



**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**
Arroyo Grande City Council Chambers
215 E. Branch Street,
Arroyo Grande, California

Wednesday, May 1, 2019, at 6:00 p.m.

Board Members

Jeff Lee, Chair
Caren Ray Russom, Vice Chair
Linda Austin, Director

Agencies

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

Alternate Board Members

Barbara Nicolls, Director
Lan George, Director
Cynthia Repogle, Director

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

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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 April 03, 2019

5C. Fiscal Year 2018/19 Budget Review at the end of Third (3rd) Quarter

6. ACTION ITEMS:

6A. AMENDING BOARD MEETING SCHEDULE TO MEET ONCE A MONTH

Recommendation: That the Board of Directors consider approving Resolution 2019-405 amending the Bylaws to meet once a month on the first Wednesday of the month.

6B. FINANCIAL PLAN UPDATE BY BARTLE WELLS ASSOCIATES

Recommendation: Receive and file the Financial Plan Update.

6C. PROJECT LABOR AGREEMENTS AND REDUNDANCY PROJECT

Recommendation: That the Board receive and consider the information and if appropriate, provide direction to staff.

6D. DISTRICT ADMINISTRATOR AND PLANT OPERATIONS REPORT

Recommendation: Receive and File Report.

7. MISCELLANEOUS ITEMS:

8. BOARD MEMBER COMMUNICATIONS:

9. CLOSED SESSION:

CONFERENCE WITH LABOR NEGOTIATORS

Agency designated representatives: Jeremy Ghent and Alicia Lara

Employee organization: SEIU

10. ADJOURNMENT

**The next regularly scheduled Board Meeting on May 15, 6:00 pm at the
Arroyo Grande City Hall Chambers,
215 E. Branch Street, Arroyo Grande, California**

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
WARRANT REGISTER
5/1/2019

VENDOR	BUDGET LINE ITEM	DETAIL	WARRANT NO	ACCT	ACCT BRKDN	TOTAL
ABALONE COAST ANALYTICAL	CHEMICAL ANALYSIS	1835; 1747; 1786; 1896; 1932; 1872	050119-3701	7078	922.00	922.00
AGP VIDEO	PROF SERV. AGP VIDEO	MARCH	3702	7080	1,400.00	1,400.00
ALL STAR INDUSTRIAL	SAFETY SUPPLIES	2363	3703	8056	440.80	440.80
ALLIED ADMINISTRATORS	EMPLOYEE DENTAL	MAY	3704	6025	720.77	720.77
AMERICAN BUSINESS MACHINES	OFFICE SUPPLIES	44960	3705	8035	194.50	194.50
ARAMARK	UNIFORMS	4/5/2019; 04/12/19; 04/19/19	3706	7025	763.91	763.91
AT&T	TELEPHONES	04/11/19-05/10/19	3707	7013	195.65	195.65
AUTOSYS	ELECTRICAL INTEGRATOR	2313	3708	7032	675.00	1,080.00
	SCADA	2503		20-7080	405.00	
BANK OF THE WEST	OFFICE SUPPLIES	MARCH	3709	8045	153.51	1,203.16
	TRAINING	MARCH		7067	220.00	
	MEMBERSHIPS	MARCH		7050	600.00	
	COMPUTER SUPPORT	MARCH		7011	229.65	
BRENNTAG	PLANT CHEMICALS	BPI930754; BPI935754; BPI936589	3710	8050	18,471.84	18,471.84
CARRIE TROUP, CPA	FISCAL SERVICES	10/16/19-03/15/19	3711	7050	3,986.00	3,986.00
CENTRAL COAST TECHNOLOGY	COMPUTER SUPPORT	APRIL; 1992	3712	7082	768.43	768.43
CITY OF ARROYO GRANDE	BILLING	JANUARY - MARCH	3713	7073	5,587.75	5,587.75
CITY OF GROVER BEACH	BILLING	NOVEMBER - MARCH	3714	7093	9,383.50	9,383.50
COASTAL ROLL OFF SERVICE	RUBBISH	MARCH	3715	7093	678.06	678.06
CULLIGAN CCWT	EQUIPMENT RENTAL	APRIL; 55372	3716	7032	250.00	250.00
DE JESUS GARDENING	GROUND MAINTENANCE	APRIL	3717	8060	450.00	450.00
ENGEL & GRAY, INC.	BIOSOLIDS HANDLING	MARCH	3718	7085	1,819.50	1,819.50
EVERYWHERE RIGHT NOW	COMPUTER SUPPORT	APRIL	3719	7082	100.00	100.00
FAMCON PIPE AND SUPPLY	EQUIPMENT MAINTENANCE	S100001354.001	3720	8030	142.22	142.22
FEDERAL EXPRESS	OFFICE SUPPLIES	6-505-5205; 6-526-57910	3721	8045	194.53	194.53
FGL ENVIRONMENTAL	CHEMICAL ANALYSIS	980270A	3722	7078	2,202.00	2,202.00
GILBERT TRUJILLO, ESQ.	LEGAL COUNSEL	MARCH	3723	7071	2,146.00	2,146.00
GRAINGER	HOUSEHOLD SUPPLIES	9148028328	3724	8035	71.51	71.51
HAULAWAY	EQUIPMENT RENTAL	02/21/19-03/20/19	3725	7032	93.80	93.80
I.I. SUPPLY	EQUIPMENT MAINTENANCE	23237	3726	8030	4.02	4.02
JANPRO	STRUCTURE MAINTENANCE	APRIL	3727	8060	260.00	260.00
JB DEWAR	FUEL	902984; 904282	3728	8020	156.91	156.91
JONES & MAYER	OUTSIDE COUNSEL	MARCH	3729	7070	4,000.00	4,000.00
KENNEDY JENKS	REDUNDANCY DESIGN	129029	3730	20-7080	42,043.93	42,043.93
LARA HR SERVICES	HUMAN RESOURCES	JANUARY - MARCH	3731	7076	1,750.00	1,750.00
MICHAEL K. NUNLEY	REDUNDANCY	UPDATE FOR USDA	3732	20-7080	4,506.25	7,078.00
	REDUNDANCY	REDUNDANCY ADMIN		20-7080	2,571.75	
MINERS	HOUSEHOLD SUPPLIES	MARCH	3733	8035	171.81	171.81
OCSD	WATER	01/18/19-03/18/19	3734	7094	207.84	521.52
	EQUIPMENT MAINTENANCE	VECTOR TRUCK		8030	313.68	
OILFIELD	CHEMICAL ANALYSIS	1901737	3735	7078	85.00	85.00
PG&E	ELECTRICITY	03/12/19-04/10/19	3736	7091	12,981.53	12,981.53
POLYDYNE	PLANT CHEMICALS	1336238	3737	8050	6,331.65	6,331.65
POOR RICHARDS PRESS	OFFICE SUPPLIES	287007	3738	8045	110.91	110.91
PRAXAIR	EQUIPMENT RENTAL	02/20/19-03/20/19	3739	7032	29.90	29.90
RAMSEY ASPHALT	EQUIPMENT MAINTENANCE	VALLEY MANHOLE RAISING	3740	8030	7,990.00	7,990.00
READY REFRESH	HOUSEHOLD SUPPLIES	02/25/19-03/24/19	3741	8035	200.34	200.34
SO CAL GAS	UTILITY GAS	03/04/19-04/02/19	3742	7092	3,074.32	3,074.32
SOUTH COUNTY SANITARY	RUBBISH	APRIL	3743	7093	333.41	333.41
SPRINT	COMMUNICATIONS CELL PHONE	03/04/19-04/03/19	3744	7014	94.23	94.23
STANLEY SECURITY	COMMUNICATIONS ALARMS	MAY	3745	7011	71.28	71.28
STATE FUND	WORKERS COMPENSATION	APRIL	3746	6080	2,174.50	2,174.50
TELEDYNE ISCO	LAB SUPPLIES	S020321186	3747	8040	257.40	257.40
THOMA ELECTRIC	EQUIPMENT MAINTENANCE	41866	3748	8030	210.00	210.00
UMPQUA BANK	OFFICE SUPPLIES	MARCH	3749	8045	485.76	485.76
USA BLUEBOOK	OFFICE SUPPLIES	862336	3750	8045	142.78	142.78
VWR	LAB SUPPLIES	2019-101; 102; 104; 113	3751	8040	1,010.32	1,010.32
WILLIAM ROMHILD	MEDICAL REIMBURSEMENT	FY 18/19	3752	6075	75.20	75.20
SUB TOTAL					\$ 144,910.65	\$ 144,910.65
SSLOCS D RABOBANK TRANSFER	MARCH	PAYROLL	3753		52,201.43	\$ 80,034.54
		CALPERS RETIREMENT		6060	7,949.42	
		CALPERS HEALTH		6010	19,883.69	
					\$ 80,034.54	\$ 80,034.54
GRAND TOTAL					\$ 224,945.19	\$ 224,945.19

We hereby certify that the demands numbered serially from 050119-3701 to 050119-3753 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

DATE: _____

Chairman

Board Member

Board Member

Secretary



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SUMMARY ACTION MINUTES Regular Meeting of Wednesday, April 03, 2019

1. CALL TO ORDER AND ROLL CALL

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

Present: Jeff Lee, Chair, City of Grover Beach
Caren Ray Russom, Vice Chair, City of Arroyo Grande
Linda Austin, Director, Oceano Community Services District

District Staff: Jeremy Ghent, District Administrator;
Gilbert Trujillo, Legal Counsel,
Amy Simpson, District Bookkeeper/Secretary

2. PLEDGE OF ALLEGIANCE

Administrator Ghent led the Pledge of Allegiance.

3. AGENDA REVIEW

Approved as presented.

4. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA

No public comment was received.

5. CONSENT AGENDA:

- 5A. Approval of Warrants**
- 5B. Approval of Meeting Minutes of March 20, 2019**
- 5C. Request Approval to Purchase a New Replacement Front Loader**

Chair Lee opened the Public Comment period.

Julie Tacker commented on the Rate Study that Bartle Wells is working on.

Chair Lee closed the Public Comment period.

Administrator Ghent said that the District has received an initial updated draft of Rate Study. District staff reviewed and submitted comments to Bartle Wells.

Motion: Chair Lee motioned to approve the Consent Agenda with modification to Item 5C to increase or decrease the expenditure amount for sales tax as necessary.

Second: Director Austin

Action: Approved unanimously by roll call. Vote carries 3-0.

6. ACTION ITEMS:

6A. TRIBUTE TO BARBARA NICOLLS

Administrator Ghent presented this item. Chair Lee read Resolution 2019-404 honoring Barbara Nicolls for her outstanding service to the ratepayers of the South San Luis Obispo County Sanitation District.

Chair Lee opened the Public Comment period.

There was no public comment.

Chair Lee closed the Public Comment period.

Motion: Vice Chair Ray Russom motioned to adopt Resolution No. 2019-404 as submitted.

