SEASIDE COUNTY SANITATION DISTRICT

440 HARCOURT AVE * SEASIDE, CA 93955
Telephone (831) 899-6825

REGULAR **MEETING AGENDA**
Board of Directors
Tuesday, April 11, 20179:30 AM,
City of Seaside Conference Room
440 Harcourt Ave, Seaside, CA 93955

1. CALL TO ORDER

Ralph Rubio	Chair
David Pendergrass	First Vice Chair
Pat Lintell	Second Vice Chair

2. ROLL CALL

3. ORAL COMMUNICATIONS COMMENTS

Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items unless authorized by law. To be able to properly identify those making comments in the meeting minutes, it would be helpful if speakers state their names. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time the Board considers that matter. Each person's presentation is limited to a maximum of three (3) minutes.

4. CONSENT AGENDA

A. APPROVAL OF MINUTES FROM THE JANUARY 10, 2017 AND FEBRUARY 14, 2017, REGULAR MEETINGS.

PURPOSE: To review and approve the minutes from the January 10, 2017 and February 14, 2017 Regular Meetings.

RECOMMENDATION: That the minutes be reviewed and approved.

B. JANUARY, FEBRUARY AND MARCH 2017 EXPENDITURE REPORT FOR SEASIDE COUNTY SANITATION DISTRICT

PURPOSE: Approval of expenditures for January 2017, February 2017 and March 2017 for the Seaside County Sanitation District in the amount of $183,659.15.

RECOMMENDATION: Approve expenditures for January, February, and March 2017. Total expenditures were $183,659.15.

C. SEASIDE COUNTY SANITATION DISTRICT OPERATIONS REPORT FOR FEBRUARY 2017 AND MARCH 2017

PURPOSE: Receive monthly report for sewer maintenance and stoppages for February 2017 and March 2017.

RECOMMENDATION: Accept reports. This item is presented for information only.

D. ACCEPT AND FILE THE SEASIDE COUNTY SANITATION DISTRICT JUNE 30, 2016 AUDITED FINANCIAL STATEMENTS

PURPOSE: Accept and file the Seaside County Sanitation District June 30, 2016 Audited Financial Statements.

RECOMMENDATION: It is recommended that the District Board accept and file the June 30, 2016 Audited Financial Statements.

5. PUBLIC HEARING

A. SEWER USER FEE PROTEST HEARING

PURPOSE: The purpose of this item is to hold a public hearing to consider protests to the proposed sewer user fee increase.

RECOMMENDATION: It is recommended that the Board hold a public hearing, receive ballot results and adopt a resolution determining that the procedures for increasing the sewer user fees were performed in accordance with Proposition 218 requirements, and, if an insufficient number of protest ballots are received, declare that the number of protest votes is less than required to reject the proposed user fees.

B. SANITARY SEWER USER FEE ORDINANCE

PURPOSE: The purpose of this item is to consider amending Ordinance No. 17 to adjust the sewer user fees.

RECOMMENDATION: It is recommended that the Board introduce Ordinance #21 to adjust the sewer user fees for fiscal year 2017-18 through fiscal year 20121-22.

6. STAFF REPORTS

Staff reports include items for which verbal reports/presentations will be provided. If a specific Seaside County Sanitation District presentation is planned, it will be listed and information included with the Agenda. Brief oral reports may be provided for items arising after the Agenda was prepared. The Board may wish to ask questions or discuss a staff report, but no action is appropriate other than referral to staff, or request that a matter be set as a future Agenda item.

A. RECOGNITION OF BOARD MEMBER PENDERGRASS FOR 20 YEARS OF SERVICE TO THE THE SEASIDE COUNTY SANITATION DISTRICT

PURPOSE: The purpose of this item is to recognize Board Member Pendergrass for his years of service from 1997 to 2017 to the Seaside County Sanitation District.

RECOMMENDATION: It is recommended that the District Board recognize and express appreciation to Mr. Pendergrass for his 20 years of dilligent service to the Seaside County Sanitation District.

7. BOARD MEMBERS COMMENTS

8. ADJOURNMENT

Next Regularly Scheduled Meeting:
May 9, 2017
Seaside City Hall
9:30 a.m.

In compliance with the Americans with Disabilities Act (ADA), the Seaside County Sanitation District (SCSD) does not discriminate against persons with disabilities. SCSD's meetings are held at an accessible facility. Any person with a disability who requires a modification or accommodation to be able to participate in this meeting is asked to contact the office of the District Clerk at cityclerk@ci.seaside.ca.us 831-899-6707, no fewer than two business days prior to the meeting to allow for reasonable arrangements. Agenda related writings or documents provided to the SCSD Board of Directors are available for public inspection during the meeting or may be requested from the office of the District Clerk This agenda is posted in compliance with California Government Code Section 54954.2(a) or Section 54956.
Agenda related writings or documents provided to the Board are available for public inspection during the meeting or may be requested from the office of the District Clerk.

DRAFT MINUTES
SEASIDE COUNTY SANITATION DISTRICT
Tuesday, February 14, 2017 9:30 AM
SPECIAL MEETING
Seaside Conference Room

1. CALL TO ORDER

The meeting was called to order at 9:33 a.m.

2. ROLL CALL

Present: Lintell, Pendergrass
Absent: Rubio

3. ORAL COMMUNICATIONS COMMENTS

There were no comments from the public.

4. CONSENT AGENDA

On motion by Second Vice Chair Lintell and seconded by First Vice Chair Pendergrass and passes by the following vote the Seaside County Sanitation District approved Consent Agenda Item 4A., Items 4B and 4C will not be considered at this time.

RESULT:	**Approved**
MOVER:	Second Vice Chair Pat Lintell
SECONDER:	First Vice Chair David Pendergrass
AYES:	David Pendergrass, Pat Lintell
NOES:	None
ABSENT:	Ralph Rubio

A. SEASIDE COUNTY SANITATION DISTRICT OPERATIONS REPORT FOR JANUARY 2017

Action: Received

B. APPROVAL OF MINUTES

C. JANUARY 2017 AND FEBRUARY 2017 EXPENDITURE REPORTS FOR SEASIDE COUNTY SANITATION DISTRICT

5. NEW BUSINESS

A. Proposed Adjustments to Sewer User Fees

Item was presented by District Engineer Rick Riedl. He presented the final sewer rate study prepared by David Taussig & Associates, and would like the Board to accept the study since there hasn't been any revisions since the last time they saw it and he would also like the

Board to authorize us to go out to and notice the public/rate payers to say that we want to implement the sewer rates that are on the sewer rates study. There was a minor revision on the notice that was attached to the original Board packet and is the second to the last paragraph a couple of sentences were added to explain better to the public why the sewer rates changed and what the bases for the change is. There were no questions from the Board for District Engineer Riedl. Mr. Riedl did say that we need 50% plus 1 voter approval.

On motion by Second Vice Chair Lintell and seconded by First Vice Chair Pendergrass and passed by the following vote the Seaside County Sanitation District approved item 5A and Resolution.

RESULT:	**Approved**
MOVER:	Second Vice Chair Pat Lintell
SECONDER:	First Vice Chair David Pendergrass
AYES:	David Pendergrass, Pat Lintell
NOES:	None
ABSENT:	Ralph Rubio

6. STAFF REPORTS

None.

7. BOARD MEMBERS COMMENTS

None.

8. ADJOURNMENT

On motion, the meeting was adjourned at 9:41 a.m.

Respectfully Submitted,

Lesley E. Milton-Rerig, District Clerk	**Ralph Rubio, Chair**

FINAL MINUTES
SEASIDE COUNTY SANITATION DISTRICT
Tuesday, January 10, 2017 9:30 AM
REGULAR MEETING
Seaside Conference Room

1. CALL TO ORDER

The meeting was called to order at 9:32 a.m.

2. ROLL CALL

Present: Lintell, Pendergrass, Rubio

3. ORAL COMMUNICATIONS COMMENTS

There were no public comments.

4. CONSENT AGENDA

On motion by First Vice Chair Pendergrass and seconded by Second Vice Chair Lintell and passed by the following vote the Seaside County Sanitation Board approved the consent agenda.

RESULT:	**Approved**
MOVER:	First Vice Chair David Pendergrass
SECONDER:	Second Vice Chair Pat Lintell
AYES:	Ralph Rubio, David Pendergrass, Pat Lintell
NOES:	
ABSENT:	

A. APPROVAL OF MINUTES FROM THE DECEMBER 13, 2016 REGULAR MEETING.

Action: Approved

B. APPROVAL OF EXPENDITURES FOR THE MONTH OF DECEMBER 2016 FOR SEASIDE COUNTY SANITATION DISTRICT

Action: Approved

C. ACCEPT AND FILE CASH AND INVESTMENT REPORT FOR QUARTER ENDING SEPTEMBER 30, 2016.

Action: Accepted

D. SEASIDE COUNTY SANITATION DISTRICT OPERATIONS REPORT FOR DECEMBER 2016

Action: Received

5. NEW BUSINESS

A. SEWER RATE STUDY AND PROPOSED ADJUSTMENTS TO SEWER USERS FEES

Item was presented by District Engineer Rick Riedl who introduced Andrea Roess representing David Taussig & Associates, Inc. There was a presentation in regards to the sewer rate study and proposed adjustments to sewer user's fees. Presentation was focused on the alternative that was selected by the Board at the December meeting. The final report was presented. After presentation Chair Rubio opened the item for questions. Board member Lintell had questions in regards to the bonds and answered by Ms. Roess that bonds are not being purchased today, it is just to establish the rates. Board member Pendergrass asked: what are the procedures? Do we do it by Resolution? Mr. Riedl said that a resolution will be ready for next meeting.

