



**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.us

**AGENDA
BOARD OF DIRECTORS MEETING**

Oceano Community Services District Board Room
1655 Front Street
Oceano, CA 93445

Wednesday, May 16, 2018, at 6:00 p.m.

Board Members

Linda Austin, Chair
Barbara Nicolls, Vice Chair
Jim Hill, Director

Agencies

Oceano Community Services District
City of Grover Beach
City of Arroyo Grande

Alternate Board Members

Karen White, Director
Mariam Shah, Director
Tim Brown, Director

Oceano Community Services District
City of Grover Beach
City of Arroyo Grande

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- 1. CALL TO ORDER AND ROLL CALL**
 - 2. PLEDGE OF ALLEGIANCE**
 - 3. AGENDA REVIEW**
 - 4. 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.
- Direct Staff 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 Administrator or Bookkeeper/Secretary at (805) 481-6903. So that the District may address your request in a timely manner, please contact the District two business days in advance of the meeting.

5. 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.

- 5A. Approval of Warrants**
- 5B. Approval of Meeting Minutes of May 2, 2018**
- 5C. Approval of Special Meeting Minutes of May 4, 2018**
- 5D. Redundancy Project; Kennedy/Jenks (K/J) Contract Amendment; Approval of Resolution No. 2018-393**

6. ACTION ITEMS:

6A. PRESENTATION AND APPROVAL OF 2015/2016 FINANCIAL AUDIT

Recommendation: That the Board:

- (1) Receive a Presentation by Glenn Burdette for the Fiscal Year Ended June 30, 2016 Financial Audit; and
- (2) Approve and file the 2015/2016 Financial Audit.

6B. TECHNICAL CONSULTANTS AND PLANT OPERATIONS REPORT

Recommendation: Receive and File.

6C. DRAFT FISCAL YEAR 2018/2019 BUDGET

Recommendation: That the Board:

- (1) Receive a Presentation on the Draft Budget for Fiscal Year 2018/2019, beginning July 1, 2018; and
- (2) Provide staff with Board Member feedback and direction; and

- (3) Direct staff to provide required notifications and return to the June 6, 2018 Board meeting with a Final Budget for Fiscal Year 2018/2019 for consideration and adoption.

6D. DISCUSSION OF PERSONNEL POLICY MANUAL UPDATES

Recommendation: That the Board continue discussion on the Draft Revision of the Personnel Policy Manual (PPM) at the Board Meeting of May 16, 2018.

7. MISCELLANEOUS ITEMS:

7A. Written Communications

8. BOARD MEMBER COMMUNICATIONS:

9. CLOSED SESSION:

(A) PUBLIC EMPLOYMENT APPOINTMENT
Title: District Administrator

(B) DISCUSSION OF AGREEMENT FOR TECHNICAL AND ADMINISTRATIVE SERVICES PER GOVERNMENT CODE SECTION 54957(b)

10. ADJOURNMENT

The next regularly scheduled Board Meeting on June 6, 2018, 6:00 pm at the
Oceano Community Services District Board Room,
1655 Front Street, Oceano, CA

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
WARRANT REGISTER 05/16/2018 FY 2017/18

WARRANT #	VENDOR	ACCOUNT	BUDGET LINE ITEM	DESCRIPTION/ INVOICES #	ACCT BRKDN	TOTAL
05162018-2970	AGP	19-7080	PROF SERVICES- AGP VIDEO	7361	\$1,715.00	\$1,715.00
2971	ABALONE COAST ANALYTICAL INC	19-7078	CHEMICAL ANALYSIS	18-1497	\$97.00	\$97.00
2972	ALLIED ADMINISTRATORS	19-6025	DENTAL INSURANCE	Jun-18	\$574.84	\$574.84
2973	BANK OF THE WEST	19-8045	OFFICE SUPPLIES	OFFICE MAX/USPS	\$282.29	\$1,139.56
		19-7005	ADVERTISEMENTS	LAB RECRUITMENT	\$180.97	
		19-7013	WEBHOSTING	SHERWEB	\$164.35	
		19-7068	PERMIT / FEES	APCD VIOLATION	\$511.95	
2974	BRENNTAG	19-8050	PLANT CHEMICALS	BPI833434/BPI834454	\$11,662.99	\$11,662.99
2975	CALIFORNIA ELECTRIC SUPPLY	19-8030 2017-A1-05	EQUIPMENT MAINTENANCE	729902/729899	\$600.97	\$600.97
2976	CENTRAL COAST TECHNOLOGY	19-7082	COMPUTER SUPPORT	1578	\$493.43	\$493.43
2977	CITY OF GROVER BEACH	19-7081	PROF SERVICES-GB BILLING	82465/82523/82547/ 82571/82595	\$9,146.50	\$9,146.50
2978	CULLIGAN CCWT	19-7032	EQUIPMENT RENTAL	49074	\$60.00	\$60.00
2979	EMPLOYMENT DEVELOPMENT DEPARTMENT	19-6095	UNEMPLOYMENT REIMBURSEMENT	L1870479008	\$5,400.00	\$5,400.00
2980	ENGEL & GRAY, INC	19-7085	BIO SOLIDS HANDLING	84X00022	\$6,981.04	\$6,981.04
2981	EVERYWHERE RIGHT NOW, INC.	19-7082	PROF SERVICES-WEBSITE SUPPORT	2036	\$100.00	\$100.00
2982	FGL ENVIRONMENTAL AGRICULTURAL	19-7078	CHEMICAL ANALYSIS	784989A	\$2,098.00	\$2,098.00
2983	HACH	19-8040	LAB SUPPLIES	10944769/10890316	\$117.16	\$117.16
2984	I. I. SUPPLY	19-8056	SAFETY SUPPLIES	53006/53093	\$55.44	\$55.44
2985	OILFIELD ENVIRONMENTAL & COMPLIANCE, INC	19-7078	CHEMICAL ANALYSIS	1704421/1800859	\$358.00	\$358.00
2986	PACE DS	26-8065 2017-B1-02	STRUCTURES/GROUNDS CENTRIFUGE RENTAL	U-28-030	\$15,500.00	\$15,500.00
2987	PG&E	19-7091	UTILITIES-ELECTRICITY	4/9/2018-5/8/2018	\$14,521.10	\$14,521.10
2988	PRAXAIR	19-7032	EQUIPMENT RENTAL	82583189	\$30.54	\$30.54
2989	READY REFRESH	19-8035	HOUSEHOLD EXPENSE	18D0012917373	\$181.44	\$181.44
2990	REGIONAL GOVERNMENT SERVICES	19-7076	HUMAN RESOURCES	8344/LAB RECRUITMENT	\$2,205.00	\$2,205.00
2991	RICK JACKMAN	19-6075	MEDICAL REIMBURSEMENT	FY17/18	\$171.02	\$171.02
2992	RINCON CONSULTANTS, INC	20-7080	REDUNDANCY	4500	\$14,055.94	\$14,055.94
2993	SO CAL GAS	19-7092	UTILITIES -GAS	3/30/2018-4/30/2018	\$2,603.35	\$2,603.35

2994	SOUTH COUNTY SANITARY	19-7093	UTILITIES-RUBBISH	6049840	\$973.30	\$973.30
2995	STANLEY SECURITY	19-7011	COMMUNICATIONS ALARMS	15531701	\$67.25	\$67.25
2996	STATE FUND	19-6080	WORK COMP	5/1/2018-6/1/2018	\$3,595.00	\$3,595.00
2997	SWRCB	19-7055	PROF.CERTS./LICENSE	DELEON/RENEWAL	\$155.00	\$155.00
2998	UNITED STAFFING	19-6085	TEMP LABOR SERVICES	111271/111956	\$1,444.32	\$1,444.32
2999	USA BLUEBOOK	19-8030 2017-A1-27	EQUIPMENT MAINTENANCE	559172	\$81.65	\$81.65
3000	VWR	19-8040	LAB SUPPLIES	8082187059	\$145.53	\$145.53
3001	WINEMA INDUSTRIAL & SAFETY SUPPLY	19-8056	SAFETY SUPPLIES	2133	\$178.04	\$178.04
SUB TOTAL					\$96,508.41	\$96,508.41
3002	SOUTH SLO COUNTY SANITATION DISTRICT	19-6030 19-6040 19-6090 19-6095	PAYROLL	PPE 4/27/2018	\$18,859.17	\$21,204.83
		19-6060	CALPERS RETIREMENT	PPE 4/27/2018	\$2,345.66	
GRAND TOTAL					\$117,713.24	\$117,713.24

We hereby certify that the demands numbered serially from 05162018-2970 to 05162018-3002 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 **DATE**

Board Member **DATE**

Board Member **DATE**

Secretary **DATE**



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SUMMARY ACTION MINUTES Regular Meeting of Wednesday, May 02, 2018

1. CALL TO ORDER AND ROLL CALL

Chair Austin called the meeting to order and recognized a quorum.

Present: Linda Austin, Chair, Oceano Community Services District
Jim Hill, Director, City of Arroyo Grande
Barbara Nicolls, Director, City of Grover Beach

District Staff: Richard Sweet, Technical Consultant
Keith Collins, District Legal Counsel
Amy Simpson, District Bookkeeper/Secretary

2. PLEDGE OF ALLEGIANCE

Chair Austin led the Pledge of Allegiance.

3. AGENDA REVIEW

Chair Austin requested Item 6A, Central Coast Blue; Presentation by City of Pismo Beach Public Works Director, Ben Fine, be heard prior to Item 4, Public Comment on Items Not Appearing on the Agenda.

Director Hill requested the Board agendaize a discussion to consider seeking restitution from the Wallace organization and repudiation of Mary Lucey's comments related to Mr. Clemons while she was a member of the Board.

6A. CENTRAL COAST BLUE (FORMERLY REFERRED TO AS REGIONAL GROUNDWATER SUSTAINABILITY PROJECT); PRESENTATION BY CITY OF PISMO BEACH PUBLIC WORKS DIRECTOR, BEN FINE

Ben Fine, Public Works Director for City of Pismo Beach, provided a PowerPoint presentation on the Regional Groundwater Sustainability Project (RGSP). This project will provide advanced water purification creating a new beneficial water source. Wastewater will be treated locally. There will be a new regional groundwater facility instead of discharging the water to the ocean, and the advanced purification will use proven water treatment technology that will produce a drinking water quality resource. This new resource will be injected into the Santa Maria groundwater basin where it will be extracted

by the agencies for potable water use. The new brand will be One Water, One Community, and One Future and this project will be called Central Coast Blue.

There will be a ribbon cutting ceremony and open house on May 15, 2018 at 3:30 p.m. at the City of Pismo Beach demonstrating a pilot plant that was donated by IDE.

Director Hill requested staff agendize a discussion to consider a Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) with the City of Pismo Beach to acknowledge the possibility of the Regional Groundwater Sustainability Project (RGSP) being located at the District.

Chair Austin opened the Public Comment period.

Julie Tacker commented on the location analysis, the Coastal Commission, and the Environmental Impact Report (EIR). She is not in favor of having the facility at the District plant site.

Shirley Gibson likes the name Central Coast Blue.

Chair Austin closed the Public Comment period.

Ben Fine, City of Pismo Beach Public Works Director, said the Coastal Commission is very aware and supportive of this project. He said that the agencies are looking at secondary sites.

4. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA

Chair Austin opened the Public Comment period.

Julie Tacker commented on the censure of Director Hill, requested a censure of John Shoals and Mary Lucey, and said the cure and correct letter regarding the Brown Act violation did not reflect the action taken by the Board.

Ron Arnoldsen commented on seeking restitution from former administrator John Wallace.

Coleen Kubel commented on the cure and correct letter and said the letter whitewashed the issue.

Patricia Price commented on cure and correct letter, Directors being able to agendize items individually, and seeking restitution from former administrator John Wallace.

Chair Austin closed the Public Comment period.

5. CONSENT AGENDA:

5A. Approval of Warrants

5B. Approval of Meeting Minutes of April 18, 2018

5C. Technical Consultants and Plant Operations Report

Director Hill requested that items 5A and 5C on the Consent Agenda be considered separately.

5B. Approval of Meeting Minutes of April 18, 2018

Chair Austin opened the Public Comment period.

Julie Tacker commented on Item 5E specifically Mary Lucey's comments about the Cambria CSD.

Ron Arnoldsen said the minutes do not reflect the comments provided at the meetings.

Patricia Price appreciates the content of the minutes.

Shirley Gibson takes issue of Director Hill's comment regarding what a public speaker said at a City of Arroyo Grande meeting.

Chair Austin closed the Public Comment period.

Motion: Chair Austin made a motion to approve the Minutes of April 18, 2018 as presented.

Second: Director Nicolls seconded the motion.

Director Hill stated he would not support the Minutes because they did not include an attachment of the letter received from the District Attorney regarding the Brown Act Violation that was referenced many times in the Minutes.

Technical Consultant Sweet clarified that he understood from the Board that placing it available for the public at the meeting and noting it in the Minutes was acceptable.

Director Nicolls and Chair Austin said that the Minutes are fine the way they are and asked if there was supposed to be a response to the District Attorney.

Legal Counsel clarified that there is no requirement to further respond to the District Attorney letter.

Action: Approved 2-1

Yes: Directors Austin and Nicolls

No: Director Hill

5A. Approval of Warrants

Director Hill provided his comments on the Aramark warrant, payments to Board members for attending a meeting outside District boundaries, the legal counsel warrant, technical consultant warrant and the temporary labor warrant.

Legal Counsel clarified that there is no prohibition on compensating a Board member for attending a meeting that was not properly noticed under the Brown Act. A Board can certainly elect to do that but there is no requirement that payment be disallowed.

Chair Austin opened the Public Comment period.

Julie Tacker, Shirley Gibson, Coleen Kubel, Patricia Price, and Ron Arnoldsen commented on the Warrant Register.

Chair Austin closed the Public Comment period.

Motion: Director Hill made a motion to disapprove the Warrant Register, specifically warrant numbers 2940, 2957, 2950 and 2967.

Motion died from lack of a second.

Motion: Director Nicolls made a motion to approve the warrants as presented with the caveat of looking into the whims and the whys of Temporary Labor services and Hubner payments.

Second: Chair Austin seconded the motion.

Action: Approved 2-1

Yes: Directors Austin and Nicolls

No: Director Hill

5C. Technical Consultants and Plant Operations Report

Director Hill requested to have the Technical Consultants and Plant Operations Report presented as a discussion item versus placement on the Consent Agenda. He commented on the headworks project, raising the manholes to grade, and the brine disposal program.

Technical Consultant Sweet said the headworks project is moving along successfully and the discharge is up to standard and that staff will be asking the Board to act on a Notice of Completion. He said that staff has the plans for raising the manholes, and that the project will be in the \$25,000 range.

Director Nicolls asked about the audit.

Technical Consultant Sweet responded that the District has received confirmation that a partner of Glenn Burdette will present the audit at the meeting of May 16, 2018.

The Board requested the Technical Consultants and Plant Operations Report be presented as an Action Item and the Superintendent be present to answer questions.

Chair Austin opened the Public Comment period.

