



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

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

www.sslocsd.org

AGENDA

BOARD OF DIRECTORS MEETING

City of Arroyo Grande, City Council Chambers

215 East Branch Street

Arroyo Grande, California 93420

Wednesday, August 7, 2013 at 6:00 P.M.

Board Members

Matthew Guerrero, Chair

Tony Ferrara, Vice Chair

Debbie Peterson, Director

Agencies

Oceano Community Services District

City of Arroyo Grande

City of Grover Beach

Alternate Board Members

Mary Lucey, Director

Jim Guthrie, Director

Glenn Marshall, 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 General 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 the Minutes of the July 17, 2013 meeting

3B. Review and Approval of Warrants

4. PLANT SUPERINTENDENT'S REPORT

5. BOARD ACTION ON INDIVIDUAL ITEMS:

A. FYE 2012 FINAL AUDIT REPORT PRESENTATION

Staff recommends the Board receive the presentation of the District's FY 2011/12 Financial Audit Report by Moss, Levy & Hartzheim, LLP.

B. FINANCIAL CONSULTANT SELECTION

Staff recommends the Board authorize staff to negotiate a final contract price with Bartle Wells Associates and award the consultant contract for a Wastewater Rate Fee and Alternative Financing Study to Bartle Wells Associates.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

B. Miscellaneous Written Communications

1. Response from the County Department of Public Works to the District's letter regarding drainage

2. SDRMA Election Information

7. PUBLIC COMMENT ON CLOSED SESSION

8. CLOSED SESSION

(1) Conference with Legal Counsel pursuant to Government Code Section 54956.9; 1 case

a. SSLOCSD v. U.S. Energy

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, July 17, 2013
6:00 P.M.

1. CALL TO ORDER AND ROLL CALL

Present: Chair Matthew Guerrero, Oceano Community Services District; Vice Chair Tony Ferrara, City of Arroyo Grande; Director Glenn Marshall, City of Grover Beach.

District Staff in Attendance: Paul Karp, Interim District Manager; Mike Seitz, District Counsel; John Clemons, Plant Superintendent; Trini Rodriguez, Shift Supervisor; Matthew Haber, Bookkeeper/Secretary.

Others in Attendance: Shannon Sweeney

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Director Guerrero noted that no members of the public were present.

3. CONSENT AGENDA

Action: Director Ferrara moved to approve Consent Agenda Items 3A – 3C as presented. Director Marshall seconded, and the motion was carried unanimously.

4. PLANT SUPERINTENDENT'S REPORT

Plant Superintendent Clemons presented the Plant Superintendent's Report which shows that the Plant is running well and in compliance with regulatory limits.

Plant Superintendent Clemons spoke about the hiring process regarding the OIT Intern and Laboratory Technician/Operator positions.

Director Ferrara emphasized the importance of the background checks and doing whatever could be done to be cautious. Director Guerrero suggested a public records check be performed on the candidates.

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

5. BOARD ACTION ON INDIVIDUAL ITEMS

A. FY 2013/14 ANNUAL BUDGET

Interim District Manager Karp presented the staff recommendation that the Board hold a public hearing on the adoption of the FY 2013/14 budget.

Director Guerrero opened the public hearing on the Fiscal Year 2013/14 budget. Director Guerrero noted that no members of the public were present, and he closed the public hearing.

Action: Director Ferrara moved that the Board adopt Resolution No. 2014-310 A RESOLUTION ADOPTING THE 2013-14 FISCAL YEAR BUDGET. Director Guerrero seconded, and on the following roll call vote to wit:

AYES: Director Ferrara, Director Guerrero, Director Marshall

NOES: None

ABSENT: None;

the foregoing resolution was passed and adopted this 17th day of July 2013.

Action: Director Ferrara moved that the Board adopt Resolution No. 2014-311 A RESOLUTION ADOPTING AN EMPLOYEE COMPENSATION PACKAGE FOR THE 2013-14 FISCAL YEAR. Director Marshall seconded, and on the following roll call vote to wit:

AYES: Director Ferrara, Director Marshall, Director Guerrero

NOES: None

ABSENT: None;

the foregoing resolution was passed and adopted this 17th day of July 2013.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

Interim District Manager Karp informed the Board that he and Shannon Sweeney would be meeting with Paavo Ogren regarding a follow-up on the District's letter sent to County Public Works back in February.

Counsel Seitz said that there would be a small change to the Board bylaws incorporating the Chair being the public spokesperson.

Counsel Seitz also said that another client is going through a complete review of its outside counsel in regards to its personnel manual. He will bring many of those changes to the District's own personnel policies manual at no cost to the District.

B. Miscellaneous Written Communications

7. PUBLIC COMMENT ON CLOSED SESSION

There was no public comment on closed session.

8. CLOSED SESSION

- (1) Conference with Legal Counsel pursuant to Government Code Section 54956.9; 2 cases

- a. Mascolo v. SSLOCSD
- b. SSLOCSD v. U.S. Energy

- (2) Closed session Pursuant to Government Code section 54957 (b)1:
Appointment, employment, evaluation of performance,
discipline or dismissal of a public employee

9. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

Counsel Seitz reported that the Board had met in closed session and heard a report from Legal Counsel on two cases but took no reportable action.

Regarding the second closed-session item, a motion was made to terminate any further discussions regarding a forensic audit unless unforeseen circumstances arise. The motion was passed unanimously.

