



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 5, 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 COMMENT ON CLOSED SESSION**
 - 3. CLOSED SESSION – PREDICTED DURATION 1 HOUR**

CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

Conference with legal counsel regarding existing litigation pursuant to paragraph (1) of subdivision (d) of section 54956.9 of the Government Code (two cases).

South San Luis Obispo County Sanitation District v. State Water Resources Control Board (Superior Court of Sacramento) Case Number 34-2012-80001209-CU-WM-GDS)

South San Luis Obispo County Sanitation District v. Special District Risk Management Authority (County of San Luis Obispo Superior Court) Case Number CV130473

CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Conference with legal counsel regarding anticipated litigation pursuant to paragraph (2) of subdivision (d) of section 54956.9 (one case).

- 4. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION**

5. 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.

6. 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.

6A. Review and Approval of Minutes of July 01, 2015

6B. Review and Approval of Minutes of July 15, 2015

6C. Review and Approval of Warrants

6D. Financial Review June 2015

7. PLANT SUPERINTENDENT'S REPORT

8. BOARD ACTION ON INDIVIDUAL ITEMS:

8A. Review and approve the continuing emergency action to repair the influent pipeline

Staff recommends that the Board review and approve continuing emergency action, in conformance with Public Contracts Code Section 22050, to repair the influent pipeline and make the following findings:

1. That the emergency action will not permit a delay resulting from a competitive solicitation for bids, and
2. That the action is necessary to respond to the emergency.

8B. Review and approve proposal from Moss, Levy & Hartzheim LLP to prepare the 2015 Audit

Staff recommends that the Board review and approve a proposal from Moss, Levy, Hartzheim, LLP (MLH), for preparation of the 2015 FYE Audit.

8C. Approve Proposal from MKN Associates for Project Management Support for the Redundancy Project

Staff recommends that the Board approves a proposal from Michael K. Nunley & Associates (MKN) to provide work plan and budget development.

9. MISCELLANEOUS ITEMS

9A. Miscellaneous Oral Communications

9B. Miscellaneous Written Communications

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 01, 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: Shannon Sweeney, District Engineer; Jenna Shoaf, Interim 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.

Julie Tacker has concerns about the search for Legal Counsel. She feels there should have been disclosure regarding the relationship between Rick Sweet and Brownstein Hyatt Farber and Schreck. She feels there is a conflict between two firms that were given RFP's. These firms represent two member agencies. This would affect their ability to represent the District.

Beatrice Spencer said that the "scrutiny" is on all agencies. Change can be accomplished but all need to work together to make it happen.

An addition to the agenda was made under Govt. Code 54954.2(b)2. This will require 2/3 vote of the Board and a finding for the need for immediate action. This need also had to come after the agenda was posted. The Influent Pipeline Replacement report is the item.

Tim Brown and Patty Welsh both gave comment asking that this item not be added to this agenda.

Superintendent John Clemons gave background on urgency of the replacement project. The plant is currently running bypass lines and this is an emergency. The 30 inch pipe that runs through the plant has leaks. The District is currently using a 12 inch pipe for the bypass. The operators are operating 24 hours a day. It is costing roughly \$1000 a week to run the plant on bypass lines.

Jim Garing of Garing Taylor and Associates was present to answer all questions. He mentioned that time is of the essence. It will take at least 3 to 5 weeks to receive the materials.

Tim Brown, Mark London and Beatrice Spencer asked about getting other quotes for materials and if the size of the pipe would accommodate population growth.

Jim Garing had spoken with John Jenks, who built the original plant, to confirm 24" pipe is the correct size for build out. The bid is from a company that Jim Garing and Shannon Sweeney have known for years and has a great reputation for quality work.

- **Action:** 3-0 vote authorizing Option 3 + financing with funds from District's Replacement Fund 26.
 - **Option 3:** Replace entire pie with 24" HDPE pipe inside the existing 30" (estimated cost: \$360,000.00)

Note: Because the Board voted to move ahead without letting the contract for public bidding, the action must be reviewed at every public meeting. Therefore, we should add this item to the agenda until the repair is completed.

3. **CONSENT AGENDA**

3A. Review and Approval of Minutes of June 17, 2015

3B. Review and Approval of Warrants

Julie Tacker asked about the Rules of Decorum being on the agenda. She believes that this was a work in progress by staff with no Board direction.

- **Action:** The Consent Agenda with the Revised Agenda and Revised Warrant Register was approved unanimously by roll call vote.

4. **PLANT SUPERINTENDENT'S REPORT**

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

5. **BOARD ACTION ON INDIVIDUAL ITEMS:**

5A. Consideration of Proposal from AGP Video Inc to Video Stream, Archive and Index SSLOCSD Board Meetings.

The Board considered a proposal from AGP Video Inc. to video stream, archive and index SSLOCSD Board meetings.

Debbie Peterson, Julie Tacker, Tim Brown, Andrea Seastrand, Patty Welsh and Beatrice Spencer all gave comment in favor of hiring AGP Video to record District meetings.

Nancy Castle from AGP video was present.

- **Action:** 3-0 vote to (1) direct Rick Sweet to execute agreement with AGP Video for video production service to stream, archive and index Board Meetings and (2) adjust the District budget by creating a new account entitled "Video Production" and authorize the transfer of \$20,000.00 from Workman's Compensation to this account.