Julie Tacker commented on the Regional Collaboration section of the report, the brine disposal program, the Superintendent being at meetings, purchase of a washer and dryer, the centrifuge repair and the Purchasing Policy.

Chair Austin closed the Public Comment period.

Technical Consultant Sweet clarified that staff had received three quotes, the centrifuge was being repaired off site, the repair is not a public works project and the original quotes were under \$25,000.

Action: The Board received and filed the report.

6B. FISCAL YEAR 2017/18 THIRD (3rd) QUARTER BUDGET REVIEW; ADOPT RESOLUTION NO. 2018-392 AUTHORIZING BUDGET ADJUSTMENTS; PROVIDE INPUT FOR THE UPCOMING FISCAL YEAR 2018/19 BUDGET

Technical Consultant Rick Sweet presented this item. Staff made recommendations on budget adjustments based on actual expenditures. The increase in costs were primarily due to supplemental services required earlier in Fiscal Year 2017/2018 and the Digester Cleaning project which increased utility costs.

The Board members provided their comments on individual line accounts. Director Hill has concerns that Redundancy money has been spent on other items this year and will not be available to spend on Redundancy. Director Nicolls asked that everyone keep in mind that major changes are in the works particularly administratively. The Board expressed support for financial reporting.

Chair Austin opened the Public Comment period.

Ron Arnoldsen, Julie Tacker and Shirley Gibson all provided comment. Comments pertained to legal expenses, Redundancy money being used for expenses that are not categorized as capital improvements related to the Redundancy Project.

Chair Austin closed the Public Comment period.

Motion: Director Nicolls made a motion to adopt Resolution No. 2018-392; authorizing budgetary adjustments and provide input for the upcoming Fiscal Year 2017/18/19 budget.

Second: Chair Austin seconded the motion.

Action: Approved 2-1

Yes: Directors Austin and Nicolls

No: Director Hill

Chair Austin called for a five minute recess at 8:00 p.m.

6C. DISCUSSION OF PERSONNEL POLICY MANUAL UPDATES

The Board discussed the Personnel Policy Manual updates, provided comments, and asked staff to correct the grammatical errors.

Chair Austin opened the Public Comment period.

There was no public comment.

Chair Austin closed the Public Comment period.

The Personnel Policy Manual will be brought back at a future meeting and discussion will continue beginning with Section 7042 – Laboratory Technician.

7. MISCELLANEOUS ITEMS

7A. Written Communications

1. Notice of Completion from the State Water Resources Control Board Water Facilities Planning Study.

8. BOARD MEMBER COMMUNICATIONS

Director Hill requested a discussion on repudiation of comments made by Mary Lucey while serving as the Oceano Board representative, and that the District should pursue restitution from former administrator John Wallace.

Legal Counsel clarified a censure is used when a body would like to correct the conduct of one of its own members and would not call it appropriate to censure a member of the public and said the Board could pass a Resolution making a statement on any number of topics.

Director Hill acknowledged the passing of Arroyo Grande resident Otis Page.

The Board would like to agendize a discussion to consider the request from the Central Coast Blue Project, and a presentation of the brine program.

9. CLOSED SESSION:

PUBLIC EMPLOYEE APPOINTMENT

Title: District Administrator

Chair Austin opened the Public Comment period.

Julie Tacker, Shirley Gibson and Patricia Price commented on the interview and candidate selection process.

Chair Austin closed the Public Comment period.

Legal Counsel Collins announced Closed Session.

The Board adjourned to Closed Session at 8:55 p.m.

The Board reconvened from Closed Session at 9:00 p.m. District Legal Counsel Collins announced that there were no reportable actions.

10. ADJOURN MEETING

The meeting was adjourned at 9:02 p.m.

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

DRAFT



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SUMMARY ACTION MINUTES Special Meeting of Saturday, May 4, 2018 City of Grover Beach, Council Chambers 154 S. 8th Street, Grover Beach, CA

1. CALL TO ORDER AND ROLL CALL

Chair Austin called the meeting to order at 8:35 a.m.

Chair Austin called the roll:

Present: Linda Austin, Chair, Oceano Community Services District
Barbara Nicolls, Director, City of Grover Beach
Jim Hill, Director, City of Arroyo Grande

2. PUBLIC COMMENTS

Kris Victorine spoke and encouraged the Board to select the best candidate for the District.

Chair Austin closed the Public Comment period.

Chair Austin then adjourned the meeting to Closed Session.

Chair Austin reconvened the Special Meeting at 3:10 p.m. Technical Consultant Sweet announced that the Board had selected three candidates to engage in further discussions.

3. ADJOURNMENT

Motion: Director Nicolls made a motion to adjourn the special meeting.
Second: Director Hill

Action: Approved 3-0

Yes: Directors Nicolls and Hill and Chair Austin

The special meeting was adjourned at 3:12 p.m.

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

DRAFT



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STAFF REPORT

Date: May 16, 2018
To: Board of Directors
From: Richard Sweet and Paul J. Karp, Technical Consultants
Subject: **REDUNDANCY PROJECT; KENNEDY/JENKS (K/J) CONTRACT
AMENDMENT; APPROVAL OF RESOLUTION NO. 2018-393**

RECOMMENDATION:

That the Board of Directors approve by Resolution, an amendment to the contract with Kennedy/Jenks Consultants, Inc, (K/J) for Engineering Design Services for the Redundancy Project; and amend the project budget to reflect prior District actions incorporating Project Change Requests (PCRs) one (1) through six (6).

BACKGROUND AND DISCUSSION:

This amendment is a formality to officially modify the contract. During the design phases of the Redundancy Project which commenced in 2016, the District approved six (6) project change requests (PCRs) that increased the project design price by \$263,664. The project schedule indicates that bid-ready documents will be completed by February of 2019. The two and a half (2½) year construction will begin in Fall 2019. The majority of the project design expenditures will occur during fiscal year 2018/19. K/J has included these within the construction estimate used by Bartle Wells in the financial study that justified the current rate structure. These expenditures are also reflected in the draft 2018/19 Fiscal Year Budget. An exhibit summarizing the details of the contract amendment is an exhibit to the Resolution.

K/J is not aware of additional potential scope changes at this time. A decision to heighten treatment such as to include nutrient removal would alter the design scope of the project.

FISCAL CONSIDERATIONS:

The increased project costs are being analyzed within the Bartle Wells Financial update and are included in the draft budget for Fiscal Year 2018/19.

OPTIONS:

1. Approve Budget Amendment #1;
2. Defer or cancel construction of the Redundancy Project; or
3. Provide further direction to staff.

Attachment: K/J Amendment #1 to Agreement for Professional Services (Exhibit "A")

RESOLUTION NO. 2018-393

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH SAN LUIS
OBISPO COUNTY SANITATION DISTRICT APPROVING AMENDMENT #1 TO
THE AGREEMENT FOR PROFESSIONAL SERVICES WITH KENNEDY/JENKS
CONSULTANTS, INC. FOR DESIGN OF THE REDUNDANCY PROJECT**

WHEREAS, the South San Luis Obispo County Sanitation District ("District") on April 18, 2016, entered into an Agreement with Kennedy/Jenks Consultants, Inc. ("Consultant") for professional services to design the Redundancy Project; and

WHEREAS, the District has previously approved six (6) Project Change Requests (PCRs) changing Exhibit "A" of said Agreement in scope, price and schedule, as summarized in the Exhibit to this Resolution, entitled Amendment #1 to Agreement for Professional Services; and

WHEREAS, the District Board of Directors desires to formally amend the Agreement to include the details of the changes as summarized in the Exhibit, Amendment #1 to Agreement for Professional Services.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the South San Luis Obispo County Sanitation District as follows:

1. To approve Amendment #1 to the April 18, 2016 Agreement for Professional Services between the District and Consultant; and
2. The Chair of the Board, or her designee, is hereby authorized and directed to execute Amendment #1 to the Agreement for Professional Services.

PASSED AND ADOPTED at a regular meeting of the South San Luis Obispo County Sanitation District held May 16, 2018.

On motion of _____, seconded by _____,
and by the following roll call vote:

AYES:
NOES:
ABSENT:
CONFLICTS:

CERTIFICATION:

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held May 16, 2018.

RESOLUTION NO. 2018-393

**CHAIR, BOARD OF DIRECTORS
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

ATTEST:

DISTRICT SECRETARY

APPROVED AS TO FORM:

BY: _____
**KEITH F. COLLINS
DISTRICT COUNSEL**

BY: _____
**PAUL J. KARP OR RICHARD SWEET
TECHNICAL CONSULTANTS**

Amendment #1 to Agreement for Professional Services

This **Amendment No. 1** (the "Amendment") amends the contract between Kennedy/Jenks Consultants, Inc. (the "Consultant") and South San Luis Obispo County Sanitation District (the "District") dated April 18, 2016 (the "Agreement") to provide services for the project known as Wastewater Treatment Facility (WWTF) Redundancy Project (the "Project"). The work covered by the Amendment will be performed in accordance with the Agreement, its Terms and Conditions and Exhibits attached thereto.

Project Name: WWTF Redundancy Project	Date: 5/8/2018
Client: South San Luis Obispo County Sanitation District	Project No.: 1668009*00

Description of Amendment No. 1

Six project change requests (PCR) were authorized by the District and are attached. These PCRs include descriptions of out of scope work requested by the District and budget increases to fund the out of scope work. Budget was pulled forward from engineering services during construction (ESDC) to fund the PCRs with authorization from the District. The Amendment increases the budget for the Agreement by the amount of the approved PCRs to fully fund the ESDC work. Budget changes for the approved PCRs are shown in the table below.

PCR	Date	Budget Change (+ increase / - deduction)
1	5/10/16	+ \$30,000
2	8/24/16	+ \$10,000
3	4/19/17	+ \$9,614
4	6/9/17	+ \$28,230
5	12/6/17	+ \$55,000
6	3/8/18	+ \$130,820
APPROVED PCR SUBTOTAL		+ \$263,664
CURRENT CONTRACT VALUE		\$1,837,704
CONTRACT VALUE AFTER AMENDMENT NO. 1		\$2,101,368

The District and the Consultant have agreed to change the contract value in Exhibit B of the Agreement to **\$2,101,368** by having their representatives sign below.

Acknowledgement/Authorization

CONSULTANT

By  5/8/2018
 Signature Date

David Seymour
 Type or Print Name

Principal
 Title

DISTRICT

By _____
 Signature Date

 Type or Print Name

 Title

PCR #1

Scope Change/Budget Augmentation Request

This document is notification of the need for additional work that is outside the contractually agreed-upon project scope, due to unforeseen outside factors, client-requested changes or additions to scope. Effort on the additional work will not proceed until written acknowledgement/authorization is received from client.

Project Name: WWTF Redundancy Project	Date: 5/10/2016
Client: South San Luis Obispo County Sanitation District	Project No.: 1668009*00
Description of Scope Change (refer to correspondence, minutes of meetings, etc.) The level of effort required for as-needed CEQA and permitting assistance for WWTF Redundancy Project is greater than anticipated. A \$30,000 budget was included as a placeholder for CEQA and permitting assistance in the budgeted project, and the scope of services for this work was undefined. The California Coastal Commission (CCC) response to the District's coastal development permit application requested analysis of impacts due to sea level rise. The District requested that ESA assist with this analysis, as a subconsultant to Kennedy/Jenks, under the WWTF Redundancy Project. The estimated level of effort for the sea rise analysis is \$56,012 (\$50,920 plus a 10% markup). We request permission to reallocate \$30,000 of budget from Phase 7 (Office Engineering Services During Construction) to accommodate the additional effort for the sea level rise analysis, and we request that a budget augmentation be issued in the future to re-fund Phase 7 before the project enters the construction phase. <input checked="" type="checkbox"/> Letter describing scope change included as an attachment.	
Assumption(s) <ul style="list-style-type: none">• Please refer to the attachment for assumptions.	
Budget Augmentation Request No project-level budget augmentation is currently being requested. We propose to reallocate budget from Phase 7, and will request a budget augmentation to re-fund Phase 7 before the project enter construction. The proposed budget reallocation from Phase 7 to Phase 2 is \$30,000. <input checked="" type="checkbox"/> Detailed fee estimate included as an attachment.	
Estimated Effect on Deliverable Schedule (if any) Estimated effect on the deliverables schedule is currently unknown for the following reasons: <ul style="list-style-type: none">• Completion of the draft report is anticipated in 2 months of NTP, but this will be dependent on availability and quality of data.• Buy-in by the CCC is outside of the control of Kennedy/Jenks Consultants. At this time we do not see an impact to the project schedule, provided that preliminary design can begin in	

the July 2016 timeframe. We will keep the District apprised of potential schedule impacts as they become known to us.

Effect on Contract/Authorized Budget

- ☒ Sufficient budget to cover the scope change request is available in the current project budget, and work can proceed once the change is authorized. A formal request for additional budget will be issued at a later date.
- ☐ Insufficient budget available in the current contract budget to cover the scope change request. A budget amendment is required prior to proceeding with the additional work.

Originated by:
David Seymour, Kennedy/Jenks Consultants

Date:
5/10/2016

Approved by (K/J Project Manager):
John Wyckoff, Kennedy/Jenks Consultants

Date:
5/10/2016

Client Acknowledgement/Authorization

- ☐ Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be promptly executed. Proceed with the additional work.
- ☒ Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be executed later if required to cover additional cost.
- ☐ Scope Change/ Budget Augmentation Request is approved but do not proceed with additional work until a contract amendment is authorized.
- ☐ Scope Change request is not authorized. Do not proceed.
- ☐ Scope Change request is considered to be part of original scope. Follow-up discussion is required.

Authorized by (Client Project Manager):

Date:

Print Name:

5/11/16

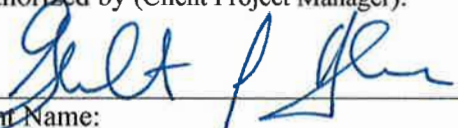
Gerhardt J Huber

PCR #2

Scope Change/Budget Augmentation Request

This document is notification of the need for additional work that is outside the contractually agreed-upon project scope, due to unforeseen outside factors, client-requested changes or additions to scope. Effort on the additional work will not proceed until written acknowledgement/authorization is received from client.