10. ADJOURNMENT

There being no further business to come before the Board, Director Guerrero adjourned the meeting at approximately 6:35 p.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
08/07/2013 FY 2013/14

| ISSUED TO | PURCHASE/SERVICE | INV. # / SERVICE PERIOD | WARRANT NO. | ACCT | ACCT BRKDN | TOTAL |
|---|-------------------------------------|---------------------------------------|-------------|---------|------------|------------|
| AARON ALLEN | MEDICAL REIMBURSEMENT | | 080713-7826 | 6075 | 500.00 | 500.00 |
| ABALONE COAST | CHEMICAL ANALYSIS | JULY | 27 | 7078 | 1,866.60 | 1,866.60 |
| ADAMSKI MOROSKI MADDEN CUMBERLAND & GREEN | LEGAL SERVICES | 31599 (PRIOR YEAR) | 28 | 7070 | 3,456.00 | 3,456.00 |
| AIRFLOW FILTER SERVICE | USED OIL FILTER SERVICE | 109074CR | 29 | 8030 | 99.31 | 99.31 |
| AMERICAN FLAG AND GIFT | FLAG SUPPLIES | 135376A | 30 | 8035 | 178.43 | 178.43 |
| AMERICAN INDUSTRIAL SUPPLY | MISC SUPPLIES | 0254754-IN | 31 | 8060 | 303.69 | 303.69 |
| ARAMARK UNIFORMS | EMPLOYEE UNIFORMS | 8021084 8037927 8054595 | 32 | 7025 | 953.82 | 953.82 |
| AT&T | TELEPHONE SERVICE | JULY | 33 | 7013 | 344.55 | 344.55 |
| B&B STEEL & SUPPLY | STAINLESS STEEL PIPE | 422640 | 34 | 8060 | 317.77 | 317.77 |
| BC PUMP SALES & SERVICE | PUMP REBUILD | 27952 | 35 | 26/8061 | 607.73 | 607.73 |
| BRENNTAG PACIFIC, INC | PLANT CHEMICALS | 321968 324781 326150 | 36 | 8050 | 13,633.91 | 13,633.91 |
| CA ELECTRIC SUPPLY | ELECTRICAL SUPPLIES | 7826-533703 | 37 | 8060 | 235.97 | 702.18 |
| | AUXILIARY CONTACT | 7826-530811 | | 26/8061 | 466.21 | |
| CALPORTLAND CONSTRUCTION | SLURRY | 91863481 (PRIOR YEAR) 12 MBI 02 | 38 | 19/8061 | 734.23 | 1,908.00 |
| | ASPHALT | 91869500 | | 8060 | 1,173.77 | |
| CARQUEST | BATTERY CABLES | 7314-640844 | 39 | 8030 | 29.38 | 29.38 |
| CHARTER | INTERNET SERVICE | AUGUST | 40 | 7011 | 59.99 | 59.99 |
| CHERRY LANE NURSERY | LANDSCAPING SUPPLIES | 34447 | 41 | 8060 | 137.10 | 137.10 |
| D'ANGELO'S | ACETONE | S233652 | 42 | 8060 | 119.26 | 119.26 |
| DIAL LONG DISTANCE, INC. | LONG DISTANCE SERVICE | 14339 | 43 | 7013 | 55.92 | 55.92 |
| FARM SUPPLY COMPANY | SUMP PUMP | 21085 | 44 | 8060 | 162.54 | 162.54 |
| FEDEX | SHIPPING | 9419162 | 45 | 8045 | 109.53 | 109.53 |
| FERGUSON ENTERPRISES (PRIOR YR) | WATER HEATER AND SUPPLIES | 7870197 | 46 | 8030 | 707.14 | 22,706.26 |
| | VALVES AND SUPPLIES FOR RECIRC PROJ | 9355374-1 9355374-3 9387708 12 MBI 02 | | 19/8061 | 21,999.12 | |
| FGL ENVIRONMENTAL | CHEMICAL ANALYSIS | 382306A 382338A 382490A | 47 | 7078 | 756.00 | 756.00 |
| | | 382435A 382524A 382543A | | | | |
| | | 382584A 382612A 382632A | | | | |
| GLENN MARSHALL | BOARD SERVICE | JULY | 48 | 7075 | 200.00 | 200.00 |
| GORDON SAND | SAND | 0622640-IN 0622647-IN | 49 | 8060 | 494.08 | 494.08 |
| HACH | PORTABLE WATER QUALITY METER | 8381637 | 50 | 8040 | 1,548.85 | 1,548.85 |
| I.I. SUPPLY | MISC SUPPLIES | 19992 20002 | 51 | 8060 | 420.68 | 420.68 |
| JB DEWAR INC | VEHICLE FUEL AND DIESEL | 34281 978346 | 52 | 8020 | 3,173.54 | 3,358.80 |
| | OIL FOR EQUIPMENT | 978583 | | 8030 | 185.26 | |
| JOHN DEERE LANDSCAPES | LANDSCAPING SUPPLIES | 65458520 | 53 | 8060 | 70.47 | 70.47 |
| JUSTIFACTS CREDENTIAL VERIFICATION, INC. | BACKGROUND CHECKS | 202911 | 54 | 7079 | 118.50 | 118.50 |
| JWC ENVIRONMENTAL | AUGER BAG MATERIAL | 53129 | 55 | 8030 | 327.67 | 327.67 |
| LIBERTY COMPOSTING | BIOSOLIDS HANDLING AND TESTING | 4640 4673 | 56 | 7085 | 2,177.26 | 2,177.26 |
| LOUIE'S CRANE SERVICE | AUGER REMOVAL AND REPLACEMENT | 8465 | 57 | 26/8065 | 520.00 | 520.00 |
| MATTHEW GUERRERO | BOARD SERVICE | JULY | 58 | 7075 | 200.00 | 200.00 |
| McMASTER-CARR | HOUSEHOLD SUPPLIES | 55491479 | 59 | 8035 | 187.44 | 280.95 |
| | MOTOR-MOUNT BASE | 56032273 | | 8060 | 93.51 | |
| PERS MEDICAL | EMPLOYEE MEDICAL | AUGUST | 60 | 6010 | 15,486.59 | 15,486.59 |
| PG&E | ELECTRICITY SERVICE | 06/13/2013 TO 07/14/2013 | 61 | 7091 | 19,295.30 | 19,295.30 |
| PRAXAIR | WELDING SUPPLIES | 46690145 | 62 | 8060 | 44.50 | 44.50 |
| SAFETY KLEEN | SOLVENT | 61098037 | 63 | 8030 | 331.15 | 331.15 |
| SAN LUIS POWERHOUSE | GENERATOR LOAD TEST | 31643 | 64 | 8030 | 1,695.00 | 1,695.00 |
| SM TIRE, INC. | TIRE REPLACEMENT | 576361 | 65 | 8030 | 147.69 | 147.69 |
| SPRINT | CELL PHONE SERVICE | JUNE (PRIOR YEAR) | 66 | 7013 | 70.28 | 70.28 |
| STATE FUND COMPENSATION | WORKERS' COMP | JULY AND AUGUST | 67 | 6080 | 12,158.34 | 12,158.34 |
| STATE WATER RESOURCES CONTROL BOARD | OPERATOR-IN-TRAINING APPLICATION | JONES | 68 | 7068 | 170.00 | 170.00 |
| TEKTEGRITY | MANAGED IT SERVICE | 27525-113 | 69 | 7015 | 326.55 | 326.55 |
| THOMA ELECTRIC | INFLUENT PUMP FEAS ANALYSIS | 13-8003 (PRIOR-YEAR) 06 MBI 13 | 70 | 26/8065 | 302.00 | 302.00 |
| TONY FERRARA | BOARD SERVICE | JULY | 71 | 7075 | 200.00 | 200.00 |
| UNDERGROUND SERVICE ALERT | DIG ALERT SERVICE | 13070819 | 72 | 7011 | 226.44 | 226.44 |
| UNITED RENTALS | COMPACTOR RENTAL AND PROPANE | 112427242-001 11243711-001 | 73 | 8060 | 146.16 | 146.16 |
| UNITED STAFFING | CONTRACT LABOR | 75072 75340 | 74 | 6085 | 2,706.83 | 2,706.83 |
| WILLIAM JACKMAN | MEDICAL REIMBURSEMENT | | 75 | 6075 | 1,000.52 | 1,000.52 |
| WW GRAINGER | PRESSURE REGULATOR | 9189248652 | 76 | 8030 | 251.12 | 251.12 |
| SUB TOTAL | | | | | 113,283.70 | 113,283.70 |
| PAYROLL | PPE 07/12/2013 | | | | 20,472.25 | 20,472.25 |
| | PPE 07/26/2013 | | | | 23,766.19 | 23,766.19 |
| GRAND TOTAL | | | | | 157,522.14 | 157,522.14 |

