



**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](http://www.sslocsd.us)

**AGENDA  
BOARD OF DIRECTORS MEETING**

**VIRTUAL ZOOM MEETING**

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/83160765455?pwd=cjVPM1JZa3l4SE1HMjZjQU5SejFSZz09>

Passcode: 152693

Or Telephone:

1 669 900 6833

1 408 638 0968

1 346 248 7799

1 253 215 8782

Webinar ID: 831 6076 5455

Passcode: 152693

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**Wednesday, November 4, 2020 at 6:00 p.m.**

**Board Members**

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

**Agencies**

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

**Alternate Board Members**

Karen Bright, Director  
Lan George, Director  
Shirley Gibson, 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**

**Public Participation:**

In order to prevent and mitigate the effects of the COVID-19 pandemic, the District, in accordance with Executive Order N-29-20, will not make available a physical location from

which members of the public may observe the meeting and offer public comment. Remote public participation is allowed in the following ways:

Community members are encouraged to submit agenda correspondence in advance of the meeting via email to the District Secretary at [amy@sslocsd.us](mailto:amy@sslocsd.us) prior to the meeting and will be published on the District website. Agenda correspondence received less than 3 hours before the meeting start time may not be posted until after the meeting. Members of the public may watch the meeting either on cable Channel 20 or as streamed on SLOSPAN <https://slo-span.org/static/index.php>

Alternatively, members of the public may watch the meeting and speak during general Public Comment or on a specific agenda item by logging in to the Zoom webinar using the information provided above. Please use the “raise hand” feature to indicate your desire to provide public comment. Each speaker will be allowed three minutes to provide input.

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 October 7, 2020**

**6. ACTION ITEMS:**

**6A. CONSIDERATION OF FISCAL YEAR 2020/21 FIRST QUARTER (Q1) BUDGET ADJUSTMENTS**

Recommendation: Receive and File.

**6B. BOARD CONFIRMATION OF THE EXECUTION, DELIVERY AND SALE OF WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION, APPROVING PRELIMINARY OFFICIAL STATEMENT, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

Recommendation: Adopt Resolution 2020-423 confirming the execution, delivery and sale of wastewater revenue Certificates of Participation, approving Preliminary Official Statement, and approving related documents and actions.

**6C. RECOMMENDATION OF AWARD FOR WWTP REDUNDANCY PROJECT COMMUNITY WORKFORCE AGREEMENT CONSULTING SERVICES CONTRACT WITH PACIFIC RESOURCES SERVICES**

Recommendation: Authorize the District Administrator to execute a contract for Community Workforce Agreement Consulting Services for the Wastewater Treatment Plant Redundancy Project with Pacific Resources Services. in the amount of \$79,828 and authorize the District Administrator to review and approve changes to the contract for up to 15% of the initial amount, or \$11,974, for a total potential amount of \$91,802.

**6D. AWARD A CONTRACT FOR THE DIGESTER NO. 2 CLEANING PROJECT TO MP ENVIRONMENTAL SERVICES, INC.**

Recommendation: Award a contract for the Digester No. 2 Cleaning Project to MP Environmental Services, Inc. in the amount of \$142,078 and authorize the District Administrator to review and approve changes to the contract up to 15% of the initial amount, or \$21,312 for a total potential amount of \$163,390.

**6E. AWARD A CONTRACT FOR THE CLEANING AND CLOSED-CIRCUIT TELEVISION OF THE DISTRICT'S TRUNK SEWER LINES**

Award a contract for the cleaning and closed-circuit television of the remainder of the District's trunk sewer lines to Mainline Utility Co. in the amount of \$87,011 and authorize the District Administrator to review and approve changes to the contract for up to 10% of the initial amount, or \$8,701 for a total potential amount of \$95,712.

**6F DISTRICT ADMINISTRATOR AND PLANT OPERATIONS REPORT**

Recommendation: Receive and File.

**7. BOARD MEMBER COMMUNICATIONS:**

**8. ADJOURNMENT:**

**The next regularly scheduled Board Meeting will be held November 18, 2020, at 6:00 pm. This meeting will be held either virtually via ZOOM or depending on the status of the COVID-19 Emergency at the Grover Beach City Hall, Council Chamber, 154 South Eighth Street, Grover Beach, California 93433**

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT  
WARRANT REGISTER  
11/4/2020

VENDOR	BUDGET LINE ITEM	DETAIL	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
AGP VIDEO	PROFESSIONAL SERVICE	SEPTEMBER 2020	100820-4847	7080	460.00	460.00
ALLIED ADMINISTRATORS	EMPLOYEE DENTAL	NOVEMBER 2020	4848	6025	815.10	815.10
ARAMARK	UNIFORMS	09/25/2020	4849	7025	355.55	355.55
BRENNTAG	PLANT CHEMICALS	MULTIPLE	4850	8050	29,202.55	29,202.55
CAREN RAY RUSSOM	BOARD SERVICE	OCTOBER 2020	4851	7075	100.00	100.00
CHRIS RIGONI	PROFESSIONAL CERTS	PER DIEM	4852	7055	98.00	98.00
COASTAL ROLL OFF	RUBBISH	SEPTEMBER 2020	4853	7093	1,356.03	1,356.03
CULLIGAN CCWT	EQUIPMENT RENTAL	OCTOBER 2020	4854	7032	62.84	62.84
DE JESUS GARDENING	STRUCTURE MAINTENANCE	SEPTEMBER 2020	4855	8060	450.00	450.00
DUPERON	EQUIPMENT MAINTENANCE	22637	4856	8030	862.18	862.18
EVERYWHERE RIGHT NOW	PROFESSIONAL SERVICE	OCTOBER 2020	4857	7082	100.00	100.00
FLUID RESOURCE MNGMT	PRIMARY CLARIFIER NO 2	C19963	4858	26-8065	12,683.68	12,683.68
GRAINGER	EQUIPMENT MAINTENANCE	9662549626	4859	8030	39.74	39.74
JB DEWAR	FUEL	947864	4860	8020	100.74	100.74
JEFF LEE	BOARD SERVICE	OCTOBER 2020	4861	7075	100.00	100.00
LINDA AUSTIN	BOARD SERVICE	OCTOBER 2020	4862	7075	100.00	100.00
MICHAEL K NUNLEY	REDUNDANCY	ADMINISTRATION	4863	20-7080	8,172.04	15,417.06
	DIGESTER CLEANING	8200		26-8065	7,245.02	
MNS ENGINEERS	REDUNDANCY	CONSTRUCTION MANAGEMENT	4864	20-7080	2,700.00	2,700.00
MOSS LEVY HARTZHEIM	PROFESSIONAL SERVICE	AUDIT 2020	4865	7072	4,000.00	4,000.00
NBS	OCEANO BILLING	OCTOBER - DECEMBER	4866	7074	1,685.34	1,685.34
OAKRIDGE LANDSCAPE	STRUCTURE MAINTENANCE	65782	4867	8060	1,000.00	1,000.00
OCSD	WATER	07/18/20-09/18/20	4868	7094	247.95	247.95
OILFIELD ENVIRONMENTAL	BRINE SAMPLING	SUNBANK; DONATI	4869	7086	432.00	432.00
OVIVO	STRUCTURE MAINTENANCE	FIXED FILM REACTOR	4870	26-8065	11,176.52	11,176.52
PACE ANALYTICAL	CHEMICAL ANALYSIS	1287671	4871	7078	315.00	315.00
PETROLEUM SOLIDS	DIGESTER CLEANING	OCTOBER 2020	4872	26-8065	26,567.00	26,567.00
POLYDYNE	PLANT CHEMICALS	1486370	4873	8050	6,331.65	6,331.65
PRAXAIR DISTRIBUTION	RENTAL EQUIPMENT	99050440	4874	7032	33.16	33.16
READY REFRESH BY NESTLE	ADMIN BUILDING	08/25/20-09/24/20	4875	8045	155.12	155.12
SO CAL GAS	UTILITY	08/27/20-09/29/20	4876	7092	1,776.16	1,776.16
SO CO SANITARY SERVICE	GARBAGE	OCTOBER 2020	4877	8020	404.72	404.72
STANLEY SECURITY	ALARMS	NOVEMBER 2020	4878	7011	75.55	75.55
UMPQUA	CREDIT CARD	SEPTEMBER 2020	4879		1,353.07	1,353.07
VWR INTERNATIONAL	LAB SUPPLIES	MULTIPLE	4880	8040	998.85	998.85
ADVANTAGE TECHNICAL SERVICE	PRIMARY CLARIFIER NO 2	4279	102120-4881	26-8065	9,097.50	9,097.50
AMERICAN BUSINESS MACHINES	OFFICE SUPPLIES	534533	4882	8045	149.94	149.94
ARAMARK	UNIFORMS	10/09; 10/16	4883	7025	679.68	679.68
AT&T	COMMUNICATIONS	10/11/20-11/10/20	4884	7013	419.96	419.96
AUTOSYS	PROFESSIONAL SERVICE	INFLUENT PUMPS	4885	7062	540.00	540.00
BRENNTAG	PLANT CHEMICALS	BPI86401; BPI89101	4886	8050	10,659.92	10,659.92
CA SPECIAL DISTRICT ASSOC.	MEMBERSHIP	2021 ANNUAL MEMBERSHIP	4887	7050	7,253.00	7,253.00
CANNON ASSOCIATES	PRIMARY CLARIFIER NO 2	73967	4888	26-8065	1,384.50	1,384.50
CHARTER COMMUNICATIONS	COMMUNICATIONS	09/29/20-10/28/20	4889	7013	309.95	309.95
CULLIGAN CCWT	RENTAL EQUIPMENT	63281	4890	7032	190.00	190.00
ENGEL AND GRAY, INC.	BIOSOLIDS HANDLING	SEPTEMBER 2020	4891	7085	5,937.18	5,937.18
FGL ENVIRONMENTAL	CHEMICAL ANALYSIS	BIOSOLIDS MONITORING	4892	7078	1,083.00	1,083.00
FLOW N' CONTROL INC.	EQUIPMENT MAINTENANCE	HEADWORKS	4893	8030	1,703.13	1,703.13
HOPKINS TECHNICAL PRODUCTS	EQUIPMENT MAINTENANCE	3620301141	4894	99.38	99.38	99.38
I.I. SUPPLY	EQUIPMENT MAINTENANCE	72559	4895	8030	114.03	130.30
	SAFETY SUPPLIES	72678		8056	16.27	
JB DEWAR	FUEL	949095	4896	8020	26.91	26.91
JONES & MAYER	LEGAL COUNSEL	SEPTEMBER 2020	4897	7071	4,582.50	7,182.50
	OUTSIDE COUNSEL	SEPTEMBER 2020		7070	2,600.00	
KEMIRA WATER SOLUTIONS	PLANT CHEMICALS	9017690411	4898	8050	8,999.19	8,999.19
KENNEDY JENKS	REDUNDANCY	PHASE 6	4899	20-7080	32,471.25	32,471.25
MAINLINE UTILITY	TRUNK SEWER MAINTENANCE	CLEANING AND INSPECTION	4900	8015	29,856.59	29,856.59
MINERS	EQUIPMENT MAINTENANCE	SEPTEMBER 2020	4901	8030	246.23	246.23
MNS ENGINEERS	REDUNDANCY	CONSTRUCTION MANAGEMENT	4902	20-7080	7,545.00	7,545.00
PETROLEUM SOLIDS	DIGESTER CLEANING	38888	4903	26-8065	4,217.60	4,217.60
PG&E	ELECTRIC	09/09/20-10/08/20	4904	7091	19,618.03	19,618.03
RINCON CONSULTANTS	REDUNDANCY	COASTAL HAZARD MONITORING	4905	20-7080	5,513.09	5,513.09
SM TIRE, INC.	EQUIPMENT MAINTENANCE	CUSHMAN CART	4906	8030	112.23	112.23

Continued on next page

VENDOR	BUDGET LINE ITEM	DETAIL	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
SPRINT VWR INTERNATIONAL SSLOCSD	CELL PHONES	09/04/20-10/03/20	4907	7014	167.98	167.98
	LAB SUPPLIES	PO 2020-048; 049; 053	4908	8040	571.91	571.91
	SEPTEMBER TRANSFER	PAYROLL	4909		93,401.38	123,554.45
		RETIREMENT		6060	11,307.20	
		MEDICAL		6010	18,743.93	
		LIFE INSURANCE		6030	64.17	
		ANALYSIS CHARGES		7068	37.77	
<b>TOTAL</b>					<b>401,275.96</b>	<b>401,275.96</b>

We hereby certify that the demands numbered serially from 100820-4847 to 102120-4909 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 Virtual Zoom Meeting of Wednesday, October 7, 2020**

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

Chair Ray Russom called the meeting to order and recognized a quorum.

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

District Staff: Jeremy Ghent, District Administrator  
Keith Collins, District Legal Counsel  
Amy Simpson, District Bookkeeper/Secretary

### **2. PLEDGE OF ALLEGIANCE**

Chair Ray Russom led the Pledge of Allegiance.

### **3. AGENDA REVIEW**

Approved as presented.

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

There was no public comment.

### **5. CONSENT AGENDA:**

**5A. Approval of Warrants**

**5B. Approval of Meeting Minutes of September 16, 2020**

There was no public comment.

**Motion:** Director Austin motioned to approve the Consent Agenda as presented.

**Second:** Director Lee

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

**6. ACTION ITEMS:**

**6A. UPDATE ON REDUNDANCY PROJECT SCHEDULE AND SPECIAL THANKS TO PROJECT TEAM**

Administrator Ghent presented this item. This report was intended to generally describe the tentative schedule and next steps for the District's Redundancy Project. Administrator Ghent then recognized the effort that has been made by so many individuals to advance this project. Attached to this staff report was a list of 164 people and multiple agencies that have brought this project to the construction phase.

The Board had a brief discussion regarding bids and interest rates.

There was no public comment.

**Action:** The Board received and filed this report.

**6B. DISTRICT ADMINISTRATOR AND PLANT OPERATIONS REPORT**

Administrator Ghent presented this item. He reported on Central Coast Blue. He also reported that the District continues Covid-19 precautions such as increased PPE, temperature checks, and sanitization in order to protect worker safety and plant operations.

He then presented the Plant Operations Report and reported that 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. All analysis was within Permit limitations. He provided a list of operation and maintenance tasks that were performed as well as completed work orders. He also reported that the Primary Clarifier No. 2 Rehabilitation and Coatings Project is complete and the clarifier is back into full operation.

There was no public comment.

**Action:** The Board received and filed this report.

**7. BOARD MEMBER COMMUNICATIONS**

**8. ADJOURNMENT:**

6:27 p.m.

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





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**Staff Report**

**To:** Board of Directors

**From:** Jeremy Ghent, District Administrator

**Via:** Amy Simpson, District Bookkeeper/Secretary

**Date:** November 4, 2020

**Subject:** **CONSIDERATION OF FISCAL YEAR 2020/21 FIRST QUARTER (Q1) BUDGET ADJUSTMENTS**

**RECOMMENDATION:**

It is recommended the Board receive and file this report.

**EXECUTIVE SUMMARY:**

This staff report provides staffs' review to both revenues and expenditures. This quarter (Q1) no adjustments are being recommended.

It should be noted that for FY 20/21 District revenues include substantial debt funding for the District's Redundancy Project. Until the District issues the debt in the second quarter (Q2) of FY 20/21 this revenue will remain absent. In order to best communicate current District financial performance the District's budget this report describes revenues and expenditures both with and (without) the Redundancy Project revenues and expenses. Throughout this report percentages will be shown based on the overall budget and then will be immediately followed by a percentage in (parenthesis) that illustrates budget performance without the major project revenues and expenses.

Through the end of Q1, the District has received 5% (23%) of its anticipated revenue and spent 5% (20%) of its budgeted expenditures. Staff has reviewed each account. Table No. 1 summarizes anticipated revenues to individual funds.

**DISCUSSION:**

As part of the Q1 budget review staff assessed every budgeted line item to determine where revenue/expenditures are projected to exceed the approved budget or where a surplus may exist at Q1 of FY 20/21. Staff is not recommending any budget adjustments at Q1 of FY 20/21.

## REVENUE

**Table No. 1 – Revenues**

	<b>FY 2020/21 Budget</b>	<b>Received as of 09.30.20</b>		<b>Recommended Budget at First Quarter</b>
		Amount	Percent	
Fund 19	\$5,549,000	\$1,258,011	23%	\$5,549,000
Fund 20	\$18,936,000	\$32,793	0%	\$18,936,000
Fund 26	\$0	\$0		
Total	\$24,485,000	\$1,290,804	5%	\$24,485,000

At the end of the first quarter overall District revenues are 5% (23%) collected. Arroyo Grande, Grover Beach, Brine and Interest are approximately 25% collected. Currently Oceano revenue received is only at 5% in Q1 but will normalize during Q2 as Property Tax revenue is collected. Revenues from Rates and Charges on the Tax Roll are largely received in Q2 and Q4.

Since Fund 20 is anticipating receiving Debt revenue later during Q2 total Fund 20 Revenue is currently less than 1%. As previously stated, this low percentage is expected and is due to Fund 20 holding the Redundancy budget.

Fund 26 receives no direct revenue.

## EXPENDITURE

Total District expenditures at the end of the first quarter stand at \$1,336,533 or 5% (20%) of projected expenditures. A summary of expenditures by Fund is detailed in Table No. 2 below.

**Table No. 2 – Expenditures**

	<b>FY 2020/21 Budget</b>	<b>Expended as of 09.30.20</b>		<b>Recommended Budget at First Quarter</b>
		Amount	Percent	
Fund 19	\$3,997,000	\$779,551	20%	\$3,997,000
Fund 20	\$18,936,000	\$244,498	1%	\$18,936,000
Fund 26	\$1,552,000	\$312,484	20%	\$1,552,000
Total	\$24,485,000	\$1,336,533	5%	\$24,485,000

## ACCOUNTS EXCEEDING 30% NOT REQUIRING ADJUSTMENT

The review identified three budget categories that have expended in excess of 30% at the end of Q1. No changes are being recommended because all three of these categories are high at Q1 due to anticipated expenses that are not continuous throughout the fiscal year. Individual explanations are found below.

**Employee Benefits and Other Personnel Costs 39%.**

This high percentage is due to the annual payment of the Unfunded Liability which is paid to CalPERS retirement. (Unfunded Liability = The value of invested pension fund assets minus the present value of all future liabilities to pay pensions.) This account is expected to level out by mid-year. Staff will continue to monitor this fund group. Straight-lined without the annual payment, the Fund would be at 25%.

**Materials, Services and Supplies 31%.**

This percentage is due to the Boot Allowance payment made in July. Staff will continue to monitor this fund group.

**MOU with City of Pismo Beach 72%.**

This expense is tied to an agreement the District has with the City of Pismo Beach to fund 50% of the preparation of an Environmental Impact Report for the Central Coast Blue Project up to \$113,400. The expense is capped by the agreement, and as such cannot exceed 100%.

Attachment:

Fiscal Year 2020/21 Consolidated Budget at First Quarter

**FISCAL YEAR 2020/21 CONSOLIDATED BUDGET AT FIRST QUARTER**

	Fund 19 Operating Fund	Fund 20 Expansion Fund	Fund 26 Replacement Fund	FY 2020/21 Budget	Q1 Actuals	YTD Percentages
<b>Revenues</b>						
Gross Revenues						
Service Charges and Fees	5,305,000			5,305,000	1,199,838	23%
Connection Fees		156,000		156,000	32,793	21%
Interest	112,000	70,000		182,000	27,888	15%
Brine Revenue	132,000			132,000	30,286	23%
Bond and USDA Funding		18,710,000		18,710,000	-	0%
<b>Total Revenues</b>	<b>5,549,000</b>	<b>18,936,000</b>	<b>-</b>	<b>24,485,000</b>	<b>1,290,804</b>	<b>5%</b>
<b>Expenditures &amp; Other Uses</b>						
Operating Expenditures						
Salaries and Wages	831,000			831,000	209,048	25%
Employee Benefits and Other Personnel Costs	496,100			496,100	192,724	39%
Permits, Fees and Licenses	58,600			58,600	6,149	10%
Communications	16,800			16,800	3,793	23%
Administrative Costs	470,800			470,800	134,986	29%
Disposal Services	64,000			64,000	10,153	16%
Utilities	240,500			240,500	45,718	19%
Maintenance, Tools & Replacements	367,000			367,000	60,687	17%
Materials, Services and Supplies	371,200			371,200	114,040	31%
Training, Education & Memberships	48,500			48,500	2,252	5%
<b>Total Operating Expenditures</b>	<b>2,964,500</b>	<b>-</b>	<b>-</b>	<b>2,964,500</b>	<b>779,551</b>	<b>26%</b>
<b>Total Other Charges</b>						
Debt Service	440,000			440,000	-	0%
MOU with City of Pismo Beach		113,400		113,400	81,330	72%
<b>Total Other Charges</b>	<b>440,000</b>	<b>113,400</b>	<b>-</b>	<b>553,400</b>	<b>81,330</b>	<b>15%</b>
<b>Capital Outlay</b>						
Capital Replacement/Maintenance (Fund 26)			1,552,000	1,552,000	312,484	20%
Capital Equipment	161,000	7,265,000		7,426,000	163,168	2%
<b>Total Capital Outlay</b>	<b>161,000</b>	<b>7,265,000</b>	<b>1,552,000</b>	<b>8,978,000</b>	<b>475,653</b>	<b>5%</b>
<b>Other Financing Sources &amp; Uses</b>						
Transfers Out Fund 26	1,552,000		(1,552,000)	-	388,000	25%
Contingency				-	-	
Redundancy Designations	431,500	(431,500)		-	-	
Designated Funding Redundancy		11,989,100		11,989,100	-	
<b>Total Other Financing Sources &amp; Uses</b>	<b>1,983,500</b>	<b>11,557,600</b>	<b>(1,552,000)</b>	<b>11,989,100</b>	<b>-</b>	
<b>Total Funding Source</b>	<b>5,549,000</b>	<b>18,936,000</b>	<b>-</b>	<b>24,485,000</b>	<b>1,290,804</b>	<b>5%</b>
<b>Total Expense</b>	<b>5,549,000</b>	<b>18,936,000</b>	<b>-</b>	<b>24,485,000</b>	<b>1,336,533</b>	<b>5%</b>
<b>Net Change (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	



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

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## **Staff Report**

**To:** Board of Directors

**From:** Jeremy Ghent, District Administrator

**Date:** November 4, 2020

**Subject:** **BOARD CONFIRMATION OF THE EXECUTION, DELIVERY AND SALE OF WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION, APPROVING PRELIMINARY OFFICIAL STATEMENT, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

### **RECOMMENDATION**

Adopt Resolution 2020-423 Confirmation Of The Execution, Delivery And Sale Of Wastewater Revenue Certificates Of Participation, Approving Preliminary Official Statement, And Approving Related Documents And Actions

### **BACKGROUND**

On August 5, 2020, the Board adopted Resolution No's. 2020-418; 419; 420 and 421 authorizing the issuance of debt via a USDA Loan and publicly-issued Wastewater Revenue Certificates of Participation to help fund the Redundancy Project. Two final documents that require Board approval are the Preliminary Official Statement and Notice of Sale.

### **DISCUSSION**

The Resolution currently up for Board consideration accomplishes the following: a) reconfirms a maximum principal amount of \$25 million for the Certificates of Participation, b) approves the form of the Preliminary Official Statement and Notice of Sale, and c) authorizes the District Administrator and officers of the Board of Directors to take actions as needed and execute final documents.

- The Preliminary Official Statement (POS) is a legally-required offering document that describes the Certificates of Participation as well as the District and its finances. The POS is circulated to prospective investors so that they are informed of all material information and potential risks regarding the Certificates.
- The Notice of Sale details the terms of the sale and award of the Certificates and is circulated with the POS to prospective bidders.

The District anticipates receiving bids for construction of the Redundancy Project on November 10, after which determination will be made regarding the amount of principal to be issued via the Certificates of Participation. Although not anticipated, if any adjustments to the authorized maximum amount of debt issuance need to be made based on the construction bids, a modified resolution would be brought back to the Board for consideration on November 18, 2020.

### **Schedule & Next Steps**

A summary of key milestones related to the award of project construction and the issuance of debt for the Redundancy Project is listed below.

- November 10 – Bid opening for construction of the Redundancy Project
- Mid-November – Finalize amount of debt financing needed for project construction
- November 18 – Board approval of Audited Financial Statements for the prior fiscal year
- December 3 – Sale of debt to provide project funding & interim financing for USDA Loan
- December 16 – Closing of debt issuance & receipt of debt proceeds for project funding
- December 16 – Board authorizes District to issue Notice of Award for project construction

### **Attachments:**

1. Preliminary Official Statement Dated November \_\_, 2020
2. Official Notice of Sale

## **RESOLUTION NO. 2020-423**

### **A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS CONFIRMING THE EXECUTION, DELIVERY AND SALE OF WASTEWATER REVENUE CERTIFICATES OF PARTICIPATION, APPROVING PRELIMINARY OFFICIAL STATEMENT, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

**WHEREAS**, the South San Luis Obispo County Sanitation District (the “District”) owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the “Wastewater System”); and

**WHEREAS**, the District is undertaking a capital improvement project for the Wastewater System referred to as the “Redundancy Project” (the “Project”);

**WHEREAS**, to finance a portion of the cost of the Project, on August 5, 2020, the Board of Directors of the District adopted Resolution No. 2020-419, which, among other things, approved the execution and delivery of the District’s 2020 Wastewater Revenue Certificates of Participation, in one or more series (collectively, the “Certificates”) pursuant to a Trust Agreement among the District, Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); and

**WHEREAS**, since August 5, 2020, District staff and outside consultants have prepared a form of Preliminary Official Statement and a form of Notice of Sale relating to the sale of the Certificates; and

**WHEREAS**, the Board of Directors wishes to confirm the execution, delivery and sale of the Certificates and the distribution of the Preliminary Official Statement at this time for the purpose of providing funds to finance the Project;

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

**Section 1. Confirmation of Financing Plan.** The Board of Directors hereby confirms the execution, delivery and sale of the Certificates in the maximum principal amount of \$25,000,000 for the purpose of providing funds to finance a portion of the Project and pay all the costs of issuance related to the Certificates.