5B. 2014 Audit 3rd Review and Request for Approval

The Board received clarification from Alex Hom of Moss Levy regarding LAIF which is a giant portfolio with many investments. He also clarified that there are no law suits the District expects to lose. These notes were not materially consequential.

Debbie Peterson distributed a handout from a comparable District that gave a good example of what depreciation should be. It also gave good account descriptions.

- **Action:** The Board approved the 2014 Audit.

5C. Wastewater Treatment Plant Replacement Schedule

Shannon Sweeney gave a report on the Replacement Schedule.

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

- **Action:** 3-0 vote to receive and file report
- **Note:** Board also directed staff to make sure that rate analysis considers pro forma from 2 years ago.
- Shannon Sweeney noted that this is not the entire list.

5D. Approval of Agreement for Recycled Water Planning Grant

Julie Tacker feels this is a water supply project. Suggests that there be a summit to talk about a regional approach to Recycled Water.

- **Action:** 3-0 vote to authorize Rick Sweet to enter into grant agreement.
- **Note:** Board commented that they thought WSC had agreed/offered to prepare grant at their own cost and directed staff to look into this.

5E. Out of Class Pay for FOG Services

Julie Tacker asked if this will affect the rate charged for the FOG service.

- **Action:** 3-0 vote to authorize stipend of up to 5% for qualified and certified staff member to perform District's environmental compliance/pre-treatment duties.

5F. Rules of Operation and Decorum for SSLOCSD Board Meetings

Julie Tacker, Tim Brown, Debbie Peterson, Andrea Seastrand, Lea Anne Aikens, Beatrice Spencer, Patty Welsh, April McLaughlin and Lynn Hill all opposed having a Decorum policy.

Lynn Hill recommends that the Board have five members.

- **Action:** 3-0 vote declining to adopt proposed Rules of Operation and Decorum.

5G. OCSD Billing Services

The Board considered interim options regarding OCSD's requested payment of billing services between July 1, 2015 and execution of a written agreement.

Tim Brown, Debbie Peterson, Julie Tacker, Beatrice Spencer, Patty Welsh all gave public comment. The option of going on County Tax role is the most popular.

- **Action:** 3-0 vote to authorize District legal counsel to begin investigation and analysis of all legally feasible options for customer billing, but to make no commitments for the interim period.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

- Director Hill commented regarding concern that Wallace Group still owns SSLOCSD website.
 - **Action:** Directed staff to investigate whether Wallace Group still owned SSLOCSD website, and if so, to take action to fix this.
 - **Note:** Staff did mention that they are currently building a new website and will shut down the current website once all information is transferred and the new website is up and running.
- Director Hill reported on conversation with RWQCB Chair regarding accusation that “certain legal professionals” have mislead District about settlement offers.

B. Miscellaneous Written Communications.

No Comments

7. PUBLIC COMMENT ON CLOSED SESSION

Director Hill asked for public comment.

Julie Tacker is worried that special legal counsel gave bad legal advice. They may be culpable in loosing settlement. Wants to see initiation of litigation against Special attorneys.

Patty Welsh said attorneys are culpable and hopes Board demands to get money back.

Beatrice Spencer would like to go after the prior Board members for the money. She asked the Board to think of the rate payers when they go into closed session.

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

District vs SDRMA

- **Action:** The Board heard a report from Interim 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 10:15p.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 July 15, 2015
6:00 P.M.

1. CALL TO ORDER AND ROLL CALL

Present: Chairman Tim Brown, City of Arroyo Grande; Director John Shoals, City of Grover Beach; Mary Lucey Guerrero, Oceano Community Services District;

District Staff in Attendance: Richard Sweet, District Manager; Jena Shoaf, Interim District Counsel; John Clemons, Plant Superintendent; Amy Simpson, District Bookkeeper/Secretary.

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Director Shoals opened the public comment period.

This is the first televised meeting of the SSLOCSD.

Julie Tacker and Jeff Edwards had Brown Act concerns regarding an incorrect date on the agenda posted to the website that was corrected. Jeff Edwards would like a full time District Manager.

Patty Welsh disagrees with the legal billing in regards to the charges for Rules of Decorum.

The Board took a five minute break to allow legal to review of Brown Act regarding posting of the agenda.

- **Action:** Section 5.54960.1 of the Brown Act has a substantial compliance safeguard. Action taken in compliance with this govt. code, does safeguard it from being nullified or found void.

3. CONSENT AGENDA

3A. Review and Approval of Minutes of July 01, 2015

- **Action:** Continued to the meeting of August 5, 2015 due to the absence of Director Guerrero and Director Hill.

3B. Review and Approval of Warrants

Director Brown pulled the legal bill of BHFS for a future discussion. He asks that time spent on Rules of Decorum will be removed from the legal bill.

Debbie Peterson would also like to see the breakdown of the legal bill. She made a comment on the minutes of July 1, 2015. She is in favor of decorum and policy. She was not in favor of a policy that can lead the District into litigation because it is in violation of the constitution.

Julie Tacker commented on Rules of Decorum and the OCSD billing. She asks legal to reconsider the legal bill.

Jeff Edwards commented on District Manager. He asks the Board to hold off on paying legal bills.