Second: Director Austin

Action: Approved unanimously by voice vote. Vote carries 3-0.

Barbara Nicolls said it was not an individual effort. She commended Linda Austin and staff and said the changes have been good.

6B. UPDATE ON PROJECT EXPENDITURES FOR DISTRICT'S WASTEWATER REDUNDANCY PROJECT

Administrator Ghent presented this item with a PowerPoint presentation. This item was brought back as a request from the March 06 meeting. He provided background and status; project phases; FY 18/19 summary; historic expenditures and future projections; total project budget and expenditures to date and a schedule. This PowerPoint presentation is available on the website at SSLOCSD.ORG.

Vice Chair Ray Russom asked if there was a contingency built into the construction phase as well as a total project contingency at the end. She also asked when the last time the construction estimate was run.

Administrator Ghent confirmed there were two separate contingencies built into the budget. He said the most recent design submittal included the updated construction estimate and that nothing has changed on the \$21.01 cost.

Director Austin asked about previous budgets and about USDA funding.

Administrator Ghent responded that USDA has indicated that they will fund Oceano's portion of the project.

Chair Lee asked about the future projections funding table and if the Redundancy Project will change the certifications required to run the plant.

Administrator Ghent responded that Bartle Wells recommended funding be done as a total project not by fiscal years and said there will no change in certification requirements. Plant will remain a Grade III Facility.

Chair Lee opened the Public Comment period

Julie Tacker commented on the the increase of cost for operating; permitting; interest rates and USDA funding. She said she does not like this project.

David Baldwin from the Building and Constructions Trade Counsel commented on community workforce agreements.

Chair Lee closed the Public Comment period.

Action: The Board received and filed the report.

Administrator Ghent responded to the comments and reiterated the importance of the Redundancy Project. The PowerPoint presentation will be available on the District website.

6C. PLANT OPERATIONS REPORT

Administrator Ghent presented this report. The numbers continue to be well within compliance.

Chair Lee opened the Public Comment period.

Julie Tacker commented on a video for the Fixed Film Reactor (FFR) and said she would like the Central Coast Blue Project to be offsite.

Chair Lee closed the Public Comment period.

Administrator Ghent said there is a plan if the FFR drive unit failed but there is not a District work product that would be available to the public.

7. BOARD MEMBER COMMUNICATIONS

Director Ray Russom asked about going to one meeting a month.

Legal Counsel responded that there will be a staff report before the Board regarding meeting once a month on the next agenda.

Chair Lee asked if the revised plans for the County project on 13th Street and Hwy 1 have had any impact to the facility to be concerned about.

Administrator Ghent responded that County staff have more than graciously accommodated all District requests to keep clearance.

9. ADJOURN MEETING

The meeting was adjourned at 7:18 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 1, 2019
To: Board of Directors
From: Jeremy Ghent, District Administrator
Subject: **FISCAL YEAR 2018/19 BUDGET REVIEW AT THE END OF THE 3RD QUARTER**

RECOMMENDATION:

1. Review the attached Profit and Loss Statements comparing actual revenues and expenses with budgeted amounts; and
2. This quarter, all the adjustments can be accommodated internally within each of the three Funds as detailed below.

FUNDING:

Revenue account line items to date are generally within expected amounts. Therefore, no revenue changes are being recommended at the end of the third quarter.

Revenues

	Amended Budget at 2 nd Quarter	Received as of 03-31-19 Amount		Recommended 3 rd -Quarter Adjustments	Budget at 3 rd Quarter
Fund 19	\$5,360,750	\$3,609,404	67%	\$0	\$5,360,750
Fund 20	\$176,000	\$247,492	141%	\$0	\$176,000
Fund 26				\$0	\$0
Total	\$5,536,750	\$3,856,896	70%	\$0	\$5,536,750

Although three expense account line items have or will likely exceed their budgeted amounts, no funding increases are necessary as internal transfers of cost savings within each Fund will provide for the additional funding to those accounts with funding needs.

Expenses

	Amended Budget at 2 nd Quarter	Expended as of 03-31-19 Amount		Recommended 3 rd -Quarter Adjustments	Budget at 3 rd Quarter
Fund 19	\$3,274,520	\$2,027,279	62%	\$0	\$3,274,520
Fund 20	\$1,588,400	\$1,072,112	67%	\$0	\$1,588,400
Fund 26	\$1,536,200	\$237,470	15%	\$0	\$1,536,200
Total	\$6,399,120	\$3,336,861	52%	\$0	\$6,399,120

DISCUSSION:

Following the end of the third quarter at March 31 (75% of fiscal year completed), District Staff reviewed the FY 2018-19 account line items under each Fund. Certain accounts stand out as likely exceeding their budgeted amounts. These items are discussed below.

1. Account 19-7011 Communications (99.12% expended at end of third quarter). An increase of \$1,000 to this budget line item is being recommended to reflect expenses as of the end of the third quarter. The total budget for this account will be \$4,500. It is recommended that the increase be funded by an administrative transfer from account 19-7085 Solids Handling.
2. Account 19-7070 Professional Services – Outside Legal Counsel (89.41% expended at end of third quarter). An increase of \$5,000 to this budget line item is being recommended to reflect actual expenses as of the end of the third quarter. The total budget for this account will be \$30,000. It is recommended that the increase be funded by an administrative transfer from account 19-8015 Trunk Sewer Maintenance.
3. Account 19-7092 Utilities – Gas (93.78% expended at end of third quarter). An increase of \$7,000 to this budget line item is being recommended to reflect actual expenses as of the end of the third quarter. The total budget for this account will be \$35,000. It is recommended that the increase be funded by an administrative transfer from account 19-8061 Structure Maintenance - Major.

Attachment 1: Profit and Loss Statements - Budget vs. Actual

Attachment 2: Schedule of Proposed Budget Adjustments

S. S.L.O. CO. SANITATION DISTRICT
Profit & Loss Budget vs. Actual
July 2018 through March 2019

	Jul '18 - Mar 19	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
19-4015 Arroyo Grande Services	1,684,239.75	2,414,000.00	-729,760.25	69.8%
19-4022 Grover Beach Services	1,130,385.75	1,794,000.00	-663,614.25	63.0%
19-4035 Oceano Services	639,559.62	912,000.00	-272,440.38	70.1%
19-4040 Other Service Income	23,148.22	25,000.00	-1,851.78	92.6%
19-4045 School Services	0.00	40,000.00	-40,000.00	0.0%
19-4050 Brine Disposal Service	98,739.40	145,000.00	-46,260.60	68.1%
19-5015 Interest	33,331.61	30,000.00	3,331.61	111.1%
19-5023 FOG Reimbursement	0.00	750.00	-750.00	0.0%
Total Income	3,609,404.35	5,360,750.00	-1,751,345.65	67.3%
Gross Profit	3,609,404.35	5,360,750.00	-1,751,345.65	67.3%
Expense				
19-6010 Medical Insurance	159,830.85	210,000.00	-50,169.15	76.1%
19-6020 Medicare	0.00	0.00	0.00	0.0%
19-6025 Dental Insurance	7,259.31	9,000.00	-1,740.69	80.7%
19-6030 Plant Operators	354,295.91	543,008.00	-188,712.09	65.2%
19-6035 Student Interns	0.00	5,000.00	-5,000.00	0.0%
19-6040 Secretary/Bookkeeper	49,075.04	60,912.00	-11,836.96	80.6%
19-6045 District Administrator	120,284.49	155,000.00	-34,715.51	77.6%
19-6050 S.S. & Medicare	40,067.19	65,000.00	-24,932.81	61.6%
19-6055 State Disability Insur	2,690.26	3,500.00	-809.74	76.9%
19-6060 State Retirement	55,888.03	80,000.00	-24,111.97	69.9%
19-6065 Unfunded Liability	62,373.00	65,000.00	-2,627.00	96.0%
19-6075 Medical Reimbursement	968.86	6,500.00	-5,531.14	14.9%
19-6080 Workers Compensation	20,605.72	33,000.00	-12,394.28	62.4%
19-6085 Temp Labor Service	0.00	10,000.00	-10,000.00	0.0%
19-6090 Payroll Process Fee	2,503.50	3,500.00	-996.50	71.5%
19-6095 Unemployment Remiburse	6,300.01	12,000.00	-5,699.99	52.5%
19-7005 Advert/Legal&Recruit	1,563.59	10,000.00	-8,436.41	15.6%
19-7011 Communications	3,469.15	3,500.00	-30.85	99.1%
19-7013 Communications-Teleph	4,990.21	10,000.00	-5,009.79	49.9%
19-7014 Communcations-Cell	2,101.86	2,500.00	-398.14	84.1%
19-7015 Off. Equi/Computer/GIS	4,547.40	10,000.00	-5,452.60	45.5%
19-7025 Employee Uniforms	9,297.89	12,500.00	-3,202.11	74.4%
19-7032 Equip Rental Other	3,144.53	5,000.00	-1,855.47	62.9%
19-7043 Ins, Liability/Auto	34,615.28	35,000.00	-384.72	98.9%
19-7050 Memberships/Seminars/Mtg	12,182.89	15,000.00	-2,817.11	81.2%
19-7055 Prof. Certs/Licenses	420.00	3,000.00	-2,580.00	14.0%
19-7060 Ocean Outfall Maint	0.00	25,000.00	-25,000.00	0.0%
19-7062 Prof Serv.-Electrician	3,395.39	6,000.00	-2,604.61	56.6%
19-7065 Public Outreach	0.00	5,000.00	-5,000.00	0.0%
19-7067 Training	4,659.15	10,000.00	-5,340.85	46.6%
19-7068 Permits/Fees/License	22,725.76	30,000.00	-7,274.24	75.8%
19-7069 LAFCO Budget Share	12,838.28	14,000.00	-1,161.72	91.7%
19-7070 Prof Serv -Out.Counsel	22,351.27	25,000.00	-2,648.73	89.4%
19-7071 Prof Serv-Attorney Fee	28,452.19	36,000.00	-7,547.81	79.0%
19-7072 Prof Serv - Auditing	24,260.00	30,000.00	-5,740.00	80.9%
19-7073 Prof Serv - AG Billing	16,901.50	22,000.00	-5,098.50	76.8%
19-7074 Prof Serv - Oceano Com	7,499.70	10,000.00	-2,500.30	75.0%
19-7075 Prof Serv - Brd Member	4,300.00	7,500.00	-3,200.00	57.3%
19-7076 Prof Serv- H R Service	9,410.00	40,000.00	-30,590.00	23.5%
19-7077 Prof Serv-Engineering	3,731.25	25,000.00	-21,268.75	14.9%
19-7078 Prof Serv-Chem Analysis	14,745.79	20,000.00	-5,254.21	73.7%

