



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

BOARD PACKET

For the Regular Board Meeting of

Wednesday, April 17, 2024

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AGENDA

For the Regular Meeting of the Board on:

April 17, 2024

The regular meeting of the Governing Board will begin at **12:00 p.m. on April 17, 2024** in the District's Board Room at 1042 Monte Cristo Lane, Santa Barbara, CA 93108.

The public may attend the meeting in person or participate remotely via Zoom using the following virtual meeting details:

By visiting: <https://us02web.zoom.us/j/86118975917>

Or by calling: 1-669-900-6833

Meeting ID: 861 1897 5917

1. CALL TO ORDER

A. ROLL CALL

B. PLEDGE OF ALLEGIANCE

C. PRESIDENT'S REPORT

D. AGENDA CHANGES/DELETIONS

2. PUBLIC COMMENT

Public comment on items not on the agenda is **limited to 3 minutes** and is at the discretion of the Board President. For further instructions, please see [Instructions for Public Comment](#) on the District's website.

3. CONSENT CALENDAR

A. Fiscal Year 2023-24 Unaudited Quarterly Financial Reports – December 31, 2023

4. CLOSED SESSION

A. PUBLIC COMMENT

Public comment on closed session items(s).

B. CONFERENCE WITH LABOR NEGOTIATOR (GOVERNMENT CODE § 54957.6)

Name of District Negotiator to Attend Closed Session: John Weigold, General Manager

Name of Employee Organizations: Service Employees International Union (SEIU) Local 620, Montecito Sanitary District Management Group

5. MANAGEMENT MERIT INCREASES

It is recommended that the Board consider:

- i) Lifting the suspension on Management Merit increases; and
- ii) Taking such additional, related action that may be desirable.

6. PRESENTATION

A. AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2021-22 PRESENTED BY BARTLETT, PRINGLE, & WOLFF

It is recommended that the Board consider:

- i) Receiving and filing a report by Ms. Tracey Solomon of Bartlett Pringle & Wolff (BPW), LLP regarding the Montecito Sanitary District's 2021-22 Financial Statements audit report and Letter of Required Communication; and
- ii) Taking such additional, related action that may be desirable.

7. SECONDARY CLARIFIER MAINTENANCE

It is recommended that the Board consider:

- i) Authorizing the General Manager to approve a purchase order with Evoqua Water Technologies in the amount of \$106,770.90 for the purchase of necessary parts for maintenance of the Wastewater Treatment Plant clarifiers.

8. WASTEWATER TREATMENT PLANT (WWTP) SEISMIC AND MATERIALS STUDY

It is recommended that the Board consider:

- i) Authorizing the General Manager to execute a contract with SSG Structural Engineers (SSG) to prepare a Wstewater Treatment Plant (WWTP) Seismic and Materials Study (Study) to the District in the amount of \$XXX,XXXX; and
- ii) Authorizing the General Manager to approve expenditures of up to \$XX,XXXX (10%) as a change order allowance for any necessary changes in scope of work.

9. 1950 LEMON RANCH SEWER MAIN RELOCATION AND DEDICATION AGREEMENT

It is recommended the Board consider:

- i) Approving the Dedication Agreement for the sewer main relocation located at 1950 Lemon Ranch.
- ii) Determine that this action is not subject to California Environmental Quality Act (CEQA) pursuant to State CEQA Categorical Exemption 15302 (C) as well as Statutory Exemption 15282 (k) of the Public Resources Code Section 21080.21.

10. DISTRICT INSURANCE POLICIES

It is recommended that the Board discuss the various insurance policies held by the District.

11. GENERAL MANAGER’S REPORT

General Manager John Weigold will provide informational, nonactionable updates regarding matters before the District.

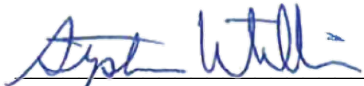
12. ITEMS FOR FUTURE AGENDAS

The next regularly scheduled Board meeting will be held on May 15, 2024 at 12:00 pm.

13. ADJOURNMENT

The Montecito Sanitary District has resumed in-person meetings in accordance with the Brown Act. In accordance with the State of Emergency declaration issued on March 4, 2020 by the Governor of the State of California in response to COVID-19 and Government Code 54953(e), the District also provides alternative methods of remote participation which permit members of the public to observe and address public meetings remotely via telephone or Zoom. These methods of participation can be accessed through the internet link provided at the top of this agenda.

This agenda was posted on the District website, and at the Montecito Sanitary District Bulletin Board in accordance with the requirements of the Brown Act. Attested by:



Stephen Williams
District Administrator/Clerk of the Board

ADA – The Americans with Disabilities Act provides that no qualified individual with a disability shall be excluded from participation in, or denied the benefits of, the District's programs, services or activities because of any disability. If you need special assistance to participate in this meeting, please contact the District Office at 969-4200. Notification at least twenty-four (24) hours prior to the meeting will enable the District to make appropriate arrangements.



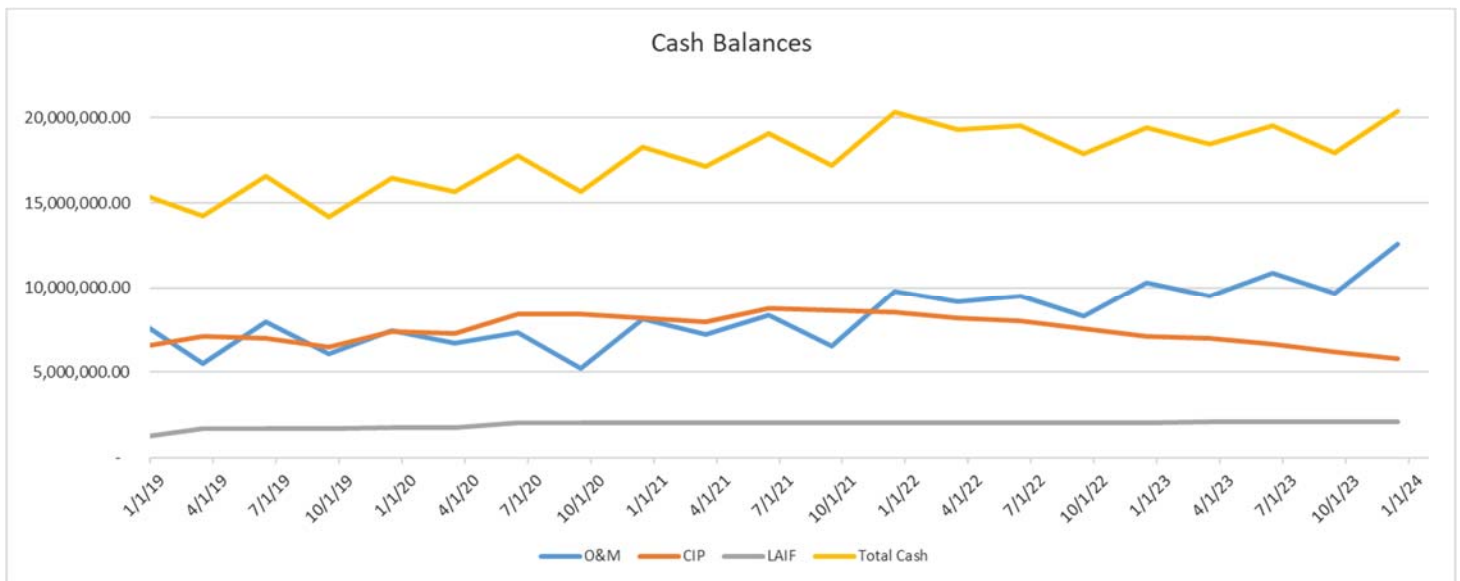
Fiscal Year 2023-24 Unaudited Quarterly Financial Summary Memo

For the Quarter Ended 12/31/2023

FINANCIAL HEALTH AND CASH POSITIONS

As of **December 31, 2023**, the District is in a sound financial position. It maintains a healthy cash balance sufficient to cover its short term and long term obligations. The District also maintains an unofficial reserve balance of approximately **\$2.1M** in its LAIF account, which is equal to approximately **4.61** months of Operations & Maintenance (O&M) expenditures (currently **\$455,883** per month). Typical business practice is to hold at least 3-6 months of cash on hand for emergencies, along with adequate insurance holdings. Based on this metric the District is within that range with its LAIF account.

Below is a chart detailing the District’s cash positions over the past five years:



Below is a chart detailing the current cash balances the District maintains compared to last quarter:

	Balance at 9/30/2023	Balance at 12/31/2023	Difference
Operations & Maintenance	\$ 9,677,162	\$ 12,547,592	\$ 2,870,430
Capital Improvement Projects	6,169,269	5,756,007	(413,262)
LAIF (Reserve)	2,073,215	2,091,910	18,695
Total Available Cash	\$ 17,919,646	\$ 20,395,509	\$ 2,475,863

REVENUES

For Fiscal Year 2023-24, the District expects approximately **\$7.75M** in revenues between its two main revenue types: Operating and Non-operating revenue. The District receives approximately 96% of its revenues through two allocations from the County of Santa Barbara’s Property Tax apportionment, which occurs in December and April of each year. The District received its first apportionment totaling **\$4,102,011**. The District has sufficient cash on hand to handle the timing of revenues, so no temporary borrowing is necessary for the District to meet its current and expected obligations.

Table 1 below shows the breakdown of revenue received for the period ending December 31, 2023.

OPERATIONS & MAINTENANCE BUDGET TO ACTUAL SUMMARY

OPERATING AND NONOPERATING REVENUES

	2023-24 Budget	2023-24 Actuals	Difference
Operating Revenues			
Service Charges	\$ 6,650,000	\$ 3,667,618	\$ (2,982,382)
Connection Fees	125,000	156,342	31,342
Other Services	75,000	25,924	(49,076)
Total Operating Revenues	\$ 6,850,000	\$ 3,849,884	\$ (3,000,116)
Nonoperating Revenues			
Property Taxes	\$ 725,000	\$ 434,393	\$ (290,607)
Interest Income	175,000	169,616	(5,384)
Total Nonoperating Revenues	\$ 900,000	\$ 604,009	\$ (295,991)
Total Revenues	\$ 7,750,000	\$ 4,453,893	\$ (3,296,107)

Table 1. Fiscal Year 2022-23 Budget to Actuals for Revenue

Below is a deeper analysis or estimated versus actual revenues collected:

Operating and Non-operating Revenue Noteworthy Items:

- Sewer Service Charges - The District's primary source of revenues comes from Sewer Service Charges.** The District submitted all Sewer Service Charges to the County for inclusion on connected properties Property Tax bills in early July. This method saves a substantial amount of administrative time having to bill, collect, and reconcile over 3,000 sewer service bills to customers. Total amount reported to the Auditor was **\$6,621,552**, and the District has received \$3,667,618 through the end of the calendar year. Staff anticipates Sewer Service Charges will be roughly in line with what was estimated.
- Connection Fees** – The District has seen a higher number of connection fees processed in the first quarter of the fiscal year than anticipated, primarily due to properties connecting to the recently completed Lilac/Oak Grove sewermain extension. These properties have paid for their connection fees through the permitting process and will be included in the Property Tax Roll in the next fiscal year.
- Other Services** – The District collects various fees as it relates to inspection services, sewer availability inquiries, engineering review services, agreements, and administrative certifications. As of the end of **Q2**, Staff does not anticipate any material overages or underages in this revenue source.
- Property Tax** – The District's ½ of 1% Property Tax Revenue is collected in the same manner as the Sewer Service Charges. The County released an estimated property tax revenue figures in mid-October and the District is expected to receive **\$770,332**, which is **\$45,332** higher than budgeted for Fiscal Year 2023-24. To date the District has received **\$434,393** of its property tax allocation.

- **Interest Income** – The District began budgeting for Interest Income in Fiscal Year 2023-24. Currently staff expects higher interest earnings than budgeted, coupled by increasing interest rates and the transition out of LAIF and into Charles Schwab in the third quarter of Fiscal Year 2023-24.

OPERATING EXPENDITURES

	2023-24 Budget	2023-24 Actuals	Difference	% of Budget
Operating Expenditures				
Salaries and Benefits	\$ 3,289,900	\$ 1,580,996	\$ 1,708,904	48%
Insurance	119,200	46,102	73,098	39%
Maintenance & Repairs	180,000	89,535	90,466	50%
Goods & Supplies	138,500	51,008	87,492	37%
Professional Services	352,000	82,509	269,491	23%
Administrative Costs	400,000	212,186	187,814	53%
Plant & Lab Operating Costs	635,000	261,918	373,082	41%
Safety, Training, & Travel	53,500	16,234	37,266	30%
Utilities	302,500	129,674	172,826	43%
Total Operating Expenditures	\$ 5,470,600	\$ 2,470,162	\$ 3,000,438	45%

The District’s Operations and Maintenance expenditure budget is in alignment with what the District anticipated for end of Q1. Salaries and Benefits expenditures are sitting at approximately **26%** of utilization, even with a large Unfunded Actuarial Liability (UAL) payment being made during the first quarter. Services and Supplies budget has utilized approximately **14%** of the anticipated budget at the end of the first quarter, and we expect that percentage to increase as some of the larger projects begin later on in the fiscal year.

Below is a deeper analysis of some of the areas the District wishes to highlight for the Board from its Operations & Maintenance budget to actuals:

Operating Expenditures Noteworthy Items:

- **6400 – CalPERS Contribution** – Every year the District elects to prepay its UAL in July rather than paying in monthly installments in order to save money. This large expenditure early in the year is causing the percentage of budget utilized to be high, however, based on the UAL payment and estimated contributions for the rest of the fiscal year the District expects to be slightly under budget at year end.
- **6620 – Workers’ Compensation** – Every year the District pays its Workers’ Compensation premium in July with a true up around December. As such the percentage of budget utilized is high, but staff expects to be within budget for this item as there are very minimal costs during the rest of the fiscal year.
- **7091 – Property Insurance** – The District’s saw an increase to its property insurance and Workers Compensation insurance of approximately **26.1%** and **12.7%** respectively. While the District did anticipate higher premiums in its budget, these percentages surpassed our estimates. The District receives its largest premium bill in December, so the next quarters’ financial reports will include any recommendation for a budget revision at that time.

- **7121 – Property Maintenance** – Repairs to the Operations Building HVAC and Laboratory HVAC were required in the first quarter of the fiscal year causing the percent utilization to be higher than anticipated. If further unanticipated maintenance is necessary the need for a budget adjustment might arise. Staff will advise the Board in future Financial Summary Memos if that will be needed.
- **7129 – Lift Station Parts** – Approximately \$4,500 in unanticipated Generator Service costs were incurred during the first quarter spiking the amount anticipated in the first quarter. Staff doesn't expect further costs that would necessitate a budget revision in the later part of the fiscal year.
- **7461 – Professional Services – Legal – This line item will now only track costs for the District's General** Legal Counsel (Colantuono Highsmith & Whatley). Based on current costs realized through the first quarter and a normal utilization of our General Legal Counsel, Staff expects this to be in line with annual budgetary figures. Staff will continue to monitor this line item at future financial reports in order to provide projections on budget to actuals.
- **7464 – Professional Fees – Computer/GIS** – In the first quarter staff implemented Office 365 which moves the District into a cloud-based network setup. This transition saves the District money when compared to replacing the physical servers it used to house on site as well as creates efficiencies with data backup/integration with the District's new GIS upgrades. This large project is leading to the high percent utilization. Staff will monitor in future quarters to see if a budget revision is necessary.
- **7510 - Contracted Services/Labor** - The District paid its annual Smartcover System Service Warranty in September totaling **\$32,760**, the District's GIS upgrade project began during this quarter, and there have been more than expected needs for on-call electrical system work. Staff will continue to monitor during the third quarter and recommend to the Board if a budget adjustment is needed.
- **7653 – Chemicals** – Staff completed a bid process for its chemicals near the end of fiscal year 2022-23. As such chemical costs are coming in as expected during the fiscal year. As price increases were negotiated staff does not expect costs to increase at a rate higher than budgeted for as had happened in the prior fiscal year.
- **7763 – Electricity** – The Board has expressed concern about electricity bills in the past. So far the District is in alignment with the Budget and doesn't expect to go over during Fiscal Year 2023-24.

CAPITAL IMPROVEMENTS PROJECTS

The District maintains separate Capital Improvement Project band of accounts from its Operations and Maintenance funds. As of the end of the period the balance held in CIP accounts totals **\$5,756,007**.

The budget passed for Fiscal Year 2023-24 utilizes estimates for the anticipated expenditures for CIP work including permitting, design, construction management, and all other costs associated with projects. The annual budget passed by the Board this Fiscal Year totaled **\$7,495,000**. The following table shows total budget and amount expended through the quarter by program.

Program	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
Collections	\$ 4,020,000	\$ 452,919
Lift Stations	\$ 500,000	\$ 6,518
Treatment & Lab Facilities	\$ 2,830,000	\$ 195,385
Sewer Main Extens	\$ 75,000	\$ -
	\$ 70,000	\$ -
Total	\$ 7,495,000	\$ 654,822

The following highlights noteworthy capital expenditures for Q2 and Attachment C provides includes all CIP activity through the period ending December 31, 2023.

- C002 – Highway 101 Sewer Main Protect-In-Place** – The most notable capital expenditures during the quarter were related to the Highway 101 Sewermain Protect-in-Place project. The District will be reimbursed for these costs once completed, so CIP cash will eventually be replenished. The project is anticipated to be completed during the third quarter of the current fiscal year.
- T012 – Skimmer Troughs Installation** – The only other notable capital expenditure during the quarter was to the Districts’ clarifiers. The District spent \$63,520 of its budgeted \$220,000 to begin maintenance on this critical component of the treatment plant.

The District spent a great portion of the first quarter planning for capital improvement projects, so expenditures are expected to increase sharply over the next three quarters. Updates to CIP projects will also be included in the monthly General Manager’s report heard at Regular Board Meetings.

2017 SEWER REFUNDING REVENUE BONDS – CALIFORNIA SPECIAL DISTRICTS ASSOCIATION (CSDA) FINANCE CORPORATION

In May 2017 the District refunded its 2007 Certificates of Participation (COP). The District will make two payments on its bond during Fiscal Year 2023-24 totaling \$934,100. Of this total \$710,000 will be applied to principal and \$224,100 will be applied to interest. The next payment due date is January 1, 2023. After all payments are made in Fiscal Year 2023-24 the remaining bond debt will be \$4,970,000 and is expected to be paid off by July 1, 2030.

ANNUAL DEPRECIATION FUNDING

Annually, District’s Operations & Maintenance accounts contribute to the Capital Replacement Fund. Typically, this contribution has been based on the prior fiscal year’s annual depreciation expense. The current year contribution based on the Fiscal Year 2022-23 Financial Audit, and that unofficial figure is **\$1,271,840**. Once the Fiscal Year 2022-23 audit is finalized staff will initiate the contribution from its County Operations and Maintenance fund to its County Capital Improvement Program fund.

Attachments:

Attachment A – Quarterly Cash and Investments Holdings as of **12/31/2023**

Attachment B – Quarterly Operations & Maintenance Expenditure Status Report as of **12/31/2023**

Attachment C – Quarterly Capital Improvement Projects Expenditure Status Report as of **12/31/2023**

Attachment D – Quarterly Investment Certification

**FY2023-24 Quarterly Cash and Investment Activity
Quarter 2**

	<u>10/1/2023</u>	<u>Income</u>	<u>Interest</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Withdrawals</u>	<u>12/31/2023</u>	<u>Net Change</u>	
Investment Accounts									
Cash with LAIF	2,073,215		18,695				2,091,910	18,695	
Cash with County-Operating	8,911,270	4,072,908	52,448		(1,000,000)	(112,050)	11,924,576	3,013,306	Property Tax/SSCs: \$4,072,908 Quarterly Interest: \$52,448 Transfers to MBT O&M: \$1,000,000 Bond Interest Pymt: \$112,050
Cash with County - Capital Replacement	4,887,014		28,148		(750,000)		4,165,161	(721,852)	Quarterly Interest: \$28,148 Transfers: \$750,000 to MBT CIP
Cash with County-Retiree Medical	187,841		1,038				188,879	1,038	Quarterly Interest: \$1,038
Cash Accounts									
MBT Operating account	462,432	226,807		1,000,000		(1,371,182)	318,057	(144,375)	Income: connection, permit, & other fees Transfers: \$1,000,000 from County O&M Withdrawals: O&M Expenses (A/P, Payroll)
MBT Capital Improvement account	408,779			750,000		(445,160)	713,619	304,840	Transfers: \$750,000 from County CIP Withdrawals: pmts on Capital Projects
Revolving fund account	1,450						1,450	-	Withdrawals: payments on O&M expenses paid outside normal processing
Insurance Reimbursement Acct	113,919		461				114,380	461	Quarterly Interest: \$461
MBT Recycled Water account	873,476		3,751				877,227	3,751	Withdrawals: pmts on Recycled Water Projects
Petty Cash	250						250	-	
Total Cash & Investment accounts	17,919,645	4,299,716	104,541	1,750,000	(1,750,000)	(1,928,392)	20,395,509	2,475,864	

MONTECITO SANITARY DISTRICT OPERATIONS AND MAINTENANCE EXPENDITURE STATUS REPORT
FOR THE PERIOD ENDED 12/31/2023

		2023-24 BUDGET	2023-24 ACTUALS	VARIANCE	% OF BUDGET
OPERATING EXPENDITURES					
SALARIES AND BENEFITS					
6100	STAFF SALARIES	\$ 2,099,000.00	\$ 961,478.93	\$ 1,137,521.07	46%
6105	BOARD SALARIES	45,000.00	14,553.00	30,447.00	32%
6108	AUTO ALLOWANCE - GM	3,600.00	1,800.00	1,800.00	50%
6270	STANDBY PAY	33,000.00	26,100.00	6,900.00	79%
6300	OVERTIME	30,000.00	8,265.28	21,734.72	28%
6400	PERS CONTRIBUTION	415,000.00	298,711.84	116,288.16	72%
6410	EMPLOYEE BENEFITS	60,000.00	29,527.79	30,472.21	49%
6500	FICA CONTRIBUTION	135,000.00	60,032.00	74,968.00	44%
6510	MEDICARE	32,000.00	14,440.64	17,559.36	45%
6520	UNEMPLOYMENT TAX - STATE	3,500.00	160.57	3,339.43	5%
6600	GROUP MEDICAL - ACWA	300,000.00	93,700.90	206,299.10	31%
6605	RETIREE MEDICAL BENEFITS	20,000.00	7,343.40	12,656.60	37%
6610	LIFE INSURANCE - ACWA	7,300.00	2,125.00	5,175.00	29%
6615	DISABILITY INS - STANDARD	26,000.00	8,012.90	17,987.10	31%
6620	WORKER'S COMPENSATION	50,000.00	44,958.00	5,042.00	90%
6640	DENTAL INSURANCE - ACWA	19,000.00	4,294.00	14,706.00	23%
6650	UNIFORM SERVICE - MISSION	11,500.00	5,492.22	6,007.78	48%
	TOTAL SALARIES AND BENEFITS	\$ 3,289,900.00	\$ 1,580,996.47	\$ 1,708,903.53	48%
SERVICES AND SUPPLIES					
7090	INS (GEN LIAB/AUTO/E&O) - CSRMA	\$ 80,000.00	\$ -	\$ 80,000.00	0%
7091	PROPERTY INSURANCE	28,000.00	36,130.84	(8,130.84)	129%
7093	INS (EMP DISHONESTY BOND) - CSRMA	1,200.00	891.00	309.00	74%
7094	INS (MOBILE EQUIP) - CSRMA	10,000.00	9,080.00	920.00	91%
7110	EMPLOYEE PHYSICALS	2,500.00	369.00	2,131.00	15%
7121	PROPERTY MAINTENANCE	70,000.00	40,806.29	29,193.71	58%
7122	VEHICLE MAINTENANCE	15,000.00	3,539.97	11,460.03	24%
7126	COLL - EQUIPMENT RENTAL	1,000.00	-	1,000.00	0%
7127	COLL - SAFETY EQUIPMENT/SUPPLIES	8,000.00	544.22	7,455.78	7%
7129	LIFT STATION PARTS	30,000.00	22,066.71	7,933.29	74%
7133	VACCON EQUIPMENT & REPAIRS	15,000.00	1,424.22	13,575.78	9%
7134	CCTV EQUIPMENT/REPAIRS	15,000.00	7,991.18	7,008.82	53%
7136	COLL - MISC COLLECTION TOOLS	10,000.00	8,383.08	1,616.92	84%
7138	JETTER TRUCK EQUIP / REPAIRS	6,000.00	2,972.24	3,027.76	50%
7150	MECHANICAL MAINTENANCE	5,000.00	1,319.31	3,680.69	26%
7200	GENERAL OPERATING SUPPLIES	10,000.00	4,789.69	5,210.31	48%
7201	DRINKING WATER	2,500.00	1,007.61	1,492.39	40%
7202	GLOVES	8,000.00	1,299.01	6,700.99	16%
7205	COMMUNITY & EMPLOYEE GOODWILL	6,000.00	2,453.69	3,546.31	41%
7220	MAILING/SHIPPING EXPENSES	5,000.00	350.00	4,650.00	7%
7430	MEMBERSHIPS	50,000.00	21,871.17	28,128.83	44%
7440	MISCELLANEOUS EXPENSES	2,500.00	-	2,500.00	0%
7450	OFFICE EXPENSES	15,000.00	6,026.77	8,973.23	40%
7452	SCANNING & SHREDDING	10,000.00	-	10,000.00	0%
7454	BOOKS/SUBSCRIPTIONS/STUDY GUIDES	2,000.00	-	2,000.00	0%
7456	COMPUTER HARDWARE/SOFTWARE/LICENSING	37,500.00	13,210.00	24,290.00	35%
7461	PROFESSIONAL SERVICES/FEES - LEGAL	100,000.00	26,493.00	73,507.00	26%
7462	PROFESSIONAL FEES - ACCOUNTING	45,000.00	8,105.00	36,895.00	18%
7463	PROF SERVICES - ENGINEERING	100,000.00	1,850.00	98,150.00	2%
7464	PROFESSIONAL FEES - COMPUTER/GIS	60,000.00	42,888.20	17,111.80	71%
7466	PROF SERVICES - HUMAN RESOURCES	12,000.00	2,673.00	9,327.00	22%
7467	PROF SERVICES - SPECIAL LEGAL COUNSEL	25,000.00	-	25,000.00	0%
7500	PUBLIC OUTREACH	10,000.00	500.00	9,500.00	5%
7506	ADMINISTRATIVE FEES	30,000.00	13,665.21	16,334.79	46%
7508	COLLECTION/TREATMENT FINES	10,000.00	-	10,000.00	0%
7510	CONTRACTED SERVICES/LABOR	95,000.00	96,912.48	(1,912.48)	102%
7530	ADS/NOTICES FOR PUBLICATION	3,000.00	462.50	2,537.50	15%
7610	FURNITURE/FIXTURES	10,000.00	692.52	9,307.48	7%
7641	NPDES PERMIT EXPENSES-LAB	17,000.00	6,835.91	10,164.09	40%
7645	NPDES PERMIT REQUIREMENTS - OPERATIONS	100,000.00	27,057.00	72,943.00	27%
7650	ELECTION EXPENSES	-	-	-	0%
7651	ANALYZER CHEMICALS	-	479.62	(479.62)	0%
7652	BIO SOLIDS DISPOSAL	65,000.00	28,458.97	36,541.03	44%
7653	CHEMICALS	300,000.00	115,692.06	184,307.94	39%
7654	GENERATOR SERVICE	10,000.00	868.35	9,131.65	9%