We hereby certify that the demands numbered serially from 080713-7826 to 080713-7876 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

DATE: _____

Chairman

Board Member

Board Member

Secretary



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

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Staff Report

To: Board of Directors
From: John Clemons, Plant Superintendent
Via: Paul J. Karp, Interim District Manager
Date: August 7, 2013
Subject: Superintendent's Report

Chart 1 – Plant Data

| June 2013 | FLOW MGD | Peak MGD | INF BOD mg/L | EFF BOD mg/L | INF TSS mg/L | EFF TSS mg/L | Fecal Coli | Cl2 lbs/day | |
|-----------|----------|----------|--------------|--------------|--------------|--------------|------------|-------------|--|
| Average | 2.45 | 4.0 | 337 | 25.1 | 394 | 26.6 | <64 | 345 | |
| High | 2.63 | 4.6 | 424 | 39.5 | 480 | 34.0 | 1600 | 649 | |
| Limit | 5.0 | | | 40 | | 40 | 2000 | | |
| July 2013 | | | | | | | | | |
| Average | 2.56 | 4.1 | 339* | 21.9* | 563* | 30* | | 335 | |
| High | 2.81 | 5.1 | 441* | 30.2* | 1080* | 39* | | 885 | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

* Thru July 1, 2013

Plant data for July 2013 is as follows:

Average daily flow was 2.56 MGD. Plant maximum design flow capacity is 5.0 MGD

Average effluent biochemical oxygen demand was 21.9 mg/L

Average effluent totals suspended solids were 30 mg/L

Permit limits for monthly BOD and TSS averages is 40 mg/l for each.

BOD average removal efficiency was 93.5%.

TSS average removal efficiency was 94.6%.

Our average plant effluent BOD for July is the second lowest BOD for the month of July since the year 2000. TSS continues to be very low for this time of year.

The average monthly chlorine usage was 10 lbs/day lower than in June. The disinfection system continues to function efficiently.

Plant staff performed installed a new waterline at the primary clarifier for washdown water supply. Staff also removed and replaced a defective sludge pump at the primary clarifier. Staff removed and replaced the #1 auger at the headworks.

Staff attended safety meetings fuel tank refilling and spill containment, replacing Ahmiad filter parts, and power tool safety. Plant safety Committee had its' quarterly meeting on July 24th.

New staff members Fanny Mui (Lab Analyst) and Mychal Jones (OIT) have begun their probationary periods with the District.









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Staff Report

To: Board of Directors
From: Paul J. Karp, Interim District Manager
Date: August 7, 2013

Subject: Presentation of the Fiscal Year Ended 2012 Audit Report

Recommendation:

It is the staff recommendation that the Board receive a presentation of the audit report of the District's financial records by Moss, Levy & Hartzheim, LLP, the District's independent auditor; resolve questions; call for revisions; and file the report.

Funding:

Not applicable.

Discussion:

The firm of Moss, Levy & Hartzheim, LLP has been retained by the District to conduct financial audit services. A staff member from Moss, Levy & Hartzheim will be present at the Board meeting of August 7 to present the firm's final audit report of the District's financial records. Staff is seeking questions from the Board members regarding the FYE 2012 audit. The auditor will respond to these questions and resolve any issues. If the Board finds it is satisfied, Staff asks approval of the audit with any appropriate revisions by motion.

Attachment:

FYE 2012 Draft Audit Report

**SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT**

FINANCIAL STATEMENTS
June 30, 2012

DRAFT

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
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June 30, 2012

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DRAFT

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, 2012

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, 2012. 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 decrease in Net Assets of \$677,509 from the previous fiscal year. This decrease is the result of a Net Operating Loss of \$994,946 for FYE 2012. The District realized a Net Operating Loss of \$971,992 for FYE 2011 meaning that the District lost \$22,954 more in FYE 2012 than in the previous fiscal year. Operating losses are due to Operating Expenses being greater than Operating Revenues. Therefore, the District is examining ways to increase revenue while reducing expenses in future periods to minimize any potential operating losses.