Patricia Price asks to hold back on paying legal bills.

Patty Price wants to see money spent on Redundancy and not legal fees.

Director Brown made a motion to approve the warrant register with removal of legal fees.

- **Action:** Approval of the warrants withholding legal bills from Shipsey and Seitz and BHFS until billing detail is provided. Passed by unanimous roll call vote.

4. PLANT SUPERINTENDENT'S REPORT

Plant Superintendent Clemons gave a detailed report about the spill that occurred July 03, 2015 at approximately 7pm. He commended staff on how quickly and professionally they responded.

Patty Welsh and Karen Brown commented on the Superintendents report.

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

5. BOARD ACTION ON INDIVIDUAL ITEMS:

- 5A.** Review of Emergency Action, in conformance with Public Contracts Code Section 22050, to Repair Pipeline from Headworks to Primary Clarifier; Recommendation to Approve.

Julie Tacker and Debbie Peterson gave public comment.

Action: Unanimous approval to continue emergency action based on substantial evidence that (1) that the emergency action will not permit a delay resulting from a competitive solicitation for bids, and (2) that the action is necessary to respond to the emergency findings can be made on an emergency basis.

- 5B.** Approval of Short Term Agreement with Oceano Community Services District (OCSD) for billing and collection services

Ron Holt, Julie Tacker, Jeff Edwards, Patty Welsh, and Debbie Peterson all gave public comment.

Legal Counsel requested approximately one more month to gather more options to bring back to the Board. This will be brought back at the August 19th meeting.

The Board chose not to accept the short term agreement with OCSD.

The Board directed staff to discuss options with all agency's to come up with a formula that would be equal to all agencies.

- **Action:** Roll call vote 2-0 to not enter in to short term agreement with OCSD and to continue discussion on member agency billing until August 19, 2015 Board Meeting.

Shoals – Yes

Brown – Yes

Lucey – No

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

No Comments

B. Miscellaneous Written Communications.

No Comments

7. PUBLIC COMMENT ON CLOSED SESSION

Director Shoals asked for public comment.

Jeff Edwards commented on the litigation with the SWRCB. He encourages the Board to change legal counsel retained for the District's litigation matters.

8. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

Conference with legal counsel regarding existing litigation pursuant to paragraph (1) of subdivision (d) of section 54956.9 of the Government Code (two cases).

South San Luis Obispo County Sanitation District v. State Water Resources Control Board (Superior Court of Sacramento) Case Number 34-2012-80001209-CU-WM-GDS)

South San Luis Obispo County Sanitation District v. Special District Risk Management Authority (County of San Luis Obispo Superior Court) Case Number CV130473

- **Action:** The Board heard a report from Interim 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 8:25p.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
08/05/2015 FY 2015/16