**Section 2. Approval of Preliminary Official Statement.** The Board of Directors hereby authorizes and approves the form of Preliminary Official Statement describing the District and the Certificates on file with the Secretary, together with such changes or alterations as may be approved by the Chair or the District Administrator (each, an "Authorized Officer"). The Board hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the Preliminary Official Statement describing the Certificates in the form on file with the Secretary, together with such modifications thereto as may be approved by an Authorized Officer. An Authorized Officer is hereby authorized and directed to (a) execute and deliver to the purchaser of the Certificates a certificate deeming the Preliminary Official Statement to be final, as of its date, within the meaning of such Rule, (b) approve any changes in or additions to cause the Preliminary Official Statement to be put in final form, and (c) execute the Final Official Statement for and in the name and on behalf of the District. The Board hereby authorizes the distribution of the Preliminary Official Statement and the Final Official Statement.

**Section 3. Approval of Notice of Sale; Competitive Sale or Negotiated Sale.** The Board of Directors hereby authorizes and approves the form of Notice of Sale describing the method of sale of the Certificates in the form on file with the Secretary, together with such changes or alterations as may be approved by an Authorized Officer. Although it is anticipated the Certificates will be sold on a competitive basis pursuant to the Notice of Sale, if an Authorized Officer determines that it is more advantageous to the District to sell the Certificates via a negotiated sale with an underwriter, an Authorized Officer is hereby authorized to enter into a bond purchase agreement with the chosen underwriter to sell the Certificates on a negotiated basis.

**Section 4. Official Actions.** The Chair, the District Administrator, the Secretary and all other officers of the Board of Directors and the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the execution, delivery and sale of the Certificates and any of the other transactions contemplated by the agreements and documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer

by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 5. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED AND ADOPTED** at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this \_\_\_\_ day of \_\_\_\_\_ 2020.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and by the following roll call vote

AYES:  
NOES:  
ABSENT:  
ABSTAINED:

**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 \_\_\_\_ day of \_\_\_\_\_ 2020. \_\_\_\_\_

\_\_\_\_\_  
Chair, Board of Directors  
South San Luis Obispo County Sanitation District

\_\_\_\_\_  
Attest  
District Bookkeeper/Secretary

Approved as to Form:

\_\_\_\_\_  
Jones hall, a Professional Law Corporation Special Counsel to the District

Contents:

\_\_\_\_\_  
Jeremy Ghent  
District Administrator



**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER \_\_, 2020**

**NEW ISSUE-FULL BOOK-ENTRY**

**RATINGS: S&P (Insured): “\_\_”**  
**S&P (Underlying): “\_\_”**  
**See “RATINGS” herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”*

\$ \_\_\_\_\_ \*  
**2020 Wastewater Revenue**  
**Certificates of Participation, Series A**  
**(South San Luis Obispo**  
**County Sanitation District)**

\$ \_\_\_\_\_ \*  
**2020 Wastewater Revenue**  
**Certificates of Participation, Series B**  
**(South San Luis Obispo**  
**County Sanitation District)**

**Dated: Date of Delivery**

**Due: September 1, as shown on the inside cover**

**Certificate Terms.** The above-referenced certificates of participation (the “Certificates”) are being executed and delivered by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), pursuant to a Trust Agreement, dated as of December 1, 2020 (the “Trust Agreement”), by and among the South San Luis Obispo County Sanitation District (the “District”), Public Property Financing Corporation of California (the “Corporation”) and the Trustee. Interest on the Certificates will be payable on March 1 and September 1 of each year, commencing March 1, 2021. Payments of the principal of, premium, if any, and interest on the Certificates will be made directly to The Depository Trust Company (“DTC”), or its nominee, Cede & Co., by the Trustee so long as DTC or Cede & Co. is the registered owner of the Certificates.

**Purpose.** The Certificates are being executed and delivered to (i) finance a portion of the cost of the District’s Redundancy Project, which is described herein, and (ii) pay the costs of issuing the Certificates[, including to pay premiums for bond insurance and reserve fund insurance policies]. See “PLAN OF FINANCE.”

**Registration.** The Certificates are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Certificates will not receive physical certificates representing their interest in the Certificates. So long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Certificates. Disbursements of payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX D – BOOK-ENTRY SYSTEM.

**Prepayment.** The Certificates are subject to prepayment prior to maturity. See “THE CERTIFICATES – Prepayment.”

**Security and Sources of Repayment for Certificates.** The Certificates evidence direct, undivided fractional interests in installment payments (the “Installment Payments”) to be made by the District to the Corporation under an Installment Sale Agreement, dated as of December 1, 2020, by and between the District and the Corporation. The Corporation’s right to receive the Installment Payments has been assigned to the Trustee for the benefit of the Owners of the Certificates. The District’s obligation to make the Installment Payments is a special limited obligation of the District, secured by and payable from a pledge of the Net Revenues (defined herein) of the Wastewater System (defined herein) and from amounts on deposit in certain funds and accounts established under the Installment Sale Agreement and the Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.”

**Parity Obligations.** The District does not currently have any outstanding obligations payable from the Net Revenues either senior to, or on a parity basis with, its obligation to pay the Installment Payments. In the future, however, the District may issue obligations secured by a pledge of the Net Revenues of the Wastewater System on a parity with the pledge securing the Installment Payments, subject to the conditions set forth herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Parity Obligations.”

**[[Bond Insurance and Reserve Fund Insurance.** Scheduled principal of principal and interest on the Certificates when due is guaranteed pursuant to a municipal bond insurance policy provided by [\_\_\_\_\_] (the “Insurer”). See “BOND INSURANCE.” The Insurer is also providing a reserve fund insurance policy to satisfy the Reserve Requirement (defined herein) for the Certificates.]]

**This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Certificates. Investors must read the entire Official Statement before making any investment decision.**

**BIDS FOR THE PURCHASE OF THE CERTIFICATES WILL BE RECEIVED BY THE DISTRICT  
UNTIL 8:00 A.M., CALIFORNIA TIME ON DECEMBER \_\_, 2020  
UNLESS POSTPONED OR CANCELLED AS SET FORTH IN THE  
OFFICIAL NOTICE OF SALE RELATING TO THE CERTIFICATES.**

The Certificates are offered when, as and if issued subject to the approval, as to their validity, by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel to the District, and certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by the District’s counsel. It is expected that the Certificates will be available for delivery in book-entry form through the facilities of DTC on or about December \_\_, 2020.

**Dated: \_\_\_\_\_, 2020**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## MATURITY SCHEDULE

\$ \_\_\_\_\_ \*

**Certificates of Participation, Series A**  
**(South San Luis Obispo**  
**County Sanitation District)**

<b>Maturity Date</b> <b><u>(Sept.1)</u></b>	<b>Principal</b> <b><u>Amount</u></b>	<b>Interest</b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b>CUSIP</b> <b><u>(Base: )</u> †</b>
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\$ \_\_\_\_\_ \*

**Certificates of Participation, Series B**  
**(South San Luis Obispo**  
**County Sanitation District)**

\$ \_\_\_\_\_ % Certificate of Participation, Series B Due September 1, 20 \_\_, Yield: \_\_\_\_\_;  
Price: \_\_\_\_\_; CUSIP†: \_\_\_\_\_

\* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Ratings on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of investors. Neither the District nor the Municipal Advisor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Certificates as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

No dealer, broker, salesperson or other person has been authorized by the District, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of the Installment Sale Agreement, Trust Agreement and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Marketplace Access ("EMMA") website.

The District maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

This Official Statement contains certain "forward-looking statements" concerning the Wastewater System and the operations, performance and financial condition of the District, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the District. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

[Add Bond Insurer Disclaimer]

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

### **BOARD OF DIRECTORS**

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

### **DISTRICT STAFF**

Jeremy Ghent, *District Administrator*  
Mychal Jones, *Plant Superintendent*  
Keith F. Collins of Jones & Mayer, *District General Counsel*

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### **SPECIAL SERVICES**

#### **Municipal Advisor**

Bartle Wells Associates  
*Berkeley, California*

#### **Special Counsel and Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

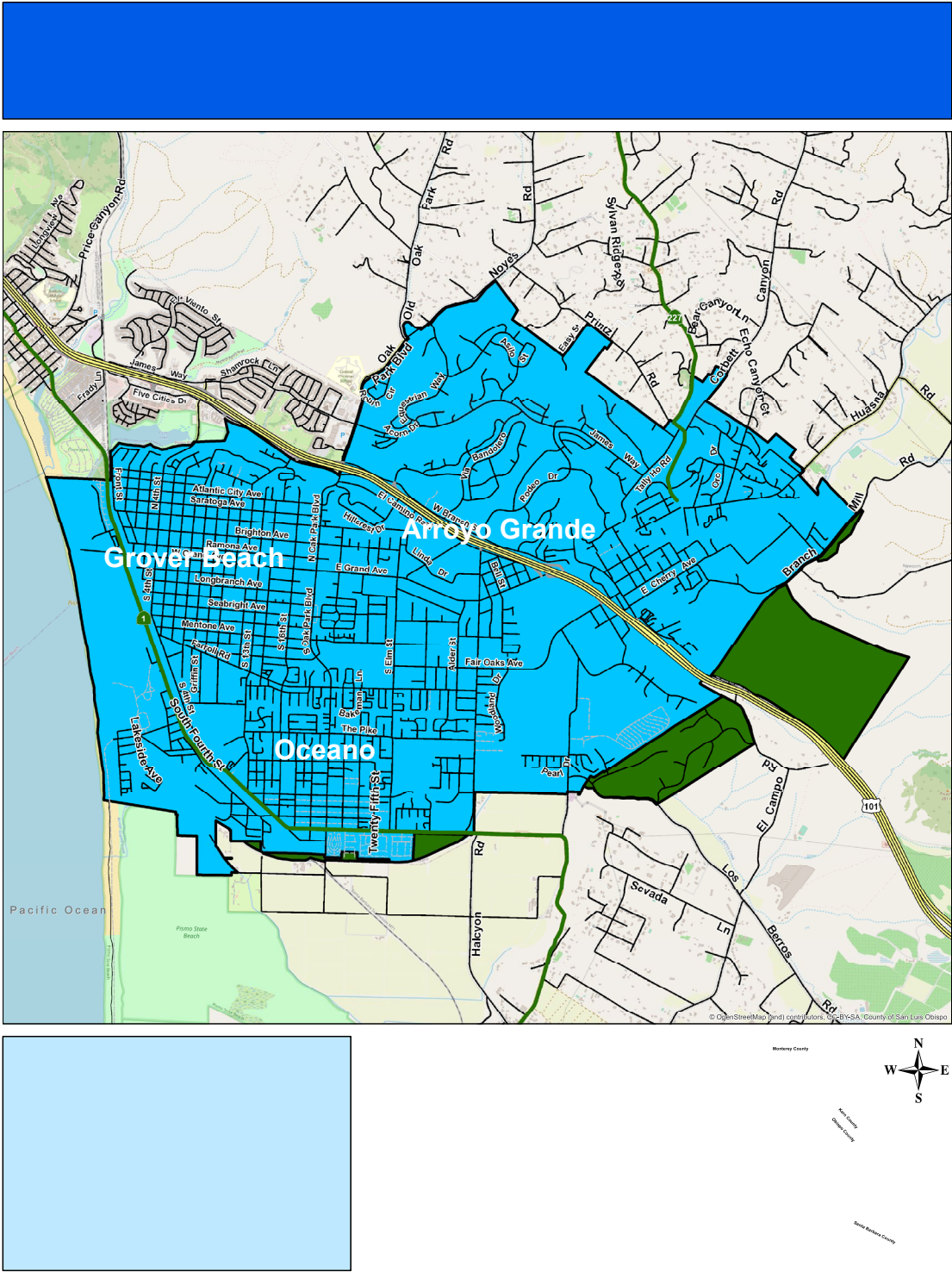
#### **Trustee**

The Bank of New York Mellon Trust Company, N.A.  
*Los Angeles, California*

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SERVICE AREA AND LOCATION MAP



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## OFFICIAL STATEMENT

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\$ \_\_\_\_\_ \*  
**2020 Wastewater Revenue  
Certificates of Participation, Series A  
(South San Luis Obispo  
County Sanitation District)**

\$ \_\_\_\_\_ \*  
**2020 Wastewater Revenue  
Certificates of Participation, Series B  
(South San Luis Obispo  
County Sanitation District)**

### INTRODUCTION

#### General

*This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of the above-referenced (the "Certificates"). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein.*

#### Certificate Terms and Application of Proceeds

The Certificates are being executed and delivered by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to a Trust Agreement, dated as of December 1, 2020 (the "Trust Agreement"), by and among the South San Luis Obispo County Sanitation District (the "District"), Public Property Financing Corporation of California (the "Corporation") and the Trustee. Interest on the Certificates will be payable on March 1 and September 1 of each year, commencing March 1, 2021. Payments of the principal of, premium, if any, and interest on the Certificates will be made directly to The Depository Trust Company ("DTC"), or its nominee, Cede & Co., by the Trustee so long as DTC or Cede & Co. is the registered owner of the Certificates. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" or, if not defined therein, shall have the meanings assigned to such terms in the Trust Agreement.

The Certificates are being executed and delivered to (i) finance a portion of the cost of the District's Redundancy Project, which is described herein, and (ii) pay the costs of issuing the Certificates, including to pay premiums for bond insurance and reserve fund insurance policies. See "PLAN OF FINANCE."

#### The District

The District is a special district formed in 1963 to provide for the transportation, treatment, and disposal of wastewater throughout its service area. The District is specifically responsible for maintaining nearly 9 miles of trunk main and sewer lines from the City of Arroyo Grande, the City of Grover Beach, and the Oceano Community Services District, as well as a wastewater treatment facility with a dry weather flow rating of 5.0 million gallon per day ("MGD"). Through the ownership

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\* Preliminary; subject to change.

and operation of the District's treatment facility, the District provides regional wastewater treatment service to more than 22,181 connections in a service area that encompasses approximately 10.1-square miles. The District does not provide local sewer collection service.

The District is organized as a county sanitation district under Chapter 3 of Part 3 of Division 5 (Section 4700 et seq.) of the Health and Safety Code of the State of California. The District is governed by a three-member Board of Directors, with each of the three local agencies that the District serves appointing one member to the Board. Each member of the Board has an equal vote.

For additional information regarding the District and the population that it serves, see "THE DISTRICT" and APPENDIX A – "GENERAL INFORMATION ABOUT THE CITY OF GROVER BEACH, THE CITY OF ARROYO GRANDE, AND SAN LUIS OBISPO COUNTY."

### **The Certificates**

The Certificates will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1, commencing March 1, 2021 (each, an "Interest Payment Date"), and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Certificates will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Certificates. See "THE CERTIFICATES."

The Certificates are subject to prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

### **Security for the Certificates and Future Parity Obligations**

The Certificates evidence direct, undivided fractional interests in installment payments (the "Installment Payments") to be made by the District to the Corporation under an Installment Sale Agreement, dated as of December 1, 2020 (the "Installment Sale Agreement"), by and between the District and the Corporation. The Corporation's right to receive the Installment Payments has been assigned to the Trustee for the benefit of the Owners of the Certificates. The District's obligation to make the Installment Payments is a special limited obligation of the District, secured by and payable from a pledge of the Net Revenues (defined herein) of the Wastewater System (defined herein) and from amounts on deposit in certain funds and accounts established under the Installment Sale Agreement and the Trust Agreement.

The District does not currently have any outstanding obligations payable from the Net Revenues either senior to, or on a parity basis with, its obligation to pay the Installment Payments. In the future, however, the District may issue obligations secured by a pledge of the Net Revenues of the Wastewater System on a parity with the pledge securing the Installment Payments, subject to the conditions set forth herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

### **Bond Insurance and Reserve Fund Insurance**

[[Scheduled principal of principal and interest on the Certificates when due is guaranteed pursuant to a municipal bond insurance policy provided by [ ] (the "Insurer"). See



“BOND INSURANCE.” The Insurer is also providing a reserve fund insurance policy to satisfy the Reserve Requirement (defined herein) for the Certificates.]]

### **Further Information**

The summaries and references of the Installment Sale Agreement, the Trust Agreement and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Installment Sale Agreement, the Trust Agreement and each such document, statute, report or instrument. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS” for a summary of certain terms of the Installment Sale Agreement and the Trust Agreement not summarized in the main body of this Official Statement.

## **THE CERTIFICATES**

### **General**

The Certificates will be dated their date of execution and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable on each Interest Payment Date and will mature on the dates and in the amounts set forth on the inside cover page hereof. The Certificates will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Certificate may have more than one maturity date. The Certificates will be issued only as one fully registered Certificate for each maturity, in the name of Cede & Co., as nominee for DTC, as registered owner of all Certificates. See APPENDIX D – “BOOK ENTRY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Trust Agreement.

The interest represented by each Certificate is payable from the Interest Payment Date next preceding the date of execution thereof, unless:

- (a) it is executed after a Record Date and on or before the following Interest Payment Date, in which event interest represented thereby is payable from such Interest Payment Date; or
- (b) it is executed on or before the first Record Date, in which event interest represented thereby shall be payable from the Closing Date; or
- (c) interest represented by such Certificate is in default as of the date of execution of such Certificate, in which event interest represented thereby is payable from the Interest Payment Date to which interest represented thereby has previously been paid or made available for payment.

Interest on the Certificates (including the final interest payment upon maturity or prepayment) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided, that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Certificates, which written request is on file with the Trustee as of any Record Date, interest on such Certificates will be paid on the succeeding Interest Payment Date to such account in the United States as specified in such written request.

## Prepayment\*

**Optional Prepayment – Series A Certificates.** The Series A Certificates maturing on or before September 1, 2028, are not subject to optional prepayment prior to the respective stated maturities. The Series A Certificates maturing on or after September 1, 2029, are subject to optional prepayment in whole or in part on any date on or after September 1, 2028, from prepayments of the Installment Payments made at the option of the District under the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount of Series A Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.

**Optional Prepayment – Series B Certificates.** The Series B Certificates are subject to optional prepayment in whole or in part on any date on or after March 1, 2023 from prepayments of the Installment Payments made at the option of the District under the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount of Series B Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.

**Sinking Fund Prepayment – Series A Certificates.** The Series A Certificates maturing on September 1, 20\_\_ (the “Term Series A Certificates”) are subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following table, from the principal components of the Installment Payments relating to the Series A Certificates which are required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

Sinking Fund Prepayment Date <u>(September 1)</u>	Principal Amount <u>To Be Prepaid</u> \$
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20\_\_ (Maturity)

**Sinking Fund Prepayment – Series B Certificates.** The Series B Certificates are subject to mandatory sinking fund prepayment by lot on September 1 in each year as set forth in the following table, from the principal components of the Installment Payments relating to the Series B Certificates which are required to be paid with respect to each of such dates, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium, as follows:

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\* Preliminary; subject to change.

Sinking Fund  
Prepayment Date  
(September 1)

Principal Amount  
To Be Prepaid

\$

20\_\_ (Maturity)

**Notice of Prepayment.** When prepayment is authorized or required under the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the District. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates of any maturity are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the designated prepayment date at the Corporate Trust Office of the Trustee for prepayment at said prepayment price. Such notice shall further state that on the specified date there shall come due and payable upon each Certificate, the principal and premium, if any, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be mailed by first class mail with postage prepaid, to one or more of the Information Services, and the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books. Such notice shall be mailed at least 20 days but not more than 60 days prior to the prepayment date. In addition, notice of prepayment shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories at the time of such mailing to the Certificate Owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid; *provided, however*, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

**Rescission of Notice of Prepayment.** The District has the right to rescind any notice of the optional prepayment of the Certificates by written notice to the Trustee on or prior to the date fixed for prepayment. Any notice of optional prepayment shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Certificate Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent under this Section.

**Consequences of Notice.** Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Installment Payment Fund, the Certificates shall be due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Corporate Trust Office of the Trustee, said Certificates

shall be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus any applicable premium and plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, shall be held by the Trustee so as to be available therefor on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates shall cease to accrue and be payable. All moneys held by the Trustee for the prepayment of Certificates shall be held in trust, uninvested, for the account of the Owners of the Certificates so to be prepaid.

***Partial Prepayment of Certificates.*** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the un-prepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

***Purchase in Lieu of Prepayment.*** In lieu of prepayment of Certificates as provided above, amounts held by the Trustee for such prepayment shall, at the written request of the District Representative received by the Trustee no later than 60 days prior to the prepayment date, be applied by the Trustee to the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment under the Trust Agreement may not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment.

## **PLAN OF FINANCE**

### **Financing of the Redundancy Project**

Proceeds of the Certificates will be used to to (i) finance a portion of the cost of the District's Redundancy Project, and (ii) pay the costs of issuing the Certificates.

The Redundancy Project is intended to provide redundancy to the regional wastewater treatment plant ("WWTP") owned and operated by the District to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. The Redundancy Project will help protect human health, the environment and prevent sewage spills. The project is not intended to increase the flow or load capacity of the WWTP, but instead to improve its reliability.

The Redundancy Project consists of the following anticipated components: two activated sludge aeration basins, one new secondary clarifier, one new fixed film reactor (FFR) effluent pump station, waste activated sludge (WAS) thickening centrifuge with modifications to the existing dewatering platform, blower, electrical and motor control center (MCC) building, dewatered sludge conveyor, yard piping, site improvements, instrumentation and controls, electrical systems, floodproofing of critical plant systems, and repairs and improvements to existing secondary clarifier. The project will be completed within the existing WWTP site, and no offsite work is required. Construction on the project is anticipated to commence in 2021, with completion scheduled for Summer 2023.

[Currently, the total cost of the Redundancy Project is estimated at approximately \$31.8 million, of which approximately \$2.0 million has been funded by the District to-date. The remaining

approximately \$29.8 million is expected to be financed as follows: \$7.3 million will be cash-funded by the District and the remaining \$22.5 million will be financed with the proceeds of the Certificates.]

In addition to selling the Certificates, the District also anticipates receiving low-interest-rate financing from the United States Department of Agriculture – Rural Development (“USDA”) in the amount of \$4,464,000 for a portion of the project. On June 3, 2020, the District received a Letter of Conditions from USDA detailing the terms and conditions for the USDA Loan award. The letter indicates the District is eligible for \$4,464,000 loan with a 40-year repayment term and a maximum interest rate of 1.375%. The District has already met most of the required conditions for the loan with the main exception that loan award requires confirmation of funding for the remainder of the project cost, which will be satisfied via the funding of the 2020 COPs. On August 5, 2020, the District’s Board of Directors adopted all necessary resolutions to authorize issuance of the USDA Loan.

The USDA financing will be funded after completion of the project and will be used to refund the Series B Certificates, which are being used to provide interim financing for the USDA portion of the project. Accordingly, the District is issuing the Series B Certificates in the approximate amount of the anticipated USDA financing, and anticipates that once the USDA funding is received, the District will use available funds to optionally prepay all of the Series B Certificates. See “THE CERTIFICATES – Prepayment.”

#### **Estimated Sources and Uses of Funds**

The following sets forth the estimated sources and uses of funds related to the Certificates.

##### **Sources of Funds:**

Principal Amount of Certificates	\$
<i>Plus:</i> [Net] Original Issue Premium	
<b>Total Sources of Funds</b>	<hr/> \$

##### **Uses of Funds:**

Deposit to Construction Fund	\$
Costs of Issuance <sup>(1)</sup>	
<b>Total Uses of Funds</b>	<hr/> \$

(1) Includes fees and expenses of Special Counsel, Disclosure Counsel, Rating Agency, Municipal Advisor, Trustee, Underwriter, printer, [premiums for bond insurance policy and reserve insurance policy,] and miscellaneous other fees and expenses.

## Debt Service Schedule

The following table shows, for each Fiscal Year ending June 30, the principal of and interest that is payable on the Certificates, assuming no optional prepayments.

<b>Fiscal Year</b>			
<b><u>Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
<b>Total</b>	<hr/>		

Source: Underwriter.

## SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

### Pledge of Net Revenues; Definitions

**Pledge of Net Revenues.** Under the Installment Sale Agreement, all of the Net Revenues, and all moneys on deposit in any of the funds and accounts established and held by the Trustee under the Trust Agreement, are irrevocably pledged to the punctual payment of the Installment Payments. Such pledge constitutes a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof. Such pledge and lien on, and security interest in, the Net Revenues shall be on a parity with the pledge, lien and security interest which secures any Parity Obligations.

**“Net Revenues”** means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs coming payable during such period.

**“Gross Revenues”** means all gross income and revenue received by the District from the ownership and operation of the Wastewater System, including, without limiting the generality of the foregoing:

- (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System, including connection fees,
- (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System, and
- (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in this Trust Agreement.

The term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, (ii) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District.

**“Operation and Maintenance Costs”** means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. “Operating and Maintenance Costs” do not include (i) administrative costs of the Certificates which the District is required to pay hereunder, (ii) payments of debt service on bonds, notes or other long-term obligations of the District with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

## **Wastewater System Funds; Flow of Funds**

***Deposit and Application of Gross Revenues.*** The District has previously established the Wastewater System Funds, which the District agrees under the Installment Sale Agreement to continue to hold and maintain for the purposes and uses set forth therein. The District shall deposit all of the Gross Revenues in the Wastewater System Funds immediately upon receipt, and shall pay Operation and Maintenance Costs therefrom.

***Application of Net Revenues.*** In addition to the transfers required to be made under the documents authorizing the issuance of any Parity Obligations, the District shall withdraw amounts on deposit in the Wastewater System Funds constituting Net Revenues, and apply such Net Revenues at the times and for the purposes, and in the priority, as follows:

Payment of Installment Payments and Parity Obligations. On or before each Installment Payment Date, the District shall withdraw from the Wastewater System Funds and transfer to the Trustee for deposit in the Installment Payment Fund an amount of Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date. In addition, the District shall withdraw from the Wastewater System Funds and pay the principal of and interest on any Parity Obligations from Net Revenues, without preference or priority among the Installment Payments and Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater System Funds is any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.