On motion by First Vice Chair Pendergrass and seconded by Second Vice Chair Lintell and passed by the following vote the Seaside County Sanitation District approved the adjustments to sewer users fees.

RESULT:	**Approved**
MOVER:	First Vice Chair David Pendergrass
SECONDER:	Second Vice Chair Pat Lintell
AYES:	Ralph Rubio, David Pendergrass, Pat Lintell
NOES:	
ABSENT:	

6. STAFF REPORTS

District Engineer Rick Riedl spoke in regards to the recent storm. Reported that there were no issues with the sewer system.

7. BOARD MEMBERS COMMENTS

None

8. ADJOURNMENT

On motion, the meeting was adjourned at 9:45 a.m.

Respectfully Submitted,

Lesley E. Milton-Rerig, District Clerk	**Ralph Rubio, Chair**

SEASIDE COUNTY SANITATION DISTRICT
STAFF REPORT

Item No.: 4.B.

TO: Seaside County Sanitation District

FROM: Craig Malin, District Manager

BY: Daphne Hodgson, Deputy City Manager Administrative Services

DATE: April 11, 2017

SUBJECT: **JANUARY, FEBRUARY AND MARCH 2017 EXPENDITURE REPORT FOR SEASIDE COUNTY SANITATION DISTRICT**

PURPOSE

Approval of expenditures for January 2017, February 2017 and March 2017 for the Seaside County Sanitation District in the amount of $183,659.15.

RECOMMENDATION

Approve expenditures for January, February, and March 2017. Total expenditures were $183,659.15.

BACKGROUND

The expenditure report for the months of January, February and March 2017 is attached. The cash balance as of March 31, 2017 was $6,026,497.55.

FISCAL IMPACT

No fiscal impact.

ATTACHMENTS

1. EFT Report
2. Expenditure Detail - Janaury, February & March 2017

Reviewed for Submission By:

____

Meeting Date: April 11, 2017

Craig Malin, District Manager

COUNTY OF MONTEREY - AUTHORIZATION of ELECTRONIC FUNDS TRANSFER

DEBIT : COUNTY OF MONTEREY
Account Number : Wells Fargo Bank
Account Name : Monterey County Treasurer

CREDIT : **CITY OF SEASIDE PUBLIC INTEREST CHECKING**

Pay to Bank : **RABOBANK**
1658 FREMONT BLVD., SEASIDE, CA 93955

Account No. 9782713643
Routing No. 122238420
Customer Name: CITY OF SEASIDE

Amount : $ **183,659.15**

AUTHORIZED SIGNATURES:
1 ____
2 ____
3 ____

AUDITOR : ENTER AMOUNT AUTHORIZED FOR TRANSFER AND SIGN FORM

TREASURER : PROCESS TRANSFER, ENTER DATE OF TRANSFER, SIGN FORM AND RETURN TO AUDITOR

AUDITOR		**TREASURER**	
Hilda Castro			
Deputy Auditor	Date	Deputy Treasurer	Date of Transfer

For Auditor-Controller Office use only

Period ____
Budget Yr. ____

JV Number ____
Date ____
Total $ 183,659.15

DESCRIPTION	AT	FD	BU	ORG	ACCT	REP CI	DEBIT	CREDIT
Special District Exp.		603			2530			
Cash		603			1001			

Daphne Hodgson, Deputy City Manager / Administrative Services (831) 899-6718; SCSD
Expenses for JANUARY, FEBRUARY, & MARCH, 2017.

Prepared By: Hilda Castro Date:

Approved By:____ Date:____ Keyed By:____ Date:____

YTD (16-17) Expenses for JANUARY, FEBRUARY, and MARCH 2017

Authorized for Payment by the Board of Directors

ACCOUNT NUMBER	DESCRIPTION	TOTAL CHARGES YTD	TOTAL BILLED YTD	TOTAL DUE
951-0-8810-0001	Admin. Salary	34,276.40	22,690.75	11,585.65
951-0-8810-0002	Overtime	538.35	340.04	198.31
951-0-8810-0006	Workers Compensation	844.00	568.00	276.00
951-0-8810-0010	Management Leave Payoff	212.22	212.22	-
951-0-8810-0012	Vacation	5,641.61	5,641.61	-
951-0-8810-0016	Deferred Compensation	315.00	215.06	99.94
951-0-8810-0017	PARS-ARS 457	49.92	49.92	-
951-0-8810-0030	PERS Pension Ob Bond	843.00	564.00	279.00
951-0-8810-0031	PERS Pension	4,843.42	3,004.74	1,838.68
951-0-8810-0032	PARS Pension	3,593.19	2,277.92	1,315.27
951-0-8810-0033	LIUNA Pension	63.63	45.73	17.90
951-0-8810-0041	Medical Insurance	3,780.03	2,276.96	1,503.07
951-0-8810-0044	Retiree Medical Insurance	1,722.15	1,722.15	-
951-0-8810-0051	Dental Ins	112.79	112.79	-
951-0-8810-0061	Vision Ins-CPIC	19.84	9.30	10.54
951-0-8810-0071	LTD	98.68	54.25	44.43
951-0-8810-0081	Life Insurance	100.13	54.89	45.24
951-0-8810-0092	Medicare Tax	576.82	409.16	167.66
951-0-8810-1022	Legal Services	2,213.66	1,216.52	997.14
951-0-8810-1029	Training and Education	(150.00)	(325.00)	175.00
951-0-8810-1033	Fitness Program	105.20	71.45	33.75
951-0-8810-1041	State Waste Discharge Fee	2,088.00	-	2,088.00
951-0-8810-2063	Publishing & Legal Advertising	1,753.35	-	1,753.35
951-0-8810-3095	Department Consumables	128.68	90.48	38.20
951-0-8810-4121	Meetings/Travel	260.00	260.00	-
951-0-8810-4122	Dues and Memberships	75.00	-	75.00
951-0-8810-5132	Telephone	1,383.30	925.20	458.10
951-0-8810-9196	Impact Fees	198,187.25	198,187.25	-
951-0-8810-9395	Vehicle Maintenance	41,777.00	27,854.00	13,923.00
951-0-8810-9398	Central Service Charge	143,757.00	95,841.00	47,916.00
951-0-8820-0001	Salaries	78,574.01	45,258.61	33,315.40
951-0-8820-0002	Overtime	7,794.79	5,388.71	2,406.08
951-0-8820-0006	Workers Compensation	10,396.00	6,934.00	3,462.00
951-0-8820-0016	Deferred Compensation	418.96	253.44	165.52
951-0-8820-0030	PERS Pension Ob Bond	817.00	547.00	270.00
951-0-8820-0031	PERS Pension	11,638.56	6,640.21	4,998.35
951-0-8820-0033	LIUNA Pension	1,119.78	418.53	701.25
951-0-8820-0041	Medical Insurance	8,980.66	4,059.19	4,921.47
951-0-8820-0051	Dental In	209.69	209.69	-
951-0-8820-0061	Vision Ins	70.46	31.44	39.02
951-0-8820-0071	LTD	153.56	79.95	73.61

951-0-8820-0081	Life Insurance	116.74	60.16	56.58
951-0-8820-0092	Medicare Tax	1,187.12	697.74	489.38
951-0-8820-0099	Tuition Reimbursement	254.63	-	254.63
951-0-8820-2049	Uniform Service/ Laundry	1,352.82	839.93	512.89
951-0-8820-2054	Equipment Repair	4,794.78	-	4,794.78
951-0-8820-2068	Refuse Disposal	6,078.12	839.80	5,238.32
951-0-8820-2073	Subcontracted Work	11,780.89	9,407.99	2,372.90
951-0-8820-3095	Department Consumables	1,333.66	781.99	551.67
951-0-8820-3097	Safety Equipment	438.38	438.38	-
951-0-8820-4121	Meetings/Travel	1,700.00	1,200.00	500.00
951-0-8820-4122	Dues and Memberships	83.00	83.00	-
951-0-8820-5131	Gas & Electric	5,644.48	3,618.90	2,025.58
951-0-8820-5133	Water	9,708.26	8,060.97	1,647.29
951-0-8820-8198	Fog Program	1,550.20	-	1,550.20
952-0-8820-8196	LAFCO Application	241.50	241.50	-
952-0-8820-9605	Interest Expense	9,779.07	9,215.14	563.93
952-0-8820-9608	Lease Payments	42,539.01	25,366.14	17,172.87
953-0-8820-9201	Del Monte Lift Station Upgrade	640.00	-	640.00
953-0-8820-9216	Sewer Master Plan	29,886.20	19,790.00	10,096.20
954-0-8810-2090	Insurance	123,023.00	123,023.00	-
			951-1009	**155,186.15**
			952-1009	**17,736.80**
			953-1009	**10,736.20**
			954-1009	**-**
JANUARY, FEBRUARY, MARCH 2017 DRAWDOWN				**183,659.15**

SEASIDE COUNTY SANITATION DISTRICT
STAFF REPORT

Item No.: 4.C.

TO: Seaside County Sanitation District

FROM: Craig Malin, District Manager

BY: Rick Riedl, City Engineer
Leslie Llantero, Assistant Engineer

DATE: April 11, 2017

SUBJECT: **SEASIDE COUNTY SANITATION DISTRICT OPERATIONS REPORT FOR FEBRUARY 2017 AND MARCH 2017**

PURPOSE

Receive monthly report for sewer maintenance and stoppages for February 2017 and March 2017.

RECOMMENDATION

Accept reports. This item is presented for information only.