Total District Operating Revenues showed an increase of \$76,329 (2.58%). When comparing revenue from only sewer service fees, which ignores the Bad debt expense recognized in FYE 2011, there was an increase of \$48,800 over such revenue in FYE 2011. This equates to a 1.63% increase in operating revenue from sewer service fees.

Capital contributions from new connection fees decreased by \$60,018 (\$44,550 in FYE 2012 compared to \$104,568 for FYE 2011). The unpredictable nature of the housing market, as a result of current economic conditions, has led to fluctuations in the amounts received for this type of revenue. Thus, the District has future plans to bring in additional revenue from other sources such as from brine disposal and from low-interest financing options offered by the Clean Water State Revolving Fund program to fund capital improvement projects.

Total District Operating Expenses showed a net increase of \$99,283 (2.52%) from the previous year. With the exclusion of Depreciation expense, however, operating expenses increased \$14,564 (\$2,823,592 for FYE 2012 compared to \$2,809,028 for FYE 2011) which is an increase of 0.52%.

Several expense categories showed significant increases: (1) Gross wages, 17.3%; (2) Employee benefits, 24.1%; (3) Employee uniforms, 17.3%; (4) Repairs and maintenance 23.8%; (5) Insurance, 19.5%; (6) Office and supplies, 50.6%; (7) Fuel and oil, 241.4%; (8) Legal and accounting, 17.0%; and (9) Small tools, 64.5%.

The increases in gross wages and employee benefits expenses are attributable to the filling of the full-time Bookkeeper/Secretary position and to increases in actual costs for healthcare premiums and workers' compensation.

The increases in expenses for employee uniforms, insurance and fuel and oil reflect increases in actual costs for these services and supplies.

The increase in office and supplies expense is mainly attributable to the increased costs of having IT managed by an external firm.

The increase in legal and accounting expenses is due to increased costs to retain outside legal counsel and other consultants for litigation matters.

The increased expenses for repairs and maintenance and small tools are related to increased work performed for the District's plant maintenance program.

Three expense categories showed significant decreases: (1) membership, permit and license fees, 42.17%; (2) plant chemicals, lab and analysis, 31.71%; and (3) solids handling, 25.89%.

The reduction in membership, permit and license fees is mainly attributable to reduced expenditures on permitting and for the District's source control program.

The reduction in plant chemicals, lab and analysis is slightly skewed due to a \$14,917 adjustment to the plant chemicals expense account. When ignoring this adjustment, there is an overall reduction in expenses of \$155,877 which is attributable to a \$170,794 reduction in expenditures for plant chemicals.

The \$15,881 difference in solids handling expense is slightly misleading. This decrease is related more to the fact that there were two more service months included in the expenses for the previous fiscal year rather than actual cost reductions for bio-solids removal in FYE 2012.

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 2011 & 2012

| | FYE 2011 | FYE 2012 |
|--------------------|-------------|-------------|
| Sewer Service Fees | \$2,990,056 | \$3,038,856 |

Net increase of \$48,800 for FYE 2012

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 2012 include:

- 11 MBI 07 IT System Upgrade
- 10 MBI 15 SSMP Update & Biannual Audit
- 10 MBI 17 District Trunk line Inflow and Infiltration (I&I)
- 11 MBI 04 Poly-blend Unit
- 11 MBI 09 Automated External Defibrillator
- 10 MBI 01 O&M Manual Update
- 05 MBI 06 New 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:

- 04 MBI 03 Influent Grinder Service
- 04 MBI 11 Annual GIS/GPS Survey
- 04 MBI 16 Electrical System Upgrade
- 07 MBI 14 Long-range Plant Expansion
- 07 MBI 16 Grease-to-Gas System
- 08 MBI 19 CIPP Lining
- 06 MBI 04 Primary Clarifier No. 1 Catwalk
- 06 MBI 13 Influent Pumps Gate & Valve
- 09 MBI 01 FFR Pump Refurbishment
- 10 MBI 05 Front Gate Recoating
- 10 MBI 11 O&M Manual & Training
- 11 MBI 01 Tote Containment
- 11 MBI 02 Chemical Metering Pumps
- 11 MBI 08 Influent Pumps Failure and Readiness/Refurbishment

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. In the past, this fund had received its revenue through transfers from the Operating Fund. Currently, interest earned from the District's funds in LAIF is the only revenue source.

Capital Improvement Expenses by Fund
Fiscal Year 2011/12

| | |
|---|--------------|
| Fund 19 (Operating) | \$ 168,721 |
| Fund 20 (Expansion) | \$ 2,060,584 |
| Fund 26 (Replacement) | \$ 384,066 |
| Total Capital Improvement Expenses for FY 2011/12 | \$ 2,613,371 |

Summary

The District continues to be in good fiscal standing while planning to pursue many of its capital improvement projects. Nevertheless, the District did realize a decrease of \$381,173 in its cash accounts from the previous year as it attempted to improve plant processes and facilities. The decrease in the District's cash accounts in FYE 2011 was \$825,886. This means that the District lost \$444,713 (53.85%) less cash in FYE 2012 than it did in the previous fiscal year. In response to declining cash amounts, the District is currently in the process of obtaining outside funding sources, as well as looking at reducing expenses, in order to continue with future planned improvements to ensure that the District's financial reserves do not become depleted.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the South San Luis Obispo Sanitation District, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the South San Luis Obispo County Sanitation District as of June 30, 2012, and the results of its operations and its cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to basic financial statements effective July 1, 2011, the District adopted Governmental Accounting Standards (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 2, 2013, on our consideration of the South San Luis Obispo County Sanitation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Santa Maria, CA
January 2, 2013

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2012

ASSETS

Current Assets:

| | |
|-----------------------------------|--------------|
| Cash and investments - restricted | \$ 3,969,439 |
| Accounts receivable | 391,224 |
| Interest receivable | 3,137 |
| Prepaid expenses | 44,070 |

| | |
|----------------------|------------------|
| Total current assets | <u>4,407,870</u> |
|----------------------|------------------|

