY 2011-12 were:

• OCSD	\$ 4,930	2,440 services	\$2.02 per service
• Arroyo Grande	12,800	6,366 services	\$2.01 per service
• Grover Beach	2,300	4,750 services	\$0.48 per service

Further, during the District's budget cycle for FY 2012-13, the budgets for each of the Member Agencies were increased by \$5,000 each, if needed, to provide for software modifications that would allow the District to see what revenue was derived from each customer and for what classification that customer

was being billed, e.g. residential, and up to approximately 20 different billing categories based on commercial usage.

In July, discussions regarding billing services ensued with OCSD because of a mistake in their preliminary budget that showed that OCSD would receive in excess of \$50,000. from the District. The OCSD budget for FY 2012-13 still shows revenue from the District to be \$30,000. However, after an exchange of letters, OCSD has submitted an invoice (attached) for the first phase of billing services for FY 2012-13 for \$7,382.23 anticipating a total billing of \$44,293.36.

Attached is a letter dated September 26, 2012 from me to the District Manager of OCSD rejecting that invoice for the reasons stated in the letter and anticipating a meeting on that date to discuss this matter.

In our meeting on September 26th, Mr. Geaslen and I discussed the basis of the OCSD proposal and the District's response. No conclusions were reached but another meeting has been scheduled in several weeks to continue discussions.

In the meantime, meetings are also being held with the Cities of Arroyo Grande and Grover Beach to discuss how best to compensate them for their cost of providing billing services to the District and at the same time how to minimize the cost to the rate payer. (OCSD's current proposal would result in a 9% SSLOCD rate increase just to accommodate their proposed increase).

Other Methods

In the meantime, staff is calculating what the District's cost would be to take over our billing directly.

Also, in consultation with the County and District Counsel, we are also pursuing a much simpler and cheaper alternative which involves putting the District's charges on the property tax bill for properties within the District that are connected to the sewer.

This alternative has advantages and disadvantages. First, it allows the District to receive it's service charges without sending out individual bills and also provides for timely receipt of all revenue but only at two times per year, (December and April tax bills).

The cost for the County tax collecting services is \$2 per property. Therefore, the total bill for this service is approximately \$20,000 per year (assuming approximately 10,000 total properties with District sewer service).

This process would affect however our cash flow with only two payments a year.

Also, billing for services would be paid by the property owner as opposed to the tenant of a property. It is anticipated that property owners would want to collect these payments as part of their rent or otherwise absorb these costs. The District's current residential rate is \$14.86 per month or \$178.32 per year.

Conclusion

It is clear that we must resolve this issue with our Member Agencies, but these additional costs were not anticipated in the preparation of the FY 2012-13 budgets and would represent a substantial increase in the additional costs proposed for these services.

Therefore, staff will continue these discussions with representatives of our Member Agencies and report back periodically.

Attachments

Analysis of Sanitation District Costs
Using Alternative Method
(Used by City of Arroyo Grande)

	FY 12 Estimate	
City Water Revenue	\$ 2,740,813.00	47.42%
City Utility Users Tax	\$ 26,860.00	0.46%
City Waste Water Revenue	\$ 1,853,605.00	32.07%
Sanitation District Waste Water Revenue	\$ 1,064,832.43	18.42%
Storm Water Revenue	\$ 93,530.00	1.62%
Total	\$ 5,779,640.43	

Revenue Specialist	\$ 85,471.46
Data Prose	26,400.00
Bank Costs	\$ 6,611.70
Total Costs associated with Billing	\$ 118,483.16
	18.42%
	\$ 21,829.16

Analysis of Sanitation District Billing

	Hourly	# of Hours	Cost
Review of rates for understanding Assistant Administrative Services Director	56.17	1	\$ 56.17
Set-up of new rates in system & Review Revenue Technician	41.77	2	\$ 83.54
Billing Process Revenue Technician (12 months of review)	41.77	40.008	\$ 1,671.13
ACH Review Revenue Technician	41.77	3.0006	\$ 125.34
Returned Checks and ACH Revenue Technician	41.77	6.0012	\$ 250.67
Account Research per year Assistant Administrative Services Director	56.17	25	\$ 1,404.25
Setting up new Account Revenue Technician 500 new accounts per year on average	41.77	41.65	\$ 1,739.72
Print Sanitation District Report, create coversheet, enter into AP, review, and print check 30 minutes per month	41.77	6	\$ 250.62
Share of Credit Card Processing Fees			\$ 1,102.17
Share of Licence renewal and tech support for software (Based on 1/6 of bill)			\$ 5,834.50
			Total \$ 12,518.11

	Monthly	# of Months	Cost
Costs Associated with production and Mailing of bills Cost of Data Prose Sanitation District Portion of Bill	\$ 2,200.00	12	\$ 26,400.00 16.67%
			Total \$ 4,400.88