	BUDGET LINE ITEM		WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ABBA EMPLOYER SERVICES, INC.	TEMPORARY LABOR SERVICE	7/12/2015	080515-9604	6085	1,604.40	1,604.40
AMIAD WATER SYSTEMS	EQUIPMENT MAINTENANCE	7300025228	05	8030	186.47	186.47
ARAMARK	UNIFORMS	7/17/2015, 7/24/15	06	7025	549.55	549.55
ARIAS, MICHAEL	GRADE 3 CERT	REIMBURSEMENT	07	7068	300.00	300.00
AUTOSYS, INC.	PROF SERVICES	799, 806, 807	08	7079	12,149.77	12,149.77
BRENNTAG PACIFIC, INC.	PLANT CHEMICALS	BPI538647, BPI540916	09	8050	10,492.36	10,492.36
BROWN, TIM	BOARD SERVICE	JULY	10	7075	100.00	100.00
BROWNSTEIN HYATT FARBER SCHRECK	INTERIM COUNSEL	30-Jun-15	11	7071	13,376.76	13,376.76
CALIFORNIA ELECTRIC	EQUIPMENT MAINTENANCE	615254, 614135	12	8030	1,448.67	1,448.67
CALPERS	HEALTH	1796	13	6010	16,110.26	16,110.26
CARQUEST AUTO PARTS	AUTOMOTIVE	998749, 999699, 1004092	14	8032	275.39	275.39
CHARTER	INTERNET/PHONES	AUGUST	15	7013	291.43	291.43
CITY NATIONAL BANK	COGEN	DEBT PAYMENT	16	20-7096	37,398.30	37,398.30
CWEA	MEMBERSHIP	MUI, JONES	17	7050	328.00	328.00
ENGEL & GRAY, INC.	SOLIDS HANDLING	75765	18	7085	4,470.52	4,470.52
FASTENAL	SAFETY SUPPLY'S	CAS1413444	19	8056	67.82	67.82
FED EX	CHEMICAL ANALYSIS	LUBE WATCH	20	7078	51.90	51.90
FRM	PROF SERVICES	W13132	21	7079	487.50	487.50
GARING TAYLOR & ASSOC.	INFLUENT PIPELINE REPLACEMENT	13134	22	20-8015	7,108.88	7,108.88
GUERRERO, MATTHEW	BOARD SERVICE	JULY	23	7075	100.00	100.00
HILL, JIM	BOARD SERVICE	JULY	24	7075	100.00	100.00
I.I. SUPPLY	EQUIPMENT MAINTENANCE	32809, 33038	25	8030	300.03	300.03
JB DEWAR	FUEL	120888, 92350	26	8020	423.79	423.79
KNUDSON & ASSOC	PAST MANAGEMENT REVIEW	JULY	27	7090	15,719.45	15,719.45
LARA HR SERVICES	HUMAN RESOURCES	2014-005A, 2015-004	28	7079	4,180.00	4,180.00
LUCEY, MARY	BOARD SERVICE	JULY	29	7075	100.00	100.00
MADLAND TOYOTA-LIFT, INC.	REPLACEMENT	ELECTRIC CART	30	26-8065	10,897.67	10,897.67
MICHAEL NUNLEY & ASSOC., INC.	GRIT REMOVAL IMPROVEMENT	831	31	20-8015	981.25	981.25
OILFIELD ENVIR.& COMPLIANCE, INC.	CHEMICAL ANALYSIS	1502783	32	7978	45.00	45.00
PACIFIC PETROLEUM	INFLUENT PIPELINE REPLACEMENT	421660, 4217510	33	20-8015	12,910.83	12,910.83
PG&E	ELECTRICITY	JUNE 10 TO JULY10	34	7091	14,116.39	14,116.39
PRAXAIR	EQUIPMENT RENTAL	53217576	35	7032	23.84	23.84
RAIN 4 RENT	INFLUENT PIPELINE REPLACEMENT	031056518	36	20-8015	30,243.11	30,243.11
SAN LUIS POWERHOUSE	EQUIPMENT MAINTENANCE	GENERATOR TEST	37	8030	1,545.00	1,545.00
SHIPSEY & SEITZ, INC.	LEGAL COUNSEL	PREPARATION & ATTEND MTGS.	38	7071	638.00	5,135.60
		LEGAL SERVICES		7070	449.60	
		LITIGATION		7070	4,048.00	
SHOALS, JOHN	BOARD SERVICE	JULY	39	7075	200.00	200.00
SPRINT	COMMUNICATIONS	CELL PHONES	40	7014	139.73	139.73
STATE FUND	WORKERS COMP	JULY	41	6080	4,754.17	4,754.17
SWRCB CLEANUP & ABATEMENT ACCOUNT	PERMITS/FEES/LICENSES	ADMINISTRATIVE CIVIL LIABILITY	42	7068	9,000.00	9,000.00
UNDERGROUND SERVICE ALERTS	COMMUNICATIONS	ANNUAL MEMBERSHIP	43	7011	162.65	162.65
UNITED RENTALS	INFLUENT PIPELINE REPLACEMENT	129368166-001	44	20-8010	2,861.75	2,861.75
USA BLUEBOOK	EQUIPMENT MAINTENANCE	SAMPLER	45	8090	375.83	375.83
VWR	LAB SUPPLIES	MULTIPLE	46	8040	436.53	436.53
WINEMA INDUSTRIAL & SAFETY SUPPLY	STRUCTURE IMPROVEMENT	SAFETY LADDER	47	26-8065	1,662.08	1,662.08
SUB TOTAL					\$ 223,212.68	\$ 223,212.68
SO. SLO CO. SANITATION DISTRICT	PAYROLL REIMBURSEMENT	07.10.15	48		36,866.08	60,126.40
	PAYROLL REIMBURSEMENT	07.24.15			23,260.32	
SUB TOTAL					\$ 60,126.40	\$ 60,126.40
GRAND TOTAL					\$ 283,339.08	\$ 283,339.08

We hereby certify that the demands numbered serially from 080515-9604 to 080515-9648 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

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SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT MONTHLY CASH REPORT

Cash Balance at 05/31/15 \$ 5,688,703.44

Deposits	142,169.79
Warrant Register 06/03/15	(103,481.66)
Warrant Register 06/17/105	(98,029.74)
Payroll PPE 05/29/15	(26,337.87)
Payroll PPE 06/12/15	(24,894.67)
Payroll PPE 06/26/15 Partial Payment	(19,838.15)
Cal Pers Retirement	(10,548.29)
Paychex Taxes	(1,028.20)
Rabobank June Activity	(1,059.22)
Total June Activity	(143,048.01)

Cash Balance at 06/30/15 5,545,655.43

	CASH BALANCE @ 06/30/15
Cash by Institution	
Cash with County Treasury	3,088,605.98
Cash with LAIF	2,410,830.88
Cash with Rabobank	46,218.57
	\$ 5,545,655.43



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SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT FINANCIAL SUMMARY AS OF JUNE 30, 2015 FISCAL YEAR 2014-2015