BACKGROUND

Attached is the Seaside County Sanitation District Operations Report and Flush Map for February 2017 and March 2017.

FISCAL IMPACT

There is no fiscal impact associated with this item.

ATTACHMENTS

1. Monthly Sanitation Report - February 2017
2. Monthly Sanitation Report - March 2017
3. Flush Map

Meeting Date: April 11, 2017

Reviewed for Submission By:

____
Craig Malin, District Manager

Seaside County Sanitation District
Operations Report

Fiscal Year 2016/2017 Month of February

	Del Rey Oaks (42,240)		Sand City (26,400)		Seaside (316,800)		District Totals (385,440 ft.)	
	Month	YTD	Month	YTD	Month	YTD	Month	YTD
Maintenance								
Mainline Rodded		0		0		0	0	0
Main Line Flushed		0		0	31,983	158,189	31,983	158,189
Main Line Video		0		0		0	0	0
Main Lines Treated for Grease Control (Jet Power II)		1,310		950		17,138	0	19,398
Stoppages								0
Main Line	2	3		0	2	10	4	15
Laterals	1	1		0	1	14	2	15

Sewer Repairs
None

Sewers Video
None

Stoppage Locations

Del Rey Oaks
956 Paloma Rd (L)
1864 Skyview (ML - roots & paper)
78 Work Ave (ML - roots)

Sand City

Seaside
6 Mescal Place (L)
78 Work Ave (ML - roots)
1600 Broadway (ML-roots)

Seaside County Sanitation District
Operations Report

Fiscal Year 2016/2017 Month of March

	Del Rey Oaks (42,240)		Sand City (26,400)		Seaside (316,800)		District Totals (385,440 ft.)	
	Month	YTD	Month	YTD	Month	YTD	Month	YTD
Maintenance								
Mainline Rodded		0		0		0	0	0
Main Line Jetted		0		0	8,189	166,378	8,189	166,378
Main Line Video		0		0		0	0	0
Main Lines Treated for Grease Control (Jet Power II)	262	1,310	190	0	4,222	21,360	4,674	24,072
Stoppages								
Main Line		3		0	2	12	2	17
Laterals		1		0	2	16	2	17

Sewer Repairs
None

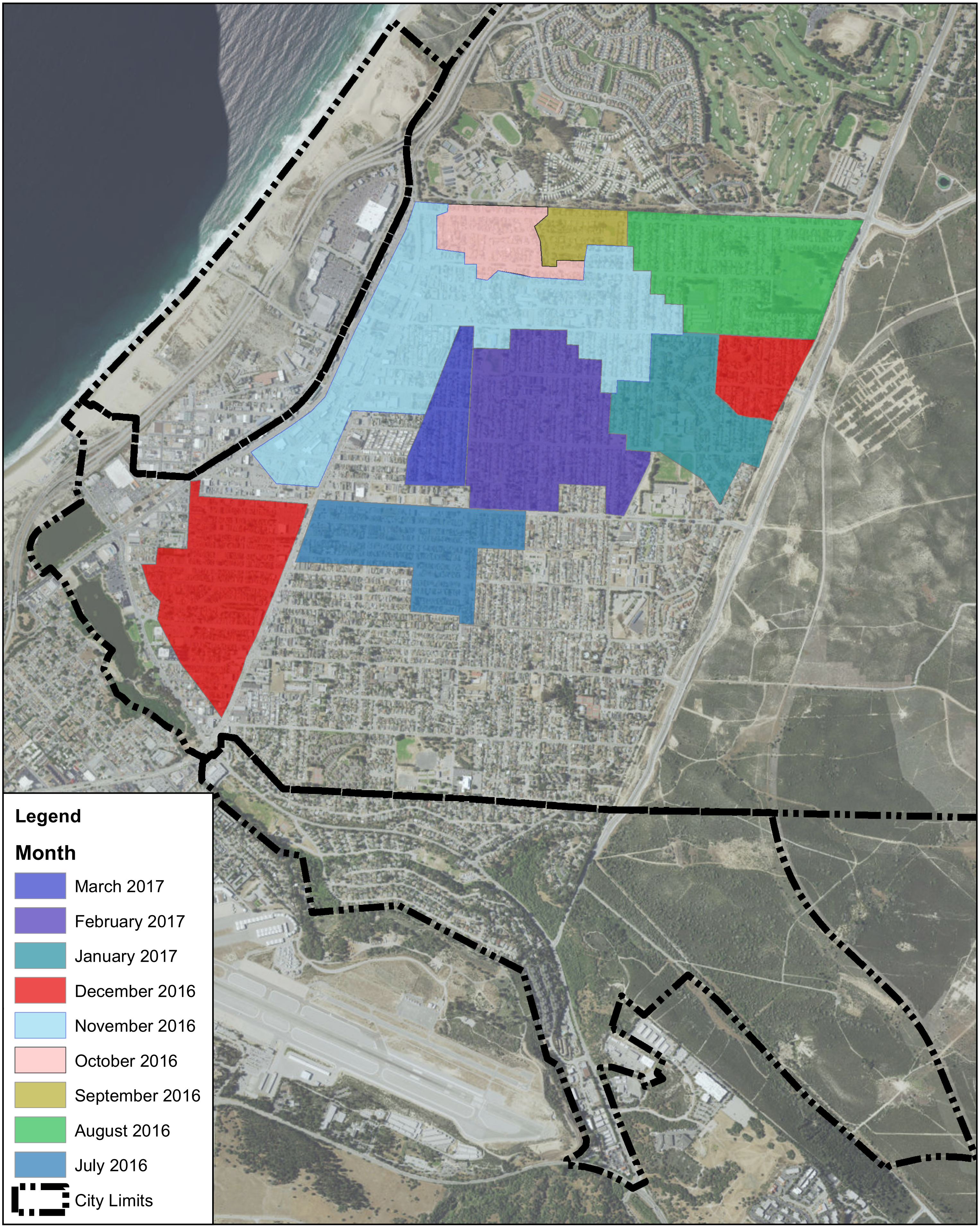
Sewers Video
None

Stoppage Locations

Del Rey Oaks

Sand City

Seaside
958 Wanda (ML-roots)
1701 Goodwin (ML- grease)
1733 Judson (L)
1490 Yosemite (L)



0 1,250 2,500 Feet

Source: SCSD, AMBAG

SEASIDE COUNTY SANITATION DISTRICT

Flush Map

Exhibit

SEASIDE COUNTY SANITATION DISTRICT
STAFF REPORT

Item No.: 4.D.

TO: Seaside County Sanitation District

FROM: Craig Malin, District Manager

BY: Daphne Hodgson, Deputy City Manager Administrative Services

DATE: April 11, 2017

SUBJECT: **ACCEPT AND FILE THE SEASIDE COUNTY SANITATION DISTRICT JUNE 30, 2016 AUDITED FINANCIAL STATEMENTS**

PURPOSE

Accept and file the Seaside County Sanitation District June 30, 2016 Audited Financial Statements.

RECOMMENDATION

It is recommended that the District Board accept and file the June 30, 2016 Audited Financial Statements.

BACKGROUND

The Seaside County Sanitation District's Financial Statements for the year-ended June 30, 2016, have been completed and audited. The Report is included with this agenda packet.

As in previous years, the auditors have given the District a clean opinion on the financial statements. The audit opinion states that the financial statements present fairly the financial position of the District as of June 30, 2016, and the changes in financial position and cash flows, in accordance with generally accepted accounting principles.

FISCAL IMPACT

The cost of the annual audit is included in the annual budget.

ATTACHMENTS

1. June 30, 2016 Audited Financial Statements

Reviewed for Submission By:

____
Craig Malin, District Manager

SEASIDE COUNTY SANITATION DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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SEASIDE COUNTY SANITATION DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016

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CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Seaside County Sanitation District
Seaside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Seaside County Sanitation District (District), a component unit of the City of Seaside, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

To the Board of Directors
of the Seaside County Sanitation District

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Roseville, California
February 1, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

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As management of the Seaside County Sanitation District (District), we offer readers of the District's financial statements this discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. Please read this overview in conjunction with the basic financial statements and accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities as of June 30, 2016 by $9.2 million, an increase of $0.748 million.
- Total District revenues were $2.1 million in fiscal year 2015-2016.
- Total District expenses were $1.4 million in fiscal year 2015-2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's Basic Financial Statements. The Statement of Net Position (page 7), the Statement of Revenues, Expenses, and Changes in Position (page 8), and the Statement of Cash Flows (page 9) provide information about the activities of the District. The financial statements also include various footnote disclosures, which further describe the District activities.

During the fiscal year ended June 30, 2016, net position increased by $748 thousand, mostly attributable to the District's charges for services revenue that continues to support the District's goal of long-term financial health.

A portion of the District's net position, $2.7 million, reflects its investment in capital assets such as infrastructure, machinery, vehicles, and equipment, minus any related outstanding debt. In addition, a significant portion of net position, $6.5 million or 71% is the District's cash and investments.

Statement of Net Position
Table 1

	2016	2015
Current and other assets	$ 6,553,483	$ 6,147,283
Capital assets	3,151,375	2,911,265
Total assets	9,704,858	9,058,548
Other liabilities	154,676	44,020
Long-term liabilities	308,999	521,163
Total liabilities	463,675	565,183
Net investment in capital assets	2,739,283	2,784,391
Restricted	2,979,314	2,979,314
Unrestricted	3,522,586	2,729,660
Total net position	$ 9,241,183	$ 8,493,365

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

For the fiscal year ended June 30, 2016, revenue decreased by $239,738 while expenses increased by $84,029.