7655	HAZARDOUS MATERIALS DISPOSAL	2,000.00	37.80	1,962.20	2%
7656	PLANT EQUIPMENT RENTAL	5,000.00	-	5,000.00	0%
7657	PLANT MAINTENANCE MATERIALS	90,000.00	36,639.99	53,360.01	41%
7658	PLANT MAINTENANCE PROJECTS	5,000.00	-	5,000.00	0%
7659	PLANT SAFETY EXPENSES	-	487.28	(487.28)	100%
7661	POLYMER	10,000.00	-	10,000.00	0%
7662	SMALL TOOLS/EQUIP	4,000.00	732.30	3,267.70	18%
7670	SPECIAL PROJECTS	120,000.00	64,163.13	55,836.87	53%
7671	ASSET MANAGEMENT	97,000.00	47,275.00	49,725.00	49%
7675	COVID-19 EXPENSES	-	1,211.21	(1,211.21)	100%
7681	2023 WINTER STORM	-	817.25	(817.25)	100%
7700	LAB CONSUMABLES-SMALL EQUIPMENT	32,000.00	26,646.41	5,353.59	83%
7702	LAB EQUIPMENT MAINTENANCE	10,000.00	2,143.83	7,856.17	21%
7703	CONTRACT LAB ANALYSES	10,000.00	2,944.03	7,055.97	29%
7722	BOARD TRAINING/CONF REGISTRATION	2,500.00	1,300.00	1,200.00	52%
7723	BOARD MEETINGS/TRAVEL EXPENSES	1,000.00	1,980.81	(980.81)	198%
7724	STAFF TRAINING/CONF REGISTRN	15,000.00	2,062.92	12,937.08	14%
7725	STAFF TRAVEL EXPENSES	15,000.00	5,725.82	9,274.18	38%
7726	STAFF CERTIFICATIONS/LICENSES	8,000.00	1,590.00	6,410.00	20%
7727	OSHA REQUIRED TRAINING	5,000.00	-	5,000.00	0%
7728	SAFETY BOOT ALLOWANCE	4,500.00	816.38	3,683.62	18%
7729	APPAREL AND UNIFORMS	2,500.00	-	2,500.00	0%
7731	LOCAL MEETING EXPENSES	2,500.00	2,757.59	(257.59)	110%
7740	FUEL AND OIL	25,000.00	8,602.58	16,397.42	34%
7761	WATER	10,000.00	4,445.46	5,554.54	44%
7762	NATURAL GAS	5,500.00	603.96	4,896.04	11%
7763	ELECTRICITY	215,000.00	98,441.23	116,558.77	46%
7766	TRASH / RECYCLING	17,000.00	5,050.86	11,949.14	30%
7767	TELEPHONE - LOCAL/LD	18,000.00	6,192.93	11,807.07	34%
7768	TELEPHONE CELLULAR	12,000.00	6,337.10	5,662.90	53%
	TOTAL SERVICES AND SUPPLIES	\$ 2,180,700.00	\$ 889,165.69	\$ 1,291,534.31	41%
	TOTAL OPERATING EXPENDITURES	\$ 5,470,600.00	\$ 2,470,162.16	\$ 3,000,437.84	45%

Fiscal Year 2023-24 Capital Improvement Program (CIP)

Adopted by the Board on June 22, 2023

Collections:

Project No.	Description	Estimated Project Cost	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
C001	Collection System Condition Assessment & Prioritization Plan	\$ 40,000	\$ 50,000	
C002	Highway 101 Sewer Main Protect-In-Place	\$ 1,700,000	\$ 1,700,000	\$ 327,376
C003	Large Diameter Sewer Main Rehabilitation - Design	\$ 75,000	\$ 75,000	\$ 5,220
C005	Manhole rehab project (Lining)	\$ 100,000	\$ 100,000	
C009	Emergency Bypass Pumper	\$ 80,000	\$ 80,000	
C010	FEMA Rehabilitation - Design/Permitting	\$ 125,000	\$ 125,000	\$ 13,595
C010	FEMA Rehabilitation - Construction	\$ 950,000	\$ 950,000	\$ 92,837
CMAN	Manhole Adjustments	\$ 60,000	\$ 60,000	
CEME	Collection O/M Emergencies	\$ 50,000	\$ 50,000	\$ 13,892
CEQU	Equipment Replacement	Various	\$ 830,000	
Collections Subtotal			\$ 4,020,000	\$ 452,919

Lift Stations:

Project No.	Description	Estimated Project Cost	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
L001	Lift Station Condition Assessment & Prioritization Plan	\$ 50,000	\$ 50,000	
L002	Channel Lift Station Improvement	\$ 840,000	\$ 420,000	
LEME	Lift Station Emergency Repairs	\$ 36,518	\$ 30,000	\$ 6,518
Lift Stations Subtotal			\$ 500,000	\$ 6,518

Treatment & Laboratory:

Project No.	Description	Estimated Project Cost	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
T001	Electrical Rehabilitation & Aeration Blower Replacement Proje	\$ 200,000	\$ 200,000	
T001	Electrical Rehabilitation & Aeration Blower Replacement Proje	\$ 2,000,000	\$ 2,000,000	
T002	Skimmer Troughs Installation	\$ 70,000	\$ 70,000	\$ 78,417
T003	SCADA System Improvements	\$ 50,000	\$ 50,000	\$ 960
T005	IPS Channel Improvements - Design	\$ 40,000	\$ 40,000	
T011	Bar Screen Design	\$ 75,000	\$ 75,000	
T012	Clarifier Maintenance	\$ 220,000	\$ 220,000	\$ 63,520
T013	Bisulfate Tank Replacement	\$ 75,000	\$ 75,000	
TEME	Treatment O/M Emergencies	\$ 100,000	\$ 100,000	\$ 52,487
Treatment Subtotal		\$	2,830,000	\$ 195,385

Facilities:

Project No.	Description	Estimated Project Cost	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
F001	Maintenance Building Restroom Alterations - Design	\$ 15,000	\$ 15,000	
F006	Admin/Operations Roof Replacement	\$ 50,000	\$ 60,000	
Facilities Subtotal		\$	75,000	\$ -

Sewer Main Extensions:

Project No.	Description	Estimated Project Cost	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
S001	Septic to Sewer Strategic Pla	\$ 70,000	\$ 70,000	
Sewer Main Extensions Subtotal			\$ 70,000	\$ -

Program	2023-24 Approved Budget	Project Expenditures Through 12/31/2023
Collections	\$ 4,020,000	\$ 452,919
Lift Stations	\$ 500,000	\$ 6,518
Treatment & Lab Facilities	\$ 2,830,000	\$ 195,385
Sewer Main Extensions	\$ 75,000	\$ -
Sewer Main Extensions	\$ 70,000	\$ -
Total	\$ 7,495,000	\$ 654,822



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

QUARTERLY CERTIFICATION STATEMENTS FOR THE MONTECITO SANITARY DISTRICT

*in accordance with
RESOLUTION NO. 2013-883, MSD INVESTMENT POLICY*

For the Quarter Ended

December 31, 2023

As Treasurer of the Montecito Sanitary District, I, **Edwin Martin** certify that:

- (1) All investment actions executed since the last report have been made in full compliance with the Montecito Sanitary District Investment Policy;
- (2) A complete and timely record of all investment transactions is maintained in the District office from reports supplied by LAIF and the S. B. County Treasurer's office; and
- (3) The Montecito Sanitary District is able to meet its pool's expenditure requirements for the next six months.

Dated: _____

Board Treasurer
MONTECITO SANITARY DISTRICT



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MONTECITO SANITARY DISTRICT STAFF REPORT – 5

DATE: April 17, 2024
TO: Board of Directors
FROM: John Weigold, General Manager
SUBJECT: District Merit Increases

RECOMMENDATION

It is recommended that the Board consider:

- i) Lifting the suspension on Management Merit increases; and
- ii) Taking such additional, related action that may be desirable.

ANALYSIS

At the June 22, 2023 Regular Board Meeting the Board voted to suspend Management Merit increases until a Salary Study could be conducted by the District. As data from that Salary Study has been analyzed and discussed by the Board at its March 28, 2024 Regular Board Meeting and its April 4, 2024 Special Board Meeting it was requested that this topic be brought up at the next Regular Board Meeting (today).

FISCAL IMPACT

None.

ATTACHMENTS: None



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MONTECITO SANITARY DISTRICT STAFF REPORT – 6

DATE: April 17, 2024
TO: Board of Directors
FROM: John Weigold, General Manager
SUBJECT: Audited Financial Statements for Fiscal Year 2021-22

RECOMMENDATION

It is recommended that the Board consider:

- i) Receiving and filing a report by Ms. Tracey Solomon of Bartlett Pringle & Wolff (BPW), LLP regarding the Montecito Sanitary District's 2021-22 Financial Statements audit report and Letter of Required Communication; and
- ii) Taking such additional, related action that may be desirable.

ANALYSIS

The District's Fiscal Year 2021-22 Financial Audit has been completed and the Board will receive a presentation from its Audit Firm Bartlett, Pringle, Wolff about the contents of the report.

FISCAL IMPACT

None.

ATTACHMENTS:

1. Montecito Sanitary District 2022 Draft Financial Statements
2. MSD Letter of Required Communication
3. MSD Internal Control Letter

MONTECITO SANITARY DISTRICT
June 30, 2022 and 2021
FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MONTECITO SANITARY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Montecito Sanitary District:**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montecito Sanitary District (the District) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14, the California Public Employees' Retirement System Schedule of Montecito Sanitary District's Proportionate Share of the Net Pension Liability on page 44, the California Public Employees' Retirement System Schedule of Montecito Sanitary District's Contributions on page 45, and the Other Postemployment Benefits (OPEB) Plan – Schedule of Changes in the Net OPEB Liability and Related Ratios on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Montecito Sanitary District's basic financial statements. The Schedule of Operating Expenses – By Department on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Operating Expenses – By Department is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of board of directors on page 47 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Santa Barbara, California
April 17, 2024

MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

This Management's Discussion and Analysis (MD&A) is a key element of the District's annual audited financial statements that are prepared in accordance with the Governmental Accounting Standards Board Statement No. 34 (GASB 34). The purpose of the MD&A is to provide an overview of the District's financial condition and to highlight important changes and activities with fiscal implications that occurred during the fiscal years (FY) June 30, 2021-2022 and June 30, 2020-2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements and related notes, which follow this section.

District Overview

The Montecito Sanitary District (the District) is an independent special district voted into existence in 1947 by the residents of Montecito to provide for the collection, treatment and disposal of wastewater. The District's mission has always been and continues to be "to protect public health and safety and to preserve the natural environment through the collection, treatment and disposal of wastewater in the most cost-effective way possible."

In 1961, the District constructed a wastewater treatment plant capable of processing 750,000 gallons per day. The infrastructure includes an ocean outfall pipeline (located 1,500 feet offshore) and sewer collection system pipeline and pumping system. In 1981 the voters approved \$3.1 million in revenue bonds to incorporate new technology, and double the plant's capacity to 1.5 million gallons per day. Today, the treatment plant capacity remains at 1.5 million gallons per day (mgd). The average daily flow as reported in the District's 2018 Annual Report to the California Regional Water Quality Control Board was 468,000 gallons per day (gpd).

In March 2007 the District issued Certificates of Participation (COPs) in the amount of \$14,765,000. These funds were used for capital replacement/improvement projects including a new testing laboratory and a maintenance building, over 25 miles of sewer main rehabilitation, lift station refurbishment and new sewer force main pipelines.

In May 2017 the District refunded the COPs by using \$1,121,862 available cash, \$957,824 COP reserve funds, and issuing new 2017 Sewer Refunding Revenue Bonds in the amount of \$10,020,000. This refunding will result in savings of over \$4 million due to favorable interest rates obtained and shortening of the term of the debt by seven years.

The District currently serves 3,048 residential properties and 38 commercial/institutional properties.

Management and Governance

The District is governed by a five-member Board of Directors. The Directors are elected on an at-large basis for four-year terms. In 2001, the Board voted to align its elections with the Statewide General Elections to increase voter turnout and achieve a substantial cost savings. At the Board's discretion an Organizational Meeting is held at least every other year to assign officers' duties and to appoint the standing Committee Representatives. This process generally results in a rotation of duties among the Board members. The established Committees meet on an as-needed basis. If necessary, Ad Hoc Committees are formed for special projects. The Board of Directors approves the annual operating and capital budgets and authorizes expenditures of the District's funds.

The District employs a General Manager as the chief executive. The General Manager reports directly to the Board of Directors and is responsible for the overall operation and administration of the District. The District's Management Staff also includes a District Administrator who is the chief administrator, an Operations Manager, an Engineering Manager and a Lab and Pretreatment Manager. The District had 18 full-time authorized positions in FY June 30, 2021-2022 and 18 in FY June 30, 2020-2021.

Financial Statements

This discussion and analysis provides an introduction and a brief description of the District's financial statements, including the relationship of the statements to each other and the significant differences in the information they provide. The District's basic financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

The Statement of Net Position includes all the District's assets and deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Net position is categorized as follows:

- Net Investment in Capital Assets
All property not easily converted to cash and held for a long period of time (real estate, equipment, etc.) net of related debt
- Restricted
Assets/Cash needed to pay liabilities and may be restricted according to law or regulation
- Unrestricted
Any asset that is not restricted

MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses and Changes in Net Position presents information which shows how the District's net position changed during the year. All of the current year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of revenues, expenses and changes in net position measures the success of the District's operations over the past year and determines whether the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows provides information regarding the District's cash receipts and cash disbursements during the year. This statement reports cash activity in four categories:

- Operations
- Non-capital financing
- Capital and related financing
- Investing

This statement differs from the Statement of Revenues, Expenses and Changes in Net Position because the Statement of Cash Flows accounts only for transactions that result in cash receipts or cash disbursements.

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Highlights

- The District's net position increased 4.39% or \$1,722,829 to \$40,978,482 in fiscal year June 30, 2021-2022. In the prior year, the District's net position increased 2.22% or \$851,568 to \$39,255,653.
- The District's operating revenues decreased by 0.26% and operating expenses decreased by 4.4% in FY June 30, 2021-2022. In the prior year, operating revenues increased by 5.62% and operating expenses increased by 1.10%.

**MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DRAFT

Financial Analysis of the District

The following is a summary of the District's Statement of Net Position:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>% Change FY 2021- 2022 and 2020-2021</u>	<u>% Change FY 2020- 2021 and 2019-2020</u>
<u>Assets:</u>					
Current assets	\$ 19,779,250	\$ 19,158,689	\$ 18,011,843	3.24%	6.37%
Noncurrent assets:					
Capital assets	32,950,699	31,758,000	32,483,854	3.76%	-2.23%
Total Assets	<u>52,729,949</u>	<u>50,916,689</u>	<u>50,495,697</u>	<u>3.56%</u>	<u>0.83%</u>
<u>Deferred Outflows of Resources:</u>					
Deferred pensions	593,052	650,339	683,867	-8.81%	-4.90%
Deferred OPEB	291,218	342,403	27,894	-14.95%	1127.51%
Total Deferred Outflows	<u>884,270</u>	<u>992,742</u>	<u>711,761</u>	<u>-10.93%</u>	<u>39.48%</u>
<u>Liabilities:</u>					
Current liabilities	2,016,232	1,506,684	1,366,390	33.82%	10.27%
Long term liabilities	9,213,867	11,012,375	11,209,013	-16.33%	-1.75%
Total Liabilities	<u>11,230,099</u>	<u>12,519,059</u>	<u>12,575,403</u>	<u>-10.30%</u>	<u>-0.45%</u>
<u>Deferred Inflows of Resources:</u>					
Deferred pensions	1,331,615	59,003	145,967	2156.86%	-59.58%
Deferred OPEB	8,421	1,914	-	339.97%	0.00%
Deferred gain on refunding debt	65,602	73,802	82,003	-11.11%	-10.00%
Total Deferred Inflows	<u>1,405,638</u>	<u>134,719</u>	<u>227,970</u>	<u>943.39%</u>	<u>-40.90%</u>
<u>Net Position:</u>					
Net investment in capital assets	25,272,391	23,362,404	23,400,970	8.18%	-0.16%
Unrestricted	15,706,091	15,893,249	15,003,115	-1.18%	5.93%
Total Net Position	<u>\$ 40,978,482</u>	<u>\$ 39,255,653</u>	<u>\$ 38,404,085</u>	<u>4.39%</u>	<u>2.22%</u>

% Change calculated by current year less prior year number and divided by prior year number.

**MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DRAFT

The following is a summary of the District's statement of revenues, expense and changes in net position for the years ended June 30, 2022 and 2021:

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020	% Change FY 2021- 2022 and 2020-2021	% Change FY 2020- 2021 and 2019-2020
Operating revenues	\$ 6,823,389	\$ 6,841,292	\$ 6,477,103	-0.26%	5.62%
Operating expenses	5,640,501	5,897,097	5,832,724	-4.35%	1.10%
Operating income	<u>1,182,888</u>	<u>944,195</u>	<u>644,379</u>	<u>25.28%</u>	<u>46.53%</u>
Nonoperating revenue	194,533	618,657	913,109	-68.56%	-32.25%
Nonoperating expense	(208,152)	866,091	144,856	-124.03%	497.90%
Nonoperating income (loss)	<u>402,685</u>	<u>(247,434)</u>	<u>768,253</u>	<u>-262.74%</u>	<u>132.21%</u>
Excess of revenue over expenses	1,585,573	696,761	1,412,632	127.56%	-50.68%
Capital contributions	<u>137,256</u>	<u>154,807</u>	<u>42,479</u>	<u>-11.34%</u>	<u>264.43%</u>
Change in net position	1,722,829	851,568	1,455,111	102.31%	-41.48%
Net position, beginning of year	<u>39,255,653</u>	<u>38,404,085</u>	<u>36,948,974</u>	<u>2.22%</u>	<u>3.94%</u>
Net position, end of year	<u>\$ 40,978,482</u>	<u>\$ 39,255,653</u>	<u>\$ 38,404,085</u>	<u>4.39%</u>	<u>2.22%</u>

The following is a table of the Districts nonoperating revenue and expenses broken down by major source:

	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Nonoperating Revenue:			
Investment income (loss)	(482,136)	(14,911)	309,612
Property taxes	676,669	633,568	603,497
Nonoperating Expense:			
Other income (expense)	403,564	(140,080)	100,156
Loss on disposal of assets	-	(505,200)	-
Interest expense	<u>(195,413)</u>	<u>(220,811)</u>	<u>(245,012)</u>
Total nonoperating revenue	<u>402,684</u>	<u>(247,434)</u>	<u>768,253</u>

FY 2020 to 2022 Nonoperating expense includes Interest expense (Bond/Debt Service interest payments).

FY 2021-22 Increase in Investment Income loss is due to Unrealized Losses on District funds held in the County Treasury.

FY 2020-21 Nonoperating expense includes a loss on the disposal of the essential services building project that was abandoned during the year.

FY 2020-21 Nonoperating expense includes approximately \$148,900 in COVID-19 related expenses reflected in other income (expense).

FY 2019-20 Nonoperating expense includes approximately \$134,000 in COVID-19 related expenses reflected in other income (expense).

FY 2019-20 Nonoperating expense includes \$226,417 Insurance Reimbursement for 2018 Debris Flow reflected in other income (expense).

**MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DRAFT

Sources of Revenue

The following is a table of the Districts revenues broken down by major source:

<u>Revenue Category</u>	<u>2021-2022</u>	<u>2020-2021</u>	<u>2019-2020</u>	<u>% Change FY 2021- 2022 and 2020-2021</u>	<u>% Change FY 2020- 2021 and 2019-2020</u>
Service charges	\$ 6,543,286	\$ 6,533,184	\$ 6,256,696	0.2%	4.4%
Connection fees	191,597	203,860	119,564	-6.0%	70.5%
Other services	88,506	104,248	100,843	-15.1%	3.4%
Operating revenue	<u>6,823,389</u>	<u>6,841,292</u>	<u>6,477,103</u>	<u>-0.3%</u>	<u>5.6%</u>
Investment income (loss)	(482,136)	(14,911)	309,612	3133.4%	-104.8%
Property taxes	676,669	633,568	603,497	6.8%	5.0%
Grant revenue for pandemic costs	438,560	-	-	0.0%	-100.0%
Nonoperating revenue	<u>633,093</u>	<u>618,657</u>	<u>913,109</u>	<u>2.3%</u>	<u>-32.2%</u>
Total revenue	<u>\$ 7,456,482</u>	<u>\$ 7,459,949</u>	<u>\$ 7,390,212</u>	<u>0.0%</u>	<u>0.9%</u>

Sewer Service Charge (SSC)

The major source of revenue for the District is its annual Sewer Service Charges (SSC). The fiscal year (FY) June 30, 2021-2022 sewer service charges revenue increased approximately 0.2% from the prior FY June 30, 2020-2021. The District's total annual SSC revenue for FY June 30, 2021-2022 was \$6,543,286, which amounted to 87.8% of the total revenues and 95.9% of the total operating revenue. The District's total annual SSC revenue for FY June 30, 2020-2021 was \$6,533,184, which amounted to 87.6% of the total revenues and 95.5% of the total operating revenue.

The District maintains a Teeter Plan agreement with the County of Santa Barbara. Under this agreement, the County guarantees payment to the District. The County collects these funds from the District's customers on their annual property tax statements, and the District receives the total amount of SSC revenue reported to the County each year.

Future Rate Increases

On May 9, 2016 the Board of Directors approved a 3-year planned rate increase structure for sewer service charges that went into effect beginning in FY 2016-17 and ran through FY 2018-19. On October 9, 2017 the Board of Directors approved to amend the fee schedule. All rate increases were validated and approved by following the procedures and requirements of Proposition 218. At this time there are no future planned rate increases.

**MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Connection Fees

The connection fees collected on District permits are charges for connection to the District's sanitary sewer system, necessary to cover or recoup prior infrastructure costs incurred to provide service. Connection fees collected for the FY June 30, 2021-2022 and FY June 30, 2020-2021 were \$191,597 and \$203,860, respectively. The decrease in connection fees received in FY June 30, 2021-2022 is due to several (3-4) large sewer main extension projects that occurred in the previous fiscal years, but not in the current year; homeowners connecting to newly available sewer mains, as well as abandoning aging septic systems to connect to previously available sewer main(s). The decrease in connection fees in FY June 30, 2021-2022 from FY June 30, 2020-2021 is reflected in decreased operating revenues on page 8.

Investment Income

The District's current approved investment policy, under Resolution No. 2013-883, states that it shall be the policy of the District to invest funds, with maximum security through diversification and prudence, in a manner which will provide the highest investment return, while meeting the daily cash flow demands of the entity and conforming to all statutes governing the investments of District funds.

In keeping with that policy, the District Board chose to distribute the District's monies between two investment vehicles: the Santa Barbara County Investment Pool, and the Local Agency Investment Fund (LAIF) which is a State of California controlled investment pool. Funds are readily available from either pool. The Santa Barbara County Pool consists of Sewer Service Charges, Property Tax Income, and Interest. The LAIF account consists of originally funded reserves and accumulated interest. District practice has been to draw from the Santa Barbara County Pool for operating funds.

Interest revenues received within FY June 30, 2021-2022 from the two investment pools was \$80,076. Investment income for the FY June 30, 2021-2022 also reflects a fair market value adjustment of \$(526,448) from the two investment pools. Note that these losses were not realized and these investments are managed by the County of Santa Barbara Treasurer-Tax Collector's office.

Property Tax

The District receives one half of 1% of the total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area whether or not they are a customer of the District. The property tax revenue is inclusive of secure, unsecured, unitary, and supplemental property taxes. In FY June 30, 2021-2022 this property tax revenue amounted to \$675,991.

Operating Expenses

The District's operating expenses (not including depreciation) for FY June 30, 2021-2022 were \$4,397,257 and for FY June 30, 2020-2021 were \$4,668,806. This is an overall increase for FY June 30, 2021-2022 in actual operating expenses of 1.2%. For FY June 30, 2020-2021 there was a decrease in actual operating expenses of 4.0%. Depreciation expense for FY June 30, 2021-2022 was \$1,243,244 and for FY June 30, 2020-2021 was \$1,228,291.

**MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Expenditure increases or decreases in fiscal year June 30, 2021-2022 versus fiscal year June 30, 2020-2021 were as follows:

Expense Category	Expenses FY 2021/2022	Expenses FY 2020/2021	FY 2021/2022 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	\$ 2,977,355	\$ 3,119,194	\$ (141,839)	-4.5%	FY21-22 Decrease due to a vacancy in the Engineering position
Pooled Liability and Other CSRMA Insurance Programs	103,558	68,081	35,477	52.1%	FY21-22 Increase due a premium increase in the District's CSRMA Pooled Liability policy
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	697,176	650,627	46,549	7.2%	FY21-22 Increase primarily due to COVID-19 related expenditures
Utilities, Telephone, Fuel and Oil	223,421	231,604	(8,183)	-3.5%	Immaterial difference from FY 2020-21
Research & Monitoring	30,348	22,828	7,520	32.9%	Immaterial difference from FY 2020-21
Office Expenses, Special Projects, and Misc. Administrative Costs	37,799	102,107	(64,308)	-63.0%	FY21-22 Decrease primarily due to reduced special project costs
Professional Services, Administrative Fees, and Memberships	305,124	454,015	(148,891)	-32.8%	FY 21-22 Decrease due to no longer having Contract Services for Interim General Manager
Training, Safety and Travel Expenses	22,476	20,350	2,126	10.4%	Immaterial difference from FY 2020-21
Subtotals	4,397,257	4,668,806	(271,549)	-5.8%	
Depreciation	1,243,244	1,228,291	14,953	1.2%	FY21-22 Increase due to new assets added
Totals	\$ 5,640,501	\$ 5,897,097	\$ (256,596)	-4.4%	

**MONTECITO SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DRAFT

Expenditure increases or decreases in fiscal year June 30, 2020-2021 versus fiscal year 2019-2020 were as follows:

Expense Category	Expenses FY 2020/2021	Expenses FY 2019/2020	FY 2020/2021 Expense Increase (Decrease)	Difference	Comments/Justification
Personnel (Salaries, Payroll Taxes, WC Insurance, and Benefits)	\$ 3,119,194	\$ 3,278,112	\$ (158,918)	-4.8%	FY20-21 Decrease due to 3 high level management position retirements
Pooled Liability and Other CSRMA Insurance Programs	68,081	67,965	116	0.2%	FY20-21 Immaterial difference from prior FY
Maintenance, Repairs, Operating Supplies/Equip, and Contracted Services	650,627	632,371	18,256	2.9%	FY20-21 Immaterial difference from prior FY
Utilities, Telephone, Fuel and Oil	231,604	203,618	27,986	13.7%	FY20-21 Increase due to Provider rate increases and telephone system upgrade
Research & Monitoring	22,828	27,155	(4,327)	-15.9%	FY20-21 Decrease due to prior FY equipment purchases
Office Expenses, Special Projects, and Misc. Administrative Costs	102,107	112,730	(10,623)	-9.4%	FY20-21 Decrease due to COVID, reduced budget, and prior FY project expenses
Professional Services, Administrative Fees, and Memberships	454,015	262,638	191,377	72.9%	FY 20-21 Increase due to Contract Services for Interim General Manager
Training, Safety and Travel Expenses	20,350	29,322	(8,972)	-30.6%	FY20-21 Decrease due to COVID
Subtotals	4,668,806	4,613,911	54,895	1.2%	
Depreciation	1,228,291	1,218,813	9,478	0.8%	FY20-21 Increase due to new assets added
Totals	\$ 5,897,097	\$ 5,832,724	\$ 64,373	1.1%	

Certificates of Participation (COPs) – California Special Districts Association (CSDA) Finance Corporation – 2007 Series UU

Due to an urgent need for capital improvement project funds in FY 2006-07 the District worked with CSDA to seek funding through the issuance of COPs. The Board saw this as a means to ensure the District would have the funds necessary to complete a list of capital projects deemed to be mission critical to the District’s efforts to provide the service expected and mandated by federal and state regulations, and to ensure the environmental health and safety of the community which the District serves. On March 1, 2007 the CSDA Finance Corporation issued Certificates of Participation (COPs) in the amount of \$14,765,000 (see Note 6). The Acquisition Fund was established from these funds in 2007 with a beginning balance of \$10,533,493. All of those funds were spent on Board approved Mission Critical Projects by June 30, 2016. The COPs were refunded in May 2017.

2017 Sewer Refunding Revenue Bonds – California Special Districts Association (CSDA) Finance Corporation

The 2007 Certificates of Participation (COPs) used for capital improvement projects became eligible for “Current Refunding” after the initial call date in April 2017. In January 2017 the District engaged Fieldman, Rolapp & Associates, independent financial advisors, to analyze the opportunity for refunding the 2007 COPs. The analysis showed the District could decrease the maturity term by seven years, remove the requirement for a reserve fund, and take advantage of lower interest rates, resulting in savings of approximately \$4 million. In May 2017 the District refunded the COPs by using \$1,121,862 available cash, \$957,824 COP reserve funds, and issuing new 2017 Sewer Refunding Revenue Bonds in the amount of \$10,020,000 (see Note 6). During the fiscal year ending June 30, 2022, the District made principal payments totaling \$655,000 against the debt. As of June 30, 2022, the remaining principal balance was \$6,365,000 and unamortized premium balance was \$592,706.

The District makes two annual Debt service payments: A transfer for one half the annual interest due is made from County Treasury Operating fund to BNY Mellon in December each year, and BNY Mellon issues the debt service payment on January 1. A second transfer for the full principal payment and one half the annual interest due is made from County Treasury Operating fund to BNY Mellon in June each year, and BNY Mellon issues the debt service payment on July 1.