Project Name: WWTF Redundancy Project		Date: 8/24/2016									
Client: South San Luis Obispo County Sanitation District		Project No.: 1668009*00									
Description of Scope Change (refer to correspondence, minutes of meetings, etc.) <p>The level of effort required for as-needed CEQA and permitting assistance for WWTF Redundancy Project is greater than anticipated. A budget increase for Phase 2 (As-needed CEQA/Permitting Assistance) is requested for additional effort needed for preparation of a flood mitigation memo and preparation of a new site figure. The effort expended on this work has been small up to this point (less than \$10,000).</p> <p>We request permission to reallocate another \$10,000 of budget from Phase 7 (Office Engineering Services During Construction) to accommodate already expended effort efforts under this Phase. We request that a budget augmentation be issued in the future to re-fund Phase 7 before the project enters the construction phase.</p> <p>Summary of Project Change Requests (PCRs):</p> <table border="1"> <thead> <tr> <th>PCR</th> <th>Date</th> <th>Summary</th> </tr> </thead> <tbody> <tr> <td>1 (Executed)</td> <td>5/10/16</td> <td>Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.</td> </tr> <tr> <td>2 (Pending)</td> <td>8/24/16</td> <td>Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.</td> </tr> </tbody> </table>			PCR	Date	Summary	1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.	2 (Pending)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.
PCR	Date	Summary									
1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.									
2 (Pending)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.									
<input type="checkbox"/> Letter describing scope change included as an attachment.											
Assumption(s) <ul style="list-style-type: none"> Not applicable 											
Budget Augmentation Request <p>No project-level budget augmentation is currently being requested. We propose to reallocate budget from Phase 7, and will request a budget augmentation to re-fund Phase 7 before the project enter construction. The proposed budget reallocation from Phase 7 to Phase 2 is \$10,000.</p>											
<input type="checkbox"/> Detailed fee estimate included as an attachment.											
Estimated Effect on Deliverable Schedule (if any) <p>Not applicable.</p>											
Effect on Contract/Authorized Budget											


<input checked="" type="checkbox"/> Sufficient budget to cover the scope change request is available in the current project budget, and work can proceed once the change is authorized. A formal request for additional budget will be issued at a later date.	
<input type="checkbox"/> Insufficient budget available in the current contract budget to cover the scope change request. A budget amendment is required prior to proceeding with the additional work.	
Originated by: David Seymour, Kennedy/Jenks Consultants	Date: 8/24/2016
Approved by (K/J Project Manager): John Wyckoff, Kennedy/Jenks Consultants	Date: 8/24/2016
Client Acknowledgement/Authorization	
<input type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be promptly executed. Proceed with the additional work.	
<input checked="" type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be executed later if required to cover additional cost.	
<input type="checkbox"/> Scope Change/ Budget Augmentation Request is approved but do not proceed with additional work until a contract amendment is authorized.	
<input type="checkbox"/> Scope Change request is not authorized. Do not proceed.	
<input type="checkbox"/> Scope Change request is considered to be part of original scope. Follow-up discussion is required.	
Authorized by (Client Project Manager): 	Date: 8/25/16
Print Name: Gerhard J Hubner	

PCR #3

Scope Change/Budget Augmentation Request

This document is notification of the need for additional work that is outside the contractually agreed-upon project scope, due to unforeseen outside factors, client-requested changes or additions to scope. Effort on the additional work will not proceed until written acknowledgement/authorization is received from client.

Project Name: WWTF Redundancy Project	Date: 4/19/2017												
Client: South San Luis Obispo County Sanitation District	Project No.: 1668009*00												
Description of Scope Change (refer to correspondence, minutes of meetings, etc.)													
<p>The level of effort required for as-needed CEQA and Coastal Development Permit Application and hearing assistance for WWTF Redundancy Project is greater than anticipated. A budget increase for Phase 2 (As-needed CEQA/Permitting Assistance) is requested for additional effort needed for services as described in the attached proposal from ESA.</p> <p>We request permission to reallocate another \$9,614 of budget from Phase 7 (Office Engineering Services During Construction) to provide support up to and including the Coastal Commission hearing under this Phase. We request that a budget augmentation be issued in the future to re-fund Phase 7 before the project enters the construction phase.</p> <p>Summary of Project Change Requests (PCRs):</p> <table border="1"> <thead> <tr> <th>PCR</th> <th>Date</th> <th>Summary</th> </tr> </thead> <tbody> <tr> <td>1 (Executed)</td> <td>5/10/16</td> <td>Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.</td> </tr> <tr> <td>2 (Executed)</td> <td>8/24/16</td> <td>Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.</td> </tr> <tr> <td>3 (Pending)</td> <td>3/15/17</td> <td>Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.</td> </tr> </tbody> </table>		PCR	Date	Summary	1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.	2 (Executed)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.	3 (Pending)	3/15/17	Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.
PCR	Date	Summary											
1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.											
2 (Executed)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.											
3 (Pending)	3/15/17	Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.											
<input checked="" type="checkbox"/> Letter describing scope change included as an attachment.													
Assumption(s)													
<ul style="list-style-type: none"> Not applicable. 													
Budget Augmentation Request													
<p>No project-level budget augmentation is currently being requested. We propose to reallocate budget from Phase 7, and will request a budget augmentation to re-fund Phase 7 before the project enter construction. The proposed budget reallocation from Phase 7 to Phase 2 is \$9,614 (\$8,740 + 10% markup).</p> <p><input type="checkbox"/> Detailed fee estimate included as an attachment.</p>													
Estimated Effect on Deliverable Schedule (if any)													
Not applicable.													

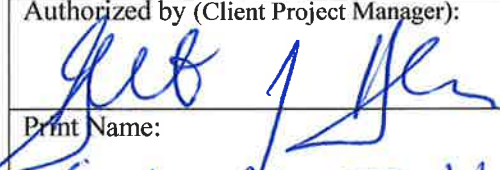
Effect on Contract/Authorized Budget	
<input checked="" type="checkbox"/> Sufficient budget to cover the scope change request is available in the current project budget, and work can proceed once the change is authorized. A formal request for additional budget will be issued at a later date.	
<input type="checkbox"/> Insufficient budget available in the current contract budget to cover the scope change request. A budget amendment is required prior to proceeding with the additional work.	
Originated by: David Seymour, Kennedy/Jenks Consultants	Date: 4/19/2017
Approved by (K/J Project Manager): John Wyckoff, Kennedy/Jenks Consultants	Date: 4/19/2017
Client Acknowledgement/Authorization	
<input type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be promptly executed. Proceed with the additional work.	
<input checked="" type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be executed later if required to cover additional cost.	
<input type="checkbox"/> Scope Change/ Budget Augmentation Request is approved but do not proceed with additional work until a contract amendment is authorized.	
<input type="checkbox"/> Scope Change request is not authorized. Do not proceed.	
<input type="checkbox"/> Scope Change request is considered to be part of original scope. Follow-up discussion is required.	
Authorized by (Client Project Manager): 	Date: 4/19/17
Print Name: Gerhardt Hubner	

PCR #4

Scope Change/Budget Augmentation Request

This document is notification of the need for additional work that is outside the contractually agreed-upon project scope, due to unforeseen outside factors, client-requested changes, or additions to scope. Effort on the additional work will not proceed until written acknowledgement/authorization is received from client.

Project Name: WWTF Redundancy Project	Date: 6/9/2017															
Client: South San Luis Obispo County Sanitation District	Project No.: 1668009*00															
Description of Scope Change (refer to correspondence, minutes of meetings, etc.)																
<p>This project change request (PCR) addresses the following proposed scope changes:</p> <p>1) Preparation of TM7 – Alternatives for Production Recycled Water Production</p> <p><u>Alternatives for Production of Recycled Water (Task 1.4A)</u></p> <p>The District is contemplating a partnership with the City of Pismo Beach, the Oceano Community Services District, the City of Arroyo Grande, and the City of Grover Beach in a regional groundwater sustainability project. A goal of the project is to contribute to developing a resilient water supply portfolio for southern San Luis Obispo County. This scope element (Task 1.4A) will present conceptual alternatives for how the District's WWTP could be upgraded for production of recycled water, such that effluent from the WWTP could be more easily used in a regional groundwater project. Task 1.4A is described as an optional item in the scope of work for the Redundancy Project, and was left as an unfunded scope item. This work would be completed during the course of preliminary design, to inform a path forward during final design of the facility improvements.</p> <p>Summary of Project Change Requests (PCRs):</p> <table border="1"> <thead> <tr> <th>PCR</th> <th>Date</th> <th>Summary</th> </tr> </thead> <tbody> <tr> <td>1 (Executed)</td> <td>5/10/16</td> <td>Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.</td> </tr> <tr> <td>2 (Executed)</td> <td>8/24/16</td> <td>Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.</td> </tr> <tr> <td>3 (Executed)</td> <td>4/19/17</td> <td>Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.</td> </tr> <tr> <td>4 (Pending)</td> <td>6/9/17</td> <td>Increase Phase 1 budget to \$437,063 (+\$28,230 for Task 1.4A) by shifting budget from Phase 7.</td> </tr> </tbody> </table> <p><input checked="" type="checkbox"/> Letter describing scope change included as an attachment.</p> <p>Assumption(s)</p> <ul style="list-style-type: none"> Not applicable. <p>Budget Augmentation Request</p> <p>No project-level budget augmentation is currently being requested. We propose to reallocate budget from Phase 7, and will request a budget augmentation to re-fund Phase 7 before the project enter construction.</p>		PCR	Date	Summary	1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.	2 (Executed)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.	3 (Executed)	4/19/17	Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.	4 (Pending)	6/9/17	Increase Phase 1 budget to \$437,063 (+\$28,230 for Task 1.4A) by shifting budget from Phase 7.
PCR	Date	Summary														
1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.														
2 (Executed)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.														
3 (Executed)	4/19/17	Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.														
4 (Pending)	6/9/17	Increase Phase 1 budget to \$437,063 (+\$28,230 for Task 1.4A) by shifting budget from Phase 7.														

<input type="checkbox"/> Detailed fee estimate included as an attachment.	
Estimated Effect on Deliverable Schedule (if any) Not applicable.	
Effect on Contract/Authorized Budget <input checked="" type="checkbox"/> Sufficient budget to cover the scope change request is available in the current project budget, and work can proceed once the change is authorized. A formal request for additional budget will be issued at a later date. <input type="checkbox"/> Insufficient budget available in the current contract budget to cover the scope change request. A budget amendment is required prior to proceeding with the additional work.	
Originated by: David Seymour, Kennedy/Jenks Consultants	Date: 6/9/2017
Approved by (K/J Project Manager): John Wyckoff, Kennedy/Jenks Consultants	Date: 6/9/2017
Client Acknowledgement/Authorization <input type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be promptly executed. Proceed with the additional work. <input checked="" type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be executed later if required to cover additional cost. <input type="checkbox"/> Scope Change/ Budget Augmentation Request is approved but do not proceed with additional work until a contract amendment is authorized. <input type="checkbox"/> Scope Change request is not authorized. Do not proceed. <input type="checkbox"/> Scope Change request is considered to be part of original scope. Follow-up discussion is required.	
Authorized by (Client Project Manager): 	Date: 7/6/17
Print Name: Gerhard J Hubner	

Scope Change/Budget Augmentation Request

PCR #5

This document is notification of the need for additional work that is outside the contractually agreed-upon project scope, due to unforeseen outside factors, client-requested changes, or additions to scope. Effort on the additional work will not proceed until written acknowledgement/authorization is received from client.

Project Name: WWTF Redundancy Project	Date: 12/6/2017
Client: South San Luis Obispo County Sanitation District	Project No.: 1668009*00

Description of Scope Change (refer to correspondence, minutes of meetings, etc.)

This project change request (PCR) addresses the following proposed scope changes:

- 1) **PCR 5** - Kennedy/Jenks has incurred additional costs resulting from an 18-month delay in starting design of the Redundancy Improvements. This PCR will fund additional costs resulting from increased project management efforts and escalation due to the extended schedule.

PCR 5 - Time Extension

Project management costs and escalation costs were estimated assuming a 16-month duration for CEQA/permitting, design, and bid period services from April 2016 to August 2017 (see executed Agreement, Exhibit A, Assumption 1 on page 15 of 16). The duration of CEQA/permitting, design, and bid period services has been extended by approximately 18 months as seen in the attached project schedule. Escalation costs were calculated using the Consumer Price Index (CPI) published by the Bureau of Labor Statistics. The National CPI-U Index (Series CUUR0000SA0) in April 2016 was 239.61 and in October 2017 was 246.663. Inflation over this period averaged 3 percent; 3 percent of the remaining contract value (approximately \$1.5 million) is \$45,000. Increased project management costs during the 18-month period are estimated at approximately \$10,000 based on earned value analyses (roughly 2-2.5 hours/month of additional PM time).

This delay occurred because of a prolonged Coastal Development Permitting process, which was outside of the control of both Kennedy/Jenks and the District, and also as a result of an alternatives evaluation that looked at implementation of the Redundancy Project as a membrane bioreactor (MBR). Kennedy/Jenks was directed by the District to hold off on beginning design work while the CDP was in process and during the development of a technical memorandum that evaluated the MBR alternative (Recycled Water Alternatives TM – TM 7). The direction to hold off on work was provided with the intent of reducing expenditures on developing a design that could have been obsolete should the CDP have been rejected or should the District have decided to proceed with the MBR alternative presented in TM7. The District provided notice to proceed on preliminary and final design on 11/16/2017 and design work is currently underway.

Summary of Project Change Requests (PCRs):

PCR	Date	Summary
1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.
2 (Executed)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.
3 (Executed)	4/19/17	Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.
4 (Executed)	6/9/17	Increase Phase 1 budget to \$437,063 (+\$28,230) by shifting budget from Phase 7.
5 (Pending)	12/6/17	Increase Phase 1-6 budget to \$1,410,771 (+\$55,000) by shifting budget from Phase 7.

☐ Letter describing scope change included as an attachment.

Assumption(s)

- Not applicable.

Budget Augmentation Request

No project-level budget augmentation is currently being requested. We propose to reallocate budget from Phase 7, and will request a budget augmentation to re-fund Phase 7 before the project enter construction.


☐ Detailed fee estimate included as an attachment.

Estimated Effect on Deliverable Schedule (if any)

Not applicable.

Effect on Contract/Authorized Budget

- ☒ Sufficient budget to cover the scope change request is available in the current project budget, and work can proceed once the change is authorized. A formal request for additional budget will be issued at a later date.
- ☐ Insufficient budget available in the current contract budget to cover the scope change request. A budget amendment is required prior to proceeding with the additional work.

Originated by: David Seymour, Kennedy/Jenks Consultants	Date: 12/6/2017
Approved by (K/J Project Manager): John Wyckoff, Kennedy/Jenks Consultants	Date: 12/6/2017
Client Acknowledgement/Authorization	
<p><i>This is your NTP</i></p> <p><input checked="" type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be promptly executed. Proceed with the additional work.</p> <p><input type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be executed later if required to cover additional cost.</p> <p><input type="checkbox"/> Scope Change/ Budget Augmentation Request is approved but do not proceed with additional work until a contract amendment is authorized.</p> <p><input type="checkbox"/> Scope Change request is not authorized. Do not proceed.</p> <p><input type="checkbox"/> Scope Change request is considered to be part of original scope. Follow-up discussion is required.</p>	
Authorized by (Client Project Manager): 	Date: <i>4-4-2018</i>
Print Name: <i>Paul J Karp</i>	

Scope Change/Budget Augmentation Request

PCR #6

This document is notification of the need for additional work that is outside the contractually agreed-upon project scope, due to unforeseen outside factors, client-requested changes, or additions to scope. Effort on the additional work will not proceed until written acknowledgement/authorization is received from client.