	<u>Jul '18 - Mar 19</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
19-7079 Prof Serv-Records Mngmt	0.00	5,000.00	-5,000.00	0.0%
19-7080 Prof Serv - AGP Video	11,942.50	14,000.00	-2,057.50	85.3%
19-7081 Prof Serv-GB Bill	16,789.75	23,000.00	-6,210.25	73.0%
19-7082 Prof. Serv.-Comp. Suprt	6,980.87	10,000.00	-3,019.13	69.8%
19-7083 Prof Serv-Fiscal Serv.	13,695.00	25,000.00	-11,305.00	54.8%
19-7085 Solids Handling	31,259.51	90,000.00	-58,740.49	34.7%
19-7086 Brine Disposal Samplin	1,811.00	3,000.00	-1,189.00	60.4%
19-7088 Prof Serv-Strat Plannin	0.00	5,000.00	-5,000.00	0.0%
19-7091 Util-Elec	126,005.92	190,000.00	-63,994.08	66.3%
19-7092 Util-Gas	26,258.96	28,000.00	-1,741.04	93.8%
19-7093 Util-Rubbish	10,440.16	13,000.00	-2,559.84	80.3%
19-7094 Util-Water	849.75	3,000.00	-2,150.25	28.3%
19-7095 Zone 1/1A Agreement	30,950.96	31,000.00	-49.04	99.8%
19-8010 Capital Equipment	18,692.96	367,000.00	-348,307.04	5.1%
19-8015 Trunk Sewer Maintenanc	0.00	160,400.00	-160,400.00	0.0%
19-8020 Gas & Oil	5,307.31	10,000.00	-4,692.69	53.1%
19-8030 Equipment Maint-Reg	62,364.27	204,500.00	-142,135.73	30.5%
19-8032 Automotive Maint	342.09	5,000.00	-4,657.91	6.8%
19-8035 Household Expense	1,260.08	4,000.00	-2,739.92	31.5%
19-8040 Lab Supplies	6,424.38	10,000.00	-3,575.62	64.2%
19-8045 Office Supplies&Exp	4,574.04	6,000.00	-1,425.96	76.2%
19-8050 Plant Chemicals	224,716.37	300,000.00	-75,283.63	74.9%
19-8055 Small Tools	961.73	1,200.00	-238.27	80.1%
19-8056 Safety Supplies	7,846.35	8,000.00	-153.65	98.1%
19-8060 Structure Maint-Reg	8,847.69	20,000.00	-11,152.31	44.2%
19-8061 Struct Maint - Major	14,211.93	40,000.00	-25,788.07	35.5%
19-8077 Contingency	0.00	25,000.00	-25,000.00	0.0%
Total Expense	1,766,278.83	3,274,520.00	-1,508,241.17	53.9%
Net Ordinary Income	1,843,125.52	2,086,230.00	-243,104.48	88.3%
Other Income/Expense				
Other Income				
19-4005 Fund Balance Available	0.00	0.00	0.00	0.0%
19-8079 Transfer to Replacement	-968,100.00	1,536,200.00	-2,504,300.00	-63.0%
19-8080 Trsf to Expansion	-400,000.00	400,000.00	-800,000.00	-100.0%
Total Other Income	-1,368,100.00	1,936,200.00	-3,304,300.00	-70.7%
Net Other Income	-1,368,100.00	1,936,200.00	-3,304,300.00	-70.7%
Net Income	475,025.52	4,022,430.00	-3,547,404.48	11.8%

So San Luis Obispo Co Sanitation District
Profit & Loss Budget vs. Actual
July 2018 through March 2019

	<u>Jul '18 - Mar 19</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
20-4010 AG Connections	156,510.75	110,000.00	46,510.75	142.3%
20-4020 GB Connections	62,488.00	30,000.00	32,488.00	208.3%
20-4030 OCSD Connections	0.00	6,000.00	-6,000.00	0.0%
20-5015 Interest Income	28,493.12	30,000.00	-1,506.88	95.0%
Total Income	<u>247,491.87</u>	<u>176,000.00</u>	<u>71,491.87</u>	<u>140.6%</u>
Expense				
20-7080 Redundancy Project	1,064,505.77	1,400,000.00	-335,494.23	76.0%
20-7094 MOU w/Pismo Joint EIR	0.00	113,400.00	-113,400.00	0.0%
20-8010 Capital Equip/SCADA	7,606.55	75,000.00	-67,393.45	10.1%
Total Expense	<u>1,072,112.32</u>	<u>1,588,400.00</u>	<u>-516,287.68</u>	<u>67.5%</u>
Net Ordinary Income	<u>-824,620.45</u>	<u>-1,412,400.00</u>	<u>587,779.55</u>	<u>58.4%</u>
Other Income/Expense				
Other Income				
20-4005 Use of Fund Bal. Avail.	0.00	862,370.00	-862,370.00	0.0%
20-5040 TRSF from Operating	400,000.00	400,000.00	0.00	100.0%
Total Other Income	<u>400,000.00</u>	<u>1,262,370.00</u>	<u>-862,370.00</u>	<u>31.7%</u>
Net Other Income	<u>400,000.00</u>	<u>1,262,370.00</u>	<u>-862,370.00</u>	<u>31.7%</u>
Net Income	<u>-424,620.45</u>	<u>-150,030.00</u>	<u>-274,590.45</u>	<u>283.0%</u>

So San Luis Obispo Co Sanitation District - 26(Replacement)
Profit & Loss Budget vs. Actual
July 2018 through March 2019

	<u>Jul '18 - Mar 19</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Expense				
26-8015 Trunk Sewer Maintenanc	0.00	175,000.00	-175,000.00	0.0%
26-8061 Struct/Grnds Maint-Maj	0.00	40,000.00	-40,000.00	0.0%
26-8065 Struct/Grnds Repl&Imp	237,469.76	1,271,200.00	-1,033,730.24	18.7%
26-8070 Emergency Equip Repair	0.00	50,000.00	-50,000.00	0.0%
Total Expense	<u>237,469.76</u>	<u>1,536,200.00</u>	<u>-1,298,730.24</u>	<u>15.5%</u>
Net Ordinary Income	<u>-237,469.76</u>	<u>-1,536,200.00</u>	<u>1,298,730.24</u>	<u>15.5%</u>
Other Income/Expense				
Other Income				
26-4005 Beginning Fund Balance	0.00	0.00	0.00	0.0%
26-5040 Transfer from funds	968,100.00	1,536,200.00	-568,100.00	63.0%
Total Other Income	<u>968,100.00</u>	<u>1,536,200.00</u>	<u>-568,100.00</u>	<u>63.0%</u>
Net Other Income	<u>968,100.00</u>	<u>1,536,200.00</u>	<u>-568,100.00</u>	<u>63.0%</u>
Net Income	<u><u>730,630.24</u></u>	<u><u>0.00</u></u>	<u><u>730,630.24</u></u>	<u><u>100.0%</u></u>

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
PROPOSED BUDGET ADJUSTMENTS
END OF THIRD QUARTER FY 2018-19

ACCOUNT	CURRENT BUDGET	AMOUNT EXPENDED AS OF 3-31-19	PERCENT EXPENDED AS OF 3-31-19	PROPOSED ADJUSTMENT	ADJUSTED BUDGET
OPERATING FUND 19 EXPENSES					
19-7011 Communications	\$ 3,500	\$ 3,469	99%	\$ 1,000	\$ 4,500
19-7070 Professional Services - Outside Counsel	\$ 25,000	\$ 22,351	89%	\$ 5,000	\$ 30,000
19-7085 Solids Handling	\$ 90,000	\$ 31,260	35%	\$ (1,000)	\$ 89,000
19-7092 Utilities - Gas	\$ 28,000	\$ 26,259	94%	\$ 7,000	\$ 35,000
19-8015 Trunk Sewer Maintenance	\$ 160,400	\$ -	0%	\$ (5,000)	\$ 155,400
19-8061 Structure Maintenance - Major	\$ 40,000	\$ 14,212	36%	\$ (7,000)	\$ 33,000
Net Budgetary Changes to Fund 19				\$ -	



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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STAFF REPORT

To: Board of Directors

From: Jeremy Ghent, District Administrator
Gilbert A. Trujillo, District Counsel

Date: May 1, 2019

Subject: **AMENDING BOARD MEETING SCHEDULE TO MEET ONCE A MONTH**

RECOMMENDATION:

Staff recommends that the Board of Directors consider approving Resolution 2019-405 amending the Bylaws to meet once a month on the first Wednesday of the month.

BACKGROUND:

On March 20, 2019, the Board of Directors requested staff to explore changing the Board meeting schedule to meet once a month given the relatively light agendas to date in 2019. It is anticipated that changing from two meetings a month to once a month would increase staff efficiency and reduce costs for the District with little impact to District operations.

DISCUSSION:

Bylaw Amendments

The attached Resolution amends sections 1.4 and 2.1 of the Bylaws to provide for a single meeting on the first Wednesday of each calendar month as follows:

- 2.1** Subject to holidays and scheduling conflicts, regular meetings of the Board of Directors shall commence at 6:00 p.m. on the first ~~and third~~ Wednesday of each calendar month at such meeting location within the District boundaries designated by the Board. The Board of Directors reserves the right to cancel and/or designate other dates, places and times for Director Meetings due to scheduling conflicts and holidays.

- 1.4 The Chair and Vice Chair of the Board shall be elected annually at the ~~second first~~ meeting in January of each calendar year-, or at the next regular or special meeting if Directors have not been timely designated by their respective agencies.

Bylaw section 1.4 should be amended for consistency with the change to Section 2.1. As you may recall, Section 1.4 was recently amended (during the annual Bylaw review and revision,) to account for the situation following an election wherein Directors have not as of yet been designated by their respective agencies by the first meeting in January. Since there will be no second meeting in January, language was added to clarify that the Chair and Vice Chair will be elected at the next regular or special meeting after they have been designated by their respective agencies as Directors of the Sanitation District.

Special Meetings

Staff opines that having one meeting a month will benefit the District by saving costs and staff time while still providing for District operations. If timely action is necessary, the Chair may call for a special meeting pursuant to Bylaw Section 2.2- and 24-hours advance notice in accordance with Government Code section 54956. We do not anticipate having to call for multiple special meetings in order to conduct regular business of the District. We believe that a call for a special meeting will be the exception and not the norm.

Warrant Process

The Board may wish to review the current warrant process and authorize changes to ensure that vendors are timely paid and to increase staff efficiency. Pursuant to the current process, staff reviews the invoice and upon staff approval places the warrant register on the consent agenda for approval by the Board. Once approved, the two wet signatures are required by the Chair and a second Director and then sent to the County Auditor Controller who issues the warrant. There is no signature requirement by the District Administrator. We could not locate a staff report in

District records where this process was implemented. We speculate that this process was instituted during the Wallace administration.

In order to ensure that vendors are timely paid despite only meeting once a month, the Board could change the current process to authorize the District Administrator to sign and transmit the warrant to the County for payment. All warrants would still be placed on the consent agenda with full disclosure to the public for ratification by the Board after payment has been issued, which is a common practice among public agencies. For example, the Board would ratify the payment of warrants subject to having been certified as being in conformity with the budget and having been approved for payment by the District Administrator. Pursuant to Bylaw Section 8.4, the District Administrator is responsible for supervision of the District's finances. In addition, upon approval of the budget by the Board, the District Administrator is inherently authorized to issue warrants for budgeted items.

