

San Simeon Community Services District



111 Pico Avenue, San Simeon, California 93452
(805) 927-4778 Fax (805) 927-0399

Board of Directors

David Kiech, Loraine Mirabal-Boubion, Eric Schell, Carol Bailey-Wood, Terry Lambeth

**NOTICE OF MEETING
DISTRICT ADVISORY COMMITTEE**

Facilities-Water Committee Meeting

Thursday, August 7, 2003

4:00 P.M.

Cavalier Banquet Room
9415 Hearst Avenue
San Simeon, CA 93452

San Simeon Community Services District



111 Pico Avenue, San Simeon, California 93452
(805) 927-4778 Fax (805) 927-0399

Board of Directors

Bob McLaughlin, Loraine Mirabal-Boubion, Eric Schell, David Kiech, Carol Bailey-Wood

NOTICE OF DISTRICT COMMITTEE MEETING

Ad-Hoc Committee Meeting
To Review of Ordinance No. 66

Thursday, August 7, 2003

5:30 P.M.

Cavalier Banquet Room
9415 Hearst Avenue
San Simeon, CA 93452

Board of Directors - Regular Meeting
San Simeon Community Services District
AGENDA
Wednesday, August 13, 2003 – 5:30 PM
Cavalier Banquet Room

Note: All comments concerning any item on the agenda are to be directed to the Board Chairperson

1. 5:30 PM - CALL TO ORDER
 - 1.1 Roll Call
 - 1.2 Public Comment on Closed Session Items

2. ADJOURN TO CLOSED SESSION
 - 2.1 Conference with Legal Counsel regarding Pending Litigation – Government Code Section 54956.9(a): Cavalier Inn vs. San Simeon Community Services District
 - 2.2 Conference with Legal Counsel Due to Anticipated Litigation – Government Code Section 54956.9(b): Significant exposure to litigation exists based upon existing facts and the advise of legal counsel on two (2) matters:
 - CCC vs. San Simeon Community Services District
 - San Simeon Community Services District vs. Courtesy Inn

3. RECONVENE IN OPEN SESSION (6:30 PM)
 - 3.1 Roll Call
 - 3.2 Pledge of Allegiance
 - 3.3 Report on Closed Session

4. PUBLIC COMMENT:
 - Any member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction, provided the matter is not on the Board's agenda, or pending before the Board. Presentations are limited to three (3) minutes or otherwise at the discretion of the Chair.
 - 4.1 Sheriff's Report
 - 4.2 Public Comment

5. STAFF REPORTS
 - 5.1 General Manager's Report
 - 5.2 Plant Superintendent's Report
 - 5.3 District Engineer's Report
 - 5.4 District Inventory Staff Report

6. ITEMS OF BUSINESS
 - 6.1 Approval of Minutes – July 9, 2003
 - 6.2 Approval of Warrants – July 1 through July 31, 2003

7. DISCUSSION/ACTION ITEMS
 - 7.1 Approval of Water – Wastewater Operations Contract with Fluid Resource Management, Inc. Effective July 1, 2003 through June 30, 2004
 - 7.2 Renewal Of General Manager's Contract – August 1, 2003 through June 30, 2004
 - 7.3 Addendum to District Engineer's Contract – Effective July 1, 2003 through June 30, 2004
 - 7.4 Appointment of Auditor for the 2002 – 2003 Fiscal Year Audit
 - 7.5 Report on Reservoir Dive Inspection
 - 7.6 Letter of Interest – Southwest Water Company
 - 7.7 Authorization for Funding to Defend Lawsuit entitled *Cavalier Inn v. SSCSD*
 - 7.8 District Committee Reports
 - 7.9 Board Reports

8. BOARD/STAFF GENERAL DISCUSSIONS AND PROPOSED AGENDA ITEMS

9. ADJOURNMENT



FLUID RESOURCE MANAGEMENT, INC.

Design, Operation and Maintenance

MEMORANDUM

TO: Chuck Ellison, Operations Manager
FROM: Chris Nally, Systems Supervisor
DATE: August 6, 2003
SUBJECT: July 2003 Superintendent's Report

Wastewater:

The wastewater treatment plant's operation was tested this month. The plant was operating well considering the extremely high summer/holiday flows, however on July 10th an extended power outage caused problems with in the plant that staff is continuing to work through. Staff is also having difficulty with the electrical system related to the aeration blowers. An electrician has been retained to identify and repair the system. Throughout these difficulties the plant has not violated or exceeded the permit limitations.

Water:

The water system was inspected by County Health in July and only a few minor repairs were required. The reservoir was inspected by a contract diver in July. Staff has begun working on the recommendations given in the Inspection and Cleaning report. Staff has repaired screens and small cracks in the wooden structure and additional work will continue, consisting of constructing a new hatch, venting, roof on the valve box and painting and safety repairs. Staff continues to collect all water samples and report results as required.

Additional Work:

In addition to the extra work the plant and water system has required this month staff was able to move forward with the following "special projects". The storage container next to the office has been cleaned, and after the painting project, it can be removed. Staff also installed the new street signs on the east side of the highway.

Although July was very busy from an operational standpoint, FRM staff continues to work towards improving the quality and appearance of the treatment facilities in San Simeon.



FLUID RESOURCE MANAGEMENT, INC.
Design, Operation and Maintenance

MEMORANDUM

TO: Chuck Ellison, Operations Manager
FROM: Chris Nally, Systems Supervisor
DATE: August 6, 2003
SUBJECT: San Simeon Power Outage

In order to replace existing power lines PG&E had a power outage scheduled for the coast on July 10th. After several phone calls by our staff, County Health and EDA, we were assured the San Simeon CSD would not be affected by the outage.