UNAUDITED

	FUND 19 OPERATING	FUND 20 EXPANSION	FUND 26 REPLACEMENT	TOTAL DISTRICT-WIDE
REVENUES - YTD				
OPERATING	\$ 3,145,692.09	\$ -	\$ -	\$ 3,145,692.09
NON-OPERATING				
Connection Fees	-	157,335.00	-	157,335.00
Pismo Reimbursements	-	-	-	-
Cogen Settlement	-	50,000.00	-	50,000.00
Brine Disposal	246,842.22	-	-	246,842.22
Lease (At&t)	28,145.27	-	-	28,145.27
Interest	9,161.31	5,880.47	-	15,041.78
WDR Reimbursement	-	-	-	-
FOG Reimbursement	4,854.23	-	-	4,854.23
Other Sales	7,388.39	-	-	7,388.39
Transfers	(150,440.00)	(160,500.00)	310,940.00	-
TOTAL NON-OPERATING	145,951.42	52,715.47	310,940.00	509,606.89
TOTAL REVENUES	3,291,643.51	52,715.47	310,940.00	3,655,298.98
EXPENSES - YTD				
YEAR TO DATE EXPENSES	2,232,692.09	89,078.97	261,546.62	2,583,317.68
COGEN DEBT PAYMENTS	-	74,796.60	-	74,796.60
TOTAL EXPENSES	2,232,692.09	163,875.57	261,546.62	2,658,114.28
NET INCOME (LOSS) - YTD	\$ 1,058,951.42	\$ (111,160.10)	\$ 49,393.38	\$ 997,184.70

	FY 2014/2015 NUMBER	FY 2014/2015 REVENUE
NEW CONNECTIONS		
Arroyo Grande	30.00	\$ 102,885.00
Grover Beach	19.00	47,025.00
Oceano	3.00	7,425.00
TOTAL NEW DISTRICT CONNECTIONS	52.00	\$ 157,335.00

SSLOCSD**Cash Reconciliations****06.30.15**

per GL		
19-1010	Cash in County Treasury	1,348,967.10
19-1025	Medical Reimb Trust	1,472.38
19-1016	Rabobank	46,218.57
Total Fund 19		1,396,658.05
20-1010	Cash in County Treasury	1,678,706.67
20-1015	LAIF	2,410,830.88
Total Fund 20		4,089,537.55
26-1010	Cash in County Treasury	59,459.83
Total Fund 26		59,459.83
Total		5,545,655.43

COUNTY CASH RECONCILIATION		
19-1010	Cash in County Treasury	1,348,967.10
19-1025	Medical Reimb Trust	1,472.38
20-1010	Cash in County Treasury	1,678,706.67
26-1010	Cash in County Treasury	59,459.83
		3,088,605.98

Per County STMT	3,088,605.98
S/B ZERO	-

LAIF RECONCILIATION		
20-1015	LAIF	2,410,830.88
per LAIF STMT		2,410,830.88
S/B ZERO		-

RABOBANK RECONCILIATION		
19-1016	Rabobank	46,218.57
PER BANK STMT		46,218.57
S/B ZERO		-

Total Cash in Bank 5,545,655.43
-



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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

Date: July 31, 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**

July 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	2.17	3.59	408	34.78	524	56.3	21	308	91.3
High	2.60	5.30	465	50.00	1100	65.5	79	583	
Limit	5.0			40/60/90		40/60/90	2000		80
CY 2014 Monthly									
Average	2.35	3.8	392	26	406	31	87	160	93.4
High	2.70	4.8	444	34	470	39	1600	500	

- * = Plant data through June 26th.

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

Operations

Plant processes continue to operate within permit limits, with the exception of total suspended solids. High TSS values have resulted in an exceedance of permit limits for the month of July. The Regional Waterboard representative has been notified. This is our second violation in a 180 day period. Staff has implemented the troubleshooting process, eliminating possible causes one at a time. TSS values had begun to return to normal during the middle of the month, but they increased again towards the end of the month. During the troubleshooting process staff has resolved sludge aggregation issues in

various tanks, fouled chlorine sensor issues and valve sealing issues. Will continue to monitor and make appropriate adjustments.

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.
- 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.
- Staff has begun video recording standard procedures with Digital Mentor Inc.(DMI). DMI has also begun converting equipment O&Ms to digital format for usage by operations staff.
- Staff is currently developing SCADA screens and working with AutoSys Inc. and Rockwell Automation representatives to fully implement the SCADA System.
- Replacement of sewage pipeline between headworks and splitter box.

Best regards,

John Clemons
Superintendent



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SANITATION DISTRICT
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Staff Report

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: August 5, 2015

Subject: REVIEW OF EMERGENCY ACTION TO REPAIR INFLUENT PIPELINE

RECOMMENDATION

That the Board review and approve continuing emergency action, in conformance with Public Contracts Code Section 22050, to repair the influent pipeline and make the following findings:

1. That the emergency action will not permit a delay resulting from a competitive solicitation for bids, and
2. That the action is necessary to respond to the emergency.

BACKGROUND

On June 26, 2015 a leak was discovered in the influent pipeline (pipeline from headworks to primary clarifier). The pipeline was evaluated by a specialist and it was determined that years of use had caused the pipeline to be so fragile that replacement is recommended. The pipeline has been bypassed utilizing a temporary piping and lift system.

At the July 1, 2015 Board meeting the Board unanimously declared an emergency in conformance with Public Contracts Code Section 22050 and authorized the District to expend up to \$340,000 to repair or replace the influent pipeline. A copy of the July 1, 2015 staff report is attached.

On July 15, 2015, the Board made the necessary findings and approved the continuing emergency action.

Due to the pipeline failure two significant operational issues have arisen.

1. The plant experienced a Total Suspended Solids (TSS) weekly average slightly in excess of the permit. The weekly average for the first week in July was 61.4 mg/l and the permitted weekly average is 60 mg/l.
2. On July 3rd a failure in the pipeline bypass system created a situation where approximately 2,000 total gallons of sewage spilled out of several manholes in Oceano. A subsequent improvement to the bypass pumping system will significantly reduce the possibility of this failure reoccurring.

