



# **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

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## **BOARD OF DIRECTORS MEETING**

City of Arroyo Grande, City Council Chambers

215 East Branch Street

Arroyo Grande, California 93420

**Wednesday, September 2, 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

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

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

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

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

Please adhere to the following procedures when addressing the Board:

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

Any writing or document pertaining to an open-session item on this agenda which is distributed to a majority of the Board after the posting of this agenda will be available for public inspection at the time the subject writing or document is distributed. The writing or document will be available for public review in the offices of the Oceano CSD, a member agency located at 1655 Front Street, Oceano, California. Consistent with the Americans with Disabilities Act (ADA) and California Government Code §54954.2, requests for disability related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires modification or accommodation in order to participate at the above referenced public meeting by contacting the District Manager or Bookkeeper/Secretary at (805) 481-6903.

**3. CONSENT AGENDA**

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

**3A. Review and Approval of Minutes of Meeting of August 19, 2015**

**3B. Review and Approval of Warrants**

**4. PLANT SUPERINTENDENT'S REPORT**

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

**5A. 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.

**5B. Report of Estimated Costs and Project Schedule for the Redundancy Project by MKN Associates**

Staff recommends approval of report by MKN Associates

**5C. Status Report and Request for Additional Resources by Carl Knudsen Associates for Review of Past Management Practices**

This item was continued from the Board Meeting of August 19, 2015. Recommendation that the Board consider a request from Carl Knudson Associates for additional resources for "Review of Past Management Practices"

**5D. Appointment of Acting General Manager**

This is a proposal to appoint the present Plant Superintendent, John Clemons, to the position of Acting General Manager at a pay increase commensurate with this proposal. There is no staff report for this item.

**5E. Consideration of Preparation of RFP for District Manager's Position**

This item was continued from the Board meeting of August 19, 2015. Staff recommends that the Board (1) discuss the District's approach to filling the General Manager position, (2) direct staff to prepare an RFP for immediate release, (3) identify potential interim General Managers, and (4) take whatever

**other appropriate actions necessary to ensure that the General Manager position is timely filled.**

**5F. Consideration of Options and Agreement with Oceano Community Services District (OCSD) for Provision of Billing Services**

**Staff recommends review of billing options approval of an agreement with OCSD for billing services.**

**6. MISCELLANEOUS ITEMS**

**6A. Miscellaneous Oral Communications**

**6B. Miscellaneous Written Communications**

- 1. Retraction of BHFS Proposal for District Legal Services**
- 2. No Paid Property/Liability Claims in 2014-15 (Letter from SDRMA)**
- 3. 2015-2016 District Budget Recommendation (Letter from County Principal Auditor –Analyst)**

**7. PUBLIC COMMENT ON CLOSED SESSION**

**8. CLOSED SESSION**

- 1. CONFERENCE WITH LEGAL COUNSEL PURSUANT TO GOVT. CODE §54956.9(d) (2):**

Potential Exposure to Litigation: 1 Case.

**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 August 19, 2015  
6:00 P.M.

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

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

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

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

Chairman Hill opened the public comment period.

Tim Brown wished Director Shoals a happy birthday. Patty Welsh and Julie Tacker would like notice of who will represent OCSD at the Board of Director meetings. Julie Tacker has concerns over El Nino's potential and wants to know if there is a game plan for dealing with the amount of potential water. April Mc Laughlin asked if it was a unanimous vote of the Board to accept the District Managers resignation.

Chairman Hill announced that it was a unanimous vote to accept the District Managers resignation.

**3. CONSENT AGENDA**

Julie Tacker and Beatrice Spencer commented on the BHFS legal bill. Beatrice Spenser suggests the District get bids from uniform suppliers.

Chairman Hill requests staff to reconsider when legal counsel should be involved.

**3A. Review and Approval of Minutes of July 15, 2015**

**3B. Review and Approval of Warrants**

- **Action:** Approval of the Consent Agenda unanimously by roll call vote.

**4. PLANT SUPERINTENDENT'S REPORT**

Tim Brown expressed appreciation and hopes SCADA moves along quickly. Patty Price has questions about redundancy project and asked if the District is prepared to deal with water and flooding.

Chairman Hill reported that Mike K. Nunley and Associates are working on the Redundancy Project and will cost estimates soon.

Plant Superintendent Clemons reported that the plant is ready for potential storm water. Pumps have been replaced. All pumps are three years old or newer. And he noted the electrical wiring has also been replaced.

- **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.**

- **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. Status Report and Request for Additional Resources by Carl Knudsen Associates for Review of Past Management Practices**

Carl Knudson was in attendance and answered all questions. He will be interviewing John Wallace in September and has already completed 22 interviews. He would still like to interview Tony Ferrara and Bill Nicolls. He is starting to write the final report and putting exhibits together and is in hope of having the report completed in mid-October.

Tim Brown, Patty Welsh, and Ron Holt all have concerns with the CONFIDENTIAL watermark being on a document in the Board Pack. Tim Brown, Patty Welsh, Debbie Peterson, and Julie Tacker would like the Board to authorize the expense.

Alternate Mary Lucey would like to table this item till the next meeting. She has confidentiality concerns. She is supportive of reviewing closer and asking staff more questions.

Chairman Hill is in support of the item as presented.

District Manager Sweet reported that Knudson was aware that this was a public document and attached to the staff report in compliance with his wish for consideration of additional hours. It is not a preliminary report. It was served to be a status report as per the Boards request.

Chairman Hill made a motion to approve continuation of Review of Past Management Practices by Mr. Knudson and authorize the additional funding of \$22,500 as recommended to continue the investigation.

This motion was not seconded.

Alternate Nicolls made a motion to postpone this item to a time when the three Board Members are together to make this decision. This will be continued at the meeting of September 2, 2015. This motion was seconded by Alternate Lucey.

- **Action:** Continued to the meeting of September 02, 2015 by roll call vote 1-2.

Roll Call Vote

Nicolls- Yes

Lucey- Yes

Hill- No

### **5C. Options for District Billing**

Chairman Hill asked for clarification. These are the answers District Manager Rick Sweet gave.

- The size of the database is believed to be between 2,200 and 2,400.
- Achievement House was not contacted as a potential biller.
- The approximate monthly billing is \$14.86 per Residence

Beatrice Spencer, Tim Brown and Julie Tacker are in favor of using the County Tax Roll. Karen White is not in favor of putting the billing on County Tax Roll. Linda Austen stated that the war amongst the agencies is hurting the people of OCSD. She and Tim Brown would like the Board to take the offer from OCSD and work it out over the next few months. Patty Welsh suggested the Board wait until the Directors were all present to take action.

District Manager Sweet reported that the decision to proceed with OCSD would be a decision of the OCSD Board. The General Manager of OCSD said that there would be some additional minor costs associated with putting the back billing on the next bill.

Motion by Chairman Hill for the District to entertain offer from OCSD to include missed and current billing on 1 bill as was offered, and also to include collecting for New Hook Ups as was discussed, as a temporary measure while the 3 Finance Directors are given time to meet and hopefully come up with an agreeable proposal. Whatever the results from that discussion and potential agreement would be memorialized with a written agreement between the District and the various member agencies.

District Manager Sweet noted that the County will need the information by April if the District chooses to go in this direction.

**Action:** Approved unanimously by roll call vote.

### **5D. Consideration of Preparation of RFP for District Manager's Position**

Chairman Hill suggests

- Board look at a job description
- Determine time needed to do the job
- Determine how to advertise and solicit resumes.

District Manager Sweet recommends

- Human Resources to write a job description
- Look at options for recruitment plan
- Determine if the job description should be a full time position.

Superintendent Clemons spoke of Paul Karp's experience as District Manager and feels that the District does not need a full time District Manager. He recommends looking at the record over the past two years and you will see the District has done better without a full time District Manager.

He does not feel the District should change a structure that has been successful over the past two years.

District Manager Sweet does not believe that Mr. Karp feels the current issues facing the Board could be handled in 6 hours a week. There was a time when the meetings lasted less than an hour on a continuous basis. That was a considerably different situation than we have today.

Alternate Lucey welcomes starting with a part time District Manager and moving to a full time position as work demand increases.

Ron Holt and Petty Welsh gave public comment. Debbie Peterson and Julie Tacker recommend going to the staff and asking what they recommend and using internal staff as an interim option.

Chairman Hill asked for staff's assistance in determining various outlets such as CSDA and League of Cities, where the posting of the position for both interim and permanent District Manager should be published.

Chairman Hill made a motion to continue to next meeting.

**Action:** Approved unanimously by roll call vote to continue to the next meeting on September 2, 2015.

#### **5E. Consideration of Revisions to Vacation Policy**

Alicia Lara, Lara HR Services, gave a brief explanation of the Vacation Policy and answered all questions.

Patty Welsh and Beatrice Spencer gave public comment.

Alternate Lucey feels the language of the policy is weak. She felt it was missing language protecting employees from taking six to eight week vacations.

Alternate Nicolls made a motion to accept staff's recommendation.

**Action:** Approved 2-0 with 1 abstention to revise Vacation Policy to increase vacation accrual limit from 180 hours to 240 hours and align existing employees' vacation time with accrual limits as well as to approve Resolution 2015-330 as presented to the Board of Directors at the meeting of August 19, 2015.

#### **Roll Call Vote**

Lucey-	Abstain
Nicolls-	Yes
Hill-	Yes

### **6. MISCELLANEOUS ITEMS**

#### **A. Miscellaneous Oral Communications**

Jenna Shoaf, Interim legal Counsel will not be present at the September 2, 2015 meeting but will have representation from the law firm.

#### **B. Miscellaneous Written Communications.**

No Public Comment

**7. PUBLIC COMMENT ON CLOSED SESSION**

**8. 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*

**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).

**9. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION**

The Board met and did heard a report from interim legal counsel but took no reportable action.

**10. ADJOURNMENT**

There being no further business to come before the Board, Director Hill adjourned the meeting at approximately 9:15p.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  
WARRANT REGISTER  
09/02/2015 FY 2015/16