Noncurrent Assets:

| | |
|----------|-------|
| Deposits | 3,732 |
|----------|-------|

Capital Assets

| | |
|-----------------------------|--------------|
| Land | 431,425 |
| Construction in progress | 2,154,662 |
| Property, plant & equipment | 25,814,127 |
| Accumulated depreciation | (14,869,219) |

| | |
|-------------------------|-------------------|
| Total noncurrent assets | <u>13,534,727</u> |
|-------------------------|-------------------|

| | |
|--------------|-------------------|
| Total assets | <u>17,942,597</u> |
|--------------|-------------------|

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LIABILITIES

Current Liabilities:

| | |
|-------------------------------|---------|
| Accounts payable | 129,841 |
| Accrued liabilities | 23,027 |
| Accrued interest payable | 7,440 |
| Loan payable, current portion | 55,528 |

| | |
|---------------------------|----------------|
| Total current liabilities | <u>215,836</u> |
|---------------------------|----------------|

Long-Term Liabilities:

| | |
|------------------------------------|---------|
| Loan payable, less current portion | 325,208 |
| Compensated absences | 29,657 |
| Other post employment benefits | 351,862 |

| | |
|-----------------------------|----------------|
| Total long term liabilities | <u>706,727</u> |
|-----------------------------|----------------|

| | |
|-------------------|----------------|
| Total liabilities | <u>922,563</u> |
|-------------------|----------------|

NET ASSETS

| | |
|---|-------------|
| Invested in capital assets, net of related debt | 13,150,259 |
| Restricted for capital expansion | 6,984,043 |
| Unrestricted | (3,114,268) |

| | |
|------------------|----------------------|
| Total net assets | <u>\$ 17,020,034</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 ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012

Operating Revenues:

| | |
|--------------------------|------------------|
| Sewer services fees | \$ 3,038,856 |
| Total operating revenues | <u>3,038,856</u> |

Operating Expenses:

| | |
|--------------------------------------|------------------|
| Gross wages | 586,615 |
| Payroll taxes and benefits | 39,721 |
| Employee benefits | 219,660 |
| Retirement contribution | 181,803 |
| Uniforms | 12,783 |
| Repairs and maintenance | 239,448 |
| Equipment rental | 518 |
| Insurance | 23,368 |
| Depreciation | 1,210,210 |
| Communications | 10,682 |
| Utilities | 139,289 |
| Property tax | 27,052 |
| Special services | 308,889 |
| Office and supplies | 17,672 |
| Fuel and oil | 9,231 |
| Membership, permits and license fees | 98,683 |
| Legal and accounting | 294,159 |
| Plant chemicals, lab, and analysis | 367,799 |
| Environmental regulation fees | 173,090 |
| Solids handling | 45,460 |
| Small tools | 27,670 |
| Total operating expenses | <u>4,033,802</u> |
| Net operating loss | <u>(994,946)</u> |

Non-Operating Revenues (Expenses):

| | |
|---|----------------|
| From other governmental agencies | 255,957 |
| Interest income | 15,402 |
| Lease income | 22,571 |
| Interest expense | (21,043) |
| Total non-operating revenues (expenses) | <u>272,887</u> |

Capital Contributions:

| | |
|----------------------|---------------|
| Connection fees | <u>44,550</u> |
| Change in net assets | (677,509) |

Net Assets:

| | |
|--------------------------------------|----------------------|
| Net assets, beginning of fiscal year | <u>17,697,543</u> |
| Net assets, end of fiscal year | <u>\$ 17,020,034</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Receipts from customers | \$ 3,054,162 |
| Payments to vendors | (2,506,884) |
| Payments to employees | <u>(487,305)</u> |
| Net cash provided by operating activities | <u>59,973</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|----------------|
| Cash received from other governmental agencies | 255,957 |
| Rental income | <u>22,571</u> |
| Net cash provided by noncapital financing activities | <u>278,528</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|------------------|
| Capital contributions | 44,550 |
| Acquisition and construction of capital assets | (706,819) |
| Payments of capital debt | (52,723) |
| Interest paid on capital debt | <u>(22,074)</u> |
| Net cash used by capital and related financing activities | <u>(737,066)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|---------------------|
| Interest received | <u>17,392</u> |
| Net cash provided by investing activities | <u>17,392</u> |
| Net change in cash and cash equivalents | (381,173) |
| Cash and cash equivalents, July 1 | <u>4,350,612</u> |
| Cash and cash equivalents, June 30 | <u>\$ 3,969,439</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, 2012

Reconciliation of operating loss to net cash provided

by operating activities:

Operating loss \$ (994,946)

Adjustments to reconcile operating loss to net
cash used by operating activities:

Depreciation 1,210,210

Change in net assets and liabilities:

Accounts receivable 54,862

Prepaid expenses (39,556)

Accounts payable (269,907)

Accrued liabilities (30,154)

Compensated absences 29,657

OPEB liability 99,807

Net cash provided by operating activities \$ 59,973

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

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 Statement No. 39.

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 Assets

GASB Statement No. 34, requires that the difference between assets and liabilities be reported as net assets. Net assets are classified as either invested in capital assets, net of related debt, restricted, or unrestricted.

Net assets that are invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions, or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted net assets.

M. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 64

For the fiscal year ended June 30, 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2012.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 31. On June 30, 2012 the District had the following cash and investments on hand:

| | |
|--|---------------------|
| Cash on hand | \$ 100 |
| Demand Deposits | 41,348 |
| Cash and investments with County Treasurer | 480,623 |
| Local Agency Investment Fund (LAIF) | <u>3,447,368</u> |
| Total cash and investment | \$ <u>3,969,439</u> |

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

| | |
|-----------------------------------|---------------------|
| Cash and investments - restricted | \$ <u>3,969,439</u> |
| Total | \$ <u>3,969,439</u> |

Cash and investments are restricted for connection fees.