These two issues clearly illustrate the critical need to aggressively pursue replacement of the pipeline.

Replacement pipe has been delivered to the plant. The cost of the replacement pipe was approximately \$15,000. Valves and fittings have been ordered and are anticipated to arrive the week of August 3rd. The cost of the valves and fittings are approximately \$100,000. The bypass pipe rental and installation is \$30,000 to date with an anticipated monthly rental value of \$15,000. As the project progresses an additional bypass line will be required. It appears that the \$340,000 approved by the Board for repair of the influent line will be sufficient.

DISCUSSION

Public Works Contract Code Section 22050 (a)(1) states:

“In the case of an emergency, a public agency, pursuant to a four-fifths vote of its governing body, may repair or replace a public facility, take any directly related immediate action required by that emergency, procure necessary equipment, services, and supplies for those purposes, without giving notice to bids to let contracts.”

While the District prefers to retain public works services utilizing the public works bidding procedures, the preparation of biddable plans and specifications, and following the public works bidding process would add approximately four to six months to the process the District is undertaking to replace the influent pipe. Given the clear evidence, it is imperative that the replacement of the influent pipe proceed with the greatest possible haste.

Public Works Contract Code Section 22050 (c) (1) states:

“If the governing body orders any action specified in subdivision (a), the governing body shall review the emergency action at its next regularly scheduled meeting and, except as specified below, at every regularly scheduled meeting thereafter until the action is terminated, to determine, by a four-fifths vote, that there is need to continue the action. If the governing body meets weekly, it may review the emergency action in accordance with this paragraph every 14 days.”

Given the code requirement above and the continuing emergency at the plant requiring the replacement of the influent pipeline, the Board is required to review and approve the

emergency action. In conformance with this code section, this item will appear on each Board agenda until replacement of the pipeline is completed.

Options

1. Decline to continue to review and approve the emergency action to replace the influent pipeline. This will cause repair of the pipe to be delayed four to1 KO0-P[]123459-0[] six months and threaten continued compliant plant operations.

Richard G. Sweet, PE
District Manager

Attachment: Influent Pipeline Replacement Staff Report dated July 1, 2015



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<http://sslocsd.org/>

Staff Report

To: Board of Directors

From: John Clemons, Plant Superintendent

Via: Rick Sweet, *General Manager*

Date: July 1, 2015

Subject: Influent Pipeline Replacement

RECOMMENDATION:

Staff recommends the Board authorize funding for replacement of the existing influent pipeline between the headworks and the splitter box. This would also in
Space

BACKGROUND:

During preparation for installation of a grit removal system Staff made the decision to inspect a section of the 30" welded steel pipeline in which the grit removal equipment would be connected to. While excavating around the pipeline Staff discovered two holes in the pipe. Staff called in a contractor (FRM) to repair the holes. The contractor inspected the pipe and informed Staff that the pipe was fragile at several points along the exposed length. He also noted that the pipe wall was extremely thin at the location of the holes. The contractor attempted to temporarily plug the holes with rubber stoppers, the metal pie walls around the holes were too fragile and simply collapsed as the rubber was applied. During the repair attempt another hole was formed which created a third leak. At that point the Superintendent made the decision to cease all work on this pipeline until Staff could review all options. We also decided to install a temporary bypass line so that the ruptured line could be taken out of service.

The contractor, who had worked at this WWTP in the 1990s, recalled that a section of this same pipeline needed repair "20 years ago". Some work had been performed at that time. Two of our current staff members (Trini R., Jim W) also recall this pipeline requiring repair 15-20 years ago.

The influent is currently being routed through temporary 12” aluminum pipe from the well (just prior to the headworks screening process), directly to the primary clarifiers. Portable 5mgd emergency pumps are being used to pump the wastewater influent.

DISCUSSION:

Staff called in District Civil Engineer Garing, Taylor, and Associates to further assess the condition of the pipe and present options. Given the history of repair to this pipeline, the current failures of the pipe, and critical nature of the pipe within the Plant processes framework, it is recommended that this entire pipeline be replaced immediately.

GTA collaborated with Baker Construction to formulate replacement options and associated cost estimates (Please see Attachment A).

- **Option 1** is a full replacement of the 30” line with a 30” PVC material. This would involve digging up and removing old pipe or burying a new pipeline parallel to the existing one. Pipe materials are “3 to 5” weeks out”.
Estimated cost is \$340,000.
- **Option 2** is to replace entire pie with 24” HDPE pipe. This also would involve digging trench to install new pipe. Pipe material are “6 to 8 weeks out”. **Estimated cost is \$325,000**
- **Option 3** is to install to install a 24” HDPE pipe inside the existing 30” pipe. This option would not involve digging a new trench or disposal of the old pipe. The pipe material can be shipped by July 10.
Estimated cost is \$240,000

In all options the fittings and valve are 3 to 5 weeks out.

The reason that 24” replacement is being considered is that the smaller pipe diameter would increase flow velocity through this section of pipe. The increased velocity would provide the necessary force to transport the solids (mainly grit) to the grit removal system. 24” diameter pipe is sufficient to accommodate flows of up to 10mgd using the influent pumps that we have in place.