	BUDGET LINE ITEM		WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ABBA EMPLOYER SERVICES, INC	TEMPORARY LABOR	PPE 8.16.15 PPE 8.23.15	0902-9687	6085	2,092.80	2,092.80
ALLSTAR INDUSTRIAL	EQUIPMENT MAINTENANCE	1476	88	8030	384.31	384.31
ARAMARK	UNIFORMS	8.21.15 8.28.15	89	7025	621.37	621.37
ARIAS, MICHAEL	MEMBERSHIPS/TRAININGS/SEMINARS	CALOSHA & HAACH	90	7050	24.00	24.00
AT&T	COMMUNICATIONS	TELEPHONE	91	7013	261.52	261.52
AUTOSYS, INC	SCADA	612	92	20-8010	6,754.43	6,754.43
CAL-COAST REFRIGERATION	EQUIPMENT MAINTENANCE	158724 15368	93	8030	1,137.37	1,137.37
CALPERS	EMPLOYEE HEALTH	SEPTEMBER	94	6010	15,810.93	15,810.93
CARR'S BOOTS	UNIFORMS	CLEMONS, DE LEON	95	7025	247.27	247.27
CHARTER	COMMUNICATIONS	SEPTEMBER	96	7013	293.29	293.29
CLEMONS, JOHN	MEMBERSHIPS/TRAININGS/SEMINARS	CSDA	97	7050	133.00	133.00
DOWNEY BRAND	LEGAL	485226	98	7070	1,136.43	1,136.43
EPPENDORF	LAB SUPPLIES	4009091198	99	8040	376.80	376.80
FASTENAL	SAFETY SUPPLIES	CAS1413745	9700	8056	113.04	113.04
GORDON SAND	SOLIDS HANDLING	9810642398	01	7085	1,069.30	1,069.30
HILL, JIM	BOARD SERVICE	AUGUST	02	7075	200.00	200.00
I.I. SUPPLY	SAFETY SUPPLIES	33746	03	8056	9.51	9.51
	EQUIPMENT MAINTENANCE	33830, 33855, 33856	04	8030	440.17	440.17
JB DEWAR	FUEL	94787	05	8020	160.54	160.54
LUCEY, MARY	BOARD SERVICE	AUGUST	06	7075	200.00	200.00
MCMMASTER CARR	EQUIPMENT MAINTENANCE	36726170	07	8030	135.70	135.70
NICOLLS, BARBARA	BOARD SERVICE	AUGUST	08	7075	200.00	200.00
MUI, FANNY	MEMBERSHIPS/TRAININGS/SEMINARS	CWEA NRTC	09	7050	105.00	105.00
OEC	CHEMICAL ANALYSIS	1503004, 1503202	10	7078	175.00	175.00
PG&E	ELECTRIC	JULY	11	7091	15,684.64	15,684.64
PRAXAIR	EQUIPMENT RENTAL	53497310	12	7032	29.42	29.42
RAIN FOR RENT	EMERGENCY PROJECT	031056954	13	26-8070	21,133.93	21,133.93
R. BAKER	INFLUENT PIPELINE REPLACEMENT	T&M		26-8070	34,362.41	
		PO 2015-733		26-8070	16,975.86	
		PO 2015-739		26-8070	23,844.78	
		PO 2015-740	14	26-8070	135,768.10	210,951.15
ROMHILD, WILLIAM	MEMBERSHIPS/TRAININGS/SEMINARS	WASTEWATER TRAINING	15	7050	185.00	185.00
SAFETY KLEEN	CHEMICAL ANALYSIS	67659017, OC587692	16	7078	35.87	35.87
SM TIRE	AUTOMOTIVE	585641	17	8032	1,220.19	1,220.19
SWEET, RICHARD	DISTRICT ADMINISTRATIVE	JUNE 19-AUGUST 28	18	7076	10,000.00	10,000.00
TELEDYNE INSTRUMENTS, INC	LAB SUPPLIES	SAMPLER, S0200292748	19	8040	6,305.95	6,305.95
TOM'S MOBILE REPAIR SERVICE, INC.	EQUIPMENT MAINTENANCE	2082	20	8030	451.88	451.88
UNITED RENTALS	GRIT REMOVAL PROJECT	EQUIPMENT RENTAL	21	26-8065	2,849.94	2,849.94
VWR	LAB SUPPLIES		22	8040	612.60	612.60
WATER SPECIALTY CONSULTING	REGULATORY LIASON				320.00	
	CAPITAL REPLACEMENT			20-8010	160.00	
	ZONE1/1A			7095	320.00	
	DISTRICT ADMINISTRATIVE			7076	1,360.00	
	WATER RECYCLING STUDY			20-	640.00	
	TRUNK LINE MAIN		23	26-8015	640.00	3,440.00
WINEMA INDUSTRIAL SUPPLY	SAFETY SUPPLIES	128	24	8056	1,526.50	1,526.50
WSC, INC.	WATER RECYCLING STUDY	REIMBURSABLE	25		7,597.25	7,597.25
<b>SUB TOTAL</b>					<b>\$ 311,628.99</b>	<b>\$ 311,628.99</b>
RABOBANK REIMBURSE						
SO. SLO CO. SANITATION DISTRICT	PAYROLL REIMBURSEMENT	08.21.15	26		25,976.98	44,066.30
	VACATION PAYOUTS PER RESO 2015-330				18,089.32	
<b>SUB TOTAL</b>					<b>\$ 44,066.30</b>	<b>\$ 44,066.30</b>
<b>GRAND TOTAL</b>					<b>\$ 355,695.29</b>	<b>\$ 355,695.29</b>

We hereby certify that the demands numbered serially from 090215-9687 to 090215-9726 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

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

\_\_\_\_\_  
Chairman\_\_\_\_\_  
Board Member\_\_\_\_\_  
Board Member\_\_\_\_\_  
Secretary



## SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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

Date: August 28, 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**

August 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	2.13	3.39	413	29.0	393	41.5	9	202	93.31
High	2.28	4.10	454	40.2	430	55.8	49	458	
Limit	5.0			40/60/90		40/60/90	2000		80
CY 2014 Monthly									
Average	2.35	3.8	392	26	430	31	87	188	93.4
High	2.70	4.8	444	34	470	39	1600	250	

- \* = Plant data through August 28th.

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

### Maintenance

- Removed and replaced electrical contactor in #1 auger control Box.
- Replaced battery in #1 auger PLC.
- Clean and rebuilt gas relief valve, flame trap and flame arrestor on #1 digester.

- Cleared polymer clogged in polymer system at splitter box.
- Removed and replaced channel 3 ORP probe at CCT. Calibrated new probe.
- Installed sight glass on digester #1.
- Deragged #1 primary clarifier sludge pump.
- Prepared #1 digester to be placed back into service.

### **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 22<sup>nd</sup>. Awaiting approval from Fish and Game to perform work.
- 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.
- Digital Mentor project.
- 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 –
- Staff is working with MKA engineers to re-implement GIS program.

### **Safety Training**

- Staff attended an in-house training class on the District's Hearing Safety Program.

Best regards,

John Clemons  
Superintendent



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Staff Report

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: September 2, 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 3<sup>rd</sup> 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 significantly reduces 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 delivered. 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. An additional bypass line has been installed to handle periods of high flow. The initial insertion of pipe within the existing pipe has begun. It is anticipated that the project will be completed within the next thirty days. 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 to six months and threaten continued compliant plant operations.

Richard G. Sweet, PE  
District Manager



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### **Staff Report**

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: September 2, 2015

**Subject: REPORT OF ESTIMATED COSTS AND PROJECT SCHEDULE FOR  
THE REDUNDANCY PROJECT BY MKN ASSOCIATES**

### **RECOMMENDATION**

That the Board review and approve the report of estimated costs and project schedule (Work Plan) for the Redundancy Project by MKN Associates, copy attached.

### **BACKGROUND**

The District has been commissioned a series of studies to identify appropriate plant improvements that will provide for plant redundancy and anticipated lower discharge limits. Through the studies the primary elements required to address redundancy and lower discharge limits are two aeration basins and a new secondary clarifier. There are a number of other relatively minor issues that the project will address. To move this project into the next phase, a project schedule and comprehensive estimate is required. At the August 5, 2015, Board meeting the Board approved the engagement of MKN Associates to prepare the project schedule and comprehensive estimate.

### **DISCUSSION**

MKN Associates has submitted the draft report entitled, "South San Luis Obispo County Sanitation District – Work Plan for Redundancy Project." The report outlines the required improvements, evaluates the permitting process, refines the project estimate, illustrates a project schedule and defines challenges.

One of the challenges that the report identifies is the flood threat to the present facility. The report recommends that the District conduct a flood study as part of the initial phase of the project design.

The report identifies the project estimate at nearly \$19 million (\$18,950,000). The estimate is thorough in its initial evaluation of permitting costs, and is cautious in its evaluation of potential issues such as liquefaction.

The project schedule is defines numerous permitting, environmental and Regional Water Quality Control Board (RWQCB) issues as well as design and construction timelines. The project completion date is identified as the end of 2019.

### **Fiscal Consideration**

Funding of the project will require rate increases to support a financing scenario. Upon approval by the Board, this study will be forwarded to the District's rate consultants Bartles-Wells for completion of a rate study.

Richard G. Sweet, PE  
District Manager

**Attachment:** South San Luis Obispo County Sanitation District – Work Plan for Redundancy Project



## TECHNICAL MEMORANDUM

**To:** John Clemons

**From:** Michael Nunley, PE

**Date:** August 28, 2015

**RE:** South San Luis Obispo County Sanitation District - Work Plan for Redundancy Project - DRAFT

---

### Introduction

The District has developed a long-term strategy for upgrading the existing wastewater treatment facility to address 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 directed 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 of Directors is prepared to begin developing and implementing a work plan for the project. District staff has requested that Michael K. Nunley & Associates, Inc. (MKN) develop a preliminary schedule, identify necessary studies and permits, and assemble a preliminary project cost opinion from preceding reports for use in the District's rate study. Our project team includes John F. Rickenbach Consulting (JFR), whose principal John Rickenbach, AICP, is experienced in coastal wastewater facility planning and permitting.

This memorandum summarizes the following work items performed by MKN and JFR:

- Review the prior studies and assemble a budget for construction of the proposed improvements
- Review prior estimates for other project costs (including engineering, permitting, 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.

## **Project Overview**

The project proposed in the 2015 study by Kennedy/Jenks Consultants is intended to provide redundancy to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. The project is not intended to add capacity to handle higher flows and loads than currently permitted. Project components are summarized below:

- Two activated sludge (AS) aeration basins
- One new secondary clarifier
- Fixed film reactor (FFR) effluent pump station
- Waste activated sludge (WAS) thickening centrifuge with modifications to existing dewatering platform
- Blower, electrical, and motor control center (MCC) building
- Dewatered sludge conveyor
- Yard piping
- Site improvements
- Instrumentation and controls
- Electrical systems

The previous reports focus on the treatment process, including the nominal size and planning-level cost opinions of major unit process components. Permitting, geotechnical, condition assessment of existing facilities, other project costs and site constraints were outside the scope of the reports identified above. These issues could add cost and complexity to the project, and should be assessed early in the design process.

The project will be completed within the existing plant site on property that has been previously disturbed. Concerns include flooding, high groundwater, liquefaction potential, and location within the Coastal Zone. The existing WWTF is located within the 100-year floodplain as shown on Attachment A. The 2008 Preliminary Design Report (Kennedy/Jenks Consultants) notes that liquefaction potential exists at the site but that spread footings may be adequate for structure foundations. Recent work at the WWTF indicates that some buried piping has experienced significant corrosion and may require repair or replacement if modified or disturbed during construction.

## **Required Environmental Studies and Permitting**

JFR performed a preliminary overview of the environmental permitting steps needed to facilitate the Project. Note that as project details become more clear, this preliminary assessment may be refined.

As described in Attachment B, the project will be subject to a Coastal Development Permit, likely in the form of a Minor Use Permit; potentially subject to Airport Land Use Commission Review; and will require environmental review under CEQA, likely a Mitigated Negative Declaration.

The Attachment includes a discussion of each of these issues. Based on the preliminary permitting and CEQA review needs described above, the following table presents an estimated cost and

schedule for the review of these actions. Note that these could change subject to further input from the County Planning Director.

**Table 1 – Preliminary Assessment of Local Permitting and CEQA Requirements**

Permitting Process	Estimated Cost	Timing	Assumptions/Comments
Coastal Development Permit (Minor Use Permit)	\$5,000-\$12,000	3 months	Includes possible appeal to Board of Supervisors
Airport Land Use Commission Review	\$2,000	2 months	Review may be concurrent with Minor Use Permit
CEQA Review	\$15,000	3 months	Assumes Mitigated Negative Declaration; initiated 1 month after application for Minor Use Permit filed
<b>Estimated Totals</b>	<b>\$25,000-\$30,000</b>	<b>4 months</b>	

### Project Cost Opinion

The planning level cost opinion is provided for preliminary budgeting purposes only and is based on an updated construction cost opinion provided by Kennedy Jenks Consultants (see Attachment C). Additional project details identified during planning, preliminary engineering, and design may increase or decrease the opinion of probable construction cost.

Four issues that could significantly affect project construction cost should be addressed early during project design.

- Soil conditions including high groundwater and liquefaction potential
- Flood risk
- Pipeline condition
- Permitting and regulatory constraints

A design-phase assessment and construction-phase cost allowance are recommended for each of these issues, as described in the table at the end of this section.

**Soil Conditions:** In a study for a new solids handling facility<sup>1</sup>, overexcavation of 3 feet, placement of geotextile, and structural backfill were recommended. A shallow mat foundation designed for low soil bearing capacity was also recommended. The study noted that a stiff to very stiff lean clay was encountered at 43.5 feet in one of the borings. Subsurface water was encountered at 3.5 feet.

Foundation design for the new clarifier, activated sludge basins, and support facilities will require a new analysis of soil conditions. Depending on the findings of the soils investigation, the heavier structures (clarifier and activated sludge basins) may require a more expensive support system than a shallow mat foundation.

<sup>1</sup> Earth Systems Pacific, 2006, Soils Engineering Report – New Centrifuge Building

Since the new structures will be significantly heavier than the centrifuge building, a deep foundation system may be required.