Project Name: WWTF Redundancy Project	Date: 3/8/2018	
Client: South San Luis Obispo County Sanitation District	Project No.: 1668009*00	
Description of Scope Change (refer to correspondence, minutes of meetings, etc.)		
<p>This project change request (PCR) addresses the following proposed scope changes:</p> <ol style="list-style-type: none">1) PCR 6 – This PCR will fund design of the flood mitigation measures as defined in Technical Memo No. 5 (TM5). The funding of the design of the flood mitigation measures was not initially included in the original project agreement as the scope of the required improvements had not been defined at the time of the execution of the agreement. This PCR will also fund potholing of yard piping in support of the Redundancy Project design.		
PCR 6 – Design of Flood Mitigation Measures		
<p>Flood mitigation measures were anticipated at the time of the project conception, but the scope of the measures was uncertain. Therefore, a preliminary design effort was budgeted when the current agreement was executed with the anticipation that final design budget would be added to the contract when the scope of the measures was agreed to by the District. Potholing was initially to be self-performed by the District, but since the Agreement was executed the District's capacity to self-perform this work has changed. This PCR amends the contract to include up to \$39,930 of potholing work within the Consultant's scope on a time and materials basis.</p> <p>TM5 contains the flood elevation data and recommendation for providing necessary flood protection for the critical portions of the Facility. District staff has reviewed TM5 and provided direction on their preferences for proceeding with the flood mitigation measures. The work covered by this PCR includes design of the approved flood mitigation measures to be incorporated into the design of the Redundancy Project. Flood mitigation measures are comprised of design of stem walls and flood plates around the following structures: the primary transformer (Area 1 in TM5), standby power building (Area 2 in TM3), the side of the Power Generation Station that contains the MCC (Area 3 in TM5), and the Fixed Film Reactor (Area 4 in TM5).</p>		
Summary of Project Change Requests (PCRs):		
PCR	Date	Summary
1 (Executed)	5/10/16	Increase Phase 2 budget to \$60,000 (+\$30,000) by shifting budget from Phase 7.
2 (Executed)	8/24/16	Increase Phase 2 budget to \$70,000 (+\$10,000) by shifting budget from Phase 7.
3 (Executed)	4/19/17	Increase Phase 2 budget to \$79,614 (+\$9,614) by shifting budget from Phase 7.
4 (Executed)	6/9/17	Increase Phase 1 budget to \$437,063 (+\$28,230) by shifting budget from Phase 7.
5 (Pending)	12/6/17	Increase Phases 1-6 budget to \$1,410,771 (+\$55,000) by shifting budget from Phase 7.
6 (Pending)	3/8/18	Increase Phases 1, 3, 4, 5, and 6 budgets to \$1,541,591 (+\$130,820) by shifting budget from Phase 7.

<input type="checkbox"/> Letter describing scope change included as an attachment.	
Assumption(s) <ul style="list-style-type: none"> Not applicable. 	
Budget Augmentation Request <p>No project-level budget augmentation is currently being requested. We propose to reallocate budget from Phase 7, and will request a budget augmentation to re-fund Phase 7 before the project enters construction. Kennedy/Jenks cannot provide all of the scoped Phase 7 services until this budget is refunded.</p> <input checked="" type="checkbox"/> Detailed fee estimate included as an attachment.	
Estimated Effect on Deliverable Schedule (if any) Not applicable.	
Effect on Contract/Authorized Budget <div style="margin-top: 10px;"> <input checked="" type="checkbox"/> Sufficient budget to cover the scope change request is available in the current project budget, and work can proceed once the change is authorized. A formal request for additional budget will be issued at a later date. </div> <div style="margin-top: 10px;"> <input type="checkbox"/> Insufficient budget available in the current contract budget to cover the scope change request. A budget amendment is required prior to proceeding with the additional work. </div>	
Originated by: David Seymour, Kennedy/Jenks Consultants	Date: 3/8/2018
Approved by (K/J Project Manager): John Wyckoff, Kennedy/Jenks Consultants	Date: 3/8/2018
Client Acknowledgement/Authorization <div style="text-align: right; color: blue; font-style: italic; font-size: 1.2em; margin-bottom: 10px;"> This is your NTD JJC </div> <div style="margin-bottom: 10px;"> <input checked="" type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be promptly executed. Proceed with the additional work. </div> <div> <input type="checkbox"/> Scope Change/Budget Augmentation Request is authorized. A contract amendment to cover additional work will be executed later if required to cover additional cost. </div> <div style="margin-top: 10px;"> <input type="checkbox"/> Scope Change/ Budget Augmentation Request is approved but do not proceed with additional work until a contract amendment is authorized. </div> <div style="margin-top: 10px;"> <input type="checkbox"/> Scope Change request is not authorized. Do not proceed. </div> <div style="margin-top: 10px;"> <input type="checkbox"/> Scope Change request is considered to be part of original scope. Follow-up discussion is required. </div>	
Authorized by (Client Project Manager): <div style="text-align: center; margin-top: 10px;"> </div>	Date: <div style="text-align: center; margin-top: 10px;"> 4-4-2018 </div>
Print Name: Paul J. Kemp	



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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

STAFF REPORT

Date: May 16, 2018
To: Board of Directors
From: Richard Sweet and Paul J. Karp, Technical Consultants
Via: Amy Simpson, Bookkeeper/Secretary

Subject: PRESENTATION AND APPROVAL OF 2015/2016 FINANCIAL AUDIT

RECOMMENDATION:

That the Board approve and file the 2015/2016 Financial Audit.

BACKGROUND:

At the meeting of July 20, 2016, the Board authorized the District Administrator to execute an agreement with Glenn Burdette Attest Corporation to perform the annual audit for the District. The auditors reviewed District financial statements and records and met with District staff to develop the Audit Report.

DISCUSSION:

South San Luis Obispo County Sanitation District realized an overall increase of cash and cash equivalents of \$21,236 from the previous year, but the District also realized a decrease in net position of \$291,464. The decrease in net position can be attributed to depreciation, retirement contributions, and reorganization.

The District realized an operating loss of \$523,388. This compares with an operating increase of \$42,352 in 2015, and an operating loss of \$621,441 in 2014.

Total cash balance at the end of fiscal year 2016 was \$5,575,929, compared with \$5,554,693 in fiscal year 2015.

During fiscal year 2016 the District invested to improve plant facilities. Engineering for several projects began, including a grit removal system, the headworks improvement project, and the

redundancy project. There was also ongoing work on the Cherry Avenue bridge maintenance project, as well as the emergency repair to the influent pipeline.

During fiscal year 2016 the District began collection of service charges for the Community of Oceano on the tax roll; started televising Board meetings; and completed the financial plan and rate study including a 218 process for the rate increase. The District participated with member water agencies to initiate a recycled water facilities planning study, as well as recruited and hired new legal counsel and District Administrator.

Attachment: 2015/2016 Audit

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South San Luis Obispo County Sanitation District

Financial Statements

Year Ended June 30, 2016

South San Luis Obispo County Sanitation District

Financial Statements

Year Ended June 30, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the South San Luis Obispo County Sanitation District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Managements' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Board of Directors**South San Luis Obispo County Sanitation District****Page 2**

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

May 11, 2018

South San Luis Obispo County Sanitation District

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

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The following is a discussion of the financial position and the results of operations of the South San Luis Obispo County Sanitation District (the District) for the fiscal year ending June 30, 2016. This discussion refers to and is qualified by information contained in the financial statements and in the notes to the financial statements. Thus, it should be read together with these statements in the Audit Report. The financial audit of the District has been performed by Glenn Burdette, CPAs, in accordance with accounting principles generally accepted in the United States of America.

Financial Highlights:

- At June 30, 2016, the District's total net position decreased by 3% or \$291 thousand from \$11.3 million to \$11.0 million. Of this amount, \$3.2 million may be used to meet the District's ongoing obligations to citizens and creditors.
- Total operating revenues increased by 2% or \$60 thousand from \$3.40 million to \$3.46 million.
- Total operating expenses increased by 19% or \$626 thousand from \$3.36 million to \$3.98 million.
- Depreciation expense increased from \$874 thousand to \$1.24 million for a 41% or \$363 thousand increase.
- Nonoperating revenues and expenses increased from a \$458 thousand loss to a \$43 thousand gain for a \$500k or 109% increase.
- Capital contributions from connection fees decreased by \$18 thousand or 9% from \$207 thousand to \$189 thousand.

Overview of the Financial Statements:

This annual report consists of a series of financial statements. The statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows all provide information about the District's activities and present a long-term view of its finances.

These statements are prepared using the accrual basis of accounting which recognizes expenses when incurred and revenue when earned rather than when payment is made or received and is widely used by most private sector companies. These statements also report on the District's net position as a whole and changes in it resulting from the current years' activity. Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or declining.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The various funds are presented in the accompanying financial statements as a proprietary fund category, enterprise fund type.

South San Luis Obispo County Sanitation District

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

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Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 16-34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11 million at the close of June 30, 2016.

The largest portion of the District's net position, \$7.74 million (70.5%) as of June 30, 2016, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

Condensed Statement of Net Position as of June 30, 2016 and 2015

	FY 15/16	FY 14/15	Increase/Decrease	
			Amount	%
Assets				
Current assets	\$ 6,351,222	\$ 6,088,499	\$ 262,723	4%
Noncurrent assets	5,705	10,992	(5,287)	-48%
Property and equipment	7,888,310	8,144,560	(256,250)	-3%
Total assets	14,245,237	14,244,051	1,186	0%
Deferred Outflows of Resources	98,933	51,868	47,065	91%
Liabilities				
Current liabilities	1,506,058	1,343,842	162,216	12%
Long-term liabilities	1,724,881	1,479,905	244,976	17%
Total liabilities	3,230,939	2,823,747	407,192	14%
Deferred Inflows of Resources	130,639	198,116	(67,477)	-34%
Net Position				
Net investment in capital assets	7,748,041	7,939,423	(191,382)	-2%
Restricted for capital expansion	3,960,461	4,113,230	(152,769)	-4%
Unrestricted	(725,910)	(778,597)	52,687	-7%
Total net position	\$ 10,982,592	\$ 11,274,056	\$ (291,464)	-3%

South San Luis Obispo County Sanitation District

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

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The activities of the District decreased the District's net position by \$291,000. The key elements are as follows:

- Operating and non-operating expenses exceeded operating and non-operating revenues by \$291,464 as of June 30, 2016.
- Capital contributions to the District's system totaled \$189,155 as of June 30, 2016. This is a net decrease of \$18,180 in Capital contributions.

**Condensed Statement of Revenues, Expenses and Changes in Net Position
as of June 30, 2016 and 2015**

	FY 15/16	FY 14/15	Increase/Decrease	
			Amount	%
Revenues - sewer service fees	\$ 3,458,839	\$ 3,398,643	\$ 60,196	2%
Operating expenses				
Depreciation expense	1,237,139	874,378	362,761	41%
Other operating expenses	2,745,088	2,481,913	263,175	11%
Total operating expenses	3,982,227	3,356,291	625,936	19%
Nonoperating revenues and expenses				
Loss on disposal of assets		(494,844)	494,844	-100%
Other nonoperating revenues and expenses, net	42,769	37,318	5,451	15%
Total nonoperating revenues and expenses	42,769	(457,526)	500,295	-109%
Capital contributions - connection fees	189,155	207,335	(18,180)	-9%
Decrease in net position	(291,464)	(207,839)	(83,625)	40%
Net position - beginning of year	11,274,056	11,481,895	(207,839)	-2%
Net position - end of year	\$ 10,982,592	\$ 11,274,056	\$ (291,464)	-3%

South San Luis Obispo County Sanitation District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2016

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Capital Asset and Debt Administration:

Capital Assets. The District's investments in capital assets for its business type activities as of June 30, 2016 amounts to \$7.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment.

Additional information on the South San Luis Obispo County Sanitation District capital assets can be found in Note 4 on page 21 of this report.

Capital Assets (Net of Depreciation)	2017	2016
Nondepreciable capital assets	\$ 977,357	\$ 534,212
Depreciable capital assets (net of accumulated depreciation)	6,910,953	7,610,348
Total capital assets	\$ 7,888,310	\$ 8,144,560

Long-term debt. At June 30, 2016, the District held debt of loan payable and compensated absences.

Long-Term Debt	2017	2016
Loan payable	\$ 140,269	\$ 205,137
Compensated absences	32,372	52,330
Total long-term debt	\$ 172,641	\$ 257,467

The District's total debt decreased by \$85,000 (33%) during the year ended June 30, 2016, due to payment on the District's only note payable.

Additional information on the District's long-term debt can be found in Note 5 on page 21 of this report.

Economic Factors and Next Year's Budgets and Rates

Financial Plan. Bartle Wells has been engaged to evaluate evolving capital and maintenance needs and the District's ability to accommodate these needs within the existing rate structure. Upon completion of the Updated Financial Plan by Bartle Wells the District will consider financial strategies, including rate adjustments, to fulfill the financial demands of the District

Rate Increase. The District implemented a rate increase beginning July 1, 2016. The new rates are designed to meet the District's operational and capital funding needs, comply with legal requirements and be fair to all customers. Rate increases are phased in over approximately five years to minimize the annual impact on District customers.

South San Luis Obispo County Sanitation District

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2016

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Other Post-Employment Benefits. The District provides other post-employment benefits (OPEB) through the California Employers' Retiree Benefit fund which is administered by CalPERS. In 2000, the District joined the CalPERS medical program. An actuarial evaluation was performed in the 2015-16 fiscal year to determine the District's Annual Required Contribution (ARC) to the OPEB Fund in order to meet the obligation of providing retiree medical insurance.

Requests for Information:

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the District Administrator, South San Luis Obispo County Sanitation District 1600 Aloha Place, Oceano, CA 93445.

South San Luis Obispo County Sanitation District

Statement of Net Position – Proprietary Fund

June 30, 2016

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Assets

Current assets:

Cash and cash equivalents	\$ 5,575,929
Accounts receivable	745,908
Prepaid expenses	29,385
Total current assets	<u>6,351,222</u>

Noncurrent assets:

Deposits	5,705
Capital assets:	
Land	431,425
Property, plant, and equipment	22,834,764
Construction in progress	545,932
Total capital assets	<u>23,812,121</u>
Accumulated depreciation	<u>(15,923,811)</u>
Total capital assets, net of accumulated depreciation	<u>7,888,310</u>
Total noncurrent assets	<u>7,894,015</u>
Total assets	<u>14,245,237</u>

Deferred Outflows of Resources

Deferred pensions	<u>98,933</u>
Total deferred outflows of resources	<u>98,933</u>

The accompanying notes are an integral part of these financial statements.

South San Luis Obispo County Sanitation District
Statement of Net Position – Proprietary Fund
June 30, 2016
Page 2

PRELIMINARY DRAFT
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Liabilities

Current liabilities:

Accounts payable	\$ 323,918
Accrued interest payable	4,009
Settlement payable	1,109,813
Loan payable, current portion	68,318
Total current liabilities	1,506,058

Long-term liabilities:

Compensated absences	32,372
Net pension liability	766,801
Other post employment benefits	853,757
Loan payable, net of current portion	71,951
Total long-term liabilities	1,724,881
Total liabilities	3,230,939

Deferred Inflows of Resources

Deferred pensions	130,639
Total deferred inflows of resources	130,639

Net Position

Net investment in capital assets	7,748,041
Restricted for capital expansion	3,960,461
Unrestricted	(725,910)
Total net position	\$ 10,982,592

The accompanying notes are an integral part of these financial statements.