Reserve Fund Deposits and Transfers. Promptly upon receipt by the District of knowledge that the amount on deposit in [the Reserve Fund for the Certificates or] any reserve fund established for any Parity Obligation has fallen below the amount required to be on deposit therein (or that there is an amount due to any provider of an insurance policy on deposit in any reserve fund), the District shall promptly (A) withdraw such amount due from available Net Revenues on deposit in the Wastewater System Funds, and (B) transfer such amount for deposit in such reserve fund (or to the provider of such insurance policy). If the amount of Net Revenues on deposit in the Wastewater System Funds is any time insufficient to enable the District to pay when due all amounts required by this subsection, such payments shall be made on a pro rata basis.

Other Uses of Net Revenues Permitted. The District shall manage, conserve and apply moneys in the Wastewater System Funds in such a manner that all deposits required to be made under this Section and the documents authorizing the issuance of any Parity Obligations will be made at the times and in the amounts so required. Subject to the foregoing sentence, the District may at any time and from time to time use and apply moneys in the Wastewater System Funds for (i) the acquisition and construction of improvements to the Wastewater System, (ii) the prepayment of the Installment Payments and Parity Obligations, or (iii) any other lawful purpose of the Wastewater System.

## **Installment Payment Fund; Corporation's Assignment of Rights**

***Establishment of Installment Payment Fund.*** Under the Trust Agreement, the Trustee establishes and maintain a special fund designated as the "Installment Payment Fund", into which



the Trustee deposits all amounts paid to the Trustee for such purpose under the Installment Sale Agreement. All moneys at any time deposited by the Trustee in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation has any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in the Installment Sale Agreement or herein, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement.

The Trustee will use and withdraw amounts in the Installment Payment Fund solely for the purpose of paying the principal, interest and prepayment premiums (if any) represented by the Certificates as the same are due and payable, in accordance with the provisions of the Trust Agreement.

***Assignment of Rights in Installment Sale Agreement.*** Under the Trust Agreement, the Corporation irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Corporation, certain of its rights in the Installment Sale Agreement, including all of the Corporation's rights to receive and collect all of the Installment Payments and all other amounts required to be deposited in the Installment Payment Fund, and the Trustee accepts such assignment for the benefit of the Certificate Owners. All Installment Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Installment Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Installment Payment Fund.

#### **[Reserve Fund]**

[The Trustee shall establish and hold for the benefit of the Certificate holders, a "Reserve Fund" in the amount of the Reserve Requirement. The Reserve Requirement will be satisfied by the delivery of the [Reserve Policy] by the Insurer. The "Reserve Requirement" for the Certificates is \$ \_\_\_\_\_, which equals the lesser of (a) Maximum Annual Debt Service on the Certificates, (b) 125% of the average annual debt service on the Certificates, or (c) 10% of the principal amount of the Certificates, as calculated by the District.

The District has no obligation to replace the Reserve Policy or to fund the Reserve Fund with cash or any other security if, at any time that the Certificates are Outstanding, amounts are not available under the reserve policy, there is a rating downgrade of the Insurer providing the Reserve Policy or for any other reason.

The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers for use in the event of any deficiency at any time in such account for the purpose of paying scheduled principal and interest on the Bonds under the Trust Agreement. The Trustee will comply with all documentation relating to the reserve policy as required to maintain each reserve policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required under the Trust Agreement.]

#### **Rate Covenants; Collection of Rates and Charges**

In the Installment Sale Agreement, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System

during each Fiscal Year which are at least sufficient, after making allowances for contingencies and errors in the estimates, to yield Gross Revenues sufficient to pay the following amounts:

(a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(b) The principal of and interest of the Installment Payments and any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Obligations deposited for such purpose; and

(c) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the District covenants to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this covenant, the amount of Net Revenues for a Fiscal Year will be computed on the basis that the District's unencumbered fund balance is included in the calculation of Net Revenues.

### **Limited Obligation**

The District's obligation to pay the Installment Payments and any other amounts coming due and payable under the Installment Sale Agreement are a special obligation of the District limited solely to the Net Revenues and the other amounts pledged thereunder. Under no circumstances is the District required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts, nor are any other funds or property of the District be liable for the payment of the Installment Payments and any other amounts coming due and payable thereunder.

### **Insurance; Net Proceeds**

The District will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. The District shall apply amounts collected from insurance against accident to or destruction of any portion of the Wastewater System to repair or rebuild such damaged or destroyed portion of the Wastewater System, and to the extent not so applied, to prepay or redeem any Parity Obligations, in the District's discretion. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District, the Trustee and the Owners of the Certificates. Any required insurance may be maintained by the District in the form of self-insurance through a joint powers agreement or otherwise.

### **No Senior Obligations**

The District may not issue or incur any additional bonds, notes or other obligations having any priority over the Installment Payments in the payment of principal or interest out of the Net Revenues.

## Parity Obligations

**No Existing Parity Obligations.** The District currently does not have any outstanding obligations that are payable from Net Revenues on a parity with the Certificates.

**Future Parity Obligations.** In the future, the District may issue bonds, notes or other obligations payable from Net Revenues on a parity with the Certificates ("Parity Obligations"); provided, that the following conditions are satisfied:

- (a) No Event of Default has occurred and is continuing; and
- (b) Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, plus (at the option of the District) Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligations then outstanding (including the Parity Obligations then proposed to be issued).

**"Additional Revenues"** means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by the District under the Installment Sale Agreement, were not in service, all in an amount equal to the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of a District Representative.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has become adopted by the Board of Directors of the District prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown by a certificate of a District Representative.

## Subordinate Obligations

Nothing in the Installment Sale Agreement or the Trust Agreement limits or affects the ability of the District to issue or incur obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues securing the payment of the Installment Payments.

## THE DISTRICT

### General

The District was formed in 1963 to provide for the transportation, treatment, and disposal of wastewater throughout its service area. The District is specifically responsible for maintaining nearly 9 miles of trunk main and sewer lines from the City of Arroyo Grande, the City of Grover Beach, and the Oceano Community Services District, as well as the WWTP, which has a dry weather rated capacity of 5.0 MGD. Through the ownership and operation of the WWTP, the District provides regional wastewater treatment service to more than 22,181 connections in a service area that encompasses approximately 10.1-square miles. The District does not provide local sewer collection service.

The District is organized as a county sanitation district under Chapter 3 of Part 3 of Division 5 (Section 4700 et seq.) of the Health and Safety Code of the State of California. The District is governed by a three-member Board of Directors, with each of the three local agencies that the District serves appointing one member to the Board. Each of the local agencies provides local sewer collection service within its service area.

### Affiliated Local Agencies

***City of Arroyo Grande.*** The City of Arroyo Grande was incorporated in 1911 as a general law city and had a population of 17,687 as of January 1, 2020.

***City of Grover Beach.*** The City of Grover Beach was incorporated in 1959 as a general law city and had a population of 13,214 as of January 1, 2020.

***Oceano Community Services District.*** Oceano Community Services District was formed as a special district in 1981, and serves a population of approximately 7,600 residents and businesses located in Oceano and Halcyon. Within this service area, the District provides fire protection, sewer and water services, and street lighting.

For additional demographic and statistical information, see APPENDIX A – “GENERAL INFORMATION ABOUT THE CITY OF GROVER BEACH, THE CITY OF ARROYO GRANDE, AND SAN LUIS OBISPO COUNTY.”

### Service Area Map

The maps preceding page 1 of this Official Statements shows the service area of the District, as well as its location within the County and the State.

## Board of Directors

The Board of Directors of the District consists of three Directors, each of whom is appointed to a four-year term by one of the three local agencies within the District's service area. The current Board Members, the local agency that appointed him or her, and the expiration of their respective terms are set forth in the following table.

<b><u>Board Members</u></b>	<b><u>Local Agency Affiliate</u></b>	<b><u>Expiration of Term</u></b>
Caren Ray Russom, <i>Chair</i>	City of Arroyo Grande	Dec. 2020
Jeff Lee, <i>Chair</i>	City of Grover Beach	Dec. 2020
Linda Austin, <i>Director</i>	Oceano CSD	Dec. 2020

*Caren Ray Russom, Chair.* Ms. Russom has served as a member of the District Board since 2018, and is currently the Chair. Ms. Russom has also served as the Mayor of the City of Arroyo Grande since 2018, and before that served on the City Council of the City (2010-2013, and 2016-2018) and on the Board of Supervisors of the County (2013-2015). In addition to her elected/appointed service, she was a member of the Board of Directors of the Economic Vitality Corporation, SLOCOG, and the Air Pollution Control District. After graduating from Arroyo Grande High School, Ms. Russom attended Cuesta College then UCLA, where she earned a B.A. in History. She also has an M.A. from California Polytechnic State University–San Luis Obispo.

*Jeff Lee, Vice Chair.* Mr. Lee has served as a member of the District Board since 2018, and is currently the Vice Chair. He has also served as the Mayor of the City of Grover Beach since 2018, and before that as a member of the City Council of the City (2012-2016).

*Linda Austin, Director.* Ms. Austin has served as a Director on the District Board since 2016. Ms. Austin is also currently the President of the Board of the Oceano Community Services District.

## District Management and Staff

*Jeremy Ghent, District Administrator.* Mr. Ghent has served as District Administrator since July 2018, responsible for managing the day-to-day operations of the District, and for carrying out the policies of the District Board. Mr. Ghent has over 20 years of experience in the water/wastewater industry. Prior to joining the District, Mr. Ghent was the Wastewater Operations Manager for the County, in which position he managed three wastewater treatment facilities. He is a licensed civil engineer and holds a masters degree in Civil Engineering.

*Mychal Jones, Plant Superintendent.* Mr. Jones joined the District team in 2013. He has served as Plant Superintendent since March 2019, and is responsible for overseeing, supervising, and coordinating all wastewater treatment plant and collection system operations and maintenance activities. Mr. Jones has over 9 years of experience in the wastewater industry. He is a certified State Water Resources Control Board Grade III wastewater treatment plant operator and an Environmental Laboratory Accreditation Program Grade I laboratory analyst.

## Employees and Labor Arrangement

The District currently has 9 full-time employees, 7 of which work in operations and 2 of which work in administration and management. Six employees are represented by the Service Employees' International Union Local 620, pursuant to a memorandum of understanding with the District that expires June 30, 2021. The District Administrator, Plant Supervisor and Bookkeeper are not represented.

The District has not experienced any work stoppages or delays by its employees within the past five years.

### **Prior Conflicts of Interest and Remedial Actions**

In 2011, the civil grand jury in the County found that a conflict of interest existed because of the relationship of then-District Administrator (John Wallace) to his private engineering firm, Wallace Group, which provided engineering services to the District. Mr. Wallace subsequently left his position as District Administrator in 2013 and, in 2018, he pleaded no contest to a misdemeanor criminal count stemming from his tenure in the position, and agreed to pay restitution.

In 2017, following an outside investigation, former Director Jim Hill was censured by the District Board for disclosing attorney-client communications, unilaterally acting outside his legislative role, and disclosed confidential personnel matters. Mr. Hill no longer serves on the District Board.

The District Board has adopted amendments to its Bylaws, Conflict of Interest Code and other policies to reduce the risk of conflicts of interest relating to the District in the future.

## **THE WASTEWATER SYSTEM**

### **Overview**

The District owns, operates and maintains a regional wastewater treatment plant (the “WWTP”) and 9 miles of trunk mains that collect wastewater from the cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District. The Wastewater System serves more than 22,181 connections within the District’s 10.1-square mile service area. Raw sewage is conveyed to the WWTP via gravity through the trunk mains, for treatment via a series of biological, chemical and physical processes before being discharged to the Pacific Ocean via an outfall pipe. Additional information on the WWTP and other facilities of the Wastewater System are set forth below under “– Wastewater System Facilities.”

All of the District’s customers pay two separate sewer service charges: (1) one charge is paid to the District to cover the cost of operating and maintaining the WWTP and related facilities, and (2) one charge is paid to the local agency where the customer is located, to cover the cost of collecting and conveying the raw sewage to the District’s trunk mains.

Historically, the District billed and collected sewer service charges from its customers by including its charge on the bills sent to customers by each of its three affiliated local agencies, which bills are sent out on a bi-monthly basis. However, starting in Fiscal Year 2016-17, for customers located within the Oceano CSD, the District began levying and collecting its sewer service charge on the County property tax roll (which is due in two installments annually). The customers located in the cities of Arroyo Grande and Grover Beach are still billed bi-monthly, but the District anticipates transitioning its method of billing for these customers to the County property tax roll, consistent with how the customers located within the Oceano CSD are billed. See “FINANCIAL MATTERS OF THE DISTRICT – Wastewater Rates and Charges.”

## Number of Wastewater Connections

The following table shows the number of connections served by the Wastewater System for the past five fiscal years.

**Table 1**  
**South San Luis Obispo County Sanitation District**  
**Number of Wastewater Connections**

<u>As of</u> <u>June 30,</u>	<u>Total</u> <u>Connections</u>
2016	
2017	
2018	
2019	
2020	

*Source: South San Luis Obispo County Sanitation District.*

## Top Ten Customers

The ten largest customers of the Wastewater System accounted for less than 6% of the total sewer service charges for Fiscal Year 2019-20. The following table shows the ten largest customers of the Wastewater System as of June 30, 2020.

**Table 2**  
**South San Luis Obispo County Sanitation District**  
**Top Ten Customers as of June 30, 2020**

<u>No.</u>	<u>Community</u>	<u>Address</u>	<u>Type of Use</u>	<u>Revenues</u>	<u>Percent of</u> <u>Total Revs. <sup>(1)</sup></u>
1.	Arroyo Grande	345 Sunrise Terrace	Mob. Home	\$55,116.00	1.01%
2.	LMUSD	Multiple Schools	School	46,014.00	0.84
3.	Oceano	2220 Cienega St	RV Park	36,927.72	0.68
4.	Oceano	1290 Silver Spur	RV Park	36,744.00	0.67
5.	Oceano	1001 Pacific Blvd	RV Park	33,069.60	0.60
6.	Arroyo Grande	241 Courtland Street	Apartments	33,022.08	0.60
7.	Arroyo Grande	425 S. Elm Street	Apartments	25,072.32	0.46
8.	Oceano	2700 Cienega St	Mob. Home	22,046.40	0.40
9.	Arroyo Grande	1400 W. Branch St	Hotel	17,871.36	0.33
10.	Grover	775 N. Oak Park Blvd	Hotel	12,972.96	0.24
<b>Total, Top 10</b>				<b>\$318,856.44</b>	<b>5.83%</b>

(1) Based on total Service Charges for Fiscal Year 2019-20 of \$5,466,627.

*Source: South San Luis Obispo County Sanitation District.*

## Wastewater System Facilities

**General.** The District's wastewater treatment plant (previously defined as the "WWTP") is located southwest of the Oceano County Airport near the Oceano community, in the unincorporated area of the County. The WWTP began operations in 1966, and has received continual updates since then. It is currently rated for a dry weather flow of 5.0 MGD and for a wet-weather flow of 9.0 MGD. The District believes the current capacity of the WWTP is sufficient to meet expected demand in its service area for the foreseeable future.

**Treatment Process.** The WWTP provides secondary level treatment. The WWTP is a conventional facility with mechanically cleaned bar screens, grit removal, two primary clarifiers, a

fixed film reactor (FFR), a secondary clarifier, two anaerobic digesters, and a chlorine disinfection system. Flow enters the WWTP through a Parshall flume then is split between two channels with mechanically cleaned bar screens. Screenings are deposited into a washer compacter where they are rinsed of organics, compacted, and raised to a dumpster on grade. If the mechanical screening system needs to be taken down for maintenance, flow can be directed to manually cleaned bar screens. Flow passing the screens enters the influent pumping station where it is pumped to the grit removal system. Separated grit is conveyed to a dumpster by an auger-driven classifier. Following grit removal, flow is split between two identical primary clarifiers. Flow exiting the primary clarifiers is directed to the FFR for secondary treatment. Effluent from the FFR passes through the secondary clarifier then on to disinfection in the chlorine contact chamber. Treated and disinfected effluent is dechlorinated using sodium bisulfite then discharged through the outfall/diffuser system.

**Effluent Disposal.** Effluent is disposed of from the WWTP via a 4,400-foot outfall/diffuser system into the Pacific Ocean, as regulated by the RWQCB and NPDS Permit. See “–Regulatory Matters.” The WWTP is currently permitted to discharge 5.0 MGD in an average dry weather month. The outfall pipe/diffuser system is inspected tri-annually to ensure proper operation and structural integrity in the system. The inspection is conducted from the shoreline to its terminus into the ocean and includes general observations and photographic records of the outfall/diffuser as well as that of the ocean bottom in the vicinity of the system.

**Recycled Water Assessment.** The District is working with its affiliated local agencies and the City of Pismo Beach to assess regional recycled water opportunities for the use of the treated wastewater disposed of by the WWTP. However, no defined project has been created.

**No Pump Stations.** The District does not own or operate any pump stations in the collection system. The only pumping systems owned and operated by the District are onsite and internal to the WWTP processes. Collection system lift stations are owned and operated by the local agencies in the District (Oceano, Grover Beach, and Arroyo Grande).

## Historical Wastewater Flows

The following table sets forth the total wastewater treated at the WWTP for the calendar years shown. As noted above, the District's WWTP is rated for a dry weather flow of 5.0 MGD and for a wet-weather flow of 9.0 MGD

**Table 3**  
**South San Luis Obispo County Sanitation District**  
**Historical Treated Wastewater**

<u>Calendar</u> <u>Year</u>	<u>Total Wastewater</u> <u>Treated (MGD)</u>
2015	2.17
2016	2.23
2017	2.49
2018	2.45
2019	2.58

*Source: South San Luis Obispo County Sanitation District.*

## Regulatory Matters

The U.S. Environmental Protection District (“EPA”), California State Water Resources Control Board (“State Water Board”), and the Central Coast Regional Water Quality Control Board (“RWQCB”) regulate the Wastewater System.



The WWTP operates pursuant to a National Pollutant Discharge Elimination System (“NPDES”) permit – NPDES No. CA0048003. The NPDES permit permits the District to discharge treated wastewater directly into the Pacific Ocean. The NPDES permit became effective April 1, 2019, and expires March 31, 2024. The District believes it will be able to timely renew its permit.

The State Water Board maintains a database of Sanitary Sewer Overflows (“SSOs”) from public/permitted systems and private lateral sewage discharges. The State Water Board formalized the Statewide General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order No. 2006-0003 (SSS WDRs), on May 2, 2006. All public agencies that own or operate a sanitary sewer system that is comprised of more than one mile of sewer pipes which convey wastewater to a publicly owned treatment facility must be covered under the SSS Waste Discharge Requirements. The SSS Waste Discharge Requirements requires enrollees, among other things, to maintain compliance with the Monitoring and Reporting Program.

In addition, the District violated effluent limitations on various occasions in recent years. The majority of the violations related to issues with an overworked secondary treatment system at the WWTP. The District is pursuing the Redundancy Project to enable it to maintain the secondary treatment process and reduce future regulatory violations. See “THE FINANCING PLAN.”

### Capital Improvement Plan (CIP)

The table below presents the District’s anticipated capital improvements for the fiscal years shown. The District cannot provide any assurance that any specific improvements will be completed or completed on the anticipated schedule, or that the expenditures shown below will be made. At this time, the District does not expect to incur any additional bonded indebtedness to finance these anticipated capital improvements, except as described in this Official Statement related to the Redundancy Project.

**Table 4**  
**South San Luis Obispo County Sanitation District**  
**Capital Improvement Plan and Funding Sources**  
**Fiscal Years 2020-21 through 2027-28**

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Total
<b>CIP Items<sup>(1)</sup></b>									
Redundancy Project	\$8,000,000	\$12,000,000	\$9,740,000	-	-	-	-	-	\$29,740,000
Digester Cleaning/Coating	965,000	-	-	-	-	-	-	-	965,000
Trunk Sewer Maintenance	100,000	-	-	-	-	-	-	-	100,000
Cogeneration Unit Design	100,000	-	-	-	-	-	-	-	100,000
MCC Electrical Boxes	-	-	-	\$394,000	-	-	-	-	394,000
Fixed Film Reactor	-	-	-	511,000	\$1,067,000	-	-	-	1,578,000
Headworks	-	-	-	-	-	\$7,000	\$93,000	\$433,000	533,000
Splitter Box	-	-	-	-	-	984,000	244,000	-	1,228,000
Plant Well Water System	-	-	-	-	-	-	276,000	-	276,000
SCADA System	-	-	-	-	-	-	305,000	-	305,000
Secondary Clarifier #1	-	-	-	-	-	-	-	687,000	687,000
Other/Miscellaneous	387,000	500,000	500,000	131,000	4,000	119,000	221,000	61,000	1,923,000
<b>Total</b>	<b>\$9,552,000</b>	<b>\$12,500,000</b>	<b>\$10,240,000</b>	<b>\$1,036,000</b>	<b>\$1,071,000</b>	<b>\$1,110,000</b>	<b>\$1,139,000</b>	<b>\$1,181,000</b>	<b>\$37,829,000</b>
<b>Anticipated Funding Sources</b>									
2020 COPs <sup>(2)</sup>	\$8,000,000	\$10,000,000	\$3,465,000	-	-	-	-	-	\$21,465,000
Cash Funding <sup>(3)</sup>	1,552,000	2,500,000	6,775,000	1,036,000	1,071,000	1,110,000	1,139,000	1,181,000	16,364,000
<b>Total</b>	<b>\$9,552,000</b>	<b>\$12,500,000</b>	<b>\$10,240,000</b>	<b>\$1,036,000</b>	<b>\$1,071,000</b>	<b>\$1,110,000</b>	<b>\$1,139,000</b>	<b>\$1,181,000</b>	<b>\$37,829,000</b>

(1) Cost estimates are escalated to future dollars.

(2) District anticipates a \$4,464,000 USDA Loan will refund a portion of the 2020 Wastewater COPs when the Redundancy Project is complete.

(3) District anticipates partially drawing down accrued fund reserves to help fund the Redundancy Project in 2021/22 and 2022/23.

Source: South San Luis Obispo County Sanitation District.

## FINANCIAL MATTERS OF THE DISTRICT

### Wastewater Rates and Charges

The District's main source of revenue is sewer service charges collected from its residential and commercial customers. A secondary source of revenue is sewer connection fees related to new development in its service area. The District does not receive any property taxes.

***Financial Plan and Rate Study (2016).*** The District engaged Bartle Wells Associates to conduct a Wastewater Financial Plan and Rate Study to assess its financial needs and rate structure. The study develops long-term financial projections and calculates wastewater treatment charges designed to equitably recover the costs of providing service and provide adequate funding for the District's projected operating and capital programs including financing for the Redundancy Project. New rates were adopted pursuant to Ordinance No. 2016-1, on March 2, 2016. The new rates became effective in each of the years starting July 1, 2016 through 2019, as shown in Table 5 below.

Prior to the rates proposed in the 2016 Rate Study, and adopted by the District, the District had not increased rates since May 1, 2010, and was levying a flat monthly residential charge of \$14.86 per dwelling unit, while non-residential customers paid fixed charges that varied by customer type and other factors.

In subsequent years, the District engaged Bartle Wells Associates to update the Wastewater Financial Plan to ensure its adopted rates are adequate to meet the District's projected funding needs including costs associated with financing and operating the Project. Based on the most recently updated financial projections, the District anticipates that its current rates are more than adequate to meet the District's projected funding needs through approximately fiscal year 2022/23, after which the projections indicate the District would likely need small, inflationary rate increases to keep rates in line with the costs of the District's projected annual expenses.

***Current Sewer Service Charge.*** The table on the following page shows historic monthly sewer charges, as well as the current sewer services charges of the District, effective as of July 1, 2019.

**Table 5**  
**South San Luis Obispo County Sanitation District**  
**Historic and Current Sewer Service Charges**

	Prior Rates	July 1, 2017	July 1, 2018	July 1, 2019
a. Residences & Apartments	\$14.86	\$21.56	\$23.52	\$25.48
b. Hotel Units with Kitchens	15.71	18.85	20.56	22.27
c. Hotel Units without Kitchens	10.02	12.12	13.22	14.32
d. Hotel Room	10.36	12.12	13.22	14.32
e. Commercial Establishments	7.65	9.69	10.57	11.45
Each additional employee above <sup>(5)</sup>	1.53	1.95	2.13	2.31
f. Beauty Shops	13.97	19.39	21.15	22.91
Each additional operator above <sup>(5)</sup>	2.33	2.93	3.20	3.47
g. Eating Establishments w/o Grinders	15.16	30.17	32.91	35.65
Each additional 5 seats above 30	2.53	4.53	4.94	5.35
h. Restaurants (w/Grinders) less than 30 seats	31.07	48.50	52.91	57.32
Restaurants (w/Grinders) over 30 seats	39.84	67.89	74.06	80.23
i. Laundromats - per washing machine	9.71	13.89	15.15	16.41
Minimum Charge	29.14	41.70	45.49	49.28
j. Service Stations - no wash/rack	37.41	57.11	62.30	67.49
Service Stations - with wash/rack	54.40	81.92	89.37	96.82
k. Factories	22.05	32.33	35.27	38.21
Each additional employee above 20	1.10	1.62	1.77	1.92
l. Churches	12.56	17.89	19.52	21.15
Per ADA with elementary school	0.34	0.54	0.59	0.64
Per ADA with other school	0.51	0.79	0.86	0.93
m. Bottling Plants	22.05	38.81	42.34	45.87
n. Schools (Non-boarding)	7.07	10.74	11.72	12.70
Per ADA with elementary school	0.33	0.54	0.59	0.64
Per ADA with other school	0.52	0.79	0.86	0.93
o. Schools (Boarding)	7.07	10.78	11.76	12.74
Per ADA with elementary school	0.71	1.08	1.18	1.28
Per ADA with other school	0.95	1.52	1.66	1.80
p. Trailer/Mobile Home Space	4.19	12.95	14.13	15.31
q. RV Dump Stations - Less than 50 services	42.69	100.23	109.34	118.45
r. Brine (per gallon)	0.1125	0.1125	0.1125	0.1125

Source: South San Luis Obispo County Sanitation District.