If the Board chooses to proceed with the replacement of the pipeline **Staff recommends the selection of option 3** for the following reasons: Timely acquisition of pipe materials. We are currently in the midst of high volume tourism. Current groundwater levels favor this project being performed immediately. It is advisable to try and complete this project before the wet weather season begins; Option 3 is the least costly option; Option 3 would be the least disruptive to current Plant operations because it requires very little digging.

FUNDING:

Funding could come from Expansion Fund 20. As of May 31, 2015 balance in Fund 20 was \$4,103,822. Fund 20 was created “to provide for major expenses in order to increase plant capacity or new equipment as required”.

Funding could come from Replacement Fund 26. As of May 31, 2015, Fund 26 had a balance of \$78,528.



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www.sslocsd.org

Staff Report

To: Board of Directors
From: Richard Sweet, PE, District Manager
Date: August 5, 2015

Subject: **APPROVAL OF PROPOSAL FOR PREPARATION OF 2015 FYE
AUDIT**

RECOMMENDATION:

That the Board review and approve a proposal from Moss, Levy, Hatzheim, LLP (MLH), attached, for preparation of the 2015 FYE Audit.

BACKGROUND

MLH has performed the District audit for the prior four years. The Board approved the 2014 Audit, prepared by MLH, on July 1, 2015.

DISCUSSION:

MLH has prepared a proposal, copy attached, to prepare the 2015 Audit. As stated in the proposal, "the objective of our audit is the expression of options as to whether your financial statements are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information..."

The proposal notes that two items will not be audited.

1. Management Discussion and Analysis

This is a presentation by the District of general financial standing, noted improvements and concerns. The discussion is based on the information generated in the audit and therefore is not audited by MLH.

2. Net Pension Liability

CalPers develops the value of net pension liability. The value is included within the audit report but the value presented by CalPers is not audited by MLH.

The Board has established a policy that no accounting firm shall prepare the audit for more than five consecutive years. The 2015 audit would represent the fifth consecutive year that MLH has performed the audit. In conformance with Board policy, the District would issue a Request for Proposals to engage a different accounting firm to prepare the 2016 audit.

Fiscal Consideration

The fee proposed by MLH for preparation of the 2015 audit is \$6045. This is the same fee that was charged for preparation of the 2014 audit. This fee is reflected in the present budget.

Richard G. Sweet, PE
District Manager

Attachment: Proposal from MLH for Preparation of the 2015 Audit



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
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July 10, 2015

South San Luis Obispo County Sanitation District
1600 Aloha
Oceano, California 93445

We are pleased to confirm our understanding of the services we are to provide South San Luis Obispo County Sanitation District for the fiscal year ended June 30, 2015. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of South San Luis Obispo County Sanitation District as of and for the fiscal year ended June 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement South San Luis Obispo County Sanitation District's 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. As part of our engagement, we will apply certain limited procedures to South San Luis Obispo County Sanitation District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Net Pension Liability

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of South San Luis Obispo County Sanitation District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of South San Luis Obispo County Sanitation District's financial statements. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

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

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that South San Luis Obispo County Sanitation District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with

governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of South San Luis Obispo County Sanitation District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of South San Luis Obispo County Sanitation District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior

management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Moss, Levy and Hartzheim LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Moss, Levy and Hartzheim personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.


The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately August 1, 2015 and to issue our reports no later than December 15, 2015. Ronald A. Levy is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$6,255. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to South San Luis Obispo County Sanitation District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Ronald A. Levy

Moss, Levy and Hartzheim LLP

RESPONSE:

This letter correctly sets forth the understanding of South San Luis Obispo County Sanitation District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____



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Staff Report

To: Board of Directors

From: Richard Sweet, PE, District Manager

Date: August 5, 2015

Subject: **REDUNDANCY PROJECT; PROPOSAL FROM MICHAEL K. NUNLEY & ASSOCIATES (MKN) TO PROVIDE WORK PLAN AND BUDGET DEVELOPMENT**

RECOMMENDATION

That the Board approves a proposal, copy attached, from Michael K. Nunley & Associates (MKN) to provide a work plan and budget development for the redundancy project.

BACKGROUND

On February 18, 2015 the Board received a report from Kennedy/Jenks Consultants that described the Redundancy Project. The report detailed a plan that would provide plant redundancy in compliance with Environmental Protection Agency (EPA) requirements to provide redundant plant operations. The plant upgrades also anticipate stricter discharge requirement being issued by the Regional Water Quality Control Board in an upcoming new permit. The proposal underwent a peer review by John Carollo Engineers in 2010.

The report concluded that the best alternative for the District would be to construct a new aeration tank and a new secondary clarifier. The new aeration tank would introduce a new treatment process to the plant referred to as activated sludge. The construction of the aeration tank in conjunction with a new secondary clarifier would meet both redundancy requirements and reduce the plant discharge from 40 mg/l Biological Oxygen Demand (BOD) and 40 mg/l Suspended Solids (SS) to 30 mg/l BOD and 30 mg/l SS.