South San Luis Obispo County Sanitation District
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
Year Ended June 30, 2016

PRELIMINARY DRAFT
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Operating revenues:

Sewer services fees	\$ 3,458,839
Total operating revenues	<u>3,458,839</u>

Operating expenses:

Accounting	11,495
Capital purchases	4,216
Communications	13,266
Depreciation expense	1,237,139
Employee benefits	303,243
Equipment rental	26,125
Fuel and oil	10,251
Gross wages	659,418
Insurance	28,090
Legal	299,099
Membership, permits, and license fees	73,103
Miscellaneous expenses	3,707
Office and supplies	24,606
OPEB expense	122,565
Payroll taxes and benefits	54,525
Plant chemicals, lab, and analysis	187,417
Professional services	177,014
Property tax	28,654
Repairs and maintenance	207,663
Retirement contribution	150,255
Small tools	16,615
Solids handling	40,853
Special services	81,074
Studies	48,373
Uniforms	13,365
Utilities	160,096
Total operating expenses	<u>3,982,227</u>
Operating loss	<u>(523,388)</u>

The accompanying notes are an integral part of these financial statements.

South San Luis Obispo County Sanitation District

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund

Year Ended June 30, 2016

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Nonoperating revenues and expenses:

Governmental agencies	\$ 3,276
Interest income	24,321
Lease income	25,098
Interest expense	(9,926)
Total nonoperating revenues and expenses	<u>42,769</u>

Capital contributions

Connection fees	<u>189,155</u>
Total capital contributions	<u>189,155</u>

Decrease in net position	<u>(291,464)</u>
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Net position - beginning of year	<u>11,274,056</u>
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Net position - end of year	<u>\$ 10,982,592</u>
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The accompanying notes are an integral part of these financial statements.

South San Luis Obispo County Sanitation District

Statement of Cash Flows

Year Ended June 30, 2016

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Cash flows from operating activities:

Cash received from customers	\$ 3,223,934	
Cash payments to suppliers for goods and services	(1,414,811)	
Cash payments to employees for services	(974,054)	
Net cash provided by operating activities		\$ 835,069

Cash Flows From noncapital financing activities

Cash received from other governmental agencies	3,276	
Lease income	25,098	
Net cash provided by noncapital financing activities		28,374

Cash flows from capital and related financing activities:

Capital contributions, connection fees	189,155	
Acquisition and construction of capital assets	(996,714)	
Disposition of capital assets	15,825	
Principal paid on debt financing	(64,868)	
Interest paid on debt financing	(9,926)	
Net cash used in capital and financing activities		(866,528)

Cash flows from investing activities:

Interest received	24,321	
Net cash provided by investing activities		24,321

Net increase in cash	21,236
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Cash and cash equivalents - beginning of year	5,554,693
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Cash and cash equivalents - end of year	\$ 5,575,929
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The accompanying notes are an integral part of these financial statements.

South San Luis Obispo County Sanitation District
Statement of Cash Flows
Year Ended June 30, 2016
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**Reconciliation of operating loss to net cash
 provided by operating activities:**

Operating loss		\$	(523,388)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	\$	1,237,139	
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable		(240,192)	
Prepaid expenses		(1,295)	
Customer deposits and advances		5,287	
Accounts payable		190,566	
Accrued liabilities		(31,801)	
Compensated absences		(19,958)	
Other post employment benefits		122,565	
Deferred pensions and net pension liability		96,146	
Total adjustments			<u>1,358,457</u>
Net cash provided by operating activities		\$	<u>835,069</u>

The accompanying notes are an integral part of these financial statements.

South San Luis Obispo County Sanitation District

Notes to Basic Financial Statements

June 30, 2016

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Note 1: Description of the Reporting Entity

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

The District has no component units that meet the requirements for presentation by the Governmental Accounting Standards Board (GASB).

Note 2: Summary of Significant Accounting Policies

Accounting Policy

For financial reporting purposes, the District is engaged only in business-type activities. The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The District accounts for its operations as an Enterprise Fund. Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes..

Budgets and Budgetary Accounting

An annual budget is adopted by the governing bodies at the start of each year. Any changes or revisions to that budget throughout the year must be approved by the governing bodies.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

South San Luis Obispo County Sanitation District

Notes to Financial Statements

June 30, 2016

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Note 2: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and certificates of deposit with original maturities of three months or less from the date of acquisition.

Accounts Receivable

Accounts receivable are written off in full when the receivable is deemed uncollectible. Management assessed the need for an allowance for uncollectible accounts receivable based on prior experience and management's analysis of possible bad debts and determined that no allowance was necessary at June 30, 2016.

Capital Assets

All capital assets are valued at historical cost, or estimated historical cost if actual costs are not available. Depreciation has been provided over the estimated useful life (ranging from 5 – 40 years) of the asset using the straight-line method.

Deferred Outflows and Inflows of Resources

The District recognizes deferred outflows and inflows of resources in the Statement of Net Position. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Compensated Absences

District employees are granted vacation and sick leave in varying amounts. In the event of termination, employees are reimbursed for the total value of their accumulated vacation days and for a portion of their accumulated sick leave. A liability for compensated absences is accrued for the District and included in noncurrent liabilities.

Net Pension Liability

The District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial reports provided by the

South San Luis Obispo County Sanitation District

Notes to Financial Statements

June 30, 2016

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Note 2: Summary of Significant Accounting Policies (Continued)

California Public Employees' Retirement System (CalPERS) plan (the Plan). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change.

The changes in the net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's CalPERS Plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Projected earnings on pension investments are recognized as a component of pension expense.

Net Position

The District's net position is required to be classified for accounting and reporting purposes into the following net position categories:

- Net investment in capital assets includes capital assets net of accumulated depreciation and amortization, deferred outflows of resources, less the outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted consists of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter.
- Unrestricted consists of all other categories of net position. Unrestricted may be designated for use by management of the District. These designations limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be used to support future operations in these areas.

South San Luis Obispo County Sanitation District

Notes to Financial Statements

June 30, 2016

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Note 3: Cash and Cash Equivalents

At June 30, 2016, the District had the following cash and investments on hand:

Cash and cash equivalents	\$	130,067
Cash and investments with County Treasurer		3,026,360
Local Agency Investment Fund (LAIF)		2,419,502
		<hr/>
	\$	5,575,929
		<hr/>

The District maintains the majority of its operating cash with the San Luis Obispo County Treasurer's office in a pooled investment fund. Funds are pooled with other agencies throughout San Luis Obispo County. Investments are made in accordance with the California Government Code. The carrying value of pooled funds approximates fair value as required by GASB. Interest earned is deposited quarterly into participating funds. Investment gains and losses, if any, are proportionately shared by all funds in the pool. San Luis Obispo County's report discloses the required information in accordance with GASB Statements No. 3 and 40. External investment pools are not required to provide custodial credit risk disclosures.

The fair value of the District's position in the State LAIF pool is the same as the value of the pool shares. The State LAIF pool credit quality is unrated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

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Note 3: Cash and Cash Equivalents (Continued)

As of June 30, 2016, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Interest Rate Risk

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

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

Investment Type	Carrying Amount	12 Months or Less
Cash and investments with County Treasurer	\$ 3,026,360	\$ 3,026,360
Local Agency Investment Fund (LAIF)	2,419,502	2,419,502
	<u>\$ 5,445,862</u>	<u>\$ 5,445,862</u>

Credit Risk

This is the risk of loss due to the failure of the security issuer or backer. This is measured by the assignment of rating by a nationally recognized statistical rating organization. The District's investments were not rated as of fiscal year end.

Concentration of Credit Risk

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

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Note 4: Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Land	\$ 431,425	\$	\$	\$ 431,425
Property, plant, and equipment	22,387,764	537,744	(90,744)	22,834,764
Construction in progress	102,787	458,970	(15,825)	545,932
Total capital assets	22,921,976	996,714	(106,569)	23,812,121
Less accumulated depreciation	(14,777,416)	(1,237,139)	90,744	(15,923,811)
Net capital assets	\$ 8,144,560	\$ (240,425)	\$ (15,825)	\$ 7,888,310

Note 5: Note Payable

On October 19, 2009, the District received a loan from Municipal Finance Corporation in the amount of \$483,159. The purpose of the loan was to install a new electrical generator system. The District will make semi-annual payments under the loan agreement of \$37,398 through June 2017. The interest rate for the loan is 5.25%. At June 30, 2016, the principal amount outstanding was \$140,269.

At June 30, 2016 future debt service payments are as follows:

For the Year Ended June 30,	Principal	Interest	Total
2017	\$ 68,318	\$ 6,478	\$ 74,796
2018	71,951	2,845	74,796
	\$ 140,269	\$ 9,323	\$ 149,592

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Compensated absences	\$ 52,330	\$ 29,697	\$ (49,655)	\$ 32,372
Loan payable	205,137		(64,868)	140,269
Total	\$ 257,467	\$ 29,697	\$ (114,523)	\$ 172,641

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Note 6: Pension Plan**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by CalPERS. The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available on the CalPERS website.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the District. The District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the Miscellaneous PEPR plan (Miscellaneous PEPR). The District does not have any rate plans in the safety risk pool.

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPR Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPR Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.0%
Required employee contribution rates	7.892%	6.250%
Required employer contribution rates	9.067%	6.237%

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Note 6: Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contributions to the risk pools in the Plan for the year ended June 30, 2016 were \$40,007.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liability for its proportionate shares of the net pension liability of \$766,801.

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

	<u>Proportionate Share</u>
Percentage share at 6/30/14	0.028137%
Percentage share at 6/30/15	<u>0.027950%</u>
Change - increase/(decrease)	<u><u>-0.000187%</u></u>

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Note 6: Pension Plan (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$98,295. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 40,007	\$
Changes in assumptions		(32,047)
Differences between expected and actual experiences	3,387	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(33,573)
Net differences between projected and actual earnings on plan investments		(65,019)
Adjustment due to differences in proportions	55,539	
	<u>\$ 98,933</u>	<u>\$ (130,639)</u>

The deferred outflows of resources related to contributions subsequent to the measurement date of \$40,007 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30	Amount
2016	\$ (31,204)
2017	(31,039)
2018	(30,000)
2019	20,530
Total	<u>\$ (71,713)</u>

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Note 6: Pension Plan (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	(2)
Mortality Rate Table	(3)

(1) Depending on age, service and type of employment.

(2) Contract COLA up to 2.75% until Purchasing Power Protection Allowance
Floor on Purchasing Power applies, 2.75% after

(3) Derived using CalPERS' Membership Data for all Funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2015 based on June 30, 2016 valuations, that can be obtained from the CalPERS website.

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Note 6: Pension Plan (Continued)

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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Note 6: Pension Plan (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.12%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	<u>100.00%</u>		

(a) - An expected inflation of 2.5% used for this period.

(b) - An expected inflation of 3.0% used for this period.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	1,244,517
Current Discount Rate		7.65%
Net Pension Liability	\$	766,801
1% Increase		8.65%
Net Pension Liability	\$	372,390

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Note 7: Post-Employment Benefits Other than Pensions

The District's primary OPEB cost obligation is for retiree health benefits under the election to participate in the California Public Employees' Retirement System (CalPERS) Health Benefit Program, an agent multiple-employer defined benefit OPEB plan, under the "unequal contribution option." The District entered the CalPERS medical insurance program in 1967 under the Public Employees' Medical and Hospital Care Act (PEMHCA). The required employer contribution was \$125.00 per employee per month in 2015-16. Retirees pay the differential monthly amount of the premium, which varies depending on the health benefits they select.

Funding Policy

The District is required to contribute the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The District's ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of 30 years. The ARC for 2015-16 was \$145,751.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2016, the amount actually contributed to the plan (including administrative costs), and changes in the Net OPEB Obligation:

Annual Required Contribution	\$ 145,751
Interest on Net OPEB Obligation	32,904
Annual OPEB Cost/Expense	<u>178,655</u>
Contributions made	<u>56,090</u>
Increase in Net OPEB Obligation	122,565
Net OPEB Obligation - beginning of fiscal year	<u>731,192</u>
Net OPEB Obligation - end of fiscal year	<u><u>\$ 853,757</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 150,441	\$ 30,656	20%	\$ 611,233
June 30, 2015	\$ 155,232	\$ 35,273	23%	\$ 731,192
June 30, 2016	\$ 178,655	\$ 56,090	31%	\$ 853,757

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Note 7: Post-Employment Benefits Other than Pensions (Continued)

Funding Status and Funding Progress

The funded status of the Plan as of June 30, 2015, the Plan's most recent actuarial valuation, was as follows:

Actuarial accrued liability	\$ 1,309,970
Actuarial value of plan assets	152,497
Unfunded actuarial accrued liability (UAAL)	<u>1,157,473</u>
Funded ratio	12%
Covered payroll	512,061
UAAL as a percentage of covered payroll	226%

Actuarial valuations of an ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the June 30 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which includes a 2.75% inflation assumption. The unfunded actuarial accrued liability (UAAL) is being amortized over 30 years based on a level percentage of payroll. The remaining amortization period at June 30, 2016 was 27 years.

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Note 8: Commitments and Contingencies

Litigation

The District is involved in litigation incurred in the normal course of conducting District business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's board of directors, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 9: Settlement Payable

On October 3, 2012, the District was levied a penalty of \$1,109,813 from the Regional Water Quality Control Board for a sewage spill in December 2010. As of June 30, 2015, the settlement payable was \$1,109,813. In July 2016, the District made three payments on this settlement for a total payment of \$887,850. The remaining balance of \$221,963 represents funds that the District must use in the construction of a grit removal system at the treatment facility.

Note 10: New Accounting Standards

Accounting Standards Adopted

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement resulted in additional fair value measurement disclosures. See Note 2 to the financial statements for further discussion.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. The provisions of Statement No. 73 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement did not have a material impact on the District's financial statements.

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Note 10: New Accounting Standards (Continued)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Implementation of this statement did not have a material impact on the District’s financial statements.

New Accounting Standards

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting standards for state and local governmental OPEB plans—defined benefit OPEB plans and defined contribution OPEB plans—that are administered through trusts or equivalent arrangements. The provisions of Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

Additionally, in June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The provisions of Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. Statement No. 78 addresses a practice issue regarding the scope and applicability of Statement No. 68 for pensions provided through certain multiple-employer defined benefit pension plans and to state or local

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Note 10 New Accounting Standards (Continued)

governmental employers whose employees are provided with such pensions. The provisions of Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. The provisions of Statement No. 79 are effective for reporting periods beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The provisions of Statement No. 80 are effective for fiscal years beginning after December 15, 2015. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The Statement also provides additional recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management has not yet determined the impact of this Statement on its financial statements.

In November 2016, GASB issued Statement No. 83, *Capital Asset Retirement Obligations*. Statement No. 83 provides financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of Statement No. 83 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

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Note 10: New Accounting Standards (Continued)

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The provisions of Statement No. 84 are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of Statement No. 85 are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions of Statement No. 86 are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the impact of this Statement on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of Statement No. 87 are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on its financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Statement No. 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of Statement No. 88 are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the impact of this Statement on its financial statements.