**Connection fees.** The District's current connection fees became effective on January 28, 2007. The connection fees vary by the size of the meter and the use of the connection. The single-family dwelling unit fee is \$2,475, with other uses having other rates.

**Combined Bill Amounts.** All of the District's customers pay sewer service charges to both the District and to their local sewer collection agency. The table below shows the combined monthly sewer service charges payable by residential customers who are located within the District's service area.

**Table 6**  
**South San Luis Obispo County Sanitation District**  
**Residential Sewer Service Charges – Combined District and Member District**

<u>Affiliated Local Agency</u>	<u>Local Agency's Sewer Charge</u>	<u>District's Sewer Charge</u>	<u>Total Monthly Charge</u>
City of Arroyo Grande <sup>(1)</sup>	\$7.76	\$25.48	\$33.24
City of Grover Beach	9.75	25.48	35.23
Oceano CSD	12.08	25.48	37.56

(1) Based on an assumed 8 hundred cubic feet (hcf) of average monthly water use.

Source: South San Luis Obispo County Sanitation District.

### Comparison with Neighboring Agencies

The following table sets forth the typical monthly combined sewer service charges for residential customers of the District, and for residential customers in neighboring cities and agencies.

**Table 7**  
**South San Luis Obispo County Sanitation District**  
**Single Family Residential Sewer Rate Comparison**  
**(Charges Effective May 2020)**

<u>Agency</u>	<u>Monthly Charge<sup>(1)</sup></u>
Santa Maria	\$24.49
<b>Arroyo Grande*</b>	<b>33.24</b>
Solvang	34.65
<b>Oceano CSD*</b>	<b>35.23</b>
<b>Grover Beach*</b>	<b>37.56</b>
Santa Barbara	42.78
Paso Robles	46.80
Pismo Beach	47.88
Nipomo CSD	50.44
Lompoc	55.68
San Luis Obispo	69.40
Cambria CSD	77.95
Morro Bay	108.00
Los Osos	195.41

\* SSLOCSD member agency.

(1) Based on flat rates, 6 hcf monthly winter use or 8 hcf average monthly water use.

Source: Bartle Wells Associates.

### Collection of Sewer Service Charge; Delinquencies

Historically, the District billed and collected sewer service charges from its customers by including its charge on the bills sent to customers by each of its three affiliated local agencies, which bills are sent out on a bi-monthly basis. However, starting in Fiscal Year 2016-17, for

customers located within the Oceano CSD, the District began levying and collecting its sewer service charge on the County property tax roll (which is due in two installments annually). The customers located in the cities of Arroyo Grande and Grover Beach are still billed bi-monthly but the District anticipates transitioning to billing these customers on the County property tax roll starting in the upcoming fiscal year that begins on July 1, 2021.

**Direct Billing (Cities of Arroyo Grande and Grover Beach).** Customers located in these cities pay the sewer service charge levied by the District as part of the bill sent out by the cities to their sewer customers on a bi-monthly basis. Sewer service charges became due and payable on the first day of the second month of the billing period and became delinquent on the first day of the third month of the billing period. A penalty of 10% is imposed on the amount of any delinquent sewer service charge. Beginning on the 31st day after the due date for service charges, an additional penalty of 1.5% per month on the delinquent amount was imposed. Any unpaid charges due to the District at the time of sale or transfer of a parcel were the responsibility of the owner who transferred the parcel. Given that the cities of Arroyo Grande and Grover Beach administer the billing and collections, they are also responsible for levying and collecting delinquencies.

Delinquent sewer service charges, together with any penalties thereon, when recorded as provided by law, constitute a lien upon the real property served and such lien continues until the charges, and penalties thereon, are fully paid or the property sold, as provided in applicable provisions of the California Government Code. Delinquent charges, together with all penalties thereon, are collected in the same manner, by the same persons, and at the same time as the general property taxes levied for the District.

**Billing via County Tax Roll.** Beginning in Fiscal Year 2016-17, the District switched from direct, semi-annual billing and collection of sewer service charges to annual billing and collection on the property tax roll for customers located within the Oceano Community Services District. Property tax bills are mailed in October of each year and are payable in two installments due on December 10 and April 10. Sewer service charges are levied and collected in the same manner, by the same persons, and at the same time as the general property taxes levied in each County.

The District also anticipates transitioning its method of billing for customers in the cities of Arroyo Grande and Grover Beach to collection via the County property tax rolls. The District's Board of Directors previously provided direction for staff to implement the transition. The District has retained a professional consultant to help implement the billing transition and anticipates billing all District customers via the County's property tax rolls starting in the upcoming fiscal year that begins July 1, 2021. On September 28, 2020, the District entered into an agreement with NBS Government Finance Group to assist the District with the transition to levying and collecting its sewer service charges all customers on the County property tax roll, and to calculate and submit the District's charges to the County for the upcoming fiscal year.

**Teeter Plan.** The Board of Supervisors of San Luis Obispo County has adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. Under this method, each County pays the District 100% of the sewer service charges due to the District and retains any penalties or delinquencies collected to offset such gross payment. There can be no assurance that any of the County will not discontinue the Teeter Plan or remove the District from the Teeter Plan in the future.

**Historical Delinquencies.** Historical delinquency rates for the District have been low. The District has not observed any increases due to the COVID-19 pandemic, and has not changed its collections procedures as a result of COVID-19. However, this may change in the future. See “RISK FACTORS – COVID-19 Pandemic.”

As noted above, the District currently bills customers located within the Oceano CSD via the County property tax bill, and is anticipates transitioning the billing of all District customers via the County's property tax rolls starting next fiscal year which begins July 1, 2021. At that time, all bills will be covered by the Teeter Plan adopted by the County, which ensures 100% collection amounts for the District.

## Historical Revenues and Expenses

The following tables presents the historical revenues and expenses of the Wastewater System for the fiscal years shown. During this time period, the District had no debt service secured by a pledge of the Gross Revenues or Net Revenues of the Wastewater System; accordingly, no debt service coverage calculation has been made.

**Table 8**  
**South San Luis Obispo County Sanitation District**  
**Historical Revenues and Expenses**  
**Fiscal Years 2014-15 through 2018-19; 2019-20 Unaudited**

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20*
<b>Gross Revenues</b>						
Sewer Service Fees <sup>(1)</sup>	\$3,398,643	\$3,458,839	\$4,687,671	\$4,965,954	\$5,139,093	\$5,586,969
Interest Income	15,041	24,231	42,633	77,832	141,484	176,837
Connection Fees	207,335	189,155	116,943	139,935	442,299	311,223
Other Revenues <sup>(2)(3)</sup>	34,279	28,374	144,568	22,634	4,092	4,026
<b>Total</b>	<b>\$3,655,298</b>	<b>\$3,700,689</b>	<b>\$4,991,815</b>	<b>\$5,441,817</b>	<b>\$5,726,968</b>	<b>\$6,079,055</b>
<b>Operations &amp; Maintenance Costs<sup>(4)</sup></b>						
Salaries & Benefits	\$1,168,035	\$1,290,006	\$1,460,474	\$1,310,185	\$1,294,275	\$1,006,850
Other Expenses	1,313,878	1,455,082	1,488,625	1,609,661	1,207,592	1,215,751
<b>Total</b>	<b>\$2,481,913</b>	<b>\$2,745,088</b>	<b>\$2,949,099</b>	<b>\$2,919,846</b>	<b>\$2,501,867</b>	<b>\$2,222,601</b>
<b>Net Revenues</b>	<b>\$1,173,385</b>	<b>\$955,601</b>	<b>\$2,042,716</b>	<b>\$2,521,971</b>	<b>\$3,225,101</b>	<b>\$3,856,454</b>
<b>Cash &amp; Investments as of June 30</b>	<b>\$5,554,693</b>	<b>\$5,575,929</b>	<b>\$5,807,764</b>	<b>\$6,440,940</b>	<b>\$7,820,800</b>	<b>\$10,800,911</b>

\* Unaudited

(1) Increase in revenues starting in Fiscal Year 2016-17 are primarily due to rate increases.

(2) Amount shown for Fiscal Year 2015-16 includes \$109,500 of grant funding.

(3) Amount shown for Fiscal Year 2017-18 excludes a \$221,962 reduction to a settlement payable by the District that was listed as Non-Operating Revenue in the audit.

(4) Excludes depreciation.

Source: South San Luis Obispo County Sanitation District audited financial statements 2014-15 through 2018-19.

## Projected Revenues, Expenses and Debt Service Coverage

The following table includes projected revenues, expenses and debt service coverage for the Wastewater System for Fiscal Years 2019-20 through 2024-25. Key assumptions underlying these projections are included in the footnotes to the table, and should be read in their entirety. Actual future results may vary from those set forth in the following table and under certain circumstances, such variances may be material.

**Table 9**  
**South San Luis Obispo County Sanitation District**  
**Projected Revenues, Expenses and Debt Service Coverage**  
**Fiscal Years 2020-21 through 2024-25**

	Projected 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
<b>Gross Revenues</b>					
Sewer Service Fees <sup>(1)</sup>	\$5,482,000	\$5,494,000	\$5,506,000	\$5,628,000	\$5,753,000
Connection Fees <sup>(2)</sup>	100,000	100,000	100,000	100,000	100,000
Other Revenues <sup>(3)</sup>	173,000	178,000	175,000	179,000	181,000
<b>Total Revenues</b>	<b>5,755,000</b>	<b>5,772,000</b>	<b>5,781,000</b>	<b>5,907,000</b>	<b>6,034,000</b>
<b>Operating &amp; Maintenance Expenses</b>					
Personnel Costs <sup>(4)</sup>	1,327,000	1,373,000	1,421,000	1,471,000	1,522,000
Other Operating Expenses <sup>(4)</sup>	1,639,000	1,616,000	1,673,000	1,732,000	1,791,000
Redundancy Project Op. Ex. <sup>(5)</sup>	-	-	200,000	500,000	518,000
<b>Subtotal</b>	<b>2,966,000</b>	<b>2,989,000</b>	<b>3,294,000</b>	<b>3,703,000</b>	<b>3,831,000</b>
<b>Net Revenues</b>	<b>2,789,000</b>	<b>2,783,000</b>	<b>2,487,000</b>	<b>2,204,000</b>	<b>2,203,000</b>
<b>Debt Service*</b>					
2020 Wastewater COPs*	100,000	950,000	950,000	900,000	900,000
USDA Loan	-	-	-	146,000	146,000
<b>Subtotal</b>	<b>100,000</b>	<b>950,000</b>	<b>950,000</b>	<b>1,046,000</b>	<b>1,046,000</b>
<b>Debt Service Coverage*</b>	<b>27.89</b>	<b>2.93</b>	<b>2.62</b>	<b>2.11</b>	<b>2.11</b>
<b>Net Revenues After Debt Service*</b>	<b>2,689,000</b>	<b>1,833,000</b>	<b>1,537,000</b>	<b>1,158,000</b>	<b>1,157,000</b>
<b>CAPITAL IMPROVEMENTS</b>					
Redundancy Project Cash Funding	-	2,000,000	6,035,000	-	-
Other Capital Improvements	1,700,000	500,000	500,000	1,000,000	1,000,000
<b>Subtotal</b>	<b>1,700,000</b>	<b>2,500,000</b>	<b>6,535,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
Total Annual Expenses	4,766,000	6,439,000	10,779,000	5,749,000	5,877,000
<b>Revenues less Expenses<sup>(6)</sup></b>	<b>\$989,000</b>	<b>\$(667,000)</b>	<b>\$(4,998,000)</b>	<b>\$158,000</b>	<b>\$157,000</b>
<b>Ending Fund Reserves<sup>(7)</sup></b>	<b>\$11,588,000</b>	<b>\$10,921,000</b>	<b>\$5,923,000</b>	<b>\$6,066,000</b>	<b>\$6,208,000</b>

\* Preliminary; subject to change.

(1) Assumes no rate increases through the end of fiscal year 2022-23, future rate increases of 2% per year in fiscal years 2023-24 and 2024-25, and annual growth estimated at 0.22% per year.

(2) Conservatively estimated based on annual growth of 40 new single family homes or equivalents.

(3) Includes projected interest earnings and revenues from Brine Disposal Charges.

(4) Projections based on District's current year budget with 3.5% annual cost escalation.

(5) Based on Kennedy/Jenks Consultants engineering cost estimates for new Redundancy Project operations with 3.5% annual cost escalation.

(6) District plans to partially draw down accrued fund reserves in Fiscal Year 2020-21 and 2021-22 to help fund the Redundancy Project.

(7) Excludes fund reserves that the District anticipates setting aside for debt service reserve fund for the anticipated USDA loan.

Source: South San Luis Obispo County Sanitation District and Bartle Wells Associates.

## Reserve Policy; Reserves

In August 1976, the District adopted Resolution 53, providing for a reserve fund in the amount of 20% of annual charges or 10% of annual costs of District maintenance and operations, whichever is less. In June 2016, the District adopted Resolution 2016-352, which established a Reserve Policy. The Reserve Policy provides that the District will maintain a reserve balance equal to 10% of the annual costs of District maintenance and operation costs. The reserve shall only be used in one-time cases of emergency, natural disaster or unexpected event, and upon majority vote of the Board. The reserve fund policy is reviewed annually in connection with the budget process. In addition, the District plans to maintain approximately 1 year of average annual expenses in fund reserves.

As of June 30, 2020 the District had approximately \$10.8 million in fund reserves with cash and investments of \$10,800,911.

## Investment Policy; Investments

**Investment Policy.** The District's Board of Directors periodically reviews and adopts or ratifies the District's Investment Policy in accordance with Section 53600 of the Government Code of the State of California. The Investment Policy sets forth the following objectives: safety, liquidity, yield, and compliance with State and federal law.

**Investment Portfolio.** As of June 30, 2020, the District had the following investments in its investment portfolio:

**Table 10**  
**South San Luis Obispo County Sanitation District**  
**Investment Portfolio – As of June 30, 2020**

<u>Investment</u>	<u>Value</u>
Cash (on hand and at Mechanic's Bank)	\$173,913
Cash and Investments w/County Treasurer	8,047,769
LAIF <sup>(1)</sup>	<u>2,579,229</u>
Total	10,800,091

(1) LAIF is the State Treasurer's Local Agency Investment Fund.  
Source: South San Luis Obispo County Sanitation District.

## Retirement Plans

**California Public Employees Retirement System.** The District contributes to the California Public Employees Retirement System ("CalPERS"), a cost-sharing multi-employer defined benefit pension plan (the "Plan"). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California.

CalPERS 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. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor 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. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020.

[please revise numbers for the next few sections to reflect draft audit for FY 2019/20, which will be the final audit once accepted by the Board on Nov-18...no changes are expected]

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

**Miscellaneous – Pre-1/1/2013**

Hire date	Prior to January 1, 2013
Benefit Formula	2.0% @ 60
Benefit vesting schedule	5 years' service
Benefit payments	monthly for life
Retirement age	50-63
Monthly benefits, as a % of eligible comp.	1.09% to 2.42%
Required employee contribution rate	7.00%
Required employer contribution rate	9.539%+\$51,913

**Miscellaneous – Post 1/1/2013**

Hire date	On or after January 1, 2013
Benefit Formula	2.0% @ 62
Benefit vesting schedule	5 years' service
Benefit payments	monthly for life
Retirement age	52-67
Monthly benefits, as a % of annual salary	1.0% to 2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	6.533%+96

*Source: South San Luis Obispo County Sanitation District.*

***Annual Contributions, Unfunded Accrued Liability and Net Pension Liability.***

CalPERS collects employer contributions for the Plan as a percentage of payroll at the Plan's actuarially determined rate. The District's contributions to the Plan for the fiscal years ended June 30, 2019 and 2018 were \$136,795 and \$98,219, respectively.

GASB Statement No. 68 requires the District to annually calculate its "net pension liability," which is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. As of June 30, 2019 and 2018, the District reported net pension liability for its proportionate share of the net pension liability of each Plan to be \$1,156,301 and \$1,176,202, respectively.

For additional details on the District's pension liabilities, and the assumptions included therein, see APPENDIX B.

## Other Post-Employment Benefits (OPEB)

**OPEB Plan Description.** The District provides post-retirement health benefits to all retirees with 5 years of service who retire from the District after they have reached the minimum age of 50. Benefits continue for the lifetime of the retiree. As of June 30, 2019, the following current and former employees were covered:

	<u>Number</u>
Participating Active employees	9
Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to, but not yet receiving benefits	6
Total	<u>15</u>

*Source: South San Luis Obispo County Sanitation District.*

**Annual Contributions and Net OPEB Liability.** The District makes annual contributions to the OPEB liability on a pay-as-you-go basis annually. For the fiscal years ended June 30, 2019 and 2018, the District's contributions were \$69,690 and \$73,106, respectively.

GASB Statement No. 75 requires the District to annually calculate its "net OPEB liability," which is the cumulative difference between annual OPEB cost and the employer's contributions to a plan. As of June 30, 2019 and 2018, the District reported net OPEB liability of \$1,789,268 and \$1,790,415, respectively.

For additional details on the District's OPEB liability, and the assumptions included therein, see APPENDIX B.

**CalPERS 457 Plan.** In addition to the retiree medical benefits described above, the District also created a Supplemental Income 457 Deferred Compensation Plan through CalPERS in 2017, pursuant to which employees can make contributions. There is no District liability associated with the 457 Plan.

## RISK FACTORS

### Wastewater System Demand

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges to comply with the covenants to fix rates and charges.

### Wastewater System Expenses

There can be no assurance that the District's expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require an increase in rates or charges to comply with the rate covenant.

### Regulatory Requirements

The operations of the Wastewater System are subject to state and federal laws and regulations, particularly with respect to water quality discharge requirements. The adoption of more stringent laws or regulations may cause the District to incur greater expenses for the

operation of the Wastewater System. No assurance can be given that the costs of complying with any such new laws or regulations will not adversely affect the District's ability to generate sufficient Net Revenues in the amounts required by the covenants set forth in the Installment Sale Agreement.

## **Natural Disasters**

**General.** From time to time, the service area of the District is subject to natural calamities that may adversely affect economic activity in the District, which could have a negative impact on Wastewater System finances. There can be no assurance that the occurrence of any natural calamity would not cause substantial damage to the Wastewater System, or that the District would have insurance or other resources available to make repairs to the Wastewater System in order to generate sufficient Net Revenues to pay debt service on the Certificates when due. The casualty and liability insurance maintained by the District may not cover damages and losses to the Wastewater System due to earthquake, fire, flood or other natural calamities.

**Seismic.** Like all of California, the service area of the District is subject to unpredictable seismic events such as earthquakes. Potential hazards related to earthquakes include ground shaking, surface rupture along the fault zone, and related secondary ground failures. Typical seismically-induced ground failures include liquefaction, lateral spreading, ground lurching, landslides, inundation, and settlement. Seismic events could destroy or damage portions of the Wastewater System, thereby increases the District's expenses, or reduce demand for its wastewater service by damaging businesses and residential dwelling that are customers, thereby decreasing revenues.

**Flooding.** Flooding may cause damage to the District's facilities or other structures within the District's service area and any such damage may be material. In fact, past flooding within the District's service area resulted in an equipment failure that led to a sanitary sewer overflow for which the District was fined by the State Water Resources Control Board.

**Fire.** In recent years, portions of California have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures, even in areas not previously thought to be prone to wildfires. Such areas affected by wildfires are more prone to flooding and mudslides that can further lead to the destruction of homes. Fires may cause damage to District facilities or other structures within the District's service area and any such damage may be material. To date, there have been no wildfires in the District's service area that have destroyed a significant amount of property or disrupted service for any significant period of time.

## **Climate Change; Sea Level Rise**

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. For example, the Fourth National Climate Assessment, published by the U.S. Global Change Research Program, in November 2018 (NCA4) finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years.

In addition, the California Coastal Commission's senior coastal engineer has concluded, as part of the coastal development permit process, that the WWTP is already impacted by flooding and that flooding impacts to the wwtp are likely to become even more frequent in the future at its

location. The District has coastal hazard monitoring plans to evaluate impacts from climate change and sea level rise.

### **Cybersecurity**

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances. As a recipient and provider of personal, private and other sensitive electronic information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The District has never had a major cyber breach that resulted in a significant financial loss or operational disruption. The District provides training to its staff on phishing and safe browsing and how to avoid potential cyber threats. However, no assurances can be given that the security and operational control measures of the District will be successful in guarding against any and each cyber threat or breach.

### **Limited Recourse on Default**

If the District defaults on its obligation to pay the Installment Payments under the Installment Sale Agreement, the Trustee has the right to accelerate the total unpaid principal amount of such payments. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient funds to pay the accelerated payments.

### **Limitations on Remedies**

The ability of the District to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay principal of and interest on the Installment Payments which secure the Certificates may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "- Constitutional Limitations on Appropriations and Fees" below. Furthermore, any remedies available to the Owners of the Certificates upon the occurrence of an Event of Default under the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Certificate Owner remedies contained in the Trust Agreement, the rights and obligations under the Certificates and the Trust Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

## Articles XIIC and XIID

**General.** An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

**Article XIID.** Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water District v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The District has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

**Article XIIC.** Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all

local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the District does not believe that Article XIIC grants to the voters within the District the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Certificates. Remedies available to beneficial owners of the Certificates in the event of a default by the District are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Certificates are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Certificates and the rights and remedies of the Certificate Owners will be exercised through the procedures of DTC.

On August 3, 2020, the California Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal S. Ct. S252915) holding that local legislation measures setting water and other utility rates are not subject to challenge by referendum. Referendum allows voters to approve or reject laws before the laws take effect (and is distinct from the protest procedure under Proposition 218 and the legal process for initiative measures).

## **Proposition 26**

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIIC and XIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The District believes its Wastewater System rates and charges are not taxes under Proposition 26. The District is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

## **Constitutional Limitations on Appropriations and Fees**

Under Article XIIB of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The District is of the opinion that the user charges of the Wastewater System imposed by the District do not exceed the costs the District reasonably bears in providing the Wastewater Service. In

general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

### **Future Initiatives**

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Wastewater System’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the District.

### **COVID-19 Pandemic**

The ongoing spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in material adverse impacts to the Wastewater System and its finances. There can be no assurances that the spread of the virus and the related shelter in place orders and social distancing requirements imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the revenues received by the Wastewater System, particularly connection fees and other amounts tied to economic activity in the service area.

The District is monitoring the COVID-19 pandemic but is not yet able to fully predict the effect it will have on the financial performance or operations of the Wastewater System. The COVID-19 pandemic and the governmental actions to respond to it have resulted in a significant contraction of the national, state and local economies. Employment data released since the imposition of the restrictions have shown a dramatic increase in unemployment rates. In addition, stock markets in the U.S. and globally experienced sharp declines in market value following the onset of the outbreak that were attributed to COVID-19 concerns and, although rebounds in the market have since occurred, increased volatility in the financial markets continues. It is widely expected that global, national and local economies will continue to be negatively affected by the COVID-19 pandemic, at least for some period of time.

To date, the Wastewater System has not experienced any material adverse impact from COVID-19 and no specific customer concessions or deferral assistance plans have been set up by the District, but this may change without notice in the future.

The District cannot predict (i) the duration or ultimate extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the Wastewater System in the future; (iii) to what extent the COVID-19 pandemic may ultimately disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption will adversely impact Wastewater System the cost, sources of funds, schedule or implementation of any capital improvements, or other Wastewater System operations; (iv) to what extent the District may desire to, or need to, provide customer assistance measures or deferrals, forbearances, adjustments or other changes to its customers or its billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of Wastewater System. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be

exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact Wastewater System revenues.

Future costs to the District could also be increased in the event that a sustained deterioration in global stock market values as an economic consequence of the COVID-19 pandemic negatively impacts the market value of assets held to fund the District's pension plans, requiring future unanticipated increases in required plan contributions.

## **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the District and the Wastewater System by not later than April 1st following the end of each fiscal year (presently June 30), commencing with its report for the fiscal year ended June 30, 2020 (the "Annual Report"), due April 1, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of enumerated events will be filed with the Municipal Securities Rulemaking Board (the "MSRB"). These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The specific nature of the information to be contained in the Annual Report and the enumerated events is summarized in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The District has never previously entered into any continuing disclosure obligation under the Rule.

## **LEGAL OPINIONS**

Legal matters incident to the authorization, execution and delivery of the Certificates are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, and certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by the District's general counsel, Jones & Mayer. The compensation of Special Counsel and Disclosure Counsel is contingent on the successful sale of the Certificates.

## **TAX MATTERS**

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of execution and delivery of the Certificates.



***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and bond premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificates to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

***California Tax Status.*** In the further opinion of Special Counsel, the portion of Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to Certificates issued prior to enactment.

The opinions expressed by Special Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Special Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest with respect to the Certificates, or as to the consequences of owning or receiving interest with respect to the Certificates, as of any future date. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates may have federal or state tax consequences other than as described above. Other than as expressly described above, Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates, the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest with respect to the Certificates.

The form of the proposed opinion of Special Counsel is attached as APPENDIX E.

### **NO LITIGATION**

There is no action, suit, or proceeding known by the District to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Certificates, the Installment Sale Agreement, the Trust Agreement or the proceedings of the District or the Trustee taken with respect to the execution or delivery thereof.

### **RATINGS**

[Add Insured Rating, if applicable.]

S&P Global Ratings (“**S&P**”) has assigned the Certificates a rating of “\_\_\_\_\_.” Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from S&P, at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041. The District has furnished to S&P certain materials and information with respect to the District and the Certificates. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. The District and the Municipal Advisor undertake no responsibility to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Certificates.

### **MUNICIPAL ADVISOR**

The District has retained Bartle Wells Associates, Berkeley, California as municipal advisor (the “**Municipal Advisor**”) in connection with the structuring, marketing and pricing of the Certificates. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting the accuracy and completeness of the information contained herein.

## **UNDERWRITING**

\_\_\_\_\_ (the "Underwriter") has purchased the Certificates at a competitive sale for a purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Certificates, plus a [net] original issue premium of \$\_\_\_\_\_, and less an underwriting discount of \$\_\_\_\_\_). The public offering prices may be changed from time to time by the Initial Purchaser. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

## **MISCELLANEOUS**

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Holders of any of the Certificates.

The preparation and distribution of this Official Statement has been duly authorized by the District.