**Flood Risk:** The SSLOCSD WWTP is located within the 100-year floodplain (see Attachment A). In a 2007 Memorandum (Wallace Group, Evaluating Flood Gates and Flood Conditions at the SSLOCSD WWTP), it is noted that a number of flood gates (at the Control Building, Power Generation Building, and the Final Clarifier) were not adequate for protection from the Base Flood Elevation (BFE). The analysis was based on the NAVD 29 datum. The BFE was updated in 2012 as shown in Attachment A. The new BFE is based on the NGVD 88 datum.

MKN recommends the District conduct a flood study as part of the Redundancy Project. The objective is to evaluate impacts of new structures to the BFE, determine if a Letter of Map Revision is necessary, identify any existing plant facilities that require additional floodproofing, and recommend mitigation measures if appropriate.

Various state and federal loan and grant programs, such as State Revolving Funds, typically require floodproofing or flood protection be addressed before funding is awarded. The Clean Water State Revolving Fund (CWSRF) requires that for facilities in floodplains, the CWSRF application package should include the FEMA floodplain map for the facility; a description of existing flood protection at the facility, stating whether or not the project would occur within the current flood protected area; and a description of potential impacts on flood flows that may result from the project. If a project is outside the existing flood protection area at the facility, or if current flood protections at the facility require upgrades or additional floodproofing, the CWSRF application should state whether or not the project could result in a redirection of flood flows that could affect neighboring properties.

If it is determined that the project may have potential impacts to flooding during the application review process by the State Water Resources Control Board (SWRCB), the SWRCB reviewer would request more information and refer to FEMA for comment. FEMA response time to the SWRCB reviewer is typically 30 days.

**Pipeline Condition Assessment:** Buried metal piping around the plant site could be corroded due to high groundwater and age of the pipes. Earlier this year, the District excavated a section of influent piping to determine condition and concluded the pipeline had reached the end of its useful life. Other pipelines should be evaluated in order to determine whether they should be included in the plant's repair and replacement budget. In particular, any existing pipelines that will be modified as part of the Redundancy Project should be evaluated to determine if replacement or repair should be included in the project budget.

MKN recommends the District perform a condition assessment of existing piping. Results and costs for repair or replacement of critical sections would be incorporated into the Concept Design Report. The District's Capital Improvement Program or maintenance budget should address repair or replacement costs for other pipelines not directly involved in the Redundancy Project.

Assumptions for various cost items are listed in the table below.

**Table 2 – Preliminary Planning-Level Cost Opinion**

Project Cost Category		Cost	Assumptions/Comments
Construction Cost from 2015 Study		\$9,940,000	Unescalated Construction Cost from Cost Opinion Update (Kennedy/Jenks Consultants, 8/21/15)
Deep Foundation Allowance		\$1,400,000	Assumed 25% of Clarifier and Activated Sludge Basin Costs
Floodproofing Allowance		\$500,000	Assumed \$500,000 - To be confirmed during preliminary design
Critical Pipe Repair/Replacement Allowance		\$500,000	Assumed \$500,000 - To be confirmed during preliminary design
<b>Subtotal - Construction Cost with Allowances</b>		<b>\$12,340,000</b>	
Construction/Project Contingency		\$2,982,000	Assumed 30%
Construction Cost (with Contingency)		\$15,322,000	
	<b>% Construction Cost</b>		
Design	12%	\$1,490,000	
Engineering Services During Construction	3%	\$380,000	
Construction Management	10%	\$1,234,000	
Permitting	1%	\$30,000	See Attachment B for assumptions
Project Management and Administration	4%	\$494,000	
<b>Estimated Project Cost Total</b>		<b>\$18,950,000</b>	
ALL NUMBERS HAVE BEEN ROUNDED FOR PRESENTATION ALL NUMBERS WILL BE REFINED DURING DEVELOPMENT OF THE CONCEPT DESIGN REPORT PROJECTIONS DO NOT INCLUDE FINANCING COSTS OR OTHER COSTS NOT SPECIFICALLY IDENTIFIED ABOVE			

## 5 Project Schedule

Figure 1 includes an abbreviated project schedule. The following table summarizes assumptions, comments, and recommendations for each of the schedule items.

Table 3 –Work Items from Project Schedule

Task Name	Recommendations/Comments
<b>Procurement of Engineering and Permitting Services</b>	District to prepare Requests for Proposal, receive and review proposals, short-list consultants for interviews, recommend to Board for approval and authorize Notice to Proceed
<b>Design</b>	
Pipeline Condition Assessment and Potholing	Condition of pipelines that will be modified for the new processes should be assessed during preliminary design to determine if replacement is necessary. (While not directly required for the Redundancy Project, the District should consider performing a condition assessment of buried piping systems and development of a repair/replacement budget.) Simultaneously, the elevations, locations, and materials of pipes that could conflict with new construction could be identified.
Flood Risk Evaluation	As shown on the attached exhibit, the WWTF is located within the 100-year floodplain. Many plant facilities were designed with critical systems located above the base flood elevation (BFE) and many existing buildings were retrofitted with floodgates. The elevation of these floodproofing measures should be determined and compared with the latest BFE to determine if additional flood mitigation is warranted. Mitigating flood risk is a typical requirement for state and federal grants and loans. Findings could have an impact on the construction cost opinion.
Geotechnical Engineering/Soils Report	High groundwater and liquefaction potential should be addressed, along with their impact on foundation design. Findings could have an impact on the construction cost opinion.
Concept Design Report (30%)	The basis of design will be presented, along with conceptual plans and an opinion of probable construction cost.
<b>Permitting</b>	
Coastal Development Permit (Minor Use Permit)	Includes possible appeal to Board of Supervisors
Airport Land Use Commission Review	Review may be concurrent with Minor Use Permit
CEQA Review	Assumes Mitigated Negative Declaration; initiated 1 month after application for Minor Use Permit filed
Report of Waste Discharge/ NPDES Permit Application	A Report of Waste Discharge and National Pollutant Discharge Elimination System (NPDES) permit is required for any significant changes to water quality, flow, or discharge location. It is assumed these documents will be required but it is anticipated that RWQCB will be supportive of the project. The Waste Discharge Requirement Orders/NPDES Permit will not be approved by RWQCB until CEQA compliance is completed by the lead agency.
Draft and Final Design	Design will likely include 60%, Draft Final, and Final Plans, Specifications, and Opinions of Probable Construction Cost. It is assumed District reviews will require approximately 2 weeks for each deliverable. Construction documents should not be completed until the new Waste Discharge Requirement Orders/NPDES Permit is issued.

## Recommendations

MKN recommends the District begin the following steps to continue developing the project:

- Provide the unescalated cost opinion and preliminary schedule to the rate study consultant
- Coordinate initial contact with State Water Resources Control Board regarding the State Revolving Fund Construction Loan Program
- Begin initial consultation with the County Planning Department regarding the assumed permitting and approval process
- Authorize development of a Request for Proposal for design services, including an evaluation of flood risk, pipeline condition, and geotechnical issues to better define project risk and cost.

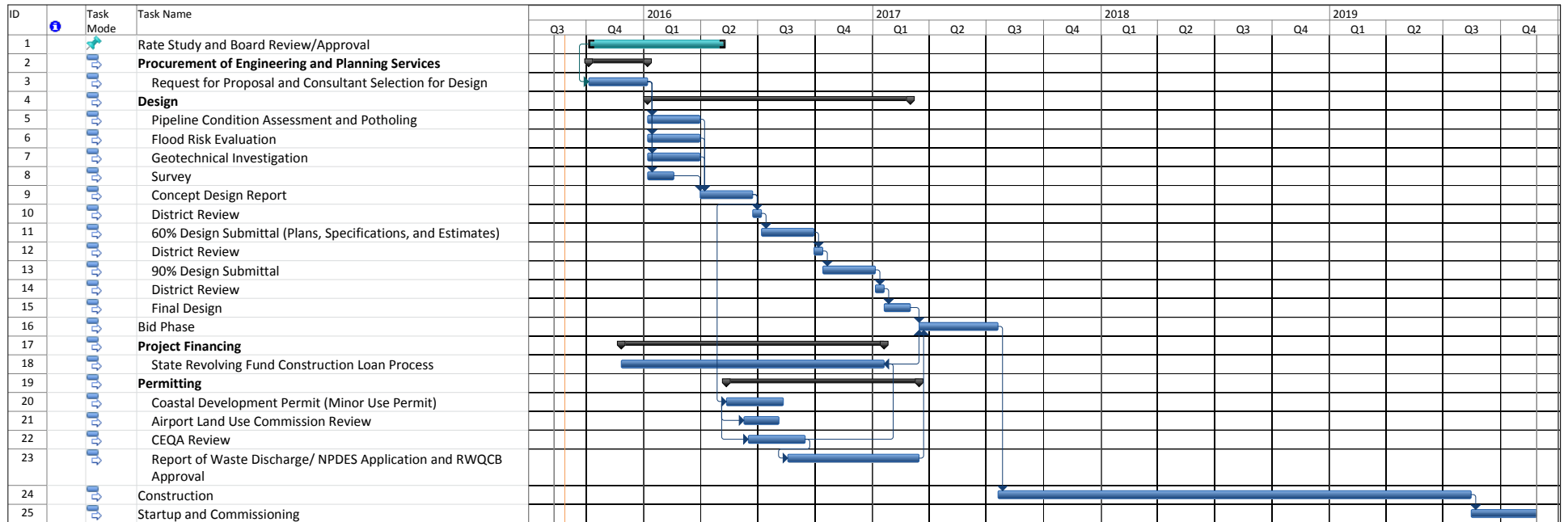
Figure 1 – Preliminary Project Schedule

Attachment A – FEMA Flood Insurance Rate Map (FIRM)

Attachment B – Permitting Assessment Letter Report (JFR Consulting)

Attachment C – Project Construction Cost Opinion (Kennedy-Jenks Consultants)

Figure 1





Attachment A

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FEMA Flood Insurance Rate Map (FIRM)







## Attachment B

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### Permitting Assessment Letter Report John F. Rickenbach Consulting



**John F. Rickenbach Consulting**  
7675 Bella Vista Road  
Atascadero, California 93422

805/610-1109  
JFRickenbach@aol.com

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August 27, 2015

Michael K. Nunley, PE  
MKN & Associates  
P O Box 1604  
Arroyo Grande, CA 93421

**Subject: SSLOCSD – Wastewater Treatment Facility Redundancy Project Permitting Issues**

Dear Mike:

This letter provides a preliminary overview of the environmental permitting steps needed to facilitate the South San Luis Obispo County Sanitation District's (SSLOCSD's) Wastewater Treatment Facility Redundancy Project. Note that as project details become more clear, this preliminary assessment may be refined. We are prepared to assist you and the District with these steps as appropriate.

**Project Understanding**

The project is intended to provide redundancy to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. Project components are summarized below:

- Two activated sludge (AS) aeration basins
- One new secondary clarifier
- Fixed film reactor (FFR) effluent pump station
- Waste activated sludge (WAS) thickening centrifuge with modifications to existing dewatering platform
- Blower, electrical, and motor control center (MCC) building
- Dewatered sludge conveyor
- Yard piping
- Site improvements
- Instrumentation and controls
- Electrical systems

The project will be completed within the existing plant site on property that has been disturbed, but site concerns include flooding, high groundwater, liquefaction potential and location within the Coastal Zone.

## **Required Environmental Studies and Permitting**

Coastal Land Use Permitting. The project is located in unincorporated San Luis Obispo County within the Coastal Zone. Thus, the County has land use permitting authority, and must comply with coastal permitting regulations. These are codified in Title 23 (Coastal Zone Land Use Ordinance; revised December 2014), which is consistent with and implements the California Coastal Act.

Based on preliminary discussions with County planning staff, the project would subject to a Coastal Development Permit, likely in the form of a Minor Use Permit. Typically, a Minor Use permit is applicable for projects that result in 1 to 3 acres of land disturbance or result in a similar amount of impervious surface.

The purpose of a Minor Use Permit is to:

1. Satisfy the notice and public hearing requirements established by the California Coastal Act for Plot Plans and other appealable land use permits;
2. Enable public review of significant land use proposals which are not of sufficient magnitude to warrant Planning Commission review; and
3. To insure the proper integration into the community of land uses which, because of their type or intensity, may only be appropriate on particular sites, or may only be appropriate if they are designed or laid out in a particular manner.

The Minor Use Permit process includes the opportunity for a public hearing before the Planning Director. Action on a Minor Use Permit is discretionary, and if approved, may include conditions as set forth by the Director.