Annual Depreciation Funding

On May 26, 2009, the Board authorized the creation of a separate fund for depreciation. Effective July 1, 2009, the County Auditor-Controller’s office established a fund titled Montecito Sanitary Capital Replacement Fund and as of June 30, 2022 there was \$6,414,295 in this fund. Annually the Board considers contributing to this fund. Typically, the annual amount contributed is based on the prior fiscal year’s annual depreciation expense. The District may withdraw monies from the Capital Replacement Fund at any time to fund capital projects or to meet any operational needs of the District.

Annual Audited Financial Statements

At the end of each fiscal year, the District is audited by an independent certified public accounting firm qualified to perform government accounting audits. The financial statements consist of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District's entire financial position. These statements provide a detailed look at specific financial activities. This annual report consists of two parts; management's discussion and analysis (this section) and a series of basic financial statements.

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows, followed by various and specific notes to those financial statements.

Additionally, the financial report includes required supplementary information, as well as other supplemental information as noted in the table of contents.

Contacting the District's Financial Management

This financial report has been prepared to provide the District's customers, creditors, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact Stephen Williams, District Administrator/Clerk to the Board, at 1042 Monte Cristo Lane, Santa Barbara, CA 93108, or by telephone at (805) 969-4200.

MONTECITO SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2022 and 2021

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	2022	2021
ASSETS		
Current Assets:		
Cash and investments (Note 2 and 3)	\$ 19,684,936	\$ 19,047,109
Receivables	34,976	58,305
Prepaid expenses	59,338	53,275
Total current assets	19,779,250	19,158,689
Capital Assets:		
Depreciable:		
Plant and equipment	55,612,113	54,792,416
Less accumulated depreciation	(25,039,289)	(23,796,045)
	30,572,824	30,996,371
Non-depreciable:		
Construction in progress	2,271,375	655,129
Land and improvements	106,500	106,500
Net capital assets (Note 2 and 4)	32,950,699	31,758,000
Total Assets	52,729,949	50,916,689
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions (Note 8)	593,052	650,339
Deferred postemployment health care benefits (Note 9)	291,218	342,403
Total deferred outflows of resources	884,270	992,742
Total assets and deferred outflows of resources	\$ 53,614,219	\$ 51,909,431

MONTECITO SANITARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2022 and 2021

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	2022	2021
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 561,959	\$ 131,806
Accrued salaries and benefits	24,113	45,699
Accrued interest	305,323	318,023
Customer deposits	469,837	376,156
Current portion of long-term debt (Note 6)	655,000	635,000
Total current liabilities	2,016,232	1,506,684
Long-Term Liabilities:		
Compensated absences payable (Note 5)	184,682	180,617
Long-term debt, net of current portion (Note 6)	6,957,706	7,686,794
Net pension liability (Note 8)	1,483,020	2,541,896
Net OPEB liability (Note 9)	588,459	603,068
Total long-term liabilities	9,213,867	11,012,375
Total Liabilities	11,230,099	12,519,059
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions (Note 8)	1,331,615	59,003
Deferred postemployment health care benefits (Note 9)	8,421	1,914
Deferred gain on refunding debt	65,602	73,802
Total deferred inflows of resources	1,405,638	134,719
Total liabilities and deferred inflows of resources	12,635,737	12,653,778
NET POSITION		
Net investment in capital assets	25,272,391	23,362,404
Unrestricted, designated for retirement benefits obligation	178,429	184,072
Unrestricted, designated for capital replacement	6,414,295	7,622,671
Unrestricted, designated for reserves	1,995,964	2,016,534
Unrestricted, designated for recycled water	979,671	1,096,679
Unrestricted	6,137,732	4,973,293
Total Net Position	\$ 40,978,482	\$ 39,255,653

MONTECITO SANITARY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Years Ended June 30, 2022 and 2021

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	2022	2021
Operating Revenues:		
Service charges	\$ 6,543,286	\$ 6,533,184
Connection fees	191,597	203,860
Other services	88,506	104,248
Total operating revenues	6,823,389	6,841,292
Operating Expenses:		
Sewage collection	1,846,737	2,075,985
Sewage treatment	2,402,440	2,358,547
Sewage disposal	73,851	63,393
Administrative	1,317,473	1,399,172
Total operating expenses	5,640,501	5,897,097
Income from operations	1,182,888	944,195
Nonoperating Revenue (Expense):		
Investment loss	(482,136)	(14,911)
Property taxes	676,669	633,568
Other income (expense)	403,564	(140,078)
Loss on disposal of assets	(0)	(505,200)
Interest expense	(195,412)	(220,813)
Total nonoperating revenue (expense)	402,685	(247,434)
Excess of revenue over expenses	1,585,573	696,761
Capital contributions:		
Contributed subsurface lines	137,256	154,807
Total capital contributions	137,256	154,807
Change in net position	1,722,829	851,568
Net position, beginning of year	39,255,653	38,404,085
Net position, end of year	\$ 40,978,482	\$ 39,255,653

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 6,953,928	\$ 6,968,784
Cash payments to vendors for goods and services	(1,008,512)	(1,526,034)
Cash payments for employees services and benefits	(2,680,770)	(3,024,621)
Net cash provided by operating activities	<u>3,264,646</u>	<u>2,418,129</u>
Cash Flows from Noncapital Financing Activities:		
Property taxes	676,669	633,568
Other	403,564	(140,078)
Net cash provided by noncapital financing activities	<u>1,080,233</u>	<u>493,490</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(2,435,943)	(1,007,637)
Interest payments	(277,700)	(303,101)
Extension reimbursements	137,256	154,807
Principal payments on long term debt	(635,000)	(605,000)
Net cash used by capital and related financing activities	<u>(3,211,387)</u>	<u>(1,760,931)</u>
Cash Flows from Investing Activities:		
Investment income received	(495,665)	22,097
Net cash provided (used) by investing activities	<u>(495,665)</u>	<u>22,097</u>
Net increase in cash and restricted cash	637,827	1,172,785
Cash and investments – beginning of year	<u>19,047,109</u>	<u>17,874,324</u>
Cash and investments – end of year	<u>\$ 19,684,936</u>	<u>\$ 19,047,109</u>

MONTECITO SANITARY DISTRICT
STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30, 2022 and 2021

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	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,182,888	\$ 944,195
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,243,244	1,228,291
Change in assets and liabilities:		
Accounts receivable	36,858	(38,104)
Prepaid insurance	(6,063)	27,035
Deferred outflows	108,472	(280,981)
Accounts payable	430,153	11,638
Accrued salaries and benefits	(21,586)	(51,845)
Accrued interest	(12,700)	(15,095)
Customer deposits	93,681	165,596
Compensated absences	4,065	(93,262)
Net pension liability	(1,058,876)	224,706
Postemployment health care benefits	(14,609)	381,006
Deferred inflows	1,279,119	(85,051)
Net cash provided by operating activities	\$ 3,264,646	\$ 2,418,129

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 1 – Reporting Entity

Montecito Sanitary District was organized in 1947, pursuant to the Sanitary District Act of 1923, to provide sewage collection and treatment for residents within the District's geographical boundaries.

The District is governed by a Board of Directors consisting of five members elected at large. The Directors receive fees for attendance at Board and Committee meetings. The District employs a General Manager/District Engineer and such other personnel as are required to meet its responsibilities.

Note 2 – Summary of Significant Accounting Policies

Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

Accounting Basis

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs, including depreciation, of providing goods and services on a continuing basis be financed or recovered primarily through user charges. The accounts are maintained and these financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses recognized when they are incurred. An enterprise fund is accounted for on the "flow of economic resources" measurement focus. This means that all assets and liabilities, whether current or long term, are included on the statement of net position.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and the producing and delivering of goods in connection with the District's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Budget

The District prepares an annual budget which estimates major sources of revenue to be received during the fiscal year, as well as estimated expenditures needed for operation of District facilities. The budget is filed with Santa Barbara County (the County). The Board of Directors has the power to amend the budget during the year.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and investments held in pooled accounts and restricted and unrestricted certificates of deposit with original maturities of three months or less.

Receivables

Receivables are primarily comprised of sewer service fees collected by the County of Santa Barbara and interest earned on investments but not yet paid.

Property, Plant and Equipment

Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired. Prior to the adoption of GASB 89 during fiscal year June 30, 2021, interest incurred during the construction period of an asset was capitalized as part of the cost.

Depreciation

Capital assets purchased by the District are depreciated over their estimated useful lives (ranging from 5-80 years) under the straight-line method of depreciation.

Accumulated Vacation, Compensated Time Off and Sick Leave

Accumulated unpaid employee vacation, compensated time off, and sick leave benefits are recognized as liabilities of the District.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the District that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

Net Position

Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows, and is classified into three components as follows:

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 2 – Summary of Significant Accounting Policies (Continued)

Net Position (Continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.

Restricted – This component of net position consists of assets which are legally restricted by outside parties for use for a specific purpose.

Unrestricted – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Dedicated net position represents unrestricted assets which are segregated by the Board of Directors for specific future uses.

When an expense is incurred for purposes for which both unrestricted and restricted resources are available for use, it is the District's policy to apply restricted assets first, then unrestricted resources.

Revenue Recognition – Property Taxes and Services Charges

Property taxes and user sewer service charges are collected on the tax rolls of the County of Santa Barbara. The District receives an allocation of general property taxes. Sewer service charges are based upon the total number of equivalent residential units (ERU's) connected to the sewers of the District. Commercial properties are charged based upon loading factors and water consumption. The property taxes and service charges are recognized when they have been collected by the County and are available for distribution to the District.

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Santa Barbara (County) for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition – Property Taxes and Services Charges (Continued)

During the fiscal year ended June 30, 1994, the District adopted the “Teeter Plan” as defined in the Revenue and Taxation Code. Under this plan, the District is guaranteed 99.6% of the secured property tax apportionment each year. The District is also assured of receiving 95% of the unsecured property tax apportionment for each fiscal year by July 31 of the following fiscal year. The remaining 5% is placed in a Tax Loss Reserve Fund which will be used to offset future tax sale losses incurred by the County. Additionally, the District is assured of receiving 100% of its sewer service charges for each fiscal year.

Tax Levy Apportionments – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the County Auditor-Controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979. The District’s apportionment is ½ of 1% of the total property tax revenue that is collected by the County of Santa Barbara for parcels within its service area.

Property Tax Administration Fees – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as they exist at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Connection Fees

Connection fees are one-time capacity charges imposed at the time a structure is connected to the District’s system, or an existing connection is expanded or increased. These funds are restricted and may be used to finance the expansion or upgrade of existing facilities that will benefit new customers including collection system improvements and treatment system upgrades. There are no unspent connection fees held at June 30, 2022 and 2021.

Annual Appropriations Limit

The District is exempt from the annual appropriations limit required by Senate Bill 813 (Chapter 1025, Statutes of 1987) in accordance with California Constitution Article XIII B. This exemption is based on a tax rate not greater than 12-1/2 cents per \$100 of assessed valuation in 1978.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 2 – Summary of Significant Accounting Policies (Continued)

Grant Receivable and Revenue

The District recognizes grant revenue when the qualifying expenditures are incurred, all eligibility requirements have been met, and collection of the grant funds is probable. Receipt of funds under the grant is dependent on the approval of submitted expenditures. An allowance for estimated disallowed costs is reflected in the receivable balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant estimates used in preparing these financial statements include useful lives of capitalized assets and the liability for pension and postemployment healthcare benefits. It is at least reasonably possible that the significant estimates used will change within the next year.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Montecito Sanitary District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the total OPEB liability of the District and additions to/deductions from the District's OPEB liability have been determined on the same basis. For this purpose, MSD recognizes benefit payments when due and payable in accordance with the benefit terms. For this report, the following timeframes are used:

<u>OPEB</u>	<u>Date</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 2 – Summary of Significant Accounting Policies (Continued)

Future Governmental Accounting Standards Board (GASB) Pronouncements

The Governmental Accounting Standards Board Statements listed below will be implemented in future financial statements. These statements will be evaluated by the District to determine if they will have a material impact to the financial statements once effective.

Statement No. 91	<i>"Conduit Debt Obligations"</i>	The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
Statement No. 94	<i>"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 96	<i>"Subscription-Based Information Technology Arrangements"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 99	<i>"Omnibus 2022"</i>	The requirements of this statement are effective for periods beginning after June 15, 2022. (FY 22/23)
Statement No. 100	<i>"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"</i>	The requirements of this statement are effective for periods beginning after June 15, 2023. (FY 23/24)
Statement No. 101	<i>"Compensated Absences"</i>	The requirements of this statement are effective for periods beginning after December 15, 2023. (FY 24/25)

Note 3 – Cash and Investments

Cash and investments are classified in the accompanying financial statements at June 30, 2022 and 2021 as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Unrestricted:		
Cash and investments, undesignated	\$ 10,116,577	\$ 8,127,153
Cash designated for retirement benefits	178,429	184,072
Cash designated for capital replacement	6,414,295	7,622,671
Cash designated for reserves	1,995,964	2,016,534
Cash designated for recycled water	979,671	1,096,679
Total cash and investments	<u>\$ 19,684,936</u>	<u>\$ 19,047,109</u>

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2022 and 2021 consist of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash on hand	\$ 250	\$ 250
Deposits held with financial institutions	1,764,587	1,616,810
Cash with fiscal agent	793,850	786,550
Local Agency Investment Fund	1,995,964	2,016,534
Santa Barbara County Investment Pool	<u>15,130,285</u>	<u>14,626,965</u>
Total cash and investments	<u>\$ 19,684,936</u>	<u>\$ 19,047,109</u>

Investments Authorized by the District’s Investment Policy

The District’s investment policy authorizes investments selected on the basis of credit worthiness, financial strength, experience, and minimal capitalization. The District shall select only licensed brokers and dealers in good standing with the California Department of Securities, the Securities and Exchange Commission, the National Association of Securities Dealers, or other applicable self-regulatory organizations. The District is prohibited from investing in any funds in inverse floaters, range notes, interest-only strips derived from mortgage pools, or any investment which may result in a zero interest accrual if held to maturity. It is the District policy to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

The primary objectives of the District’s investment activities in priority order are: safety, liquidity, and return on investments. Investments shall be chosen with judgment and care, considering the probable safety of their capital as well as the probable income to be derived. Although the District has pre-authorized investment categories per Resolution No. 2013-883, the only investments in practice are those in the local government investment pool administered by the State of California Local Agency Investment Fund (LAIF) and the Santa Barbara County Investment Pool.

Investments

The District participates in LAIF and the Santa Barbara County Investment Pool. LAIF and the Santa Barbara County Investment Pool are regulated by the California Government Code.

The District’s investment in LAIF is reported in the accompanying financial statements at amounts based on the District’s pro-rata share of the value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. LAIF invests some of its portfolio in derivatives. Detailed information on derivative investments held by this pool is not readily available. The fair value of LAIF is approximately equal to the value of the pool shares.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 3 – Cash and Investments (Continued)

Investments (Continued)

The District's investment in the Santa Barbara County Investment Pool is reported in the accompanying financial statements at the amounts based upon the District's pro-rata share of the value provided by the Santa Barbara County Investment Pool for the entire Santa Barbara County Investment Pool portfolio, which is recorded on the amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by the Santa Barbara Investment Pool. The fair value of the Santa Barbara Investment Pool is approximately equal to the value of the pool shares.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Santa Barbara County Investment Pool).

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District did not have any investments that are considered highly sensitive to changes in interest rates at June 30, 2022 and 2021.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2022 and 2021.

<u>Investment Type</u>	June 30, 2022				
	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 1,995,964	\$ 1,995,964	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	15,130,285	15,130,285	-	-	-
Total Investments	\$ 17,126,249	\$ 17,126,249	\$ -	\$ -	\$ -

<u>Investment Type</u>	June 30, 2021				
	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Local Agency Investment Fund	\$ 2,016,534	\$ 2,016,534	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	14,626,965	14,626,965	-	-	-
Total Investments	\$ 16,643,499	\$ 16,643,499	\$ -	\$ -	\$ -

Concentration of Credit Risk

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the District’s investment policy, and the actual rating as of June 30, 2022 and 2021 for each investment type.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 3 – Cash and Investments (Continued)

<u>Investment Type</u>	2022					
	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	AA	Not Rated
Local Agency Investment Fund	\$ 1,995,964	N/A	\$ 1,995,964	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	15,130,285	N/A	15,130,285	-	-	-
Total Investments	\$ 17,126,249		\$ 17,126,249	\$ -	\$ -	\$ -
				2021		
<u>Investment Type</u>	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End		
				AAA	AA	Not Rated
Local Agency Investment Fund	\$ 2,016,534	N/A	\$ 2,016,534	\$ -	\$ -	\$ -
Santa Barbara County Investment Pool	14,626,965	N/A	14,626,965	-	-	-
Total Investments	\$ 16,643,499		\$ 16,643,499	\$ -	\$ -	\$ -

Fair Value of Investments

The following investments are recognized at fair value at June 30, 2022 and 2021, respectively.

	June 30, 2022	June 30, 2021
Local Agency Investment Fund	\$ 1,995,964	\$ 2,016,534
Santa Barbara County Investment Pool	15,130,285	14,626,965
Total Investments	\$ 17,126,249	\$ 16,643,499

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 4 – Schedule of Capital Assets

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Transfers	Balance June 30, 2022
Subsurface Lines	\$29,861,149	\$ -	\$ -	\$ 440,077	\$30,301,226
Collection Facilities	9,718,253	-	-	236,300	9,954,553
Treatment Facilities	14,354,404	-	-	109,900	14,464,304
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	326,144	-	-	33,420	359,564
	<u>54,792,416</u>	<u>-</u>	<u>-</u>	<u>819,697</u>	<u>55,612,113</u>
Accumulated Depreciation	<u>(23,796,045)</u>	<u>(1,243,244)</u>	<u>-</u>	<u>-</u>	<u>(25,039,289)</u>
	30,996,371	(1,243,244)	-	819,697	30,572,824
Construction in Progress	655,129	2,435,943	-	(819,697)	2,271,375
Land and Improvements	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,500</u>
Net capital assets	<u>\$31,758,000</u>	<u>\$1,192,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$32,950,699</u>

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2021, is shown below:

	Balance July 1, 2020	Additions	Deletions	Transfers	Balance June 30, 2021
Subsurface Lines	\$29,458,954	\$ -	\$ -	\$ 402,195	\$29,861,149
Collection Facilities	9,509,411	-	-	208,842	9,718,253
Treatment Facilities	14,334,496	-	-	19,908	14,354,404
Disposal Facilities	532,466	-	-	-	532,466
Administrative Facilities	326,144	-	-	-	326,144
	<u>54,161,471</u>	<u>-</u>	<u>-</u>	<u>630,945</u>	<u>54,792,416</u>
Accumulated Depreciation	<u>(22,567,754)</u>	<u>(1,228,291)</u>	<u>-</u>	<u>-</u>	<u>(23,796,045)</u>
	31,593,717	(1,228,291)	-	630,945	30,996,371
Construction in Progress	783,637	1,007,637	(505,200)	(630,945)	655,129
Land and Improvements	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,500</u>
Net capital assets	<u>\$32,483,854</u>	<u>\$ (220,654)</u>	<u>\$ (505,200)</u>	<u>\$ -</u>	<u>\$31,758,000</u>

MONTECITO SANITARY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

Note 5 – Compensated Absences

Employees are entitled to accumulate up to 120 working days of sick leave, at the rate of eight hours per month for full time employees, and pro-rated for part-time employees. If employees retire under the District’s retirement program, or voluntarily resign after twenty or more years of service, they would receive full compensation for any unused sick leave, paid at their current salary level. If employees voluntarily resign with less than twenty years of service, they would receive one-half to three quarters of their unused sick leave, depending on the years of service completed. Employees hired on or after January 1, 2018 are not eligible for any unused sick leave cash out.

Employees are also entitled to accumulate vacation leave at a rate of two to five weeks per year, depending on the number of years of service completed. Such accumulated leave cannot exceed two times the employee’s annual entitlement. Employees are entitled to accumulate Personal Time Off (PTO) at a rate of six days per year. Accumulated PTO cannot exceed six days. Vacation and PTO leave is fully vested at all times and will be paid to employees upon termination of employment.

Eligible employees may request the option of selecting compensatory time off (CTO) for overtime hours worked during any workweek in lieu of overtime pay. All CTO hours will be subject to payout at the time of employment separation.

In accordance with accounting principles generally accepted in the United States of America, the liability is reflected on the statement of net position and the current fiscal year allocation has been expensed.

Note 6 – Long-Term Debt

The long-term debt liabilities of the District are as follows:

	Balance June 30, 2021	Additions	Retirements/ Amortization	Balance June 30, 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2017 Sewer Refunding				
Revenue Bonds	\$ 7,655,000	\$ -	\$ (635,000)	\$ 7,020,000
Unamortized premiums	666,794	-	(74,088)	592,706
Total 2017 Sewer Refunding	<u>8,321,794</u>	<u>-</u>	<u>(709,088)</u>	<u>7,612,706</u>
Revenue Bonds				
Current portion of long-term debt	<u>635,000</u>			<u>655,000</u>
Net long-term debt	<u>\$ 7,686,794</u>	<u>\$ -</u>	<u>\$ (709,088)</u>	<u>\$ 6,957,706</u>

CSDA Finance Corporation Certificates of Participation 2007 Series UU

The CSDA Finance Corporation Certificates of Participation 2007 Series UU (2007 COPs) were issued March 1, 2007 in the aggregate principal amount of \$14,765,000. Interest was payable semi-annually each January 1 and July 1, commencing July 1, 2007.

MONTECITO SANITARY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

Note 6 – Long-Term Debt (Continued)

CSDA Finance Corporation Certificates of Participation 2007 Series UU (Continued)

On May 3, 2017 the District deposited \$12,797,633 with an escrow agent to provide for payment when due (through July 1, 2017) of all principal and interest with respect to the 2007 COPs. The deposit amount was obtained by using \$1,121,862 available cash, \$957,824 COP reserve funds, and through the issuance of new 2017 Sewer Refunding Revenue Bonds. On July 1, 2017, the final payment from the escrow account was made, and the entire outstanding aggregate principal amount and interest of the 2007 COPs was refunded.

2017 Sewer Refunding Revenue Bonds

The 2017 Sewer Refunding Revenue Bonds (2017 Bonds) were issued May 1, 2017 in the aggregate principal amount of \$10,020,000 and a premium of \$963,147. The costs of issuance and the underwriter’s discount were \$165,000 and \$100,200, respectively. The Bonds consist of serial certificates in the principal amount of \$10,020,000 bearing interest rates ranging from 2-5%, with the final installment payment due July 1, 2030. Interest is payable semi-annually each January 1 and July 1, commencing July 1, 2017.

The District is required to use the proceeds from the bonds to 1) prepay the District’s obligations under the installment purchase contract, dated as of March 1, 2007, between the District and the CSDA Finance Corporation, and 2) to pay certain costs of issuing the 2017 Bonds. The Bonds are secured by a pledge of the District’s revenues.

The refunding resulted in decreased total debt service payments from \$19,409,316 to \$12,805,980. This decreased cash flow created an economic gain of approximately \$2,091,000 when discounted at the 2017 Bonds’ effective interest rate of 2.7436644%. Total annual requirements to amortize the 2017 Bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2022-2023	\$ 655,000	\$ 264,600	\$ 919,600
FY 2023-2024	685,000	237,800	922,800
FY 2024-2025	710,000	209,900	919,900
FY 2025-2026	735,000	177,325	912,325
FY 2026-2027	775,000	139,575	914,575
FY 2027-2028 to 2030-2031	<u>3,460,000</u>	<u>220,000</u>	<u>3,680,000</u>
Total	<u><u>\$ 7,020,000</u></u>	<u><u>\$ 1,249,200</u></u>	<u><u>\$ 8,269,200</u></u>

Debt service payments in any one fiscal year will not exceed \$940,200.

Note 7 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The District makes no employer contributions into this plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees and therefore are not reflected in the financial statements of the District.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plans

Plan Descriptions – All eligible full time employees are required to participate in Montecito Sanitary District’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and local government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013 that are considered new members as defined by the Public Employees’ Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

Benefits Provided – 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, as discussed above. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily reduced benefits. An optional benefit regarding sick leave is included in the District retirement contract with CalPERS. Any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit, as well as the 1959 Survivor Benefit. The cost of living adjustments for all plans are applied as specified by the Public Employees’ Retirement Law.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 8 – Defined Benefit Pension Plan (Continued)

The Plans’ provisions and benefits in effect at June 30, 2022 and 2021 are summarized as follows:

	For the Year Ended June 30, 2022		For the Year Ended June 30, 2021	
	Miscellaneous Plan		Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	50 - Minimum	52 - Minimum	50 - Minimum	52 - Minimum
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%	7.00%	6.75%
Required employer contribution rates	10.88%	7.59%	11.03%	7.73%

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Montecito Sanitary District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District’s contribution to the Plan for the years ended June 30, 2022 and 2021 were \$351,901 and \$330,274, respectively. Of the total contributions made for the years ended June 30, 2022 and 2021, \$185,282 and \$155,631, respectively, were required contributions for the unfunded liability.

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

The District’s net pension liability for all Plans is measured as the proportionate share of the net pension liability. As of June 30, 2022 and 2021, the District reported a liability of \$1,483,020 and \$2,541,896, respectively, for its proportionate shares of the net pension liability of all Plans. The net pension liability of all of the Plans is measured as of June 30, 2021, and the total pension liability for all Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 8 – Defined Benefit Pension Plan (Continued)

The District’s proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS’ website, at www.calpers.ca.gov. The District’s proportionate share of the net pension liability for all Plans with an actuarial valuation date of June 30, 2020 and 2019 (and measurement date of June 30, 2021 and 2020, respectively) were as follows:

For the Year Ended June 30, 2022	
	Miscellaneous
Proportion - June 30, 2021	0.06026%
Proportion - June 30, 2022	0.07810%
Change - Increase (Decrease)	0.01784%

For the Year Ended June 30, 2021	
	Miscellaneous
Proportion - June 30, 2020	0.05786%
Proportion - June 30, 2021	0.06026%
Change - Increase (Decrease)	0.00240%

For the years ended June 30, 2022 and 2021, the District recognized pension earnings (expense) of \$622,924 and \$503,247, respectively. At June 30, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 351,901	\$ -	\$ 330,274	\$ -
Differences between actual and expected experience	166,305	-	130,991	-
Changes in assumptions	-	-	-	(18,130)
Changes in employer’s proportion and difference between the employer’s contributions and the employer’s proportionate share of contributions	74,846	(37,017)	113,563	(40,873)
Net differences between projected and actual earnings on plan investments	-	(1,294,598)	75,511	-
	\$ 593,052	\$ (1,331,615)	\$ 650,339	\$ (59,003)

MONTECITO SANITARY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Defined Benefit Pension Plan (Continued)

Employer contributions of \$351,901 reported at June 30, 2022 as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. During the fiscal year ended June 30, 2022, \$330,274 of employer contributions that was reported in deferred outflows of resources at June 30, 2021 was recognized as a reduction to the net pension liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30:	Amount
2023	\$ (207,854)
2024	(238,287)
2025	(286,563)
2026	(357,760)
2027	-
Thereafter	-
	<u>\$ (1,090,464)</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
	Miscellaneous	Miscellaneous
Valuation Date	30-Jun-20	30-Jun-19
Measurement Date	30-Jun-21	30-Jun-20
Actual Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	Varies by entry age and service (1)	Varies by entry age and service (1)
Investment Rate of Return	7.15%	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

DRAFT

Note 8 – Defined Benefit Pension Plan (Continued)

Change of Assumption – During the measurement periods ended June 30, 2021 and 2020 there were no changes of assumptions.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the measurement periods ending June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made a statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class	For the Year Ended June 30, 2022			For the Year Ended June 30, 2021		
	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)	Net Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	50.00%	4.80%	5.98%	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%	1.00%	0.00%	-0.92%

- (a) An expected inflation of 2.00% used for this period
- (b) An expected inflation of 2.92% used for this period

MONTECITO SANITARY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Defined Benefit Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents Montecito Sanitary District’s proportionate share of the net pension liability for all Plans, calculated using the discount rate for all Plans, as well as what Montecito Sanitary District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

For the Year Ended June 30, 2022		For the Year Ended June 30, 2021	
Miscellaneous		Miscellaneous	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	\$ 2,877,171	Net Pension Liability	\$ 3,888,946
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	\$ 1,483,020	Net Pension Liability	\$ 2,541,896
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	\$ 330,496	Net Pension Liability	\$ 1,428,872

Pension Plan Fiduciary Net Position – Detailed information about all pension plan fiduciary net positions is available in the separately issued CalPERS financial reports.