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

By: \_\_\_\_\_  
District Administrator

## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF GROVER BEACH, THE CITY OF ARROYO GRANDE, AND SAN LUIS OBISPO COUNTY

*The following information concerning the City of Grover Beach, the City of Arroyo Grande, and San Luis Obispo County is included only for the purpose of supplying general information. The Certificates evidence direct undivided interest in the Installment Payments to be made by the District, and are not a debt of the City of Grover Beach, the City of Arroyo Grande, San Luis Obispo County, the State of California (the "State") or any of its political subdivisions, and are payable solely from the Net Revenues of the District as described in this Official Statement.*

#### General Information

**The City of Arroyo Grande.** The City of Arroyo Grande is located in San Luis Obispo County midway between Los Angeles and San Francisco. Arroyo Grande encompasses an area of approximately 5.45 square miles. Arroyo Grande, in an area locally known as one of the "Five Cities," adjoins Pismo Beach and Grover Beach and is close to Avila Beach and Shell Beach. Tourism, retail sales and government are principal factors in the local economy. Many residents of Arroyo Grande are employed within the Five Cities and in San Luis Obispo, the County seat.

The City of Arroyo Grande was incorporated as a general law city on July 10, 1911 and operates under the Council/Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City of Arroyo Grande business and the coordination of all departments of the City of Arroyo Grande. The City Council is composed of five members elected at large. Four council members are elected biannually to four-year alternating terms. The Mayor is elected bi-annually to a two-year term. A Mayor Pro Term is selected by the City Council from among its members.

**The City of Grover Beach.** The City of Grover Beach covers 2.25 square miles and is located along the Central Coast of California, 92 miles north of Santa Barbara and 150 miles south of Monterey. This region experiences warm and dry summers, with no average monthly temperatures above 71.6 °F. Grover Beach was originally known as Town of Grover, which was founded on August 1, 1887. The town was named for its founder, D.W. Grover. Grover filed his plans at the San Luis Obispo County Court House and eventually founded what was to be known as City of Grover City and was incorporated on December 21, 1959 as the City of Grover City. In 1992 the name was officially changed from "City of Grover City" to "Grover Beach" to emphasize the seaside location.

**The County.** San Luis Obispo County (the "County") is the fifteenth largest county in the State and is located in the mid coast of California. The County borders the Pacific Ocean, with Monterey County to the north, Santa Barbara County to the south and Kern County to the east. The County lies near the Southern Coast Ranges which extend northwest to southeast. The Santa Lucia Range dominates the western half of the County; the eastern boundary lies along the Temblor Range. There is little level land except in some coastal valleys, along the northern border, and in the Carrizo Plain. Los Padres National Forest is located in the south central part of the County. Along the coast, the climate is moderate. In the City of San Luis Obispo, the mean annual temperature is 54 degrees with an average annual rainfall of 22 inches. The average temperature is higher with less rainfall in the inland areas. During the summer, the temperature may be as much as 40 degrees cooler along the coast than in the interior.

Along the Pacific coastline of the County are many recreational areas and tourist attractions. Some popular activities are swimming, clamming, picnicking, boating, surfing, fishing and water skiing at the beaches, lakes and parks of the County. The nationally known Hearst Castle in San Simeon attracts over one million visitors annually.

## Population

The following table lists population estimates for the Cities, the County of San Luis Obispo and the State for the last five calendar years, as of January 1, 2020.

**CITY OF ARROYO GRANDE, CITY OF GROVER BEACH, COUNTY AND STATE OF  
CALIFORNIA  
Population Estimates  
Calendar Years 2016 through 2020, as of January 1**

<b>Year (January 1)</b>	<b>City of Arroyo Grande</b>	<b>City of Grover Beach</b>	<b>County of San Luis Obispo</b>	<b>State of California</b>
2016	17,858	13,455	277,833	39,131,307
2017	17,842	13,474	278,585	39,398,702
2018	17,864	13,422	278,597	39,586,646
2019	17,839	13,320	278,355	39,695,376
2020	17,687	13,214	277,259	39,782,870

*Source: California State Department of Finance.*

*[Remainder of page intentionally left blank]*

## Employment Industry

The District is included in the San Luis Obispo-Paso Robles-Arroyo Grande Metropolitan Statistical Area (“**MSA**”). The unemployment rate in the San Luis Obispo County was 7.2 percent in September 2020, down from a revised 7.6 percent in August 2020, and above the year-ago estimate of 2.5 percent. This compares with an unadjusted unemployment rate of 10.8 percent for California and 7.7 percent for the nation during the same period.

The table below lists employment by industry group for the County for the years 2015 through 2019.

**SAN LUIS OBISPO PASO ROBLES ARROYO GRANDE MSA**  
**(San Luis Obispo County)**  
**Annual Average Civilian Labor Force, Employment and Unemployment,**  
**Unemployment by Industry**  
**(March 2019 Benchmark)**

	2015	2016	2017	2018	2019
Civilian Labor Force <sup>(1)</sup>	138,900	139,500	140,400	140,300	140,900
Employment	132,300	133,400	135,400	136,000	136,900
Unemployment	6,600	6,000	5,000	4,200	4,000
Unemployment Rate	4.7%	4.3%	3.6%	3.0%	2.9%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	5,000	4,800	5,200	5,200	4,900
Mining, Logging, Construction	6,700	7,200	7,500	7,900	8,200
Manufacturing	7,000	7,000	7,300	7,700	7,800
Wholesale Trade	2,800	2,900	2,800	2,700	2,700
Retail Trade	13,900	14,100	14,300	14,300	14,000
Trans., Warehousing, Utilities	4,000	4,100	4,000	3,900	4,000
Information	1,500	1,300	1,300	1,300	1,300
Financial and Insurance	2,300	2,200	2,300	2,300	2,200
Real Estate, Rental & Leasing	1,600	1,500	1,600	1,600	1,600
Professional and Business Services	10,100	10,500	10,700	10,800	11,300
Educational and Health Services	16,500	17,000	17,400	17,700	18,300
Leisure and Hospitality	17,600	18,500	19,100	19,200	19,900
Other Services	3,800	3,800	4,000	4,000	4,100
Federal Government	23,600	23,900	24,100	24,300	24,400
State Government	10,200	10,300	10,600	10,800	10,800
Local Government	12,900	13,000	13,000	13,100	13,100
Total All Industries <sup>(3)</sup>	116,400	118,800	121,500	123,000	124,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Columns may not sum to totals due to rounding.

Source: State of California, Employment Development Department.

## Largest Employers

The table below lists the largest employers in the County as of October 2020, listed alphabetically.

### SAN LUIS OBISPO COUNTY Major Employers As of October 2020

Employer Name	Location	Industry
<u>AMI Sierra Vista Radiology</u>	<u>San Luis Obispo</u>	<u>Physicians &amp; Surgeons</u>
<u>Arroyo Grande Community Hosp</u>	<u>Arroyo Grande</u>	<u>Hospitals</u>
<u>Atascadero State Hospital</u>	<u>Atascadero</u>	<u>Hospitals</u>
<u>Avalara</u>	<u>Paso Robles</u>	<u>Wineries (mfrs)</u>
<u>Cal Poly State University</u>	<u>San Luis Obispo</u>	<u>Schools-Universities &amp; Colleges</u>
<u>California Mid-State Fair</u>	<u>Paso Robles</u>	<u>Academic</u>
<u>County Office of Education</u>	<u>San Luis Obispo</u>	<u>Concert Venues</u>
<u>Cuesta College</u>	<u>Paso Robles</u>	<u>County Government-Education Programs</u>
<u>Division of Juvenile Justice</u>	<u>Paso Robles</u>	<u>Junior-Community College-Tech Institutes</u>
<u>French Hospital Medical Ctr</u>	<u>San Luis Obispo</u>	<u>State Govt-Correctional Institutions</u>
<u>Glenair Inc</u>	<u>Paso Robles</u>	<u>Hospitals</u>
<u>Hearst Castle</u>	<u>San Simeon</u>	<u>Communications Consultants</u>
<u>Madonna Inn Resort</u>	<u>San Luis Obispo</u>	<u>National Monuments</u>
<u>Medi-Cal Eligibility Info</u>	<u>San Luis Obispo</u>	<u>Resorts</u>
<u>Mental Marketing</u>	<u>San Luis Obispo</u>	<u>Government Offices-County</u>
<u>Morro Bay Art Assn Gallery</u>	<u>Morro Bay</u>	<u>Advertising-Agencies &amp; Counselors</u>
<u>Mustang Waterpark</u>	<u>Arroyo Grande</u>	<u>Art Galleries &amp; Dealers</u>
<u>Pacific Gas &amp; Electric Co</u>	<u>San Luis Obispo</u>	<u>Water Parks</u>
<u>Ramirez Farm Labor</u>	<u>Shandon</u>	<u>Electric Companies</u>
<u>San Luis Obispo County EMS</u>	<u>San Luis Obispo</u>	<u>Labor Contractors</u>
<u>San Luis Obispo Sheriff's Dept</u>	<u>San Luis Obispo</u>	<u>Government Offices-County</u>
<u>Sierra Vista Regional Med Ctr</u>	<u>San Luis Obispo</u>	<u>Sheriff</u>
<u>Social Services Dept</u>	<u>San Luis Obispo</u>	<u>Hospitals</u>
<u>Trust Rcm</u>	<u>San Luis Obispo</u>	<u>Government Offices-County</u>
<u>Twin Cities Community Hospital</u>	<u>Templeton</u>	<u>Billing Service</u>
		<u>Hospitals</u>

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System(ALMIS) Employer Database, 2020 1st Edition.

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## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and non-tax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the Cities, the County, the State and the United States for the period 2017 through 2021.

### CITY OF ARROYO GRANDE, CITY OF GROVER BEACH AND SAN LUIS OBISPO COUNTY Effective Buying Income 2017 through 2021

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of Arroyo Grande	\$548,499	\$57,298
	City of Grover Beach	342,577	49,220
	San Luis Obispo County	7,699,746	55,193
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Arroyo Grande	\$603,275	\$60,464
	City of Grover Beach	354,474	52,656
	San Luis Obispo County	8,314,188	59,104
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Arroyo Grande	\$656,732	\$66,215
	City of Grover Beach	384,938	58,036
	San Luis Obispo County	1,360,495	49,951
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Arroyo Grande	\$698,621	\$71,591
	City of Grover Beach	407,336	61,589
	San Luis Obispo County	9,288,811	66,215
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Arroyo Grande	\$699,018	\$74,056
	City of Grover Beach	408,602	62,931
	San Luis Obispo County	1,506,247	53,994
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc for years 2017 through 2018; Claritas, LLC for 2019 and 2021.



## Commercial Activity

Summaries of the historic taxable sales within the Cities and the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar year 2020 are not yet available.

Total taxable sales during the first quarter of calendar year 2020 in the City of Arroyo Grande were reported to be \$66,291,164, a 14.54% decrease in the total taxable sales of \$77,566,684 reported during the first quarter of calendar year 2019.

**CITY OF ARROYO GRANDE**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2015 through 2019 (Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total Outlets</b>	
<b>Year</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	483	\$287,987	756	\$316,414
2016	504	289,336	792	319,036
2017	553	311,301	847	342,847
2018	553	313,376	877	346,271
2019	522	313,197	847	351,796

*Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015 and 2016. State Department of Tax and Fee Administration for year 2017 through 2019.*

Total taxable sales during three quarters of calendar year 2019 in the City of Grover Beach were reported to be \$30,773,646 a 5.65% decrease in total taxable sales of \$32,615,848 reported during the first quarter of calendar year 2019.

**CITY OF GROVER BEACH**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2015 through 2019 (Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total Outlets</b>	
<b>Year</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>	<b>Number of Permits</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	253	\$93,954	457	\$119,189
2016	254	95,246	465	122,299
2017	276	96,640	480	119,984
2018	281	103,013	497	129,601
2019	274	122,943	497	151,327

*Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015 and 2016. State Department of Tax and Fee Administration for year 2017 through 2019.*

Total taxable sales during the first quarters of the calendar year 2020 in the County were reported to be \$1,034,390,137, a 11.01% decrease in the total taxable sales of \$1,162,348,025 reported during the first quarter of calendar year 2019.

**SAN LUIS OBISPO COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2015 through 2020 (Dollars in Thousands)**

	<b>Retail Stores</b>		<b>Total Outlets</b>	
<b>Year</b>	<b>Permits on July 1</b>	<b>Taxable Transactions</b>	<b>Permits on July 1</b>	<b>Taxable Transactions</b>
2015 <sup>(1)</sup>	4,409	\$3,474,574	11,234	\$4,943,469
2016	7,099	3,533,460	11,724	5,019,498
2017	7,210	3,730,441	11,955	5,341,390
2018	7,181	3,865,203	12,387	5,416,332
2019	7,105	3,924,841	12,596	5,501,294

*Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2015 and 2016. State Department of Tax and Fee Administration for year 2017 through 2019.*

Provided below are the building permits and valuations for the City and the County for calendar years 2015 through 2019.

**CITY OF ARROYO GRANDE**  
**Total Building Permit Valuations**  
**Calendar Years 2013 through 2017**  
**(dollars in thousands)**

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$3,951.5	\$5,592.7	\$9,191.3	\$8,299.9	\$13,474.9
New Multi-family	0.0	375.0	175.0	0.0	1,000.0
Res. Alterations/Additions	<u>1,671.2</u>	<u>2,623.4</u>	<u>2,339.5</u>	<u>2,551.7</u>	<u>2,344.0</u>
Total Residential	5,622.7	8,591.1	11,705.8	10,851.6	16,818.9
 New Commercial	0.0	359.0	12,453.0	128.0	425.0
New Industrial	3,714.3	0.0	0.0	0.0	2,477.8
New Other	7,396.9	303.3	647.9	596.4	671.1
Com. Alterations/Additions	<u>2,841.6</u>	<u>1,881.6</u>	<u>3,589.6</u>	<u>3,125.9</u>	<u>6,996.4</u>
Total Nonresidential	\$13,952.8	\$2,543.9	\$16,690.5	\$3,850.3	\$10,570.3
 <u>New Dwelling Units</u>					
Single Family	13	30	48	29	38
Multiple Family	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>6</u>
TOTAL	13	34	50	29	44

*Source: Construction Industry Research Board, Building Permit Summary*

**CITY OF GROVER BEACH**  
**Total Building Permit Valuations**  
**Calendar Years 2015 through 2019**  
**(dollars in thousands)**

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$6,311.8	\$4,857.1	\$2,657.3	\$2,079.9	\$6,129.4
New Multi-family	0.0	0.0	268.6	1,894.5	321.6
Res. Alterations/Additions	<u>976.8</u>	<u>703.4</u>	<u>1,930.4</u>	<u>1,419.2</u>	<u>1,127.6</u>
Total Residential	7,288.6	\$5,560.5	4,856.3	5,393.6	7,578.6
 New Commercial	367.6	0.0	22.5	52.2	11,260.8
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	146.4	346.7	85.9	333.7	287.3
Com. Alterations/Additions	<u>249.9</u>	<u>211.6</u>	<u>888.9</u>	<u>766.0</u>	<u>520.8</u>
Total Nonresidential	\$763.9	\$558.3	\$997.3	\$1,151.9	\$12,068.9
 <u>New Dwelling Units</u>					
Single Family	29	24	11	9	27
Multiple Family	<u>0</u>	<u>0</u>	<u>3</u>	<u>15</u>	<u>2</u>
TOTAL	29	24	14	23	29

*Source: Construction Industry Research Board, Building Permit Summary*

**SAN LUIS OBISPO COUNTY**  
**Total Building Permit Valuations**  
**Calendar Years 2015 through 2019**  
**(dollars in thousands)**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<u>Permit Valuation</u>					
New Single-family	\$216,070.4	\$181,893.7	\$221,831.8	\$193,768.8	\$346,246.7
New Multi-family	31,179.2	53,042.3	62,910.6	37,018.4	27,053.9
Res. Alterations/Additions	<u>40,465.3</u>	<u>44,775.7</u>	<u>43,489.3</u>	36,513.3	36,741.4
Total Residential	287,714.9	279,711.7	328,231.7	267,300.5	410,042.0
 New Commercial	 55,266.1	 87,629.8	 60,951.0	 82,645.5	 65,898.2
New Industrial	1,189.2	6,091.4	7,916.8	11,088.0	10,977.8
New Other	37,657.8	15,160.9	12,225.4	21,954.8	17,842.3
Com. Alterations/Additions	<u>49,912.1</u>	<u>49,615.0</u>	<u>39,308.4</u>	<u>52,079.1</u>	<u>36,883.3</u>
Total Nonresidential	\$144,025.2	\$158,497.1	\$120,401.6	\$167,767.4	\$131,601.6
 <u>New Dwelling Units</u>					
Single Family	664	531	696	636	697
Multiple Family	<u>216</u>	<u>283</u>	<u>1,586</u>	<u>207</u>	<u>204</u>
TOTAL	880	814	2,282	843	901

*Source: Construction Industry Research Board, Building Permit Summary*

## Transportation

U. S. Route 101, the principal coastal highway in California, traverses the City of Arroyo Grande providing freeway access to Los Angeles and San Francisco. Arroyo Grande is approximately 95 miles from the 5 freeway, a primary transportation corridor in the State.

The Union Pacific Railroad coast mainline passes through adjacent Grover Beach, where Amtrak makes a passenger stop, connecting the area with Los Angeles and San Francisco and beyond through both passenger train and bus service. Local bus service is provided by the South County Area Transit.

Air passenger and cargo service is available at the Santa Maria Airport, approximately 25 miles to the south and San Luis Obispo County Airport, 10 miles to the north. Commuter airlines provide passenger service at both airports.

The County is served by Amtrak trains and Greyhound Lines buses. The San Luis Obispo Regional Transit Authority provides countywide service along US 101 as well as service to Morro Bay, Los Osos, Cambria and San Simeon.

The cities of San Luis Obispo, Atascadero and Paso Robles operate their own local bus services; all of these connect with SLORTA routes.

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**APPENDIX C**  
**SUMMARY OF CERTAIN PROVISIONS OF**  
**THE LEGAL DOCUMENTS**

## **APPENDIX D**

### **BOOK-ENTRY SYSTEM**

The information in this Appendix D concerning DTC and its book-entry system has been obtained from sources that the District believe to be reliable, but the District take no responsibility for the accuracy thereof.

#### **General**

The Depository Trust Company ("DTC") will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.org](http://www.dtcc.org). The information on such website is not incorporated by reference herein.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in

Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.



The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**APPENDIX E**  
**FORM OF CERTIFICATE COUNSEL OPINION**

[Closing Date]

Board of Directors  
South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, California 93445

OPINION: \$ \_\_\_\_\_ 2020 Wastewater Revenue Certificates of Participation,  
Series A; and  
\$ \_\_\_\_\_ 2020 Wastewater Revenue Certificates of Participation,  
Series B

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Members of the Board of Directors:

We have acted as special counsel to the South San Luis Obispo County Sanitation District (the "District") in connection with the delivery by the District of the Installment Sale Agreement dated as of December 1, 2020 (the "Installment Sale Agreement") between the Public Property Financing Corporation of California (the "Corporation"), as seller, and the District, as purchaser. Under the Trust Agreement dated as of December 1, 2020 (the "Trust Agreement") among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Trustee has executed and delivered the above-captioned certificates of participation on the date hereof (the "Certificates"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Certificates evidence the direct, undivided fractional interests of the owners thereof in Installment Payments to be made by the District under the Installment Sale Agreement (the "Installment Payments"), which have been assigned by the Corporation to the Trustee. The District authorized execution and delivery of the Installment Sale Agreement, the Trust Agreement and the Certificates pursuant to a resolution of the Board of Directors of the District, adopted on August 5, 2020 (the "Resolution").

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Installment Sale Agreement and the Trust Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The District is a duly created and validly existing county sanitation district under Section 4700 et seq. of the Health and Safety Code of the State of California, with the power to

adopt the Resolution, enter into the Installment Sale Agreement and the Trust Agreement, and perform the agreements on its part contained therein.

2. The Installment Sale Agreement and the Trust Agreement have been duly authorized, executed and delivered by the District, and constitute the valid and binding obligations of the District, enforceable against the District.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the assignment made by the Corporation, the owners of the Certificates are entitled to the benefits of the Installment Sale Agreement.

4. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the Certificates in order that the interest with respect thereto be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of delivery of the Installment Sale Agreement.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Installment Sale Agreement or the Certificates.

The rights of the owners of the Certificates and the enforceability of the Installment Sale Agreement and the Trust Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**2020 Wastewater Revenue  
Certificates of Participation, Series A  
(South San Luis Obispo  
County Sanitation District)**

\$ \_\_\_\_\_  
**2020 Wastewater Revenue  
Certificates of Participation, Series B  
(South San Luis Obispo  
County Sanitation District)**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the South San Luis Obispo County Sanitation District (the “District”) in connection with the execution and delivery of the above-referenced certificates of participation (the “Certificates”) under the Trust Agreement dated as of \_\_\_\_\_ 1, 2020 (the “Trust Agreement”) among the District, the Public Property Financing Corporation of California, and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Dissemination Agent” shall mean [the District], or any successor Dissemination Agent designated by the District.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the District.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement relating to the Certificates, dated \_\_\_\_\_, 2020.

“Participating Underwriter” shall mean the original purchaser(s) of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than each April 1 after the end of each Fiscal Year (presently such Fiscal Year ends June 30) or the next succeeding business day if that day is not business day, commencing with the report for the fiscal year ending June 30, 2020, which shall be due April 1, 2021, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update as of the most recently ended Fiscal Year of the District to the information set forth in the following tables in the Official Statement for the most recently-completed Fiscal Year only:

- Table 1 (Number of Wastewater Connections)
- Table 2 (Top Ten Customers)
- Table 5 (Adopted Sewer Service Charges)
- Table 8 (Historical Revenues and Expenses) (will also include debt service coverage for most recent fiscal year)

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Trust Agreement or its obligations in relation to the Certificates:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to the rights of Certificateholders, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the District;
- (13) Consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the

ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) If a Listed Event occurs, the District shall provide, in a timely manner and in no event in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event with the MSRB.

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior optional prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. [The District] will serve as the initial Dissemination Agent hereunder. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Certificate, the sole legal remedy of any Holder or Beneficial Owner of the Certificates or the Participating Underwriter shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement.

No Certificateholder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written

evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, suit, claim, cost, damages, judgment, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates. The Dissemination Agent shall be afforded the same rights, protections and immunities hereunder afforded to it as Trustee under the Trust Agreement.

It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Certificate, and has no liability to any person, including any holder of Certificates, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the District.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the same manner as for a Listed Event under Section 5(b). The District shall obtain the consent of the Dissemination Agent for any amendment of the Disclosure Certificate that affects the duties, rights, protections or obligations of the Dissemination Agent.

SECTION 12. Transmission of Notices, Documents and Information.

(a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.



SECTION 14. Governing Law. The provisions of this Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of California.

Dated: \_\_\_\_\_, 2020

SOUTH SAN LUIS OBISPO COUNTY  
SANITATION DISTRICT

By \_\_\_\_\_  
District Administrator

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: South San Luis Obispo County Sanitation District

Name of Certificate Issue: \$\_\_\_\_\_ 2020 Wastewater Revenue Certificates of Participation  
, Series A, and  
\$\_\_\_\_\_ 2020 Wastewater Revenue Certificates of Participation,  
Series B

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN that an Annual Report with respect to the above-named Certificates was not released by the District by the date required in the Continuing Disclosure Certificate. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, 20\_\_

South San Luis Obispo County Sanitation District

By \_\_\_\_\_

## OFFICIAL NOTICE OF SALE

\$ \_\_\_\_\_ \*  
**2020 Wastewater Revenue  
Certificates of Participation, Series A  
(South San Luis Obispo  
County Sanitation District)**

\$ \_\_\_\_\_ \*  
**2020 Wastewater Revenue  
Certificates of Participation, Series B  
(South San Luis Obispo  
County Sanitation District)**

(Book-Entry-Only)

NOTICE IS HEREBY GIVEN that electronic bids will be received via **PARITY** for the purchase of the above-referenced Certificates of Participation (the "Certificates") from the South San Luis Obispo County Sanitation District (the "District").

Bids will be accepted in accordance with this Notice, as follows:

**Date of Bid:** \_\_\_\_\_, December \_\_, 2020

**Time of Bid:** Until \_\_\_\_\_ am Pacific Time

For further information about **PARITY**, bidders may contact i-Deal LLC at (212) 849-5021. For further information about the Certificates, bidders may contact the District's municipal advisor, Alex Handlers of Bartle Wells Associates, either by phone at (510) 653-3399 (ext. 109) or by email at alex@bartlewells.com.

The Preliminary Official Statement for the Certificates is available online at the following: <http://www.i-dealprospectus.com/Public>. Each bidder must review the Preliminary Official Statement prior to bidding for the Certificates. This Official Notice of Sale contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the Certificates. Bidders must read the Preliminary Official Statement for the Certificates (the "POS") in its entirety to obtain information essential to making an informed investment decision.

### **Purpose**

The Certificates are being executed and delivered to (i) finance a portion of the cost of the District's Redundancy Project (Project), which is described in the POS, and (ii) pay the costs of issuing the Certificates[, including to pay premiums for bond insurance and reserve fund insurance policies].

### **Tax-Exempt**

In the opinion of Special Counsel, interest on both Series A and Series B of the Certificates is excluded from gross income for federal income tax purposes, is not an item of tax preference for

\* Preliminary; subject to change.

purposes of the federal alternative minimum tax, and is exempt from California personal income taxes. For more information, see *Legal Opinion; Tax-Exempt Status* below.