Minor Use Permit applications are filed with the County Planning Department, and shall be processed as follows:

1. Environmental Determination. As a discretionary action, a Minor Use Permit is subject to the requirements of the California Environmental Quality Act (CEQA). This project is likely be subject to be processed as a Negative Declaration, or if mitigation is required, as a Mitigated Negative Declaration.
2. Approval. The Planning Director would have approval authority of a Minor Use Permit, subject to an administrative hearing. No public hearing is required unless requested by the project applicant or other interested parties.
3. Appealability. Because the proposed project would be processed with a Minor Use Permit, and is simply an expansion of the existing use on the site, no determination of Land Use consistency is likely needed. In this case, the project is not considered appealable to the Coastal Commission. However, project approval by the Planning Director may be appealed to the Board of Supervisors, whose decision would be final.

Airport Land Use Review. The project site is located adjacent to the Oceano Airport, and is within Area Oa under the Airport Land Use Plan (ALUP) for that facility. The project is potentially subject to review by the Airport Land Use Commission (ALUC) since it is located in the Airport Planning Area, and only the ALUC can make a determination of consistency with its

land use requirements under the ALUP. It should be noted that wastewater facilities are not included in the Table 4 of the ALUP, which is used to determine whether specific land uses are allowed or prohibited. (The closest fits are “pipelines and transmission lines” and “accessory storage”, both of which are allowed uses in the Oa planning area.) Thus, a determination of consistency must be made at the discretion of the ALUC.

Environmental Review. As noted above, a Minor Use Permit is subject to CEQA review, in this case likely a Mitigated Negative Declaration. Key issues that will likely require mitigation based on supporting technical studies including flooding and geologic hazards (notably liquefaction and high groundwater). Because all activities would take place on a previously disturbed and built site, impacts to biological and cultural resources would likely be less than significant, and not likely subject to special environmental studies. However, the scope of needed environmental studies would be at the discretion of the County Planning Director.

### Estimated Cost and Timing

Based on the preliminary permitting and CEQA review needs described above, the following table presents an estimated cost and schedule for the review of these actions. Note that these could change subject to further input from the County Planning Director.

Project Cost Category	Estimated Cost	Timing	Assumptions/Comments
Coastal Development Permit (Minor Use Permit)	\$5,000-\$12,000	3 months	Includes possible appeal to Board of Supervisors
Airport Land Use Commission Review	\$2,000	2 months	Review may be concurrent with Minor Use Permit
CEQA Review	\$15,000	3 months	Assumes Mitigated Negative Declaration; initiated 1 month after application for Minor Use Permit filed
<b>Estimated Totals</b>	<b>\$25,000-\$30,000</b>	<b>4 months</b>	

Thank you for the opportunity to assist you and the District with this project. As appropriate, we are prepared to work with you to conduct the required studies described above. If you have questions, please feel free to call me anytime at 805/610-1109.

Sincerely,  
**JOHN F. RICKENBACH CONSULTING**



John Rickenbach, AICP  
Principal Planner

## Attachment C

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# Project Construction Cost Opinion Kennedy-Jenks Consultants

## KENNEDY/JENKS CONSULTANTS

Prepared By: \_\_\_\_\_ TTB/NL

**Date Prepared:** 19-Aug-15

K/J Proj. No.: 1368035\*00

	Construction	Change Order	% Complete
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**Current at ENR** 10,736

Escalated to ENR \_\_\_\_\_

Months to Midpoint of Construct	24
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## SUMMARY BY AREA

[illegible]

Estimate Accuracy	
+50%	-30%

Estimated Range of Probable Cost		
+50%	Total Est.	-30%
\$19,747,395	\$13,164,930	\$9,215,451



# OPINION OF PROBABLE CONSTRUCTION COST

Project: Recommendation for Upgrading the Existing Wastewater Treatment Plant

Building, Area: South Van Lue Obispo County Sanitation District

Estimate Type: ☐ Conceptual  
☒ Preliminary (two plans)  
☐ Design Development @

☐ Construction  
☐ Change Order  
☒ Complete

## KENNEDY/JENKS CONSULTANTS

Prepared By: TTE/ML  
 Date Prepared: 15-Aug-19  
 K/J Proj. No. 13895-000

Current as of ENR 10/1/20 (with 2014 Low / High)  
 Estimated to ENR  
 Months to Midpoint of Construction

Spec. Section	Item No.	Description	Qty	Units	Materials \$/Unit	Total	Installation \$/Unit	Total	Sub-contractor \$/Unit	Total	Source	Assumptions			
1	New Activated Sludge Aeration Tank (122' x 36' x 16')	Earthwork (Import/Export)	70.00	CV			16.16	121,206			191,385	2014 RS Means G 1030 120 2200	Top of Tank @ -10.00 (Water El @ -17.00 and Existing Ground @ El 10.00) Over-excavate to El -8.00, assume Structural backfill (select granular fill material) and Spreading (1) 2" Diaphragm pumps for 6 hours a day (Excavation Rate of 160 CY/hr from above) Foundation mat (rebar, forms, finishing included) utilizing 6000 psi, Heavy Weight, Ready Mix, Structural Concrete 18" high walls 18" thick (actually 18" high 18" thick) assumption for volumes with 5,000psi Concrete 24" HDPE Type 5 with watertight gaskets-6' deep Trenching backfill included) 24" HDPE Type 5 with watertight gaskets-6' deep Trenching backfill included) 24" HDPE Type 5 with watertight gaskets-6' deep Trenching backfill included) 24" HDPE Type 5 with watertight gaskets-6' deep Trenching backfill included) Demo and replace 4" thick pavement over trench (Assumes 4' wide trench over length) Demo and replace 4" thick pavement over trench (Assumes 4' wide trench over length) Demo and replace 4" thick pavement over trench (Assumes 4' wide trench over length)		
		Earthwork (Import/Export) (Structural Material) (Compaction)	216.00	LCY	80.85	75,071	8.95	25,030			100,100	2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000			
		Reinforced Concrete Slab (122' x 36')	1.00	Day			927.66	27,619			27,619	2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000			
		Reinforced Concrete Slab (122' x 36')	216.00	CV						1,100	407,407	407,407		2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000	
		RFR Effluent Pump Station	1.00	LS	280,000		80,000			1,600	474,000	474,000		2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000	
		Influent Vent Gas (8" HDPE from FFV)	1.00	LF	43.20	15,118	53.01	18,554				33,672		2014 RS Means G3020 112 1050	
		Influent Vent Gas (8" HDPE from FFV) (Secondary Clarifier)	1.00	LF	43.20	11,683	63.01	14,313				25,676		2014 RS Means G3020 112 1050	
		Effluent Vent Gas (8" HDPE from FFV) (Secondary Clarifier)	1.00	LF	43.20	11,683	63.01	14,313				25,676		2014 RS Means G3020 112 1050	
		Effluent Vent Gas (8" HDPE from FFV) (Secondary Clarifier)	1.00	LF	43.20	11,683	63.01	14,313				25,676		2014 RS Means G3020 112 1050	
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979		2014 RS Means 32 12 16 13 1050 and G1020 210 1000	
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979		2014 RS Means 32 12 16 13 1050 and G1020 210 1000	
		2	Blowers & Diffusers for Aeration Tanks	High Efficiency, Single Stage Blowers (FDS)	3.00	EA	250,000.00	750,000	100,000.00	300,000				1,050,000	Verbal Quotation from Siemens Rep
				Diffusers - Air Lifts and 1/2" and 3/4" (incl. 1/2" and 3/4")	1.00	LS	150,000.00	150,000	74,925.20	74,925				224,925	Verbal Quote From Ecoux & Estimate of Installation Costs
				Building Foot	30.00	CV						1,100		33,000	33,000
		4	New Secondary Clarifier (Diameter 80' X Depth 12')	Earthwork (Import/Export) (Structural Material) (Compaction)	4,000.00	LCY	20.75	83,000	6.65	27,511				111,223	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000
Reinforced Concrete Slab (122' x 36')	30.00			CV			927.56	27,827			27,827	2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000			
Reinforced Concrete Slab (122' x 36')	30.00			CV						1,100	33,000	33,000	2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
Clarifier Duct (24" x 12' x 12')	87.00			DAY-FT	1,500.00	130,500	500.00	43,500				174,000	2014 RS Means 31 23 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000		
5	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
6a	Reinforced Concrete Slab (122' x 36')	Reinforced Concrete Slab (122' x 36')	1.00	Day			927.56	27,827			27,827	2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000			
		Reinforced Concrete Slab (122' x 36')	216.00	CV											
		Reinforced Concrete Slab (122' x 36')	216.00	CV											
6b	Reinforced Concrete Slab (122' x 36')	Reinforced Concrete Slab (122' x 36')	1.00	Day			927.56	27,827			27,827	2014 RS Means 31 2 23 14 3200 & 31 23 23 15 5000 & G1030 210 1000			
		Reinforced Concrete Slab (122' x 36')	216.00	CV											
		Reinforced Concrete Slab (122' x 36')	216.00	CV											
7	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
8	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
9	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
10	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
11	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
12	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
13	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
14	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
15	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
16	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	280,000.00	280,000	140,000.00	140,000			420,000	Verbal Quote from Vendor			
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
		Demo and replace AC over Trenching for 24" Pipes	1.00	SV	15.10	2,181	53.70	14,798				17,979	2014 RS Means 32 12 16 13 1050 and G1020 210 1000		
17	WAB Sludge Centrifuge (Diameter 36" X Depth 32")	Sludge Centrifuge (Diameter 36" X Depth 32")	1.00	EA	28										

# OPINION OF PROBABLE CONSTRUCTION COST (Operations and Maintenance)

Project: Recommendation for Upgrading the Existing Wastewater Treatment Plant

Building Area: South San Luis Obispo County Sanitation District

Estimate Type: ☐ Conceptual  
☒ Preliminary (no plans)  
☐ Design Development @

☐ Construction  
☐ Change Order  
☐ % Complete

## KENNEDY/JENKS CONSULTANTS

Prepared By: TTB

Date Prepared: 16-Jun-14

KJ Proj. No. 139802573

Current as of: 10/2/15 (over 20 (4+ Los Angeles)

Escalated to ENR

Months to Midpoint of Construct

Spec. Section	Item No.	Description	Qty	Units	Materials/Consumables \$/Unit	Total	Labor \$/Unit	Total	Sub-contractor Total	Total	Source	Assumptions
	1	Activated Sludge Aeration Tank										
		High Efficiency Single Stage Blowers (100 HP) (2 pumps)	1	Year	195,409.25	195,409				195,409	2 100HP blowers in operation 24/7 (1 unit on standby, Electricity @ \$0.15/kWh)	
		FFRERT pump station	1	Year	50,581.44	50,581				50,581	2 pumps in operation 24/7 (1 unit on standby)	
	2	Blower/Electrical Building (20x30x12')										
		Blowing Power Consumption	1	Year	1,000.00	1,000				1,000		
		Cleanly Maintenance	1	Year	500.00	500				500		
	3	New Secondary Clarifier & Appurtenances										
		Clarifier (10' x 10' x 10' (10' x 10' x 10'))	1	Year	298.44	358				358		
		Clarifier Pump (10' x 10' x 10' (10' x 10' x 10'))	1	Year	19,489.75	19,489				19,489	Assume 1 pump in operation 24/7 (1 pump on standby), Electricity @ \$0.15/kWh	
		Clarifier Pump (10' x 10' x 10' (10' x 10' x 10'))	1	Year	19,489.75	19,489				19,489	Assume 2 pumps in operation 24/7 (1 pump on standby), Electricity @ \$0.15/kWh	
		Clarifier Pump (10' x 10' x 10' (10' x 10' x 10'))	1	Year	19,489.75	19,489				19,489	Assume 2 pumps in operation 24/7 (1 pump on standby), Electricity @ \$0.15/kWh	
	4	WAS Sludge Centrifuge Thickening/Sludge dewatering										
		Sludge Centrifuge Thickening/Sludge dewatering	1	Year	3,510.00	3,510				3,510	Assume 6 hours of operation per day (1 day a week)	
		Sludge Centrifuge Thickening/Sludge dewatering	1	Year	3,510.00	3,510				3,510	Assume 6 hours of operation per day (1 day a week)	
	5a	Dewatered Sludge Handling - Reinforced Platform										
		Reinforced Platform	20	SqYd	201.00	4,160				4,160	2014 RS Means 02 41 10 16 1050	Reinforced Concrete Elevated Slab Condition
	5b	Dewatered Sludge Handling - Sludge Conveyor										
		Sludge Conveyor	1	Year	3,510.00	3,510				3,510	16HP shaft conveyor from KWS Design, Engineering, Manufacturing	
		Sludge Conveyor	1	Year	500.00	500				500		
	6	Instrumentation and Controls & Electrical Panels										
		Instrumentation and Controls & Electrical Panels	1	Year	1,500.00	1,000			2,500.00	2,500	Allowance per year to hire an outside consulting firm	
	7	Painting/Coating/Miscellaneous Construction - Panels										
		Painting/Coating/Miscellaneous Construction - Panels	1	Year	5,000.00	5,000				5,000		
	8	Additional Plant Employee (Full-time)	2,080	hr			36.00	74,880		74,880	Include PTO	
Subtotal						25,872		74,880	2,500	96,252		



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

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

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Staff Report

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: August 19, 2015

**Subject: STATUS REPORT AND REQUEST FOR ADDITIONAL RESOURCES BY  
KNUDSEN AND ASSOCIATES FOR REVIEW OF PAST MANAGEMENT  
PRACTICES**

## **RECOMMENDATION**

That the Board receives a status report and approve a request for additional resources from Knudsen and Associates for Review of Past Management Practices.