Note 9 – Postemployment Health Care Benefits

Plan Description

For employees hired before July 1, 2010, the District provides retiree medical coverage to eligible current employees and one dependent as defined by the plan. Under the Plan, retired employees who attain age 55 with at least ten years of service are eligible to receive benefits until reaching age 65. The District pays 100% of the health insurance benefits’ monthly premium. The dependent of an eligible retiree is also eligible to receive benefits from this plan, and benefits continue until they are Medicare eligible or are no longer considered a dependent under the Patient Protection and Affordable Care Act (PPACA). When the retired employee reaches age 65 the retired employee and the dependent are no longer covered. In accordance with Montecito Sanitary District Board of Directors action taken on June 4, 2010, any employee hired by the District after July 1, 2010 is not eligible for postemployment health care benefits.

Employees Covered

As of the June 30, 2021 actuarial valuation, current and former employees that were covered by the benefit terms under the OPEB Plan are displayed in the table below:

Participating active employees	2
Inactive employees currently receiving benefits	2
Total	4

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 9 – Postemployment Health Care Benefits (Continued)

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and its board of directors. The required contribution is based on projected pay-as-you-go financing requirements. Currently, the District has \$178,429 of designated net position set aside to be used to fund the postemployment health care obligation, and plans to set aside \$15,000 each July until adequate funds have been established. The District pays 100% of costs on behalf of the eligible participants.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	OPEB Plan
Actual Cost Method	Entry-Age Actuarial Cost Method in accordance with the requirements of GASB Statement No. 75
Actuarial Assumptions:	
Discount Rate	
Measurement Date - 2021	2.16%
Measurement Date - 2020	2.20%
Inflation	2.50%
Salary Increases (1)	2.75%
Investment Rate of Return	
Measurement Date - 2021	2.16%
Measurement Date - 2020	2.20%
Mortality	2009 CalPERS Active Mortality for Miscellaneous Employees; 2009 CalPERS Retiree Mortality for Miscellaneous Employees
Pre-Retirement Turnover	2009 CalPERS Turnover for Miscellaneous Employees
Healthcare Trend Rate	4% per year

(1) Benefits are not dependent upon salary

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that District contributions will be sufficient to fully fund the obligation over a period not to exceed 30 years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MONTECITO SANITARY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS

Note 9 – Postemployment Health Care Benefits (Continued)

Assumption Changes

The discount rate was decreased from 2.20% to 2.16% for the measurement period ending June 30, 2021. The discount rate was decreased from 3.50% to 2.20% for the measurement period ending June 30, 2020.

Changes in the Net OPEB Liability

The District accrued the net OPEB liability of \$588,459 and \$603,068 as of June 30, 2022 and 2021, which is included on the Statement of Net Position. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation for plan benefits for the years ended June 30, 2022 and 2021:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2021 <i>(Measurement Date June 30, 2020)</i>	\$ 603,068	\$ -	\$ 603,068
Changes Recognized for the Measurement Period:			
Service cost	11,910	-	11,910
Interest on Total OPEB Liability	12,949	-	12,949
Contributions - Employer	-	32,379	(32,379)
Changes in Assumptions	1,408		1,408
Experience Gains/Losses	(8,497)		(8,497)
Benefit Payments & Refunds	(32,379)	(32,379)	-
Net Changes	<u>(14,609)</u>	<u>-</u>	<u>(14,609)</u>
Balance at June 30, 2022 <i>(Measurement Date June 30, 2021)</i>	<u>\$ 588,459</u>	<u>\$ -</u>	<u>\$ 588,459</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021.

Net OPEB Liability		
Current		
1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
\$ 618,849	\$ 588,459	\$ 558,660

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 9 – Postemployment Health Care Benefits (Continued)

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021.

Net OPEB Liability		
Trend 1% Lower (3.0%)	Valuation Trend (4.0%)	Trend 1% Higher (5.0%)
\$ 541,261	\$ 588,459	\$ 641,365

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022 and 2021, the District recognized OPEB expense of \$61,276 and \$80,527, respectively.

As of the fiscal year ended June 30, 2021 and 2020, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	June 30, 2022		June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 20,909	\$ -	\$ 12,116	\$ -
Differences between expected and actual experience	155,732	7,169	191,127	-
Changes in assumptions	114,577	1,252	139,160	1,914
Total	\$ 291,218	\$ 8,421	\$ 342,403	\$ 1,914

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 9 – Postemployment Health Care Benefits (Continued)

At June 30, 2022, the District reported deferred outflows of resources of \$20,909 related to contributions made subsequent to the measurement date. This will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Amount</u>
2023	\$ 59,396
2024	59,468
2025	59,468
2026	60,648
2027	23,349
Thereafter	(441)
	<u>\$ 261,888</u>

Note 10 – Risk Management

Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster.

The District participates in the California Sanitation Risk Management Authority (CSRMA), which arranges for and provides general liability, property damage, workers' compensation and employee dishonesty liability insurance to its member agencies. The District pays a premium commensurate with the level of coverage requested.

Note 11 – Related Party Transaction

In May 2021, the District entered into an agreement for engineer services for the highway 101 sewer main crossing relocation with an estimated fee of \$177,900. In June 2021, a family member of the engineer providing services was hired by the District to serve in a management position. In September 2021, it was determined that there was not an independent member of management to oversee the engineering services and the contract was terminated. Total fees paid for services provided was \$66,297.

MONTECITO SANITARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

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Note 12 – Commitments and Contingencies

In the ordinary course of conducting business, various legal matters may be pending, however, in the opinion of the District's management, the ultimate disposition of these matters will have no significant impact on the financial position of the District.

On September 9, 2021, a contract for engineering services to perform a recycled water feasibility analysis was entered into jointly with Montecito Water District. The cost will be shared equally. Fees under the service agreement are not to exceed \$439,860, with the District's share estimated at \$219,930. As of June 30, 2022, approximately \$205,553 was spent related to this project.

On September 23, 2021, the District entered into a contract for engineering services for the highway 101 sewer main crossing relocation with an estimated fee of \$194,127. As of June 30, 2022, approximately \$122,283 was spent related to this project.

Note 13 – Subsequent Events

Subsequent events have been evaluated through April 17, 2024, the date that the financial statements were available to be issued.

On November 17, 2021, the results to the joint request of the District and SEIU Local 620 to conduct a card/petition cross-check election was provided. It was determined that the petitioning employee organization met or exceeded the majority designation to form a unit. The agreement was completed February 2023.

On September 7, 2024, the District entered into an agreement for engineering design and support services with an estimate fee of \$538,000 for the protective measures of District facilities project due to January 2023 storm damage.

The District applied for grant funds from the State Water Resources Control Board for reimbursements related to storm damage and was approved for amounts totaling approximately \$219,000.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTECITO SANITARY DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF MONTECITO SANITARY DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

	As of June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Valuation date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.0274%	0.0234%	0.0226%	0.0217%	0.0214%	0.0208%	0.0190%	0.0198%
Proportionate share of the net pension liability	\$ 1,483,019	\$ 2,541,896	\$ 2,317,190	\$ 2,094,365	\$ 2,122,293	\$ 1,801,193	\$ 1,307,464	\$ 1,229,008
Covered payroll	\$ 1,754,587	\$ 1,899,486	\$ 1,854,359	\$ 1,729,391	\$ 1,669,379	\$ 1,534,968	\$ 1,450,789	\$ 1,065,779
Proportionate share of the net pension liability as percentage of covered payroll	84.52%	133.82%	124.96%	121.10%	127.13%	117.34%	90.12%	115.32%
Plan fiduciary net position as a percentage of the total pension liability	85.96%	74.89%	76.07%	77.09%	75.88%	77.39%	82.57%	83.46%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2021 measurement date.

Net Pension liability as a percentage of covered payroll demonstrates the relative size of the unfunded liability by expressing it in terms of current personnel expenditures.

* Fiscal year 2015 was the 1st year of implementation.

**MONTECITO SANITARY DISTRICT
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
LAST 10 YEARS***

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF MONTECITO SANITARY DISTRICT'S CONTRIBUTIONS**

	As of June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 351,901	\$ 330,274	\$ 316,708	\$ 271,498	\$ 227,170	\$ 207,913	\$ 181,148	\$ 140,543
Contributions in relation to the actuarially determined contributions	\$ 351,901	\$ 330,274	\$ 316,708	\$ 271,498	\$ 227,170	\$ 207,913	\$ 181,148	\$ 140,543
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered payroll	\$ 1,691,839	\$ 1,754,587	\$ 1,899,486	\$ 1,854,359	\$ 1,729,391	\$ 1,669,379	\$ 1,534,968	\$ 1,450,789
Contributions as a percentage of covered payroll	20.80%	18.82%	16.67%	14.64%	13.14%	12.45%	11.80%	9.69%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2021-2022 were derived from the June 30, 2019 funding valuation report.

* Fiscal year 2015 was the 1st year of implementation.

**MONTECITO SANITARY DISTRICT
OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:					
Service cost	\$ 11,910	\$ 12,060	\$ 9,315	\$ 9,066	\$ 8,823
Interest on the total OPEB liability	12,949	7,963	7,008	7,686	7,668
Experience gain/losses	-	223,364	10,132	-	-
Assumption changes	(7,089)	139,371	29,554	(3,900)	-
Benefit payments	<u>(32,379)</u>	<u>(1,752)</u>	<u>(27,416)</u>	<u>(34,210)</u>	<u>(32,894)</u>
Net change in total OPEB liability	(14,609)	381,006	28,593	(21,358)	(16,403)
Total OPEB liability - beginning	<u>603,068</u>	<u>222,062</u>	<u>193,469</u>	<u>214,827</u>	<u>231,230</u>
Total OPEB liability - ending (a)	<u>\$ 588,459</u>	<u>\$ 603,068</u>	<u>\$ 222,062</u>	<u>\$ 193,469</u>	<u>\$ 214,827</u>
Fiduciary Net Position					
Employer contributions	\$ 32,379	\$ 1,752	\$ 20,936	\$ 34,210	\$ 32,894
Net investment income	-	-	-	-	-
Administrative expense	-	-	-	-	-
Benefit payments	<u>(32,379)</u>	<u>(1,752)</u>	<u>(20,936)</u>	<u>(34,210)</u>	<u>(32,894)</u>
Net change in fiduciary net position	-	-	-	-	-
Total fiduciary net position- beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB asset - ending (a) - (b)	\$ 588,459	\$ 603,068	\$ 222,062	\$ 193,469	\$ 214,827
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 296,004	\$ 426,005	\$ 408,782	\$ 397,821	\$ 384,664
Net OPEB liability as a percentage of covered-employee payroll	198.80%	141.56%	54.32%	48.63%	55.85%
Measurement date	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17
Valuation date	06/30/20	06/30/20	06/30/18	06/30/17	06/30/17

Notes to Schedule:

* Historical information is required only for measurement periods for which GASB 75 is applicable.

Future year's information will be displayed up to 10 years as information becomes available.

OTHER INFORMATION

MONTECITO SANITARY DISTRICT BOARD OF DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>TERM EXPIRES</u>
Dorinne Lee Johnson	President	December 2024
Woody Barrett	Vice President	December 2022
Dana Newquist	Secretary	December 2022
Donald Eversoll	Treasurer	December 2024
Phillip Hogan	Director	December 2022

SUPPLEMENTARY INFORMATION

MONTECITO SANITARY DISTRICT
STATEMENT OF OPERATING EXPENSES - BY DEPARTMENT
For the Fiscal Year Ended June 30, 2022

	<u>Collection</u>	<u>Treatment</u>	<u>Disposal</u>	<u>Administrative</u>	<u>2022</u>	<u>2021</u>
Salaries and Benefits:						
Salaries	\$ 499,397	\$ 715,114	\$ -	\$ 538,709	\$ 1,753,220	\$ 1,908,867
Stand-by pay	16,425	16,380	-	-	32,805	31,275
Overtime	2,825	3,447	-	-	6,272	12,345
Retirement contribution	217,797	239,350	-	234,730	691,877	589,359
Payroll tax	39,025	42,504	-	53,995	135,524	145,669
Group insurance	78,661	133,799	-	145,197	357,657	431,679
Total Salaries and Benefits	854,130	1,150,594	-	972,631	2,977,355	3,119,194
Supplies and Services:						
Insurance	38,995	54,138	-	10,425	103,558	68,081
Maintenance	108,833	404,547	-	5,366	518,746	418,063
Operating supplies	2,589	3,197	-	994	6,780	9,700
Office supplies	2,356	2,254	-	8,696	13,306	12,700
Memberships	819	1,823	-	32,511	35,153	40,912
Employee/Community goodwill	0	-	-	1,506	1,506	2,182
Miscellaneous	-	486	-	-	486	32,755
Office expense	79	32	-	1,057	1,168	1,167
Legal services	-	-	-	66,143	66,143	90,805
Consulting services	-	-	-	29,237	29,237	29,607
NPDES permit expenses	-	30,588	-	-	30,588	40,278
Other professional services	17,903	-	-	97,910	115,813	224,629
Administrative fees	4,823	1,943	-	21,424	28,190	27,784
Research and monitoring	-	30,348	-	-	30,348	22,828
Contract services	42,508	26,616	65,779	5,044	139,947	186,001
Publications and notices	-	-	-	4,167	4,167	3,232
Minor equipment purchases	9,111	4,450	-	18,142	31,703	36,863
Training and safety	4,465	13,414	-	1,628	19,507	20,345
Travel and meeting costs	90	2,407	-	472	2,969	5
Fuel and oil	11,596	6,981	-	-	18,577	18,366
Utilities and telephone	46,847	142,031	-	15,966	204,844	213,238
Special projects	-	-	-	17,166	17,166	50,071
Depreciation	701,593	526,591	8,072	6,988	1,243,244	1,228,291
Total Supplies and Services	992,607	1,251,846	73,851	344,842	2,663,146	2,777,903
Totals, June 30, 2022	\$ 1,846,737	\$ 2,402,440	\$ 73,851	\$ 1,317,473	\$ 5,640,501	
Totals, June 30, 2021	\$ 2,075,985	\$ 2,358,547	\$ 63,393	\$ 1,399,172		\$ 5,897,097

**MONTECITO SANITARY DISTRICT
SCHEDULE OF OPERATING EXPENSES - BY DEPARTMENT
For the Fiscal Year Ended June 30, 2021**

	<u>Collection</u>	<u>Treatment</u>	<u>Disposal</u>	<u>Administrative</u>	<u>2021</u>	<u>2020</u>
Salaries and Benefits:						
Salaries	\$ 596,806	\$ 766,218	\$ -	\$ 545,843	\$ 1,908,867	\$ 2,025,772
Stand-by pay	15,300	15,975	-	-	31,275	32,940
Overtime	6,517	5,828	-	-	12,345	4,040
Retirement contribution	224,576	201,950	-	162,833	589,359	661,235
Payroll tax	52,558	53,236	-	39,875	145,669	147,071
Group insurance	144,121	128,841	-	158,717	431,679	407,054
Total Salaries and Benefits	1,039,878	1,172,048	-	907,268	3,119,194	3,278,112
Supplies and Services:						
Insurance	34,867	40,205	-	(6,991)	68,081	67,965
Maintenance	132,596	280,934	-	4,533	418,063	426,175
Operating supplies	3,437	6,061	-	202	9,700	10,056
Office supplies	2,792	2,309	-	7,599	12,700	12,267
Memberships	1,495	2,179	-	37,238	40,912	39,772
Employee/Community goodwill	71	-	-	2,111	2,182	712
Miscellaneous	-	32,755	-	-	32,755	8,151
Office expense	223	269	-	675	1,167	2,320
Legal services	-	-	-	90,805	90,805	30,721
Consulting services	-	-	-	29,607	29,607	28,249
NPDES permit expenses	-	40,278	-	-	40,278	51,504
Other professional services	14,273	-	-	210,356	224,629	87,706
Administrative fees	5,048	1,899	-	20,837	27,784	24,686
Research and monitoring	-	22,828	-	-	22,828	27,155
Contract services	84,250	41,808	55,321	4,622	186,001	165,087
Publications and notices	-	-	-	3,232	3,232	436
Minor equipment purchases	16,809	5,372	-	14,682	36,863	31,053
Training and safety	5,044	13,139	-	2,162	20,345	23,970
Travel and meeting costs	-	(55)	-	60	5	5,352
Fuel and oil	9,899	8,467	-	-	18,366	13,777
Utilities and telephone	42,010	155,494	-	15,734	213,238	189,841
Special projects	-	-	-	50,071	50,071	88,844
Depreciation	683,293	532,557	8,072	4,369	1,228,291	1,218,813
Total Supplies and Services	1,036,107	1,186,499	63,393	491,904	2,777,903	2,554,612
Totals, June 30, 2021	\$ 2,075,985	\$ 2,358,547	\$ 63,393	\$ 1,399,172	\$ 5,897,097	
Totals, June 30, 2020	\$ 1,934,291	\$ 2,480,324	\$ 58,000	\$ 1,360,109		\$ 5,832,724

April 17, 2024

Board of Directors
Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108

To the Board of Directors:

We are pleased to present this letter related to our audit of the financial statements of the Montecito Sanitary District (the District) for the year ended June 30, 2022. This letter is to inform the Board of Directors about significant matters related to the conduct of the annual audit, so that it can appropriately discharge its oversight responsibility and we can comply with our professional responsibilities.

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 20, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated October 8, 2022 regarding the planned scope and timing of our audit and identified significant risks.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

The following is a list of the matters, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's financial statements:

Depreciation

Depreciation of fixed assets is taken on a straight-line basis over the expected life of each fixed asset. This method meets the generally accepted accounting principles requirement of being systematic and rational.

Other Post-Employment Benefits

The cost of Other Post-Employment Benefits is calculated based on the annual required contribution of the employer. This amount is calculated by an actuary in accordance with the parameters of GASB Statement No. 75.

Net Pension Liability

In accordance with GASB Statement No. 68, each participating cost-sharing employer is required to report its proportionate share of the collective net pension liability, pension expense, and deferred outflows/inflows of resources. CalPERS actuaries calculated these amounts in accordance with the parameters of GASB 68.

Audit Adjustments and Uncorrected Misstatements

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures.

Adjustments recorded after the initial trial balance was provided are attached to this letter.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the District's Schedule of Operating Expenses – By Department. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit. Some information was not available in a timely manner which resulted in delay of completion of the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Internal Control Matters

We have separately communicated any internal control matters identified during our audit of the financial statements in a separate letter dated April 17, 2024.

Significant Written Communications Between Management and Our Firm

In conjunction with the audit of the financial statements, we have been provided a letter of certain representations from management dated April 17, 2024.

Conclusion

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Montecito Sanitary District.

Very truly yours,

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants

Year End: June 30, 2022
 Journal Entries: Adjusting
 Date: 7/1/2021 To 6/30/2022

Prepared by	1st Review	2nd Review
KLH 6/22/2023		

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
1	6/30/2022	DEF PENSION OUTFLOW:GENRL	1975-00	6359		57,287.00		
1	6/30/2022	NET PENSION LIABILIT:GENRL	2750-00	6359	1,058,876.00			
1	6/30/2022	DEF PENSION INFLOWS:GENRL	2775-00	6359		1,272,612.00		
1	6/30/2022	PERS CONTRIBUTION: ADMIN	6400-10	6359	271,023.00			
1	6/30/2022	PERS CONTRIBUTION: ADMIN	6400-10	6359		177,533.00		
1	6/30/2022	PERS CONTRIBUTION: COLL	6400-20	6359	84,919.00			
1	6/30/2022	PERS CONTRIBUTION: TREAT	6400-40	6359	92,614.00			
Entry to record CalPERS current year entry and re-allocate expense between admin, collection and treatment based on the original percentage allocation of the unadjusted account balances.								
2	6/30/2022	ALLOWANCE FOR DEPRECIATION	1899-00	5513. 6		1,243,244.00		
2	6/30/2022	DEPRECIATION: ADMIN	7800-10	5513. 6	6,988.00			
2	6/30/2022	DEPRECIATION: COLL	7800-20	5513. 6	272,580.00			
2	6/30/2022	DEPRECIATION: DISP	7800-30	5513. 6	8,072.00			
2	6/30/2022	DEPRECIATION: TREAT	7800-40	5513. 6	526,591.00			
2	6/30/2022	DEPRECIATION - SUBSURFACE	7800-50	5513. 6	429,013.00			
PBC Entry: To record depreciation expense								
4	6/30/2022	BOND DELIVERY COSTS - BNY	1103-00	6002	655,000.00			
4	6/30/2022	OTHER ACCRUED EXPENSES	2030-00	6002		138,850.00		
4	6/30/2022	2017 SEWER REFUNDING REVENUE BONDS	2710-00	6002		655,000.00		
4	6/30/2022	DEBT SERVICE PMT - COPs	7105-00	6002	138,850.00			
To accrue debt service payment								
5	6/30/2022	BOND PREM - 2017 REFUNDING BONDS	2720-00	6001	74,088.00			
5	6/30/2022	INTEREST EXPENSE - ADMIN	7100-10	6001		74,088.00		
To amortize 2017 bond premium								
6	6/30/2022	DEF COP INFLOWS:2007 COP PREMIUM	2780-00	6004	8,200.00			
6	6/30/2022	INTEREST EXPENSE - ADMIN	7100-10	6004		8,200.00		
To amortize 2007 bond premium								
7	6/30/2022	ACCRUED SALARIES	2010-00			19,659.00		
7	6/30/2022	PERS - PEPPA EMPLOYEE PMT	2206-00			594.00		
7	6/30/2022	DEFERRED COMP PLAN - #457	2500-00			462.00		
7	6/30/2022	REGULAR SALARIES: ADMIN	6100-10		6,175.00			
7	6/30/2022	REGULAR SALARIES: COLL	6100-20		4,745.00			
7	6/30/2022	REGULAR SALARIES: TREAT	6100-40		7,961.00			
7	6/30/2022	AUTO ALLOWANCE:COLL	6108-20		8.00			
7	6/30/2022	AUTO ALLOWANCE:COLL	6108-20			8.00		
7	6/30/2022	STANDBY PAY: COLL	6270-20		180.00			
7	6/30/2022	STANDBY PAY: TREAT	6270-40		180.00			
7	6/30/2022	FICA CONTRIBUTION: ADMIN	6500-10		383.00			
7	6/30/2022	FICA CONTRIBUTION: COLL	6500-20		350.00			
7	6/30/2022	FICA CONTRIBUTION: TREAT	6500-40		461.00			
7	6/30/2022	MEDI-CARE CONTRIBUTION: ADMIN	6510-10		90.00			
7	6/30/2022	MEDI-CARE CONTRIBUTION: COLL	6510-20		82.00			
7	6/30/2022	MEDI-CARE CONTRIBUTION: TREAT	6510-40		108.00			
To record 4 days of accrued payroll for pay period 6/27/22 - 7/10/22								
10	6/30/2022	CONSTRUCTION IN PROGRESS	1910-00		11,059.00			
10	6/30/2022	ACCOUNTS PAYABLE	2000-00			11,059.00		
PBC Entry: to accrue payables related to FY 21-22								
11	6/30/2022	LONG TERM ACCRUED VAC/SICK	2600-00			72,834.00		
11	6/30/2022	REGULAR SALARIES: ADMIN	6100-10		6,033.00			
11	6/30/2022	REGULAR SALARIES: COLL	6100-20		19,493.00			

Year End: June 30, 2022
 Journal Entries: Adjusting
 Date: 7/1/2021 To 6/30/2022

Prepared by	1st Review	2nd Review
KLH 6/22/2023		

Number	Date	Name	Account No	Reference	Debit	Credit	Recurrence	Misstatement
11	6/30/2022	REGULAR SALARIES: TREAT	6100-40		47,308.00			
		PBC Entry: to record accrued vacation/sick leave for FY 21-22						
13	6/30/2022	LONG TERM ACCRUED VAC/SICK	2600-00		68,768.00			
13	6/30/2022	REGULAR SALARIES: ADMIN	6100-10			14,406.00		
13	6/30/2022	REGULAR SALARIES: COLL	6100-20			12,825.00		
13	6/30/2022	REGULAR SALARIES: TREAT	6100-40			41,537.00		
		To correct accrued sick pay balance to align with MSD policy						
14	6/30/2022	OPERATING CASH (MBT)	1125-00		12,968.00			
14	6/30/2022	CIP CASH (MBT)	1135-00			12,968.00		
14	6/30/2022	CONSTRUCTION IN PROGRESS	1910-00		12,968.00			
14	6/30/2022	INSPECTION FEES	5433-00			12,968.00		
		PBC Entry: To adjust inspection fees						
15	6/30/2022	DEF OPEB OUTFLOWS:GENRL	1985-00	6359	250,418.00			
15	6/30/2022	DEF OPEB OUTFLOWS:GENRL	1985-00	6359		301,603.00		
15	6/30/2022	RETIREE MEDICAL LIABILITY	2210-00	6359	14,609.00			
15	6/30/2022	DEF OPEB INFLOWS:GENRL	2776-00	6359		328,373.00		
15	6/30/2022	DEF OPEB INFLOWS:GENRL	2776-00	6359	321,866.00			
15	6/30/2022	RETIREE MEDICAL BENE:ADMIN	6605-10	6359	84,255.00			
15	6/30/2022	RETIREE MEDICAL BENE:ADMIN	6605-10	6359		20,263.00		
15	6/30/2022	RETIREE MEDICAL BENE:COLL	6605-20	6359		20,909.00		
15	6/30/2022	RETIREE MEDICAL BENE:COLL	6605-20	6359				
		Entry to record OPEB activity for the year						
16	6/30/2022	ACCRUED INTEREST RECEIVABLE	1250-00	7013	26,021.00			
16	6/30/2022	ACCRUED INTEREST RECEIVABLE	1250-00	7013	3,786.00			
16	6/30/2022	INTEREST EARNED	3380-00	7013		26,021.00		
16	6/30/2022	INTEREST EARNED	3380-00	7013		3,786.00		
		To accrue 4th quarter interest receivable for SB County and LAIF						
18	6/30/2022	COUNTY - FMV ADJUSTMENT	1111-00	5011		5,397.00		
18	6/30/2022	COUNTY - FMV ADJ	1111-01	5011		4,055.00		
18	6/30/2022	COUNTY - FMV ADJ	1111-02	5011		113.00		
18	6/30/2022	GASB 31 ADJUSTMENT	5750-00	5011	5,397.00			
18	6/30/2022	GASB 31 ADJUSTMENT	5750-00	5011	4,055.00			
18	6/30/2022	GASB 31 ADJUSTMENT	5750-00	5011	113.00			
		PBC Entry: To adjust County FMV accounts to YE actual.						
								Factual
19	6/30/2022	LAIF - FMV ADJUSTMENT	1101-00	5010		26,199.00		
19	6/30/2022	GASB 31 ADJUSTMENT	5750-00	5010	26,199.00			
		Entry for LAIF FMV adjustment						
								Factual
					4,562,853.00	4,562,853.00		
Net Income (Loss)					1,722,788.00			

April 17, 2024

Board of Directors
Montecito Sanitary District
1042 Monte Cristo Lane
Santa Barbara, CA 93108

To the Board of Directors:

In planning and performing our audit of the financial statements of the Montecito Sanitary District for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control that we consider to be a be significant deficiencies.

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

Status of Prior Year Comments

The following comments were communicated to you in the prior year letter dated December 9, 2021.

Significant Deficiencies

Accrued Liabilities

Original Comment

- During our search for unrecorded liabilities, we noted exceptions in which invoices relating to services performed prior to the year-end date were not recorded as payables and the expenses in the proper period. It was noted that batches were sorted by proper period, however were not posted accordingly. Proper cutoff is critical for the accuracy of the accrual basis of accounting. We suggest that procedures be implemented at year-end to record expenses in the period incurred, regardless of when they are paid.
- During our review of the accrued schedule of compensated absences, we noted that the District policy includes varying benefits depending on employee hire date which was not appropriately reflected in the calculation. We suggest the District implement procedures to accurately track and accrue compensated absences by employee based on the benefits they receive upon separation from employment. By doing this, the Company will be assured that sufficient records are maintained to record the required accrual for employee compensated absences.

Current Year Status

- During the current audit, we noted no exceptions during our search for unrecorded liabilities testing and transactions appeared to be recorded in the appropriate period.
- During the current audit, it was noted that compensated absences liability included accrued sick leave for ineligible employees which resulted in an adjustment to accrued vacation. We continue to recommend the District implement procedures to accurately track and accrue compensated absences to record the required accrual for employee compensated absences.