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Note 11: Subsequent Events

Events subsequent to June 30, 2016, have been evaluated through May 11, 2018, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2016, the District has been involved in several large projects and capital purchases with total expenditures of approximately \$1.8 million to date. These expenditures include the Cherry Avenue Bridge project, the purchase of a grit removal system and mechanical bar screen, and the digester cleanout and rehab project.

In November 2017 the District joined the Service Employees International Union (SEIU) Local Chapter 620. A benefit of joining this union was reduced medical expenses due to capped employer responsibility.

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Required Supplementary Information

South San Luis Obispo County Sanitation District

**Schedule of Funding Progress for
Other Post-Employment Benefits (OPEB)
For the Fiscal Year Ended June 30, 2016**

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The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) as a percentage of the annual covered payroll as of the three most recent actuarial reports for the period ending June 30, 2016.

Valuation Date	Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2015	-	\$ 1,309,970	\$ 1,157,473	0%	\$ 512,061	226%
June 30, 2014	-	1,295,363	1,295,363	0%	366,444	353%
June 30, 2013	-	1,017,897	1,017,897	0%	405,804	251%

See independent auditors' report.

South San Luis Obispo County Sanitation District
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2016
Last 10 Years*

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Fiscal Year	<u>2015-16</u>	<u>2014-15</u>
Measurement Period	2014-15	2013-14
Employer's Proportion of the Collective Net Pension Liability	0.011172%	0.008940%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 766,801	\$ 556,113
Employer's Covered-Employee Payroll	\$ 512,061	\$ 496,070
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	149.75%	112.10%
Plan's Share of the Fiduciary Net Position as a Percentage of the Employer's Total Pension Liability	78.14%	83.70%

*Fiscal year 2015 was the 1st year of implementation. Information is required only for measurement periods for which GASB 68 is applicable.

See independent auditors' report.

South San Luis Obispo County Sanitation District

Schedule of the District's Contributions

June 30, 2016

Last 10 Years*

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	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Fiscal Year			
Actuarially Determined Contribution	\$ 150,255	\$ 52,637	\$ 50,379
Actual Contributions During the Measurement Period	<u>(150,255)</u>	<u>(52,637)</u>	<u>(50,379)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 512,061	 \$ 496,070	 \$ 569,833
 Contributions as a Percentage of Covered-Employee Payroll	 29.34%	 10.61%	 8.84%

*Fiscal year 2015 was the 1st year of implementation. Information is required only for measurement periods for which GASB 68 is applicable. Contributions paid as of June 30, 2016 are deferred to June 30, 2017.

See independent auditors' report.

**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South San Luis Obispo County Sanitation District (the District), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 11, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses: 2016.100, 2016.200 and 2016.300.

Compliance and Other Matters

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

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

The District's response to the findings identified in our audit is described below. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Glenn Burdette Attest Corporation
San Luis Obispo, California

May 11, 2018

South San Luis Obispo County Sanitation District

Schedule of Audit Findings

Year Ended June 30, 2016

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Section I: Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

Finding 2016.100: Capital Assets (*Material Weakness*)

Condition: The District has established limited procedures to ensure that capital asset additions are properly capitalized, capital asset disposals are properly recorded, and current year depreciation expense for capital assets is recorded at the financial statement level. As a result, testwork in the current year discovered that the manual excel schedule maintained by the District to track capital asset activity was not properly updated to reflect all activity.

Criteria: Generally accepted accounting principles for state and local governments require governments to report capital assets, related accumulated depreciation and depreciation expense at the fund-financial level for proprietary funds.

Cause: Procedures are not in place to properly identify capital asset additions and disposals. In addition, the District's manual excel schedule is not updated in a timely manner in order to properly record depreciation expense.

Effect: As the District's manual excel schedule was not properly updated to reflect current year activity, this resulted in an adjustment to depreciation expense of \$1.2 million to record the current year expense, as well as an adjustment of \$1.4 million to properly capitalize current year fixed asset additions, record current year disposals, and record construction in progress activity. The net effect of these adjusting journal entries was a decrease to net assets by approximately \$256 thousand.

Recommendation: We recommend that the manual excel schedule maintained by the District to track capital asset activity be updated continuously throughout the year in order to reflect capital asset activity, including additions and disposals. Further, we recommend that the District utilize the excel schedule to calculate current year depreciation expense and to record the expense on a monthly, or quarterly, basis.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the auditor's recommendation. The bookkeeper will be directed to update the manual excel schedule maintained by the District to track capital asset activity continuously throughout the year in order to reflect capital asset activity including additions and disposals. The bookkeeper will be further directed to utilize the excel schedule to depreciation expense and to record the expense on a quarterly basis.

South San Luis Obispo County Sanitation District

Schedule of Audit Findings

Year Ended June 30, 2016

Page 2

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Finding 2016.200: Lack of Expertise in Financial Accounting and Reporting (*Material Weakness*)

Condition: A system of internal control over financial reporting includes controls over accounting and preparation of financial statements, including footnote disclosures. During our audit we assisted in the preparation of generally accepted accounting principal (GAAP) financial statements, including various material adjustments to properly record fixed assets and depreciation. In addition, we prepared the financial statements, footnote disclosures, and disclosure checklist. However, management reviews the financial statements and disclosure checklist and has the ability to accept responsibility for the financial statements and adjusting journal entries.

Criteria: Generally accepted accounting principles for state and local governments require governments to have expertise in financial accounting and reporting.

Cause: Due to the limited number of accounting staff employed by the District as well as turnover in management positions, the District lacks expertise in financial accounting and reporting.

Effect: Lack of financial accounting expertise may lead to unreliable financial reporting throughout the year as many material adjustments were made at the time of the audit. This may lead to management decisions over the District's activities that are based on incomplete or inaccurate financial data.

Recommendation: We understand that the cost of employing a person with the skills and expertise to prepare all of the journal entries required and prepare the financial statements and footnotes for the audit may not be cost effective. Management is responsible for making decisions concerning costs to be incurred and related benefits, so there is no obligation to change this process. However, we recommend that the District evaluate the process periodically and continue to work toward including some of the required adjustments as part of their monthly reporting process as well as their process to close the accounting records at the end of the year.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the auditor's recommendation. The new District Administrator (DA) scheduled for hire later this spring will be advised to evaluate the process in which journal entries are prepared and the financial statements and footnotes are prepared for the audit. Management has included funding for employment of additional accounting expertise to aid the new DA as may be required. The DA will also be advised to continue to work toward including some of the required adjustments as part of the monthly reporting process as well as the close out of the accounting records at the end of the year.

Finding 2016.300: Inadequate Segregation of Duties (*Material Weakness*)

Condition: There are generally four phases for an accounting process or operation: authorization, custody, record keeping and reconciliation. A well-designed system of internal control contemplates the allocation of duties among personnel such that each of these four functions would be performed by a different person. During our audit we noted that the bookkeeper generally performs custody, record keeping and reconciliation, for payroll, cash disbursements and cash receipts, including preparing the bank reconciliation, with limited review by other personnel.

Criteria: Generally accepted accounting principles for state and local governments require governments to have adequate segregation of duties as it relates to an accounting process or operation.

Cause: Due to the limited number of accounting staff employed by the District, the bookkeeper generally performs all accounting functions. In addition, the oversight positions that have historically been relied upon for detection of errors and additional controls was subject to turnover in key personnel.

Effect: Inadequate segregation of duties related to an accounting process or operation could lead to poor internal controls, accounting fraud and misappropriation of company assets. In addition, limited review of the bookkeeper's accounting transactions could mean a failure to catch mistakes and may lead to inaccurate financial reporting.

Recommendation: We recommend that the District evaluate the assignment of responsibilities and authority in the accounting department and segregate duties, where possible, involved in the four phases of an accounting process or operation. The segregation of accounting duties will not eliminate errors and fraud, but it can help reduce the possibility of occurrence.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with the auditor's recommendation. The new District Administrator (DA) scheduled for hire later this spring will be advised to evaluate the assignment of responsibilities and authority in order to segregate duties, where possible, involved in the four phases of a typical accounting process or operation.

May 11, 2018

Glenn Burdette
1150 Palm Street
San Luis Obispo, CA 93401

This representation letter is provided in connection with your audit of the financial statements of South San Luis Obispo County Sanitation District (the District), which comprise the respective financial position of the business-type activities as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows for the year ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 11, 2018, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 16, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
7. The effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. You provided a list of the uncorrected misstatements along with the template for the representation letter. We are in agreement with the proposed adjusting entries that you provided along with the template for the representation letter and they have been posted.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

Government -specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
29. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

30. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
32. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
33. All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
34. Components of net position (net invested in capital assets; restricted; and unrestricted) and classifications of the fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
35. Provisions for uncollectible receivables have been properly identified and recorded.
36. Expenses have been appropriately classified in or allocated to function and programs in the statement of activities, and allocations have been made on a reasonable basis.
37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
39. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
41. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
42. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
43. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
44. With respect to the required supplementary information on which an in-relation-to opinion is issued:

- a. We acknowledge our responsibility for presenting the required supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the required supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United State of America. The methods of measurement and presentation of the required supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b. If the required supplementary information, is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signed:

Signed:

Title: _____

Title: _____



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STAFF REPORT

Date: May 16, 2018

To: Board of Directors

From: Richard Sweet and Paul J. Karp, Technical Consultants; Mychal Jones, Interim Plant Superintendent

Subject: **TECHNICAL CONSULTANTS AND PLANT OPERATIONS REPORT**

This report represents ongoing information on the latest District staff activities on major capital projects and studies, programmatic initiatives, regional collaboration, National Pollutant Discharge Elimination System discharge permit renewal, and Plant Operations report detailing our operation and maintenance activities. *Updates since the last report are provided in italics below:*

Capital Projects:

Headworks:

Status: Operational. Requires upgrades to meet specifications. Significant efforts are underway to bring the project into conformance with specifications. It has been determined that recent upgrades have not resulted in satisfactory discharge of material. New nozzles have been installed to attempt to refine the discharge. Staff met with the engineer, contractor, and supplier to take input about how completion of this project might be expedited. A remanufactured discharge chute has been installed that replaces a chute that was damaged due to faulty discharge. This work is occurring at no charge to the District. The discharge is now meeting District requirements. Work is proceeding on the final punchlist.

Redundancy Project:

Design: On April 18, 2016, the Board approved a design contract with Kennedy/Jenks for this project. The Board approved proceeding with the remaining phases under the contract, including final design. The bid-ready documents should be complete in February 2019, and the 2½ year construction will begin in the fall of 2019. Financial Consultant, Bartle Wells, is advising the District regarding rates and financing.

Coastal Commission Permitting: Thirty-year Coastal Development Permit approved.

Financing State: All portions of the State Revolving Fund loan package application have been submitted to State Water Resources Control Board. A number of additional items have been requested to make the application more favorable. Michael K. Nunley & Associates is pursuing completion of those items.

Federal: (United States Department of Agriculture): The District may be eligible for grants and loans up to one-third of the amount needed for the Redundancy Project through a disadvantaged community program. Discussion with USDA is underway.

Biosolids Concrete Slab:

This project is required to accommodate a repaired centrifuge. The District is in the final stages of centrifuge repair. The Board, at its meeting of February 7, 2018, approved awarding the contract to the low bidder, Whitaker Construction, in the amount of \$45,810. Final executed contract documents have been received from Whitaker Construction and construction is underway.

Primary Digester No. 1 Rehabilitation:

A request for additional budget allocation of \$466,000 was approved by the Board on January 17, 2018. With the additional budget allocation approved, Call for Bids for the two projects, (1) Recoating the Digester; and (2) Replacement of the Digester Mixing Valves, were approved by the Board at its meeting of February 7, 2018. FRM was awarded the contract for the Digester Coating on March 21, 2018. Whitaker Construction was awarded the Replacement of the Digester Mixing Valves on March 21, 2018. Executed contract documents have been received, preconstruction project meetings have been held and the projects are moving to construction.

Raise Manholes to Grade:

The County repaved a portion of Valley Road. The paving covered District manholes. MKN is in the final stages of design for a project to raise the manholes to grade to allow District access. Plans are under review by District personnel.

Programmatic Initiatives:

Human Resources/Personnel Policy Manual (PPM) Update:

All sections of the PPM have now been reviewed (including legal input) and updated with significant and comprehensive revisions. The Board considered the update at the meeting of December 6, 2017. This matter is presently before the Board for a detailed review.

Financial Initiative:

Annual Fiscal Year 2015-2016 Audit. District auditors Glenn Burdette continue to work with staff to complete the audit. A status update report on the 2015/16 and 2016/17 Financial Audits was provided to the Board at its meeting on April 4, 2018.

Regional Collaboration:

Regional Groundwater Sustainability Project (RGSP):

This project consists of a potential future regional recycling project in the South San Luis Obispo County area in conjunction with the City of Pismo Beach and the District (with participation of our member agencies: Cities of Arroyo Grande, Grover Beach, and Oceano CSD). On June 20, 2017, the Pismo Beach City Council approved a memorandum of understanding between the City of Pismo Beach and the District. The City also awarded a contract for a joint environmental impact report to Rincon Consultants at that same meeting. Technical Memo 7 was presented to the Board at the November 15, 2017 meeting. The Board directed that the Redundancy Project proceed as originally

envisioned minus the membrane bio-reactor (MBR) option. The District is evaluating a request for additional sampling in support of development treatment parameters for a RGSP project. Technical Consultants continue to meet with stakeholders to coordinate efforts in support of the RGSP.

Ben Fine, Public Works Director from the City of Pismo Beach provided a presentation on Central Coast Blue at the Board meeting on May 2, 2018.

Zone 1/1A Flood Control Advisory Committee:

The Committee's focus is to provide input and coordination on proposed improvements and maintenance of the Zone 1/1A flood facilities, working with the Coastal San Luis Resource Conservation District. The Board appointed Paul J. Karp, Technical Consultant to the District, to the Flood Control Advisory Committee. The Committee met in January and discussed creek clearing projects by County Public Works and the cooperative effort by the Sheriff's Department to patrol the areas.

Regional Water Quality Control Board (RWQCB) National Pollutant Discharge Elimination System (NPDES) Permit Renewal:

The District is awaiting a draft of a revised permit from RWQCB staff.

Staff met on February 14, 2018 with Brad Snook and Cynthia Replogle, representing Surfrider Foundation, to review the brine program. Surfrider asked, and staff agreed, to seek input from counterparts in the field of brine disposal regarding the method of sampling brine from delivery vehicles. Staff also agreed to compare practices used by the District to any standard that may be discovered; and to draft a standard operating procedure for the practice used to process the discharge of brine delivered to the District plant for disposal. That work is ongoing.