The significant change in the process is the timing of payments. Invoices would be paid upon approval by the District Administrator with ratification by the Board once a month. A change in the current process would ensure that vendors are timely paid despite the Board only meeting once a month. If the Board provides direction to staff to change the process so that warrants are presented to the Board for ratification after payment, staff will implement the change after

consulting with the District's auditors and County Auditor Controller to ensure compliance with standard government accounting principles.

FISCAL CONSIDERATIONS:

There are no negative financial impacts to moving to a single meeting once a month. If adopted, it is expected to save staff resources and reduce costs including Director stipends and legal fees.

ALTERNATIVES:

1. The Board may decide not to make any changes to the Bylaws and continue with two regular Board meetings a month. Regular meetings may be cancelled when the agenda is light as is the current practice.
2. The Board may move to a single monthly meeting with direction to staff to revise the warrant process.
3. The Board may move to a single monthly meeting with no change in the warrant process.

RESOLUTION NO. 2019-405

**A RESOLUTION OF THE BOARD OF THE SOUTH SAN LUIS OBISPO
COUNTY SANITATION DISTRICT AMENDING BYLAW SECTIONS 1.4 AND
2.1 TO PROVIDE FOR A MONTHLY BOARD MEETING ON THE FIRST
WEDNESDAY OF THE MONTH**

WHEREAS, the Board of Directors of the South San Luis Obispo County Sanitation District has previously adopted Board Bylaws that set forth internal Board policies; and

WHEREAS, the Board of Directors currently meets twice a month on the first and third Wednesdays of the month; and

WHEREAS, recent Board meetings have had light agendas which are expected to continue in the future; and

WHEREAS, the Board of Directors desires to save staff resources and reduce operating costs by holding a single regular monthly meeting on the first Wednesday of the month.

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

SECTION 1. Section 1.4 of the Bylaws is amended as follows:

The Chair and Vice Chair of the Board shall be elected annually at the first meeting in January of each calendar year, or at the next regular or special meeting if Directors have not been timely designated by their respective agencies.

SECTION 2. Section 2.1 of the Bylaws is amended as follows:

Subject to holidays and scheduling conflicts, regular meetings of the Board of Directors shall commence at 6:00 p.m. on the first Wednesday of each calendar month at such meeting location within the District boundaries designated by the Board. The Board of Directors reserves the right to cancel and/or designate other dates, places and times for Director Meetings due to scheduling conflicts and holidays.

SECTION 3. The District Administrator is authorized to review and revise as appropriate the warrant approval process in accordance with standard government accounting principles.

RESOLUTION 2019-405

PASSED AND ADOPTED at a regular meeting of the South San Luis Obispo County Sanitation District held on May 01, 2019.

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

AYES:

NOES:

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 this 01st day of May 2019.

Board Chair

ATTEST:

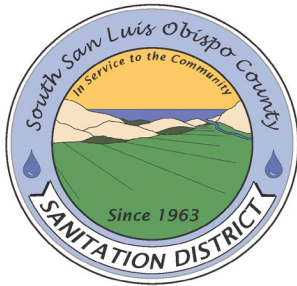
DISTRICT SECRETARY

APPROVED AS TO FORM:

BY: _____
DISTRICT COUNSEL

CONTENTS:

BY: _____
DISTRICT ADMINISTRATOR



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STAFF REPORT

Date: May 1, 2019
To: Board of Directors
From: Jeremy Ghent, District Administrator
Subject: **FINANCIAL PLAN UPDATE BY BARTLE WELLS ASSOCIATES**

RECOMMENDATION:

That the Board receive and file the Financial Plan Update

BACKGROUND:

In April 2017, the Board was presented with a Financial Plan Update prepared by Alex Handler with Bartle Wells Associates. The purpose of the report was to provide the District with information necessary to apply for State Revolving Funds in support of the Redundancy Project.

In January of 2018 the Board authorized an additional update to be completed by Bartle Wells Associates. This Financial Plan Update is attached.

DISCUSSION:

Since the preparation of the Financial Plan Update in April 2017, the estimate to construct the Redundancy Project has risen from approximately \$20 million to \$28 million; This update was prepared to assess the adequacy of currently adopted rates and their ability to fund construction and debt service for the Redundancy Project.

The Redundancy Project has been moving forward but construction has been delayed by a little over 2 years from initial projections. The District currently anticipates starting construction in the October to November 2019 timeframe.

The Redundancy Project is now projected to cost \$27.9 million based on 90% engineering design cost estimates recently developed by Kennedy Jenks Consultants. This level of cost is significantly higher than the preliminary estimates developed back in 2015. The difference is partly due to the honing of costs that occurred during the actual design phase, but also partially

due to construction cost inflation since 2015. The actual Redundancy Project cost will not be known until the project is bid out for construction.

Key Findings

- Good news is that based on the updated projections, the rate increases previously adopted are adequate to support Redundancy Project financing, with no need for adopting additional rate increases at this time. This assumes the District implements the final year of the previously-adopted rate increases as scheduled on July 1, 2019 and that the actual cost of the Redundancy Project comes in reasonably close to the updated engineering cost estimates.
- The Redundancy Project cost is higher than originally estimated, but the delay in project construction has also resulted in a delay in debt issuance for the project and associated debt repayment, which has allowed the District to generate more cash-funding for the project instead of paying debt service. This additional cash funding helps offset the need for additional debt financing that otherwise would have been needed due to the increase in project cost. Ultimately, the projections indicate that the District will end up issuing slightly less debt than previously projected. This assumes that the District partially draws down fund reserves to help fund the project as shown in the updated financial projections.
- The 3-year rate increase adopted in February 2016 had assumed the District would obtain low- interest-rate financing from the State Revolving Fund. Unfortunately, the State Water Resources Control Board recently revised the SRF Financing Program's funding policies. The SRF financing program previously awarded financing on a first-come first-serve basis and previously had adequate program funding to meet the financing needs of its applicants. Due to a substantial increase in funding applications that has greatly overwhelmed the financing capacity of the program, the SRF financing program now only awards funding to a limited number of applicants based on a priority ranking system. Unfortunately, based on the new policies and priority ranking system, SRF staff have indicated that the District's Redundancy Project will not qualify for funding this year and would be unlikely to qualify for funding in future years. Without subsidized SRF financing, the District will need to obtain alternative financing for the Redundancy Project. While current tax-exempt municipal bond rates are low by historic standards, they are significantly higher than the SRF financing program's subsidized interest rates which results in higher annual debt service for funds borrowed.
- The updated financial projections assume the District will finance the Redundancy Project via a combination of a) pay-as-you-go cash funding, b) wastewater revenue bonds, and c) a subsidized, low- interest rate 40-year USDA loan that is expected to fund approximately 18.7% of the project cost based on Oceano's percentage of the total population served by SSLOCSD. The USDA funding program will likely require the District to provide interim, short-term financing for the USDA share of project costs. After project completion, USDA would take out and refinance the interim financing with a 40-year bond. Ultimately, combined annual debt service on the wastewater revenue

bonds and USDA loan is projected to total approximately \$1,125,000 per year, which is \$130,000 higher than the SRF debt projections from the prior rate study.

- Although debt service for the project is projected to be higher than previously estimated, the District's annual revenues are a little higher than previously projected and operating expenses are lower than previously projected. As a result of improved revenues and reduced operating costs, the District finances currently look stronger than estimated during the prior rate study and provide adequate additional funding to cover the increase in Redundancy Project debt service.
- Although the previously-adopted rate increase scheduled for July 1, 2019 is adequate to meet the funding needs of the Redundancy Project, the District may need to implement small inflationary rate increases in future years to keep revenues in line with the future costs of providing service and minimize the potential for larger, infrequent rate increases. The District can re-evaluate the need for future rate increases after the previously-adopted 3-year rate increase runs its course.

Attachment: Financial Plan Update dated April 9, 2019

South San Luis Obispo County Sanitation District



Wastewater Financial Plan Update

April 9, 2019



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



South San Luis Obispo County Sanitation District Financial Plan Update Background & Key Issues



South San Luis Obispo County Sanitation District

The South San Luis Obispo County Sanitation District (SSLOCSD or District) is a special district that provides wastewater treatment services to the communities of Arroyo Grande, Grover Beach, and Oceano. The District serves a population of roughly 39,000 as well as commercial, industrial, and institutional accounts within its service area. The District owns and operates a wastewater treatment plant with a permitted capacity of 5.0 million gallons per day (mgd) of average dry weather flow, an ocean outfall for disposal of treated effluent, and almost nine miles of wastewater trunk lines that convey sewage from its member agencies. Each of the member agencies owns and operates its own sewer collection system.

Prior Financial Plan & Rate Study

In 2015, Bartle Wells Associates (BWA) developed a *Wastewater Financial Plan & Rate Study* that recommended a 3-year phase-in of wastewater treatment rate increases to support a) operating and maintaining the District's regional wastewater conveyance and treatment facilities, b) funding the District's Redundancy Project -- a major wastewater treatment plant upgrade needed to comply with state and federal laws and regulations, and c) providing adequate funding for repair and replacement of aging infrastructure. The Redundancy Project is needed address requirements stipulated the Regional Water Quality Control Board (RWQCB) and improve treatment plant reliability.

In February 2016, the District adopted a 3-year rate increase designed to phase-in funding to meet projected revenue requirements. The District is currently in the second year of the adopted 3-year rate plan and has one more increase scheduled to take effect on July 1, 2019. Prior to these rate increases, the District had not adjusted its wastewater treatment rates for almost 6 years. The sewer service charges for all three SSLOCSD member agencies are projected to remain among the lowest compared to other regional agencies with full implementation of SSLOCSD's adopted 3-year wastewater treatment rate increase.

At the time the prior rate study was developed, the Redundancy Project was estimated to cost approximately \$19 million (in 2015 \$) based on preliminary engineering cost estimates from September 2015, and about \$20.4 million with projected construction cost inflation. The prior rate study also assumed a) the project would be funded primarily from a low-interest-rate loan from California's Clean Water State Revolving Fund (SRF) Financing Program, and b) would be completed by the end of the current fiscal year 2018/19.

Changes in Redundancy Project Costs & Timing

Since the prior rate study was developed, the projected costs and timing of the Redundancy Project have significantly changed.

- The Redundancy Project has been moving forward but construction has been delayed by a little over 2 years from prior projections. The District currently anticipates starting construction in the October to November 2019 timeframe.
- The Redundancy Project is now projected to cost \$27.9 million based on 90% engineering design cost estimates recently developed by Kennedy Jenks Consultants. This level of cost is significantly higher than the preliminary estimates developed back in 2015. The difference is partly due to the honing of costs that occurred during the actual design phase, but also partially due to construction cost inflation since 2015. The actual Redundancy Project cost will not be known until the project is bid out for construction.