Capital Asset Tracking

Original Comment

The District currently maintains its capital assets in Excel to track and calculate depreciation expense. The spreadsheet requires formulas to be manually updated each year. During our audit, we noted certain formulas had not been updated which resulted in an adjustment to depreciation expense. We recommend the completed schedule be reviewed by a person independent of the preparation function to strengthen oversight and ensure accuracy and completeness.

Current Year Status

During the current audit, we noted formulas had been properly updated and appeared to be accurate and complete.

Conclusion

This communication is intended solely for the information and use of the Board of Directors, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties. This letter does not affect our report dated April 17, 2024 on the financial statements of the Montecito Sanitary District.

Very truly yours,

BARTLETT, PRINGLE & WOLF, LLP
Certified Public Accountants and Consultants



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT STAFF REPORT - 7

DATE: Wednesday, April 17, 2024

TO: Board of Directors

FROM: John Weigold, General Manager
Ricardo Larroude, Collection & Maintenance Superintendent

SUBJECT: Secondary Clarifier Maintenance

RECOMMENDATION:

It is recommended that the Board:

- i) Authorize the General Manager to approve a purchase order with Evoqua Water Technologies. in the amount of \$106,770.90 for the purchase of the necessary parts for maintenance of the Wastewater Treatment Plant clarifiers.

DISCUSSION

Background – The wastewater treatment facility has been in operation for over 60 years, serving the Montecito community. The facility utilizes 4 clarifiers as a critical component in the treatment process to separate solids from liquid waste. Over time, the clarifiers have undergone wear and tear, resulting in decreased efficiency and increased maintenance requirements. In order to ensure optimal performance and compliance with regulatory standards, it is necessary to initiate a clarifier maintenance replacement project.

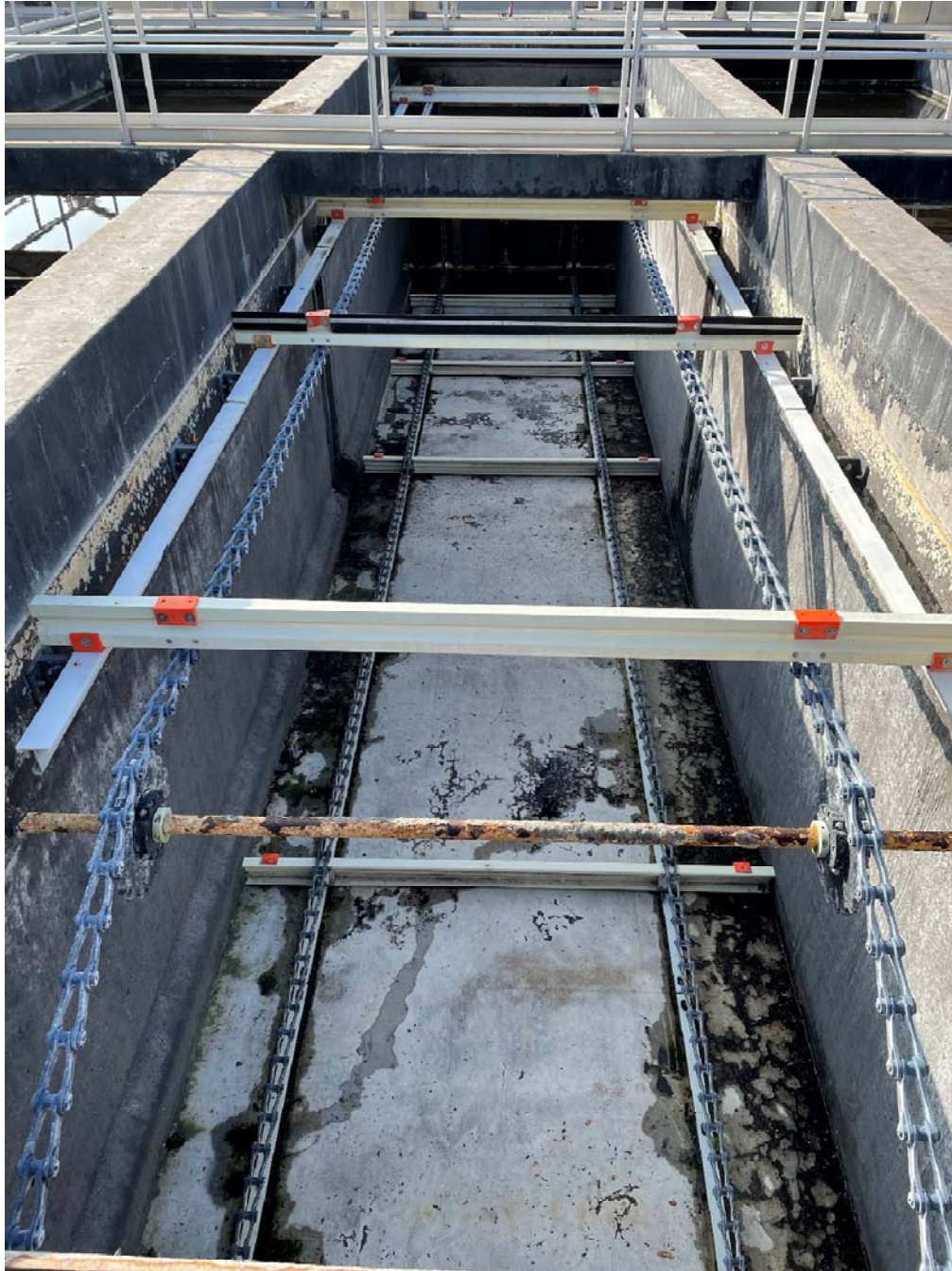
The purpose of this project is to replace the existing four clarifier components such as gears, bearings, and drive mechanisms that have reached the end of their service life, thereby improving operational efficiency, reducing maintenance costs, and ensuring continued compliance with environmental regulations.

The proposed wastewater clarifier maintenance replacement project represents a proactive approach to maintaining critical infrastructure and safeguarding the environment. By investing in the replacement of worn-out clarifier components, we can ensure the long-term reliability and effectiveness of the wastewater treatment process.

Fiscal Impact – Staff included the cost for the replacement of the equipment in the Fiscal Year 2023-2024 annual budget under Capital Improvement Project T012 (Clarifier Maintenance Project) based on a preliminary cost estimate for parts and installation.

DEPARTMENTS INVOLVED: Operations & Maintenance

ATTACHMENTS: Proposal from Evoqua Water Technologies Quote # 03970043 dated: 4/09/2024.







Evoqua Products and Services Proposal

Prepared For:

MONTECITO SANITARY DISTRICT

1042 MONTE CRISTO LN
SANTA BARBARA, CA 93108-2809

Quote #: 03970043

Transforming Water. Enriching Life.®

Proposal For: MONTECITO SANITARY DISTRICT
 Jose Flores
 1042 MONTE CRISTO LN
 SANTA BARBARA, CA 93108-2809
 Phone: 8059694200
 jflores@montsan.com

Kayla Szalewski
 Evoqua Water Technologies
 N19W23993 Ridgeview Pkwy, Suite 200
 Waukesha, WI 53188
 Phone: +1 (262) 521-8225
 kayla.szalewski@xylem.com

Item Pricing Summary

1 - Items

Item	Part No Description	Qty	Net Price	Ext Price
1	W3T307741 SPROCKET,BLK, NH78-40T,KEYED,2.94"B	3 EA	\$3,845.73	\$11,537.19
2	W2T331477 SPROCKET,NCS720S 25T 24.126"PD 2.94"B BK	2 EA	\$2,890.00	\$5,780.00
3	W2T331453 SPROCKET,NCS720S 19T PLAIN 3.94"B BLK	2 EA	\$1,914.22	\$3,828.44
4	W2T319561 SPROCKET,NCS720S 13T STATIC 3.94"B BLK	4 EA	\$2,108.11	\$8,432.44
5	W2T319461 BEARING-SLV, 2.44"ID 3.83"OD 7"LTB UHMW;	18 EA	\$277.05	\$4,986.90
6	W2T118439 COLLAR-SET,SPLIT,2.94"BORE, .88"THK,UHMW	3 EA	\$58.70	\$176.10
7	W2T269956 HARDWARE KIT- 8" SIG+ FLIGHT W/RTRN SHOE	51 KT	\$51.69	\$2,636.19
8	W3T422188 CHAIN,NCS720S-NX POLY 6"P 120" F28 ATT(1	102 EA	\$294.00	\$29,988.00
9	W2T269844 WEAR STRIP, .38 X 3.00 X 120.00, UHMW	6 EA	\$65.54	\$393.24
10	W2T319581 SPROCKET,NCS720S 17T 16.61"PD 3.94"B BLK	12 EA	\$1,764.86	\$21,178.32

11	W3T397389 SPROCKET,NCS720S 23T KEYED 2.94"B PU	4 EA	\$1,216.22	\$4,864.88
12	W2T319411 TOOL-CHAIN ASSY,NCS720S/-NX/NCS360S,STL	1 EA	\$244.59	\$244.59
13	W2T319441 WEAR STRIP-UHMW,LH,.375 X 4.25 X 120.50"	6 EA	\$150.00	\$900.00
14	W2T319442 WEAR STRIP-UHMW,RH,.375 X 4.25 X 120.50"	6 EA	\$150.00	\$900.00
15	W2T121891 WASHER-DISHED,.38",1.4"OD,.40"ID, 316SS	35 EA	\$1.00	\$35.00

Currency: USD

Quote Totals

Currency: USD
 Item(s) Subtotal: \$95,881.29
 Freight: \$2,500.00
 8.75% Tax: \$8,389.61
 Total Net Price: \$106,770.90

Proposal Notes

Overall Lead Time: 10-12 Weeks ARO

Material Escalation

Due to volatility in steel costs, prices quoted in this proposal will be adjusted to reflect changes in the Metal and Metal Products Index (MMPI) published by the U.S. Department of Labor, Bureau of Labor Statistics. The most recent published MMPI is 306.8 for Sep of 2023. If the MMPI exceeds 312.9 at the time the Equipment is released for manufacture, then the price will be increased by the same percentage as the MMPI exceeds 312.9.

Please provide tax exempt certificate with purchase order.

Our Manufacturer Rep in your area is:

Representative: Steve Wallace
 Email: swallace@miscowater.com

Payment Terms and Delivery

PO Terms

Purchaser acknowledges that Seller is required to comply with applicable export laws and regulations relating to the sale, exportation, transfer, assignment, disposal and usage of the goods and/or services provided under the Contract, including any export license requirements. Purchaser agrees that such goods and/or services shall not at any time directly or indirectly be used, exported, sold, transferred, assigned or otherwise disposed of in a manner which will result in non-compliance with such applicable export laws and regulations. It shall be a condition of the continuing performance by Seller of its obligations hereunder that compliance with such export laws and regulations be maintained at all times. PURCHASER AGREES TO INDEMNIFY AND HOLD SELLER HARMLESS FROM ANY AND ALL COSTS, LIABILITIES, PENALTIES, SANCTIONS AND FINES RELATED TO NON-COMPLIANCE WITH APPLICABLE EXPORT LAWS AND REGULATIONS.

Shipping Information

- Prepaid and Add: Shipping and Handling Charge
- Incoterms: Free Carrier
- Incoterms 2: Free Carrier

Terms

- This quote is valid until 05-9-2024
- Payment terms are N30 - Net 30 days with proper credit, and are subject to the attached Evoqua Water Technologies Terms and Conditions

Sales Tax & GST

- The pricing provided in this proposal does not include applicable Sales Tax or GST.
- If your company is exempt from Sales Tax or GST, or eligible for a reduced rate of tax, a tax exemption certificate must be provided no later than with your purchase order.
- If a timely, valid exemption certificate or other documentation is not provided, any applicable Sales Tax or GST will be invoiced and payable.
- New customers may be required to supply a signed credit application to be approved for credit terms.
- **NOTE:** You may be assessed a 3% fee if paying via Credit Card. Find more info on our website here > <https://www.evoqua.com/en/about-us/terms-conditions-sale-products-services/credit-card-fee-faqs/>. Ask us how to avoid paying fees by migrating to ACH CTX payment type.

Purchase Order

- Customer must provide a VALID hard copy Purchase Order reflecting N30 - Net 30 days terms for all services/equipment. If a VALID hard copy Purchase Order cannot be provided, a credit card payment must be received in advance of the order.
- VALID hard copy Purchase Order should be sent to kayla.szalewski@xylem.com
- If paying by credit card in lieu of Purchase Order, contact your Sales Representative.

You may also mail to:

Evoqua Water Technologies
N19W23993 Ridgeview Pkwy, Suite 200
Waukesha, WI 53188

Payment SHOULD NOT be sent to this above address.

Evoqua Water Technologies Banking Details

ACH - CTX

Evoqua's preferred payment method is via ACH - CTX:

JP Morgan Chase Bank
Attn: Evoqua Water Technologies, LLC
Account #: 603148011
Swift Code: CHASUS33
ACH Routing / ABA: 044000037
Wire Routing / ABA: 021000021
Remittance details should go to: electronicfunds@evoqua.com

PAPER CHECKS VIA POSTAL SERVICE

Paper checks via Postal Service:

Send to our Lockbox, address is:
Evoqua Water Technologies LLC
28563 Network Place
Chicago, IL 60673-1285

PAPER CHECKS VIA OVERNIGHT / COURIER

Paper checks via Overnight / Courier:

JP Morgan Chase Bank
Attn: Evoqua Water Technologies Lockbox 28563
131 S Dearborn, 6th Floor
Chicago, IL 60603
Remittance details should go to: electronicfunds@evoqua.com

**** If ever instructed to change banking information, contact us immediately at 1-800-466-7873 ****

STANDARD TERMS OF SALE

1. **Applicable Terms.** These terms govern the purchase and sale of equipment, products, related services, leased products, and media goods if any (collectively herein "Work"), referred to in Seller's proposal ("Seller's Documentation"). Whether these terms are included in an offer or an acceptance by Seller, such offer or acceptance is expressly conditioned on Buyer's assent to these terms. Seller rejects all additional or different terms in any of Buyer's forms or documents.

2. **Payment.** Buyer shall pay Seller the full purchase price as set forth in Seller's Documentation. Unless Seller's Documentation specifically provides otherwise, freight, storage, insurance and all taxes, levies, duties, tariffs, permits or license fees or other governmental charges relating to the Work or any incremental increases thereto shall be paid by Buyer. If Seller is required to pay any such charges, Buyer shall immediately reimburse Seller. If Buyer claims a tax or other exemption or direct payment permit, it shall provide Seller with a valid exemption certificate or permit and indemnify, defend and hold Seller harmless from any taxes, costs and penalties arising out of same. All payments are due within N30 - Net 30 days after receipt of invoice. Buyer shall pay interest on all late payments not received by the due date. The Buyer shall be charged the lesser rate of 1 ½% interest per month or the maximum interest rate permissible under applicable law, calculated daily and compounded monthly. Buyer shall also reimburse Seller for all costs incurred in collecting amounts due but unpaid, including without limitation, collections fees and attorneys' fees. All orders are subject to credit approval by Seller. Back charges without Seller's prior written approval shall not be accepted.

3. **Delivery.** Delivery of the Work shall be in material compliance with the schedule in Seller's Documentation. Unless Seller's Documentation provides otherwise, delivery terms are FOB Shipping Point, or for international orders, ExWorks Seller's factory (INCO™ Terms 2020). Title to all Work shall pass upon receipt of payment for the Work under the respective invoice. Unless otherwise agreed to in writing by Seller, shipping dates are approximate only and Seller shall not be liable for any loss or expense (consequential or otherwise) incurred by Buyer or Buyer's customer if Seller fails to meet the specified delivery schedule.

4. **Ownership of Materials and Licenses.** All devices, designs (including drawings, plans and specifications), estimates, prices, notes, electronic data, software, and other information prepared or disclosed by Seller, and all related intellectual property rights, shall remain Seller's property. Seller grants Buyer a non-exclusive, non-transferable license to use any written material solely for Buyer's use of the Work. Buyer shall not disclose any such material to third parties without Seller's prior written consent. Buyer grants Seller a non-exclusive, non-transferable license to use Buyer's name and logo for marketing purposes, including but not limited to, press releases, marketing and promotional materials, and web site content.

5. **Changes.** Neither party shall implement any changes in the scope of Work described in Seller's Documentation without a mutually agreed upon change order. Any change to the scope of the Work, delivery schedule for the Work, any Force Majeure Event, any law, rule, regulation, order, code, standard or requirement which requires any change hereunder shall entitle Seller to an equitable adjustment in the price and time of performance. If Buyer requests a proposal for a change in the Work from Seller and subsequently elects not to proceed with the change, a change order shall be issued to reimburse Seller for reasonable costs incurred for estimating services, design services, and services involved in the preparation of proposed changes.

6. **Force Majeure Event.** Neither Buyer nor Seller shall have any liability for any breach or delay (except for breach of payment obligations) caused by a Force Majeure Event. If a Force Majeure Event exceeds six (6) months in duration, the Seller shall have the right to terminate the Agreement without liability, upon fifteen (15) days written notice to Buyer, and shall be entitled to payment, including overhead and profit, for work performed prior to the date of termination. "Force Majeure Event" shall mean events or circumstances that are beyond the affected party's control and could not reasonably have been easily avoided or overcome by the affected party and are not substantially attributable to the other party. Force Majeure Event may include, but is not limited to, the following circumstances or events: war, act of foreign enemies, terrorism, riot, strike, or lockout by persons other than by Seller or its sub-suppliers, natural catastrophes, (with respect to on-site work) unusual weather conditions, epidemic, pandemic, communicable disease outbreak, quarantines, national emergency, or state or local order.

7. **Warranty.** Subject to the following sentence, Seller warrants to Buyer that the (i) Work shall materially conform to the description in Seller's Documentation and shall be free from defects in material and workmanship and (ii) the Services shall be performed in a timely and workmanlike manner. Determination of suitability of treated water for any use by Buyer shall be the sole and exclusive responsibility of Buyer, and Seller disclaims any warranty regarding such suitability. The foregoing warranty shall not apply to any Work that is specified or otherwise demanded by Buyer and is not manufactured or selected by Seller, as to which (i) Seller hereby assigns to Buyer, to the extent assignable, any warranties made to Seller and (ii) Seller shall have no other liability to Buyer under warranty, tort or any other legal theory. The Seller warrants the Work, or any components thereof, through the

earlier of (i) eighteen (18) months from delivery of the Work, or (ii) twelve (12) months from Buyer's initial operation of the Work, or in the case of services performed as part of the Work, ninety (90) days from the performance of the services (the "Warranty Period"). If Buyer gives Seller prompt written notice of breach of this warranty within the Warranty Period, Seller shall, at its sole option and as Buyer's sole and exclusive remedy, repair or replace the subject parts, re-perform the Service or refund the purchase price. Unless otherwise agreed to in writing by Seller, (i) Buyer shall be responsible for any labor required to gain access to the Work so that Seller can assess the available remedies and (ii) Buyer shall be responsible for all costs of installation of repaired or replaced Work. If Seller determines that any claimed breach is not, in fact, covered by this warranty, Buyer shall pay Seller its then customary charges for any repair or replacement made by Seller. Seller's warranty is conditioned on Buyer's (i) operating and maintaining the Work in accordance with Seller's instructions, (ii) not making any unauthorized repairs or alterations, and (iii) not being in default of any payment obligation to Seller. Seller's warranty does not cover (i) damage caused by chemical action or abrasive material, improper thermal or electrical capacity, misuse or improper installation (unless installed by Seller) and (ii) media goods (such as, but not limited to, resin, membranes, or granular activated carbon media) once media goods are installed. THE WARRANTIES SET FORTH IN THIS SECTION ARE THE SELLER'S SOLE AND EXCLUSIVE WARRANTIES AND ARE SUBJECT TO THE LIMITATION OF LIABILITY PROVISION BELOW. SELLER MAKES NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE.

8. **Indemnity.** Seller shall indemnify, defend, and hold Buyer harmless from any claim, cause of action, or liability incurred by Buyer as a result of third-party claims for personal injury, death, or damage to tangible property, to the extent caused by Seller's negligence. Seller shall have the sole authority to direct the defense of and settle any indemnified claim. Seller's indemnification is conditioned on Buyer (i) promptly notifying Seller of any claim, and (ii) providing reasonable cooperation in the defense of any claim. Buyer shall indemnify, defend, and hold harmless Seller from any claim, cause of action, or liability incurred by Seller as a result of third-party claims for personal injury, death, or damage to tangible property, to the extent caused by Buyer's negligence. Buyer shall have the sole authority to direct the defense of and settle any such indemnified claim. Buyer's indemnification is conditioned on Seller (i) promptly notifying Buyer of any claim, and (ii) providing reasonable cooperation in the defense of any claim.

9. **Assignment.** Neither party may assign this Agreement, in whole or in part, nor any rights or obligations hereunder without the prior written consent of the other party; provided, however, the Seller may assign its rights and obligations under these terms to its affiliates or in connection with the sale or transfer of the Seller's business, and Seller may grant a security interest in the Agreement and/or assign proceeds of the agreement without Buyer's consent.

10. **Termination.** Either party may, in addition to any other available remedy, terminate this agreement for a material breach upon issuance of a written notice of the breach and expiration of a thirty (30) day cure period. In the event of (i) a voluntary or involuntary petition in bankruptcy, (ii) an assignment for the benefit of a creditor, or (iii) a receivership, liquidation, or dissolution, Seller may terminate the agreement immediately, in addition to seeking any other available remedy. If Buyer suspends an order without a change order for ninety (90) or more days, Seller may thereafter terminate this Agreement without liability, upon fifteen (15) days written notice to Buyer, and shall be entitled to payment for work performed, whether delivered or undelivered, prior to the date of termination.

11. **Dispute Resolution.** In the event of any claim, dispute, or controversy arising out of or relating in any way to this Agreement (collectively, a "Claim"), Seller and Buyer shall first negotiate in good faith in an effort to resolve the Claim. If, despite good faith efforts, the parties are unable to resolve a Claim through negotiations, the parties shall mediate the Claim in accordance with the commercial mediation procedures of the American Arbitration Association ("AAA"), with such mediation to take place in Pittsburgh, Pennsylvania. If the parties are unable to resolve the Claim through such mediation, then the Claim shall be resolved through final and binding arbitration pursuant to the commercial arbitration procedures of the AAA, with such arbitration to take place in Pittsburgh, Pennsylvania before one arbitrator, who shall have authority to rule on jurisdiction over the Claim. Seller and Buyer agree to the exclusive jurisdiction of the federal and state courts situated in Allegheny County, Pennsylvania for purposes of entering judgment upon the arbitrator's award. The substantially prevailing party, as determined by the arbitrator, shall be entitled to recover all costs, expenses, and charges, including, without limitation, reasonable attorneys' fees and expert witness fees, incurred in connection with the Claim. In case of an Agreement under which Seller ships the Work outside of the United States, or under which Seller's and Buyer's places of business are in different countries, any Claim which is not resolved by the good faith negotiations and mediation required by this Section shall then be determined by arbitration administered by the International Center for Dispute Resolution in accordance with its International Arbitration Rules, with such arbitration taking place in Pittsburgh, Pennsylvania, USA, before one arbitrator, with English as the language of the arbitration. This Agreement and any Claim shall be governed by the laws of the Commonwealth of Pennsylvania, without giving effect to the choice of law principles thereof.

12. **Export Compliance.** All items, and technologies, software, and work products are controlled by the U.S. Government and authorized for export only to the country of ultimate destination for use by the ultimate consignee or end-user(s) herein identified. They may not be resold, transferred, or otherwise disposed of, to any other country or to any person other than the authorized ultimate consignee or end-user(s), either in their original form or after being incorporated into other items, without first obtaining approval from the U.S. government or as otherwise authorized by U.S. law and regulations. Any diversion contrary to U.S. law is prohibited. Buyer acknowledges that Seller is required to comply with applicable export laws and regulations relating to the sale, exportation, transfer, assignment, disposal, and usage of the Work provided under this Agreement, including any export

license requirements. Buyer agrees that such Work shall not at any time directly or indirectly be used, exported, sold, transferred, assigned, or otherwise disposed of in a manner which will result in non-compliance with such applicable export laws and regulations. It shall be a condition of the continuing performance by Seller of its obligations hereunder that compliance with such export laws and regulations be maintained at all times. BUYER AGREES TO INDEMNIFY AND HOLD SELLER HARMLESS FROM ANY AND ALL COSTS, LIABILITIES, PENALTIES, SANCTIONS AND FINES RELATED TO NON-COMPLIANCE WITH APPLICABLE EXPORT LAWS AND REGULATIONS.

13. **Anti-Kickback Statute - Discounts.** It is the intent of both Buyer and Seller to comply with the Anti-Kickback Statute (42 U.S.C. §1320a-7b(b)) and the Discount Safe Harbor and Warranties Safe Harbor regulations set forth in 42 C.F.R. 1001.952(h) and (g), respectively. Buyer's price may constitute a 'discount or other reduction in price' under the Anti-Kickback Statute. Seller shall provide Buyer with invoices that fully and accurately disclose the discounted price of all Products purchased under this Agreement to allow Buyer to comply with this Section and the Discount Safe Harbor regulations, including sufficient information to enable it to accurately report its actual cost for all purchases of Products. Buyer acknowledges that, if applicable, it will fully and accurately report all discounts or other price reductions, including warranty items, in the costs claimed or charges made under any Federal or State healthcare program and provide information upon request to third party reimbursement programs, including Medicare and Medicaid. Buyer will be solely responsible for determining whether any savings or discount or warranty item it receives must be reported or passed on to payors.

14. **Federal Program Participation.** Seller represents and warrants that neither it nor any of its current directors, officers, or key personnel: (i) are currently excluded, debarred or otherwise ineligible to participate in federal health care programs as defined in 42 U.S.C. §1320a-7b(f) (the "Federal Healthcare Programs"); (ii) have been convicted of a criminal offense related to the provision of healthcare items or services during the last five (5) years; or (iii) have been excluded, debarred or otherwise declared ineligible to participate during the last five (5) years in Federal Healthcare Programs. Seller will notify Buyer of any change in the status of the representations and warranties set forth above.

15. **Limitation of liability.** NOTWITHSTANDING ANYTHING ELSE TO THE CONTRARY, SELLER SHALL NOT BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE OR OTHER INDIRECT DAMAGES, AND SELLER'S TOTAL LIABILITY ARISING AT ANY TIME FROM THE SALE OR USE OF THE WORK, INCLUDING WITHOUT LIMITATION ANY LIABILITY FOR ALL WARRANTY CLAIMS OR FOR ANY BREACH OR FAILURE TO PERFORM ANY OBLIGATION UNDER THE AGREEMENT, SHALL NOT EXCEED THE PURCHASE PRICE PAID FOR THE WORK. THESE LIMITATIONS APPLY WHETHER THE LIABILITY IS BASED ON CONTRACT, TORT, STRICT LIABILITY OR ANY OTHER THEORY.

16. **Miscellaneous.** These terms, together with any related Contract Documents issued or signed by the Seller, comprise the complete and exclusive statement of the agreement between the parties (the "Agreement") and supersede any terms contained in Buyer's documents, unless separately signed by Seller. No part of the Agreement may be changed or cancelled except by a written document signed by Seller and Buyer. No course of dealing or performance, usage of trade or failure to enforce any term shall be used to modify the Agreement. To the extent the Agreement is considered a subcontract under Buyer's prime contract with an agency of the United States government, in case of Federal Acquisition Regulations (FARs) flow down terms, Seller will be in compliance with Section 44.403 of the FAR relating to commercial items and those additional clauses as specifically listed in 52.244-6, Subcontracts for Commercial Items (OCT 2014). If any of these terms is unenforceable, such term shall be limited only to the extent necessary to make it enforceable, and all other terms shall remain in full force and effect. The Agreement shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws provisions. Both Buyer and Seller reject the applicability of the United Nations Convention on Contracts for the international sales of goods to the relationship between the parties and to all transactions arising from said relationship.