Recruitment of District Administrator:

CPS HR was engaged by the Board to recruit a new District Administrator. The Board has directed modifications to the recruitment brochure. Review of applications by the Board is completed. A special Board meeting to interview candidates occurred on May 4, 2018. *Second interviews are scheduled for this Friday, May 11th.*

Recruitment of Laboratory Technician:

Staff, along with the Human Resources Consultant, are in the process of screening 76 applications to determine the most qualified candidates for the Laboratory Technician position. Interviews will be scheduled with the top qualified candidates in the near future. The screening process has been completed. *An interview panel has been selected and interviews are tentatively scheduled for May 17th.*

Upcoming Agenda Items:

- District Counsel Evaluation
- Memorandum of Agreement (MOA) with City of Pismo Beach for Use of District Site for Central Coast Blue (formerly RGSP)
- Continuation of PPM Chapters Review
- Status of Brine Program
- Rules of Decorum

Plant Operations Report

The District exceeded its NPDES Permit limit for fecal coliform bacteria on May 1, 2018. Immediately following the observation, Operations staff raised the chlorine dosage at the chlorine contact tank to lessen bacterial activity. The cause of the exceedance is unknown, but Operations staff have continued to monitor the process closely to ensure permit requirements are met. The Regional Water Quality Control Board has been notified of the permit exceedance. All process values for fecal coliform bacteria following the exceedance are within permit limits. *All other process values (lab test results) were within permit limits.*

Plant Data (Monthly Data as of May 9, 2018)

May 2018	INF Flow MGD	INF Peak Flow MGD	INF BOD mg/L	EFF BOD mg/L	BOD % Removal	INF TSS mg/L	EFF TSS mg/L	TSS % Removal	Fecal Coliform MPN/100mL	Chlorine Usage lbs/day
Low	2.25	3.3	512	21.9		476	21		<1.8	63
High	2.55	4.3	630	24.5		690	27		5,400	526**
Average	2.34	3.6	571	23.2	95.9	614	24.7	96	906	198
May 2017 AVG	2.4	3.78	468	20.7	95.6	453	23.3	94.9	36.3	203
Limit	5.0			40/60/90	>80		40/60/90	>80	2000	

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

**High chlorine usage was due to filling of back up chlorine tote.

Operation and Maintenance Projects

- Installed new end bearing and seal on centrifuge auger.
- Completed assembly of new centrifuge auger.
- Cleaned gasket for centrifuge auger covers.
- Removed and replaced digester No. 1 sump pump.
- Tapped bolt holes to remount centrifuge motors.
- R.S. Fire Protection inspected and certified all District fire extinguishers.
- Rinsed and cleaned out polymer totes.
- Unplugged polymer pump at splitter box.
- Recalibrated all chemical probes in chlorine contact tank.
- Inspected motor brushes on chlorine pump.
- Removed blind flange in Heating and Mixing building to assist with the Digester Valve Replacement project.
- Checked Underground Service Alerts.
- Rinsed down Fixed Film Reactor (FFR) pump area.

Work Orders Completed

- Performed test run of emergency generator and emergency bypass pump.
- Completed weekly operations work order.

Training

- No training was scheduled for this reporting period. Operations staff has scheduled training that will be reported on the next Plant Operations Report.

Call Outs

- No call outs during this reporting period.

Brine Program

- Drafted Brine Water Sampling standard operating procedure (SOP). Draft will be reviewed with Operations staff and Lab Technician (when position is filled) prior to finalization.

APCD Violation

- The District had previously received a notice of violation from the Air Pollution Control District. APCD has notified the District that the violation has been released and discharged from any and all claims for civil penalties arising out of the Notice of Violation.



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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STAFF REPORT

Date: May 16, 2018
To: Board of Directors
From: Richard Sweet and Paul J. Karp, Technical Consultants
Via: Mychal Jones, Interim Superintendent; and Amy Simpson, Bookkeeper/Secretary
Subject: **DRAFT BUDGET FOR FISCAL YEAR 2018-19**

RECOMMENDATIONS:

1. Review, discuss and propose revisions to the Draft Budget for Fiscal Year 2018-19; and
2. Schedule a public hearing for the Board meeting of June 06, 2018 to consider the adoption of the Final Budget for Fiscal Year 2018-19; and
3. Direct staff to advertise and notice the Public Hearing.

DISCUSSION:

A draft of the District Budget for Fiscal Year 2018-19 is attached. This budget covers the period of July 1, 2018 to June 30, 2019.

The draft proposes to meet the operational, maintenance and capital needs of the District. Budget numbers listed for 2017-18 include all adjustments approved by the Board during the current fiscal year and reflect projected year-end expenditures.

Using past experiences and best professional judgement, the draft budget for fiscal year 2018-19 was prepared using conservative estimates and assumptions, mindful of the need to operate the facility in a safe, cost effective, efficient manner while complying with applicable federal, state and local requirements. Revenue values for wastewater and collection fees were obtained from the District's 2016 Rate Study/Ordinance No. 2016-01 approved by the Board on February 17, 2016.

Tabulated below are summary values extracted from the Consolidated Budget.

Consolidated Budget
(Attachment No. 1)

Revenues by Fund Source

	Fund 19	Fund 20	Fund 26	Totals
Total Revenues	\$ 5,381,350	\$ 96,000		\$ 5,477,350

Beginning Fund Balance Available

	Fund 19	Fund 20	Fund 26	Totals
Beginning Fund Balance Available		\$ 1,000,000		\$ 1,000,000

Expenditures by Fund Source

	Fund 19	Fund 20	Fund 26	Totals
Total Operating Expenditures	\$ 2,933,920	\$ -	\$ -	\$ 2,933,920
Total Capital Outlay	\$ 367,000	\$ 1,075,000	\$ 1,936,200	\$ 3,378,200
Total Other Funding and Uses	\$ 1,936,200		\$ (1,936,200)	\$ -
Contingency	\$ 50,000			\$ 50,000
Total Other Charges	\$ -	\$ 113,400		\$ 113,400
Total Expense	\$ 5,287,120	\$ 1,188,400	\$ -	\$ 6,475,520

Projected Ending Balances

	Fund 19	Fund 20	Fund 26	Totals
Net Change (Deficit)	\$ 94,230	\$ (92,400)	\$ -	\$ 1,830

Fund 19

Fund 19 revenues are primarily wastewater service charges collected from Arroyo Grande, Grover Beach and Oceano. Other revenues are primarily generated from brine disposal with minor contributions from lease payments and reimbursements.

Fund 19 supports the following general categories of District activities:

- Personnel – Salaries, Wages and Benefits & Other Personnel Costs
- Permits, Fees and Licenses
- Communications and Computer Support
- Administrative Costs, including Professional Services – Temporary Labor, Advertisements/Recruitment, Insurance Liability, Zone 1/1A Property Tax, Office and Safety Supplies
- Disposal Services – Solids Handling, Brine Disposal Sampling
- Utilities – Electricity, Gas, Rubbish, Water
- Maintenance, Tools & Replacements – Equipment and Structures Maintenance
- Materials, Services and Supplies – Plant Chemicals, Temporary Labor, Fuel
- Training, Education and Memberships – Professional Certificates/Licenses
- Scheduled Maintenance: \$204,500 – See Schedule A-1
- New Capital Equipment: \$367,000 – See Schedule A-2
- Transfer out of Fund 19 Funds to Support Fund 26 Projects - \$1,920,000

Staffing

The staff roster consists of District Administrator, Secretary/Bookkeeper, Plant Superintendent, Plant Supervisor, Plant Senior Operator, Laboratory Technician, Plant Operator II (4), Operator in Training (1), (filling this position is in lieu of filling one of the Operator II positions) and Maintenance Assistant (0.5). There are ten full time positions funded in the draft budget. Four vacancies currently exist. The District hopes to complete recruitments for a District Administrator and a Laboratory Technician before the beginning of this Fiscal Year. One Plant Operator II and the Plant Superintendent position are presently vacant. The purpose of the Operator in Training position is to hire an entry-level employee to train into the position of Plant Operator II when a Plant Operator II vacancy exists. It will be the decision of the new District Administrator to determine if the vacancy in the Plant Operator II position will be filled with an individual who can meet the requirements of a Plant Operator II or to seek an individual that would be hired as an Operator in Training and trained into the position of Plant Operator II.

Proposed Operation and Maintenance Projects:

1. Budget of \$199,500, Equipment Maintenance, is proposed under Line Item No. 19-8030 (See Schedule A-1 for Detailed List of Existing Assets, Scheduled Maintenance), including \$45,000 for unexpected maintenance contingency.
2. Budget of \$367,000, New Capital Equipment proposed within line No. 19-8010. (See Schedule A-2 Detailed List of New Capital Equipment).

Contingency:

- \$50,000 (Contingency) - To provide funds to support any miscellaneous or unknown costs that arise. To access the contingency fund, Board approval is required.

Fund 20

Fund 20 revenue is provided primarily from connection fees from the three-member agencies. A minor amount of revenue is received from interest on the fund balance account. This fund is the designated fund in support of the redundancy project. There is inadequate revenue available from these sources to fund the activities assigned to Fund 20. To support the redundancy project it is recommended that the District utilize the Fund Balance Available that resides with the County in the amount of \$1 million.

This fund supports capacity, expansion, and studies.

- Wastewater Redundancy Project: On April 18, 2016 the Board approved a contract with Kennedy Jenks for design. Line item 20-7080 provides \$1 million to complete design services provided by Kennedy Jenks.
- An expenditure of \$75,000 is proposed under Line Item No. 20-8010 Capital Equipment. To complete the District's Supervisory Control and Data Acquisition (SCADA) system.

Fund 26

Fund 26 expenditures are wholly supported by transfers in other funds. The draft budget calls for a transfer from Fund 19 (\$1,920,000). Fund 26 has traditionally supported replacement projects.

Proposed Fund 26 Project Budgets:

1. \$175,000 is proposed under Line Item No. 26-8015 Trunk Sewer Maintenance.
2. \$40,000 is proposed under Line Item No. 26-8061 Structure Maintenance-Major.
3. \$1,655,000 is proposed under Line Item No. 26-8065 Structure/Grounds Replacement & Improvement (See Schedule B1 for Projects detailed list).
4. \$50,000 is proposed under Line Item No. 26-8070 Emergency Equipment Repair.

Detailed List of Replacement & Improvement Projects (as listed in Schedule B1)

- Primary Digester No. 2 Cleaning: \$250,000. Rental Centrifuge: \$100,000, engineering support: \$40,000.
- Primary Digester No. 2 Repair: \$200,000.
- Primary Clarifier No. 2, drive, bridge, scraper replacement, and scraper ramp: \$200,000; engineering support: \$50,000.
- Biosolids Handling Facility w/contingency & construction oversight: \$40,000 with Contingency & Engineering. Carryover from Fiscal Year 2017-18.
- Primary Digester No. 1 Repair: \$666,200. Carryover from FY 2017-18.
- Influent Pump No. 3: \$55,000.
- Sodium Bisulfite Tank: \$20,000.
- Disinfection System: \$50,000.

Conclusion

The draft budget emphasizes maintenance, capital replacement and the redundancy project while reducing administrative costs.

The draft budget reduces administrative costs from 2017-18 FY projections by \$351,000. Significant projected savings are proposed in line items pertaining to Legal Fees and miscellaneous engineering costs. Repair of the digesters and repairs to Primary Clairifier No. 2 highlight capital replacement projects.

Total expenditures exceed total revenues by approximately \$870,000. This is largely due to funding of the Redundancy Project at a \$1,000,000 level. It is proposed to offset this expenditure by transferring \$1,000,000 from the Fund Balance Available that resides with the County. The Bartles Wells Report anticipated expending funds on hand to fund a portion of the Redundancy Project.

Attachments:

- Attachment 1: Consolidated Budget
- Attachment 2: Fund 19 Operating Budget Spreadsheet, with Schedules A1-A2
- Attachment 3: Fund 20 Expansion Budget Spreadsheet
- Attachment 4: Fund 26 Replacement Budget Spreadsheet with Schedule B1

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
CONSOLIDATED PROPOSED BUDGET FOR FY 2018-2019

		Fund 19 Operating Fund	Fund 20 Expansion Fund	Fund 26 Replacement Fund	FY 2018/19 Proposed
Revenues					
Gross Revenues					
Service Charges and Fees		5,059,000			
Connection Fees			66,000		
Interest		21,600	30,000		
Other Revenues		300,750			
Total Revenues		5,381,350	96,000	-	5,477,350
Expenditures & Other Uses					
Operating Expenditures					
Salaries and Wages		858,920			858,920
Employee Benefits and Other Personnel Costs		480,000			480,000
Permits, Fees and Licenses		33,500			33,500
Communications		16,000			16,000
Computer Support		10,000			10,000
Administrative Costs		408,500			408,500
Disposal Services		93,000			93,000
Utilities		220,500			220,500
Maintenance, Tools & Replacements		482,500			482,500
Materials, Services and Supplies		303,000			303,000
Training, Education & Memberships		28,000			28,000
Total Operating Expenditures		2,933,920			2,933,920
Total Other Charges					
Other Charges			113,400		113,400
Total Other Charges			113,400		113,400
Capital Outlay					
Capital Replacement/Maintenance (Fund 26)		-	-	1,936,200	1,936,200
Capital Equipment		367,000	1,075,000		1,442,000
Total Capital Outlay		367,000	1,075,000	1,936,200	3,378,200
Other Financing Sources & Uses					
Transfers Out (In)		1,936,200		(1,936,200)	-
Contingency		50,000			50,000
Total Other Financing Sources & Uses		1,986,200		(1,936,200)	50,000
Beginning Cash Balances Used for Funding					
Beginning Fund Balance Available			1,000,000		
Total Funding Source		5,381,350	1,096,000	-	6,477,350
Total Expense		5,287,120	1,188,400	-	6,475,520
Net Change (Deficit)		94,230	(92,400)	-	1,830

	FY 16/17 ACTUALS	2017/18 BUDGET	2018/19 PROPOSED BUDGET		
OPERATING REVENUE					
19-4015 Arroyo Grande Services	2,133,753	2,210,000	2,414,000		
19-4022 Grover Beach Services	1,431,214	1,643,000	1,794,000		
19-4035 Oceano Services	740,394	736,000	803,000		
19-4040 Other Service Income	7,435	8,000	8,000		
19-4045 School Services	38,895	5,000	40,000		
CURRENT SERVICES	4,351,691	4,602,000	5,059,000		
19-4050 Brine Disposal Services	356,900	300,000	300,000		
19-4055 Lease (AT&T)	28,634	2,200	-		
19-5020 Other Reimbursements	858				
19-5023 FOG Reimbursement	710	750	750		
OTHER REVENUE	387,103	302,950	300,750		
19-5015 Interest	21,269	10,000	21,600		
INTEREST REVENUE	21,269	10,000	21,600		
REVENUE TOTALS	4,760,062	4,914,950	5,381,350		
Salaries & Wages					
19-6030 Plant Operators	551,001	665,300	643,008		
19-6040 Secretary/Bookkeeper	60,656	69,000	60,912		
19-6045 District Administrator	148,269	104,200	155,000		
TOTAL SALARIES & WAGES	759,927	838,500	858,920		
OPERATING EXPENSE					
Employee Benefits and Other Personnel Costs					
19-6010 Medical Insurance	209,199	210,000	210,000		
19-6025 Dental Insurance	11,063	9,000	9,000		
19-6050 S.S. & Medicare	64,592	63,000	65,000		
19-6055 State Disability Insurance	3,443	3,500	3,500		
19-6060 State Retirement	62,794	74,000	80,000		
19-6065 Unfunded Liability	41,854	45,000	65,000		
19-6075 Medical Reimbursement	3,204	6,000	6,500		
19-6080 Workers Compensation	72,892	72,000	33,000		
19-6095 Unemployment Insurance	5,384	8,000	8,000		
TOTAL EMPLOYEE BENEFITS AND OTHER PERSONNEL COSTS	474,425	490,500	480,000		
Permits, Fees and Licenses					
19-6090 Payroll Process Fee	3,238	3,500	3,500		
19-7068 Permits/Fees/License	22,058	25,000	30,000		
TOTAL PERMITS, FEES & LICENSES	25,295	28,500	33,500		
Communications					
19-7011 Communications USA, Alarm	3,575	2,000	3,500		
Web Hosting & Internet					
19-7013 Communications - Telephone	8,363	10,500	10,000		
19-7014 Communications - Cell Phone	1,977	2,500	2,500		
TOTAL COMMUNICATIONS	13,915	15,000	16,000		
Computer Support					
19-7082 Prof Serv- Comp., GIS & Website Support	19,469	15,000	10,000		
TOTAL COMPUTER SUPPORT	19,469	15,000	10,000		