Updated Financial Projections & Key Findings

In 2018/19, BWA developed updated financial and rate projections to evaluate a) the District's current finances, b) the District's ability to fund the Redundancy Project with the updated cost estimates and construction schedule, and c) the adequacy of the previously-adopted wastewater treatment rates.

Key Findings & Observations:

- Good news is that based on the updated projections, the rate increases previously adopted are adequate to support Redundancy Project financing, with no need for adopting additional rate increases at this time. This assumes the District implements the final year of the previously-adopted rate increases as scheduled on July 1, 2019 and that the actual cost of the Redundancy Project comes in reasonably close to the updated engineering cost estimates.
- The Redundancy Project cost is higher than originally estimated, but the delay in project construction has also resulted in a delay in debt issuance for the project and associated debt repayment, which has allowed the District to generate more cash-funding for the project instead of paying debt service. This additional cash funding helps offset the need for additional debt financing that otherwise would have been needed due to the increase in project cost. Ultimately, the projections indicate that the District will end up issuing slightly less debt than previously projected. This assumes that the District partially draws down fund reserves to help fund the project as shown in the updated financial projections.
- The 3-year rate increase adopted in February 2016 had assumed the District would obtain low-interest-rate financing from the State Revolving Fund. Unfortunately, the State Water Resources Control Board recently revised the SRF Financing Program's funding policies. The SRF financing program previously awarded financing on a first-come first-serve basis and previously had adequate program funding to meet the financing needs of its applicants. Due to a substantial increase in funding

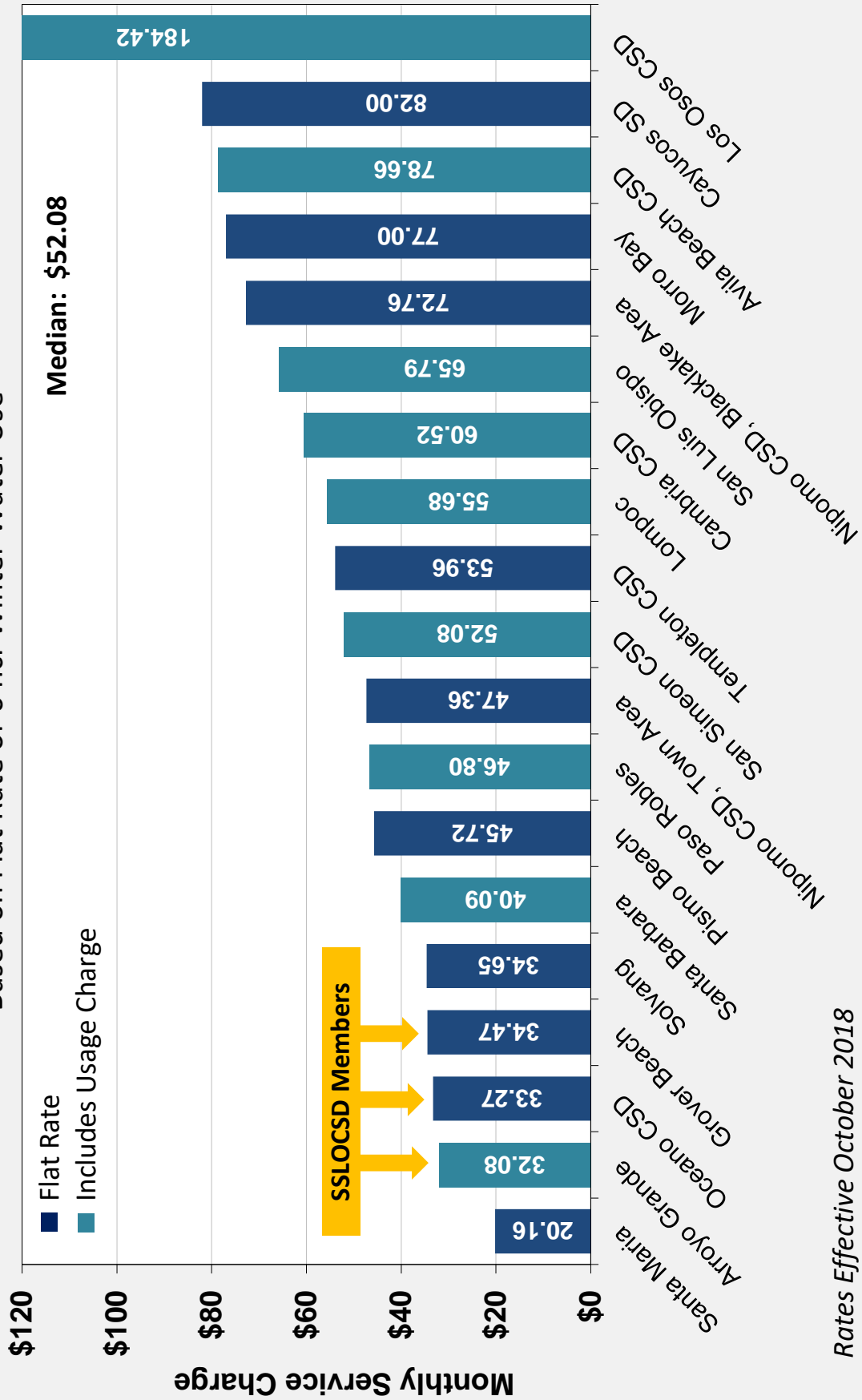
applications that has greatly overwhelmed the financing capacity of the program, the SRF financing program now only awards funding to a limited number of applicants based on a priority ranking system. Unfortunately, based on the new policies and priority ranking system, SRF staff have indicated that the District's Redundancy Project will not qualify for funding this year and would be unlikely to qualify for funding in future years. Without subsidized SRF financing, the District will need to obtain alternative financing for the Redundancy Project. While current tax-exempt municipal bond rates are low by historic standards, they are significantly higher than the SRF financing program's subsidized interest rates which results in higher annual debt service for funds borrowed.

- The updated financial projections assume the District will finance the Redundancy Project via a combination of a) pay-as-you-go cash funding, b) wastewater revenue bonds, and c) a subsidized, low-interest rate 40-year USDA loan that is expected to fund approximately 18.7% of the project cost based on Oceano's percentage of the total population served by SSLOCSD. The USDA funding program will likely require the District to provide interim, short-term financing for the USDA share of project costs. After project completion, USDA would take out and refinance the interim financing with a 40-year bond. Ultimately, combined annual debt service on the wastewater revenue bonds and USDA loan is projected to total approximately \$1,125,000 per year, which is \$130,000 higher than the SRF debt projections from the prior rate study.
- Although debt service for the project is projected to be higher than previously estimated, the District's annual revenues are a little higher than previously projected and operating expenses are lower than previously projected. As a result of improved revenues and reduced operating costs, the District finances currently look stronger than estimated during the prior rate study and provide adequate additional funding to cover the increase in Redundancy Project debt service.
- Although the previously-adopted rate increase scheduled for July 1, 2019 is adequate to meet the funding needs of the Redundancy Project, the District may need to implement small inflationary rate increases in future years to keep revenues in line with the future costs of providing service and minimize the potential for larger, infrequent rate increases. The District can re-evaluate the need for future rate increases after the previously-adopted 3-year rate increase runs its course.

Tables & Charts

Monthly Single Family Residential Sewer Rate Survey

Based on Flat Rate or 6 hcf Winter Water Use



Rates Effective October 2018

Table 2
 South San Luis Obispo County Sanitation District
 Fund Reserve Balances (All Funds Combined)

	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15	06/30/16	06/30/17	06/30/18
Fund Reserves									
Fund 19 - Operating	(\$838,066)	(\$629,362)	(\$623,451)	(\$527,497)	\$403,148	\$1,396,658	\$1,214,964	\$2,374,578	\$3,453,512
Fund 20 - Expansion	5,246,270	4,519,502	4,302,673	4,432,637	4,156,882	4,089,538	3,935,732	3,166,715	2,759,562
Fund 26 - Replacement	<u>879,665</u>	<u>693,096</u>	<u>298,303</u>	<u>12,943</u>	<u>0</u>	<u>59,460</u>	<u>396,513</u>	<u>266,331</u>	<u>219,726</u>
Fund Balances (Cash)	5,287,869	4,583,236	3,977,525	3,918,083	4,560,030	5,545,655	5,547,209	5,807,624	6,432,800

Source: SSLOCSD

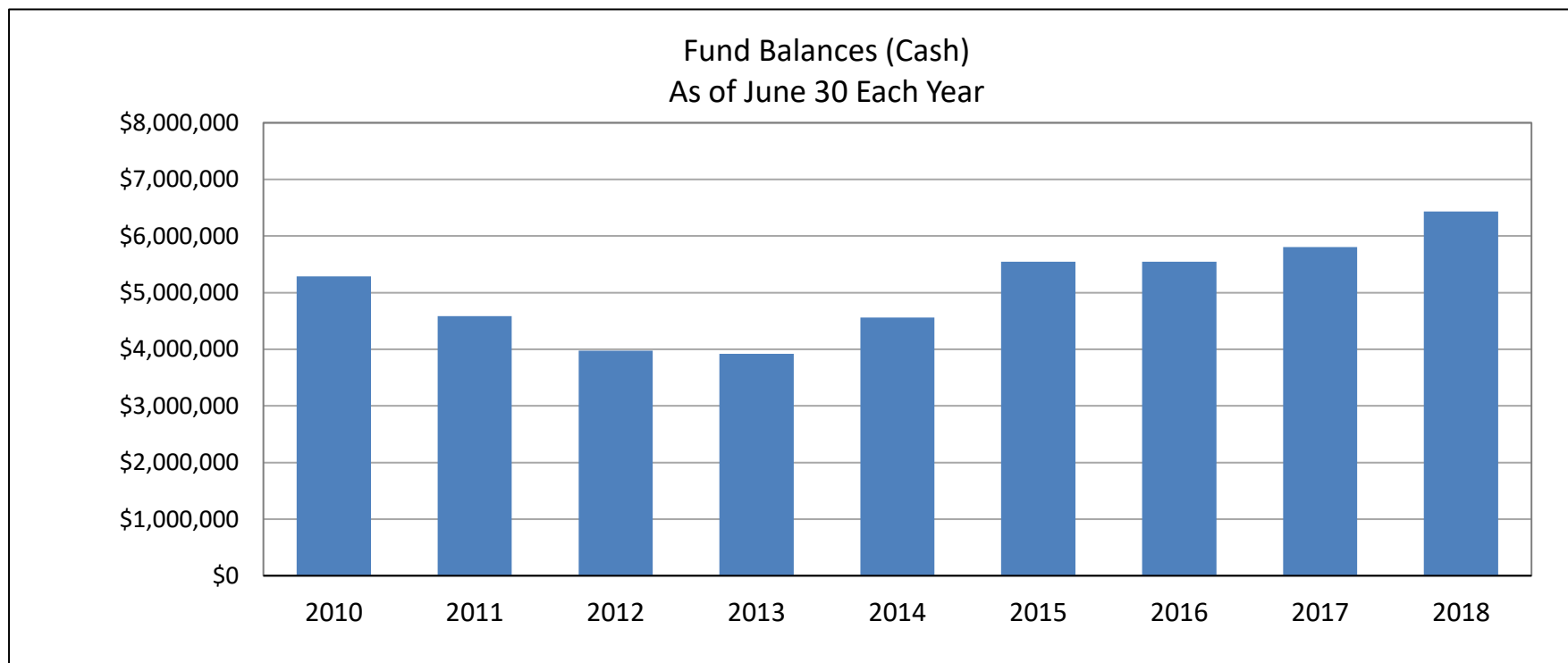


Table 3
South San Luis Obispo County Sanitation District
Historical & Budgeted Revenues