-5:50 am July 10th Bill Callahan was called by Great Western Alarm for a power failure at the treatment plant. Just as Bill arrived at 6:15 am, the power was restored to the plant. As Bill began opening the plant and restarting equipment he was unable to restart the blowers.

-Approx. 6:30 Bill called me, I was unable to help him over the phone, we decided to bypass the flow to the E.Q. chamber to prevent solids from leaving the plant. I left for the plant. When I arrived I attempted to start the blowers, the motors began to turn but the VFD kicked out and showed a phase error.

At approx. 8:30 I called PG&E and asked for a service tech. to come to the plant. I was told a tech. was dispatched. After an hour I called PG&E back and explained the importance of the blowers to the representative, she said the tech. would be out ASAP she also recommended we have someone inspect our equipment in the mean time. I called Gary Ellison and asked that he come to the plant and check out the blowers.

-Gary arrived at approx. 10 am and began taking voltage readings at the blowers, his reading indicated that the problem was in the supply power from PG&E. We again called PG&E to explain the problem. Eileen Putnam and Chuck Ellison were also in contact with PG&E, the power failure was apparently unrelated to the scheduled outage and could take the entire day to repair. Gary and I began making calls to locate a generator large enough to power the plant equipment.

-At approx. 12:30 Bill Callahan left for Paso to pick up the generator. During this time the PG&E Tech. arrived and confirmed what our staff had diagnosed as the problem. He indicated the repairs to the service may not be completed until 1 pm. Also Chuck Ellison and other FRM staff arrived to assist with the install of the generator, cleanup of the plants and repair of other equipment.

-At approx. 2pm the standby generator was hooked up and aeration was restored to the plants, at this time the E.Q. pumps and CI2 pumps were started and flow began leaving the plant. Additional FRM staff left the plant and Bill remained to close the plant.

-6:50 pm Bill arrived to inspect the plant, found one of the blowers off and restarted. At this time Jason Meeks arrived to fuel the generator. Bill stayed to monitor the plant until 8:30pm.

-10:45 p.m. Bill returned to the plant to switch back to PG&E power at 11 pm and return the

plant to normal operations. The generator was returned the following day.

According to the PG&E tech. the problem with the power supplied from PG&E was one leg of the three incoming power had normal voltage, one leg was low, and the remaining leg was high. This power fluctuation would trip the overload protection on the controls, thereby shutting down the motor. This type of problem is normally called "single phase" or "brown out", and can cause serious, permanent damage to both motors and starters.

An activated sludge plant is made up of billions of living organisms all dependent on the oxygen supplied by the plant's blowers. Without this oxygen the living community quickly begins to die, the loss of these organisms reduces the ability to treat the constant flow of waste entering the facility. Without proper treatment solids are washed through the plant and to the ocean outfall line. Recovering from a loss of air, like the one that occurred on July 10th, can take a very long time. Staff believes that after removing over 10,000 gallons of dead sludge, the San Simeon plant is still showing the effects from that day almost a month later. What prevented the loss of solids to the ocean on July 10th was the ability of staff to use the equalization chamber to "hold" the flow until air was restored by using a rental generator. The luxury of space in the E.Q. chamber is not always available, neither is a rental generator large enough to run the plants equipment. This situation would have had little effect on the plant if a properly sized backup power supply existed at the plant. Due to the installation of an alarm system and quick response by staff, power could have been restored in less than one hour.

*Recommendation, FRM Staff is aware of funds allocated for the purchase of a standby generator for the SSCSD treatment plant. It is our recommendation that the District move forward and purchase the equipment to prevent these types of situations from adversely effecting the plant and possible violations that could occur as a result.



**FLUID RESOURCE MANAGEMENT****Design, Operation and Maintenance****MEMORANDUM**

TO: Mark Bloodgood
FROM: Chuck Ellison *CE*
DATE: July 28, 2003
SUBJECT: Loss of air to plant from blower failure

Mark,

Chris reported to me today that the blower VFD's at San Simeon failed sometime between Saturday noon, and Sunday AM. This caused the loss of air to the plants resulting in a die-off of bacteria.

The cause was recorded at the VFD's as a "Line Surge" which is typically due to fluctuations in the incoming power from PG&E. Staff contacted PG&E and they responded at approx. 8:30 AM, and found the power to the plant to be fine. However, at 9AM the VFD's tripped again for the same reason.

Staff contacted Kevin Siefert to perform an onsite check of the system to determine the cause of the problems, and if possible, adjust the VFD's to be less sensitive if possible.

In order to prevent a plant upset in the future, staff is recommending that the District install a pressure switch in the main air line which would signal the Great Western Alarm Company's (GWA) equipment, thereby triggering an "alarm condition". This condition would cause GWA to notify the on-call operator of a "low air" condition. The operator would then respond to the plant to restore blower operation.

The estimate of cost is as follows;


Pressure switch	\$310
Misc materials	\$80
Labor	\$400
GWA charge to program additional channel (est.)	\$100

Please let me know your thoughts...