Only in the event that the Work contemplated in this Order is related to the provision of medical devices, the following additional terms apply:

17. **Medical Devices Act and Regulatory Disclaimer.** Buyer acknowledges that it is familiar with the U.S. Safe Medical Devices Act of 1990 (the "Devices Act") and the reporting obligations imposed on device users thereunder. In this regard, Buyer agrees to notify Seller within ten (10) days of the occurrence of any event identified in the Devices Act imposing a reporting obligation on Buyer and/or Seller (except for events representing an imminent hazard that require notification to the United States Food and Drug Administration (the "FDA") within seventy-two (72) hours (or such shorter time as required by law), in which case, such notice will be delivered to the FDA and Seller within said period). Buyer will maintain adequate tracking for the Products to enable Seller to meet the FDA requirements applicable to the tracking of medical devices. Although Seller has the required registrations, approvals, and licenses (e.g., U.S. 510(k) pre-market notifications) for all or substantially all of its systems, the purchase of parts and system components from Seller does not provide 510(k) compliance or compliance under any other law, rule or regulation for Buyer's system.

Only in the event that the Work contemplated in this Order is related to the provision of leased or rented equipment (“Leased Equipment”), the following additional terms apply:

18. **Rental Equipment / Services.** Any Leased Equipment provided by Seller shall at all times be the property of Seller with the exception of certain miscellaneous installation materials purchased by the Buyer, and no right or property interest is transferred to the Buyer, except the right to use any such Leased Equipment as provided herein. Buyer agrees that it shall not pledge, lend, or create a security interest in, part with possession of, or relocate the Leased Equipment. Buyer shall be responsible to maintain the Leased Equipment in good and efficient working order. At the end of the initial term specified in the order, the terms shall automatically renew for the identical period unless canceled in writing by Buyer or Seller not sooner than three (3) months nor later than one (1) month from termination of the initial order or any renewal terms. Upon any renewal, Seller shall have the right to issue notice of increased pricing which shall be effective for any renewed terms unless Buyer objects in writing within fifteen (15) days of issuance of said notice. If Buyer timely cancels service in writing prior to the end of the initial or any renewal term this shall not relieve Buyer of its obligations under the order for the monthly rental service charge which shall continue to be due and owing. Upon the expiration or termination of this Agreement, Buyer shall promptly make any Leased Equipment available to Seller for removal. Buyer hereby agrees that it shall grant Seller access to the Leased Equipment location and shall permit Seller to take possession of and remove the Leased Equipment without resort to legal process and hereby releases Seller from any claim or right of action for trespass or damages caused by reason of such entry and removal.

Accepted by: _____

Print: _____

Date: _____



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT STAFF REPORT – 8

DATE: April 17, 2024
TO: Board of Directors
FROM: John Weigold, General Manager
Bryce Swetek, Engineering Manager
SUBJECT: Wastewater Treatment Plant Seismic and Materials Study

RECOMMENDATION:

It is recommended that the Board consider:

1. Authorizing the General Manager to execute a contract with SSG Structural Engineers (SSG) to prepare a Wastewater Treatment Plant (WWTP) Seismic and Materials Study (Study) to the District in the amount of \$xx,xxxx; and
2. Authorizing the General Manager to approve expenditures of up to \$x,xxx.xx (10%) as a change order allowance for any necessary changes in scope of work.

DISCUSSION:

Background – Per the Recycled Water Study by Carollo Engineers and more specifically per Technical Memo 5, the “Mini Master Plan”, it was recommended the District perform seismic evaluations as well as petrographic testing on various infrastructure at our District’s WWTP.

District Staff is currently working with Southland, an Energy Service Company, and MKN, a local engineering firm on the District’s WWTP Improvements Project. During a meeting, it was agreed that seismic and material (i.e. concrete) evaluations of critical treatment process and building infrastructure would be needed to help guide next steps.

After confirming interest with SSG, a professional structural engineering consultant, Staff issued an RFP (Attachment 1) to prepare a seismic and materials study for select critical facilities located at the District’s WWTP. The primary objective of the Study is to verify potential seismic and/or material deficiencies of the select WWTP critical facilities and to make recommendations to address the confirmed deficiencies. This Study will provide key

information in determining how the District will want to move forward with plans to address an aging WWTP. Staff received a proposal from SSG on April 12, 2024.

Analysis – Justifications – The proposal amount of \$xx,xxx.00 submitted by SSG is an acceptable amount that is responsive to and meets the requirements of the proposal. Due to the importance, scale, and type of study, a thorough scope of work was required to adequately evaluate the WWTP infrastructure. The evaluation of the chlorine contact basins as well as utilizing ground penetrating radar and concrete core testing were in addition to the recommendations in Technical Memo 5.

Staff notes other engineering firms were not reached out to. The primary reasons for this are as follows:

1. SSG is well known in the region for performing such related work.
2. The District’s Engineering Manager has worked with SSG on multiple municipal projects in the past and has developed a good working relationship and trust in their work. The nature and importance of this Study requires a high level of trust.
3. In working with MKN, it was brought to the District’s attention SSG would be the subconsultant of choice for MKN in the event the District moves forward with Southland on the WWTP Improvements Project. Staff thought it would be effective to have SSG start on this Study, become familiar with the WWTP, and benefit from the familiarity within potential next phases of work.

Staff recommends the Board award the contract to SSG. The amendment funding of xx,xxx, or 10% is typical for this type of work.

Fiscal Impact –

DEPARTMENTS INVOLVED: Engineering and Treatment

ATTACHMENTS:

1. Montecito Sanitary District RFP
2. SSG Proposal



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108
General Manager: John Weigold

A Public Service Agency

PHONE: (805) 969-4200
FAX: (805) 969-9049
E-MAIL: jweigold@montsan.org

Request for Proposal (RFP)

Consultant Services
For
WWTP Seismic and Materials Study

April 2, 2024

Submittals due April 12, 2024, by 4:00 PM

I. INTRODUCTION

Montecito Sanitary District is located in Santa Barbara County approximately 3 miles south of the City of Santa Barbara. It provides wastewater collection, pumping and treatment to the 10,000 residents of the unincorporated community. The wastewater collected is primarily residential. There are some commercial customers and no industrial customers in the District's wastewater system. The District boundaries are located along the coastline and extending to the foothills. The wastewater treatment facility, constructed in the 1960s, as well as most of the pumping lift stations are located less than a half mile from the coast. The wastewater treatment plant currently treats approximately 500,000 gallons a day and it is located less than a quarter mile of the coast and lower in elevation than the coastal bluff. The District treats to secondary standards and discharges the treated effluent through an existing ocean outfall located south of the wastewater treatment plant (WWTP).

The Montecito Sanitary District (MSD/District) is seeking proposals from professional engineering consultants to prepare a seismic and materials study for select critical facilities located at the District's WWTP (Study). The primary objective of the Study is to verify potential seismic and/or material deficiencies of the select WWTP critical facilities and to make recommendations to address the confirmed deficiencies. This Study will provide key information in determining how the District will want to move forward with plans to address an aging WWTP.

The District anticipates the primary performance base for the seismic portion of the study will be utilizing the standard Seismic Evaluation and Retrofit of Existing Buildings also known as ASCE 41-13. This standard provides a three-tiered process. The tiers are as follows:

- Tier 1 Screening Procedure
- Tier 2 Deficiency-based Evaluation and Retrofit Procedure
- Tier 3 Systematic Evaluation and Retrofit Procedure

Due to the age as well as the critical importance of the facilities, the District anticipates Consultant to utilize Tier 2 and Tier 3 levels of evaluation and analysis at their discretion and in accordance with the District's primary objective for the Study.

The District is seeking to begin this work as soon as possible and is targeting to perform field investigation and testing activities in May 2024.

II. SCOPE OF WORK

Consultant is expected to perform the following services/tasks described below. The District will consider any additions or refinements to the proposed scope of work that the Consultant may recommend, provided the changes meet the intent of the scope.

TASK 1: PROJECT MANAGEMENT, QUALITY ASSURANCE/QUALITY CONTROL, AND MEETINGS

This task includes project management and coordination activities as well as quality control/assurance, and meetings with the project team.

Task 1.1 Project Management. Monitoring and coordination of budget, schedule, subconsultants and the internal project team. Prepare monthly invoices and updated schedule.

The District’s Project Manager will coordinate access to the WWTP and specific facilities within the study site as needed by the Consultant.

Task 1.2 Quality Control/Quality Assurance. Review and quality control all deliverables prior to submittal to the District.

Task 1.3 Meetings. Anticipated meetings include:

- Project kick-off meeting (remote or on site).
- Draft Field Sampling Plan review meeting (remote).
- Draft WWTP Seismic and Materials Study review meeting (remote).

Prepare agenda and conduct kick-off meeting with District staff to review project scope and District’s and Consultant’s expectations. Prepare a schedule for completion of the Study to be discussed at kick-off meeting. Include milestone dates for submittals and review meetings. Consultant should anticipate two weeks for District review of each submittal. Consultant will prepare and distribute meeting summaries following meetings.

TASK 2: REVIEW EXISTING INFORMATION

Consultant will review and assess existing data relevant to the objectives of the Study. Such data may include record drawings of the WWTP, including treatment processes and building facilities, as well as geotechnical reports based on the WWTP or near the area.

TASK 3: FIELD INVESTIGATION AND TESTING – TREATMENT PROCESS FACILITIES

After review of existing information, Consultant will perform field investigation and testing activities on select treatment process facilities, as needed, to collect information for analysis. The selected treatment process facilities are identified below and are shown on Attachment A:

- Aeration Basins 1 and 2
- Secondary Clarifiers 1, 2, 3, and 4
- Chlorine Contact Chambers 1 and 2

Consultant should consider the following activities and underlying goals as a basis for the field investigation and testing:

- Seismic Evaluations Tier 2 to Tier 3 per ASCE 41-13
 - Identify deficiencies in primary structural components.
 - Identify deficiencies in ancillary or non-structural components, such as pipe supports, walkways, and railing.
 - Identify retrofit procedures/alternatives.
- Ground Penetrating Radar (GPR)
 - Identify rebar quality/spacing and potential voids in concrete.
- Concrete Petrographic Testing

- Identify potential of Alkali-silica reaction (ASR) in concrete.
- Concrete Core Testing
 - Identify concrete compressive strength, density, permeability, and other properties.

Should existing geotechnical reports/information not be sufficient for the objectives of this Study, the District would consider adding geotechnical work as part of the field investigation and testing activities.

Prior to any sampling/testing activities and with assistance from District Staff, Consultant will prepare a Field Sampling Plan. The Plan would identify locations of samples; a detailed schedule for sampling, including down/startup times of the facilities, and details on repairs to the facilities. District staff anticipates field inspection and material sampling of treatment process facilities would take approximately 5 working days based on emptying/cleaning the facilities as well as starting treatment process facilities up again to ensure on-going treatment during this field investigation work.

Task 3.1 Field Inspection. Consultant will perform site visits as necessary to visually inspect the treatment process facilities and document findings.

Task 3.2 Develop Draft Field Sampling Plan. Consultant will develop a draft field sampling plan in coordination with the District. The draft will be provided in Word (.doc) format so the District may provide comments and suggested edits via “track changes”. Consultant should anticipate a remote review meeting with the District to clarify comments per Task 1.3.

Task 3.3 Develop Final Field Sampling Plan. Consultant will develop a final Field Sampling Plan incorporating comments from the District. The final Field Sampling Plan will be provided in PDF format.

Task 3.4 Field Sampling and Testing. Consultant will perform site visits as necessary to plan, sample, and test the facilities and document findings. This task will include any field as well as laboratory required testing.

TASK 4: FIELD INVESTIGATION AND TESTING – BUILDING FACILITIES

After review of existing information, Consultant will perform field investigation and testing activities on select treatment building facilities, as needed, to collect information for analysis. The selected building facilities are identified below and are shown on Attachment A:

- Digester Blower Building
- Administrative and Operations Building

Consultant should consider the following activities and underlying goals as a basis for the field investigation and testing:

- Seismic Evaluations Tier 2 to Tier 3 per ASCE 41-13
 - Identify deficiencies in primary structural components.
 - Identify deficiencies in ancillary or non-structural components, such as pipe supports, walkways, railing, pumps, and cabinets.
 - Identify retrofit procedures/alternatives.
- Ground Penetrating Radar (GPR)

- Identify rebar quality/spacing and potential voids in concrete diaphragms and concrete masonry unit walls.
- Concrete/Concrete Masonry Unit Testing
 - Identify concrete/concrete masonry unit compressive strength, density, permeability, and other properties.

Should existing geotechnical reports/information not be sufficient for the objectives of this Study, the District would consider adding geotechnical work as part of the field investigation and testing activities.

Task 4.1 Field Inspection. Consultant will perform site visits as necessary to inspect the buildings and document findings.

Task 4.2 Field Sampling and Testing. Consultant will perform site visits as necessary to plan, sample, and test the buildings and document findings. This task will include field as well as laboratory required testing.

TASK 5: SEISMIC AND MATERIALS STUDY

Based on Tasks 2, 3, and 4, Consultant will prepare a seismic and materials study. The Study will identify seismic and/or material deficiencies within the selected treatment process facilities and buildings; make retrofit recommendations for each individual structure and building; and provide an estimated cost for engineering and construction for each recommended retrofit alternative. The District anticipates the Consultant to consider one to two alternatives for a retrofit project for each individual structure and building.

Task 5.1 Develop Draft Study. Consultant will develop a draft Study. The draft will be provided in Word (.doc) format so District staff may provide comments and suggested edits via “track changes”. Consultant should anticipate a remote review meeting with the District to clarify comments per Task 1.3.

Task 5.2 Develop Final Technical Memorandum. Consultant will develop a final Study incorporating comments from the District. The final Study will be provided in PDF format and signed by a Professional Structural Engineer registered in the State of California.

III. RESPONSES

The response shall include at a minimum the information listed herein; incomplete or unclear information may be grounds for rejection. The response shall be organized as follows:

1. Letter Proposal

The Proposal may be submitted as a letter proposal addressed to:

Bryce Swetek, P.E.
 Engineering Manager
 Montecito Sanitary District
 1042 Monte Cristo Lane
 Santa Barbara, CA 93108

The letter proposal will be submitted electronically to Bryce Swetek, P.E. at bswetek@montsan.org. The email subject line will say, "RFP: WWTP Seismic and Materials Study". The RFP must be received by 4:00 PM, April 12, 2024

Late proposals will not be accepted. Any RFP received prior to the time and date specified above may be withdrawn or modified by written request of the proposer provided the modified proposal is received prior to the time and date specified above.

2. Experience and Qualifications

- a. Provide a brief history of the firm, including name of the firm, the year the firm was established under the current name, and the closest office location to the project. Indicate any other previous names for the firm during the last five years and the year any name change was effective.
- b. Provide general information concerning the Consultant's qualifications and descriptions of at least 3 relevant projects. Indicate who in the firm performed specific functions on the projects. For any incomplete projects, clearly indicate the status of the project.
- c. Identify firm personnel, including any subconsultants, that will be assigned to the key positions and show the relationships on an Organizational Chart and provide which office they are located.
- d. Provide three clients as a reference, including at least two for whom services were rendered during the past two years, preferably for services similar to those outlined in this solicitation; include contact information for each reference.

3. Project Understanding and Approach

Provide a statement demonstrating the Consultant's understanding of the Project and proposed approach to the Project scope of work, broken down by tasks and subtasks. Proposals will identify specific milestones and deliverables for each task. Consultant may revise the scope of services in this RFP and should call out the proposed revisions in their proposal.

4. Estimated Schedule

The proposal must include an estimated schedule to complete the Project scope of work. Describe the Consultant's ability to meet the proposed schedule and timing of each task in the scope of work.

5. Estimated Level of Effort

The proposal will include a table listing the personnel involved in the project, the anticipated hours associated with each individual's level of effort identified by task as well as inclusion of a Professional Rate Sheet listing the different classifications of labor. The table is to be based on the consultant's estimation for performing the services based on the Consultant's understanding of the Project's scope of work.

6. Conflicts

Identify any conflicts which could affect the ability to perform the work in a timely fashion over the duration of the contract.

7. Quality Assurance/Quality Control

Provide a brief description of in-place and proposed Quality Assurance & Quality Control practices applicable for this project.

8. Assumptions and Additional Comments

The proposal will include any assumptions made, comments, suggestions, or additions for the District to consider in selecting the firm. Identify the potential benefit, value, or impact these may have to the District.

9. Contract Requirements

The District will be utilizing a Professional Services Agreement (PSA) included as Attachment B for your review. The terms of Agreement are not subject to change. The consultant must comply with applicable local, State, and Federal laws including prevailing wage rates and their payment in accordance with California Labor Code, Section 1775. Provide and affirmative statement indicating acceptance of the terms of the Agreement.

IV. RESERVATION OF RIGHTS

The following is a list of rights of the District:

1. The Montecito Sanitary District reserves the right to:
 - a. Reject any and all responses received.
 - b. Issue a subsequent RFP.
 - c. Cancel the entire RFP.
 - d. Remedy technical errors in the RFP process.
 - e. Negotiate with any, all, or none of the Respondents to the RFP.
 - f. Waive informalities and irregularities.
 - g. Make multiple recommendation(s) to the MSD Board.
 - h. Request additional information or clarification.
 - i. All responses and their contents will become the property of MSD.
2. The District will not reimburse Consultants or sub-consultants for any costs associated with any travel and/or per diem incurred in any presentations or for any costs in preparing and submitting the responses.
3. The District reserves the right to end, in its sole discretion, negotiations at any time with any or all Consultants. This RFQ does not commit the District to enter into a contract, nor does it obligate it to pay any costs incurred in the preparation and submission of responses or in anticipation of a contract.
4. Failure to respond to the requirements outlined in this RFP may result in the Consultant's disqualification as non-responsive to the RFP.

V. INQUIRES

All inquires related to this RFP will be sent to Bryce Swetek, P.E. at bswetek@montsan.org



VI. ATTACHMENTS

- A. District WWTP Selected Facilities Map
- B. Sample Professional Services Agreement

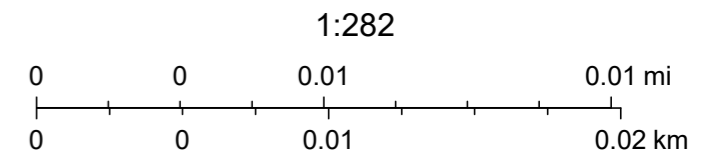
Montecito Sanitary District



4/2/2024, 4:10:06 PM

-  Montecito Sanitary District Boundary
-  SBC Assessor Parcels

Seismic and Materials Study Facilities Map



Esri Community Maps Contributors, California State Parks, © OpenStreetMap, Microsoft, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, Bureau of Land Management, EPA, NPS, US Census Bureau, USDA, USFWS, Sources: Esri, Airbus

**PROFESSIONAL SERVICES AGREEMENT
FOR DESIGN PROFESSIONALS**

(Montecito Sanitary District / [Company or Individual])

1. IDENTIFICATION

This PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is entered into by and between the Montecito Sanitary District, a California Special District (“District”), and _____, a _____ (“Consultant”).

2. RECITALS

- 2.1. District has determined that it requires the following professional services from a consultant: **[enter description of consultant’s services]**
- 2.2. Consultant represents that it is fully qualified to perform such professional services by virtue of its experience and the training, education and expertise of its principals and employees. Consultant further represents that it is willing to accept responsibility for performing such services in accordance with the terms and conditions set forth in this Agreement.
- 2.3. Consultant represents that it has no known relationships with third parties, District Board members, or employees of the District which would (1) present a conflict of interest with the rendering of services under this Agreement under Government Code Section 1090, the Political Reform Act (Government Code Section 81000 *et seq.*), or other applicable law, (2) prevent Consultant from performing the terms of this Agreement, or (3) present a significant opportunity for the disclosure of confidential information.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, District and Consultant agree as follows:

3. DEFINITIONS

- 3.1. “Design Professional”: A Design Professional is any individual satisfying one or more of the following: (1) licensed as an architect pursuant to Business and Professions Code 5500 *et seq.*, (2) licensed as a landscape architect pursuant to Business and Professions Code 5615 *et seq.*, (3) licensed as a professional land surveyor pursuant to Business and Professions Code 8700 *et seq.*, or (4) registered as a professional engineer pursuant to Business and Professions Code 6700 *et seq.*
- 3.2. “Scope of Services”: Such professional services as are set forth in Consultant’s **[enter consultant’s proposal date]** proposal to District attached hereto as Exhibit A and incorporated herein by this reference.
- 3.3. “Agreement Administrator”: The Agreement Administrator for this project is **[Name and title]**. The Agreement Administrator shall be the principal point of

contact at the District for this project. All services under this Agreement shall be performed at the request of the Agreement Administrator. The Agreement Administrator will establish the timetable for completion of services and any interim milestones. District reserves the right to change this designation upon written notice to Consultant

- 3.4. “Approved Fee Schedule”: Consultant’s compensation rates are set forth in the fee schedule attached hereto as Exhibit B and incorporated herein by this reference. This fee schedule shall remain in effect for the duration of this Agreement unless modified in writing by mutual agreement of the parties.
- 3.5. “Maximum Amount”: The highest total compensation and costs payable to Consultant by District under this Agreement. The Maximum Amount under this Agreement is [redacted] Dollars (\$ [redacted]).
- 3.6. “Commencement Date”: [date].
- 3.7. “Termination Date”: [date]

4. TERM

The term of this Agreement shall commence at 12:00 a.m. on the Commencement Date and shall expire at 11:59 p.m. on the Termination Date unless extended by written agreement of the parties or terminated earlier under Section 18 (“Termination”) below. Consultant may request extensions of time to perform the services required hereunder. Such extensions shall be effective if authorized in advance by District in writing and incorporated in written amendments to this Agreement.

5. CONSULTANT’S DUTIES

- 5.1. **Services.** Consultant shall perform the services identified in the Scope of Services. District shall have the right to request, in writing, changes in the Scope of Services. Any such changes mutually agreed upon by the parties, and any corresponding increase or decrease in compensation, shall be incorporated by written amendment to this Agreement.
- 5.2. **Coordination with District.** In performing services under this Agreement, Consultant shall coordinate all contact with District through its Agreement Administrator.
- 5.3. **Budgetary Notification.** Consultant shall notify the Agreement Administrator, in writing, when fees and expenses incurred under this Agreement have reached eighty percent (80%) of the Maximum Amount. Consultant shall concurrently inform the Agreement Administrator, in writing, of Consultant’s estimate of total expenditures required to complete its current assignments before proceeding, when the remaining work on such assignments would exceed the Maximum Amount.

- 5.4. **Professional Standards.** Consultant shall perform all work to the highest standards of Consultant's profession and in a manner reasonably satisfactory to District. Consultant shall keep itself fully informed of and in compliance with all local, state, and federal laws, rules, and regulations in any manner affecting the performance of this Agreement, including all Cal/OSHA requirements, the conflict of interest provisions of Government Code § 1090 and the Political Reform Act (Government Code § 81000 et seq.).
- 5.5. **Campaign Contributions.** This Agreement is subject to Government Code Section 84308, as amended by SB 1439. Consultant shall disclose any contribution in an amount of more than two hundred fifty dollars (\$250) made within the preceding 12 months by the party or the party's agent. Consultant shall provide a signed copy of the attached Campaign Contribution Disclosure Form to the District prior to, or concurrent with, the Consultant's execution of this Agreement.
- 5.6. **Avoid Conflicts.** During the term of this Agreement, Consultant shall not perform any work for another person or entity for whom Consultant was not working at the Commencement Date if such work would present a conflict interfering with performance under this Agreement. However, District may consent in writing to Consultant's performance of such work.
- 5.7. **Appropriate Personnel.** Consultant has, or will secure at its own expense, all personnel required to perform the services identified in the Scope of Services. All such services shall be performed by Consultant or under its supervision, and all personnel engaged in the work shall be qualified to perform such services. [Name of Project Manager] shall be Consultant's project administrator and shall have direct responsibility for management of Consultant's performance under this Agreement. No change shall be made in Consultant's project administrator without District's prior written consent.
- 5.8. **Substitution of Personnel.** Any persons named in the proposal or Scope of Services constitutes a promise to the District that those persons will perform and coordinate their respective services under this Agreement. Should one or more of such personnel become unavailable, Consultant may substitute other personnel of at least equal competence upon written approval of District. If District and Consultant cannot agree as to the substitution of key personnel, District may terminate this Agreement for cause.
- 5.9. **Permits and Approvals.** Consultant shall obtain, at its sole cost and expense, all permits and regulatory approvals necessary for Consultant's performance of this Agreement. This includes, but shall not be limited to, professional licenses, encroachment permits and building and safety permits and inspections.
- 5.10. **Notification of Organizational Changes.** Consultant shall notify the Agreement Administrator, in writing, of any change in name, ownership or control of

Consultant's firm or of any subcontractor. Change of ownership or control of Consultant's firm may require an amendment to this Agreement.

- 5.11. **Records.** Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services or expenditures and disbursements charged to District under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of final payment to Consultant under this Agreement. All such documents shall be made available for inspection, audit, and/or copying at any time during regular business hours, upon oral or written request of District. In addition, pursuant to Government Code Section 8546.7, if the amount of public funds expended under this Agreement exceeds ten thousand dollars, all such documents and this Agreement shall be subject to the examination and audit of the State Auditor, at the request of District or as part of any audit of District, for a period of three (3) years after final payment under this Agreement.
- 5.12. **Skilled and Trained Workforce Requirement.** When the use of a skilled and trained workforce is required to complete a contract pursuant to existing law, this contract is subject to such requirement and Contractor agrees to use a skilled and trained workforce.

6. SUBCONTRACTING

- 6.1. **General Prohibition.** This Agreement covers professional services of a specific and unique nature. Except as otherwise provided herein, Consultant shall not assign or transfer its interest in this Agreement or subcontract any services to be performed without amending this Agreement.
- 6.2. **Consultant Responsible.** Consultant shall be responsible to District for all services to be performed under this Agreement.
- 6.3. **Identification in Fee Schedule.** All subcontractors shall be specifically listed and their billing rates identified in the Approved Fee Schedule, Exhibit B. Any changes must be approved by the Agreement Administrator in writing as an amendment to this Agreement.

7. COMPENSATION

- 7.1. **General.** District agrees to compensate Consultant for the services provided under this Agreement, and Consultant agrees to accept payment in accordance with the Fee Schedule in full satisfaction for such services. Compensation shall not exceed the Maximum Amount. Consultant shall not be reimbursed for any expenses unless provided for in this Agreement or authorized in writing by District in advance.
- 7.2. **Invoices.** Consultant shall submit to District an invoice, on a monthly basis or as otherwise agreed to by the Agreement Administrator, for services performed

pursuant to this Agreement. Each invoice shall identify the Maximum Amount, the services rendered during the billing period, the amount due for the invoice, and the total amount previously invoiced. All labor charges shall be itemized by employee name and classification or position with the firm, the corresponding hourly rate, the hours worked, a description of each labor charge, and the total amount due for labor charges.

- 7.3. **Taxes.** District shall not withhold applicable taxes or other payroll deductions from payments made to Consultant except as otherwise required by law. Consultant shall be solely responsible for calculating, withholding, and paying all taxes.
- 7.4. **Disputes.** The parties agree to meet and confer at mutually agreeable times to resolve any disputed amounts contained in an invoice submitted by Consultant.
- 7.5. **Additional Work.** Consultant shall not be reimbursed for any expenses incurred for work performed outside the Scope of Services unless prior written approval is given by the District through a fully executed written amendment. Consultant shall not undertake any such work without prior written approval of the District.
- 7.6. **District Satisfaction as Precondition to Payment.** Notwithstanding any other terms of this Agreement, no payments shall be made to Consultant until District is satisfied that the services are satisfactory.
- 7.7. **Right to Withhold Payments.** If Consultant fails to provide a deposit or promptly satisfy an indemnity obligation described in Section 11, District shall have the right to withhold payments under this Agreement to offset that amount.

8. PREVAILING WAGES

Consultant is aware of the requirements of California Labor Code Section 1720, et seq., and 1770, et seq., as well as California Code of Regulations, Title 8, Section 16000, et seq., (“Prevailing Wage Laws”), which require the payment of prevailing wage rates and the performance of other requirements on certain “public works” and “maintenance” projects including the design and preconstruction phases of a covered public works project. Consultant shall defend, indemnify, and hold the District, its elected officials, officers, employees, and agents free and harmless from any claim or liability arising out of any failure or alleged failure of Consultant to comply with the Prevailing Wage Laws.

9. OWNERSHIP OF WRITTEN PRODUCTS

All reports, documents or other written material, and all electronic files, including computer-aided design files, developed by Consultant in the performance of this Agreement (such written material and electronic files are collectively known as “written products”) shall be and remain the property of District without restriction or limitation upon its use or dissemination by District except as provided by law. Consultant may take and retain copies of such written products as desired, but no such written products shall be the subject of a copyright application by Consultant.