**Principal Amounts\***

Certificate principal on the Series A Certificates shall be payable annually on **September 1** commencing **September 1, 2021**, as follows:

**Series A Certificates**

<b>September 1</b>	<b>Principal Amount</b>
<b>2021</b>	
<b>2022</b>	
<b>2023</b>	
<b>2024</b>	
<b>2025</b>	
<b>2026</b>	
<b>2027</b>	
<b>2028</b>	
<b>2029</b>	
<b>2030</b>	
<b>2031</b>	
<b>2032</b>	
<b>2033</b>	
<b>2034</b>	
<b>2035</b>	

<b>September 1</b>	<b>Principal Amount</b>
<b>2036</b>	
<b>2037</b>	
<b>2038</b>	
<b>2039</b>	
<b>2040</b>	
<b>2041</b>	
<b>2042</b>	
<b>2043</b>	
<b>2044</b>	
<b>2045</b>	
<b>2046</b>	
<b>2047</b>	
<b>2048</b>	
<b>2049</b>	
<b>2050</b>	

Certificate principal on the Series B Certificates shall be payable annually on **September 1** commencing **September 1, 2021**, as follows:

**Series B Certificates**

<b>September 1</b>	<b>Principal Amount</b>
<b>2025</b>	

\* Preliminary, subject to change.

## Adjustment of Principal Amounts

Following the bid award, the District reserves the right to adjust the principal amount of each Certificate maturity in \$5,000 increments in order to a) generate a target level purchase price of \_\_\_\_\_ and b) result in approximately level annual debt service. *[In no event shall such adjustment cause the principal amount of the Certificates to change by more than \_\_\_\_%.]* In the event of any principal adjustments, the selected Underwriter will be consulted and requested to provide a revised schedule of principal payments as well as interest rates, initial offering prices and yields. Such adjustment shall be made as soon as practicable following notification of the award but in no case later than [24 hours] of the bid award. In the event of any such adjustment, no rebidding or recalculation of bids will be required or permitted, the winning bid may not be withdrawn, the successful bidder will not be permitted to change the interest rate(s) or reoffering prices, and the Underwriter's Discount shall be adjusted proportionately to the change in the principal amount of the Certificates.

## Interest Rates

Bidders may specify any number of separate interest rates, and any rate may be repeated as often as desired; provided, however, that

- (i) Each Certificate shall bear interest at a fixed-rate, calculated on a 30/360 basis;
- (ii) each interest rate must be in a multiple of 1/20 of 1% or 1/8 of 1%;
- (iii) a zero rate or negative rate of interest cannot be specified;
- (iv) no maturity may bear interest at a rate greater than 5%;
- (v) each Certificate shall bear interest from its dated date to its stated maturity date at the interest rate specified in the bid;
- (vi) all Certificates of the same maturity date shall bear the same rate of interest, with the exception of split coupons, which is allowed; and
- (vii) any premium must be paid as part of the purchase price, and no bid will be accepted which provides for the cancellation and surrender of any interest payment or for the waiver of interest or other concession by the bidder as a substitute for payment in full of the purchase price of the Certificate or Certificates.

## Issue

The Certificates will be dated the date of delivery – **December \_\_, 2020**. Interest on the Certificates is payable on March 1 and Sept 1, commencing **March 1, 2021**. The Certificates are subject to prepayment prior to maturity as set forth in the POS and described below. The Certificates will be awarded to the bidder whose bid produces **the lowest true interest cost**.

## Initial Offering Prices

As soon as the bid is awarded, the winning bidder shall provide a schedule of initial offering prices and yields for each maturity of the Certificates. In the event of any adjustment of principal by the District, the winning bidder shall provide a revised schedule showing the same information for each maturity of the Certificates with the revised principal amounts.

### **Optional Prepayment\***

**Series A Certificates.** The Series A Certificates maturing on or before September 1, 2028, are not subject to optional prepayment prior to the respective stated maturities. The Series A Certificates maturing on or after September 1, 2029, are subject to optional prepayment in whole or in part on any date on or after September 1, 2028, from prepayments of the Installment Payments made at the option of the District under the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount of Series A Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium.

**Series B Certificates.** The Series B Certificates are subject to optional prepayment in whole or in part on any date on or after March 1, 2023 from prepayments of the Installment Payments made at the option of the District under the Installment Sale Agreement, at a prepayment price equal to 100% of the principal amount of Series B Certificates or portions thereof to be prepaid, together with accrued interest represented thereby to the prepayment date, without premium. The District anticipates refunding the Series B Certificates with proceeds from a United States Department of Agriculture Rural Development loan (USDA Loan) after Project completion.

### **Mandatory Sinking Fund Prepayment\***

**Series A Certificates.** Bidders may specify one or more term Certificates subject to mandatory sinking fund Prepayment on September 1 in consecutive years immediately preceding the maturity thereof. Term Certificates shall be payable at a prepayment price equal to the principal amount thereof plus accrued interest thereon to the date of prepayment, without premium.

**Series B Certificate.** It is anticipated the Series B Certificate will be single term Certificate, not subject to mandatory sinking fund prepayment.

**Notice of Prepayment shall be provided as set forth in the Preliminary Official Statement.**

### **Book-Entry Form Only**

The Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Individual purchases will be made in book-entry form only, in denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interest in the Certificates. Principal and interest are payable in lawful money of the United States of America and will be paid to DTC which will remit such amounts to the beneficial owners of the Certificates through DTC's Participants, as described in the Preliminary Official Statement.

\* Preliminary, subject to change.

### **Security for the Certificates; Parity Debt**

The Certificates are special obligations of the District, secured by and payable exclusively from Net Revenues of the Wastewater System, as more fully described in the POS. Additional parity debt may be issued, as more fully described in the POS. The Certificates are not a debt, liability or obligation of the State of California or any of its political subdivisions other than the District.

### **CUSIP Numbers; Other Fees**

The selected bidder shall obtain CUSIP numbers in a timely manner and shall advise the District and Bond Counsel within two business days after notice of award of the CUSIP numbers for the Bonds. All charges of the CUSIP Service Bureau for the assignment of CUSIP numbers for the Bonds shall be paid by the selected bidder. The selected bidder shall also be required to pay all fees required by The Depository Trust Company, Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the issuance of the Certificates.

### **Legal Opinion; Tax-Exempt Status**

In the opinion of Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants of the District, interest on the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Special Counsel, interest on the Certificates is exempt from California personal income taxes. In the event that prior to the issuance and delivery of the Certificates (a) the interest represented by other obligations of the same type and character shall be declared to be taxable (either at the time of such declaration or at any future date) under any federal income tax laws, either by the terms of such laws or by ruling of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court, or (b) any federal income tax law is adopted which will have a substantial adverse effect upon owners of the Certificates as such, the successful bidder for the Certificates may, at its option, be relieved of its obligation under the contract to purchase the Certificates, and in such case the deposit accompanying its proposal will be returned.

### **California Debt and Investment Advisory Commission (CDIAC)**

The winning bidder is required to pay any fees owing to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the winning bidder after closing.

### **No Litigation; Tax Certificate**

Prior to delivery of the Certificates, the District shall deliver a certificate stating that there is no action, suit, or proceeding known by the District to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Certificates, the Indenture or the proceedings of the District taken with respect to the execution or delivery thereof. The District shall also deliver a tax certificate attesting to its reasonable expectations and undertaking certain covenants concerning the Certificates and the use and investment of Certificate proceeds.



## **Preliminary Official Statement (POS) and Final Official Statement**

The Preliminary Official Statement for the Certificates is available online at the following: <http://www.i-dealprospectus.com/Public>. The POS, together with any supplements thereto, shall be “deemed final” by the District for purposes of SEC Rule 15c2-12(b)(1), but shall be subject to revision, amendment and completion in a final official statement. At closing, the District shall deliver a certificate to the effect that the facts contained in the Official Statement are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading.

The District shall provide the winning bidder with an electronic version of the final Official Statement Within seven business days after the award of the bid and will also provide up to 25 hard copies of the final Official Statement at no charge. The winning bidder should promptly notify the District if additional hard copies are needed.

By submitting a bid for the Certificates, the winning bidder agrees (1) to disseminate to all members of the underwriting syndicate copies of the final Official Statement, including any supplements prepared by the District, (2) to promptly file a copy of the final Official Statement, including any supplements, with the MSRB through its EMMA System, and (3) to take any and all other actions necessary to comply with applicable SEC and MSRB rules governing the offering, sale and delivery of the Certificates to ultimate purchasers.

## **Continuing Disclosure**

To assist bidders in complying with SEC Rule 15c2-12(b)(5), the District will provide Continuing Disclosure of certain annual financial information and notice of the occurrence of certain material events. A description of this undertaking and a form of the Continuing Disclosure Certificate is included in Appendix F of the Preliminary Official Statement.

## **S&P Rating: “\_\_\_\_\_”**

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) has assigned a rating of “\_\_\_\_\_” to the Certificates, as shown on the cover of the POS. Such rating reflects only the views of S&P. An explanation of the significance of the rating may be obtained from S&P at 55 Water Street, New York, New York 10041, (212) 438-2000. The District can provide no assurance the rating will continue for any given time period or that it will not be revised or withdrawn by S&P if, in its judgment, circumstances so warrant. Any revision or withdrawal of the rating may adversely affect the market price of the Certificates.

## **Basis of Award – Lowest True Interest Cost (TIC)**

The Certificates will be awarded to the bidder whose bid produces **the lowest true interest cost**. The true interest cost will be that rate which, when used to compute the present value of principal and interest to be paid on all Certificates from the date of delivery to their respective maturity dates, or mandatory sinking fund Prepayment dates, produces an amount equal to the purchase price, including any premium specified in such bid. The true interest cost shall be calculated by the use of a semi-annual interval of compounding interest based on the Interest

Payment Dates for the Certificates. In the event of a tie the winning bid will be determined by the toss of a coin by the District among the bidders whose bids produced the tie.

### **Firm Offer; All or None Bid**

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer to purchase all, and not less than all, of the Certificates.

### **Form of Bid; Delivery and Payment**

All bids for the Certificates must be unconditional and for not less than all of the Certificates. Each bid must be in accordance with the terms and conditions set forth herein. Bids will only be accepted via **PARITY**. To the extent any instructions or directions set forth in PARITY conflict with this Notice, the terms of this Notice shall control. Delivery of the Certificates will be made to the winning bidder on or about the anticipated closing date set forth above. Payment of the purchase price (less the Good Faith Deposit) must be made in immediately available funds.

### **Warning Regarding Electronic Bids**

THE DISTRICT WILL ACCEPT BIDS IN ELECTRONIC FORM SOLELY THROUGH **PARITY** ON THE OFFICIAL BID FORM CREATED FOR THAT PURPOSE. EACH BIDDER SUBMITTING AN ELECTRONIC BID UNDERSTANDS AND AGREES THAT BY DOING SO IT IS SOLELY RESPONSIBLE FOR ALL ARRANGEMENTS WITH PARITY, THAT THE DISTRICT NEITHER ENDORSES NOR EXPLICITLY ENCOURAGES THE USE OF PARITY, AND THAT PARITY IS NOT ACTING AS AN AGENT OF THE DISTRICT. INSTRUCTIONS AND FORMS FOR SUBMITTING ELECTRONIC BIDS MUST BE OBTAINED FROM PARITY, AND THE DISTRICT ASSUMES NO RESPONSIBILITY FOR ENSURING OR VERIFYING BIDDER COMPLIANCE WITH THE PROCEDURES OF PARITY. THE DISTRICT SHALL ASSUME THAT ANY BID RECEIVED THROUGH PARITY HAS BEEN MADE BY A DULY AUTHORIZED AGENT OF THE BIDDER.

THE DISTRICT WILL MAKE ITS BEST EFFORTS TO ACCOMMODATE ELECTRONIC BIDS; HOWEVER, THE DISTRICT, THE MUNICIPAL ADVISOR AND SPECIAL COUNSEL ASSUME NO RESPONSIBILITY FOR ANY ERROR CONTAINED IN ANY BID SUBMITTED ELECTRONICALLY, OR FOR THE FAILURE OF ANY BID TO BE TRANSMITTED, RECEIVED OR OPENED AT THE OFFICIAL TIME FOR RECEIPT OF BIDS. THE OFFICIAL TIME FOR RECEIPT OF BIDS WILL BE DETERMINED BY THE DISTRICT AT THE PLACE OF BID OPENING, AND THE DISTRICT SHALL NOT BE REQUIRED TO ACCEPT THE TIME KEPT BY PARITY AS THE OFFICIAL TIME.

### **Estimated True Interest Cost**

Bidders are asked to provide a calculation of the true interest cost of the Certificates on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the District. The true interest cost specified in any bid will be that rate which, when used in computing the present value of all payments of principal and interest to be paid on all Certificates from the Closing Date of December \_\_\_\_ to their respective maturity dates or mandatory sinking fund Prepayment dates, produces an amount equal to the purchase price (including any premium) specified in such bid.

### **Good Faith Deposit (\$200,000)**

The winning bidder is required to submit a Good Faith Deposit within 24-hours after acceptance of its bid. ***The Good Faith Deposit shall equal \$200,000.***

The Good Faith Deposit must be made in good funds by wire transfer to:

<b>Bank:</b>	The Bank of New York Mellon Trust Company, N.A.
<b>ABA:</b>	_____
<b>BNF Account #:</b>	_____
<b>Ref:</b>	South San Luis Obispo County Sanitation District 2020
<b>Attention:</b>	_____ (tel. _____)

If the Good Faith Deposit is not received by the designated time, the underlying bid may be disqualified at the option of the District.

No interest will be paid on the Good Faith Deposit. The proceeds of the Good Faith Deposit will be applied to the purchase price of the Certificates, or in the event of the failure of the winning bidder to pay for the Certificates in compliance with the terms of the bid, at the option of the District, its Good Faith Deposit may be retained as liquidated damages, as partial payment of actual damages or as security for any other remedy available to the District.

### **Qualification for Sale; Blue Sky**

The Underwriter assumes all responsibility for qualifying the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Underwriter offers or sells the Certificates, including the payment of fees for such qualification. Under no circumstances may the Certificates be sold or offered for sale in any jurisdiction in which such sale or offer would be unlawful under the securities laws of the jurisdiction.

### **Underwriting Group**

The winning bidder will be required to submit a list of all syndicate members within 24 hours after receiving a verbal award.

### **Additional Information**

Copies of the Indenture, this Official Notice of Sale and the Preliminary Official Statement will be furnished to any potential bidder upon request made to the Municipal Advisor.

### **Right to Modify or Amend**

The District reserves the right to modify or amend this Notice, including but not limited to the right to adjust and change the aggregate principal amount of the Certificates being offered. Notification of any such modifications or amendments shall be made not less than 24-hours prior to the time of bid opening, and shall be communicated through Thomson Municipal News and by telephone to any qualified bidder timely requesting such notice.

### **Right to Reject Bids, Waive Irregularities, Cancel, Postpone, or Reschedule Sale**

The District reserves the right, in its sole discretion, to reject any and all bids and, to the extent permitted by law, waive any irregularity or informality in any bid. The District reserves the right to cancel, postpone or reschedule the Certificate sale upon notice given through the Bloomberg News Service, Thompson Municipal Market Monitor or The Bond Buyer at least 18-hours prior to the time bids are due. Telephone notice of any postponement will be given to any bidder requesting such notice from the Municipal Advisor.

### **Establishment of Issue Price**

To assist the District in establishing the issue price of the Certificates, the winning bidder shall execute and deliver to the District at closing an “issue price certificate” substantially in the form attached hereto as Exhibit A, setting forth the reasonably expected initial offering price of the Certificates to the Public, together with supporting pricing wires or equivalent communications, with such modifications as may be necessary or appropriate in the reasonable judgment of Special Counsel and the District.

For the purpose of establishing the issue price of the Certificates, the District intends to apply the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) defining “competitive sale” because:

- (i) The District shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) All potential bidders shall have an equal opportunity to bid and no potential bidder shall be afforded an opportunity to review other bids before submitting a bid;
- (iii) The District shall have received bids from at least three underwriters of municipal obligations who have established industry reputations for underwriting new issuances of municipal obligations; and
- (iv) The District anticipates awarding the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost) as set forth herein.

**If the “competitive sale” requirements are not satisfied, then the District shall reject all bids and cancel the sale.**

By submitting a bid, each bidder is certifying that (i) the bidder is an underwriter of municipal obligations who has an established industry reputation for underwriting new issuances of municipal obligations, (ii) its bid is a firm offer to purchase all of the Certificates as specified in its bid, and (iii) its bid was prepared based on the assumption that the issue price of the Certificates will be the Winning Bidder’s reasonably expected initial offering price to the public.

**Dated: November \_\_\_\_, 2020**

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

## EXHIBIT A

\$ \_\_\_\_\_  
**2020 Wastewater Revenue  
Certificates of Participation, Series A  
(South San Luis Obispo  
County Sanitation District)**

\$ \_\_\_\_\_  
**2020 Wastewater Revenue  
Certificates of Participation, Series B  
(South San Luis Obispo  
County Sanitation District)**

### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of **[FULL LEGAL NAME OF UNDERWRITER]** ("Underwriter"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Certificates") by the South San Luis Obispo County Sanitation District (the "Issuer").

**1. *Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Certificates to the Public by Underwriter are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Certificates used by Underwriter in formulating its bid to purchase the Certificates. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter to purchase the Certificates.

(b) Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter constituted a firm offer to purchase the Certificates.

**2. *Defined Terms.***

(a) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is **[DATE]**.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Certificates of Arbitrage and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

**[FULL LEGAL NAME OF UNDERWRITER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: **[ISSUE DATE]**

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
*(Attached)*

**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
*(Attached)*





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

Post Office Box 339 Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

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

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

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### **Staff Report**

**To:** Board of Directors

**From:** Jeremy Ghent, District Administrator

**Date:** November 4, 2020

**Subject: RECOMMENDATION OF AWARD FOR WWTP REDUNDANCY PROJECT  
COMMUNITY WORKFORCE AGREEMENT CONSULTING SERVICES  
CONTRACT WITH PACIFIC RESOURCES SERVICES**

#### **RECOMMENDATION:**

Authorize the District Administrator to execute a contract for Community Workforce Agreement Consulting Services for the Wastewater Treatment Plant Redundancy Project with Pacific Resources Services in the amount of \$79,828 and authorize the District Administrator to review and approve changes to the contract for up to 15% of the initial amount, or \$11,974 for a total potential amount of \$91,802.

#### **BACKGROUND AND DISCUSSION:**

The District has been working to develop the Wastewater Treatment Plant (WWTP) Redundancy Project, the largest capital improvements project the District has undertaken since the 1986 WWTP Improvements. The project is intended to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. MKN & Associates, Inc., (MKN) is assisting the District in administration of the Project. Part of MKN's scope of work is to lead procurement of a Community Workforce Agreement Consultant which will monitor compliance with the Agreement. The Consultant will fill the roll of the Community Workforce Coordinator (CWC) described in the agreement. Tasks include leading efforts in the creation and implementation of programs described in the Agreement, monitoring compliance with local area resident preferences, assisting in the monitoring of payments and benefits, scheduling labor/management cooperation meetings, preparing quarterly reports, and managing the processing of grievances.

On August 21, 2019 the Board held a Special Meeting to approve the staff recommendation to consider, approve and authorize the District Administrator to sign a Community Workforce Agreement between the South San Luis Obispo County Sanitation District, the Tri-Counties Building & Construction Trades Council, and the Signatory Craft Councils and Unions for construction of the wastewater redundancy project.

On August 14, 2020, the District released the RFP for Community Workforce Agreement Consulting Services for the WWTP Redundancy Project. The RFP was distributed to four firms with relevant experience, and on September 10, 2020 proposals were received from four firms: Labor Consultants of California, M. L. Johnson CA, Inc., Pacific Resources Services, and The Solis Group (TSG). Proposals were evaluated based on the following criteria as described in the RFP.

- Organization and clarity of proposal – 15 pts
- Project understanding and proposed scope of work – 35 pts
- Experience with similar kinds of work – 25 pts
- Qualifications of staff and availability of consultant – 25 pts

The proposed scope of services consists of the following:

1. *Monitor Compliance with Agreement:* The Community Workforce Coordinator will be responsible for monitoring compliance with the Community Workforce Agreement (“the Agreement”).
2. *Lead efforts in creation and implementation of programs described in the Agreement:* The Community Workforce Coordinator will help create and implement programs described in the Agreement and assist the District in the implementation and administration of the Agreement. The Community Workforce Coordinator will work with the District, the Contractors, the Unions and their affiliated regional and national organizations to create and implement procedures for the identification of craft needs, the scheduling of work, and obtaining enough workers to complete the project.
3. *Monitor Compliance with Local Area Resident Preference:* The Community Workforce Coordinator shall help the Unions and Contractors in the administration and monitoring of the Local Area Resident preference.
4. *Assist in Monitoring of Payments and Benefits:* The Community Workforce Coordinator will assist the District’s Construction Manager to help ensure the compliance of wage laws and regulations for all contractors and subcontracts. The District’s Construction Manager will be responsible for conducting labor compliance monitoring and reporting. If a contractor or subcontractor does not deliver payments, the Community Workforce Coordinator shall ensure the proper benefits are distributed. If the contractor or subcontractor is reluctant, the Community Workforce Coordinator may request the District or prime contractor to withhold payments. The Community Workforce Coordinator will also handle the processing, investigation, and resolution of any wage violation complaints.
5. *Labor/Management Cooperation Meetings:* The Community Workforce Coordinator will be responsible for the scheduling of labor/management cooperation meeting, the preparation of the agenda topics for the meeting, with input from the Unions, the Contractors, and the District.
6. *Reporting:* The Community Workforce Coordinator will prepare quarterly reports on apprentice utilization and the training and employment of District resident, and a schedule of project work and estimated number of craft workers needed.

7. *Grievances:* The Community Workforce Coordinator will order contractor(s) to cease any work-stoppages or lock-outs. The Community Workforce Coordinator will manage the processing of grievances of cooperation and harmony on site, including the scheduling and arrangements of facilities for meetings and the selection of the arbitrator from the agreed-upon panel to hear the case.

**Fiscal Consideration:**

The Pacific Resources Group proposal amount totals \$79,828. Allowing for a 15% contingency, the total authorization amount requested is \$91,802 and will be charged to Redundancy Administration budget.

**Attachments:**

1. Pacific Resources Services Proposal dated September 10, 2020



## A. COVER PAGE AND EXECUTIVE SUMMARY

**REVISED**

September 10, 2020

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

To whom it may concern:

Subject: Response to Request for Proposals to provide professional Community Workforce Agreement (CWA) Administration Services to the San Luis Obispo County Sanitation District

Pacific Resources Services ("PRS"), is pleased to submit for your review and consideration, our proposal to provide Project Labor Agreement administration services to the South San Luis Obispo County Sanitation District ("District") during the construction of the Wastewater Treatment Plant Redundancy Project. We acknowledge receipt of Addenda No. 1, dated September 4, 2020.

PRS is a multi-disciplined, management consulting that provides State and Federal (Davis-Bacon) prevailing wage monitoring services; administers Community Workforce Agreements/Project Labor Agreements ("CWA/PLA"), including community goals; the design and implementation of Small and local business outreach programs; and performing Community outreach and communication for construction projects.

The District seeks the services of a qualified firm to provide CWA administration services to administer, facilitate and enforce the obligations of the CWA on covered projects.

The purpose of the CWA is to outline the rights and responsibilities of each party relating to a variety of operational interests during the construction of a project. It serves as a superseding Master Labor Agreement by ensuring that certain requirements apply to all trades and contractors. These requirements range from ensuring that all contractors and trades understand and agree to the requirements by providing a Letter of Assent, provides a unified starting time, process for the resolutions of claims and grievances, the monitoring of payment of prevailing wages, and a unified drug testing requirements, among others. Additionally, it addresses community concerns such as providing employment opportunities to local workers, or access to apprenticeships and other training opportunities for those residents seeking a career in the construction industry.

The Tri-Counties Building & Construction Trades Council, along with the Los Angeles/Orange Building & Construction Trades Council, have more than 500 active public and private projects CWAs/PLAs. Private sector PLAs are usually self-administered and do not have the same requirements, specifically the community requirements, of public sector PLAs. Private sector PLAs are usually self-administered and do not have the same conditions as a public sector PLA. Public sector PLAs may contain conditions ranging from community requirements such as employing local workers, monitoring the payment of prevailing wages including trust fund payments, and resolving grievances between trades and contractors. A WFA/PLA is a unique instrument in that it encourages but does not require

contractors to submit records to the Department of Industrial Relations (“DIR”). Therefore, to maintain semi-independence from DIR oversight, the monitoring of payment of prevailing wages is an important role of the CWA Administrator.

Pacific Resources Services is unique in that the assigned Project Manager has worked with PLAs since 2001, and recently completed the Groundwater Reliability Improvement Project (“GRIP”) for the Water Replenishment District of Southern California (“WRD”), and continues to consult with the WRD on a continuing PLA for the Regional Brackish Water Reclamation Program. Additionally, our project at the Malibu High School is serviced by representatives of the Tri-Counties Building & Construction Trades Council. Our key members have more than 70 years of combined experience working with labor compliance, PLA projects, and serving as the 3rd-party labor compliance representatives.

We propose Mr. Benjamin Ocasio as the Labor Compliance Services Project Manager, M. Monica Mendez, as Field Auditor/Investigator, and Ms. Morita Capili as an Analyst/Support Staff.

Benjamin Ocasio will manage the labor compliance services, provide direction, technical assistance, and management oversight to ensure that all services are provided in accordance with performance standards and in a timely manner.

Ms. Mendez serve as Lead Field Auditor/Investigator on the Project. She is fully dedicated to performing worker interviews. Additionally, on CWA/PLA projects, she is responsible for identifying contractors and noting work that is being performed.


Morita Capili, will serve as lead Analyst/Office Support to provide support services support such as file management, receiving and reviewing documents using a comprehensive checklist, and noting discrepancies. Ms. Capili has more than 10 years of experience with Federal Labor Standards Act and working for organizations with complex payroll systems.

Our approach is to serve as true advocates for our clients. Our philosophy, whether managing a single, or overseeing the entire program, is that we are team members who operate as an extension of Client’s staff, while respecting the hierarchy of the Client.

Benjamin Ocasio, Principal, is authorized to negotiate and bind the firm to the terms and conditions of this proposal and any resultant Contract. Pacific Resources Services looks forward to working with the District. Should you have any questions regarding this proposal and/or need additional information about our firm, please do not hesitate to contact me at (626) 434-5087 or via email at bocasio@pacificresourceservices.com.