	Actual 2016/17	Actual 2017/18	Budget 2018/19
SERVICE CHARGES & FEES			
Arroyo Grande	\$2,133,753	\$2,174,692	\$2,414,000
Grover Beach	1,431,214	1,639,029	1,794,000
Oceano CSD	740,394	912,745	912,000
Schools/Other Service Income	41,055	51,973	48,000
Subtotal	4,346,416	4,778,439	5,168,000
OTHER REVENUES			
Interest: Fund 19 Operating Fund	21,269	42,969	21,600
Brine Disposal Service	345,647	237,266	300,000
Lease (AT&T)	28,634	2,396	0
Other	2,042	640	750
Subtotal	397,592	283,270	322,350
CONNECTION FEES			
Arroyo Grande	89,100	74,249	30,000
Grover Beach	27,843	54,445	30,000
OCSD	0	7,425	6,000
Subtotal	116,943	136,119	66,000
OTHER REVENUES			
Interest Earnings: Fund 20	15,756	28,779	30,000
Interest Earnings: Fund 26	0	0	0
Other/Grants	109,500	5,222	0
Subtotal	125,256	34,001	30,000
TOTAL REVENUES	4,986,207	5,231,829	5,586,350

Source: South San Luis Obispo County Sanitation District

Note: Excludes interfund transfers

Table 4
South San Luis Obispo County Sanitation District
Historical & Budgeted Expenses

	Actual 2016/17	Actual 2017/18	Budget 2018/19
OPERATING EXPENSES			
Salaries & Wages	776,539	799,010	858,920
Benefits & Other Personnel Costs	449,017	443,335	480,000
Admin/Professional Svcs	533,820	803,741	387,500
Permits/Licenses/Commun/Comp Support	38,282	34,547	59,500
Maintenance, Tools, & Replacements*	194,014	111,629	203,700
Materials, Services, & Supplies	267,870	313,709	301,000
Utilities	189,397	192,719	220,500
Disposal Services	50,764	115,485	93,000
Capital Equipment	11,640	17,807	367,000
Other	77,500	84,305	28,000
Subtotal	2,588,845	2,916,287	2,999,120
CAPITAL & DEBT SERVICE EXPENSES			
Fund 20: Expansion Fund Capital	269,476	473,921	1,188,400
Fund 20: CoGen Debt Service	0	(74,797)	0
Fund 26: Replacement Fund Capital	638,730	1,021,094	1,936,200
Primary clarifier drive unit replacement*	0	-	275,000
Subtotal	908,206	1,420,219	3,399,600
OTHER EXPENSES			
RWQCB ACL Fine	0	221,963	0
Other/Contingency	0	0	50,000
Subtotal	0	221,963	50,000
TOTAL EXPENSES	3,497,051	4,558,469	6,448,720

Source: South San Luis Obispo County Sanitation District Budgets.

Note: Excludes interfund transfers.

1 2018/19 Budget for Maintenance, Tools & Replacements includes approximately \$275,000 for primary clarifier drive unit replacement, which is reclassified as a non-operating expense above.

Table 5
 South San Luis Obispo County Sanitation District
 WWTP Redundancy Project Cost Estimates

WWTP Redundancy Project Cost Estimate	
Permits, Fees, Environmental & Utilities	\$330,000
Design	1,700,000
Bid Support	60,000
Design Team Services During Construction	600,000
Construction Management	1,700,000
Project Finance & Administration	500,000
Project Construction	21,010,000
Start-Up Support & SOPs	300,000
Contingency	1,700,000
Total	27,900,000
Source: Kennedy Jenks 90% design cost estimate.	

Bid Price -15% / +20%

Funding needed around Oct-2019

Table 7
South San Luis Obispo County Sanitation District
Project Funding Sources & Debt Service Estimates

WWTP Redundancy Project Funding Sources	Amount	% of Total
Total Project Cost	\$27,900,000	
Project Funding Sources		
Bond Funding	13,500,000	48.4%
USDA Funding*	5,210,000	18.7%
Cash Funding	<u>9,190,000</u>	<u>32.9%</u>
Total	27,900,000	100.0%

* Based on Oceano's estimated share of total SSLOCSD population served (7,286/39,024).

Debt Estimates	Assumptions	30-Year Bonds	40-Year USDA Loan*
Total Debt Issue		13,900,000	5,330,000
Proceeds		13,500,000	5,210,000
Issuance Costs & Reserve Requirement			
Underwriter Discount	0.75%	104,300	-
Issuance Costs	Est.	150,000	100,000
Bond Insurance	0.40% TDS	105,600	-
Reserve Surety Bond	2.50% RR	22,000	-
Debt Service Reserve Fund		-	<i>District Funded</i>
Accrued Interest		-	-
Contingency/Rounding		<u>18,100</u>	<u>20,000</u>
Total		400,000	120,000
Financing Terms			
Term (Years)		30	40
Est. Future Interest Rate		4.75%	3.375%
DEBT SERVICE			
Annual Debt Service (rounded)		880,000	245,000
* USDA Loan project costs would initially be funded by an interim financing, which would subsequently be refinanced by a 40-year USDA Loan after project completion.			

Table 6

South San Luis Obispo County Sanitation District
Capital Improvement Program

	Prior	Projected					Total
	Expenses	2018/19	2019/20	2020/21	2021/22	2022/23	
CAPITAL IMPROVEMENT COST ESTIMATES							
WWTP Redundancy Project							
Design & Permitting Phase	830,000	1,200,000	60,000	-	-	-	2,090,000
Construction Phase*	-	-	6,755,000	10,395,000	8,660,000	-	25,810,000
Subtotal	830,000	1,200,000	6,815,000	10,395,000	8,660,000	-	27,900,000
Ongoing Capital Improvement Program							
Improvements & Repairs/Replacements		1,540,000	800,000	800,000	800,000	800,000	4,740,000
Expansion Fund Projects		188,000	200,000	200,000	200,000	200,000	988,000
Subtotal		1,728,000	1,000,000	1,000,000	1,000,000	1,000,000	5,728,000

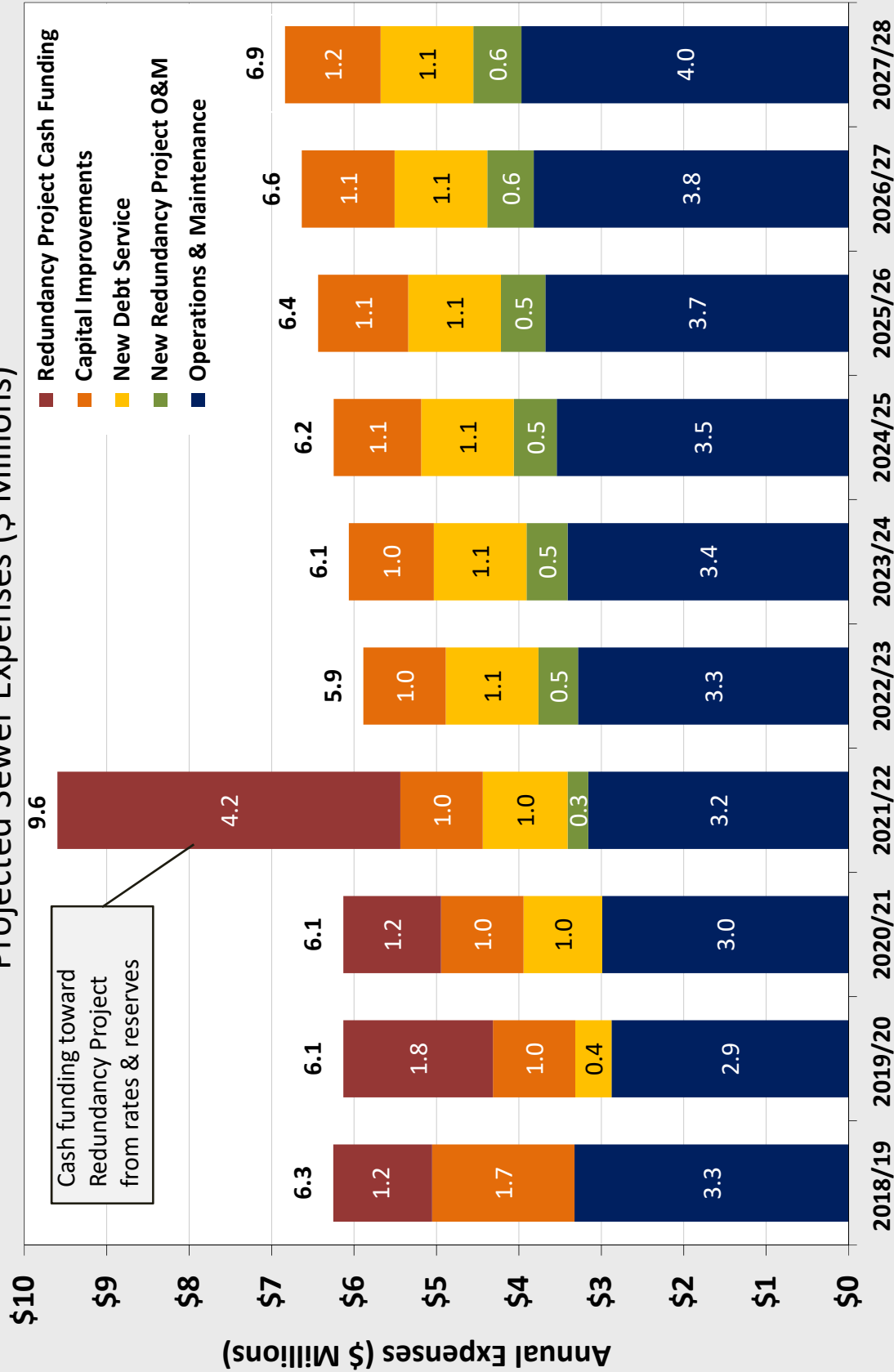
* Assumes approximately 30 month construction schedule starting around November 2019.