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

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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:

| Investment Type | Carrying Amount | Minimum Legal Rating | Rating as of Fiscal Year End | | | |
|---------------------------------|---------------------|----------------------|------------------------------|-------------|-------------|---------------------|
| | | | AAA | At | Baa | Not Rated |
| San Luis Obispo Investment Pool | \$ 480,623 | N/A | \$ - | \$ - | \$ - | \$ 480,623 |
| State Investment Pool (LAIF) | 3,447,368 | N/A | | | | 3,447,368 |
| | <u>\$ 3,927,991</u> | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,927,991</u> |

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 | Remaining Maturity (in Months) | | | |
|---------------------------------|---------------------|--------------------------------|----------------|----------------|---------------------|
| | | 12 Months or Less | 13 - 24 Months | 25 - 60 Months | More than 60 Months |
| San Luis Obispo Investment Pool | \$ 480,623 | \$ 480,623 | \$ - | \$ - | \$ - |
| State Investment Pool (LAIF) | 3,447,368 | 3,447,368 | | | |
| | <u>\$ 3,927,991</u> | <u>\$ 3,927,991</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

As of June 30, 2012, 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.

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2012, is shown below:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|-------------------------------|-------------------------|--------------|----------------|--------------------------|
| Land | \$ 431,425 | \$ | \$ | \$ 431,425 |
| Construction in progress | 3,610,269 | 450,945 | (1,906,552) | 2,154,662 |
| Property, Plant, & Equipment | 23,651,701 | 2,162,426 | | 25,814,127 |
| Total capital assets | 27,693,395 | 2,613,371 | (1,906,552) | 28,400,214 |
| Less Accumulated Depreciation | (13,659,009) | (1,210,210) | | (14,869,219) |
| Net capital assets | \$ 14,034,386 | \$ 1,403,161 | \$ (1,906,552) | \$ 13,530,995 |

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, 2012 | Principal | Interest | Total |
|------------------------------------|-------------------|------------------|-------------------|
| 2013 | \$ 55,528 | \$ 19,269 | \$ 74,797 |
| 2014 | 58,481 | 16,316 | 74,797 |
| 2015 | 61,591 | 13,206 | 74,797 |
| 2016 | 64,867 | 9,930 | 74,797 |
| 2017 | 68,318 | 6,479 | 74,797 |
| 2018 | 71,951 | 2,846 | 74,797 |
| | <u>\$ 380,736</u> | <u>\$ 68,046</u> | <u>\$ 448,782</u> |

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – LONG-TERM DEBT

The changes in long-term debt at June 30, 2012, are as follows:

| | July 1, 2011 | Additions | Retirements | Balance June 30, 2012 | | |
|----------------------|-------------------|-------------------|---------------------|-----------------------|------------------|-------------------|
| | | | | Total | Current | Long Term |
| Compensated Absences | \$ 36,448 | \$ 25,805 | \$ (32,596) | \$ 29,657 | \$ | \$ 29,657 |
| Loan Payable | 433,459 | | (52,723) | 380,736 | 55,528 | 325,208 |
| OPEB | 252,055 | 116,152 | (16,345) | 351,862 | | 351,862 |
| Total | <u>\$ 721,962</u> | <u>\$ 141,957</u> | <u>\$ (101,664)</u> | <u>\$ 762,255</u> | <u>\$ 55,528</u> | <u>\$ 706,727</u> |

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 2011/2012, was 11.196%. 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, 2012, 2011, and 2010, were \$49,115, \$42,290, and \$36,761, 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.

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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, 2012, 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, 2012 |
|--|-------------------------------------|
| Annual Required Contributions | \$ 97,248 |
| Interest on Net OPEB Obligation/(Asset) | 18,904 |
| Annual OPEB Cost/Expense | 116,152 |
| Contributions made | 16,345 |
| Increase in Net OPEB Obligations/(Asset) | 99,807 |
| Net OPEB Obligations/(Assets) - beginning of fiscal year | 252,055 |
| Net OPEB Obligations/(Assets) - end of fiscal year | \$ 351,862 |

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

| Fiscal Year Ended | Annual OPEB Cost | Actual Contribution | Percentage of OPEB Cost Contributed | Net OPEB Obligation (Asset) |
|-------------------------|---------------------|------------------------|---|--------------------------------|
| June 30, 2011 | \$ 110,286 | \$ 12,045 | 11% | \$ 252,055 |
| June 30, 2012 | \$ 116,152 | \$ 16,345 | 14% | \$ 351,862 |

The funded status of the plan was as follows:

| Valuation Date | Value of Assets | Projected Unit Credit Actuarial Accrued Liabilities | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UUAL as a Percentage of Covered Payroll |
|-------------------|--------------------|--|---------------------------|-----------------|--------------------|---|
| June 30, 2011 | \$ - | \$ 774,397 | \$ 774,397 | 0% | \$ 502,853 | 154% |
| June 30, 2012 | \$ - | \$ 798,486 | \$ 798,486 | 0% | \$ 438,683 | 182% |

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 – RELATED PARTY TRANSACTIONS

Mr. John Wallace is the President of both Wallace Group, Inc. and John L. Wallace and Associates, Inc. Wallace Group, Inc. is an engineering firm located in San Luis Obispo and John L. Wallace and Associates, Inc. is a consulting firm located in San Luis Obispo. Mr. John Wallace is currently the District Administrator at South San Luis Obispo County Sanitation District. During the fiscal year 2011-2012, Wallace Group, Inc. provided \$627,331 worth of engineering and consulting services to the District.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

According to the District's attorney, a Notice of Violation from the California State Water Board Enforcement Division was received during the fiscal year ending June 30, 2012. As of the audit report date no formal action has been taken.

DRAFT



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

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

www.sslocsd.org

Staff Report

To: Board of Directors
From: Paul J. Karp, Interim District Manager
Date: August 7, 2013

Subject: Award of contract for financial consulting to Bartle Wells Associates

Recommendation:

It is the staff recommendation that the Directors accept the finding of the financial consultant review committee and authorize District Staff to negotiate a final contract price not-to-exceed \$36,000 with Bartle Wells Associates; and subject to final contract amount, award the consultant contract for a Wastewater Rate Fee and Alternative Financing Study to Bartle Wells Associates.