Table 2

	2016	2015
Revenues:		
Program revenues:		
Charges for services	$ 1,646,928	$ 1,971,961
General revenues:		
Property tax	439,075	377,903
Investment earnings	47,186	23,063
Total revenues	2,133,189	2,372,927
Expenses:		
Sanitation	1,385,371	1,301,342
Total expenses	1,385,371	1,301,342
Change in net position	747,818	1,071,585
Net position, July 1, restated	8,493,365	7,421,780
Net position, June 30	$ 9,241,183	$ 8,493,365

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets which are used in the performance of the District's functions, including infrastructure assets.

As of June 30, 2016, the District's investment in capital assets amounted to $2.9 million (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, equipment, and construction in progress.

The table below provides a comparison of the District's capital assets for the current and prior years.

Capital Assets, Net of Accumulated Depreciation

	2016	2015
Intangible	$ 164,066	$ 249,073
Construction in progress	214,379	114,555
Equipment	585,521	257,098
Infrastructures	2,187,409	2,290,539
	$ 3,151,375	$ 2,911,265

For additional information on capital assets, see Note 3 on page 15.

Long Term Obligations

At June 30, 2016, the District's total long-term obligations were $412,092, compared to $521,163 in the prior year. The long-term obligations amount was comprised of capital leases of $412,092.

For additional information on long-term debt, see Note 4 on pages 15 and 16.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances for all those with interest in them. Questions concerning any of the information provided in this report or requests for additional information, contact the Deputy City Manager – Administrative Services at 440 Harcourt Avenue, Seaside, California 93955, phone 831-899-6718, or e-mail at dhodgson@ci.seaside.ca.us.

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SEASIDE COUNTY SANITATION DISTRICT

Statement of Net Position
June 30, 2016

Assets		
Current Assets:		
Cash and investments	$	6,484,876
User fees receivable		6,107
Intergovernmental receivables		1,212
Prepaid expenses		61,288
Total Current Assets		6,553,483
Capital Assets:		
Non-depreciable		378,445
Depreciable, net of accumulated depreciation		2,772,930
Total Net Capital Assets		3,151,375
Total Assets		9,704,858
Liabilities		
Current Liabilities:		
Accounts payable		42,721
Accrued liabilities		5,563
Interest payable		3,044
Deposits from others		255
Capital lease payable - due within one year		103,093
Total Current Liabilities		154,676
Non-Current Liabilities:		
Capital lease payable - due in more than one year		308,999
Total Liabilities		463,675
Net Position		
Net investment in capital assets		2,739,283
Restricted - Capital projects		2,979,314
Unrestricted		3,522,586
Total Net Position	$	9,241,183

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

SEASIDE COUNTY SANITATION DISTRICT

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues	
Charges for service	$ 1,646,928
Total Operating Revenues	1,646,928
Operating Expenses	
Contracted salaries and wages	321,415
Services and supplies	802,721
Depreciation	254,028
Total Operating Expenses	1,378,164
Operating Income	268,764
Non-Operating Revenues (Expenses)	
Interest income	47,186
Secured and unsecured property taxes	388,817
Property tax apportionment from RDA dissolution	50,258
Interest expense	(7,207)
Total Non-Operating Revenues (Expenses)	479,054
Change in Net Position	747,818
Net Position - Beginning of Year	8,493,365
Net Position - End of Year	$ 9,241,183

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

SEASIDE COUNTY SANITATION DISTRICT

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Cash Flows from Operating Activities		
Receipts from customers	$	1,649,521
Payments for contracted salaries and wages		(319,766)
Payments to suppliers		(859,090)
Net Cash Provided by Operating Activities		470,665
Cash Flows from Noncapital Financing Activities		
Property taxes		752,425
Net Cash Flows Provided by Noncapital Financing Activities		752,425
Cash Flows from Capital and Related Financing Activities		
Payment of principal		(109,071)
Purchase of capital assets		(494,138)
Interest paid		(4,646)
Net Cash Flows Used for Capital and Related Financing Activities		(607,855)
Cash Flows from Investing Activities		
Interest income		47,186
Net Cash Provided by Investing Activities		47,186
Net Increase in Cash and Cash Equivalents		662,421
Cash and Cash Equivalents - Beginning of Fiscal Year		5,822,455
Cash and Cash Equivalents - End of Fiscal Year	$	6,484,876
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:		
Operating income	$	268,764
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		254,028
(Increase) decrease in assets:		
Receivables		2,593
Prepaids		(59,722)
Increase (decrease) in liabilities:		
Accounts payable		3,353
Accrued liabilities		1,649
Net Cash Provided for Operating Activities	$	470,665

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Seaside County Sanitation District (District) are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Reporting Entity

The Seaside County Sanitation District (District) is responsible for the transportation of sewage waste from residential and commercial buildings to a sewage treatment plant operated by the Monterey Regional Waste Pollution Control Agency. In addition, the District installs and maintains sewer lines and lift stations. The governing board consists of one appointed member each from the Cities of Del Rey Oaks, Sand City, and Seaside.

The District's basic financial statements include the operations of all organizations for which the Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters. No operations of other entities met the aforementioned oversight criteria for inclusion from the accompanying basic financial statements.

The District is reported as a discretely presented component unit on the City of Seaside's financial statements.

B. Basis of Presentation and Accounting

The accompanying financial statements of the District are prepared on the accrual basis method of accounting in accordance with generally accepted accounting principles as applicable to governmental units.

All activities of the District are accounted for within an enterprise fund. Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. In accordance with GASB No. 33, *Accounting and Reporting for Nonexchange Transactions*, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and resources are available. Revenues from sales tax are recognized when the underlying transactions take place and the resources are available. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied and the resources are available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

The District's cash and investments are cash held by the County of Monterey (County) and the City of Seaside (City).

D. Receivables

Receivables consist of user fees and connections fee which are billed and collected by the County. The District believes its receivables are to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

E. Capital Assets

Capital assets, which include intangible assets, construction in progress, infrastructure, vehicles, and equipment, are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date contributed. The District defines capital assets as assets with an initial individual cost of more than $25,000 for infrastructure and $5,000 for all other assets, and an estimated useful life in excess of one year.

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method of depreciation over the estimated useful lives as follows:

Vehicles and Equipment	5-15 years
Infrastructure	50-75 years

F. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: Net investment is capital assets; restricted; and unrestricted net position. Net investment in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. The District's restricted net position consists of monies set aside for future capital project outlays. Unrestricted net position consists of all other net position not included in the above categories.

When both restricted and unrestricted net positions are available, restricted resources are used only after the unrestricted resources are depleted.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. **Property Taxes**

The District receives property taxes from the County, which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1 on the assessed values as of the prior January 1 for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31.

H. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following:

Cash and investments with the County of Monterey	$ 6,112,662
Cash and investments with the City of Seaside	372,214
Total Cash and Investments	$ 6,484,876

Investments Authorized by California Government Code and the District's Investment Policy

The District's investment policy authorizes investment in all investments authorized under provisions of California Government Code Section 53601.

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 the changes in market interest rates.

Authorized Investment Type	Maturity (in Years) 12 Months or Less)
Monterey County Investment Pool	$ 6,112,662
City of Seaside Investment Pool	372,214
	$ 6,484,876

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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 a rating by a nationally recognized statistical rating organization. The credit rating and other information regarding the investments for the Monterey County and Seaside City pools for the fiscal year 2015-2016 are disclosed in the annual financial reports for the City.

Authorized Investment Type	Minimum Legal Rating	Rating as of Year End Not Rated
Monterey County Investment Pool	N/A	$ 6,112,662
City of Seaside Investment Pool	N/A	372,214
		$ 6,484,876

Custodial Credit Risk

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 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 deposits or investments, other than the following provision: 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 Districts deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The Pool has the following recurring fair value measurements as of June 30, 2016:

Investments measured at amortized cost:

Monterey County Investment Pool	$	6,112,662
City of Seaside Investment Pool		372,214
Total pooled investments	$	6,484,876

NOTE 3: CAPITAL ASSETS

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Nondepreciable capital assets:				
Intangible assets	$ 164,066	$ -	$ -	$ 164,066
Construction in progress	114,555	99,824	-	214,379
Total nondepreciable capital assets	278,621	99,824	-	378,445
Depreciable capital assets:				
Intangible - Master Plan	340,028	-	-	340,028
Equipment	730,396	394,315	(5,104)	1,119,607
Infrastructure	7,296,978	-	-	7,296,978
Total depreciable capital assets	8,367,402	394,315	(5,104)	8,756,613
Less accumulated depreciation:				
Intangible - Master Plan	(255,021)	(85,007)	-	(340,028)
Equipment	(473,298)	(65,892)	5,104	(534,086)
Infrastructure	(5,006,439)	(103,130)	-	(5,109,569)
Total accumulated depreciation	(5,734,758)	(254,029)	5,104	(5,983,683)
Net depreciable capital assets	2,632,644	140,286	-	2,772,930
Net capital assets	$ 2,911,265	$ 240,110	$ -	$ 3,151,375

NOTE 4: LONG-TERM LIABILITIES

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Capital leases	$ 521,163	$ -	$ 109,071	$ 412,092	$ 103,093

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

Capital Lease Payable

The assets acquired through capital leases are as follows:

Equipment and vehicles	$	630,947
Less: accumulated depreciation		(77,676)
Total	$	553,271

During the fiscal year 2011-2012, the District entered into an agreement to lease a vehicle. The imputed interest rate is 3%. Principal and interest are payable monthly on the 15th until December 2017. The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2016, is as follows:

Year ending June 30:		
2017	$	53,211
2018		26,605
Total requirements		79,816
Less interest		(2,290)
Present value of remaining payments	$	77,526

During the fiscal year 2015-2016, the District entered into an agreement to lease a vehicle. The imputed interest rate is 2.359%. Principal and interest are payable monthly on the 11th until July 2021. The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2016, is as follows:

Year ending June 30:		
2017	$	60,505
2018		60,505
2019		60,505
2020		60,505
2021		60,505
2022		60,504
Total requirements		363,030
Less interest		(28,464)
Present value of remaining payments	$	334,566

NOTE 5: RISK MANAGEMENT

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The District is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Self-Insurance Programs of the Insurance Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of $750,000 up to the reinsurance attachment point of $5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from $5 million to $10 million are paid under a reinsurance contract subject to a $2.5 million annual aggregate deductible. The $2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from $10 million to $15 million are paid under two reinsurance contracts subject to a combined $3 million annual aggregate deductible. The $3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from $20 million up to $50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is $50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of $30 million per occurrence. This $30 million subsidence sub-limit is composed of (a) $5 million retained within the pool's SIR, (b) $15 million in reinsurance and (c) $10 million in excess insurance. The excess insurance layer has a $10 million annual aggregate.