## **BACKGROUND**

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

### Financial

- Line item evaluation of expenditures
- Compare expenditures to that of similar agencies, identify anomalies or unusual expenditures
- Review of agency audits; identify irregularities and how/if addressed
- Identify any malfeasance
- Identify practices that are not consistent with best management practices

### Operation

- Evaluate past practices associated with plant operations
- Evaluate contracts for engineering, purchasing and capital projects to ascertain whether they are consistent with standard practices

The RFP required that the Board approve a work plan that describes how the

successful proposer will evaluate the District's past management practices. The second item of work was the preparation of a report that summarizes the results of the information developed from implementation of the work plan. The final report will require approval of the Board.

At the Board meeting of March 6, 2015 the Board selected nine members of the public to constitute a Proposal Review Committee (Committee). The charge of the Committee was to recommend a preferred proposer to the Board.

On April 13, 2015, the District received two proposals. The proposers were Knudson and Associates of Thousand Oaks, California and Perc Water Corporation of Costa Mesa, California.

The Committee held two meetings. Both meetings were publicly noticed. Staff reports, copies of the proposals, agendas and minutes were posted on the District's website for public review.

At the May 6, 2015 Board meeting the Committee made a presentation to the Board in which the Committee Chair recommended that Knudsen and Associates be selected to prepare the report. Subsequently at the same Board meeting, the Board directed staff to enter into a contract with Knudsen and Associates.

At the June 17, 2015 Board meeting, the Board received and approved the work plan provided by Knudson and Associates, Attachment "A."

At the Board meeting of August 5, 2015 the Board requested a status report of the progress of the Review of Past Management Practice.

## **DISCUSSION**

During the week of August 10, 2015, the District began a discussion with Mr. Knudsen regarding the need for a status report. Mr. Knudsen indicates that he requires additional hours in excess of those in his proposal to accomplish important activities. Mr. Knudsen indicates that significant progress has been made which includes:

- Review of accounting and business records
- Interviews of over twenty individuals
- Examined fifty six boxes of plant records provided by the Wallace Group
- Reviewed and examined vendor files

Activities that Mr. Knudsen would like to accomplish with an additional allocation of hours are:

- Interviews with John Wallace and Wallace Group employees
- Interview with Mike Seitz
- Review of Regional Water Quality Control Board reports and investigative findings
- Review of reports and findings prepared by Shannon Sweeney

Mr. Knudsen is requesting an additional allocation of 150 hours for an increase in the cost of the study of \$22,500. This would raise the cost of the study from the original estimate of \$55,000 to \$77,500. A letter from Carl Knudson, which provides a status report and a request for additional resources, is Attachment "B."

**Fiscal Consideration**

While this is an unexpected increase, if authorized by the Board, there are funds available to increase the budget for this item.

Richard G. Sweet, PE  
District Manager

**Attachment:** Attachment "A" Approved Work Plan  
Attachment "B" Letter from Carl Knudson

# **KNUDSON & ASSOCIATES**

## **WORK PLAN**

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

#### **Review of Management Practices**

**Richard Sweet, PE, District Manager**

**South San Luis Obispo County Sanitation District**

**1600 Aloha Place**

**Oceano, CA 93475**

**JUNE 9, 2015**

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

2. Our work plan is divided into **three phases**; the First Phase will be a fact finding process to evaluate the extensive business and accounting records of the district for the period 2004 to February 2013.

### **PHASE ONE**

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

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

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



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

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

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

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

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

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

### **PHASE TWO**

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

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

# Knudson & Associates - 2015 SSLOCSD Proposal

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

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

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

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

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

## **PHASE THREE**

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

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

Sincerely,

Carl R. Knudson  
Knudson & Associates

August 10, 2015

Richard Sweet, PE, District Manager  
South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, CA 93475

In re: Request for additional hours.

Dear Mr. Sweet:

As I recently indicated, I have used 288 of the 370 hours and \$39,033.20 of the \$55,000 budget authorized by the Board for the Wallace project. In my proposal and in my work plan, I indicated that once I started the analysis of the SSLOCSD business and accounting records; and after I began the interview of known witnesses, there could be a need for additional hours to complete the project. I have kept you up to date on the progress of our work and it wasn't absolutely clear up until last week that the complexity and scope of our work had substantially increased.

Based upon the information provided below, I would request an additional 150 hours and a \$22,500 increase in the budget amount previously authorized for a total of \$77,800. This additional amount will allow me to follow-up certain interviews and leads in SLO as described below, and to finalize the review of voluminous records that we have obtained during our investigation.

### **What we have accomplished**

We have reviewed the accounting and business records of the SSLOCSD and found that the computerized accounting for the years 2004 to July 2008 were not available and had been wiped clean when the plant switched to QuickBooks. The available accounting evidence (account 19, 20 and 26) shows that Wallace and the Wallace Group received \$ 3,422,996.60 during the period July 2008 to June 2013. There have been some payments to the Wallace group after June 2013 for FOG inspections and a \$25,000 payment for "Carter v. Wallace."

Request for additional hours

August 10, 2015

I know that the District has the billing statements for Wallace for the period 2004 to 2008 so we will be able to come up with a total amount to Wallace for the period 2004 to 2013 which I expect will exceed \$5 million.

However, I have been able to find some spreadsheets for the 2006-2008 in the "Matt Haber" files (23 gb) found on the plant server. Obviously this was data that we could not have known existed, but we are nonetheless pleased that it exists and we were able to review 2,300 files that were left over from the Wallace years. I have found excel spreadsheets (2004-2007) labeled as "Wallace Major Projects" which I have interpreted to mean that the schedules represent funds that he received, which total \$1,886,036 during the period for Major Projects. I don't believe those numbers include the funds he received for administrative and operational charges. As indicated above, the amount Wallace received during the period 2004-2013 will be well over \$5 million.

Further, we have recovered the spreadsheets from the state related to the warrants paid by the state which will be helpful in filling in the gaps for the period 2004-2008.

We are working with Amy and John Clemmons in obtaining the MBI spreadsheets, the Board Packets (staff reports) for the period 2004 to 2013 to see what information was provided to the Board regarding the \$5 million that Wallace received.

We have made three trips to the SLO area and have interviewed over twenty individuals that included; a former plant manager, former plant superintendents, former plant employees and former SSLOCSD Board members. We have also interviewed the current plant operators and administration. We have gained a great deal of evidence showing past management practices and how it affected plant operations, costs to the District and caused a number of personnel actions.

We examined the 56 boxes of plant records provided by Wallace, which he apparently stored at the Wallace Group offices. The boxes included confidential personnel files of a number of plant employees who had filed grievances against Wallace. We have learned that some records stored at the Wallace Group were "purged" but we don't know what records were "purged" since Wallace didn't provide a list. The inventory sheets that Wallace provided for the 56 boxes of records was not adequate to provide itemized detail as to what was contained in the boxes.

Request for additional hours

August 10, 2015

We have reviewed and examined a number of vendor files regarding alleged purchasing irregularities by Wallace acting in the capacity as the SSLOCSD manager. We are in the process of interviewing two other individuals who were solicited by Wallace as it relates to the SSLOCSD.

### **Work to be completed**

I have been corresponding with Mr. Wallace and I recently sent you a PDF file memo that Wallace sent to me regarding my interview with him, and as it turns out he has included his attorney and a financial expert in government finances. Obviously this is unusual but I am committed to meeting with Mr. Wallace, we'll see how it goes. I also asked Wallace if I could interview Heather Billing, he advised that she is on a sabbatical and might be back in September or October. At this time, I'm not sure whether any of the Wallace people will be available, but I might ask to speak with Tom Zhender and Bill Lyndall and see how that goes.

I have also received permission from Wallace to interview Mr. Seitz and I will set up the appointment once we receive the requested additional hours. I will also attempt to interview the current and former Board Members regarding the documents reviewed by the Board which was provided by Wallace. I have been told by several witnesses that "Wallace didn't do anything without the Boards approval."

I will contact at least two officials connected with the Water Quality Board in order to obtain their reports and investigative findings. I will visit the Water Quality Board offices in SLO and review public records and copy records relevant to our investigation.

I will contact Shannon Sweeney in order to obtain her reports on the work she performed at the plant

I am working with John and Amy in getting the documents that I mentioned above and it is possible that a former plant employee has a "copy" of the plants accounting records which he purportedly obtained at the plant.

Request for additional hours

August 10, 2015

I believe this covers most of the important tasks to be completed. I have not included the writing of the final report because I have will have about 40 hours (after next week) remaining of my original authorized which I will use for the final report.

Sincerely,

Carl R. Knudson

Knudson & Associates

September 2, 2015

South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, CA 93475

RE: Letter of Interest; Interim Administrator

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

As you are aware, District Administrator, Rick Sweet has resigned from his duties; his last day of work is September 11, 2015. I sincerely thank Mr. Sweet for his work at the Sanitation District and look forward to implementing the projects that we; he, former Interim Administrator, Paul Karp, and District Engineer, Shannon Sweeny, set into motion some two years ago and wish him well in his future endeavors.

This letter is to inform you that I am available and interested in serving as the District's Interim Administrator if the Board desires. At the same time, I am committed to carrying out my duties as Chief Plant Operator. I have worked as administrator when Mr. Karp and/or Mr. Sweet were absent and believe I am fully qualified. I have been very involved in this District's budgetary and spending decisions. I have also taken part in the planning and engineering processes for Plant improvement projects over the last two years. I am confident I can carry out the duties necessary to fulfill the board's goals and objectives until such time as a new administrator is found.

By way of additional background, I am an honorably discharged United States Marine and served our country from 1982-1986. As a young Marine I was selected to serve at Quantico, VA in HMX-1 Presidential Helicopter Squadron, the Marine unit which directly maintains and protects the U. S. Presidents' Helicopter. I also worked in a Marine unit which flew support for the 1984 L.A. Olympics. My military training has been invaluable in my ability to train others and inspire teambuilding and teamwork in the work place. Later I worked as an Aviation Electrician for Companies such as Lockheed Aircraft, McDonnell-Douglas, and Gulfstream Aircraft Co, all in in Southern California. While in the Central Valley I worked for employers such as International Paper, Starcraft Recreational Vehicles, and the County of Tulare as a Radio Installer for emergency vehicles, prior to becoming involved in the water industry.

You may be aware, that I have been a Grade IV California State Water Resources Control Board Certified Wastewater Operator since 2012. I have been trained to operate heavy equipment, including forklifts and skip-loaders, which are part of the equipment we use at the Sanitation District on a daily basis. Additionally, I hold a California Water Environment Association (CWEA) Laboratory Analyst 1 Certificate. I received the CWEA Golden Empire Section 'Supervisor of the Year' award in 2011 and served as the Chapter's Treasurer in 2012. Furthermore, I have completed eight (8) courses of Sacramento State Office of Water Programs including "Utility Management" and "Manage for Success: Effective Utility

Management Practices". I also received formal management training while working at North of River Sanitary District in Bakersfield.