Chuck

SAN SIMEON COMMUNITY SERVICES DISTRICT

111 Pico Avenue
San Simeon, California 93452
(805) 927-4778

DATE: August 13, 2003
TO: Board of Directors
VIA: Mark Bloodgood, District Manager
FROM: John L. Wallace, District Engineer 
SUBJECT: Engineer's Report - Project Status

SUMMARY OF ACTIVE PROJECTS:

1. Avonne-Castillo Waterline Loop - On Hold Pending Board Authorization
2. Annual Road Improvements - On Hold Pending Board Authorization
3. Capital Improvement Projects FY 2003-04 CIP
4. Pico Creek Wells - Flood Proofing - Included in FY 2003-04 Budget
5. Standby Power - Included in Facilities Plan
6. Wastewater Treatment Plant Rip-rap & Aeration Tank Expansion-Coastal Permit Pending
7. State Revolving Fund Loan - District is on the list.
8. Facilities Plan:, To be used as a guide for future projects.
9. Proposition 50 Projects; Funding Legislation in progress.
10. Recycled Water Pipeline in San Simeon Avenue- On Hold pending Board Authorization.
11. 150,000 Gallon Reservoir Underwater Inspection; Inspection Completed.

DISCUSSION:

1. Avonne - Castillo Waterline Loop;

An updated hydraulic model of the water distribution system confirmed the priority of projects for better operations and fire protection.

2. Annual Road Improvements (Avonne Avenue and Otter Way);

Minor potholes have been patched, approval of the CIP and major maintenance budget for FY 2003-04 will make further authorizations for these projects.

3. Capital Improvement and Major Maintenance Projects Priority List;

The Board has approved the Capital Improvement and Major Maintenance Projects as part of the FY 2003-04 Budget. These projects will now be individually reviewed/approved as part of the Facilities Committee and Board approval process.

RECEIVED

AUG 11 8 2003

FDA

4. Pico Creek Wells;

Improvements are included in the Proposed FY 2003-04 Budget.

5. Emergency Standby Power;

Recommendations for standby power were made as part of the Final Facilities Plan.

**6. Wastewater Treatment Plant Rip-rap & Aeration Tank Expansion-Coastal Permit;
Wastewater Treatment Plant Rip-rap**

A field visit was conducted with Coast Staff on Thursday, July 31, 2003 to determine jurisdiction authority between Coastal Commission and County of San Luis Obispo. Coastal Staff requested the District to provide additional information for them to complete the determination. The additional information request are the following:

- Provide documentation of the amount, location and what type of rock rip rap was installed in 1968 and 1983.
- Provide a coring samples of the rock rip rap.
- Provide a list of all accepted and pending coastal accessways dedications along the beach fronting the property.
- Provide a report on the necessity of the rock rip rap (completed -Cleath & Associates report)

Depending on the outcome of the above items, Coastal staff will review and make a recommendation of their jurisdiction responsibilities.

Aeration Tank Expansion-Coastal Permit

No further action at this time pending Coastal Commission response to our letter of December 13, 2002.

7. State Revolving Fund (SRF) Program;

Staff investigated potential loan funding for wastewater projects through the State Revolving Fund which provides loans at a low interest rate (approximately 2.5 to 3%). Because of the potential to construct several different improvements with SRF funds, a "general project" application was submitted as a "place holder" for the SWRCB to consider. As a result, San Simeon has been placed on the draft State-wide priority list for funding. A project application will be submitted in accordance with the final Facilities Plan recommendations and the Proposed FY 2003-04 Budget.

8. Facilities Plan;

The plan was approved for use as a guide in formulating future projects. The proposed FY 2003-04 Budget will address projects being recommended in the first phase.

9. Proposition 50 Projects;

As previously discussed with the Board, Prop. 50 may eventually make **\$650,000** of funding available to this District for water/recycling and water tank/water line projects. The projects selected will need to be included in the District's capital improvement program for the FY 2003-04 Budget in order to meet the time requirements of the proposition. Unfortunately, the State budget process may seriously delay funding.

10. Recycled Water Line in San Simeon Avenue;

This project is included in the FY 2003-04 CIP with funding anticipated from Proposition 50.

11. 150,000 Gallon Reservoir - Underwater Inspection Update

This work was completed in July. A more detailed staff report and dive inspection report are attached to this report.

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Attachment to
Engineer's Report

July 21, 2003

Craig Taylor
San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

Dear Mr. Taylor:

Based on recommendations and an implementation plan from the Quantum Consulting/BacGen Technologies team, the San Simeon facility has completed equipment installation.

This letter is to confirm that equipment specified on the attached list was installed correctly and to the satisfaction of facility staff. In addition, the equipment installed can be operated in such a way as to create energy savings as described in the attached final screening audit.

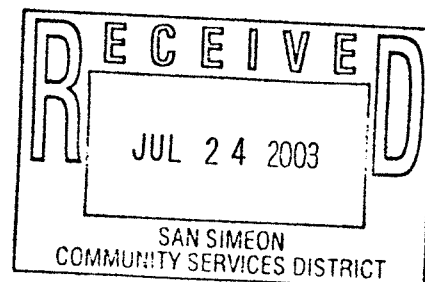
Please review and initial the attached list and sign below. This indicates the above statements are true to the extent of your knowledge and the installation is complete. Please return these documents to Quantum Consulting in the envelope provided. Thank you for participating in the California Wastewater Process Optimization Program.