NOTE 5: RISK MANAGEMENT (CONTINUED)

C. **Purchased Insurance**

Pollution Legal Liability Insurance

The District participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the District. Coverage is on a claims-made basis. There is a $50,000 deductible. The Authority has a limit of $50 million for the 3-year period from July 1, 2014 through July 1, 2017. Each member of the Authority has a $10 million sub-limit during the 3-year term of the policy.

Property Insurance

The District participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The District's property is currently insured according to a schedule of covered property submitted by the District to the Authority. The District's property currently has all-risk property insurance protection in the amount of $25,432,467. There is a $5,000 deductible per occurrence except for non-emergency vehicle insurance which has a $1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

D. **Adequacy of Protection**

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage in 2015-2016.

NOTE 6: RELATED PARTY TRANSACTIONS

The City of Seaside (City) performs maintenance and administrative services for the District. In this regard, the City charged the District $954,875 for the fiscal year ended June 30, 2016.

OTHER REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
of the Seaside County Sanitation District
Seaside, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Seaside County Sanitation District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

The Board of Directors
of the Seaside County Sanitation District

Purpose of this Report

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

CliftonLarsonAllen LLP

Roseville, California
February 1, 2017

SEASIDE COUNTY SANITATION DISTRICT
STAFF REPORT

Item No.: 5.A.

TO: Seaside County Sanitation District

FROM: Craig Malin, District Manager

BY: Richard Riedl, District Engineer

DATE: April 11, 2017

SUBJECT: **SEWER USER FEE PROTEST HEARING**

PURPOSE

The purpose of this item is to hold a public hearing to consider protests to the proposed sewer user fee increase.

RECOMMENDATION

It is recommended that the Board hold a public hearing, receive ballot results and adopt a resolution determining that the procedures for increasing the sewer user fees were performed in accordance with Proposition 218 requirements, and, if an insufficient number of protest ballots are received, declare that the number of protest votes is less than required to reject the proposed user fees.

BACKGROUND

Seaside County Sanitation District ("District") is a special district responsible for the maintenance and operation of the sanitary sewer collection system serving the cities of Del Rey Oaks, Seaside and Sand City. In February of 2016 the District authorized David Taussig & Associates, Inc. ("DTA") to provide a sewer rate study. The rate study serves as an update to a previous rate study prepared by DTA that was adopted by the District's Board in 2011.

This rate study provides a recommended five year rate program. In accordance with the California Constitution, this study is based upon the cost of providing services. The recommended rate program in this study demonstrates that projected revenues can match the revenue requirements of the District over the 15 year study period. The method used in this analysis is an annual cash flow analysis, or "Cash-Needs" approach and borrowing, which match revenues to revenue requirements to fund ongoing operations and maintenance (O&M), insurance, and debt service requirements for the District's Capital improvement Program and Capital Outlay Program.

The District currently has over 40 customer classes each of which is charged a sewer rate based upon the anticipated sewer flows. For the purposes of this study, an equivalent development unit ("EDU") method is used to summarize the total annual sewer flows from each customer class. An EDU for a customer class is the ratio of estimated sewer generation of each customer class as compared to the estimated sewer generation of a residential unit. The total of all EDUs within the District is then multiplied by the sewer rate per EDU to estimate the total annual revenue from sewer rates.

A financial model was created to analyze the data outlined above and recommend a viable and reasonable rate and debt structure. Two alternative rate models were presented to the Board on December 13, 2016. The Board evaluated the alternatives and recommended the alternative rate model that funded all of the CIP projects using rate increases and debt financing. A proposed annual rate increase of 5% and three bond issuances of approximately $4.6 Million each (or $13.8 Million total) in fiscal years ending 2019, 2022 and 2025 is sufficient to fund the projects identified in the CIP project timeline. This alternative uses the maximum total bond indebtedness as determined by the capacity of the rate revenue to meet debt service requirements.

Noticing and Protest Vote Requirements:

On January 10, 2017, the draft final rate study and proposed rates were presented to the Board. The Board directed staff to finalize the rate study by including the proposed rates as shown in the Proposed SCSD Sewer Rates table in the attached Notice of Public Hearing (the Notice). The Notice was prepared in accordance with Article XIII D, Section 6 of the California Constitution (Prop 218). The Notice specifies the basis of the fee, the purpose for the fee, and the date, time and location of a public rate hearing at which the proposed rate would be considered. Although Prop 218 stipulates that the District "… provide written notice by mail of the proposed fee or charge to the record owner of each identified parcel upon which the fee or charge is proposed for imposition …," the notice was mailed to all affected property owners and all customers of record. In the event that multiple mailing addresses were available for a property owner, notices were sent to each mailing address.

Prop 218 stipulates that the District hold a public hearing prior to adopting the proposed rate increase. The public hearing must be held not less than 45 days after the required notices are mailed. The Notices were mailed on February 24. 2017. Although April 10, 2017 is 45 days after the mailing date, the public hearing was set for April 11, 2017, a regular Board meeting date.

At this public hearing, the proposed rate increase is subject to majority protest. In the event that a majority of the property owners/customers do not object, the new rates can be implemented after the public hearing. In the event that more than half of the affected property owners/customers object to the proposed rate increase, then the proposed rates could not be implemented and alternatives would have to be considered to recoup costs and serve the SCSD's customers. Considering that on February 24, 2017 there were 7,177 service accounts, a majority protest of fifty percent plus one would be 3,589 protest votes.

Prior to April 5, 2017, the SCSD received 541 ballots. A count of the ballots revealed that 500 protest ballots are valid and 41 ballots were submitted as duplicates. Additional ballots may be received after April 4, 2017 but before the close of hearing this item. Potential additional written ballots received after April 4 but prior to closing the hearing of this item need to be counted and, if certified, added to those enumerated above. If 3,589 protest ballots are not received prior to the close of hearing this item, then the SCSD can consider the proposed rate structure for adoption. In that event, it is recommended that the SCSD adopt a resolution approving the procedures for increasing sewer user fees and approving the certified ballot count is less than the number of protest votes required to overturn the proposed sewer rate structure shown in Exhibit 'A.'

CEQA Compliance:

In accordance with Title 14, California Code of Regulations (CCR, Title 14), Chapter 3 "CEQA Guidelines," Article 20, Section 15378, the proposed action is not a project as defined by the California Environmental Quality Act (CEQA). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project.

FISCAL IMPACT

The implementation of the sewer rate increase would add revenues to the SCSD's funds sufficient to meet current and future operating, maintenance and capital improvement costs.

ATTACHMENTS

1. Resolution
2. Exhibit A - Notice
3. Exhibit B Declaration

Reviewed for Submission By:

____

Craig Malin, District Manager

RESOLUTION NO. 17-

A RESOLUTION OF THE SEASIDE COUNTY SANITATION DISTRICT APPROVING THE PROCEDURES FOR INCREASING SEWER USER FEES AND DECLARING THE PROTEST BALLOT RESULTS FOR PROPOSED SEASIDE COUNTY SANITATION DISTRICT SEWER USER FEES

WHEREAS, the Seaside County Sanitation District (the District) owns and operates the sewer collection system that serves 7,177 service accounts; and

WHEREAS, a Sewer Rate Study was prepared for the District that reviewed and analyzed the historic expenditures and revenues, the proposed Capital Improvement Program, and account balances and projected future revenue requirements; and

WHEREAS, the Rate Study determined sewer utility rates that would be sufficient to recoup costs for implementing necessary capital improvements, and for operating and maintaining the sewer system; and

WHEREAS, Proposition 218 was adopted on November 6, 1996, adding Articles XIII C and XIII D to the California Constitution; and

WHEREAS, Articles XIII C and XIII D of the California Constitution impose certain procedural and substantive requirements relating to property related fees; and

WHEREAS, in accordance with Article XIII D, Section 6 of the California Constitution (Prop 218), the proposed sewer user fees shown in Exhibit A, "Notice of Public Hearing" (Exhibit 'A') were developed as part of the Rate Study that determined the appropriate sewer rate structure required to generate revenue to meet operating, maintenance, and capital expenditures; and

WHEREAS, in accordance with Prop 218, the District approved the proposed Sewer Rate Study including the proposed sewer rates shown in Exhibit 'A' that outlines the purposes for which the fees are proposed; and

WHEREAS, in accordance with Prop 218, the proposed sewer rates shown in Exhibit 'A' are reasonable and proportional to the cost of the service attributable to each parcel subject to the fee; and

WHEREAS, a Protest Ballot process in accordance with the procedures set forth in Prop 218 was conducted by the Seaside County Sanitation District for more than forty-five days from the mailing of Notices on February 24, 2017 through the Public Hearing on April 11, 2017; and

WHEREAS, a Notice to Parcel Owners and to the Sewer Rate Payers of the proposed Sewer Collection System Rate Increase, including a Schedule of the Proposed Seaside County Sanitation District User Fees and a Protest Ballot were mailed to the 7,177 parcel owners listed on the Equalized Tax Roll- 2015/2016 Tax Year which was obtained from the Monterey County Assessor's Office; and

WHEREAS, in accordance with Prop 218, a public protest hearing was held on April 11, 2017 at a regularly scheduled District meeting; and

WHEREAS, in accordance with Prop 218, a majority protest of fifty percent plus one, or 3,589 valid protest votes of the customers must be received by the District to overturn the proposed sewer rates; and

WHEREAS, in accordance with the law, the Deputy District Clerk canvassed the returns of the Protest Ballots and has certified the results to this Board, the results are received, attached and made a part hereof as Exhibit B, "Certification of the Seaside County Sanitation District, Proposed Sewer Collection System Rate Increase."