10. RELATIONSHIP OF PARTIES

- 10.1. **General.** Consultant is, and shall at all times remain as to District, a wholly independent contractor.
- 10.2. **No Agent Authority.** Consultant shall have no power to incur any debt, obligation, or liability on behalf of District or otherwise to act on behalf of District as an agent. Neither District nor any of its agents shall have control over the conduct of Consultant or any of Consultant's employees, except as set forth in this Agreement. Consultant shall not represent that it is, or that any of its agents or employees are, in any manner employees of District.
- 10.3. **Independent Contractor Status.** Under no circumstances shall Consultant or its employees look to the District as an employer. Consultant shall not be entitled to any benefits. District makes no representation as to the effect of this independent contractor relationship on Consultant's previously earned California Public Employees Retirement System ("CalPERS") retirement benefits, if any, and Consultant specifically assumes the responsibility for making such a determination. Consultant shall be responsible for all reports and obligations including, but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance, and workers' compensation, and other applicable federal and state taxes.
- 10.4. **Indemnification of CalPERS Determination.** In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or CalPERS to be eligible for enrollment in CalPERS as an employee of the District, Consultant shall indemnify, defend, and hold harmless District for the payment of any employee and/or employer contributions for CalPERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of District.

11. INDEMNIFICATION

- 11.1. **Definitions.** For purposes of this Section 11, "Consultant" shall include Consultant, its officers, employees, servants, agents, or subcontractors, or anyone directly or indirectly employed by either Consultant or its subcontractors, in the performance of this Agreement. "District" shall include District, its board, officials, officers, agents, employees and volunteers.
- 11.2. **Consultant to Indemnify District.** Where the services to be provided by Consultant under this Agreement are design professional services, as that term is defined under Civil Code Section 2782.8, Consultant agrees to indemnify, defend and hold harmless, the District, its officers, officials, employees and volunteers from any and all claims, demands, costs or liability that actually or allegedly arise out of, or pertain to, or relate to the negligence, recklessness or willful misconduct

of Consultant and its agents in the performance of services under this contract, but this indemnity does not apply to liability for damages for bodily injury, property damage or other loss, arising from the sole negligence, active negligence or willful misconduct by the District, its officers, official employees, and volunteers. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of the District, then Consultant's indemnification and defense obligations shall be reduced in proportion to the established comparative liability of the District and shall not exceed Consultant's proportionate percentage of fault.

- 11.3. As respects all acts or omissions which do not arise directly out of the performance of design professional services, including but not limited to those acts or omissions normally covered by general and automobile liability insurance, and to the full extent permitted by law, Consultant agrees to indemnify, defend and hold harmless the District, its board, officers, officials, agents, employees, and volunteers from and against any claims, demands, losses, liability of any kind or nature (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, whether actual, alleged or threatened, including attorney's fees and costs, court costs, interest, defense costs, and expert witness fees) where the same arise out of, are in connection with, are a consequence of, or are in any way attributable to, in whole or in part, the performance of this Agreement by Consultant or by any individual or entity for which Consultant is legally liable, including but not limited to officers, agents, employees or sub-contractors of Consultant, excepting those which arise out of the active negligence, sole negligence or willful misconduct of the District, its board, officers, officials, employees and volunteers.
- 11.4. **Scope of Indemnity.** Personal injury shall include injury or damage due to death or injury to any person, whether physical, emotional, consequential or otherwise, Property damage shall include injury to any personal or real property. Consultant shall not be required to indemnify District for such loss or damage as is caused by the sole active negligence or willful misconduct of the District. If it is finally adjudicated that liability is caused by the comparative negligence or willful misconduct of an indemnified party, then Consultant's indemnification obligation shall be reduced in proportion to the established comparative liability.
- 11.5. **Attorneys Fees.** Such costs and expenses shall include reasonable attorneys' fees for counsel of District's choice, expert fees and all other costs and fees of litigation. Consultant shall not be entitled to any refund of attorneys' fees, defense costs or expenses in the event that it is adjudicated to have been non-negligent.
- 11.6. **Defense Deposit.** The District may request a deposit for defense costs from Consultant with respect to a claim. If the District requests a defense deposit, Consultant shall provide it within 15 days of the request.

- 11.7. **Waiver of Statutory Immunity.** The obligations of Consultant under this Section 11 are not limited by the provisions of any workers' compensation act or similar act. Consultant expressly waives its statutory immunity under such statutes or laws as to District.
- 11.8. **Indemnification by Subcontractors.** Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Section 11 from each and every subcontractor or any other person or entity involved in the performance of this Agreement on Consultant's behalf.
- 11.9. **Insurance Not a Substitute.** District does not waive any indemnity rights by accepting any insurance policy or certificate required pursuant to this Agreement. Consultant's indemnification obligations apply regardless of whether or not any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.
- 11.10. **Civil Code.** The parties are aware of the provisions of Civil Code 2782.8 relating to the indemnification and the duty and the cost to defend a public agency by a Design Professional and agree that this Section 11 complies therewith.

12. INSURANCE

- 12.1. **Insurance Required.** Consultant shall maintain insurance as described in this section and shall require all of its subcontractors, consultants, and other agents to do the same. Approval of the insurance by the District shall not relieve or decrease any liability of Consultant Any requirement for insurance to be maintained after completion of the work shall survive this Agreement.
- 12.2. **Documentation of Insurance.** District will not execute this agreement until it has received a complete set of all required documentation of insurance coverage. However, failure to obtain the required documents prior to the work beginning shall not waive the Consultant's obligation to provide them. Consultant shall file with District:
- Certificate of Insurance, indicating companies acceptable to District, with a Best's Rating of no less than A:VII showing. The Certificate of Insurance must show the Montecito Sanitary District, its board of directors, commissions, officers, and employees of Montecito Sanitary District as additional insured parties. The Certificate of Insurance must include the following reference: [insert project name]
 - Documentation of Best's rating acceptable to the District.
 - Original endorsements effecting coverage for all policies required by this Agreement.
 - Complete, certified copies of all required insurance policies, including endorsements affecting the coverage.

12.3. **Coverage Amounts.** Insurance coverage shall be at least in the following minimum amounts:

- Professional Liability Insurance: \$1,000,000 per occurrence
\$2,000,000 aggregate
- General Liability:
 - General Aggregate: \$2,000,000
 - Products Comp/Op Aggregate \$2,000,000
 - Personal & Advertising Injury \$1,000,000
 - Each Occurrence \$1,000,000
 - Fire Damage (any one fire) \$ 50,000
 - Medical Expense (any 1 person) \$ 5,000
- Workers' Compensation:
 - Workers' Compensation Statutory Limits
 - EL Each Accident \$1,000,000
 - EL Disease - Policy Limit \$1,000,000
 - EL Disease - Each Employee \$1,000,000
- Automobile Liability
 - Any vehicle, combined single limit
\$1,000,000

Any available insurance proceeds broader than or in excess of the specified minimum insurance coverage requirements or limits shall be available to the District as additional insured. Furthermore, the requirements for coverage and limits shall be the greater of (1) the minimum coverage and limits specified in this Agreement, or (2) the broader coverage and maximum limits of coverage of any insurance policy or proceeds available to the named insured

12.4. **General Liability Insurance.** Commercial General Liability Insurance shall be no less broad than ISO form CG 00 01. Coverage must be on a standard Occurrence form. Claims-Made, modified, limited or restricted Occurrence forms are not acceptable.

12.5. **Worker's Compensation Insurance.** Consultant is aware of the provisions of Section 3700 of the Labor Code which requires every employer to carry Workers' Compensation (or to undertake equivalent self-insurance), and Consultant will comply with such provisions before commencing the performance of the work of this Agreement. If such insurance is underwritten by any agency other than the State Compensation Fund, such agency shall be a company authorized to do business in the State of California.

- 12.6. **Automobile Liability Insurance.** Covered vehicles shall include owned if any, non-owned, and hired automobiles and, trucks.
- 12.7. **Professional Liability Insurance or Errors & Omissions Coverage.** The deductible or self-insured retention may not exceed \$50,000. If the insurance is on a Claims-Made basis, the retroactive date shall be no later than the commencement of the work. Coverage shall be continued for two years after the completion of the work by one of the following: (1) renewal of the existing policy; (2) an extended reporting period endorsement; or (3) replacement insurance with a retroactive date no later than the commencement of the work under this Agreement.
- 12.8. **Claims-Made Policies.** If any of the required policies provide coverage on a claims-made basis the Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work. Claims-Made Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Consultant must purchase “extended reporting” coverage for a minimum of five (5) years after completion of contract work.
- 12.9. **Additional Insured Endorsements.** The District, its Board of Directors, Commissions, officers, and employees of the District must be endorsed as an additional insured for each policy required herein, other than Professional Errors and Omissions, for liability arising out of ongoing and completed operations by or on behalf of the Consultant. Consultant’s insurance policies shall be primary as respects any claims related to or as the result of the Consultant’s work. Any insurance, pooled coverage or self-insurance maintained by the District, its elected or appointed officials, directors, officers, agents, employees, volunteers, or consultants shall be non-contributory. All endorsements shall be signed by a person authorized by the insurer to bind coverage on its behalf. General liability coverage can be provided using an endorsement to the Consultant’s insurance at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37.
- 12.10. **Failure to Maintain Coverage.** In the event any policy is canceled prior to the completion of the project and the Consultant does not furnish a new certificate of insurance prior to cancellation, District has the right, but not the duty, to obtain the required insurance and deduct the premium(s) from any amounts due the Consultant under this Agreement. Failure of the Consultant to maintain the insurance required by this Agreement, or to comply with any of the requirements of this section, shall constitute a material breach of this Agreement.
- 12.11. **Notices.** Consultant shall provide immediate written notice if (1) any of the required insurance policies is terminated; (2) the limits of any of the required policies are reduced; (3) or the deductible or self-insured retention is increased. Consultant shall provide no less than 30 days’ notice of any cancellation or

material change to policies required by this Agreement. Consultant shall provide proof that cancelled or expired policies of insurance have been renewed or replaced with other policies providing at least the same coverage. Such proof will be furnished at least two weeks prior to the expiration of the coverages. The name and address for Additional Insured Endorsements, Certificates of Insurance and Notices of Cancellation is: Montecito Sanitary District, Attn: John Weigold, General manager, 1042 Monte Cristo Lane, Santa Barbara, CA 93108.

- 12.12. **Consultant's Insurance Primary.** The insurance provided by Consultant, including all endorsements, shall be primary to any coverage available to District. Any insurance or self-insurance maintained by District and/or its officers, employees, agents or volunteers, shall be in excess of Consultant's insurance and shall not contribute with it.
- 12.13. **Waiver of Subrogation.** Consultant hereby waives all rights of subrogation against the District. Consultant shall additionally waive such rights either by endorsement to each policy or provide proof of such waiver in the policy itself.
- 12.14. **Report of Claims to District.** Consultant shall report to the District, in addition to the Consultant's insurer, any and all insurance claims submitted to Consultant's insurer in connection with the services under this Agreement.
- 12.15. **Premium Payments and Deductibles.** Consultant must disclose all deductibles and self-insured retention amounts to the District. The District may require the Consultant to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within retention amounts. Ultimately, District must approve all such amounts prior to execution of this Agreement.
- 12.16. District has no obligation to pay any premiums, assessments, or deductibles under any policy required in this Agreement. Consultant shall be responsible for all premiums and deductibles in all of Consultant's insurance policies. The amount of deductibles for insurance coverage required herein are subject to District's approval.
- 12.17. **Duty to Defend and Indemnify.** Consultant's duties to defend and indemnify District under this Agreement shall not be limited by the foregoing insurance requirements and shall survive the expiration or early termination of this Agreement.

13. MUTUAL COOPERATION

- 13.1. **District Cooperation in Performance.** District shall provide Consultant with all pertinent data, documents and other requested information as is reasonably available for the proper performance of Consultant's services under this Agreement.
- 13.2. **Consultant Cooperation in Defense of Claims.** If any claim or action is brought against District relating to Consultant's performance in connection with this

Agreement, Consultant shall render any reasonable assistance that District may require in the defense of that claim or action.

14. NOTICES

Any notices, bills, invoices, or reports required by this Agreement shall be deemed received on: (i) the day of delivery if delivered by hand, electronic mail or overnight courier service during Consultant's and District's regular business hours; or (ii) on the third business day following deposit in the United States mail if delivered by mail, postage prepaid, to the addresses listed below (or to such other addresses as the parties may, from time to time, designate in writing).

If to District
Montecito Sanitary District
Attn: John Weigold
General Manager
1042 Monte Cristo Lane
Santa Barbara, CA 93108

If to Consultant
[Name]
[Address]
[Address]
Telephone:
Email:

With courtesy copy to:

Aleks R. Giragosian, Esq.
Montecito Sanitary District General Counsel
Colantuono, Highsmith & Whatley, PC
790 E. Colorado Blvd., Ste. 850
Pasadena, Angeles, CA 91101
Telephone: (213) 542-5700
Email: agiragosian@chwlaw.us

15. SURVIVING COVENANTS

The parties agree that the covenants contained in paragraph 5.11 (Records), paragraph 10.4 (Indemnification of CalPERS Determination), Section 11 (Indemnity), paragraph 12.8 (Claims-Made Policies), paragraph 13.2 (Consultant Cooperation in Defense of Claims), paragraph 12.13 (Waiver of Subrogation), paragraph 12.6 (Automobile Liability Insurance), Section 15 (Surviving Covenants), Section 17 (Interpretation of Agreement), and Section 18 (General Provisions) of this Agreement shall survive the expiration or termination of this Agreement, subject to the provisions and limitations of this Agreement and all otherwise applicable statutes of limitations and repose.

16. TERMINATION

16.1. **District Termination.** District may terminate this Agreement for any reason on five calendar days' written notice to Consultant. Consultant agrees to cease all work under this Agreement on or before the effective date of any notice of termination. All District data, documents, objects, materials or other tangible

things shall be returned to District upon the termination or expiration of this Agreement.

- 16.2. **Consultant Termination.** Consultant may terminate this Agreement for a material breach by the District of this Agreement upon 30 days' notice.
- 16.3. **Compensation Following Termination.** Upon termination, Consultant shall be paid based on the work satisfactorily performed at the time of termination. In no event shall Consultant be entitled to receive more than the amount that would be paid to Consultant for the full performance of the services required by this Agreement. The District shall have the benefit of such work as may have been completed up to the time of such termination.
- 16.4. **Remedies.** District retains any and all available legal and equitable remedies for Consultant's breach of this Agreement.

17. INTERPRETATION OF AGREEMENT

- 17.1. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of California.
- 17.2. **Integration of Exhibits.** All documents referenced as exhibits in this Agreement are hereby incorporated into this Agreement. In the event of any material discrepancy between the provisions of this Agreement and its exhibits, the provisions of this Agreement shall prevail. This instrument contains the entire Agreement between District and Consultant with respect to the transactions contemplated herein. No other prior oral or written agreements are binding upon the parties. Amendments hereto or deviations herefrom shall be effective and binding only if made in writing and executed on by District and Consultant.
- 17.3. **Headings.** The headings and captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and for convenience in reference to this Agreement. Should there be any conflict between such heading, and the section or paragraph thereof at the head of which it appears, the language of the section or paragraph shall control and govern in the construction of this Agreement.
- 17.4. **Pronouns.** Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution(s).
- 17.5. **Severability.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to the extent necessary to, cure such invalidity or unenforceability, and shall be enforceable in its amended form. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those

as to which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

- 17.6. **No Presumption Against Drafter.** Each party had an opportunity to consult with an attorney in reviewing and drafting this agreement. Any uncertainty or ambiguity shall not be construed for or against any party based on attribution of drafting to any party.

18. GENERAL PROVISIONS

- 18.1. **Confidentiality.** All data, documents, discussion, or other information developed or received by Consultant for performance of this Agreement are deemed confidential and Consultant shall not disclose it without prior written consent by District. District shall grant such consent if disclosure is legally required. All District data shall be returned to District upon the termination or expiration of this Agreement.
- 18.2. **Conflicts of Interest.** Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. Consultant further agrees to file, or shall cause its employees or subcontractor to file, a Statement of Economic Interest with the District's Filing Officer if required under state law in the performance of the services. For breach or violation of this warranty, District shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer, or employee of District, during the term of his or her service with District, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.
- 18.3. **Non-assignment.** Consultant shall not delegate, transfer, subcontract or assign its duties or rights hereunder, either in whole or in part, without District's prior written consent, and any attempt to do so shall be void and of no effect. District shall not be obligated or liable under this Agreement to any party other than Consultant.
- 18.4. **Binding on Successors.** This Agreement shall be binding on the successors and assigns of the parties.
- 18.5. **No Third-Party Beneficiaries.** Except as expressly stated herein, there is no intended third-party beneficiary of any right or obligation assumed by the parties.
- 18.6. **Time of the Essence.** Time is of the essence for each and every provision of this Agreement.

- 18.7. **Non-Discrimination.** Consultant shall not discriminate against any employee or applicant for employment because of race, sex (including pregnancy, childbirth, or related medical condition), creed, national origin, color, disability as defined by law, disabled veteran status, Vietnam veteran status, religion, age (40 and above), medical condition (cancer-related), marital status, ancestry, or sexual orientation. Employment actions to which this provision applies shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; or in terms, conditions or privileges of employment, and selection for training. Consultant agrees to post in conspicuous places, available to employees and applicants for employment, the provisions of this nondiscrimination clause.
- 18.8. **Waiver.** No provision, covenant, or condition of this Agreement shall be deemed to have been waived by District or Consultant unless in writing signed by one authorized to bind the party asserted to have consented to the waiver. The waiver by District or Consultant of any breach of any provision, covenant, or condition of this Agreement shall not be deemed to be a waiver of any subsequent breach of the same or any other provision, covenant, or condition.
- 18.9. **Excused Failure to Perform.** Consultant shall not be liable for any failure to perform if Consultant presents acceptable evidence, in District's sole judgment, that such failure was due to causes beyond the control and without the fault or negligence of Consultant.
- 18.10. **Remedies Non-Exclusive.** Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance from the exercise by any party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any or all of such other rights, powers or remedies.
- 18.11. **Attorneys' Fees.** If legal action shall be necessary to enforce any term, covenant or condition contained in this Agreement, the prevailing party shall be entitled to an award of reasonable attorneys' fees and costs expended in the action.
- 18.12. **Venue.** The venue for any litigation shall be Santa Barbara County, California and Consultant hereby consents to jurisdiction in Santa Barbara County for purposes of resolving any dispute or enforcing any obligation arising under this Agreement.
- 18.13. **Counterparts; Electronic Signatures.** This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument. The parties acknowledge and agree that this Agreement may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the

same force and effect as an original signature. Without limitation, “electronic signature” shall include faxed or emailed versions of an original signature, electronically scanned and transmitted versions (e.g., via pdf) of an original signature, or a digital signature.

TO EFFECTUATE THIS AGREEMENT, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below.

“DISTRICT”
Montecito Sanitary District
Authorized Signatories:

“CONSULTANT”
[Name of Company or Individual]

Signature: _____
Printed: _____
Title: _____
Date: _____

Signature: _____
Printed: _____
Title: _____
Date: _____

Attest:

Signature: _____
Printed: _____
Title: District Clerk
Date: _____

Approved as to Form:

Signature: _____
Printed: _____
Title: District Counsel
Date: _____

EXHIBIT A
SCOPE OF SERVICES

EXHIBIT B
FEE SCHEDULE



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT STAFF REPORT - 9

DATE: April 17, 2024
TO: Board of Directors
FROM: John Weigold, General Manager
Bryce Swetek, Engineering Manager
SUBJECT: 1950 Lemon Ranch Sewer Main Relocation and Dedication Agreement

RECOMMENDATION:

It is recommended the Board consider:

- i) Approving the Dedication Agreement for the sewer main relocation located at 1950 Lemon Ranch.
- ii) Determining that this action is not subject to California Environmental Quality Act (CEQA) pursuant to State CEQA Categorical Exemption 15302 (C) as well as Statutory Exemption 15282 (k) of the Public Resources Code Section 21080.21.

DISCUSSION:

Background: The lot of 1950 Lemon Ranch Rd (Property) is currently undeveloped. An 8-inch District sewer main essentially bisects the lot under an existing easement and serves multiples properties upstream. The Property owners are interested in developing the property for a new residence. The preferred design of the residence requires the existing main to be relocated. The proposed project includes installing 200 linear feet of 8" PVC sewer main and three manholes. The proposed project also includes the removal of approximately 110 feet of existing pipeline and one manhole. The design meets District Standards and will be dedicated to the District once construction is completed by the property owners' private contractor, meaning that the District will assume responsibility for future operation and maintenance of the sewer main and manholes. Additionally, a new easement for the new sewer main alignment (i.e. location) will be granted once construction is complete as well as a corresponding quitclaim for a section of the existing easement where the existing sewer main will be removed. The project will comply with Ordinance 23.

Fiscal Impact: No impact to the District. Under the Dedication Agreement, the property owner is responsible to pay for the design, construction, and inspection in addition to all District connection fees.

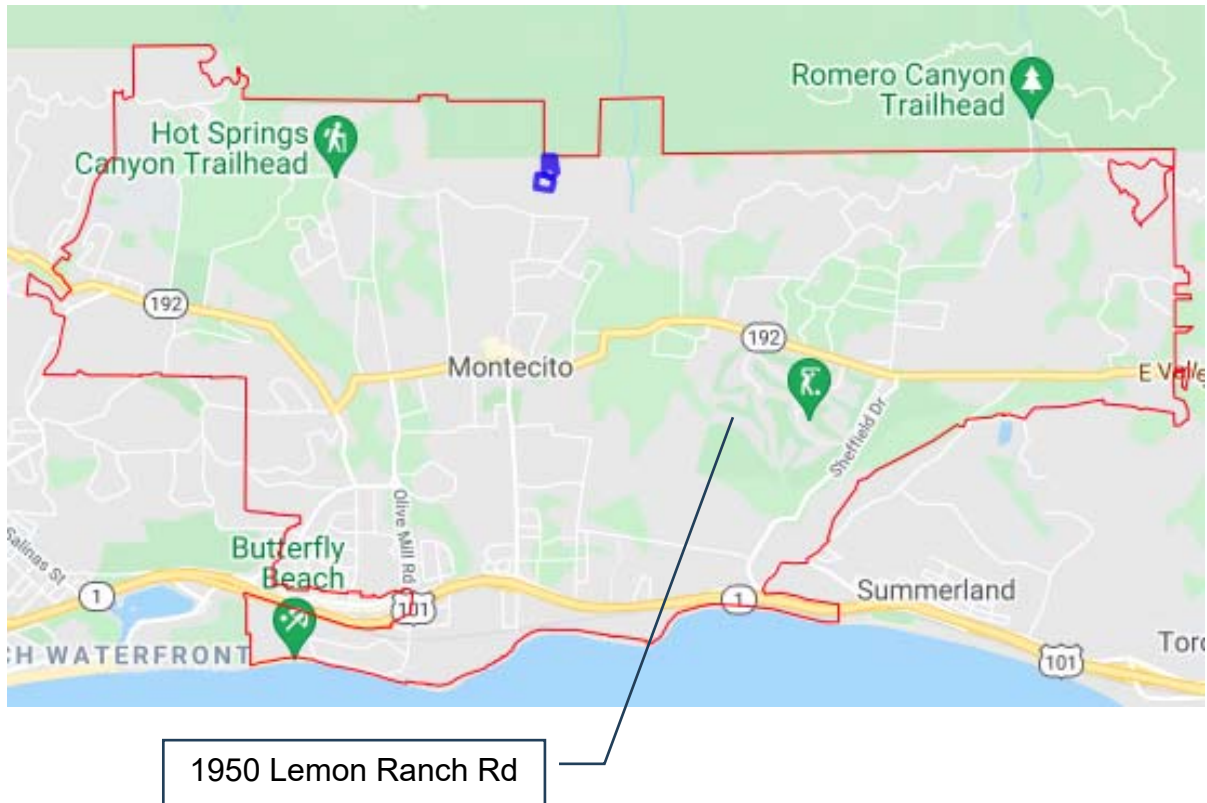
Environmental Determination: Statutorily and categorically exempt by CEQA.

Departments Involved: Engineering, Administration, and Collections

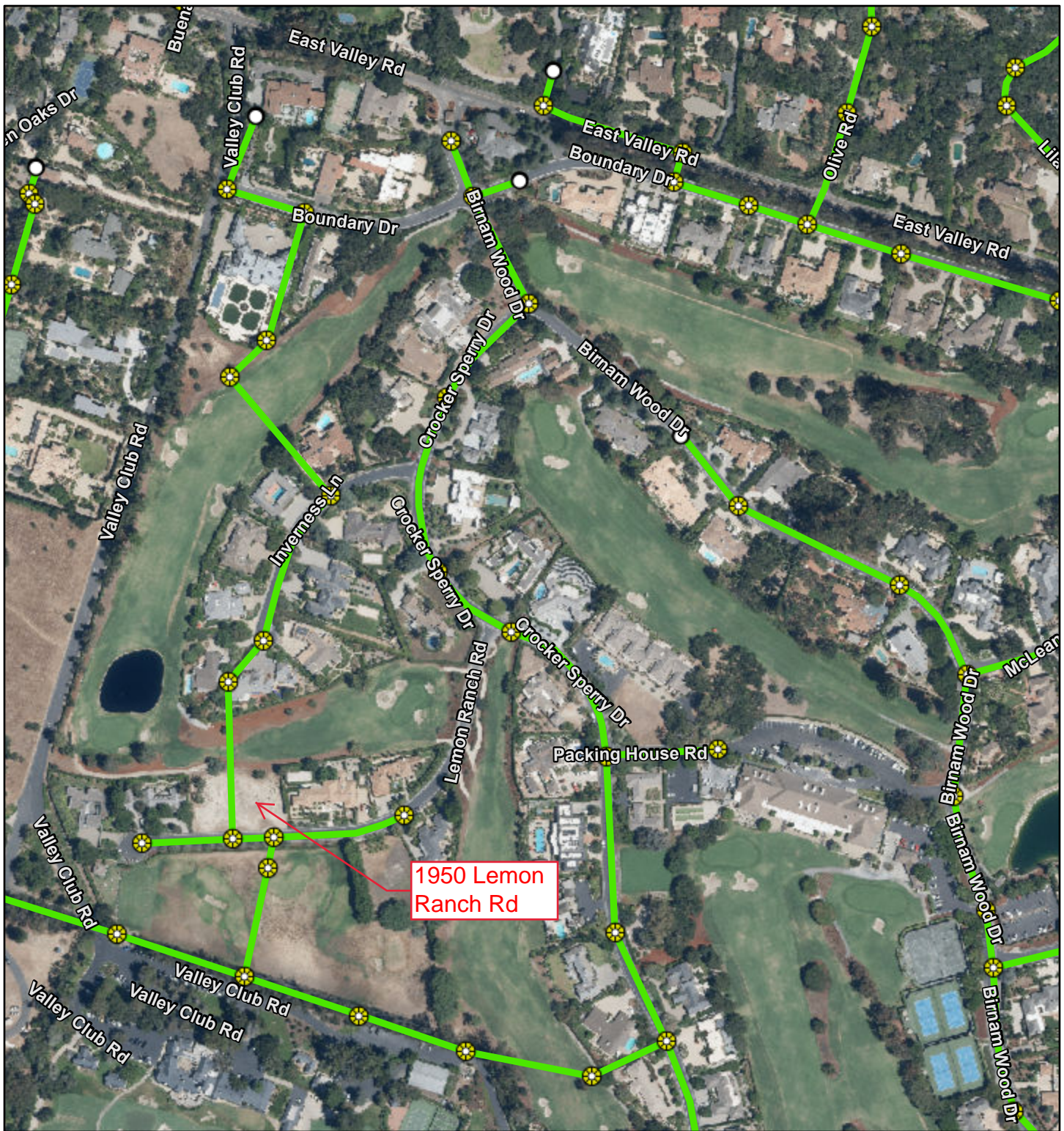
Attachments:

1. Vicinity Map
2. Dedication Agreement

Boundary Map

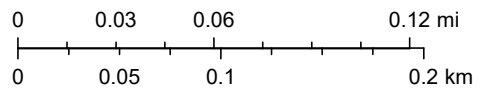




Montecito Sanitary District





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-  Cleanouts
-  Maintenance Holes

Pipes

-  SANITARY SEWER
-  Montecito Sanitary District Boundary

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Montecito Sanitary District
 Regular Board Meeting April 17, 2024

Montecito Sanitary District

DEDICATION AGREEMENT FOR WASTEWATER FACILITIES

This Dedication Agreement For Wastewater Facilities (“Dedication”) is entered into by and between the **Montecito Sanitary District**, a California independent special district, (“District”) and **Paul Haas and Renee Haas, Trustees of the Haas Family Trust dated October 30, 1998** (“Owner”). The Parties agrees as follows:

RECITALS

- A. Owner is the owner of certain real property commonly identified as Assessor Parcel Number 007-510-008, located at 1950 Lemon Ranch Road, Santa Barbara, California (the “Property”);
- B. The Property is within the District’s service boundary;
- C. Owner intends to construct certain sewer facilities improvements described below (the “Facilities”) to relocate a portion of the District’s existing wastewater system westward of the current location in order to allow for Owner’s development of the Property;
- D. Owner desires to dedicate the facilities to the District for the benefit of the Property;
- E. Under Health and Safety Code section 6512, the District may acquire “disposal systems, sewers, drains, septic tanks, and sewerage collection, outfall, treatment works and other sanitary disposal systems, and storm water drains and storm water collection, outfall and disposal systems, and water recycling and distribution systems, as the board deems necessary and proper;
- F. Under Health and Safety Code section 6514, the District may acquire “such real and personal property and rights of way, either within or without the limits of the district, as in the judgment of the board are necessary or proper to the exercise of its powers, and particularly for the purpose of permitting ingress to and egress from such real or personal property,” and
- G. District desires to acquire the Facilities pursuant to its powers under Health and Safety Code Sections 6512 and 6514 and other applicable law.
- H. District desires to ensure that the Facilities are constructed in a good work like manner, in accordance with all applicable laws.