AGREED:

San Simeon Community Services District

By Craig R. Taylor

Date July 30, 2003



2030
Addison
Street

Berkeley
CA
94704

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540
7200

Fax
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540
7268

www
.govworld
.gov

Mr. Craig Taylor
July 15, 2003
Page 2

EQUIPMENT INSTALLATION LIST: San Simeon WWTF

-Please initial where shown, indicating equipment installed and operational

- 1) Two 30 hp Marathon Premium Efficiency Motors; rated 480 vac, 3600 rpm, NEMA frame 284TS

Initial: CMT

CPUC MUNICIPAL WASTEWATER RETRO-COMMISSIONING PROGRAM

FINAL SCREENING AUDIT SUMMARY & RECOMMENDATIONS

FACILITY	SAN SIMEON ACRES WWTF
ADDRESS	111 Pico Ave San Simeon, CA 93452
SERVING UTILITY	PG&E
FACILITY CONTACT	Mr. Craig Taylor
BACGEN CONTACT	Dr. Maud de Bel – Process Engineer (206) 932-2382

Site Overview

The facility operates two aeration basins (AB) in parallel, as well as an aerobic digester (AD). The AB and AD both have diffused aeration systems and are on common manifold air piping, connected to 2@ 60 hp centrifugal and 2 @ 30 hp positive displacement blowers.

Figure 1 gives the site lay-out.

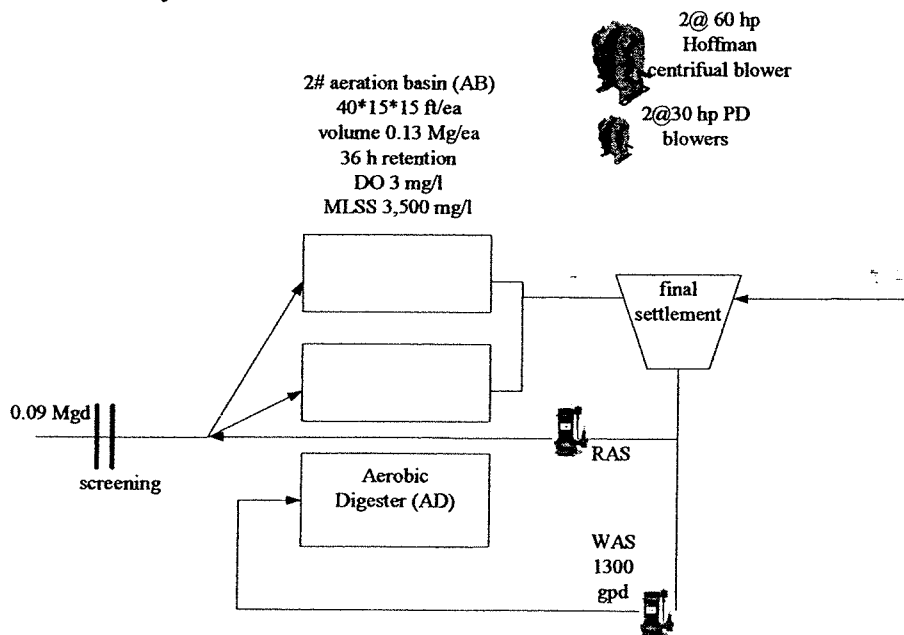


Figure 1 San Simeon site lay-out

Final Screening Audit Activities and Observations

At the time of the screening process, the facility was running one of the 60 hp blowers. Facility staff was unable to operate the smaller blowers because the blower motors were old and unsuitable to operate with the Variable Frequency Drives, which had been installed on the 30 hp motors.

Through a series of calculations outlined below, it can be determined that the San Simeon water treatment facility could safely gain energy savings while still maintaining an effective treatment process. By replacing the two essentially non-functional motors (30 hp) with new efficient models, the facility would be able to take the two larger motors (60 hp) off-line.

Based on the facility biochemical oxygen demand (BOD), average flow rate, mixed liquor concentration, and the assumption of nitrification (not denitrification), the total oxygen demand (TOD) can be estimated to be 179 kg/day (394 lbs/day). The San Simeon facility has had new diffuser membranes installed. This will assist in reducing the amount of aeration horsepower required by improving oxygen absorption in the treatment process.

Model calculations show that the average air demand under the given conditions (14.5 ft diffuser submergence, 25°C, 7.5 psi) is 186 cubic feet per minute (cfm), with a peak demand of 373 cfm.

Assuming 70% motor efficiency, this would require 10 hp blower power. An additional 5 hp requirement is assumed for the aerobic digester.

The current 60 hp blower used for aeration is set to operate with a VFD at a minimum of 30 hp setpoint. This blower can be considered oversized since the maximum aeration horsepower required should not exceed 25 hp and for non-peak operation the blower will be running closer to 15 hp. A 30 hp motor on a VFD will be able to operate safely and effectively in the desired range.

Replacing two older existing (unreliable and inefficient and thus unusable) 30 hp motors with new high efficiency motors, fitted with the existing VFD's, should allow the facility to safely provide sufficient aeration while saving energy by shutting off the 60 hp motors that are currently used.

Recommendations & Implementation Strategy

It is recommended the facility replaces the two old 30 hp motors with new Marathon premium efficiency inverter duty motors, 30hp, 480vac, ODP, 3600 rpm, Nema Frame 284ts.

Estimated Costs

The investment to achieve the above is relatively low. It is estimated that the project cost, including two new 30 hp motors, will be on the order of \$1,782. The saving in the first year (see Exhibit 1) should yield more than \$10,000. The payback on the project would be less than 3 months.

The available funding from the CPUC for the project will be able to cover the entire cost of the new equipment, approximately \$1,782.

Estimated Savings

Assuming that the earlier mentioned blower capacity represents sufficient power input for mixing, the average power use will be 15 hp, i.e. 268 kWh per day. For our savings calculation we use a conservative estimate (halfway between the average and peak values) of 20 hp or 358 kWh per day. The baseline (Year 0) calculation uses a conservative estimate of 33 hp or 591 kWh per day based on VFD log data for the current 60 hp motor.