Table 8 - South San Luis Obispo CSD Wastewater Cash Flow Projections					Years 1 - 5
	2018/19	2019/20	2020/21	2021/22	2022/23
	Current	Adopted	Projected	Projected	Projected
Rate Increases	9.1%	8.3%	2.0%	2.0%	2.0%
Monthly Residential Sewer Charge	\$23.52	\$25.48	\$25.99	\$26.51	\$27.04
\$ Monthly Increase		\$1.96	\$0.51	\$0.52	\$0.53
Residential Connection Fee	\$2,475	\$2,475	\$2,475	\$2,475	\$2,475
Beginning ERUs	18,310	18,310	18,330	18,350	18,370
Growth (ERUs)	-	20	20	20	20
Cost Escalation	-	4.0%	4.0%	4.0%	4.0%
Interest Earnings Rate	1.8%	2.0%	2.0%	2.0%	2.0%
Beginning Fund Reserves	\$6,433,000	\$5,832,000	\$5,747,000	\$5,780,000	\$2,466,000
REVENUES					
Sewer Treatment Charges	5,168,000	5,573,000	5,692,000	5,813,000	5,936,000
Brine Disposal	300,000	300,000	300,000	300,000	300,000
Investment Earnings (All Funds)	116,000	117,000	115,000	116,000	49,000
Connection Fees	66,000	50,000	50,000	50,000	50,000
Other Revenues	1,000	5,000	5,000	5,000	5,000
Total Revenues	5,651,000	6,045,000	6,162,000	6,284,000	6,340,000
Revenue Bond Proceeds		5,000,000	4,000,000	4,500,000	
USDA/Interim Financing Proceeds			5,210,000		
EXPENSES					
<u>Operating & Maintenance</u>					
Salaries & Wages	858,920	893,000	929,000	966,000	1,005,000
Benefits & Other Personnel Costs	480,000	499,000	519,000	540,000	562,000
Admin/Professional Svcs	387,500	403,000	419,000	436,000	453,000
Permits/Licenses/Commun/Comp Support	59,500	62,000	64,000	67,000	70,000
Maintenance, Tools, & Replacements	478,700	200,000	208,000	216,000	225,000
Materials, Services, & Supplies	301,000	313,000	326,000	339,000	353,000
Utilities	220,500	229,000	238,000	248,000	258,000
Disposal Services	93,000	97,000	101,000	105,000	109,000
Capital Equipment	367,000	100,000	105,000	110,000	115,000
Other	28,000	29,000	30,000	31,000	32,000
Contingency	50,000	50,000	50,000	100,000	100,000
New Redundancy Project Operations	-	-	-	250,000	480,000
Subtotal	3,324,120	2,875,000	2,989,000	3,408,000	3,762,000
<u>Debt Service</u>					
Wastewater Revenue Bonds	-	440,000	880,000	880,000	880,000
USDA Loan	-	-	-	-	245,000
Interim Financing for USDA	-	-	75,000	150,000	-
Subtotal	-	440,000	955,000	1,030,000	1,125,000
<u>Capital & Other Non-Operating</u>					
Redundancy Project:					
Design & Permitting	1,200,000	60,000	-	-	-
Construction & Management	-	6,755,000	10,395,000	8,660,000	-
Ongoing CIP/Repairs/Rehab/Repl	1,728,000	1,000,000	1,000,000	1,000,000	1,000,000
Subtotal	2,928,000	7,815,000	11,395,000	9,660,000	1,000,000
Total Expenses	6,252,120	11,130,000	15,339,000	14,098,000	5,887,000
Revenues Less Expenses	(601,120)	(85,000)	33,000	(3,314,000)	453,000
<i>Transfer to USDA Debt Service Rsrv Fund</i>					(25,000)
Ending Fund Reserves	5,832,000	5,747,000	5,780,000	2,466,000	2,894,000
<i>Ending USDA Debt Svc Reserve Fund</i>					25,000
Fund Rsrv Target (50% O&M + \$2M Emerg Capital)		2,437,500	2,494,500	2,704,000	2,881,000
Debt Service Coverage	-	7.20	3.32	2.79	2.29

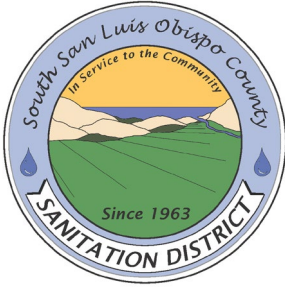
Table 8 - South San Luis Obispo CSD Wastewater Cash Flow Projections					Years 6 - 10
	2023/24	2024/25	2025/26	2026/27	2027/28
	Projected	Projected	Projected	Projected	Projected
Rate Increases	2.0%	2.0%	2.0%	2.0%	2.0%
Monthly Residential Sewer Charge	\$27.58	\$28.13	\$28.69	\$29.26	\$29.85
Monthly Increase	\$0.54	\$0.55	\$0.56	\$0.57	\$0.59
Residential Connection Fee	\$2,475	\$2,475	\$2,475	\$2,475	\$2,475
Beginning ERUs	18,390	18,410	18,430	18,450	18,470
Growth (ERUs)	2000.00%	20	20	20	20
Cost Escalation	4.00%	4.0%	4.0%	4.0%	4.0%
Interest Earnings Rate	2.0%	2.0%	2.0%	2.0%	2.0%
Beginning Fund Reserves	\$2,894,000	\$3,281,000	\$3,620,000	\$3,906,000	\$4,134,000
REVENUES					
Sewer Treatment Charges	6,061,000	6,189,000	6,320,000	6,453,000	6,591,000
Brine Disposal	300,000	300,000	300,000	300,000	300,000
Investment Earnings	58,000	66,000	72,000	78,000	83,000
Connection Fees	50,000	50,000	50,000	50,000	50,000
Other Revenues	5,000	5,000	5,000	5,000	5,000
Total Revenues	6,474,000	6,610,000	6,747,000	6,886,000	7,029,000
Revenue Bond Proceeds					
USDA/Interim Financing Proceeds					
EXPENSES					
<u>Operating & Maintenance</u>					
Salaries & Wages	1,045,000	1,087,000	1,130,000	1,175,000	1,222,000
Benefits & Other Personnel Costs	584,000	607,000	631,000	656,000	682,000
Admin/Professional Svcs	471,000	490,000	510,000	530,000	551,000
Permits/Licenses/Commun/Comp Support	73,000	76,000	79,000	82,000	85,000
Maintenance, Tools, & Replacements	234,000	243,000	253,000	263,000	274,000
Materials, Services, & Supplies	367,000	382,000	397,000	413,000	430,000
Utilities	268,000	279,000	290,000	302,000	314,000
Disposal Services	113,000	118,000	123,000	128,000	133,000
Capital Equipment	120,000	125,000	130,000	135,000	140,000
Other	33,000	34,000	35,000	36,000	37,000
Contingency	100,000	100,000	100,000	100,000	100,000
New Redundancy Project Operations	499,000	519,000	540,000	562,000	584,000
Subtotal	3,907,000	4,060,000	4,218,000	4,382,000	4,552,000
<u>Debt Service</u>					
Wastewater Revenue Bonds	880,000	880,000	880,000	880,000	880,000
USDA Loan	245,000	245,000	245,000	245,000	245,000
Interim Financing for USDA	-	-	-	-	-
Projected Debt Service, SRF Loan	1,125,000	1,125,000	1,125,000	1,125,000	1,125,000
<u>Capital & Other Non-Operating</u>					
Redundancy Project:					
Design & Preliminary Costs	-	-	-	-	-
Construction & Const Mgmt	-	-	-	-	-
Ongoing CIP/Repairs/Rehab/Repl	1,030,000	1,061,000	1,093,000	1,126,000	1,160,000
Subtotal	1,030,000	1,061,000	1,093,000	1,126,000	1,160,000
Total Expenses	6,062,000	6,246,000	6,436,000	6,633,000	6,837,000
Revenues Less Expenses	412,000	364,000	311,000	253,000	192,000
<i>Transfer to USDA Debt Service Rsrv Fund</i>	<i>(25,000)</i>	<i>(25,000)</i>	<i>(25,000)</i>	<i>(25,000)</i>	<i>(25,000)</i>
Ending Fund Reserves	3,281,000	3,620,000	3,906,000	4,134,000	4,301,000
<i>Ending USDA Debt Svc Reserve Fund</i>	<i>50,000</i>	<i>75,000</i>	<i>100,000</i>	<i>125,000</i>	<i>150,000</i>
Fund Rsrv Target (50% O&M + \$2M Emerg Capital)	2,953,500	3,030,000	3,109,000	3,191,000	3,276,000
Debt Service Coverage	2.28	2.27	2.25	2.23	2.20

South San Luis Obispo County Sanitation District

Projected Sewer Expenses (\$ Millions)



Note: Excludes WWTF Project costs funded by debt proceeds.



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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www.sslocsd.us

STAFF REPORT

Date: May 1, 2019
To: Board of Directors
From: Jeremy Ghent, District Administrator
Subject: **PROJECT LABOR AGREEMENTS AND REDUNDANCY PROJECT**

RECOMMENDATION:

That the Board receive and consider the information below, and if appropriate, provide direction to staff.

BACKGROUND AND DISCUSSION:

Staff has been requested to provide information on the feasibility of using a project labor agreement, including a local preference, for the redundancy project.

Authority: A project labor agreement is a pre-hire collective bargaining agreement with one or more labor organizations that establishes terms and conditions of employment for a specific construction project. Public Contract Code §2500(a) authorizes "public entities" to enter into project labor agreements, when these agreements have a specified list of contents. The District is a public entity under §2500. [Public Contract Code Section 1100.]

While the District has statutory authority to enter into a project labor agreement, it has no home rule powers (such as held by charter cities) to require local preferences, other than those specifically authorized by statute. In addition, local preferences raise constitutional and statutory legal issues.

Fiscal Considerations and Project Schedule: Project labor agreements are controversial. They are designed to assist in large and complex projects by avoiding delays, keeping costs predictable, and assuring a steady supply of skilled labor by avoiding strikes and other disruptive behavior. If the District's redundancy project is predicted to have these problems, a project labor agreement could assist in keeping the project on schedule and its costs on budget. On the other hand, non-union shops argue that Project Labor Agreements force them to obtain their labor from a union hiring hall, and that this raises construction costs.

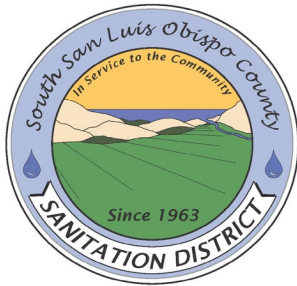
Project labor agreements do not help to address bid disputes and other common timing and cost overrun issues of public contracts. They are unusual locally and expensive to draft initially. They require another layer of specialized administration in addition to those already required in large public contracts. Because of these complexities it is likely, but impossible to know, that a project labor agreement for the redundancy project would raise costs.