Funding:

Account 19-7077 District Engineering began the fiscal year with a budgeted amount of \$100,000. If the Board approves the not-to-exceed amount specified, this account will have \$74,000 remaining.

Discussion:

On June 5, 2013, the Board of Directors authorized the Staff to solicit proposals for a financial consultant to study District finances; the recently completed capital maintenance and improvement program; and the budgetary pro forma. The purpose of the project is to develop a program to address projected cash shortfalls that will begin to transpire if no mitigating Board action is taken within this fiscal year. The District prequalified four consultants and received two proposals. During the two envelope process, the selection committee recommended award to Bartle Wells Associates subject to successful negotiation of a final contract price based on the cost proposal submitted by Bartle Wells Associates.

Additional Information:

Bartle Wells Associates is a financial consultant specializing in preparation of public agency utility and fee studies, financial plans, and project financing. Bartle Well Associates was founded in 1964. The firm has completed over a thousand utility rate and fee studies and has helped public agencies obtain over \$5 billion of low-cost financing via bonds, bank loans, and a range of state and federally-subsidized financing programs. The firm has served over 500 public agencies from all over California, and clients have ranged from small cities and districts to large cities, special districts, joint power authorities, and counties.

Bartle Wells will present findings to the Board of Directors, receive and address Board member input, and help the District to comply with the requirements of Proposition 218. Subject to our attorney's counsel, the firm has recommended that the Proposition 218 notice go beyond the minimum legal requirements and involve clear explanation of the reason for any proposed rate or fee adjustments to improve public acceptance.



SAN LUIS OBISPO COUNTY
DEPARTMENT OF PUBLIC WORKS

Paavo Ogren, Director

County Government Center, Room 207 • San Luis Obispo, CA 93408 • (805) 781-5252

Fax (805) 781-1229

email address: pwd@co.slo.ca.us

July 25, 2013

Chairman Mathew Guerrero
South San Luis Obispo County Sanitation District
PO Box 339
Oceano, CA 93445-9735



Subject: Flood Mitigation Efforts in the Oceano Lagoon Area, Oceano

Dear Mr. Guerrero:

This letter is in response to correspondence dated February 20, 2013, which inquires about the County's progress on flood mitigation efforts in and around the Meadow Creek Lagoon known as Oceano Lagoon in Oceano. After receiving the letter, we have reviewed it and discussed the issues identified in the letter with stakeholders, and staff of several agencies affected and/or involved. As a result, our response has been developed with good dialogue, and with the opportunity to meet and discuss with your new General Manager, Mr. Paul Karp.

We understand that the Sanitation District Wastewater Treatment Plant is a critical facility, and that interruption in its service impacts not only Oceano, but Grover Beach and Arroyo Grande as well. We were glad to meet your new Plant Superintendent, John Clemons, and welcome open lines of communication between our agencies at the staff level in addition to formal processes that are discussed below.

Because of the critical nature of your facility and recent events that jeopardized your operations, the February 20th correspondence requested: 1) an update on the progress of applicable measures identified in the County's own Hazard Mitigation Plan (2011), and 2) a more vigorous and focused flood mitigation effort by the County. This letter is intended to provide you with an update to address your concerns regarding our efforts.

First, an update on the progress of applicable measures identified in the San Luis Obispo County Local Hazard Mitigation Plan (2011) is provided, as follows:

- *Identify areas known to be prone to flooding, such as Los Osos, Avila Valley, Santa Margarita, Cambria, Oceano and Templeton in developing community drainage studies. Seek stakeholder involvement in developing funding mechanisms and in acquiring grants to implement listed flood control improvements.*

The Oceano Drainage and Flood Control Study (2004) identified flooding issues in Oceano, one at the intersection of Highway 1 and 13th Street. In coordination with Caltrans and other local agencies, the County has developed a project and is at 50% design for constructing new storm drain improvements intended to collect and convey drainage from this intersection to the Arroyo Grande Creek channel.

Construction of the project is scheduled to be completed in 2015 and will achieve project objectives to: 1) reduce the frequency of drainage issues at Highway 1 and 13th Street, and 2) lessen flows to the Meadow Creek Lagoon area, thereby helping to mitigate the existing drainage issues for downstream residences, businesses, and South County Sanitation District facilities.

Implementation of this project is a direct result of collaboration between several agencies, including the County Department of Public Works, Caltrans, County Building and Planning Department (Coastal Development Permit and Community Development Block Grant processes), and the San Luis Obispo Council of Governments (State Urban and Regional Highway Account program funds). We have actively engaged input from stakeholder groups including the Zone 1/1A Advisory Committee, Oceano Advisory Group, and the Oceano Community Services District. Because we have developed a funding mechanism and acquired grants, there will be no financial impact to the local community of Oceano to implement this necessary flood control project. Project updates are ongoing to the stakeholder groups.

- *Fire, Public Works, and law enforcement agencies will maintain and improve their ability to respond to water hazard emergencies throughout the County.*

The County Office of Emergency Services (OES) and Public Works Department (Public Works) continually strive to maintain and improve their ability to respond to water hazard emergencies in the Oceano area by improving emergency response plan procedures, and conducting training. Specifically for the Oceano Community, Public Works developed the Arroyo Grande Creek Levee Failure Emergency Response Plan in December 2008. Since that time, there have been 2 updates, the last in January 2012.

The 2012 update includes high water alert procedures for Meadow Creek Lagoon including monitoring of Meadow Creek flows so that any necessary emergency response actions can be executed in a timely manner. OES has instituted a reverse 911 system to alert residents of life threatening emergencies in the areas adjacent to the levee system.

OES assisted Public Works in refining and improving the emergency response plan in order to facilitate efficient inter-agency communication and coordination. Annual training of County staff including Public Works and OES is conducted early in the storm season to ensure staff familiarity with the Plan; the last was held on December 12, 2012, with 22 County staff in attendance. Oceano Community Services District staff were also present. South County Sanitation District staff were invited; however, were not able to attend last year's training.