Exhibit 1
Annual Aeration Savings Estimates

	Aeration in Use (HP)	Aeration Energy Used (kWh)	Energy Savings (kWh)	\$ Savings (\$0.12)
Year 0	33	215653.68	-	-
Year 1	20	130699.2	84954.48	\$10,194.54

As shown in the table, the savings would be on the order of 13 hp, resulting in savings of 84,954 kWh/y. Assuming a fully burdened energy rate of \$0.12/kWh, annual savings will be \$10,194.54 in the first year.

**REGULAR BOARD OF DIRECTORS MEETING
SAN SIMEON COMMUNITY SERVICES DISTRICT**

Date: Wednesday, July 9, 2003

Place: Cavalier Banquet Room

MINUTES

1.0 CALL TO ORDER

The Board convened at 5:30 p.m.

1.1 Roll Call:

Directors Present: Loraine Mirabal-Boubion, David Kiech, Terry Lambeth, Eric Schell and Carol Bailey-Wood

Staff Present: District Manager Mark Bloodgood, Assistant General Manager Eileen Putnam, District Counsel Robert Schultz and District Engineer John Wallace

1.2 Public Comment on Closed Session:

There was no public comment.

2.0 ADJOURN TO CLOSED SESSION

A motion was made by Director Mirabal-Boubion and seconded by Director Lambeth and carried unanimously, to adjourn to closed session for conference with the General Manager, District Counsel and District Engineer, regarding:

2.1 Personnel Issues – GCS 54957: Discussions regarding two (2) contract employees, specifically the District Engineer and District Manager, and;
Discussion regarding the Annual Performance Review of one (1) public employee, specifically the Office Administrator

2.2 Conference with Legal Counsel regarding Pending Litigation – Gov't Code Section 54956.9(a): Cavalier Inn vs. San Simeon Community Services District

2.3 Conference with Legal Counsel due to Anticipated Litigation – Gov't Code Section 54956.9(b): Significant exposure to litigation exists based upon existing facts and the advise of legal counsel on two (2) matters:

- California Coastal Commission vs. San Simeon Community Services District, and
- San Simeon Community Services District vs. Courtesy Inn

3.0 RECONVENE IN OPEN SESSION/CALL TO ORDER

The Board re-convened in open session at approximately 6:30 p.m.

3.1 Roll Call:

Directors Present: Loraine Mirabal-Boubion, David Kiech, Carol Bailey-Wood, Terry Lambeth and Eric Schell.

Staff Present: District Manager Mark Bloodgood, Assistant General Manager Eileen Putnam, District Engineer John Wallace, District Counsel Rob Schultz and Chuck Ellison

– Fluid Resource Management (FRM) – Acting Water / Wastewater Operations Supervisor

3.2 Pledge of Allegiance – Chairperson Kiech led the Pledge of Allegiance.

3.3 Report on Closed Session:

District Counsel Schultz reported that the Board had met in closed session regarding several topics, including:

- 2.1 Personnel regarding the District Engineer, District Manager and annual performance evaluation of one public employee – District Administrator. No reportable action under the Brown Act was taken.
- 2.2 Pending Litigation involving the cross complaint by the Cavalier Inn. No reportable action was taken.
- 2.3 Anticipated litigation on two items – the first dealing with the Coastal Commission and the riprap at the wastewater plant. No action was taken. The second item involves the Courtesy Inn in which foreclosure proceedings against the previous owners, has left service bills in excess of \$15,000 unpaid. Potential remedies are being explored and staff will have a report next month.

4.0 PUBLIC COMMENT

4.1 Sheriff's Report:

Lt. Basti thanked the Board for inviting the Sheriff's Department to participate in the Community Outreach Day. The July 4th holiday went smoothly, however, on Saturday, July 5th, there was an incident near the mobile home park, which resulted in an arrest. There have also been two (2) incidents involving assaults on women in the area by someone on a bike. The Sheriff's department is recommending that women not travel alone, and that they be aware of their surroundings at all time, and contact 911 if necessary.

4.2 Public Comment:

Dee Dee Ricci stated that the water conservation sign looked very nice. She asked about the status of the street signs, and also asked whether the District was going to be affected by the scheduled power outage. According to information given to several District staff members, the outage is not supposed to impact the District. Staff is, however, taking precautionary measures just in case.

5.0 STAFF REPORTS

5.1 General Manager's Report

Mr. Bloodgood gave the General Manager's Report. A copy is attached to the official board minutes.

5.2 Plant Superintendent's Report

Chuck Ellison of FRM gave the Superintendent's Report, a copy of which is attached to the official minutes. In addition, Mr. Ellison reported that the County Health Department had conducted their annual inspection earlier in the day, and that there was nothing of consequence to report. The inspector was quite pleased with current improvements. They have requested that the well doors be stenciled for identification purposes, and that the redwood lid at the reservoir be replaced.

5.3 District Engineer's Report

Mr. Wallace gave an update on various projects within the District. A copy of the Engineer's Report is attached to the official minutes. Mr. Wallace also reported that the dive to inspect the reservoir would be taking place this week.

6.0 ITEMS OF BUSINESS

6.1 Approval of Minutes – June 9, 2003

A motion was made by Director Bailey-Wood and seconded by Director Mirabel-Boubion, to approve the minutes of June 11, 2003. Motion carried unanimously.