Total Direct Cost of Billing for Sanitation District \$ 16,918.99
Overhead \$ 4,229.75

Total all Costs of Billing for Sanitation District \$ 21,148.74



Oceano Community Services District

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

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

June 10, 2015

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

Re: Notice of Delinquency and Offer of Billing Services Agreement

Dear Mr. Sweet:

As you are aware, the Oceano Community Services District ("OCSD") has provided billing services for the Sanitation District for many years. Although we are not aware of any contract for services that has ever been formally executed by the agencies in this regard, it has been the custom and practice of the District to provide such services and the Sanitation District has made semi-annual payments for this service at an agreed to sum. Most recently, the Sanitation District has paid the OCSD \$22,000 annually in two installments of \$11,000 each.

This correspondence serves two purposes: (1) it is a notice that the current past due amount of \$11,000 needs to be paid for continuation of billing services by OCSD; and (2) it is an offer of a Billing Services Agreement ("Agreement") for the fiscal year of 2015/2016. As provided in the Agreement, the term will automatically renew year after year unless terminated or suspended and the fee remains the same.

To reiterate, please recognize that the payment of \$11,000 for services past due needs to be paid, and that the offer by the OCSD Board of Directors to provide billing services in 2015-16 is contingent on receiving this past due amount. If this outstanding balance is settled prior to July 1, 2015, the Board of Directors is agreeable to executing the enclosed Billing Services Agreement to formalize the process that has informally guided the parties prior to the present date. If we do not have an executed agreement by July 1, 2015, we will presume that the Sanitation District will handle all future billing on its own and without the assistance of the OCSD.

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

OCEAN COMMUNITY SERVICES DISTRICT

PAAVO OGREN
General Manager



Oceano Community Services District

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

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

BILLING SERVICES AGREEMENT

This Billing Services Agreement ("Agreement") is entered into day of June __, 2015, between the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT ("Sanitation District") and OCEANO COMMUNITY SERVICES DISTRICT ("OCSD") (collectively "Parties").

WHEREAS, the Sanitation District desires to retain OCSD to provide routine bi-monthly billing services to the Sanitation District rate payers on its behalf; and

WHEREAS, OCSD agrees to provide routine bi-monthly billing services to the Sanitation District; and

WHEREAS, the Parties understand and agree that OCSD will not provide any ancillary billing services such as the collection of connection fees or other fees or costs that will be billed and collected directly by the Sanitation District.

NOW THEREFORE, in consideration of the mutual agreements set forth herein, the Parties agree as follows:

1. **Services.** In return for payment of the Service Fee, and provided that the Sanitation District is not in breach of the Agreement, OCSD agrees, during the Term, to include in its billing statements the routine charges for services provided by the Sanitation District to OCSD/Sanitation District ratepayers and as submitted to OCSD.
2. **Term.** The initial Term of this Agreement shall commence on July 1, 2015, and unless earlier terminated as provided herein, shall continue thereafter for a period of one (1) year. Upon the expiration of the initial Term or renewal Term, as applicable, the Agreement shall renew for additional, consecutive renewal Terms for one year each, unless either party notifies the other party in writing at least sixty (60) days prior to the end of the then current Term.
3. **Fees.** The Sanitation District agrees to pay OCSD Twenty Two Thousand Dollars (\$22,000) ("Service Fee") on the following payment schedule. On or before July 1 of each Term, the first payment of \$11,000 shall be due to OCSD without notice or request. On or before January 1 of each Term, the second payment of \$11,000 shall be due to OCSD without notice or request.
4. **Termination.** The Sanitation District may terminate this Agreement, for any or

no reason, upon sixty (60) days written notice to the OCSD. In addition, either party may terminate this Agreement by written notice if the other party commits a material breach of this Agreement and fails to cure such breach within thirty (30) days of receipt of a written said notice. Upon an event of Termination that occurs at any time other than the end of a Term, any services provided prior to the date of termination shall remain payable until paid in full.

5. **Suspension of Service.** In addition to any other rights under the Agreement, the Sanitation District agrees that OCSD may suspend services during any period that the Sanitation District fails to pay amounts due under this Agreement. Upon suspension, any services provided prior to the date of suspension remain payable until paid in full.

IN WITNESS WHEREOF, DISTRICT and OCEANO COMMUNITY SERVICES DISTRICT have executed this Agreement the date first written above.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

By: _____
Jim Hill, Chairman of the Board

Approved as to Form:

By: _____
_____, District Legal Counsel

OCEANO COMMUNITY SERVICES DISTRICT

By: _____
Mary Lucey, President of the Board

Attest:

By: _____

Approved as to Form:

By: _____
Jeff Minnery, District Legal Counsel