My extensive work experience includes, treatment plant operations at Environ Strategy Consultants Inc., in Malibu, Water Dynamics, in Fresno, and County of Kern, Bakersfield. Specific duties included management of wastewater treatment plant compliance, safety, regulatory reporting, systems monitoring, sampling, inspection, chemicals, pumps, pressure vessels, records keeping, reporting, training, analysis and inventory, among other things.

On a personal note, I am a father of one grown daughter and step-father to three pre-teen boys. My hobbies include coaching and refereeing youth football and baseball, and robotics. I live in the Sanitation District and have since I was hired in 2013. After living nearly two years in Grover Beach, I recently moved to Oceano.

You are also aware; under the new leadership at the Sanitation District we were able to reduce spending by over \$1 million dollars during my first full year here. Revenues exceeded spending by nearly \$1million dollars during my second full year. I am committed to serve the district board and its ratepayers providing quality service to the district.

Please feel free to contact me with any questions you may have.

John L. Clemons  
1465 24th Street  
Oceano, CA 93445

References which were given and verified at time of employment:

- |                        |   |
|------------------------|---|
| 1. John Lamar          | General Manager NOR Sanitary District, Grade V WWTP Operator                                  |
| 2. Mike Popicek        | CEO W/water Consulting Firm. W/water instructor at Bakersfield College. Grade V WWTP Operator |
| 3. Harbans Singh-Kaler | Engineer. Grade III WWTP Operator. Supervisor   |
| 4. Bob Cole            | Chief Plant Operator, Kern Sanitation Authority (KSA).  |
| 5. Robert Reid         | Grade II WWTP Operator. Over 30 yrs. experience.  |
| 6. Lori Bornelas       | Lab Analyst, KSA  |
| 7. Nick Harper         | Engineer AECOM  |
| 8. Ramon Arrendando    | Grade V WWTP Operator NOR Sanitary District   |
| 9. Ted Thurston        | Grade III WWTP Operator   |



John L. Clemons III  
[E-mail: jlclemons111@yahoo.com](mailto:jlclemons111@yahoo.com)

## Resume

### **District Superintendent**

South San Luis Obispo County Sanitation District, Oceano, CA  
05/2013 to Present

### **WWTP Chief Plant Operator**

Environ Strategy Consultants Inc, Orange CA.  
07/2012 to 05/2013

Duties: Manage operations at various Advanced On-Site Wastewater Treatment Plants in Malibu, Ca. Ensure compliance with WDR and water Conservation requirements. Prepare and file reports with the RWQCB.

### **WWTP Chief Plant Operator/Lab Director**

North of River Sanitary District, Bakersfield, California  
07/2010 to 07/2012

Duties: Oversee all plant operations, lab, and maintenance at a 7.5 MGD bio filtration wastewater treatment plant. Train operators. Organize Data. Implement safety policy. Analyze plant data. Prepare reports for regulatory agencies.

### **Wastewater Treatment Plant Operator II/III**

North of River Sanitary District, Bakersfield, CA  
10/2007 to 06/2010

Duties: Plant operations. Sewer maintenance

### **Wastewater/Water Treatment Plant Operator II**

Water Dynamics, Fresno, Ca

Duties: Drive to several different wastewater plants, lift stations and water sites. Collect samples. Test water/wastewater for DO, pH and EC. Inspect ponds, activated sludge package plants and trickling filter plant. Make process changes where

necessary. Monitor water wells, pumps, pressure vessels and chemical pumps. Record readings.

**Wastewater Treatment Plant OIT**

Employer: County of Kern, Bakersfield, CA  
10/2007 to 5/2008

Duties: Collected water samples. Recorded results of water quality test. Performed routine maintenance on wastewater plant equipment. Removed and repaired pumps. Lubricated various equipment.  
Regulated and adjusted flows when necessary. Ordered parts.

**Forklift Operator/Production**

Del Monte Foods, Hanford, CA Dates:  
7/2005 to 8/2007

Duties: Move product and materials using the forklift. Janitorial duties. Assist machine operators.

**Care Provider, Owner Operator**

Loving Angel Care, Hanford, CA Dates: 6/2005 to 8/2006

Duties: Cared for Alzheimers patient in his home. Provided medications, fed, bathe, took to appointments. Cleaned house, cooked.

FACILITY SUPERVISION AND MANAGEMENT  
ELECT. TROUBLESHOOTING  
TREATMENT PROCESS EVAL  
FORKLIFT DRIVER  
PLANT MAINTENANCE  
PROD. MACHINE OPERATOR  
PUMP MAINTENANCE AND OPERATION

SWRCB Certified Wastewater Treatment Plant Operator Grade IV#28283

CWEA Laboratory Analyst 1 Certificate

Military - Avionics Tech Training.

Californis State University at Sacramento - 54 CEUS completed in operations courses

Bakersfield College - 56 semester units – Electronics, Math, and Science.

CWEA Golden Empire Section - supervisor of The Year 2011

CWEA Golden Empire Section Treasurer 2012.



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

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

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## **Staff Report**

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: August 19, 2015

Subject: **CONSIDERATION OF PREPARATION OF A REQUEST FOR  
PROPOSAL FOR DISTRICT MANAGER'S POSITION**

### **RECOMMENDATION**

That the Board:

1. Discuss the District's approach to filling the District Manager's position.
2. Direct the preparation of an RFP for immediate release
3. Identify potential interim District Managers and
4. Take whatever other appropriate actions necessary to ensure that the District Manager position is timely filled.

This item was continued from the Special Board meeting held on August 13, 2015.

### **BACKGROUND**

The District Manager tendered his resignation on August 5, 2015. At a special meeting of the Board on August 13, 2015 it was determined that the present District Manager's last day in the employ of the District will be September 11, 2015.

At the Special Meeting of August 13, 2015 public testimony was provided on this item and the item was continued to this meeting.

### **DISCUSSION**

There are two items that require consideration.

1. Determining an interim District Manager to fill the role of the District Manager until a permanent replacement can be found.

2. Defining the position of District Manager and determining a method to obtain a District Manager that conforms to that definition.

### Interim District Manager

An Interim District Manager may be required to serve a period from as little as three months to up to a year. This interim period will require an individual with considerable experience in governmental management and technical operations.

The District may choose to hire an individual as a consultant or a temporary employee. There are several firms that offer retired government executives to serve as interim managers. It is likely that this individual will require full time employment during the interim period. The City of Arroyo Grande recently utilized a retired government executive as the interim City Manager with some success. It is likely that the cost for this service for a six-month period will range from \$75,000 to \$100,000.

Another option would be to hire an engineering consultant that has experience in governmental management. This may provide the District with a vast array of resources. Cost to the District will depend on the requirements of the District and the ability to control costs.

The District may also choose to temporarily promote an individual who is presently employed by the District. This may be accomplished at a lesser cost than the other options. However filling the role presently held by the employee as well as the role of District Manager may prove to be overwhelming. Granting the role of Interim District Manager to an existing District employee may create expectations of the employee that may difficult to fulfill in the long term.

### District Manager

There are numerous options that the District may consider to fill the role of District Manager.

#### Options

**Retain an Engineering Consultant to manage the District.** The District can avail itself of a wide range of resources. The cost to acquire these resources can be very high. If the District wishes to pursue this option, the Board should direct the preparation of a Request for Proposals. The period of time required to retain a District Manager with this option is three to six months.

**Hire a full time District Manager.** The District has never had a full time District Manager. There are a number of important issues facing the Board which may warrant the engagement of a full time manager. The District would need to accommodate the position by creating such a position and providing facilities to house the District Manager. The cost to employ an individual with the appropriate skill sets and experience is estimated to be between \$225,000 and \$300,000 annually in salary and benefits. This estimate is based on a salary of \$150,000 to \$200,000 and a benefit package that is fifty percent of the salary. This is consistent with the salary to benefit ratio presently offered by the District. It is

estimated that it will take between four and nine months to retain a competent individual for the position of District Manager. The District may wish to employ a recruiting firm to retain the District Manager. The cost of a recruiting firm is generally one-half of the annual salary of the position recruited for; in this case, between \$75,000 and \$100,000.

**Hire a retired annuitant to become the District Manager.** The District may choose to seek an individual who has retired from public service. This may provide the District with an individual that has significant experience in the public sector. An individual who has retired from the State of California Public Employee Retirement System (PERS) is restricted to working no more than 960 hours annually. There may be other restrictions placed by PERS on the employee which may restrict service to the District. This cost to the District for a 960 hour a year employee would be approximately \$100,000 annually. It may require some time to find an employee that will meet the District's needs. The restriction on the number of hours that the employee can work will unlikely be adequate to fulfill the needs of the District.

**Other.** There may be a number of other options not evaluated within this report. One option that was cited in public testimony at the Special Board Meeting held on September 13, 2015 was a restructuring of the District to redefine the position of District Manager to an administrative position under the authority of the plant superintendent.

Richard G. Sweet, PE  
District Manager



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### **Staff Report**

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: September 2, 2015

**Subject: CONSIDERATION OF OPTIONS AND AGREEMENT WITH OCEANO  
COMMUNITY SERVICES DISTRICT (OCSD) FOR PROVISION OF  
BILLING SERVICES**

### **RECOMMENDATION**

That the Board review options and approve an agreement from the Oceano Community Services District (OCSD) for complete billing services and collection of connection fees.

### **BACKGROUND**

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

At the June 17, 2015 Board meeting, the Board directed that pending payments to Member agencies are paid and that the District Manager engage in discussions with Member Agencies to define standards, practices and costs to provide billing services, and develop agreements with each member agency for provision of billing services.

At the July 1, 2015 Board meeting, the Board considered options for billing services during the period in which negotiations with member agencies are underway. The Board authorized District Legal Counsel to begin investigation and analysis of all legally feasible options for customer billing and to make no commitments in the interim period.

On July 10, 2015 the District received correspondence from the OCSD indicating that, lacking an agreement between the District and the OCSD for billing processing and collection, the OCSD would no longer be able to provide these services on behalf of the District. The OCSD offered to continue these services at the rate of \$3,666 per two-month billing period. In addition, the OCSD provided a line item justification for the

amount charged. To facilitate implementation of billing services prior to the critical date of August 1<sup>st</sup> (the date of the start of the next billing cycle) and to avoid the loss of funds to the District, the OCSD offered to hold a special meeting on July 17, 2015 to act on a proposed agreement with the District.

At the July 15, 2015 Board meeting, the Board considered and declined to enter into a short-term agreement with OCSD. The Board further directed the District Manager to bring a range of options to the Board for their consideration at the August 19, 2015 Board meeting.

On August 1, 2015 new billings for the OCSD were mailed out. OCSD did not include charges due the District for sewer and wastewater treatment services. The billing included the following statement.

*"The South San Luis Obispo County Sanitation District provides wastewater treatment and disposal for Oceano, Grover Beach and Arroyo Grande. Recently the Sanitation District has decided to no longer use OCSD billing services to collect their customer bills. Your enclosed bill no longer has an item for "San District". If you are interested in how the Sanitation District will now bill you for their services please contact the Sanitation District at 805-489-6666. The agenda items on this issue approved by the publicly elected OCSD Board to continue services can be viewed at [www.oceanocsd.org](http://www.oceanocsd.org) for the Board Meetings of May 27, 2015 and June 10, 2015."*

At the August 5, 2015 Board meeting the Board expressed its displeasure with the decision of the OCSD and directed that options for billing the District's customers that reside in OCSD be presented at the August 19, 2015 Board meeting. The Board also directed that post cards be mailed to District customers that reside within the OCSD. The following language was crafted for distribution in a post card mailing that occurred the week of August 24.

*The South San Luis Obispo County Sanitation District ("District") is the County Sanitation District authorized to provide wastewater services pursuant to the County Sanitation District Act (Health & Saf. Code section 4700 et seq.) and to bill its customers for those services. (Health & Saf. Code §§ 4741.7, 5471.) The District is in the process of modifying its billing procedures for the period commencing on August 1, 2015. Accordingly, the next bill you receive may include more than one month of services. If you have any questions please contact Amy Simpson at (805) 489-6666.*

At the Board meeting of August 19, 2015, the Board reviewed options for billing services. A copy of the August 19, 2015 staff report is attached. Three options were presented the Board.