6.2 Approval of Warrants – June 1, 2003 through June 30, 2003

A motion was made by Director Mirabel-Boubion and seconded by Director Lambeth, to approve the warrants of June 1, 2003 through June 30, 2003 in the amount of \$ 34,755.02. The motion carried unanimously.

7.0 DISCUSSION / ACTION ITEMS

7.1 Approval of Water – Wastewater Operations Contract with Fluid Resource Management, Inc.

Members of the Board reviewed the contract language with staff and District Counsel. Since additional revisions to the document are still needed, the Board directed District Counsel to oversee the necessary revisions. The Board tabled action on this item until the next board meeting.

7.2 Adoption of Resolution No. 03-290: Amending District Policy to Increase Director's Monthly Stipend

A motion was made by Director Bailey-Wood and seconded by Director Mirabel-Boubion to adopt Resolution No. 03-290, amending District Policy to Increase the Director's monthly stipend from \$75.00 to \$100.00. A roll call vote was held. Directors Kiech, Mirabel-Boubion, Lambeth, Bailey-Wood and Schell all voted in the affirmative.

7.3 Adoption of Resolution No. 03-291: A Resolution for Determination of Appropriation Limitation for the 2003-2004 Fiscal Year and Requesting Distribution of Special District Augmentation Funds

A motion was made by Director Mirabel-Boubion, and seconded by Director Bailey-Wood, to adopt Resolution No. 03-291, a resolution for the determination of appropriation limitation, for the 2003-2004 fiscal year, and requesting distribution of special district augmentation funds. A roll call vote was held, with Directors Schell, Bailey-Wood, Lambeth, Mirabel-Boubion and Kiech all voting in the affirmative.

7.4 Adoption of Resolution No. 02-292: Adoption of Fiscal Year 2003 – 2004 Budget

Mr. Bloodgood reported that the budget had been presented at the June 21st Community Outreach Day. Since that time, two (2) line items required adjustments:

8565 Engineer Consultant Reduced from \$44,000 to \$40,000

8850 LAFCO Cost Apportionment Increased from \$2,130 to \$2,174

A discussion regarding the budget followed. Director Lambeth indicated that there would be a mid-year budget review, at which time additional changes and/or amendments to the budget might be indicated. Some of the necessary major maintenance will be funded via the allocation for depreciation expense. Capital improvement projects will be

reviewed on a case by case basis, incorporating a watchful eye on the availability of state grants and funding, including Prop 50 monies. Mr. Bloodgood also reminded those present that a special reserve for major water projects had been established at the May, 2003 board meeting. A brief discussion was also held regarding planning for subsequent budgets. The goal of staff is to project two (2) year budgeting for the next cycle. A motion was made by Director Mirabel-Boubion and seconded by Director Schell to approve Resolution No. 03-292, adoption of the Fiscal Year 2003 – 2004 budget, with amendments. A roll call vote was held, with Directors Kiech, Mirabel-Boubion, Lambeth, Bailey-Wood and Schell all voting in the affirmative.

7.5 Scheduling of Board Policy Workshop

A brief discussion was held regarding the scheduling of the Board Policy Workshop. This will be done following the next meeting of the Policy Committee on July 28th.

7.6 Recycling Services – San Simeon Community Services District

In response to requests that staff investigate the availability of recycling in the District, representatives of Mission County Disposal were contacted. Disposal and recycling fees and services are administered by the San Luis Obispo County Department of Public Works – Franchise Administration. Representatives of Mission County Disposal plan on submitting a proposal to offer recycling to San Simeon to the Board of Supervisors, who must vote on any fee increases. A discussion followed regarding the pro's and con's of recycling, including use and storage of recycling containers.

7.7 Board Committee Reports

Facilities – Water Committee Report: Director Mirabel-Boubion reported that the committee held meeting on Thursday, June 12, 2003, for a presentation by Southwest Water Company on a proposed Reverse Osmosis – Desalination project. This was also a special “agendized” board of directors meeting so that all board members could attend. Paul Reichardt will give a report at the next regular board meeting. The next regular committee meeting will be August 7, 2003 at 4PM.

Policy Committee: The committee will meet on July 28, 2003 at 9AM to review edits to the Draft Policy Book. A special board workshop will then be scheduled for August.

Adhoc Committee Ordinance No. 66 Review: Although not all committee members could attend the meeting earlier today, those present discussed perimeter issues and strategies for review. Next meeting date is tentatively scheduled for August 7, 2003 at 5:30PM.

7.8 **Board Reports:**

Director Lambeth stated he had received additional signatures on a petition for dog stations. The information was directed to District Counsel Schultz.

8.0 BOARD / STAFF GENERAL DISCUSSIONS

A brief discussion was held regarding the adverse financial impact on the District because of the recent nonpayment for services by a local business. Currently, businesses and residences pay a set \$50 deposit for each account. A recommendation was made to review the current security deposits structure for the District.

9.0 ADJOURNMENT

The meeting was adjourned at approximately 7:45PM.