	FY 16/17 ACTUALS	2017/18 BUDGET	2018/19 PROPOSED BUDGET		
Administrative Costs					
19-7005 Advert/Legal & Recruit	634	30,000	10,000		
19-7040 Admin. Office Space	14,974	12,000	-		
19-7043 Insurance, Liability/Auto	29,554	30,000	32,000		
19-7062 Prof Serv-Electrician/Integrator	-	20,000	-		
19-7065 Public Outreach	5,046	5,000	5,000		
19-7069 LAFCO Budget Share	11,732	13,000	14,000		
19-7070 Prof Serv-Outside Counsel/Litigation	76,304	89,000	20,000		
19-7071 Prof Serv-Attorney Fee	160,451	158,000	65,000		
19-7072 Prof Serv-Auditing	8,250	17,000	15,000		
19-7073 Prof Serv-AG Billing	17,264	22,000	22,000		
19-7074 Prof Serv-Oceano Billing	11,441	10,000	10,000		
19-7075 Prof Serv-Board Member	6,199	7,700	7,500		
19-7076 Prof Serv-Human Resources	32,918	55,000	40,000		
19-7077 Prof Serv-Engineering	38,095	216,000	50,000		
19-7078 Prof Serv-Chemical Analysis	18,769	26,600	20,000		
19-7079 Prof Serv-Records Management	2,030	5,000	5,000		
19-7095 Zone 1/1A Agreement	29,181	30,000	31,000		
19-7080 Prof Serv-AGP Video	13,635	14,000	14,000		
19-7081 Prof Serv-GB Bill	22,192	22,000	23,000		
19-7083 Prof Serv-Fiscal Services	11,723	34,000	12,000		
19-7088 Prof Serv-Strategic Planning	5,400	13,000	13,000		
TOTAL ADMINISTRATIVE COSTS	515,791	829,300	408,500		
Disposal Services					
19-7085 Solids Handling (Include Digester Cleaning)	46,773	105,000	90,000		
19-7086 Brine Disposal Sampling	1,192	4,000	3,000		
TOTAL DISPOSAL SERVICES	47,965	109,000	93,000		
Utilities					
19-7091 Utility-Electric	153,707	180,000	190,000		
19-7092 Utility-Gas	11,372	14,200	14,500		
19-7093 Utility-Rubbish	3,860	13,000	13,000		
19-7094 Utility-Water	2,914	2,800	3,000		
TOTAL UTILITIES	171,852	210,000	220,500		
Maintenance, Tools & Replacement					
19-7060 Oceano Outfall Maintenance	20,163		25,000		
19-8030 Equipment Maintenance-Regular	86,595	146,000	204,500	Schedule A1	
19-8032 Automotive Maintenance-Major	356	5,000	5,000		
19-8060 Structure Maintenance-Regular	8,727	25,000	20,000		
19-8061 Structure Maintenance - Major	70,122	100,000	40,000		
19-8015 Trunk Sewer Maintenance	-	-	175,000		
19-8055 Small Tools	1,209	3,500	5,000		
19-8056 Safety Supplies	5,744	8,000	8,000		
TOTAL MAINTENANCE, TOOLS & REPLACEMENT	192,917	287,500	482,500		
Materials, Services & Supplies					
19-6035 Student Interns	960	5,000	5,000		
19-6085 Temporary Labor Services	482	35,000	15,000		
19-7025 Employee Uniforms	10,066	12,000	12,500		
19-7032 Equip Rental Other	1,670	5,000	5,000		
19-8020 Gas & Oil	3,097	8,400	10,000		
19-8035 Household Expense	3,581	5,000	4,000		
19-8040 Laboratory Supplies	10,052	10,000	10,000		
19-8045 Office Supplies & Expense	6,259	8,000	8,000		
19-8050 Plant Chemicals	206,827	220,000	223,500		
19-7015 Office Equipment/Computer Supplies	9,667	15,000	10,000		
TOTAL MATERIALS, SERVICES AND SUPPLIES	252,661	323,400	303,000		

FY 16/17 ACTUALS	2017/18 BUDGET	2018/19 PROPOSED BUDGET		
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Training , Education & Memberships					
19-7050 Memberships/Seminars/Meetings	17,489	20,000	15,000		
19-7055 Prof. Certs./License	898	3,000	3,000		
19-7067 Training/Operator Exam Prep	2,150	10,000	10,000		
TOTAL TRAINING, EDUCATION & MEMBERSHIPS	20,538	33,000	28,000		
TOTAL OPERATING EXPENDITURES	2,494,753	3,179,700	2,933,920		
Other Charges					
19-7066 RWQCB ACL SEP Regional GW Model	-	222,000	-		
TOTAL OTHER CHARGES	-	222,000	-		
Capital Assets					
19-8010 Capital Equipment	11,640	70,500	367,000	Schedule A2	
CAPITAL ASSETS	11,640	70,500	367,000		
Other Financing Sources and Uses					
19-8077 Contingency	-	100,000	50,000		
19-8079 Transfer Out to Fund 26	561,200	947,200	1,936,200		
19-4005 Fund Balance Available	749,127				
NET INCOME (Income-Expense)					
TOTAL INCOME	4,760,062	4,914,950	5,381,350		
TOTAL EXPENSE	2,506,394	3,572,200	5,287,120		
NET INCOME (Income-Expense)	2,253,669	1,342,750	94,230		

	Schedule A1 (2018/2019) (DRAFT) Detail List of Equipment Maintenance in Fund 19 Existing Assets - Scheduled Maintenance	
	Account 19-8030	
Project No.	Project	Cost
17-A1-01	Amiad Filters	2,000
	Boiler	5,000
	Plant Carts	6,000
	Centrifuge	5,000
17-A-07	Chemical Feed Pumps	10,000
17-A1-08	Chemical Feed Back-up Systems	2,000
17-A1-10	Plant Degeneration Control	5,000
17-A1-11	Electrical Conductor Replacement	5,000
17-A1-12	Electrical Equipment Replacement	7,500
	Emergency Generator	5,000
	Emergency By-Pass Pump	5,000
17-A1-13	Flare	15,000
17-1-14	Flow Calibration	4,000
17-A1-15	Flow Chart Repair	2,000
17-A1-16	Forklift	3,000
	Front Loader	6,000
17-A1-18	Heat Exchanger	1,000
17-A1-19	Moyno Pumps	10,000
17-A1-20	Plant Storm Drains/Pumps	8,000
17-A1-21	Primary Clarifier #1	5,000
17-A1-22	Sludge Mixing Pump	8,000
17-A1-23	Sludge/Water Valves	30,000
17-A1-26	Tree Line Maintenance	5,000
	Laboratory Calibrations	5,000
	Unexpected Maintenance Contingency	45,000
	Total for Fund 19-8030	\$204,500
	TOTAL OF EQUIPMENT MAINTENANCE FUND 19	\$204,500

	Schedule A2 (2018/2019) (DRAFT)Detail List of New Capital Equipment in Fund 19	
	Account 19-8010	
Project No.	Capital Equipment Account 19-8010	Cost
	Front Loader	200,000
	Commuter Vehicle	36,000
17-A2-01	Clarifier #1 Sludge Pump #1 VFD	8,000
	Cushman Cart	12,000
17-A2-02	Effluent Pump #2 VFD	13,000
	Primary #2 Sludge Pump #6	20,000
	Shed for Emergency By-Pass Pump	15,000
	Truck Tool Boxes	3,000
	Truck Emergency Lighting	3,000
	Fisher Scientific Isotemp Fridge/Freezer	4,000
17-B2-02	ASKO Dishwasher 8-Steel System	10,000
17-B2-03	Fisher Scientific Isotemp Incubator	3,500
17-B2-04	HACH Turbidimeter	3,000
17-B2-05	IEC Centrifuge	4,500
17-B2-06	Media Dispenser	2,000
17-B2-07	OHAUS Adventurer Scale	3,000
17-B2-08	Precisa Scale	6,500
17-B2-09	Teledyne ISCO 3710FR Refrigerated Sampler	6,500
17-B2-10	Thelco Laboratory Oven	5,000
17-B2-11	Thermolyne Furnace	6,500
17-B2-12	YSI 5000 Dissolved Oxygen Meter & Probe	2,500
	Total for Fund 19-8010	367,000
	Total of Capital Equipment in Fund 19	367,000

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Fund 20 Expansion Budget Proposals 2018/2019 FY

	FY 16/17 ACTUALS	2017/18 BUDGET	2018/19 PROPOSED BUDGET		
FUND BALANCE AVAILABLE					
20-4005 Beginning Fund Balance Available			1,000,000		
BEGINNING FUND BALANCE			1,000,000		
REVENUE					
20-4010 Arroyo Grande Connections	89,100	30,000	30,000		
20-4020 Grover Beach Connections	27,843	30,000	30,000		
20-4030 Oceano Connections	-	6,000	6,000		
CHARGES FOR CURRENT SERVICES	116,943	66,000	66,000		
20-1515 Interest Income	15,756	12,000	30,000		
INTEREST REVENUE	15,756	12,000	30,000		
20-4040 Grant Reimbursement	40,877	75,000			
STATE AID	40,877	75,000			
TOTAL FUNDING	173,576	153,000	1,096,000		

SERVICE AND SUPPLIES					
20-7090 Recycling Water Study	101,352	-			
TOTAL SERVICE AND SUPPLIES	101,352	-			
OTHER CHARGES					
20-7094 MOU w/ City of Pismo Joint EIR		127,500	113,400		
20-7096 CoGen Debt Principle & Interest	74,797	74,800	-		
TOTAL OTHER CHARGES	74,797	202,300	113,400		
CAPITAL ASSETS					
20-7080 Redundancy Project Contract with K/J	142,528	1,313,700	1,000,000		
20-8010 Capital Equipment	25,597		75,000		
TOTAL EQUIPMENT	168,124	1,313,700	1,075,000		
TOTAL EXPENSES	344,273	1,516,000	1,188,400		

TOTAL EXPENSE	344,273	1,516,000	1,188,400		
NET INCOME (Income-Expense)	(170,697)	(1,363,000)	(92,400)		

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Fund 26 Replacement Budget Proposals 2018/19FY

	FY 16/17 ACTUALS	2017/18 BUDGET	2018/19 PROPOSED BUDGET		
REVENUE					
26-4005 Beginning Fund Balance	385,000	240,000			
26-5040 Transfer In from Fund 19	561,200	947,200	1,936,200		
REVENUE TOTALS	946,200	1,187,200	1,936,200		
CAPITAL ASSETS					
26-8015 Trunk Sewer Maintenance	-	175,000	175,000		
26-8061 Structure Maintenance-Major	-	-	40,000		
26-8065 Struct/Grnds Replace-Improvement	638,730	1,478,400	1,671,200	Schedule B1	
26-8070 Emergency Equipment Repairs	-	-	50,000		
TOTAL EQUIPMENT	638,730	1,653,400	1,936,200		
TOTAL EXPENSE	638,730	1,653,400	1,936,200		
NET INCOME (Income-Expense)	307,470	(466,200)	-		

	Schedule B1 (DRAFT) Detail List of Replacement Projects in Fund 26	
	26-8061 Structures/Grounds - Major	
Project No.	Item	Cost of Purchase & Installation
	Digester No. 2 Cleaning	250,000
	Centrifuge Rental	100,000
	Engineering Support	40,000
	Digester No. 2 Repair	200,000
	Primary Clarifier #2 Bridge	200,000
	Engineering Support	50,000
2017 B1-04	Biosolids Handling Facility	40,000
2017 B1-07	Primary Digester No. 1 Repair	666,200
	Influent Pump No. 3	55,000
	Sodium Bisulfite Tank	20,000
	Disinfection System Optimization Study	50,000
	TOTAL OF ALL PROJECTS IN FUND 26	1,671,200



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STAFF REPORT

Date: May 16, 2018
To: Board of Directors
From: Richard Sweet and Paul J. Karp, Technical Consultants
Subject: **DISCUSSION OF PERSONNEL POLICY MANUAL UPDATES**

RECOMMENDATION:

That the Board of Directors continue to discuss the current draft revisions to the Personnel Policy Manual (PPM) as distributed at the Board meeting of February 7, 2018; and continue discussion of the draft revision at the Board meeting of May 16, 2018.

BACKGROUND:

On November 15, 2017, staff presented the Board of Directors with a comprehensive update of the District Personnel Policy Manual (PPM). The last complete update of the Personnel Policy Manual occurred in April 2005.

The Board reviewed updates, modifications, and additions to the draft update of the Manual, and provided staff with direction to modify specific areas and bring the full document back for the second reading. The second reading of the PPM was scheduled for the Board meeting of December 6, 2017. Rather than adopt the final document, the Board directed staff to bring the PPM back for further discussion. The PPM is a comprehensive document that has been drafted by consulting human resources professionals employed by the District. The document was then referred to District Counsel for review. The final draft was reviewed by professional staff who represent public employees throughout San Luis Obispo and Santa Barbara Counties. Many of the terms and procedures follow protocol developed over time in the industry. Specific clauses and terms contain significance in both statutes and case law. The Board should consult with District Counsel prior to making changes to avoid rendering the document unenforceable.

DISCUSSION:

The Chair should take comments from the public. The Chair should then close the public comment period and the Board should review and discuss the PPM. The Board Secretary will record proposed changes from the discussion and maintain a “working copy” until the Board determines it has completed its review and the document is ready for adoption. The “working copy” will be used to revise the draft PPM. The District employee members contributed significantly to many of the modifications that appear in the current draft. Any changes will be referred to the Service Employees International Union (SEIU) for input. The final document will be forwarded to the Board for adoption at a future regular Board meeting.

At the Board meeting of May 2, 2018, the Board provided comments up to page 7042-1 of the PPM. The Board is poised to proceed with review of the PPM starting with page 7042-1.