1. The District assumes the duties of all billing functions.

Estimates were obtained from private firms to a) operate the customer database b) distribute customer billing and delinquency notices and c) assemble payments, distribute receipts and coordinate receipt information with the customer database. Services that could not be provided due to the District facilities being designated as secure facility within the Homeland Security Act are cash payments and face-to-

face assistance with billing issues. The OCSD reports that a significant number of the customers pay with cash. The estimate to perform these services was \$29,000 per year or \$4,833 per two-month billing cycle. A subsequent quote was received from a comprehensive billing service, AmCoBi, for \$6,380 per month or \$13,760 per two-month billing cycle, or \$76,560 per year.

2. The District places the cost of the of wastewater services on the County tax rolls.

The District would need to pursue a process identified by the following steps.

- Adoption of Ordinance
- Submit Request for New Fund Numbers to County Auditor's Office by Mid-June
- Prepare Report Identifying Parcels and Charges
- Notice of Filing of Report and of Time and Place of Public Hearing
- Public Hearing on Report
- Submission of Approved Report to County by mid-July
- Finalize all Charges to be Collected on County Tax Roll by August 10

The soonest that charges could appear on the County tax rolls is July 2016. There would be an estimated \$10,000 set up charge paid to a consultant who specializes in this service. There is a \$2.00 charge to each parcel. To maintain the records to the County tax rolls it is estimated that there would be a \$3,500 annual fee paid to a consultant.

At the Board meeting of August 19, 2015 there was public input that placing the wastewater charges on the tax roll would place an increased burden on landlords in that landlords would be required to offset the charge for the service.

3. The District utilizes the services of the member agencies for all billing functions.

The OCSD offered to perform all billing services for the District for \$22,000 annually or \$3,600 per two-month billing cycle. At the Board meeting of August 19, 2015, the Board directed the Manager to pursue this option for the remainder of this fiscal year with the following considerations:

- The initial \$3,666 payment will be due for services provided for the October 2015 billing.
- Inclusion of the placement of the missed August 2015 billing on the October 2015 billing. The SSLOCSD is willing to pay incidental costs directly associated with the adjustments required to add the missed billing to the October statement.
- That the OCSD collect connection fees due the SSLOCSD upon new connection fees being collected for OCSD water service. The SSLOCSD will review new connections and determine the amount of the connection fee and if an industrial users permit will be required.



The District Manager sent a letter to the OCSD Manager on August 20, 2015 citing the considerations noted above, copy attached. At the OCSD meeting of August 26, 2016 the OCSD Board voted 3-2 to approve an agreement, copy attached, with the SSLOCSD. Terms of the agreement approved by the OCSD include the following provisions:

- The OCSD will collect connection fees as per the request of SSLOCSD
- The bi-monthly cost for billing services will be \$3,666 per two-month billing period. This is consistent with prior service rates.
- The OCSD seeks to receive payment for the August billing cycle. The District requested that the initial payment begin for the October billing cycle.
- The agreement states that the OCSD will perform an independent billing for the billing for the District, which was missed in August. The District had requested that the catch-up billing occur concurrent with the October billing. At the OCSD Board meeting the OCSD Manager stated that the OCSD would pursue whichever catch up billing scenario was the least costly to the District.
- The term of the agreement is one year.
- The District may terminate the agreement with a sixty day written notice.
- The District must execute the agreement by September 18, 2015.

## **DISCUSSION**

The cost for the District to assume the billing services on an annual basis is \$29,000. This quote provides a significant gap in service in that it does not provide the option for cash payment. The option of cash payment is a service presently utilized by many of the customers within the OCSD service area.

A review of the costs, even with the OCSD requesting payment for the August billing cycle, still favors the OCSD. Assume that a billing service employed by the District was to charge the District for only five billing cycles (the number of billing cycles that the District requested of the OCSD) at the quoted amount of \$4,833 per billing cycle. This would amount to (5X\$4,833) \$24,165. This amount still exceeds the \$22,000 that the OCSD is proposing to charge the District for the present fiscal year. The OCSD service includes the cash payment option and avoids any difficulties that will invariably occur from the District attempting to implement its own billing service.

### **Fiscal Consideration**

The \$22,000 requested by the OCSD for billing services is the most cost effective alternative presently available to the District this fiscal year and is presently in the District budget.

Richard G. Sweet, PE  
District Manager

**Attachment:** Staff Report dated August 19, 2015  
Letter to OCSD Manager  
Agreement from OCSD



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

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## **Staff Report**

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: August 19, 2015

**Subject: DISTRICT BILLING OPTIONS**

### **RECOMMENDATION**

That the Board review billing options for collecting sewer fees from District customers within the Oceano Community Services District.

### **BACKGROUND**

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

At the June 17, 2015 Board, meeting the Board directed that pending payments to Member agencies are paid and that the District Manager engage in discussions with Member Agencies to define standards, practices and costs to provide billing services and to develop agreements with each member agency for provision of billing services.

At the July 1, 2015 Board meeting, the Board considered options for billing services during the period in which negotiations with member agencies are underway. The Board authorized District Legal Counsel to begin investigation and analysis of all legally feasible options for customer billing and to make no commitments in the interim period.

On July 10, 2015 the District received correspondence from the OCSD indicating that lacking an agreement between the District and the OCSD for billing processing and collection, the OCSD would no longer be able to provide these services on behalf of the District. The OCSD offered to continue these services at the rate of \$3,666 per two-month billing period. In addition, the OCSD provided a line item justification for the amount charged. To facilitate implementation of billing services prior to the critical date of August 1<sup>st</sup> (the date of the start of the next billing cycle) and to avoid the loss of funds

to the District, the OCSD offered to hold a special meeting on July 17, 2015 to act on a proposed agreement with the District.

At the July 15, 2015 Board meeting, the Board considered and declined to enter into a short-term agreement with OCSD. A copy of the July 15, 2015 staff report, which contains attachments regarding all other items presented to the Board regarding this matter, is attached. The Board further directed the District Manager to bring a range of options to the Board for their consideration at the August 19, 2015 Board meeting.

On August 1, 2015 new billings for the OCSD were mailed out. OCSD did not include charges due the District for sewer and wastewater treatment services. The billing included the following statement.

*"The South San Luis Obispo County Sanitation District provides wastewater treatment and disposal for Oceano, Grover Beach and Arroyo Grande. Recently the Sanitation District has decided to no longer use OCSD billing services to collect their customer bills. Your enclosed bill no longer has an item for "San District". If you are interested in how the Sanitation District will now bill you for their services please contact the Sanitation District at 805-489-6666. The agenda items on this issue approved by the publicly elected OCSD Board to continue services can be viewed at [www.oceanocsd.org](http://www.oceanocsd.org) for the Board Meetings of May 27, 2015 and June 10, 2015."*

At the August 5, 2015 Board meeting The Board expressed its displeasure with the decision of the OCSD and directed that options for billing the District's customers that reside in OCSD be presented at the August 19, 2015 Board meeting. The Board also directed that post cards be mailed to District customers that reside within the OCSD. The following language was crafted for distribution in a post card mailing that will occur later this week or early next week.

*The South San Luis Obispo County Sanitation District ("District") is the County Sanitation District authorized to provide wastewater services pursuant to the County Sanitation District Act (Health & Saf. Code section 4700 et seq.) and to bill its customers for those services. (Health & Saf. Code §§ 4741.7, 5471.) The District is in the process of modifying its billing procedures for the period commencing on August 1, 2015. Accordingly, the next bill you receive may include more than one month of services. If you have any questions please contact Amy Simpson at (805) 489-6666.*

## **DISCUSSION**

Three primary options have been evaluated. They are:

- The District assumes the duties of all billing functions
- The District places the cost of sewer services on the County property tax rolls
- The District utilizes the services of the member agencies for all billing functions

## District Assumes Duties of All Billing Functions

The goal of defining a billing system is to attempt to develop a scenario where essential billings functions are maintained and there are as little as possible additional District personnel resources assigned to the billing effort. There are three primary functions that constitute a billing system. These are:

- **Operating the customer database.** This involves recording billing receipts keeping customer records, defining delinquent accounts, maintaining change of account information, maintaining account balances and responding to customer questions. The operator of the database will be responsible for owning, operating and maintaining the software required for this service. In addition, online billing is available with an additional service fee per transaction.
- **Distribution of customer billing and delinquency notices.** This entails receiving information from the customer database and creating billing and delinquency notices with detachable return receipts and bar codes. Return envelopes are included in this service. This service also includes cost of mailing.
- **Assembling payments, distributing receipts and coordinating information with customer database.** Payments will be sent to a post office box and collected daily. The payments will then be assigned to a customer account. Records of payment will be transmitted to the customer database operator. Total receipts collected will be electronically transmitted to a District account.

The District plant is defined as a secure facility within the Federal Homeland Security Act. Therefore the general public is not allowed to access the District facility. This prohibits such services as paying for bills by cash in person, working with a District employee face to face to resolve a billing issue and changing service information in person. It is assumed that District staff will be required to respond to a significantly greater volume of phone calls to resolve billing issues.

If the District Board immediately directs staff to proceed without further review, the billing system can be in place by October 1, 2015.

The estimated costs reflect a two-month billing cycle. The estimated costs have been derived from estimates provided from vendors that specialize in each of the three services. Because effective electronic data coordination is essential to creating an operating billing system, estimates from vendors who have a history of coordinating with each other have been utilized. These costs do not include the addition of any additional District personnel resources that may be required to offset additional issues.

Service/Cost	Annual Cost	Bi-Monthly Cost
Customer Database	\$11,000	\$1,833.33
Distribution of Billing	\$13,200	\$2,200.00
Assembling Payments	\$ 4,800	\$ 800.00
<b>Total</b>	<b>\$29,000</b>	<b>\$4,833.00</b>

### The District Places the Cost of Sewer Services on the County Property Tax Rolls

The District may also opt to collect sanitation charges on the county tax roll.<sup>1</sup> In exchange for providing this service, the County places a \$2.00 charge on the tax bill for each identified parcel. Depending on the state of the District's records, the County estimates that this process could take between 3-4 months. The deadline to comply with all requirements and submit the required report to the County Auditor in order to put the District's sanitation charges on the 2015/2016 fiscal year tax roll was August 10, 2015. In order to meet this deadline, the District would have had to begin this process in early May of this year.<sup>2</sup>

The following section provides an overview of the various statutory and County-specific requirements and deadlines the District must comply with in order to add sanitation charges to the County tax roll:

- **Adoption of Ordinance.** The first step is for the District to adopt an ordinance electing to collect its sanitation charges on the county tax roll.
- **Submit Request for New Fund Numbers to County Auditor's Office by Mid-June.** All new direct charges require the creation of a new fund in the property tax system. Therefore, the District must submit a request to the County to create a new fund before it is authorized to submit any direct charges. The District's request must be accompanied by the approved ordinance electing to have the District's charges be collected on the county tax roll. Although June 15 is the deadline for submittal of requests for new funds, the County requests submissions by the end of April in order to ensure that the County has sufficient advance notice to perform all of the necessary steps prior to any charges being added to the tax bill.
- **Prepare Report Identifying Parcels and Charges.** The District must prepare a report that contains a description of each parcel of real property (i.e., the APN number) and the amount of the charge for each parcel. This Report must be filed with the District's clerk.
- **Notice of Filing of Report and of Time and Place of Public Hearing.** Before the District may have sanitation charges collected on the County tax roll for the first time, the District must mail a notice to each owner of a parcel identified in the

<sup>1</sup> The District can also elect to add delinquent charges to the county tax roll. Therefore, the District may want to consider adding any delinquent charges to the county tax roll when and if it decides to pursue this option next year.

<sup>2</sup> Staff was not directed to research billing options until the District's Board Meeting on July 1, 2015.

Report. The notice must state that the Report has been filed and also provide information on the time and place of the public hearing to consider adoption of the Report. The District must also provide notice of the filing of the Report and of the time and place of the public hearing pursuant to Section 6066 of the Government Code.