SAN SIMEON COMMUNITY SERVICES DISTRICT

WARRANT REPORT

July 1 through July 31, 2003

<u>DATE</u>	<u>NUM</u>	<u>NAME</u>	<u>WARRANT#</u>	<u>MEMO</u>	<u>AMOUNT</u>
7/9/2003	4487	AT&T	0307-001	TELEPHONE	\$ 34.26
7/9/2003	4488	LA CHEMICAL	0307-002	CHEMCLOR & SODIUM BISULFITE	\$ 658.28
7/9/2003	4489	MISSION COUNTRY DISPOSAL	0307-003	RUBBISH	\$ 218.33
7/9/2003	4490	MISSION UNIFORM SERVICE	0307-004	TOWELS & COVERALLS	\$ 176.78
7/9/2003	4491	RAUCH COMM. CONSULTANTS	0307-005	CONSULT FOR STRATEGIC PLAN. WORKSHOP	\$ 2,434.90
7/9/2003	4492	RMA COMPUTER SOLUTIONS	0307-006	WEBSITE UPDATES FOR JULY 2003	\$ 25.00
7/9/2003	4493	ROBERT W. SCHULTZ	0307-007	LEGAL SERVICES FOR JUNE 2003	\$ 1,500.00
7/9/2003	4494	SCHULTZ TRANSPORTATION	0307-008	MONTHLY CONTAINER RENTAL	\$ 80.00
7/9/2003	4495	U.S.A. TRANSPORT	0307-009	SLUDGE DISPOSAL	\$ 524.01
7/9/2003	4496	EDA, INC.	0307-010	GEN. MGMT. SERVICES FOR APRIL 2003	\$ 6,238.55
7/15/2003	4497	KIMBERLY ALLISON	0307-011	PAYROLL 7/1/03-7/15/03	\$ 659.42
7/15/2003	4498	CAROL BAILEY-WOOD	0307-012	MONTHLY BOARDD SERVICE FOR JULY 2003	\$ 100.00
7/15/2003	4499	DAVID KIECH	0307-013	MONTHLY BOARDD SERVICE FOR JULY 2003	\$ 100.00
7/15/2003	4500	ERIC SCHELL	0307-014	MONTHLY BOARDD SERVICE FOR JULY 2003	\$ 100.00
7/15/2003	4501	LORAIN MIRABAL-BOUBION	0307-015	MONTHLY BOARDD SERVICE FOR JULY 2003	\$ 100.00
7/15/2003	4502	TERRY LAMBETH	0307-016	MONTHLY BOARDD SERVICE FOR JULY 2003	\$ 100.00
7/15/2003	4503	SLO CO. ENVIRON. HEALTH	0307-017	CROSS CONNECTION	\$ 46.00
7/15/2003	4504	FLUID RESOURCE MGMT., INC.	0307-018	WWTP OPERATIONS FOR APRIL 2003	\$ 7,565.00
7/30/2003	4505	CREEK ENVIRONMENTAL LAB	0307-019	TOTAL COLIFORM ANALYSIS	\$ 130.00
7/30/2003	4506	CRYSTAL SPRINGS WATER	0307-020	WATER DELIVERY	\$ 17.25
7/30/2003	4507	GREAT WESTERN ALARM	0307-021	MONTHLY ALARM MONITORING	\$ 25.00
7/30/2003	4508	JOHN WALLACE & ASSOC.	0307-022	MAJOR PROJECTS FOR MAY 2003	\$ 2,445.00
7/30/2003	4509	JOHN WALLACE & ASSOC.	0307-023	DISTRICT ENGINEERING FOR MAY 2003	\$ 2,378.43
7/30/2003	4510	MIKE RICE	0307-024	CUT & HAUL TREE DEBRIS	\$ 800.00
7/30/2003	4511	PUBLIC EMP. RET. SYSTEM	0307-025	HEALTH INSURANCE FOR AUGUST 2003	\$ 396.18
7/30/2003	4512	PLATINUM PLUS FOR BUSINESS	0307-026	GAS & OIL	\$ 76.71
7/30/2003	4512	PLATINUM PLUS FOR BUSINESS	0307-026	PEN ARM, CARPET, WEBSITE HOSITING	\$ 501.73
7/30/2003	4513	U.S.A. TRANSPORT	0307-027	SLUDGE DISPOSAL	\$ 488.40
7/30/2003	4514	PG&E	0307-028	ELECTRICITY	\$ 8,385.33
7/30/2003	4515	SDRMA	0307-029	LIABILITY INSURANCE FOR 2003-2004	\$ 12,204.14
7/30/2003	4516	FLUID RESOURCE MGMT., INC.	0307-030	WWTP OPERATIONS FOR MAY 2003	\$ 8,500.00
7/31/2003	4517	KIMBERLY ALLISON	0307-031	PAYROLL 7/16/03-7/31/03	\$ 683.73
7/31/2003	4518	EMPLOYMENT DEV. DEPT.	0307-032	PAYROLL TAXES FOR JULY 2003	\$ 33.51
7/31/2003	4519	MID-STATE BANK	0307-033	PAYROLL TAXES FOR JULY 2003	\$ 147.24
7/31/2003	4520	PUBLIC EMP. RET. SYSTEM	0307-034	RETIREMENT FOR JULY 2003	\$ 119.76
7/31/2003	4521	AVILA BEACH CSD	0307-035	SLUDGE DISPOSAL	\$ 240.00
7/31/2003	4522	COLE-PARMER INSTRUMENT CO.	0307-036	DROPPER, DIPPER, CORETAKER, COLORIMETE	\$ 182.11
7/31/2003	4523	LA CHEMICAL	0307-037	CHEMCLOR & SODIUM BISULFITE	\$ 874.34
7/31/2003	4524	U.S.A. BLUE BOOK	0307-038	GLOVES	\$ 168.60
7/31/2003	4525	U.S.A. TRANSPORT	0307-039	SLUDGE DISPOSAL - PG&E POWER OUTAGE	\$ 1,045.18
7/31/2003	4526	UNIVERSAL SILENCER	0307-040	BLOWER FILTERS	\$ 212.46
7/31/2003	4527	D-KAL ENGINEERING	0307-041	METER/HYDRANT REPLACE. - EXTRA WORK	\$ 1,455.09
7/31/2003	4528	D-KAL ENGINEERING	0307-042	METER & FIRE HYDRANT REPLACEMENT	\$ 12,264.30
7/31/2003	4529	STATE COMP. INS. FUND	0307-043	WORKER'S COMP FOR 6/20/03-7/20/03	\$ 29.77
7/31/2003	4530	REAY BRALLIER	0307-044	SEC. DEP. REFUND LESS FINAL BILL #1066	\$ 19.34
7/31/2003		TOTAL			\$ 74,484.13