Respectfully,

PACIFIC RESOURCES SERVICES

  
Benjamin Ocasio  
President

## **2. EXPERIENCE AND REFERENCES**

The assigned Project Manager, Benjamin Ocasio, has provided labor compliance services since 1989 and PLA Administration services since 2001. He has work on projects from San Diego County to Manteca and from Palm Springs to Santa Barbara. A representative sample of local projects includes Alhambra USD, EL Monte City and El Monte Union High School Districts, Inglewood USD, Norwalk-La Mirada USD, and Santa Barbara City School District. A representative sample of Community Colleges includes Chaffey Community College, College of the Canyons, College of the Desert, Long Beach Community College, Los Angeles Community College District, Rio Hondo Community College, Santa Barbara City College, and Santa Monica City College.

Our most recent experience includes the following projects:

**Client: Santa Monica-Malibu Unified School District**

PRS administers the district's PLA, which covers 3 projects: Malibu High School renovation and modernization, Santa Monica High School – Discovery Building new construction, and the John Adams Middle School Modernization. In addition to PLA administration services, we provide labor compliance monitoring services, and monitor and assist with local community employment goals, and provide oversight of the Skilled and Trained Workforce requirements.

Our work at SMMUSD began in March 2018 will continue until the completion of the Santa Monica High School Discovery Building project, a \$140 million three-story, 280,000 square foot facility with underground parking. This project is scheduled to be completed in late 2021.

The staff assigned on this effort includes Benjamin Ocasio, Project Manager; Nareshimah Osei, lead for site visits and worker outreach; Monica Mendez, Site Visit assistant; and Morita Capili, Office Assistant.

**Contact information:**

Steve Massetti  
Bond Program Manager Consultant  
Facility Improvements Projects  
Santa Monica-Malibu Unified School District  
2828 4th Street  
Santa Monica, California 90405  
Email: smassetti@smmusd.org  
Telephone: (310) 923-3216

**Client: El Rancho Unified School District**

PRS administers the El Rancho USD Community Workforce Agreement ("CWFA") which covers the District's \$55 million Phase I project which consists of a new football stadium with a press box, and modular elevator; track, baseball field, softball field, two new field houses with team rooms, restrooms, concessions, and a new two-story administrative and classroom building of approximately 45,000 square feet.

PRS has conducted outreach meetings to introduce the trades to the project and pre-job conferences for foundation work. However, the project is on hold until the District finalizes funding for the work. We started work on January 2020 and are uncertain of the completion date.

The staff assigned on this effort includes Benjamin Ocasio, Project Manager; Monica Mendez lead for site visits and worker outreach; and Morita Capili, Office Assistant.

**Contact Information:**

Michael Clem, President  
TELACU Construction Management  
Construction Management Services (serving as Bond Program Managers)  
604 North Eckhoff Street  
Orange, CA 92868  
Telephone: (714) 541-2390  
Email: [mclem@telacu.com](mailto:mclem@telacu.com)

**Client:**           **Water Replenishment District of Southern California**

PRS provided PLA and labor compliance services for this \$120 million Advanced Water Treatment Facility and four additional off-site projects. This is a unique project in that it was originally a State project and, due to funding requirements, it was converted to Davis-Bacon requirements. This project started in March 2016 and was completed in July 2019.

The staff assigned on this effort includes Benjamin Ocasio, Project Manager; Nareshimah Osei, lead for site visits and worker outreach; and Morita Capili, Office Assistant.

**Contact Information:**

Phoung Watson, Senior Engineer  
Water Replenishment District of Southern California  
4040 Paramount Blvd.  
Lakewood, CA 90712  
Telephone: (562) 921-5521  
Email: [pwatson@wrd.org](mailto:pwatson@wrd.org)

**Client:**           **Del Richardson & Associates, Inc.**

Benjamin Ocasio works with Del Richardson & Associates (DRA), serving as the Lead Labor Compliance Officer for the SOFI Stadium (Los Angeles Rams Stadium), a \$3.5 billion state-of-the-art football only stadium. The work consist of serving as the Labor Compliance Officer for the Construction Management team, working with contractors to enroll on and use LCPTracker; work with LCPTracker to add/change rates according to the Master Labor Agreements (MLAs), and approve apprentices; coordinate with accounting for payment to contractors, and provide reports to the owner on Apprentice, local Apprentice, and local workers utilization. The work started in August 2016 and is expected to be completed in June 2020.

As this is a private project and the State rates do not apply Mr. Ocasio's was hired because of his expertise with and understanding of Master Labor Agreements. The rates and scopes of work adopted and published by the Department of Industrial Relations ("DIR") are limited. Each MLA may contain multiple rate schedules, additional crafts, expanded scopes of work, and additional rules not found on public works project, which makes it challenging for the contractors, project managers, and the project's PLA Administrator.

The staff assigned on this effort includes Benjamin Ocasio, Project Manager and Maritsa Garcia, LCPTracker backup.

**Contact Information:**

Maritsa Garcia  
Del Richardson & Associates, Inc.  
510 South La Brea Blvd.  
Inglewood, CA 90304  
Telephone:  
Email: [maritsag@drainc.com](mailto:maritsag@drainc.com)

**Client: Centinela Valley Union High School District**

This project includes a Labor Compliance Program (LCP) and PLA with a local hire initiative. The work includes serving as the LCP and PLA Administrator and collecting local hire data and reporting quarterly to the Citizen's Oversight Committee. The work involved the modernization of 3 high schools: Lawndale High School, Leuzinger High School, and Hawthorne High School. Our work began in January 2013 and was completed in January 2017.

This project required a quarterly report to the Citizen's Oversight Committee, and we developed a spreadsheet and loaded it with the Los Angeles and Orange Counties Zip Codes. This allowed us to enter the contractors, worker, craft/classification, Zip Code, Apprentice, and Veteran information, which allowed us to sort the information and provide various reports such as local workers by contractor and Apprentice utilization by contractor.

The staff assigned included Benjamin Ocasio, Project Manager and PLA Administrator; Nareshimah Osei, Lead site visits; and Sahar Kamali, data entry and reporting.

**Contact Information:**

John Clem, President  
TELACU Construction Management  
Construction Management Services  
(serving as Bond Program Managers)  
604 North Eckhoff Street  
Orange, CA 92868  
Telephone: (714) 541-2390  
Email: [jclem@telacu.com](mailto:jclem@telacu.com)



### **3. PROJECT ORGANIZATION AND KEY PERSONNEL**

We propose Mr. Benjamin Ocasio as the CWA Administrator/Labor Compliance Services Project Manager, Ms. Monica Mendez as Field Auditor/Investigator, and Ms. Morita Capili as an Analyst/Support Staff.

Benjamin Ocasio has provided labor compliance services since 1989 and PLA Administration services since 2001. He has work on projects from San Diego County to Manteca and from Palm Springs to Santa Barbara. A representative sample of local projects includes Alhambra USD, El Monte City and El Monte Union High School Districts, Inglewood USD, Norwalk-La Mirada USD, and Santa Barbara City School District. A representative sample of Community Colleges includes Chaffey Community College, College of the Canyons, College of the Desert, Long Beach Community College, Los Angeles Community College District, Rio Hondo Community College, Santa Barbara City College, and Santa Monica City College.

Benjamin Ocasio will administer the CWA and the labor compliance services, provide direction, technical assistance, and management oversight to ensure that all services are provided in accordance with performance standards and in a timely manner.

Ms. Mendez will serve as Lead Field Auditor/Investigator on the Project. His experience with the nuances of worker utilization, local hire programs, contractors, and Unions is unparalleled. He will conduct project site visits and worker interviews.

Morita Capili, will serve as lead Analyst/Office Support to provide services such as file management, receiving and reviewing documents using a comprehensive checklist, and noting discrepancies. Ms. Capili has more than 10 years of experience with Federal Labor Standards Act and working for organizations with complex payroll systems.

The following summarizes the education and experience of the proposed staff. All staff are available to service the project.

#### **BENJAMIN OCASIO**

Project Manager/Labor Compliance Officer

Mr. Ocasio has more than 30 years of years of experience providing prevailing wage monitoring and enforcement services, Project Labor Agreement/Project Stabilization Agreement, workforce and business outreach services, and Disadvantaged Business Enterprises compliance services on numerous large public works projects throughout Southern California. He began his prevailing wage career as a Management Assistant with the City of Los Angeles Office of Contract Compliance. He also received training as a Caltrans Inspector.

#### **Education**

University of Southern California

M.P.A. Public Affairs (1983); B.S. Urban & Regional Planning (1981)

Valley Leadership Institute (2000)

During this engagement, Mr. Ocasio will provide the following services:

- ✓ Contract Manager on behalf of Pacific Resources Services
- ✓ Lead the efforts on the Team to implement and manage the Labor Compliance monitoring and enforcement services
- ✓ Serve as the Labor Compliance Officer on behalf the client

- ✓ Provide technical assistance to contractors and Project Management Staff, including applicable District staff
- ✓ Manage reporting to the District

### **NARESHIMAH OSEI**

Labor Compliance Analyst/Field Auditor

Mr. Osei was PRS' first hire and started with the firm in 2011. His commitment to the community is unquestionable. He has provided community advocacy services for more than 30 years. His experience with the nuances of local hire programs, contractors, and Unions is unparalleled. Mr. Osei has more than 35 years of experience with programs designed to increase the hiring of local members of the community, including entry-level apprentices, onto construction projects by facilitating cooperating between Unions, Community-Based Organizations (CBOs), and contractors.

#### **Education**

A.A, Social Science, Compton Community

During this engagement, Mr. Osei will provide the following services:

- ✓ As needed, conduct pre-bid & pre-construction meetings and/or labor compliance workshops with contractors/subcontractors to educate them of prevailing wage requirements
- ✓ Monitor contractors'/subcontractors' compliance with the prevailing wages and apprenticeship requirements
- ✓ Manage the on-site employee interviews process

### **MORITA CAPILI**

Staff Support/Labor Compliance Assistant

Ms. Capili has worked with PRS since 2014 and serves as the Office Administrator and Coordinator ensuring that documents are properly recorded and filed, following up with delinquent contractors, performing data entry, and performing initial audits of missing documents and for underpayments. She has worked on projects such as the Water Replenishment District of Southern California, Centinela Valley Union High School District, Metropolitan Transportation Authority (METRO), Foothill Construction Authority, and the SR-91 Corridor Improvement Project (DBE Coordination).

#### **Education**

B.S. Business Administration, University of La Verne, 1998

During this engagement, Ms. Capili will provide the following services:

- ✓ Prepare project files and contractor tracking logs
- ✓ Intake, log, track, and file project and contractor documents
- ✓ Track local hire requirements
- ✓ Perform initial review for missing documents/inadequate information on project documents and request revisions and updates to documents
- ✓ Prepare files for close out and perform quality assurance for completion

### **MONICA MENDEZ**

Analyst/Field Auditor

Ms. Mendez came to PRS in March 2020, to assist Mr. Osei with site visits and worker outreach. She is assigned to the smaller street work and low-income housing projects, and shadows Mr. Osei on the

larger projects such as the Santa Monica-Malibu USD, including meeting with Business Agents and Project Managers. Her experience is working with low-income communities, with children and youth advocacy programs, program management, supervision and managing grants.

### **Education**

A.A, Sociology, Pasadena City College

During this engagement, Ms. Mendez will provide the following services:

- ✓ Assist Mr. Osei with site interviews, attend pre-bid & pre-construction meetings and/or labor compliance workshops with contractors/subcontractors to educate them of prevailing wage requirements
- ✓ Monitor contractors'/subcontractors' compliance with the prevailing wages and apprenticeship requirements
- ✓ Manage the on-site employee interviews process for assigned projects

### **EVAN OCASIO**

Analyst/Auditor

Mr. Ocasio has worked with PRS on a part-time basis since January 2019, assisting Ms. Capili with conducting first-level audits of Certified Payroll Records and related documents. He has focused on Davis-Bacon ensuring documents are accurately audited, logged and labeled, and prepared for audit. His experience includes working on projects for the City of West Covina, multiple projects for the City of Bellflower, City of West Hollywood, City of Brea, City of Placentia, multiple projects in the City of Pico Rivera.

### **Education**

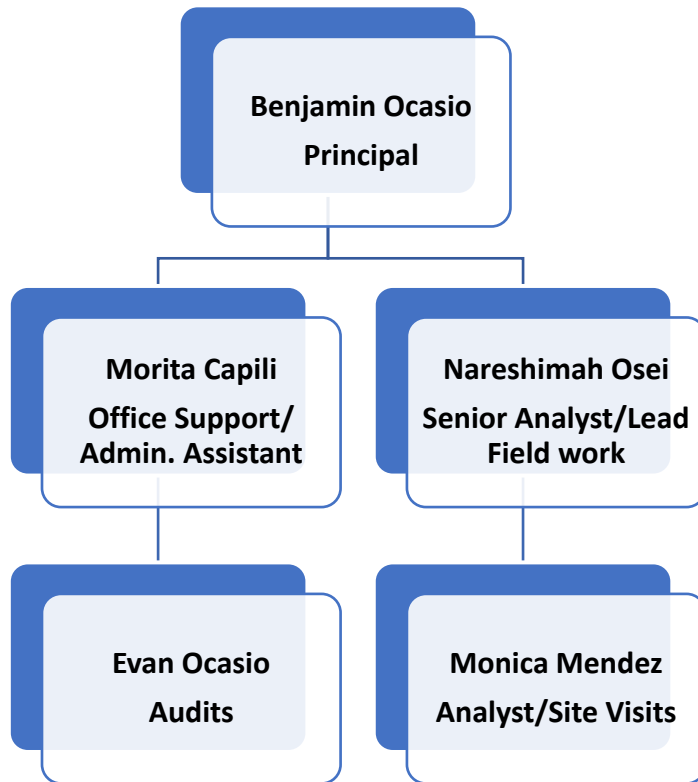
Bachelor of Arts, Cal state university of san Bernardino, June 2015

Major: Sociology; Social Service Specialization

During this engagement, Mr. Ocasio will provide the following services:

- ✓ Assist Ms. Capili with records management, data entry and preparing reports
- ✓ Coordinate with and follow up with contractors regarding missing, incomplete, and inadequate documents
- ✓ Monitor contractors'/subcontractors' compliance with the prevailing wages and apprenticeship requirements through the collection and auditing of documents

## PACIFIC RESOURCES SERVICES – ORGANIZATIONAL CHART



#### 4. PROJECT UNDERSTANDING

A CWA/PLA outlines the rights and responsibilities of each party relating to a variety of operational interests during the construction of a project. These interests include community requirements such as no strike or work stoppages when allowed by the CWA, the resolution of grievances between the trades and contractors, and providing prevailing monitoring oversight as a condition of having a CWA.

The District seeks the services of a qualified firm to serve as the CWA administrator and to facilitate and enforce the obligations of the CWA on covered projects.

Locally, between the Tri-Counties Building & Construction Trades Council and the Los Angeles/Orange Building Trades Council, there are more than 500 active public and private projects CWAs/PLAs. Private sector PLAs are usually self-administered and do not have the community requirements of a public sector PLA. Public sector PLAs usually contain requirements addressing community concerns such as providing employment opportunities to local workers, or access to apprenticeships and other training opportunities for those residents seeking a career in the construction industry.

A CWA is a unique instrument in that it serves as a superseding Master Labor Agreement during the construction work by ensuring certain requirements apply to all trades and contractors. These conditions range from the starting time, ensuring that all contractors and trades understand and agree to the requirements by providing a Letter of Assent, and a unified process for the resolutions of claims and grievances, and a unified drug testing requirements, among others. Additionally, it encourages but does not require contractors to submit records to the Department of Industrial Relations (“DIR”). Therefore, to maintain semi-independence from DIR oversight the monitoring of payment of prevailing wages is an important role of the PLA Administrator.

The CWA Administrator’s primary role is to serve as the District’s representative by administering the agreement to ensure compliance with the requirements and communicating with the District any concerns that may affect the project(s), specifically grievances and community goals.

We have a special interest in ensuring that our clients are well informed, not only the activities, but all phases of the CWA and how they coordinated and interface with one another. To keep our clients informed, we provide the following:

- a. Memos – Written or electronic memos of non-routine communication with the Building trades, contractors, other parties, and meetings where immediate notification is required to update the City and/or its representative of any potential issue.
- b. Pre-Job/pre-construction conferences and meetings – We provide the District and its project representatives with notices sent to the Building Trades, copies of meeting agendas and sign-in sheets, and minutes of meetings, and copies of communications received.
- c. Quarterly Reports – This is a summary of the activities of the previous quarter including meetings held, resolved/unresolved issues, contacts made, and any information we believe the District should be made aware of.

## **5. PROPOSED SCOPE OF WORK**

We are a full-service CWA/PLA Administrator, and provide the following services as standard practice:

- a. We interpret and clarify the CWA by summarizing its requirements into an easily understandable process. This is usually done at the pre-job conferences. We do not deviate from the CWA as this may require a side-agreement between the District and the Building Trades.
- b. We participate in the required pre-job conferences between the Union and affected contractors. We coordinate the meeting between the trades and contractor(s), schedule the meetings, distribute the notices, prepare the agendas, lead the meetings, and prepare and distribute the minutes. This is to ensure the claims and issues are capture and addressed before the start of work.
- c. Grievance and conflict resolution – We receive the grievances, usually after the Step 1 meeting between the affected trade(s) and contractor and the issues remain unresolved. In this case, we coordinate the Step 2 meeting, investigate the issue, determine if the issues are givable in whole or in part, and schedule the meetings. We determine if the grievance is to enforce a work preservation or an attempt to acquire new work by discussing the work performed, trades involved, and hours worked.
- d. We interface with the trades as necessary by providing information such as copies of Letters of Assent, copies of the meeting minutes, and any information they request related to the CWA. If necessary, we walk the project with the Business Agents or their Representative to ensure they have the necessary access to meet with the workers they represent. We do not release labor compliance documents such as Certified Payroll Records. The release is coordinated with the District through a Public Records Request.
- e. Pre-bid and pre-construction meetings – While are not our standard practice to attend pre-bid meetings, at the request of the District we will attend the pre-bid meetings to inform contractors of the CWA/PLA requirements. We typically hold a joint pre-job/pre-construction meeting so that we keep the meetings to a minimum.
- f. Labor Compliance – As the CWA Administrator, we will monitor compliance with the prevailing requirements, as required and consistent with Section 6.4 of the CWA.

## 6. PROPOSED FEE

### Response to Request for Proposals (RFP) for WFA services for the South San Luis Obispo County Sanitation District's Water Treatment Plant Redundancy Project

#### Breakdown of Project Hours by Activities -Total Hours (30 Months)

PROPOSED SCOPE OF SERVICES **					
TASK 1	Interpret and Clarify CWA and provide technical assistance(as Needed)			Rate *	Total
1.1	Interpret and Clarify CWA as needed	Benjamin Ocasio	30	\$134.79	\$4,043.70
ANTICIPATED COST - TASK 1					<b>\$4,043.70</b>
TASK 2	Pre-job Conferences				
2.1	Prepare material for distribution at pre-job meetings	Morita Capili	16	\$67.40	\$1,078.40
2.2	Attend pre-job and distribute material, as needed	Benjamin Ocasio	24	\$134.79	\$3,234.96
2.3	Prepare and distribute Minutes	Morita Capili	24	\$67.40	\$1,617.60
ANTICIPATED COST - TASK 2					<b>\$5,930.96</b>
TASK 3	Grievance Resolutions				
3.1	Receive, Investigate and resolve Grievances	Benjamin Ocasio	120	\$134.79	\$16,174.80
ANTICIPATED COST- 3					<b>\$16,174.80</b>
TASK 4	Review Labor Standards Provisions				
4.1	Assist CM with Labor compliance as needed under the CWA	Benjamin Ocasio	120	\$134.79	\$16,174.80
4.2	Site Visits	Monica Mendez	240	\$109.09	\$26,181.60
ANTICIPATED COST - TASK 4					<b>\$42,356.40</b>
TASK 5	Quarterly Join Labor-Management Committee Meeting				
5.1	Schedule, prepare agenda, and attend the meetings.	Benjamin Ocasio	72	\$134.79	\$9,704.88
5.2	Prepare agenda, minutes, and related Material	Morita Capili	24	\$67.40	\$1,617.60
ANTICIPATED COST- 5					<b>\$11,322.48</b>
Task 6 -Interfacing with trades and contractors (as needed)					

<b>5.1</b>	Interface with trades and contractors, provide documents as requested (services distributed between other tasks)	Benjamin Ocasio	0	\$0.00	\$0.00
	<b>ANTICIPATED COST – TASK 5</b>				<b>\$0.00</b>
	<b>ANTICIPATED COST – ALL TASKS</b>				<b>\$79,828.34</b>

Cost can be reduced as follows:

1. CM Team can provide site visits - PRS will provide training, oversight, and review
2. Pre-job conference to be held via ZOOM during pandemic. No. of pre-job conference can be held to a minimum if the work is packaged (e.g., all foundation work contractors to attend meeting, or the electrical package contractors attend a meeting, etc.)



**7. ACKNOWLEDGEMENT, EXCEPTIONS, DISQUALIFICATIONS, PROOF OF INSURANCE**

1. We acknowledge receipt of Addendum No. 1, dated September ---- 2020
2. We take no exceptions to the scope of work or issues with the sample agreement
3. We do not have any past or pending issues which would disqualify the firm from working on the project
4. We are fully insured including workers Compensation, Business and Professional liability and auto insurance. Insurance certificates will be provided upon the selection and prior to start of work

#### **8. ACKNOWLEDGE OF ADDENDA, IF APPLICABLE**

We acknowledge receipt of Addenda No. 1, dated September 4, 2020.



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

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

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### **Staff Report**

**Date:** November 4, 2020  
**To:** Board of Directors  
**From:** Jeremy Ghent, District Administrator  
**Via:** Mychal Jones, Plant Superintendent  
**Subject:** **AWARD A CONTRACT FOR THE DIGESTER NO. 2 CLEANING PROJECT TO MP ENVIRONMENTAL SERVICES, INC.**

#### **RECOMMENDATION:**

Award a contract for the Digester No. 2 Cleaning Project to MP Environmental Services, Inc. in the amount of \$142,078 and authorize the District Administrator to review and approve changes to the contract up to 15% of the initial amount, or \$21,312 for a total potential amount of \$163,390.

#### **BACKGROUND:**

The District operates two anaerobic digesters. Digester No. 1 is the primary digester with a volume 700,000 gallons and Digester No.2 is the secondary digester with a volume of 420,000 gallons. Raw sludge is pumped from the primary clarifier to Digester No.1 where it is heated and mixed. Supernatant from Digester No. 1 is then transferred to Digester No. 2, where sludge settles in preparation for dewatering. Supernatant from Digester No. 2 then returns to the headworks for further processing through the treatment plant.

Typically, digesters are cleaned every 8-12 years or sooner dependent on preliminary screening and grit removal systems. The District last cleaned Digester No. 2 in 2009/2010. Based on the cleaning of Digester No. 1, completed in 2017, and length of time between cleanings, it is expected that there will be significant buildup of debris in Digester No. 2 and therefore requires cleaning.

In preparation and for the duration of the cleaning project, the District will be running the rental centrifuge daily to maintain operational needs. The daily operation of the rental centrifuge will result in higher energy cost, chemical cost, and biosolids hauling cost. The additional costs for energy, chemicals, and biosolids hauling have been included in the Project budget as identified in Fund 26.

**DISCUSSION:**

On October 12, 2020, final cleaning plans and specifications for the Digester No. 2 Cleaning Project were completed. On October 16, 2020, the District advertised a Notice Inviting Bids for this project. The notice was posted on the District's website, local newspaper, and <http://www.asapreprographics.com>. The Bid opening for the project was held on October 29, 2020 at 2:00pm, with 1 bid received in the amount of \$142,078. The Engineer's opinion of probable construction cost for this project was \$178,000 (Attachment 3).

MP Environmental Services, Inc. posted the lowest qualified bid of \$142,078 (Attachment 2). The Bid and all related documents were evaluated by the District's Construction Management Team, Michael K. Nunley (MKN) and Associates. After completing their review, MKN recommended the District award the Digester No. 2 Cleaning Project to MP Environmental Services, Inc. (Attachment 1). Staff concurs with this recommendation, and that the bid meets all the District's requirements.

In addition, Staff is requesting Board approval for a specific contingency for this project up to 15% (\$21,312) of the total project amount for unforeseen future project events.

The project is anticipated to take one month to complete from issuance of a Notice to Proceed.

**Fiscal Consideration:**

Adequate budget is included in the Adopted Budget for FY 2020/21, under Fund 26, Account No. 26-8065, Digester Cleaning & Coating.

**Attachments:**

1. MKN Bid Recommendation Letter
2. MP Environmental Services, Inc. Bid
3. MKN Opinion of Probable Cost

10/30/20

Mychal Jones  
SSLOCO Plant Superintendent  
South San Luis Obispo County Sanitation District  
1600 Aloha Place  
Oceano, CA 93445

Dear Mr. Jones,

**Re: 2020 Digester No.2 Cleaning Project**

Michael K. Nunley & Associates, Inc. (MKN) has reviewed the bids received for the South San Luis Obispo County Sanitation District WWTP Digester No. 2 Cleaning Project. The District received one bid for \$142,077.50. The Engineer's estimate was \$150,000-\$200,000.

MP Environmental was the Apparent Low Bidder at \$142,077.50. We have reviewed their submitted bid forms and find that the bid meets District requirements for a successful bid. MKN recommends that the District award the project to MP Environmental. We also recommend that the District budget 15% of the contract amount as contingency to address items that may come up during construction.

I have attached via email a Notice of Award form for you use, and a copy of the Agreement to be provided to MP Environmental for execution.

If you have any questions, please contact me at [jhanlon@mknassociates.us](mailto:jhanlon@mknassociates.us) or by phone at (805) 440-4380.