Legal Considerations: According to a February 2012 article in Western City magazine, a project labor agreement may be vulnerable to challenge as a violation of state competitive bidding requirements. [Wang, "Project Labor Agreements: What You Need to Know," Western City Magazine, February 2012.] If the District had to defend such a legal challenge, it would need to show that its project labor agreement serves the broad objectives and purposes of the State's competitive bidding laws—in the face of claims that labor for the project is effectively limited to union labor.

Local preferences raise the same legal issue and additional ones also. For example, the United States Supreme Court has upheld a local preference requirement in a government contract, *when the government uses ONLY its own funds for the project*. [*White v. Massachusetts Council of Const. Employers, Inc.*, 460 U.S. 204 (1983).] However, large public projects like the redundancy project typically use funding from a variety of sources. Staff believes it is likely the Commerce Clause would constitutionally prohibit a local preference from being used on the redundancy project.

OPTIONS:

1. Direct staff not to pursue a project labor agreement for the Redundancy Project.
2. Provide other direction to staff.



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STAFF REPORT

Date: May 1, 2019
To: Board of Directors
From: Jeremy Ghent, District Administrator; Mychal Jones, Plant Superintendent
Subject: **DISTRICT ADMINISTRATOR 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, miscellaneous activities, and Plant Operations. *Updates since the last report are provided in italics below:*

Capital Projects:

Redundancy Project:

- *The bid-ready documents were received on 4/11/2019*
- *Construction plans have been submitted to the California Coastal Commission for final approval*
- *District and MKN are in the process of preparing a RFQ for Construction Management Services*
- *District and MKN have conducted two outreach webinars for potential Construction Management firms.*
- *District submitted Plant Life Expectancy Analysis in conformance with project Coastal Conditions.*

Misc:

- *District received new front loader on 4/25/2019*
- *District was notified that new RAV4 should arrive between 5/7 and 5/13*
- *District is working with the County, City of Grover Beach, 5 Cities Fire, and the City of Arroyo Grande on a 5 year update to Local Hazard plan for FEMA compliance.*
- *District staff had an opportunity to sit down with some key members from the Monterey One Project team to hear lessons learned about Monterey's advanced treatment facility.*
- *District will be engaging the Public Group and their equipment surplus auction service for upcoming surplus of replaced District equipment. www.publicsurplus.com*

Central Coast Blue:

The Central Coast Blue Project Team and City Managers met on 4/17 to discuss funding options, cost sharing, and governance. Team intends to make agency presentations during the month of August.

Plant Tours:

1. NONE

Upcoming Items:

District Goals and Priorities

Redundancy Project Construction Management Services Contract

Central Coast Blue update tentatively scheduled for August 7th 2019 meeting

2019/20 Budget

Plant Operations Report

During this reporting period (April 1st – April 24th) the District's facility met its Permit Limitations as required under the State of California's National Pollutant Discharge Elimination System (NPDES) Permit issued to the District.

Monthly Plant Data as of April 24th, 2019

April 2019	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	2.51	3.5	534	17.8		444	26		<1.8	125
High	2.97	4.5	677	20.4		956	30		2.0	338
Average	2.67	3.94	510	18.8	96.3	658	27.4	95.8	1.8	233
April 2018 AVG	2.4	3.73	532	21.4	95.1	532	23.5	95.6	7.7	245
Limit	5.0			40/60/90			40/60/90	>80	2000	

*Limit – 40/60/90 represent NPDES Permit limits for the monthly average, weekly average, and instantaneous maximum value for plant effluent Biochemical Oxygen Demand and Total Suspended Solids.

Fecal Coliform Numbers for April 2019

4/2/2019	<	2	MPN/100 mL
4/3/2019	<	2	MPN/100 mL
4/4/2019	<	1.8	MPN/100 mL
4/5/2019	<	1.8	MPN/100 mL
4/6/2019	<	1.8	MPN/100 mL
4/9/2019	<	1.8	MPN/100 mL
4/10/2019	<	1.8	MPN/100 mL
4/11/2019	<	1.8	MPN/100 mL
4/12/2019	=	2	MPN/100 mL
4/13/2019	<	1.8	MPN/100 mL
4/16/2019	<	1.8	MPN/100 mL
4/17/2019	<	1.8	MPN/100 mL
4/18/2019	<	1.8	MPN/100 mL
4/19/2019	<	1.8	MPN/100 mL
4/20/2019	<	1.8	MPN/100 mL
4/23/2019	=	2	MPN/100 mL
4/24/2019	<	1.8	MPN/100 mL

*Limit – 200/2000 represent NPDES Permit limits for the running weekly median and instantaneous maximum for fecal coliform bacteria.

Operation and Maintenance Projects

- Performed a confined space entry to remove submersible pump in sump
- Pumped down rain water in old thickener to prepare for Five Cities Fire confined space training
- Continued update of Operations and Maintenance Manual
- Checked and marked Underground Service Alerts

- Began removal and servicing of sludge bed valves
- Thoroughly cleaned plant premises
- Five Cities Fire performed confined space training at the District's field sump, thickener, and influent pump room
- Ramsey Asphalt completed the Valley Road Manhole Raising Project
- Held quarterly safety meeting with Chief, Supervisor, and Safety Officer to review and talk about any plant safety concerns
- Replaced batteries in operations cart
- Calibrated chlorination and de-chlorination probes
- Continued review and update of Standard Operating Procedures
- Prepared digester for installation of Link-Pipe sleeve to repair holes in digester feed line
- Johnson's Boiler performed annual maintenance on hot water boiler
- West Coast Gauging Services, Inc. and Fluid Resource Management installed Link-Pipe sleeve on digester feed line
- Arroyo Water Supply installed new well pump and repaired well water control system
- Prepared new submersible pump for re-installation into sump

Work Orders Completed

- Performed monthly safety walk
- Performed monthly maintenance on ISCO samplers
- Rinsed down all clarifiers
- Test ran emergency generator and bypass pump
- Inspected digester vacuum/pressure relief valves
- Inspected fixed film reactor distributor drive, changed oil, and cleaned orifices
- Inspected all clarifier drives, over torque switches, and drained condensate
- Checked and refilled digester mixing pump seal oil
- Performed monthly maintenance on plant carts
- De-ragged both primary clarifier sludge pumps
- Performed monthly inspection on Amiad filters

Notice of Violations

- The District had deficient monitoring for weekly biochemical oxygen demand (BOD) analysis due to invalid tests. The invalid tests occurred during the week of March 24, 2019. The District became aware of the invalidity on April 11, 2019 when results from the analysis were received. The District is required to perform BOD analysis weekly per its NPDES Permit. The cause of the invalid test was due to the District's contracted laboratory's failure to dechlorinate the sample prior to running the analysis. The results of the analysis showed an effluent result of non-detect for BOD due to the failure to dechlorinate the sample. There were no operational changes to the treatment process and the process had been operating well within permit limitations prior to and following the invalid tests. Based on the BOD analysis results prior to and following the violation, I strongly believe the District would have been within permit limitations for effluent BOD. The District has since returned to running BOD analysis in house and is compliant. The table below shows BOD analysis results prior to the violation and immediately following the violation;

BOD Monitoring Results					
BOD Analysis Sample Date	INF BOD mg/L	EFF BOD mg/L	EFF BOD Limit mg/L	BOD % Removal	BOD % Removal Limit
3/15/2019	550	15.7	40	97.1	80
3/19/2019	613	19.6	40	96.8	80
3/22/2019	571	19.1	40	96.7	80
3/26/2019	531	ND	40	N/A	80
3/29/2019	662	ND	40	N/A	80
4/5/2019	537	14.6	40	97.3	80
4/9/2019	631	16.4	40	97.4	80
4/12/2019	534	17.8	40	96.7	80
Weekly Deficient Monitoring Violation in Red					

Based on my interpretation of the State Water Resources Control Board's Water Quality Enforcement Policy for a serious violation, the District will be assessed a mandatory minimum penalty of \$3,000.00 by the Regional Water Board.

- The District vented untreated digester gas into the atmosphere on April 20th and April 22nd. The cause of the pressure spikes and subsequent venting into the atmosphere was due to a large volume of condensation that collected in the digester gas line. The large volume of condensation caused a blockage in the gas line and didn't allow gas to flow freely to the waste gas burner (flare). Operations staff found the blockage, drained the excess condensation, and pressures returned to normal. The San Luis Obispo County Air Pollution Control District (APCD) has been notified.

The District's APCD Permit to Operate requires that the District notify the APCD within four (4) hours of all upset conditions and breakdowns. Operations staff failed to notify the APCD within 4 hours which may result in an APCD Notice of Violation after the APCD conclude their investigation. Training on the District's APCD Permit to Operate has been given to Operations staff following the violation to ensure future compliance.

Training

- Operations staff participated in training on new gas detection equipment, including calibration, bump testing, printing of reports from website, and use of slide on pump.
- Operations staff participated in training on OSHA Top 10 Electrical Hazards.
- Operations staff participated in a presentation and training on the installation of a John Crane split seal.
- Operations staff reviewed and discussed the District's APCD Permit to Operate 703-5 and Sulfide Mitigation Plan.

Call Outs

- April 15th, 6:30 PM – Low Wet Well Alarm. Operator Arias responded and inspected wet well level and level readouts. All level operations were normal. Operations staff is scheduling the replacement of the level sensor.

- April 22nd, 4:05 AM – Secondary Digester Sump High Level and Sludge Gas High Pressure Alarm. Operator Arias responded and verified flare was operational, turned mixing pump and digester feed pumps off, added a ring to digester supernatant tubes to slow down flow to digester sump. Found digester gas venting and flare running abnormally. Operations staff inspected manual valve near flare and drained a large volume of condensation. All pressures and levels returned to normal following the draining of the condensation in the digester gas line.

Attachment: Abalone Coast Analytical letter regard



Date: 4/12/19

RE: BOD results

To: Erika Frost

Dear Ms. Frost,

Abalone Coast conducted weekly analysis for BOD for your company during March and early April. Of those samples, results for projects 19-1786 (3/26/19), 19-1872 (3/29/19), and 19-1932 (4/2/19) were questionable to you as our client because the Effluent BOD results were Non Detect. Since this is unusual for your samples, you asked to review our raw data for dilutions and dechlorination.

Unfortunately, none of the Effluent samples for your company were dechlorinated as per our SOP. Our lab analysts were unable to smell any chlorine and so did not think it was necessary.

As stated, it is Abalone protocol, and outlined in our SOP, to check for the need for dechlorinating in all Effluent samples prior to analysis. The resulting values of ND for your samples occurred due to our negligence, which we apologize for profusely.

A lab meeting was conducted immediately after discovering this error and the importance of following our SOP and ensuring all Effluent BOD samples are checked for chlorine was discussed in length. Proper action has been taken to ensure this issue does not occur in future.

Again, we apologize for our error and appreciate your business. We look forward to serving you in the future.

Warmest regards,

Caitlin Galloway

Project Manager