On Friday, March 27, 2015 Board staff met with Regional Water Quality Control Board (RWQCB) staff to discuss conditions of a new discharge permit for the District's plant. RWQCB staff confirmed that they would be crafting the District's new discharge permit to lower our requirements to 30 mg/l for both SS and BOD. The RWQCB staff agreed to place timing in the permit to allow the District to construct the plant improvement in a

timely manner. To aid in the preparation of the permit the RWQCB staff requested an implementation timeline from the District.

The estimated project costs provided by Kennedy/Jenks Consultants were \$12,061,000 with an annual projected increase in operating costs of \$363,000. The report failed to identify costs of design, permitting and construction management.

To fund the redundancy project the District will require financing. The best opportunity for financing is the State Revolving Fund (SRF). The SRF provides financing for water related projects at approximately one-half the standard financing rates.

To retire the debt the District will need to seek a rate increase. The District last took action to increase rates in 2006 resulting in the last rate increase occurring in 2010. A rate increase will be subject to the provisions of Proposition 218. This requires notification of all customers and a protest vote. If a majority of ratepayers file a protest to the rate increase implementation of the rate increase will be prohibited. The District has the lowest rates of any jurisdiction in San Luis Obispo and Santa Barbara Counties.

Bartles Wells has been engaged to define financing options and potential rate increases in support of the Redundancy Project and increased operating costs. Final preparation of the results of the Bartles Wells study awaits the final estimates.

DISCUSSION

With limited internal resources the District is struggling to assemble a comprehensive project budget and timeline that includes design, construction, permitting, and construction management. The District approached MKN to provide the District support to develop a schedule, comprehensive project budget and a preliminary analysis of CEQA and permitting requirements. MKN is a local firm that specializes in wastewater and water projects. MKN is presently providing the District design support services for the grit removal system that the District is engaged in implementing. MKN is uniquely situated to provide the District with extensive knowledge in the area of wastewater processes, knowledge of the District plant and local availability. The fee presented in the proposal is \$5,000. Professional services provided at that level of cost do not require the District to engage in a competitive process to retain professional services.

Options

1. Decline to engage MKN and direct that District staff perform these services.

Richard G. Sweet, PE
District Manager

Attachments: Proposal from MKN

July 24, 2015

Rick Sweet, PE
General Manager
South San Luis Obispo County
Sanitation District
1600 Aloha Place
Oceano CA 93445

RE: Proposal for Work Plan and Budget Development – SSLOCSD Redundancy Project

Dear Rick,

Thank you for requesting a proposal from Michael K. Nunley & Associates, Inc. (MKN) to provide project management and engineering support to the South San Luis Obispo County Sanitation District ("District"). We appreciate the opportunity to work with you and your staff.

We understand the District has developed a long-term strategy for upgrading the existing wastewater treatment facility to meet capacity and redundancy concerns. The planning and preliminary design process for this work began in 2005. While the final design has not been performed, the preliminary studies have mainly focused on addition of an activated sludge process with one or more new secondary clarifiers.

The following studies were commissioned by the District to develop and refine the project:

- Long-Range Plan - Wastewater Treatment Plant Improvements (2005, Kennedy/Jenks Consultants)
- Long-Range Plan - Activated Sludge System Preliminary Design Report (2008, Kennedy/Jenks Consultants)
- Preliminary Design Report Peer Review (2010, Carollo Engineers)
- Upgrading Existing Wastewater Treatment Plant Documentation Review and Update Probable Cost (2015, Kennedy/Jenks Consultants)

Various process and project alternatives have been explored in these studies and the District Board is prepared to begin developing and implementing a work plan for the project. District staff has requested that MKN submit a proposal to develop a work plan and schedule, identify necessary studies and permits, and assemble a complete project cost opinion from the preceding reports for use in the District's rate study. Our project team includes John F. Rickenbach Consulting (JFR), whose principal John Rickenbach, AICP, has experience with coastal wastewater facility planning and permitting.

MKN has prepared the following scope of work based on discussions with District staff:

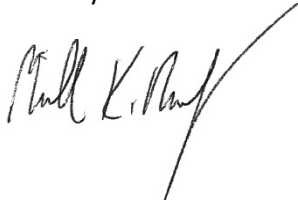
SCOPE OF WORK

- Attend a kickoff meeting with District staff to discuss project history
- Review the prior studies and assemble a budget for construction of the proposed improvements

- Review prior estimates for other project costs (including administration, engineering, permitting, overhead, general conditions, and contingencies) and provide a recommended budget for these additional project costs
- Develop a recommended project budget. It is assumed escalation factors will be provided by the rate consultant and all costs will be based on current dollars.
- Identify risks that could affect project schedule and budget
- Based on experience with similar projects, identify the likely permits or approvals that may be required for the project (it is assumed this list will be verified during the California Environmental Quality Act (CEQA) compliance process)
- Develop a preliminary project schedule that identifies the major tasks and milestones for planning, design, permitting, bidding, construction, and startup of the plant improvements.
- Prepare a draft Technical Memorandum 1 – Project Budget and Schedule for review by District staff
- Meet with staff to review comments on the draft Memorandum
- Prepare a final Technical Memorandum

In order to perform these services, MKN is requesting a budget of \$5,000 that will not be exceeded unless additional authorization is granted in writing. The work will be invoiced monthly on a time and materials basis. The draft Memorandum will be submitted within 3 weeks of Notice to Proceed.

Sincerely



Michael K. Nunley, PE
Principal

Fee Schedule – MKN