Sincerely,



Jon Hanlon, PE

Attachments:  
Bid tabulation  
Project-Specific Agreement  
Notice of Award form

PART 3 BID PROPOSAL FORM

**SSLOCSD WWTP 2020 DIGESTER No. 2 CLEANING PROJECT**

DESCRIPTION AND UNIT PRICE ON

ITEM	DESCRIPTION	QTY.	UNIT	UNIT PRICING	TOTAL PRICING
	BASE BID ITEMS				
1	Mobilization, Demobilization, and Cleanup	1	LS	<del>\$9,700-</del>	9,700.00
2	Sludge Dewatering (Including but not limited to Removing Digester Contents, Onsite Dewatering, Returning Centrate to Plant Headworks, Stockpiling Dewatered Screenings and Biosolids)	105,750	GAL	\$ 1.17	123,727.50
3	Clean Digester Tank and Appurtenances	1	LS	<del>\$8,650-</del>	8,650.00
	<b>BASIS FOR SELECTION TOTAL BASE BID</b>			\$ 142,077.50	

In the event of a discrepancy, unit pricing shall prevail.

It is understood that, except for lump sum items, the foregoing quantities set forth in the bid schedule are approximate only and are solely for the purpose of facilitating the comparison of bids, and that the Contractor's compensation will be computed on the basis of the final quantities in completed work, measured as specified, whether they be more or less than those shown.

PART 4 LIST OF SUBCONTRACTORS

4.01 CONDITIONS

- A. The undersigned bidder lists, under the following Article 4.02, the name, the location of the place of business, and the California contractor license number of each subcontractor who will perform work or labor or render service to the prime contractor in or about the construction of the work or improvement, or a subcontractor licensed by the State of California who, under subcontract to the prime contractor, specially fabricates and installs a portion of the work or improvement according to detailed drawings contained in the plans and specifications, in an amount in excess of one-half of 1 percent of the prime contractor's total bid or, in the case of bids or offers for the construction of streets or highways, including bridges, in excess of one-half of 1 percent of the prime contractor's total bid or ten thousand dollars (\$10,000), whichever is greater.
- B. The undersigned bidder understands that circumvention by bidder of the requirement

to list subcontractors by the device of listing one subcontractor who will in turn sublet portions constituting the majority of the work is a violation of the Subletting and Subcontracting Fair Practices Act (Division 2, Part 1, Chapter 4, of the California Public Contract Code) and shall subject bidder to the penalties set forth in said Act (Sections 4110 and 4111 of said code).

#### 4.02 LIST

<u>Name &amp; Address of Business</u>	<u>Contractor Lic. #</u>	<u>DIR Registration #</u>	<u>Type of Work</u>
NONE			

PART 5 EXPERIENCE DATA

5.01 INFORMATION

- A. The undersigned bidder submits under the following Article 5.02 a brief description of work previously executed by bidder and the locations of major projects, giving the year in which done, the manner of execution, name and address of Owner, overall cost when constructed, and such other information that show bidder's ability to prosecute vigorously the performance of the work.
- B. The Bidder must have experience executing projects similar to the work specified for this project. Provide three similar reference projects completed as the prime contractor. All referenced projects must be completed within the last five years from this project's bid opening date. One of the three reference projects must have been completed under contract with a city, county, or local, state or federal government agency as the prime contractor.
- C. Failure to provide reference projects as specified and as required on the qualification form is cause to reject a bid as being non-responsive. The District reserves the right to reject any bid based on non-responsiveness if a bidder fails to provide a bid that complies with all bidding instructions.
- D. The District reserves the right to reject a responsive bid based on the non-responsibility of the bidder if the District Administrator or Designee finds, after providing notice to the bidder, that the bidder lacks the knowledge, experience, or is otherwise not responsible; to complete the project in the best interest of the District.

5.02 EXPERIENCE DESCRIPTION

SEE ATTACHED





## Project Experience Digester Cleaning/Solids Separation

[mpenviro.com](http://mpenviro.com)

Owner/Agency Project Location	Work Dates	Type of Work	Value	Contact Information
City of Ventura Ventura WWTP	June - Aug 2019	Cleaning and grit removal from aeration basins	\$136,455	John Willis 805-654-7800
City of Wasco Wasco WWTP	May – July 2019	Clean and dewater digesters 1, 2 and 3	\$219,125	Kameron Arnold 661-758-7204
National Park Service El Portal WTP	March – June 2019	Clean and dewater two digesters	\$227,130	Rick Hall 415-623-2100
Las Virgenes Municipal Water District Las Virgenes WTP	Feb - March 2019	Clean and dewater digester #2	\$351,327	Coleman Olinger 818-251-2163
North of the River Sanitation District Bakersfield, CA	June 2018	Clean digester and transfer solids to drying bed	\$58,116	Ray Arredondo 661.397.6411
City of San Diego Metropolitan Biosolids Center	Feb – April 2018	Clean and dewater 3 digesters	\$907,437	Richard Pitchford 858.614.5509
City of San Diego Point Loma WTP	Dec 2016 – August 2017	Clean and dewater 3 digesters, recoat mix guns, transport solids offsite	\$1,891,268	Albert Sohikish 858.614.5765
City of Roseville Dry Creek WWTP	Sept 2016 - Mar 2017	Clean and dewater digester	\$ 493,043	Todd Jordan 916.746.1829
Las Virgenes Municipal Water District Las Virgenes WTP	May – July, 2016	Clean and dewater approx. 150,000 gallons from digester	\$ 196,170	John Zhao 818.251.2100
City of Daly City Daly City WTP	April – May, 2015	Clean digester and transport solids offsite	\$ 205,455	Kevin Brown 650.991.8200
North of the River Sanitation District Bakersfield, CA	Annually	Clean digester and transport solids to onsite drying bed	\$ 75,000	Ray Arredondo 661.397.6411

## 6.01 DATA ON CONSTRUCTION EQUIPMENT

- ## 6.02 LIST

[illegible]

PART 7 BIDDER'S STATEMENTS

7.01 WORKERS COMPENSATION INSURANCE

- A. In conformance with current requirements of Section 1861 of the Labor Code of the State of California, the undersigned bidder confirms the following as its certification:

1. "I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."

7.02 AUTHORITY TO SIGN

- A. The undersigned has the legal authority to bind bidder to a contract for the execution of the work.

7.03 BIDDER IDENTIFICATION

- A. Legal name of Bidder: MP ENVIRONMENTAL SERVICES, INC.

- B. Type of Firm:

☐ sole proprietor ☐ partnership ☒ corporation

Other \_\_\_\_\_

1. If corporation, incorporated in the State of:

CALIFORNIA

- C. California Contractor's License:

<u>Number</u>	<u>Classification</u>	<u>Expiration Date</u>
<u>613706</u>	<u>A. HAZ. C12. C21</u>	<u>02/28/2021</u>

- D. Bidder's Business Address: 3400 MANDR ST. BAKERSFIELD, CA 93308
- E. Business Telephone: 661-393-1151
- F. Business E-mail: GBLANKENSHIP@MPENVIR.COM

7.04 ADDENDA

- A. The undersigned acknowledges receipt of addenda numbers:

\_\_\_\_\_

7.05 PERSONS AND PARTIES INTERESTED IN THIS BID

- A. The names and residences of persons and parties interested in this bid as principals are listed under the following Paragraph "B."

1. The first and last names are given in full.
2. In case of corporation, the names and street addresses of the President, Secretary, Treasurer, and agent for service of process are given.
3. In case of partnerships and joint ventures, the names and street addresses of all partners, general and limited.

- B. List:

DAWN CALDERWOOD - 3400 Monroe St. BAKERSFIELD, CA 93308

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7.06 DECLARATION

- A. I/WE declare under penalty of perjury under the laws of the State of California that the statements in these bid forms are true and correct.

- B. Date OCT 28 2020 at BAKERSFIELD, CA., California.

- C. By   
(signature)

- D. Name: SHAWN CALDERWOOD  
(clearly printed)

- E. Position: VICE PRESIDENT  
(clearly printed)

- F. Seal

PART 8 NONCOLLUSION AFFIDAVIT TO BE EXECUTED BY BIDDER AND SUBMITTED WITH BID

STATE OF CALIFORNIA )  
COUNTY OF KERN )ss.

SHAWN CALDERWOOD

The undersigned declares:

I am the Vice Pres of MP ENVIRONMENTAL SERVICES, INC., the party making the foregoing bid.

The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid. The bidder has not directly or indirectly colluded, conspired, connived, or agreed with any bidder or anyone else to put in a sham bid, or to refrain from bidding. The bidder has not in any manner, directly or indirectly, sought by agreement, communication, or conference with anyone to fix the bid price of the bidder or any other bidder, or to fix any overhead, profit, or cost element of the bid price, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted his or her bid price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof, to effectuate a collusive or sham bid, and has not paid, and will not pay, any person or entity for such purpose.

Any person executing this declaration on behalf of a bidder that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the bidder.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on 10/28/20 [date], at BAKERSFIELD, CA [City], CA [state].



Bidder Signature



Notary Signature



PART 9 BIDDER'S BOND (10 Percent of the Total Bid)

KNOW ALL MEN BY THESE PRESENTS.

That we, MP Environmental Services, Inc.

as Principal, and Fidelity and Deposit Company of Maryland,

as Surety, are held and firmly bound unto the District in the County of San Luis Obispo, California, in the sum of ten percent of bid amount Dollars (10%) to be paid to the said District in the County of San Luis Obispo, California, its successors and assigns, for which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, successors or assigns, jointly and severally, firmly by these presents.

THE CONDITION OF THIS OBLIGATION IS SUCH,

That if the certain bid and bid forms for the SSLOCSD WWTP 2020 DIGESTER NO. 2 CLEANING PROJECT of the above bounden MP Environmental Services, Inc. is accepted by the said South San Luis Obispo County Sanitation District and if the above bounden his heirs, executors, administrators, successors, and assigns, shall duly enter into and execute Document 00500, Agreement, for such construction; and shall execute and deliver Document 00610, Performance Bond, and Document 00620, Payment Bond; and shall deliver evidence of insurance, all within 15 days from the date of the award and notice to the above bounden MP Environmental Services, Inc. by and from the said the South San Luis Obispo County Sanitation District, that said Document 00500, Agreement, is ready for execution, then this obligation shall become null and void; otherwise it shall be and remain in full force and virtue.

IN WITNESS WHEREOF,


We hereunto set our hands and seals this 27th day of October, 2020

Fidelity and Deposit Company of Maryland  
(Name of Surety)

(Seal)

1299 Zurich Way Schaumburg, IL 60196  
(Address)

(Attach here Acknowledgement  
on Standard Form)


  
(Signature of Representative) Pam Binns,  
Attorney-in-Fact

661.316.5122  
(Telephone Number)

MP Environmental Services, Inc.  
(Name of Bidder)

(Seal)

3400 Manor St. Bakersfield, CA 93308  
(Address)

  
(Signature of Representative)

661.393.1151  
(Telephone Number)

\*\*\* END OF DOCUMENT 00300 \*\*\*

**ZURICH AMERICAN INSURANCE COMPANY  
COLONIAL AMERICAN CASUALTY AND SURETY COMPANY  
FIDELITY AND DEPOSIT COMPANY OF MARYLAND  
POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS: That the ZURICH AMERICAN INSURANCE COMPANY, a corporation of the State of New York, the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, a corporation of the State of Illinois, and the FIDELITY AND DEPOSIT COMPANY OF MARYLAND a corporation of the State of Illinois (herein collectively called the "Companies"), by **Robert D. Murray, Vice President**, in pursuance of authority granted by Article V, Section 8, of the By-Laws of said Companies, which are set forth on the reverse side hereof and are hereby certified to be in full force and effect on the date hereof, do hereby nominate, constitute, and appoint **Tammy BATES, Michael MOORE and Pam BINNS, all of Los Angeles, California**, EACH, its true and lawful agent and Attorney-in-Fact, to make, execute, seal and deliver, for, and on its behalf as surety, and as its act and deed: any and all bonds and undertakings, and the execution of such bonds or undertakings in pursuance of these presents, shall be as binding upon said Companies, as fully and amply, to all intents and purposes, as if they had been duly executed and acknowledged by the regularly elected officers of the ZURICH AMERICAN INSURANCE COMPANY at its office in New York, New York., the regularly elected officers of the COLONIAL AMERICAN CASUALTY AND SURETY COMPANY at its office in Owings Mills, Maryland, and the regularly elected officers of the FIDELITY AND DEPOSIT COMPANY OF MARYLAND at its office in Owings Mills, Maryland, in their own proper persons.

The said Vice President does hereby certify that the extract set forth on the reverse side hereof is a true copy of Article V, Section 8, of the By-Laws of said Companies and is now in force.

IN WITNESS WHEREOF, the said Vice-President has hereunto subscribed his/her names and affixed the Corporate Seals of the said **ZURICH AMERICAN INSURANCE COMPANY, COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, and FIDELITY AND DEPOSIT COMPANY OF MARYLAND**, this 12<sup>th</sup> day of February, A.D. 2020.



**ATTEST:**  
**ZURICH AMERICAN INSURANCE COMPANY  
COLONIAL AMERICAN CASUALTY AND SURETY COMPANY  
FIDELITY AND DEPOSIT COMPANY OF MARYLAND**

By: *Robert D. Murray*  
Vice President

By: *Dawn E. Brown*  
Secretary

**State of Maryland  
County of Baltimore**

On this 12th day of February, A.D. 2020, before the subscriber, a Notary Public of the State of Maryland, duly commissioned and qualified, **Robert D. Murray, Vice President and Dawn E. Brown, Secretary** of the Companies, to me personally known to be the individuals and officers described in and who executed the preceding instrument, and acknowledged the execution of same, and being by me duly sworn, depose and saith, that he/she is the said officer of the Company aforesaid, and that the seals affixed to the preceding instrument are the Corporate Seals of said Companies, and that the said Corporate Seals and the signature as such officer were duly affixed and subscribed to the said instrument by the authority and direction of the said Corporations.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal the day and year first above written.



Constance A. Dunn, Notary Public  
My Commission Expires: July 9, 2023



## ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Kern

On 10/27/2020 before me, Michelle L. Leach, Notary Public  
(insert name and title of the officer)

personally appeared Pam Binns Attorney-in-Fact,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the  
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing  
paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Michelle L. Leach

(Seal)



**South San Luis Obispo County Sanitation District**  
2020 Digester No. 2 Cleaning  
**OPINION OF PROBABLE CONSTRUCTION COST**  
**OCTOBER 2020**

Item	Description	Quantity	Unit	Unit Price	Amount
1	Mobilization, Demobilization and Cleanup	1	LS	\$ 17,000	\$ 17,000
2	Remove Digester Contents, Onsite Dewatering, Return Centrate to Plant Headworks, Clean Digester Tank	1	LS	\$ 144,000	\$ 144,000
Subtotal					\$ 161,000
Contingency 10%					\$ 17,000
Total					\$ 178,000

Prepared By: Noah Maidrand, EIT  
Jon Hanlon, PE  
Prepared on: 10/12/2020

The opinion of probable construction cost presented here is only an opinion of possible construction costs for budgeting purposes. This opinion is limited to the conditions existing at issuance and is not a guaranty of actual price or cost. Uncertain market conditions such as, but not limited to, local labor or contractor availability, wages, other work, material market fluctuations, price escalations, force majeure events and developing bidding conditions, etc. may affect the accuracy of this estimate. MKN & Associates, Inc., is not responsible for any variance from this budgetary opinion of construction cost or actual prices and conditions obtained. The opinion of probable construction cost is based on the draft design plans prepared for the City; addition or subtraction of design elements will impact the final project cost.



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

Post Office Box 339, Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

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

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

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### **Staff Report**

**Date:** November 4, 2020

**To:** Board of Directors

**From:** Jeremy Ghent, District Administrator

**Via:** Mychal Jones, Plant Superintendent

**Subject:** **AWARD A CONTRACT FOR THE CLEANING AND CLOSED-CIRCUIT TELEVISION OF THE DISTRICT'S TRUNK SEWER LINES WITH MAINLINE UTILITY Co.**

#### **RECOMMENDATION:**

Award a contract for the cleaning and closed-circuit television of the remainder of the District's trunk sewer lines to Mainline Utility Co. in the amount of \$87,011 and authorize the District Administrator to review and approve changes to the contract for up to 10% of the initial amount, or \$8,701 for a total potential amount of \$95,712.

#### **BACKGROUND AND DISCUSSION:**

The State Water Board issued General Waste Discharge Requirements for Sanitary Sewer Systems, Water Quality Order 2006-0003-DWQ (General Order) on May 2, 2006. This General Order requires agencies to develop sanitary sewer management plans and report all sanitary sewer overflows, among other requirements and prohibitions.

The District's Adopted Sewer System Management Plan (SSMP) requires that the District clean and inspect the trunk sewer system a minimum of once every 10 years. During video inspection if there are any problems observed, the Capital Improvement Program must be updated to include repairs or replacements. If problems are minor, the annual budget can accommodate repairs.

To maintain compliance with the District's Wastewater Discharge Requirements, SSMP, and evaluate the trunk sewer system, the District began the cleaning and closed-circuit television (CCTV) of its trunk sewer system in July 2020. The District completed the flushing and CCTV of approximately 18,032 feet of trunk sewer main located in the City of Arroyo Grande. To continue our efforts, Staff is requesting approval to award a contract to Mainline Utility Co. for the cleaning and CCTV of the remaining 28,171 feet of District trunk sewer main located in the City of Grover beach and the Community of Oceano.

**Fiscal Consideration:**

Adequate budget is included in the Adopted Budget for FY 2020/21, under Fund 26, Account No. 26-8015, Trunk Sewer Maintenance.

**Attachment:**

Mainline Utility Co. Rates

# MAINLINE UTILITY CO.

LIC # 907024  
1305 North H. St. Suite A, P.M.B. # 316  
Lompoc, Ca. 93436  
(805) 434-5015 Fax (805) 735-1252  
mainlineutility@msn.com

To: Mychal  
Company: SSLOCSD  
Email:

Date: 10/26/20  
Phone:  
Job: Trunk line Maint.

## ESTIMATE/CONTRACT

MAINLINE agrees to construct and complete in a good workmanlike and substantial manner, upon the real property hereinafter. MAINLINE will furnish all labor, tools, machinery, equipment, material, transportation as needed on the following work.

**We will clean and video inspect a series of trunk sewer lines in the Grover Beach and Oceano areas. 16,200 feet. All video and digital reports will be downloaded to a flash drive. All material removed will be dumped at the plant. Water to be provided by the district. Basic traffic control will be provided by Mainline. Additional traffic control will be provided by Statewide. Night work because of flow rates will be an additional charge. If excessive cleaning is needed, more than 2 passes. We will switch to an hourly rate. All work will be tracked with daily reports delivered weekly to show progress and faults found. Detailed drawings will be added to maps provided by the district.**

**Cleaning: \$1.00 per-foot**

**CCTV: \$1.25 per-foot.**

**Night: \$1.50 per-foot**

**Hourly: \$375.00 per hour**

**Night Hourly: \$562.50 per hour**

**Traffic control: \$1,800.00 per day**

**Water Buffalo: \$500.00 per week**

**Mobilization: \$100.00 per day**

ANYTHING **DUE** TO UNFORESEEN PROBLEMS OR CHANGES BY AGENT/OWNER WILL BE CHARGED TIME AND MATERIAL OVER AND ABOVE ORIGINAL **ESTIMATED** PRICE. ANY PROBLEMS DUE TO DIGGING THROUGH ROCK OR UNUSUALLY HARDENED MATERIAL WILL ALSO BE CHARGED TIME & MATERIAL OVER AND ABOVE THE ORIGINAL ESTIMATED PRICE. EVERYTHING POSSIBLE WILL BE DONE TO PROTECT EXISTING LANDSCAPING. MAINLINE WILL NOT BE RESPONSIBLE FOR DAMAGE TO LANDSCAPING.

Any alteration or deviation from the above specifications involving extra cost of material or labor will become an extra charge over the sum mentioned as described below.

THE OWNER/AGENT WILL BE RESPONSIBLE FOR ANY PERMITS, SURVEYING COSTS, AND COMPACTION TEST.

\*\*\*MATERIAL COST TO BE PAID PRIOR TO COMMENCEMENT OF WORK ALONG WITH 10% OF TOTAL AMOUNT. FINAL PAYMENT TO BE MADE NO LATER OR UPON COMPLETION OF EACH PHASE OF WORK COMPLETED AS PER CONTRACT.

INVOICES NOT PAID WITHIN 10 DAYS FROM COMPLETION OF WORK WILL BE SUBJECT TO A FINANCE CHARGE OF 1.5% PER MONTH. ANY COSTS FOR COLLECTIONS OR ATTORNEYS FEES WILL BE YOUR RESPONSIBILITY AND WILL BE ADDED TO THE AMOUNT DUE.

Estimate is only valid for 30 days from the above mentioned dated.

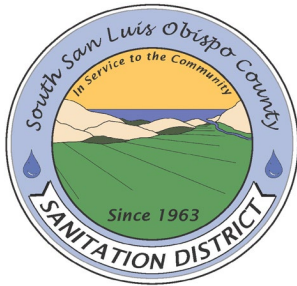
**Please sign and return.**

Accepted by:

Date:

Price: \$

Respectfully Submitted By: Mike MacEachern



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

Post Office Box 339 Oceano, California 93475-0339  
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## **Staff Report**

**To:** Board of Directors  
**From:** Jeremy Ghent, District Administrator; Mychal Jones, Plant Superintendent  
**Date:** November 4, 2020  
**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:**

- *No Update beyond what is covered on tonight's Agenda*

#### **Central Coast Blue:**

- *No Update*

### **Misc:**

- *District continues Covid-19 precautions such as increased PPE, temperature checks, and sanitization in order to protect worker safety and plant operations.*
- *District applied for \$228,000 in CalOES Grant Funds to mitigate potential impacts from a potential PG&E Public Safety Power Shutdown (PSPS). Project would expand District's on-site fuel reserves from an existing 2 days to 7 days to cover PG&E's maximum expected outage duration.*
- *District is adding the 2<sup>nd</sup> monthly meetings in both November in December to facilitate the multiple Board actions necessary to move the Redundancy Project into construction by the beginning of the new year.*
  - *Wednesday November 18<sup>th</sup>*
  - *Wednesday December 2<sup>nd</sup>*
  - *Wednesday December 16<sup>th</sup>*
- *The County Flood Control District is pursuing a restoration project that will provide reduced frequency of flooding along Arroyo Grande Creek and Meadow Creek Lagoon. The project is in the preliminary stage of procuring an environmental*

*and engineering team that can undertake the multi-year planning and implementation efforts.*

- *NBS The District's billing consultant for the Community of Oceano has begun compiling the information necessary to transition billing of all District Rates and Charges to the County Tax Roll.*

**Plant Tours:**

1. *Suspended due to Covid-19*



## **Plant Operations Report**

During this reporting period (October 1<sup>st</sup> – October 30<sup>th</sup>) 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. All analysis was within Permit limitations.

### **Monthly Plant Data for October 2020**

October 2020	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/100 mL	Chlorine Usage lbs/day
Low	2.2	3.3	433	17.9		390	20.8		< 1.8	125
High	2.72	4.5	480	22.6		617	32.5		14	328
Average	2.39	3.73	455	19.5	95.7	434	24.6	94.3	3.6	266
Oct. 2019 AVG	2.35	3.64	472	22.1	95.3	454	32.8	94.1	10.4	221
Limit	5.0			40/60/90	>80		40/60/90	>80	2000	

### **Operation and Maintenance Tasks**

- Replaced tires on two plant carts
- Troubleshoot high headworks wet well level due to influent pump No. 1 check valve being stuck closed
- Began cleaning out sludge bed center drain
- Inspected manhole level floats
- Checked and marked Underground Service Alerts
- Andritz service technician installed new variable frequency drives, control screen, and programming controls for the District's centrifuge
- Installed new sludge pump control switch for District centrifuge and rental centrifuge
- Troubleshoot high influent wet well alarm and fixed film reactor peripheral drive failure
- West Coast Gauging performed annual maintenance on flare and digester methane gas equipment
- Repaired laboratory autoclave
- Petroleum Solutions performed monthly maintenance on rental centrifuge
- Autosys installed and programmed replacement level sensor in headworks
- Replaced failed sump pump in primary clarifier sump
- Removed locks on manholes in preparation for failed liner removal
- Adjusted and raised rental centrifuge auger
- Troubleshoot mechanical bar screen washer/compactor plugging

### **Work Orders Completed**

- Greased sludge bed/centrifuge feed pumps
- Performed preventative maintenance and washed all plant carts
- Rinsed all disinfection control probes
- Performed calibration on both disinfection backup systems
- Performed preventative maintenance on
  - Amiad filters
  - Forklift
  - Digester sludge recirculation pump

- Digester vacuum/pressure relief valves
- Fixed film reactor pump and motors
- Fixed film reactor ventilation fans
- Loader
- All clarifier drive units
- Cleaned effluent junction box
- Test ran emergency generator and emergency bypass pump
- Rinsed surfaces of all clarifiers
- Cleaned strainer baskets throughout plant
- Changed out oil and cleaned orifices on fixed film reactor
- Replaced desiccators in electrical control panels throughout plant
- Performed monthly safety walk

### **Training**

- Performed laboratory refresher training
- Performed training on Personal Protective Equipment and Silica Dust

### **Call Outs**

No call outs this reporting period

*This section intentionally left blank. Report continues next page.*

### **District Trunk Sewer Liner Removal**

During the ongoing flushing and closed-circuit television of the District's trunk sewer lines, the District became aware of a failing sewer liner in a portion of its trunk main.

On Wednesday, October 28<sup>th</sup>, District Operations staff, in concert with the City of Arroyo Grande Utilities Department and Mainline Utility, performed the removal of a failed sewer liner in a portion of the District's trunk sewer main. The City of Arroyo Grande Utilities Department performed the successful removal of the failed liner by plugging the trunk main and using a sewer line root cutter nozzle. Mainline Utility verified the successful removal of the failed sewer liner by way of closed-circuit television. Following the successful failed liner removal, the City of Arroyo Grande Utilities Department flushed the entire line and verified that there were no residual pieces of liner or debris in the sewer liner. Below you will find a before and after removal photo of the failed liner.







**Setup Prior to Liner Removal**



**After Liner Removal**



**District and City of Arroyo Grande Staff**





Thank You to the City of Arroyo Grande's Utilities Division and Mainline Utility for assisting the District and their continued dedication to the public and environment.