AGREEMENT

1. Facilities to be Constructed. The Facilities to be constructed consist of approximately **200** feet of **8-inch** sewer main and appurtenances to be constructed in a new alignment across the Property, in the northwest portion, and adjacent to its westerly property line as depicted in the Concept Exhibit (**Exhibit A**), attached and incorporated in full by reference (“Facilities”).

2. Construction. Construction of the Facilities will be performed under Owner’s direction and supervision, solely at Owner’s expense, and will be completed no later than June 19, 2024.

Dedication of Wastewater Facilities Agreement

1 of 5

3. Plans; Permits; Inspections. All plans for construction of the Facilities must be submitted in duplicate to District for written approval. The Facilities must be constructed by Owner in strict conformity with the plans approved by District and any other standards and specifications identified by District. Owner is responsible for obtaining and paying for any applications, permits, or inspections required prior to, during, or upon the completion of construction of the Facilities. Owner must furnish copies of any and all such permits to District not later than 10 days prior to commencement of construction.
4. Compliance with Applicable Laws. Owner is required to comply with all applicable local, county, state and federal laws (including, without limitation, laws relating to workers' compensation, prevailing wages and safety) in connection with the construction of the Facilities and this Dedication.
5. Performance Guarantee. Owner will provide District with a faithful performance guarantee, conditioned upon Owner completing construction on or before the time for completion. Such guarantee must be in a form approved by District and in the amount of 100% of the accepted construction bid amount of **One Hundred Twenty-Six Thousand and zero cents (\$126,000)**. The guarantee will remain in full force and effect until final acceptance by District's Board of Directors.
6. Agreement with Third Parties to Provide the Construction. If Owner contracts with any third party to provide some or all of the construction of the Facilities, Owner must provide the District with a copy of the applicable contract(s). For the benefit of District, these contract(s) must include: (i) provisions which are similar to Section 4 above with regard to compliance with applicable laws; (ii) a lien release provision similar to Section 7 below; (iii) an indemnification provision similar to Section 19 below, and (iv) other customary construction contract provisions.
7. Liens and Releases. Before District accepts the Facilities, Owner will ensure that the Facilities to be dedicated and transferred to District are free and clear of any and all liens and encumbrances. Within 35 days of the Notice of Completion, Owner will obtain written waivers and releases of all claims, liens or other rights from all contractors, subcontractors, suppliers and other parties providing labor or materials to the construction of the Facilities, or other satisfactory evidence that no such claims or liens have been filed against the Facilities or easements.
8. Notice of Commencement. Owner is required to provide written notice to the District of construction commencement not less than 48 hours prior to such commencement. Owner agrees to allow District staff and/or its representatives free access to the Project for inspection purposes, at any time during construction of the Facilities.
9. Notice of Completion. Owner is required to provide written notice to the District of construction completion not less than 48 hours after such completion. Owner agrees to allow District staff and/or its representatives free access to the Project for inspection purposes, at any time during construction. Inspection may include use by District of closed circuit television, to insure the integrity of the Facilities.

Dedication of Wastewater Facilities Agreement

2 of 5

10. Inspection Costs. Before the construction plans are approved by the District, the Owner is required to deposit fees to cover estimated third party inspection costs of **Thirty Thousand Four Hundred Twenty Dollars and zero cents (\$30,420)** in connection with this Agreement. If the amount deposited is not sufficient to cover District's costs in connection with this Agreement, Owner is required to promptly pay District the amount of the difference. If such amount deposited was more than District's costs in connection with this Agreement, District must promptly refund Owner the amount of the difference.
11. Dedication of Facilities. This Dedication dedicates the Facilities to District and, upon acceptance of the Facilities by District, the Facilities will be owned and controlled by District.
12. Acceptance of the Facilities. Upon completion of its post-construction inspections, District will notify Owner of its inspection results. Before any Facilities may be accepted, the Owner must submit the original construction drawings corrected to reflect "as built" conditions and two copies of the "as built" plans to District.
13. Guarantees; Repair and Replacement. Owner represents warrants and guarantees that the materials and the workmanship to be used in the construction of the Facilities are and will be good and workmanlike and otherwise fully meet the requirements of this Dedication. Owner agrees to repair or replace, at Owners' expense, the Facilities or any existing District facilities requiring repair or replacement as a result of a defect in the materials or workmanship provided by Owner or a third party that becomes evident within one year after acceptance of the Facilities by District. Owner acknowledges that the replacement of earth-fill or backfill settled below the required surfaces will be considered a part of such repair work, and any repair or surfacing that becomes necessary by reason of such settlement will likewise be considered part of such repair work. Owner is responsible for all repairs and replacements upon receipt of written notice from District.
14. Maintenance Guarantee. Owner must maintain a warranty/guarantee in the amount of ten percent (10%) of the performance guarantee required above during the one (1)-year warranty period, for the purpose of ensuring that said repairs and replacements will be made. If Owner fails to make such repairs and replacement promptly, then District may perform the repairs or replacements and Owner's surety will be liable to District for the cost of such repairs or replacements.
15. Additional Connections and Fees. Nothing in this Dedication may be construed to preclude District from allowing other properties to connect to the Facilities. Nothing in this Dedication may be construed to preclude District from requiring Owner to apply to the District for sewer service, or from charging fees or costs associated with connecting the Facilities to Districts sewer system.
16. Maintenance of Facilities. Nothing in this Dedication may be construed or interpreted as giving Owner the authority to bind or commit District to construct, operate, maintain, inspect, repair, or replace the Facilities, all of which shall be performed at District's discretion.

Dedication of Wastewater Facilities Agreement

3 of 5

17. Notices. Any notice required to be given under this Dedication must be in writing and mailed, emailed, or delivered as follows:

Montecito Sanitary District:

Owner:

Attn: Bryce Swetek, P.E.
1042 Monte Cristo Ln,
Montecito, CA 93108
Telephone: (805) 969-4200
Email: bswetek@montsan.org

Paul and Renee Haas
9720 Royce Court
Beverly Hills, CA 90210
(310) 995-0515 / (310) 954-1068
Email: phaas61@icloud.com
reneehaas@me.com

With courtesy copy to District Counsel:

Aleks R. Giragosian, Esq.
Colantuono, Highsmith & Whatley, PC
790 E. Colorado Blvd, Ste. 850
Pasadena, Angeles, CA 91101
Telephone: (213) 542-5700
Email: agiragosian@chwlaw.us

18. Term. This Dedication shall commence on the Effective Date noted below and shall terminate at the sole discretion of the District upon 30 days written notice to Owner.

19. Indemnification. Owner agrees to investigate, defend, indemnify and hold harmless the District and its officers, agents and employees from and against any and all loss, damage, liability, claims, demands, detriments, costs, charge and expenses (including attorneys' fees) and causes of action of whatsoever character that District may incur, sustain or be subjected to on the account of property damage or of bodily injury to or death of any person arising out of or in connection with the construction of the Facilities or this Dedication.

20. Insurance. Owner or Owner's Agent will provide District with a policy or policies of public liability insurance to protect District against any loss from liability for damages on the account of property damage or of bodily injury to or death of any person arising out of or in connection with the construction of the Facilities or this Agreement. Such insurance, on the policy or by endorsement, must name District and its officers, employees and agents as additional insured's. Such insurance must include not less than One Million Dollars (\$1,000,000) of comprehensive general liability insurance, including property damage or bodily injury and death coverage, together with such other and additional coverage as District may determine to be prudent. Owner or Owner's Agent must provide the District with a copy of the applicable policy or certificate of insurance along with all necessary endorsements.

Dedication of Wastewater Facilities Agreement

4 of 5

21. Integration; Waiver. There are no other agreements, understandings, representations or warranties by or among the parties with respect to the subject matter of this Dedication except as expressly set forth in this Dedication. This Dedication may only be amended or modified by a writing executed by each party to this Dedication. No waiver of or failure by any party to enforce a provision, covenant, condition or right under this Dedication (each, a “Right”) will be construed as a subsequent waiver of the same Right or waiver of any other Right. No extension of time for performance of any obligations or acts extends the time for performance of any other obligations or acts. The waiver of any Right and any extension of time for performance or obligations or acts are only effective when made in writing.

22. Successors and Assigns. This Dedication may not be assigned or otherwise transferred by Owner without District’s prior written consent. Notwithstanding the foregoing, this Dedication is binding upon and inures to the benefit of the parties’ respective heirs, personal and legal representatives, successors and assigns.

23. Processing Fee. Upon the execution of this Dedication, Owner is required to pay to District a processing fee of **\$2,300** for the administrative handling of this Dedication, which will be collected at time of issuance of construction permits.

IN WITNESS WHEREOF, this Dedication shall take effect upon the date of the last signature below (“Effective Date”).

“DISTRICT”
Montecito Sanitary District

“Owner”
Paul and Renee Haas

Authorized Signatory:

Authorized Signatory:

Signature: _____
Printed: Ellwood T. Barrett
Title: Board President

Signature: _____
Printed: Paul Haas
Title: Owner/Trustee

Date: _____

Date: _____

Attest:

Authorized Signatory:

Signature: _____
Printed: Stephen Williams
Title: Clerk of the Board

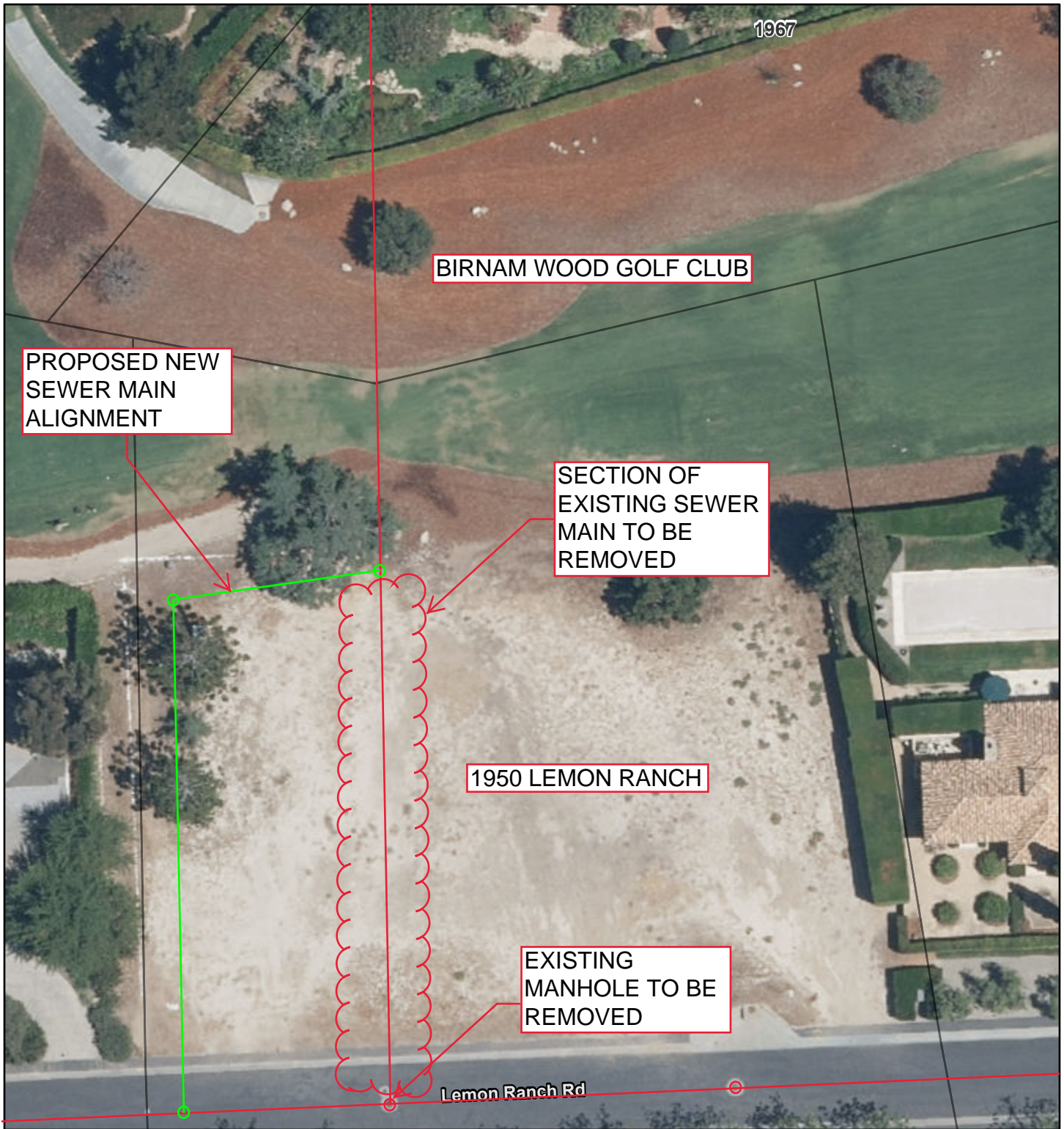
Signature: _____
Printed: Renee Haas
Title: Owner/Trustee

Approved as to Form:

Date: _____

Signature: _____
Printed: Aleks R. Giragosian
Title: MSD Legal Counsel

Montecito Sanitary District 1950 Lemon Ranch Sewer Main Relocation - Concept Exhibit



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Montecito Sanitary District Boundary SBC

Assessor Parcels

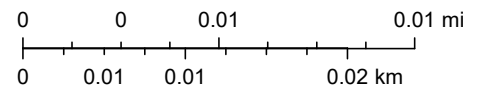
Existing Sewer Main

New Sewer Main

Existing Manhole

New Manhole

Montecito Sanitary District
Regular Board Meeting April 17, 2024



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Montecito Sanitary District



Montecito Sanitary District

1042 Monte Cristo Lane *A Public Service Agency*
Santa Barbara, CA 93108

Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT STAFF REPORT – 10

DATE: April 17, 2024
TO: Board of Directors
FROM: John Weigold, General Manager
SUBJECT: District Insurance Policies

RECOMMENDATION

It is recommended that the Board discuss the various insurance policies held by the District.

ANALYSIS

On April 4, 2024 staff circulated to the Board a summary of the District's insurance policies. This topic was requested to be agendaized for discussion.

FISCAL IMPACT

None.

ATTACHMENTS:

1. District Insurance Summary

**MONTECITO SANITARY DISTRICT
POLICY REGISTER
ENDING JUNE 30, 2024**

POLICY #	EFFECTIVE DATE 23-24	NATURE OF INSURANCE	COMPANY	LIMITS/ DED.	COST
CSL MSD 2324 1	12/31/23-24	GL/AL (INCLUDING ERRORS & OMISSIONS AND EMPLOYMENT PRACTICES LIABILITY [EPL]) <i>REINSURANCE</i> <i>REINSURANCE</i>	CSRMA POOLED LIABILITY MUNICH AMERICAN REINSURANCE CO. <i>MUNICH AMERICAN REINSURANCE CO.</i> <i>BERKLEY PUBLIC ENTITY</i>	XS \$15,750,000 COVERAGE LIMIT \$10,000 OPERATION/AUTO DED \$2,500 E&O DED \$25,000 EPL DED \$25,000 SEWER BACKUP DED <i>\$10,000,000 ULTIMATE NET LOSS XS \$750,000 EACH LOSS OCCURRENCE</i> <i>\$5,000,000 ULTIMATE NET LOSS XS \$10,500,000 EACH LOSS OCCURRENCE</i>	\$85,697
0312-6366	12/31/23-24	EXCESS LIABILITY	GREAT AMERICAN E&S INSURANCE COMPANY & ALLIED WORLD NATIONAL ASSURANCE COMPANY (QUOTA-SHARE)	\$10,000,000 LIMITS XS \$15,750,000	INCLUDED ABOVE
APIP2324 (DEC 34)	07/01/23-24	SPECIAL FORM PROPERTY	ALLIANT PROPERTY INSURANCE PROGRAM (APIP)	\$29,531,579 TIV \$10,000 DED	\$36,131
ISPILLSCAZ0U003	07/01/23-24	PUBLIC ENTITY POLLUTION LIABILITY (CLAIM MADE & REPORTED)	IRONSHORE SPECIALTY INSURANCE COMPANY	\$25,000,000 POLICY AGG 2,000,000 PER POLLUTION CONDITION LIMIT/MEMBER \$100,000 AGG \$250,000 PER POLLUTION CONDITION RETENTION CLAIMS MADE AND REPORTED	INCLUDED ABOVE
FN2305500	07/01/23-24	CYBER LIABILITY COVERAGE	LLOYD'S OF LONDON – BEAZLEY SYNDICATE: SYNDICATES 2623-623 - 100% (APIP)	2,000,000 AGG FIRST PARTY COMPUTER SECURITY AND THIRD-PARTY \$50,000 RETENTION	INCLUDED ABOVE

This summary of insurance is not intended to replace or supercede your insurance contracts. Please refer to the policy for actual coverages and conditions.

CSWC MSD 2324 1	07/01/23-24	WORKERS' COMPENSATION EMPLOYERS LIABILITY	CSRMA POOLED WORKERS' COMPENSATION	\$1,000,000 LIMIT \$0 DED	\$43,571
SP 4066653	07/01/23-24	EXCESS WORKERS' COMPENSATION & EMPLOYERS LIABILITY	SAFETY NATIONAL CASUALTY CORPORATION	STATUTORY XS 1,000,000 \$1,000,000 XS \$1,000,000	INCLUDED ABOVE
MXI 93058679	07/01/23-24	ALLIANT MOBILE VEHICLE PROGRAM (AMVP)	AGCS MARINE INSURANCE COMPANY	\$1,114,036 TOTAL VALUE \$1,000/2,000 COMP & COLLISION DEDUCTIBLE	\$9,080
01-309-02-02	07/01/23-24	ACIP CSRMA MASTER CRIME	NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA (AIG)	\$2,000,000 LIMIT \$2,500 DED	\$891
106007331	10/13/23-24	ID FRAUD MASTER POLICY IDENTITY THEFT	TRAVELERS INSURANCE COMPANY	\$25,000 LIMIT \$0 DEDUCTIBLE	NO CHARGE
PJ2300050 - 0005	07/01/23-24	ADWRP – ALLIANT DEADLY WEAPONS RESPONSE	LLOYDS OF LONDON - BEAZLEY	LIMITS OF LIABILITY (100%) \$500,000 EACH & EVERY EVENT (INCLUDING CLAIM EXPENSE) \$2,500,000 ANNUAL AGGREGATE \$250,000 VARIOUS SUBLIMITS FOR COUNSELING SERVICES, FUNERAL EXPENSES, 1 ST PARTY PROPERTY DAMAGE, BUSINESS INTERRUPTION AND DEMOLITION/MEMORIALISATION	NO CHARGE

This summary of insurance is not intended to replace or supercede your insurance contracts. Please refer to the policy for actual coverages and conditions.



Montecito Sanitary District

1042 Monte Cristo Lane
Santa Barbara, CA 93108

A Public Service Agency

Phone: (805) 969-4200
www.montsan.org

MONTECITO SANITARY DISTRICT STAFF REPORT – 11

DATE: April 17, 2024
TO: Board of Directors
FROM: John Weigold, General Manager
SUBJECT: General Manager Report

The District continues its mission of providing wastewater collection and treatment services. In addition to the daily operations of the District, the following is an update on some of our current ongoing projects and activities:

GM Meetings

Since my last report, I attended the April 9th meeting of the Montecito Association to update them on District operations.

Collection System

During the weekend of March 30th our Collection system was greatly impacted by inflow and infiltration (I&I) due to a storm event. The District experienced surcharging throughout its collection system. The surcharge caused a sewer system overflow of an estimated amount of 1,080 gallons onto private property on the 300 block of San Ysidro Road. The surcharge also caused a minor back up into a residential property in the 1600 block of Posilipo Lane.

January 2023 Storms Damage Projects Update

Staff has been informed by FEMA in order to continue the determination of reimbursement eligibility process, the District must secure Santa Barbara County Flood Control “No-Rise” Certifications for each project. Staff and Stantec anticipated the “No-Rise” requirements for the projects. Staff and Stantec have scheduled a meeting with County Flood Control on April 19 to discuss next steps in expediting the “No-Rise” Certifications. Staff, Stantec, and Rincon have been in on-going discussions with environmental public agencies to chart the best path forward. Staff has given direction to Rincon to prioritize implementing the construction prior to the wet season of 2024-2025 as part of the permitting pathway. These permits are the critical path for construction and may push the construction into September-November time frames, which is near or into the wet season of 2024-2025. Staff will be working with Rincon to expedite the permit process as

much as possible. Stantec has submitted 90% design plans to the District. Staff will review as soon as possible.

Wastewater Treatment Plant (WWTP/Plant) Improvements Project

Staff has been providing on-going information to Southland, such as record drawings and energy use information. Southland and MKN had a meeting to discuss scope needs for a seismic and material evaluation. On March 18, Staff had a call with SSG Structural Engineers to discuss the potential for them to propose on the work. On April 2, Staff sent SSG the RFP for the WWTP Seismic and Materials Study. Southland's electrical engineer toured the facilities with Staff on April 9, 2024. A catch-up meeting with Southland and MKN was held earlier this morning. Staff is evaluating treatment processes, including the potential to utilize membrane bioreactors (MBR). Staff will continue investigative efforts to determine the best course of action for improving the Plant while considering what's best for the rate payers as well as the potential for recycled water.

Admin/Ops Building Roof Replacement

The roof work is substantially complete and watertight. Staff is coordinating with Best Contracting to add gas pipeline supports to the roof as well as a non-slip walking pad to enhance safety during maintenance activities. The material has been ordered and expected to be installed prior to the next regularly scheduled Board Meeting.

Hwy 101 Roundabouts

The District was able to confirm the final Change Order with Tierra Contracting. A final invoice is expected soon and a Notice of Completion is anticipated by the next regularly scheduled Board Meeting.

Hwy 101 Sewer Crossing Lining

The District is currently in disagreement with Tierra Contracting regarding a Change Order amount. Staff is working with Tierra to settle the disagreement as soon as possible, but it has taken longer than anticipated. This is the final step prior to a final invoice and issuing a Notice of Completion. Once this process finalizes, Staff can contact SBCAG to begin the reimbursement process.

Financial Reporting

The District Administrator submitted the Districts' Annual Survey of Public Employment & Payroll report to the United States Census Bureau Government Compensation Report that is due by May 9, 2024.

Human Resources

Pursuant to the terms of the District's Memorandum of Understanding with SEIU Local 620 as well as the approved Management Group Terms the final month of CPI data used to calculate the Cost-of-Living Adjustment (COLA) was published on April 10, 2024. The calculation yields a COLA of **4.0%** for Fiscal Year 2024-25 and this figure will be utilized for the Budget that will be heard by the Board in June.

Month	2021		2022		2023		2024		FY22-23 Calculated COLA 5.45
	1-month	12-month	1-month	12-month	1-month	12-month	1-month	12-month	
January	0.20	0.90	1.10	7.50	1.90	5.80	1.00	2.50	FY23-24 Calculated COLA 6.72
February	0.40	1.00	0.30	7.40	(0.30)	5.10	0.50	3.40	
March	0.50	2.20	1.10	8.50	0.10	3.70	0.70	4.00	
April	1.10	3.60	0.50	7.90	0.70	3.80			FY24-25 Calculated COLA 4.00
May	0.60	3.90	0.80	8.00	0.10	3.20			
June	0.60	4.00	1.10	8.60	0.50	2.50			
July	0.60	3.90	(0.20)	7.70	-	2.70			
August	0.20	4.00	0.10	7.60	0.70	3.30			
September	0.30	4.60	0.50	7.80	0.30	3.20			
October	0.90	5.40	0.60	7.50	(0.10)	2.40			
November	0.60	6.00	(0.80)	6.00	(0.40)	2.80			
December	0.40	6.60	(0.60)	4.90	-	3.50			
SUM:		46.10		89.40		42.00		9.90	
AVG:		3.84		7.45		3.50		0.83	

The District extended an offer, and received confirmation, to Brittany Besse to fill the Administrative Technician position in the Administrative division. Her first day at the District was April 16, 2024.

Coastal Hazards Monitoring Plan

Staff had a kick-off meeting with ESA for this plan effort on March 25, 2024. Staff had a site visit with ESA and MNS Engineers on April 4, 2024 to review infrastructure areas of interest corresponding to potential climate change hazards, including visits to the outfall and lift stations. Staff is expecting a draft plan for review within the next few weeks.

On-Call Survey Work

The District has entered into an on-call contract with WW Surveying (WW). WW will begin efforts to locate District easements in properties where there are encroachment concerns. The District will prioritize post-construction and design phase projects. This work will give the District necessary information to determine next steps.

Channel Drive Force Main Improvements

Staff has been working with Phoenix Engineering to discuss a scope-of-work for this project. A challenge as part of this project is permitting with the Union Pacific Railroad (UPRR). Currently, the existing force main crosses the railroad and is protected by a concrete encasement along the pipe. The issue with this design is the pipe is untouchable. It is anticipated a new casing underneath the railroad will be necessary as part of the project. A casing is a large pipe installed to allow a smaller “carrier pipe” within it. This would allow future maintenance or potential upgrades of the pipeline without the need to involve UPRR. The District lift station at Bonnymede could face a similar situation to Channel Drive in the near future. Bonnymede also has a force main that crosses UPRR railroad within the creekbank without a casing. The project’s scope has changed to include railroad improvements near the Bonnymede lift station. This change is so the District only needs to work with UPRR once and will allow the District to get a head of potential issues with Bonnymede. This project will now be referred to as “Railroad Crossings and Sewer Force Main Improvements”.

CIP Progress

Project	Status/Phase	Priority	Comments
Admin/Operations Building Roof Replacement	Construction	Medium	Construction is substantially complete.
SCADA System Improvements	Implementation	Medium	Work is ongoing
Clarifier Maintenance	Pre-Construction	High	Parts purchased.
Bisulfite Tank	Pre-Construction	High	To be ordered this year.
Protective Measures of District Facilities (2023 Storm)	Design	High	All 4 sites being worked on simultaneously. 90% design.
Sewer Manhole Rehabilitation (Lining)	Design	High	Task Order issued to MKN
Climate Change Adaption Program - Coastal Hazards Monitoring Plan	Design	High	Draft Plan expcted in two weeks.
2024 Sewer Main CIPP Lining - Design	RFP	High	Anticipated to reach consultants in 1-2 weeks
Channel Drive Force Main Improvements - Design	RFP	High	Anticipated to reach consultants in 1-2 weeks
Sewer Main Extension Master Plan	RFP	Low	Anticipated to reach consultants prior to FY 23-24
Collection System Mater Plan	RFP	Medium	Anticipated to reach consultants prior to FY 23-24
WWTP Improvements	Investigation	High	Working with Southland, MKN, SSG
Highway 101 Sewer Crossing Lining	Complete	Medium	Seeking Notice of Completion
Highway 101 - Roundabouts	Complete	Medium	Seeking Notice of Completion
Wastewater Outfall Inspection	Complete	Complete	
Treatment O/M Emergencies - Hypo Tank Replacement	Complete	Complete	
Posillipo Force Main Relocation and Restoration - Phase 1	Complete	Complete	
Skimmer Troughs	Complete	Complete	

Effluent Flow / Rainfall Comparison