NOW, THEREFORE, BE IT RESOLVED that the Seaside County Sanitation District does hereby resolve, declare, determine, and order as follows:

a. The procedures for increasing sewer user fees were performed in accordance with Article XIII D of Section 6 of the California Constitution (Prop 218) requirements, and

b. That the whole number of protest ballots received by the District was <500 number valid>. That the number of invalid mail protest ballots received by the District Clerk's office was <41 number invalid>, making a total of <541 total number> valid and invalid protest ballots received by the District.

c. After a cursory review of the protests received, the Deputy District Clerk has determined that the number received is manifestly less than one-half of the parcels served, or 3,588, by the District with respect to the proposed sewer fees and has advised the District Board of the absence of a majority protest (Exhibit B)

Comment [R1]: Insert Valid number of Ballots

Comment [R2]: Insert number invalid ballots

Comment [R3]: Insert total number of ballots

PASSED AND ADOPTED at a regular meeting of the Seaside County Sanitation District duly held on the 11th day of April 2017 by the following vote:

AYES: BOARD MEMBERS:
NOES: BOARD MEMBERS:
ABSENT: BOARD MEMBERS:
ABSTAIN: BOARD MEMBERS:

ATTEST:

____
Rosa Salcedo Deputy District Clerk
Seaside County Sanitation District

____
Ralph Rubio, Chair
Seaside County Sanitation District

Seaside County Sanitation District
Notice of Public Hearing

In connection with the proposed sewer collection system rate increase

Public Hearing: April 11, 2017 at 9:30 a.m.

Seaside County Sanitation District
City of Seaside Council Chambers
440 Harcourt Avenue
Seaside, CA 93955

Affected Parcel <Situs Address1>, <Situs City>
Accessors Parcel Number <APN>

The Seaside County Sanitation District ("District") Manager has filed with the District Board a Sewer Rate Study that describes the capital improvement program as well as a proposed increase in the District's Sewer Collection System User Fees (the "Sewer Rates"). Sewer Rate revenues are used to pay for sewer collection system operations and maintenance and recommended capital improvement projects required to meet current federal, state, and District standards. The improvements recommended are more fully described in the Sewer Rate Study, adopted by the District Board on February 14, 2017. The proposed Sewer Rates per month are shown on Exhibit A. As indicated on Exhibit A the proposed Sewer Rates will go into effect on July 1, 2017 and increase on July 1 every year through July 1, 2021.

Public Notice Requirement to Property Owners

Article XIII D, Section 6 of the California Constitution (Proposition 218), requires a notification be sent to the sewer customer and/or owner of each identified parcel, upon which any increases in Sewer Rates are being proposed for adoption by the District, 45 days in advance of the public hearing.

As customer of record and/or owner of real property within the District subject to the Sewer Rate, you are hereby advised that at 9:30 a.m. on April 11, 2017 a public hearing will be held by the District Board at the City of Seaside Council Chambers located at 440 Harcourt Avenue, Seaside, CA 93955 to consider adoption of a resolution modifying the Sewer Rates for residential and non-residential customers. At the conclusion of the public hearing, the District Board shall make its determination on the amount of the Sewer Rate for real property within the District. The District Board's determination shall be final.

To Protest the Proposed Rate Increase, You Must Submit a Written Letter of Protest

If you oppose the proposed Sewer Rate increase, your protest must be submitted in writing to be considered, even if you plan to attend the public hearing. Your written protest must be received by the District prior to the close of the public comment period at the April 11, 2017 public hearing.

You may use the written protest form included as Exhibit B if you wish to protest the proposed Sewer Rate increase. All protests must contain the following information: 1) a description of the property, such as the address and/or assessor parcel number; and 2) whether you are the property owner of record or a tenant. Please note that if you were not the owner of the property as of the County of Monterey's last tax roll, please include written confirmation that you presently own the property.

The District Board will consider all protests against the proposed Sewer Rate increase. If written protests against the proposed increase are presented by the majority of property owners, the District Board will not impose the increase. If there is no majority protest and should the District Board adopt the proposed Sewer Rates, such Sewer Rates shall become effective on or about September 1, 2017.

Reason For Changed Sewer Rates

The Sewer Rates charged by the District are changing as a result of the District's need for new facilities as described in further detail below:

- New Facilities: Per the Sewer Rate Study adopted by the District Board on February 14, 2017, District sewer collection facilities are recommended to be upgraded to meet current federal, state, and District standards. These capital improvement projects address deficiencies in the existing sewer collection system as a result of existing development. In addition to the capital improvement projects, the Sewer Rate Study identifies costs to operate and maintain the District's sewer collection system efficiently and responsibly and to meet current federal and state monitoring and reporting requirements.

Basis For Changed Sewer Rates

The proposed sewer rates will fund all operational and maintenance costs and debt service costs on a pay-as-you-go basis, with the exception of capital replacement, which shall use bonded indebtedness when annual rate revenue is insufficient to cover the cost of such improvements. The bond terms will not exceed the useful life of the improvements financed. The District has over 40 customer classes each of which is charged a sewer rate based upon the anticipated sewer flows. The proposed sewer service charges were calculated by the District in order to evenly spread applicable costs among sewer users according to the cost of providing service to that user. Parcels are assessed their share of these costs based on an equivalent dwelling unit (EDU). The EDU method is used to summarize the total annual sewer flows from each customer class as compared to the estimated sewer generation of a residential unit. The total of all EDUs within the District is then multiplied by the sewer rated per EDU to estimate the total annual revenue from sewer fees.

The Seaside County Sanitation District is a special district responsible for the maintenance and operation of the sanitary sewer collection system serving the Cities of Del Rey Oaks, Sand City and Seaside. The District is staffed by members of the City of Seaside and the County of Monterey.

Please contact Mr. Rick Riedl, District Engineer, at RRiedl@ci.seaside.ca.us or (831) 899-6884 if you have any questions.