- **Public Hearing on Report.** The District must hold a public hearing to consider whether to adopt the Report and to hear all objections and protests. The District cannot adopt the Report if it finds that a majority of the owners of the individual parcels of property described in the Report have submitted protests. If the majority threshold is not reached, the District may vote to adopt the Report.
- **Submission of Approved Report to County by mid-July.** The District must submit the adopted Report to the County Auditor by mid-July together with a resolution adopted at the public hearing. Submission by this date allows both the County and the District to ensure that everything is correct and in place by the August 10 statutory deadline.
- **Finalize all Charges to be Collected on County Tax Roll by August 10.** By August 10 of each year, the District must finalize all charges to be placed on the County tax roll. Any changes after this date may not be possible, and if they are, result in a \$36.00 per change charge.

District staff has been communicating with the County Auditor's office regarding these various steps and requirements. During these communications, the County Auditor's office provided us with names of consultants that specialize in placing local agency's service charges on county tax rolls across California. Pursuant to this, we have begun speaking with NBS Consulting, who has provided us with an estimated budget. NBS has stated that it would cost approximately \$10,000.00 for a one-time set up fee to assist with getting everything in place. There would then be a \$3,500.00 annual maintenance fee to place the charges on the county tax roll. These tasks would be completed in time to put the District's sanitation charges on the County's tax roll for the 2016/2017 fiscal year.

#### The District Utilizes the Services of the Member Agencies for All Billing Functions

The OCSD has offered to perform complete billing services for the District for \$22,000 annually or \$3,666 per two-month billing cycle. Recent discussions with OCSD indicate that the OCSD would consider offering the District the added service of collecting connection fees for new connections. Collecting new connection fees for new services in the OCSD is a service that would be very beneficial to the District. The OCSD would also consider including the missed charges due on the August 1<sup>st</sup> billing in the October billing for the same two-month billing charge of \$3,666.

#### Implementation Discussion

The total annual cost to the District for collecting the sewer fees through the property tax is the annual set up charge of \$3,500. This compares to the present total annual

charge from the Member agencies of \$54,000. It would seem prudent to pursue placing the District's fees on the tax roll starting in the 2015/16 FY.

The question is what should the District do to collect sewer fees from the OCSD in the interim period. Implementation of a District operated billing system would engage significant District resources to initiate and it is more costly than the service offered by the OCSD. The service offered by OCSD allows for cash payments, and face-to-face discussions with a billing clerk. These are services that the District cannot provide in the present District facilities. If the Board wishes to utilize the OCSD for billing services it should direct staff to bring an agreement with the OCSD before the Board at the September 2, 2015 Board meeting.

Richard G. Sweet, PE  
District Manager

**Attachment: July 15, 2015 Staff Report**





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

Post Office Box 339 Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

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

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

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### **Staff Report**

To: Board of Directors

From: Richard G. Sweet, PE, District Manager

Date: July 15, 2015

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

#### **RECOMMENDATION**

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

#### **BACKGROUND**

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

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

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

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

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

## **DISCUSSION**

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

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

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

## **Options**

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

Richard G. Sweet, PE  
District Manager

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



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### **Staff Report**

To: Board of Directors

From: Richard Sweet, PE, District Manager

Date: June 17, 2015

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

#### **RECOMMENDATION:**

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

#### **BACKGROUND:**

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

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

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

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

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

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

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

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

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

## **DISCUSSION:**

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

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

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

### **Options**

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

Richard G. Sweet, PE  
District Manager

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



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### **Staff Report**

To: Board of Directors

From: Richard Sweet, PE, District Manager

Date: July 1, 2015

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

#### **RECOMMENDATION:**

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

#### **BACKGROUND:**

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

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

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

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

## **DISCUSSION:**

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

### **Phase 1**

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

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

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

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

### **Phase 2**

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

## **Options**

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

Richard G. Sweet, PE  
District Manager





## Oceano Community Services District

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

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

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July 10, 2015

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

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

Dear Mr. Sweet:

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

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

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



## Oceano Community Services District

Board of Directors Meeting

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

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

OCEANO COMMUNITY SERVICES DISTRICT

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

PAAVO OGREN  
General Manager



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

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

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

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

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

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

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

## **SHORT-TERM AGREEMENT FOR BILLING SERVICES**

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

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

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

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

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

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

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

**1. INCORPORATION OF RECITALS.**

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

**2. SERVICES.**

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

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

4. **COMPENSATION.**

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

5. **TERMINATION.**

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

6. **FUTURE NEGOTIATIONS.**

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

7. **GENERAL PROVISIONS.**

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

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

**SSLOCSD:**

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

**OCSD:**

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

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

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

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

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

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

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

**"SSLOCSD"**  
**South San Luis Obispo County Sanitation District**

**"OCSD"**  
**Oceano Community Services District**

By: \_\_\_\_\_  
Rick Sweet, District Manager

By: \_\_\_\_\_  
Paavo Ogren, General Manager

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

APPROVED AS TO FORM:  
Oceano Community Services District

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

By: \_\_\_\_\_  
Jeff Minnery, legal counsel





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

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

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August 20, 2015

Paavo Ogren  
General Manager  
Oceano Community Services District  
PO Box 599  
Oceano, CA 93475

**Subject: Request for Agreement for Billing Services**

Dear Mr. Ogren,

At the South San Luis Obispo County Sanitation District (SSLOCSD) meeting of August 19, 2015 the Board reviewed billing options for the SSLOCSD. The Board directed that SSLOCSD pursue the option of seeking billing services for the SSLOCSD customers that reside in the OCSD from the OCSD. The specific items that the Board requests that the OCSD consider are:

1. Complete billing services, including the ability of SSLOCSD customers to pay for services by cash, at the rate of \$3,666 per two month billing cycle. The initial \$3,666 payment will be due for services provided for the October 2015 billing.
2. Inclusion of the placement of the missed August 2015 billing on the October 2015 billing. The SSLOCSD is willing to pay incidental costs directly associated with the adjustments required to add the missed billing to the October statement.
3. That the OCSD collect connection fees due the SSLOCSD upon new connection fees being collected for OCSD water service. The SSLOCSD will review new connections and determine the amount of the connection fee and if an industrial users permit will be required.

It is my understanding from our discussion today that you will present these terms for consideration and direction to your Board at the August 26, 2015 Board meeting. I appreciate your continued effort regarding this matter.

Sincerely,

Rick Sweet, PE  
District Manager



**EMAIL AND US MAIL**

August 25, 2015

Stephanie Osler Hastings  
Attorney at Law  
805.882.1415 tel  
805.965.4333 fax  
SHastings@bhfs.com

Jim Hill, Chair  
John Shoals, Director  
Matthew Guerrero, Director  
South San Luis Obispo County Sanitation District  
PO Box 339  
Oceano, CA 93475

**RE: Retraction of BHFS Proposal for District Legal Counsel**

Dear Chairman Hill, Director Shoals, and Director Guerrero:

I am writing to retract Brownstein Hyatt Farber Schreck's proposal for District Legal Counsel, dated July 17, 2015.

Thank you for your consideration.

Sincerely,



Stephanie Hastings

CC: Rick Sweet  
Amy Simpson  
Jena Shoaf

SCO:ckm  
018303\0001\12648060.1

1020 State Street  
Santa Barbara, CA 93101-2711  
main 805.963.7000

August 12, 2015

Mr. Matthew Guerrero  
Board Chair  
South San Luis Obispo County Sanitation District  
Post Office Box 339  
Oceano, California 93475-0339

**Re: No Paid Property/Liability Claims in 2014-15**

Dear Mr. Guerrero:

This letter is to formally acknowledge the dedicated efforts of the South San Luis Obispo County Sanitation District's Governing Body, management and staff towards proactive risk management and loss prevention training. Your agency's efforts have resulted in no "paid" property/liability claims for program year 2014-15. A "paid" claim for the purposes of this recognition represents the first payment on an open claim during the prior program year and excludes property claims. This is a great accomplishment!

It is through the efforts of members such as South San Luis Obispo County Sanitation District that SDRMA has been able to continue providing affordable property/liability coverage to over 491 public agencies throughout California. In fact, 424 members or 86% in the property/liability program had no "paid" claims in program year 2014-15.

In addition to this annual recognition, members with no "paid" claims during 2014-15 earn 2 credit incentive points (CIPs) thereby reducing their annual contribution amount. Also, members with no "paid" claims for at least 3 consecutive program years may receive a lower "risk factor" which also reduces their annual contribution amount.

As SDRMA is dedicated to serving its members and preventing claims, we would appreciate your agency taking a moment and sharing with us what made your District successful in preventing property/liability losses. Our goal is to incorporate your successful ideas and suggestions into our loss prevention programs to benefit all members of SDRMA. Please forward any comments or suggestions to Dennis Timoney, SDRMA Chief Risk Officer at [dtimoney@sdрма.org](mailto:dtimoney@sdрма.org).

On behalf of the SDRMA Board of Directors and staff, it is my honor to congratulate the Governing Body, management and staff of South San Luis Obispo County Sanitation District for their commitment to proactive risk management and loss prevention training.

Sincerely,  
Special District Risk Management Authority

A handwritten signature in blue ink, appearing to read "David Aranda", is written over a light blue horizontal line.

David Aranda, President  
Board of Directors



# COUNTY OF SAN LUIS OBISPO

AUDITOR • CONTROLLER • TREASURER • TAX COLLECTOR

POST OFFICE BOX 1149

SAN LUIS OBISPO, CA 93406-1149

(805) 781-5831 • FAX (805) 781-5362

<http://sloacttc.com>

JAMES P. ERB, CPA

Auditor-Controller

Treasurer-Tax Collector

James W. Hamilton, CPA

Assistant

TO: AMY SIMPSON  
SOUTH SLO COUNTY SANITATION DISTRICT

FROM: TERESA ANDREWS-HURLIMAN

DATE: AUGUST 21, 2015

SUBJECT: 2015-2016 DISTRICT BUDGET

The District ended the 2015 fiscal year with a \$1,638,959 fund balance available. Your Preliminary Budget estimated fund balance at \$581,605. We suggest increasing your Designation for Facilities to account for the difference. The enclosed form reflects this change.

If you agree with the proposed change, please have the attached Schedule 15 form signed, dated, and returned to me by September 11, 2015. A copy is enclosed for your files.

If you would prefer to account for the difference in another way, please indicate your changes on the attached form, then return the signed and dated form to me by the September 11<sup>th</sup> date.

I can be reached at 805-781-5038 or via email at [thurliman@co.slo.ca.us](mailto:thurliman@co.slo.ca.us) if you have any questions.

Thank you!

Teresa Andrews-Hurliman  
Principal Auditor-Analyst  
Office of the Auditor-Controller

Special Districts and Other Agencies  
Financing Sources and Uses by Budget Unit by Object  
Fiscal Year 2015-16

SOUTH SLO SANITATION DIST-OPER FUND

Detail by Revenue Category and Expenditure Object (1)	2013-14 Actuals (2)	2014-15 Actual (3)	2015-16 Recommended Budget (4)	2015-16 Adopted by the Board of Supervisors (5)
Fund Balance Available			581,605	1,638,959
Cancelled Reserves			0	0
Taxes	16	0	0	0
Revenue from Use of Money & Property	3,137	0	12,800	12,800
Charges for Current Services	3,157,723	0	3,133,500	3,133,500
Other Revenues	157,284	0	218,713	218,713
<b>Total Revenue</b>	<b>3,318,160</b>	<b>0</b>	<b>3,946,618</b>	<b>5,003,972</b>
Salary and Benefits	378,216	0	1,234,052	1,234,052
Services and Supplies	1,747,108	0	1,499,600	1,499,600
Other Charges	0	0	76,000	76,000
Capital Assets				
Building & Improvements	241,567	0	75,000	75,000
Equipment	0	0	695,000	695,000
<b>Total Capital Assets</b>	<b>241,567</b>	<b>0</b>	<b>770,000</b>	<b>770,000</b>
Contingencies			0	0
Increased Reserves			366,966	1,424,320
<b>Total Financing Uses</b>	<b>2,366,891</b>	<b>0</b>	<b>3,946,618</b>	<b>5,003,972</b>
<b>Total Expenditures/Appropriations</b>	<b>2,366,891</b>	<b>0</b>	<b>3,946,618</b>	<b>5,003,972</b>
<b>Net Cost</b>	<b>(951,269)</b>	<b>0</b>	<b>0</b>	<b>0</b>

Chairperson: \_\_\_\_\_  
Date: \_\_\_\_\_