- *Develop Flood Control Zones and assessment districts to finance capital projects and provide for on-going maintenance of facilities and waterways.*

Funding for the emergency flood mitigation measures implemented in 2011 and 2012 came from budget reserves of the San Luis Obispo County Flood Control and Water Conservation District. Additionally, the Flood Control District provided funds for initiating

and completing preliminary studies and engineering analyses for developing long-term flood mitigation alternatives, including the Biological Resource Assessment of the Meadow Creek Lagoon and Sand Bar Management Program.

The Flood Control District uses its general fund to identify water related issues, to determine solutions to problems, and to help local areas implement recommended solutions. As Public Works moves forward with the planning of future projects, Public Works will continue to seek community input as we did at the Oceano Community Drainage and Flood Control Meeting in April of 2011, and if necessary and applicable, will pursue development of additional appropriate flood control zones and assessment districts to finance those projects and provide for their on-going maintenance.

Since the December 2010 storm event, like the South County Sanitation District, Public Works has improved routine maintenance and emergency operations to reduce future flooding and minimize potential flood damage. The following is a summary of those efforts.

- More frequent inspection and maintenance of culverts/ditches in the area, within limitations of regulatory permits;
- More frequent operational checks on Sand Canyon Flap Gates;
- Installation of two new stream gauges in Meadow Creek at Pier Avenue and at the Sand Canyon Outlet Structure;
- Increase the elevation of Delta Street to promote storm flows into the adjacent flap gate (October 2011); and
- Reed management in Meadow Creek Lagoon (October 2012).

We agree that these measures, although prudent, can only provide temporary and minimal relief to the potential flooding associated with Meadow Creek. Therefore, in addition to this, Public Works has been working to identify more permanent, long-term flood mitigation alternatives and programs that can be feasibly implemented in the near term. The following analysis and programs are in process to support this effort:

- **Sand Canyon Outlet Structure Alternatives Analysis** will identify alternatives for improving the function of the existing culverts and flap gates to convey flood flows from Meadow Creek to Arroyo Grande Creek. This analysis is being performed by the San Luis Coastal Resource Conservation District and is expected to be completed by August 2013.
- **Sand Bar Management Program** is anticipated to facilitate the breaching of the Arroyo Grande system to breach at lower water surface elevations, so that Oceano Lagoon flood flows can drain to the Arroyo Grande lagoon sooner and more rapidly during storm events thereby reducing the frequency of flooding of adjacent homes and infrastructure. The program is being developed by ESA-Phillip Williams Associates and initial surveying and hydraulic modeling has been completed.
- **Biological Resource Assessment of Meadow Creek Lagoon** was completed by Terra Verde Environmental Consulting in October 2012, and identifies environmental constraints to be considered during the planning process.

Public Works is diligent in this effort to improve flood protection for the areas around Meadow Creek Lagoon, and we appreciate your cooperation and assistance in that effort as a partner in the Arroyo Grande Creek MOU. We will continue to provide project updates at the Zone 1/1A Advisory Committee, Oceano Advisory Group, and Oceano Community Services District meetings. We will continue to share data and technical information as it becomes available with interested parties and agencies. As we have summarized in this letter, we will continue to move forward in our current efforts to maintain and improve emergency response plans and training, as well as develop both the Sand Bar Management Program and Sand Canyon Outlet Structure Alternatives Analysis in order to identify deficiencies and implement necessary flood improvement projects. Furthermore, we will continue in these efforts in a timely and cost effective manner in order to minimize the financial burden to the residents of Oceano.

If you desire a meeting with us to discuss these efforts further, please contact Nola Engelskirger at (805) 788-2100 or nengelskirger@co.slo.ca.us, and she will coordinate a convenient time and place.

Sincerely,



PAAVO OGREN
Director

c: Supervisor Adam Hill, 3rd District
Supervisory District 4
Ron Alsop, County OES
SLOCSB Board of Directors

File: CF 420.177.01

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SDRMA'S BOARD OF DIRECTORS ELECTION BALLOT INSTRUCTIONS

Notification of nominations for four (4) seats on the Special District Risk Management Authority's (SDRMA's) Board of Directors was mailed to the membership in January 2013.

On May 7, 2013, SDRMA's Election Committee reviewed the nomination documents submitted by the candidates in accordance with SDRMA's Policy No. 2012-05 Establishing Guidelines for Director Elections. The Election Committee confirmed that seven (7) candidates met the qualification requirements and those names are included on the Official Election Resolution and Ballot.

Enclosed is the Official Election Resolution and Ballot along with a Statement of Qualifications as submitted by each candidate. Election instructions are as follows:

1. The enclosed combined Official Election Resolution and Ballot must be used to ensure the integrity of the balloting process.
2. After selecting up to four (4) candidates, your agency's governing body must approve the enclosed Official Election Resolution and Ballot. **Ballots containing more than four (4) candidate selections will be considered invalid and not counted.**
3. The signed Official Election Resolution and Ballot MUST be sealed and received **by mail or hand delivery at SDRMA's office on or before 5:00 p.m. on Tuesday, August 27, 2013 to the address below.** Faxes or electronic transmissions are NOT acceptable. A self-addressed, stamped envelope is enclosed.

Special District Risk Management Authority
Election Committee
1112 "I" Street, Suite 300
Sacramento, California 95814

5. The four-year terms for newly elected Directors will begin on January 1, 2014 and terminate on December 31, 2017.
6. Important balloting and election dates are:

August 27, 2013 - Deadline for members to return the signed Official Election Resolution and Ballot

August 29, 2013 - Ballots are opened and counted

August 30, 2013 - Election results are announced and candidates notified

September 18, 2013 - Newly elected Directors are introduced at the SDRMA Annual Breakfast to be held in Monterey at the CSDA Annual Conference

October 29-30, 2013 – Newly elected Directors are invited to attend SDRMA Board meeting (Sacramento)

January 2014 - Newly elected Directors are seated and Board officer elections are held

Please do not hesitate to call SDRMA's Chief Financial Officer Paul Frydendal at 800.537.7790 if you have any questions regarding the election and balloting process.