TABLE 3
RECOMMENDED SEWER RATES FY 2017-2018 THROUGH FY 2021-2022

			Sewer Rate per Month [2]				
Description	Category Code [1]	Units	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Business/Govt	001-099 [3]	Location/Each Business	$10.50	$11.02	$11.57	$12.15	$12.76
Residential-Vacant	101	Each Living Unit	$0.00	$0.00	$0.00	$0.00	$0.00
Residential/Apartments	102	Each Living Unit	$13.59	$14.27	$14.98	$15.73	$16.52
Residential/Apartments	105	Each Living Unit	$13.59	$14.27	$14.98	$15.73	$16.52
Residential-Vacant	106	Each Living Unit	$0.00	$0.00	$0.00	$0.00	$0.00
Condo/Retirement	107	Each Living Unit	$13.59	$14.27	$14.98	$15.73	$16.52
Minimum/Vacancy	211	Location/Each Business	$0.00	$0.00	$0.00	$0.00	$0.00
Motel/Hotel	221	Each Room	$5.89	$6.19	$6.50	$6.82	$7.17
Bed & Breakfast Inn	222	Each Room	$3.88	$4.08	$4.28	$4.49	$4.72
Supermarkets	231	Location	$57.30	$60.16	$63.17	$66.33	$69.64
Medical Office	241	Each Licensed Physician	$14.02	$14.72	$15.46	$16.23	$17.04
Dental Office	242	Each Licensed Dentist	$19.34	$20.31	$21.32	$22.39	$23.51
Rest Home/Convalescent	243	Each Bed of Licensed Capacity	$3.88	$4.08	$4.28	$4.49	$4.72
General Hospital	244	Each Bed of Licensed Capacity	$23.00	$24.15	$25.36	$26.63	$27.96
Animal Hospital	245	Location/Each Licensed Business	$25.59	$26.87	$28.22	$29.63	$31.11
Restaurant 1 meal/day	261	Each Restaurant Seat	$0.50	$0.53	$0.55	$0.58	$0.61
Restaurant 2 meals/day	262	Each Restaurant Seat	$0.79	$0.83	$0.87	$0.92	$0.96
Restaurant 3 meals/day	263	Each Restaurant Seat	$1.51	$1.59	$1.66	$1.75	$1.84
Restaurant with Bar	264	Each Restaurant Seat	$1.51	$1.59	$1.66	$1.75	$1.84
Bar	265	Location/Each Business	$22.79	$23.93	$25.12	$26.38	$27.70
Nightclub	266	Location/Each Business	$68.29	$71.71	$75.29	$79.06	$83.01
Takeout Food - Small	267	1 Cash Register or Checkout Line	$25.45	$26.72	$28.06	$29.46	$30.93
Takeout Food - Medium	268	2 or 3 Cash Registers or Checkout Lines	$62.62	$65.75	$69.03	$72.48	$76.11
Takeout Food - Large	269	4 or More Cash Registers or Checkout Lines	$114.16	$119.87	$125.86	$132.15	$138.76
Bakery	270	Location/Each Business	$20.63	$21.66	$22.75	$23.88	$25.08
Theater	281	Per Screen @ Each Location	$33.86	$35.55	$37.33	$39.20	$41.16
Bowling Center	282	Location/Each Business	$103.02	$108.17	$113.58	$119.25	$125.22
Gym	283-289 [4]	Per 500 members	$10.50	$11.02	$11.57	$12.15	$12.76
Mortuary	290	Location/Each Business	$27.82	$29.21	$30.67	$32.21	$33.82
School (Minimum)	291	Location/Each Business	$10.50	$11.02	$11.57	$12.15	$12.76
School (Grades 0-6)	292	School Population	$0.14	$0.15	$0.16	$0.17	$0.17
School (7-College)	293	School Population	$0.29	$0.30	$0.32	$0.33	$0.35
Boarding School	294	School Population	$2.88	$3.02	$3.17	$3.33	$3.50
Instructional Facility	295	Location/Each Business	$10.50	$11.02	$11.57	$12.15	$12.76
Church	296-297 [5]	Per 100 members	$10.50	$11.02	$11.57	$12.15	$12.76
Photo / Laboratory / Printer	301-326 [3]	Per 10 employees	$10.50	$11.02	$11.57	$12.15	$12.76
Service Station/Garage	331-332	Location/Each Business	$10.06	$10.57	$11.10	$11.65	$12.23
Paint and Body Shops	341-346 [3]	Per 10 employees	$10.50	$11.02	$11.57	$12.15	$12.76
Commercial Laundry	352	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Dry Cleaner	353	Location/Each Business	$34.72	$36.46	$38.28	$40.20	$42.21
Laundromat	354	Each Washing Machine	$9.13	$9.59	$10.07	$10.57	$11.10
Major Hotel	361	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Car Wash	366	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Special User	401	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Rec Sports Facility	407	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Ground Water	410	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
		Annual Percentage Increase	5.00%	5.00%	5.00%	5.00%	5.00%

[1] Category established by Monterey Regional Water Pollution Control Agency.
[2] If approved, sewer rates shown would be effective as of July 1 of each year.
[3] For FY 17-18, sewer rate increases by $10.50 for every 10 employees. Escalates by 5% thereafter.
[4] For FY 17-18, sewer rate increases by $10.50 for every 500 members. Escalates by 5% thereafter.
[5] For FY 17-18, sewer rate increases by $10.50 for over 100 members. Escalates by 5% thereafter.

Exhibit B

Seaside County Sanitation District
April 11, 2017 Public Hearing
Written Protest

I, ________________________________, protest the proposed increase to the sewer collection system user fees.

Property Address and/or Assessor's Parcel Number:

____, California 939______
(Insert Property Address)

____
(Insert Assessor's Parcel Number)

Signature:_______________________________

Print Name:_____________________________ Date:____________________
(Signature must be for the property owner and/or sewer customer for this address)

Written protests must be received at Seaside City Hall no later than the closing of the public comment period scheduled to begin at 9:30 AM on April 11, 2017. Please address written protests to:

City of Seaside, City Hall
Attention: District Clerk
440 Harcourt Avenue
Seaside, CA 93955

EXHIBIT B

DECLARATION OF THE SEASIDE COUNTY SANITATION DISTRICT
PROPOSED SEWER COLLECTION SYSTEM RATE INCREASE

I, Rosa Salcedo, Deputy District Clerk, Seaside County Sanitation District (the District), State of California, do hereby declare that a protest ballot process was initiated pursuant to the California Constitution Article XIII D for the purpose of the proposed FY 2017-2018 through FY 2021-2022 sewer collection system rate increase.

The District Clerk Department received **<total number>** protests by the deadline of the close of the public hearing.

Comment [R1]: Insert Total Ballots Received

Pursuant to Article XIII D of the California Constitution, I have caused to have the protest ballots opened, examined, and tabulated at the District's Offices in a place open and accessible to the public and in the manner required by law. By this process, I have determined that **<number valid>** protests have been found valid. Furthermore, I have determined that **<number invalid>** protests are invalid because ballots were submitted either as duplicates or by persons not being served by the District.

Comment [R2]: Insert Number of Valid Ballots

Comment [R3]: Insert Number Invalid

Comment [R4]: Confirm reason for invalidating ballots

The required number of protests for a majority protest is 3,589.

ATTEST:

____
Rosa Salcedo, Deputy District Clerk
Seaside County Sanitation District

April 11, 2017

SEASIDE COUNTY SANITATION DISTRICT
STAFF REPORT

Item No.: 5.B.

TO: Seaside County Sanitation District

FROM: Craig Malin, District Manager

BY: Richard Riedl, District Engineer

DATE: April 11, 2017

SUBJECT: **SANITARY SEWER USER FEE ORDINANCE**

PURPOSE

The purpose of this item is to consider amending Ordinance No. 17 to adjust the sewer user fees.

RECOMMENDATION

It is recommended that the Board introduce Ordinance #21 to adjust the sewer user fees for fiscal year 2017-18 through fiscal year 20121-22.

BACKGROUND

The Seaside County Sanitation District Board adopted Ordinance No. 17 on July 12, 2011 entitled "An Ordinance of the Seaside County Sanitation District Amending District Ordinance No. 17 Establishing a Sewer User Fee, Establishing the Rates Therefore, Providing for a Method of Collection and Penalties for Late Payment, and Providing for Future Increases." Exhibit A to Ordinance No. 17 was based on a Sewer Rate Study prepared in 2011 by David Taussig & Associates, a consultant hired by SCSD. The sewer rate increase was based on a 15-year scenario, spreading the rate increases over a period of five years as shown in the schedule. The schedule calls for the fees to be increased annually. The fees are calculated, billed and collected by the Monterey Regional Water Pollution Control Agency (MRWPCA).

In February of 2016 District authorized David Taussig & Associates, Inc. ("DTA") to provide a sewer rate study. The rate study serves as an update to a previous rate study provided by DTA to the District that was adopted by the District's Board in 2011. This rate study provides a recommended five year rate program. In accordance with the California Constitution, this study is based upon the cost of providing services.

A financial model was created to analyze the data outlined above and recommend a viable and reasonable rate and debt structure. Two alternative rate models were presented to the Board on December 13, 2016. The Board evaluated the alternatives and recommended the alternative rate model that funded all of the CIP projects using rate increases and debt financing. A proposed annual rate increase of 5% and three bond issuances of approximately $4.6 Million each (or $13.8 Million total) in fiscal years ending 2019, 2022 and 2025 is sufficient to fund the projects identified in the CIP project timeline. This alternative uses the maximum total bond indebtedness as determined by the capacity of the rate revenue to meet debt service requirements.

On February 14, 2017, the final rate study and proposed rates were approved by the Board. The Board directed staff to prepare a Notice of Public Hearing (the Notice) incorporating the rates in the approved rate study. The Notice was prepared in accordance with Article XIII D, Section 6 of the California Constitution (Prop 218) and specifies the basis of the fee, the reason for the fee, and the date, time and location of a public rate hearing at which the proposed rate would be considered. The Notices were mailed on February 24. 2017 to all rate payers. The public hearing was held on April 11, 2017, a regular Board meeting date.

At this public hearing, the proposed rate increase was subjected to majority protest. In the event that a majority of the property owners and/or customers do not object, the proposed rates can be implemented after the public hearing. In the event that more than half of the affected property owners/customers object to the proposed rate increase, then the proposed rates could not be implemented and the proposed introduction of Ordinance No. 21 cannot proceed. Considering that there are 7,177 service accounts, a majority protest of fifty percent plus one would be 3,589 protest votes. At the close of the protest hearing on April 11, 2017, the District Clerk will determine the number of protest ballots received and certify if a majority protest has been obtained.

It is recommended that the Board confirm the District Clerks determination of the outcome of the protest ballot and upon confirmation that a majority protest has not been achieved, introduce Ordinance No. 21, "An Ordinance of the Seaside County Sanitation District Amending District Ordinance No. 20 Establishing the Rates for Sewer User Fees for Fiscal Year 2017-18 through Fiscal Year 2021-22."

CEQA Compliance:

In accordance with Title 14, California Code of Regulations (CCR, Title 14), Chapter 3 "CEQA Guidelines," Article 20, Section 15378, the proposed action is not a project as defined by the California Environmental Quality Act (CEQA). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project.

FISCAL IMPACT

There is no fiscal impact associated with introducing this ordinance.

ATTACHMENTS

1. Ordinance
2. Exhibit A Rates

Reviewed for Submission By:

____
Craig Malin, District Manager

ORDINANCE No. 21

AN ORDINANCE AMENDING DISTRICT ORDINANCE NO. 17 ESTABLISHING THE RATES FOR THE SEWER USER FEES FOR FISCAL YEAR 2017-18 THROUGH FISCAL YEAR 2021-22

District Counsel Summary

This ordinance amends District Ordinance No. 20 adopted June 14, 2016. This bill substantially retains the provisions of District Ordinance No. 17. Section 3, relating to fees, of Ordinance No. 17 is revised and a new rate schedule (Exhibit A) for fiscal year 2017-18 to fiscal year 2021-22 replaces the rate schedule that applied in fiscal years 2011 through 2016. The effect of the amendments is to set the sewer rates for fiscal year 2017-18 to fiscal year 2021-22 at a level commensurate with the reasonable costs of providing sewer services by the District.

THE BOARD OF DIRECTORS OF THE SEASIDE COUNTY SANITATION DISTRICT DOES ORDAIN AS FOLLOWS:

SECTION A. Ordinance No. 17 is amended to read as follows:

Section 1. Sewer User Fee. There is hereby established and assessed against every user of the sanitary sewer system of the Seaside County Sanitation District a fee for the use of said sanitary sewer system in the amount set forth herein.

Section 2. User Defined. User shall mean any person, firm or corporation who makes or maintains a connection to the sanitary sewer system of the Seaside County Sanitation District. For the purpose of establishing liability for payment of said fees, the user shall be rebuttably presumed to be the person, firm, or corporation who has contracted with the servicing public utility for sewer service.

Section 3. Fees. The sewer rate increase is based on a 15-year debt scenario spreading the rate increases over a period of six years as shown in the table attached hereto as Exhibit A and incorporated by this reference. The rates will be increased on an annual basis within the 5-year period unless otherwise amended by the District Board.

Section 4. Increased Fees. Fees shall be increased annually, on a Fiscal Year basis, in accordance with Section 3 above.

Section 5. Collection of Fees/Delinquencies. Fees charged pursuant to this ordinance shall become due and payable at the same time and in the same manner as the Monterey Regional Water Pollution Control Agency fee. Any fee shall become delinquent if not paid within thirty (30) days after mailing or delivery of notice thereof. Any fee that becomes delinquent shall have added to it a penalty charge equal to ten percent (10%) of the fee that became delinquent.

Section 6. Monterey Regional Water Pollution Control Agency Authorized to Collect Fees. The Monterey Regional Water Pollution Control Agency is hereby authorized to collect the fees assessed by this ordinance. The Seaside County Sanitation District Manager is authorized to execute an agreement with Monterey Regional Water Pollution Control Agency to collect said fees and to pay the Monterey Regional Water Pollution Control Agency its cost of collection.

Section 7. Implementation Date. The sewer service charge adopted pursuant to this ordinance shall be charged from and after July 1, 2017, but in no case sooner than thirty (30) days after the adoption of this ordinance beginning on the 1st day of the month thereafter, and shall be billed at the next regular billing cycle, thereafter, of the Monterey Regional Water Pollution Control Agency.

Section 9. [Reserved].

Section 8. Severability. It is hereby declared to be the intention of the Board of Directors that the sections, sentences, clauses and phrases of this ordinance are severable, and if any section, sentence, clause or phrase is held be unconstitutional by valid judgment or decree of any court or competent jurisdiction, such unconstitutionality shall not affect the remaining sections, sentences, clauses or phrases of this ordinance.

Section 10. Effective Date. This ordinance shall take effect and be in force immediately upon the passage and adoption hereof and implementation by the Agency shall take place no sooner than thirty (30) days following the date of the adoption of this ordinance in accordance with Section 7 of this ordinance. Thus, the Agency shall continue to collect fees pursuant to District Ordinance No. 17, adopted July 12, 2011, until the first of the month following the thirty days following the date of adoption of this Ordinance.

This Ordinance was introduced by Noticed Public Hearing held at a regular meeting on the 11th day of April 2017.

SECTION B. Amendments to District Ordinance No. 17, adopted herein, shall become effective immediately upon adoption. However, the fee increases adopted pursuant to this Ordinance shall be implemented by the Agency in accordance with Sections 7 and 10 of this ordinance.

The foregoing ordinance was passed and adopted at a noticed public hearing held at a regular meeting of the Board of Directors of the Seaside County Sanitation District held on the <9>th day of <May> 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

____
Ralph Rubio, Chair
Seaside County Sanitation District

Attest:

By: ________________________________
Lesley Milton-Rerig, District Clerk

Approved as to Form:

By: ________________________________
Jesse J. Avila, District Counsel

EXHIBIT A
SEWER RATES FY 2017-2018 THROUGH FY 2021-2022

Description	Category Code [1]	Units	Sewer Rate per Month [2] FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Business/Govt	001-099 [3]	Location/Each Business	$10.50	$11.02	$11.57	$12.15	$12.76
Residential-Vacant	101	Each Living Unit	$0.00	$0.00	$0.00	$0.00	$0.00
Residential/Apartments	102	Each Living Unit	$13.59	$14.27	$14.98	$15.73	$16.52
Residential/Apartments	105	Each Living Unit	$13.59	$14.27	$14.98	$15.73	$16.52
Residential-Vacant	106	Each Living Unit	$0.00	$0.00	$0.00	$0.00	$0.00
Condo/Retirement	107	Each Living Unit	$13.59	$14.27	$14.98	$15.73	$16.52
Minimum/Vacancy	211	Location/Each Business	$0.00	$0.00	$0.00	$0.00	$0.00
Motel/Hotel	221	Each Room	$5.89	$6.19	$6.50	$6.82	$7.17
Bed & Breakfast Inn	222	Each Room	$3.88	$4.08	$4.28	$4.49	$4.72
Supermarkets	231	Location	$57.30	$60.16	$63.17	$66.33	$69.64
Medical Office	241	Each Licensed Physician	$14.02	$14.72	$15.46	$16.23	$17.04
Dental Office	242	Each Licensed Dentist	$19.34	$20.31	$21.32	$22.39	$23.51
Rest Home/Convalescent	243	Each Bed of Licensed Capacity	$3.88	$4.08	$4.28	$4.49	$4.72
General Hospital	244	Each Bed of Licensed Capacity	$23.00	$24.15	$25.36	$26.63	$27.96
Animal Hospital	245	Location/Each Licensed Business	$25.59	$26.87	$28.22	$29.63	$31.11
Restaurant 1 meal/day	261	Each Restaurant Seat	$0.50	$0.53	$0.55	$0.58	$0.61
Restaurant 2 meals/day	262	Each Restaurant Seat	$0.79	$0.83	$0.87	$0.92	$0.96
Restaurant 3 meals/day	263	Each Restaurant Seat	$1.51	$1.59	$1.66	$1.75	$1.84
Restaurant with Bar	264	Each Restaurant Seat	$1.51	$1.59	$1.66	$1.75	$1.84
Bar	265	Location/Each Business	$22.79	$23.93	$25.12	$26.38	$27.70
Nightclub	266	Location/Each Business	$68.29	$71.71	$75.29	$79.06	$83.01
Takeout Food - Small	267	1 Cash Register or Checkout Line	$25.45	$26.72	$28.06	$29.46	$30.93
Takeout Food - Medium	268	2 or 3 Cash Registers or Checkout Lines	$62.62	$65.75	$69.03	$72.48	$76.11
Takeout Food - Large	269	4 or More Cash Registers or Checkout Lines	$114.16	$119.87	$125.86	$132.15	$138.76
Bakery	270	Location/Each Business	$20.63	$21.66	$22.75	$23.88	$25.08
Theater	281	Per Screen @ Each Location	$33.86	$35.55	$37.33	$39.20	$41.16
Bowling Center	282	Location/Each Business	$103.02	$108.17	$113.58	$119.25	$125.22
Gym	283-289 [4]	Per 500 members	$10.50	$11.02	$11.57	$12.15	$12.76
Mortuary	290	Location/Each Business	$27.82	$29.21	$30.67	$32.21	$33.82
School (Minimum)	291	Location/Each Business	$10.50	$11.02	$11.57	$12.15	$12.76
School (Grades 0-6)	292	School Population	$0.14	$0.15	$0.16	$0.17	$0.17
School (7-College)	293	School Population	$0.29	$0.30	$0.32	$0.33	$0.35
Boarding School	294	School Population	$2.88	$3.02	$3.17	$3.33	$3.50
Instructional Facility	295	Location/Each Business	$10.50	$11.02	$11.57	$12.15	$12.76
Church	296-297 [5]	Per 100 members	$10.50	$11.02	$11.57	$12.15	$12.76
Photo / Laboratory / Printer	301-326 [3]	Per 10 employees	$10.50	$11.02	$11.57	$12.15	$12.76
Service Station/Garage	331-332	Location/Each Business	$10.06	$10.57	$11.10	$11.65	$12.23
Paint and Body Shops	341-346 [3]	Per 10 employees	$10.50	$11.02	$11.57	$12.15	$12.76
Commercial Laundry	352	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Dry Cleaner	353	Location/Each Business	$34.72	$36.46	$38.28	$40.20	$42.21
Laundromat	354	Each Washing Machine	$9.13	$9.59	$10.07	$10.57	$11.10
Major Hotel	361	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Car Wash	366	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Special User	401	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Rec Sports Facility	407	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
Ground Water	410	Per 100 GPD of water usage	$7.19	$7.55	$7.93	$8.32	$8.74
		Annual Percentage Increase	5.00%	5.00%	5.00%	5.00%	5.00%

[1] Category established by Monterey Regional Water Pollution Control Agency.
[2] If approved, sewer rates shown would be effective as of July 1 of each year.
[3] For FY 17-18, sewer rate increases by $10.50 for every 10 employees. Escalates by 5% thereafter.
[4] For FY 17-18, sewer rate increases by $10.50 for every 500 members. Escalates by 5% thereafter.
[5] For FY 17-18, sewer rate increases by $10.50 for over 100 members. Escalates by 5% thereafter.