**AGREEMENT BETWEEN SAN SIMEON COMMUNITY SERVICES DISTRICT
AND ENGINEERING DEVELOPMENT ASSOCIATES FOR PROFESSIONAL
SERVICES**

THIS AGREEMENT is made and entered into this 15th day of August 2003, by and between the SAN SIMEON COMMUNITY SERVICES, a community services district, hereinafter referred to as "SSCSD", and FLUID RESOURCE MANAGEMENT, INC., a California Corporation, hereinafter referred to as "FRM."

RECITALS

WHEREAS, Government Code Section 37103 authorizes SSCSD to engage specially trained and experienced persons or firms for special services and advice in financial, economic, accounting, engineering, legal, or administrative matters; and

WHEREAS, SSCSD requires the services of FRM by providing special services and advice of a type authorized by Section 37103; and

WHEREAS, FRM is specially trained and possesses special skills, education, experience, and competency to perform the services and provide the advice needed; and

WHEREAS, SSCSD has chosen FRM to perform the work as required in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, SSCSD and FRM agree as follow:

The above recitals are true and correct.

SCOPE OF WORK

For purposes of this Agreement the following definitions shall apply:

- A. Routine/Preventative Maintenance shall mean periodic scheduled maintenance in accordance with industry standards and/or manufacturers' recommendations. To the limit of the amount approved by the Board, FRM will provide preventive maintenance and corrective maintenance or repairs consistent with industry standards and/or manufacturer's specifications. FRM on-site labor costs shall not be included when calculating such annual maintenance amounts.
- B. Corrective Maintenance or Minor Repairs shall mean any non-preventive maintenance or repair to facilities such as pump and motor rebuilding. FRM will perform corrective/minor maintenance as required or directed to do so. District will be responsible for all parts, materials, or outside vendors/repair services utilized in the

rebuilding/refurbishing of District owned facilities. FRM will negotiate advantageous pricing on behalf of District for parts, materials, or outside vendors/repair services.

- C. Capital Maintenance or Major Repairs shall mean any installation of new equipment, pipelines, or extensions of District facilities, typically budgeted for, but encompasses major failures of facilities, and repairs to water and sewer mains. District will be responsible for all Capital Maintenance, Major Repairs, and Replacement costs as defined above including FRM's costs for materials and labor to repair/replace.

1.0 Water Services

- 1.1 *Maintain Reservoir*- The District at present has one reservoir on the Hearst Ranch property. Staff will provide routine maintenance of reservoir grounds, piping, valves, and exterior paint.
- 1.2 *Water Distribution System*- Water is gravity-fed from the reservoir through approximately two miles of distribution mains. FRM will provide routine maintenance of the system in accordance with State and County regulations, perform valve/hydrant maintenance on an annual basis, collect samples as set forth by County Health, and repair, or cause to be repaired, leaks on District owned facilities. FRM will notify the District Manager of major failures and repairs requiring non-routine services.
- 1.3 *Billing and Collection*- FRM will provide meter read information to administrative staff. In the event that the District wishes to contract out billing services, FRM can provide complete computerized billing and collection as an additional service. In the meantime it is assumed that District staff will continue to provide this service.
- 1.4 *Customer Service*- FRM shall perform usual customer service such as monthly meter readings, service turn-offs and turn-ons, as well as turn-offs for non-payment to District for the potable water supply. FRM's base Agreement price includes scheduled reading of up to 175 meters (plus re-reads) on a regular scheduled basis in accordance with current District's practice. Should the number of meters to be read change by more than twenty-five (25) meters, the price herein shall change as mutually agreed from the then current base amount.
- 1.5 *Turn-on and Turn-off Services*- Upon request of District, FRM will perform turn-on and turn-off services directly related to the proper care and maintenance of the system. District shall pay to FRM, in addition to the other charges called for herein, \$20.00 for each ten (10) turn-on/turn-off service FRM performs in excess of fifty (50) per year. Exceptions shall be made for such services performed to facilitate any construction or repairs performed when construction or repairs are being made to the distribution lines or system. At the time of the turn-on/turn-off service, and if requested by District, FRM shall install a water line cutoff valve, with such costs being to District's account.

1.6 *Laboratory*- FRM will continue to utilize Creek Environmental or other competitive laboratory, but will continue to explore additional cost savings that may be realized through negotiations with other laboratories.

1.7 *Capital Maintenance and Repairs*- FRM will develop recommendations and justification regarding needed projects for inclusion in future budgets.

2.0 Wastewater Services

2.1 *Cleaning*- It is recommended that the sewer system be cleaned once every two (2) years, or 50% annually, as FRM determines necessary. Equipment utilized shall include a hydraulic cleaning machine with a vacuum debris removal system. District shall provide a site for debris disposal. Cost of cleaning is in addition to this contract and considered additional services.

2.2 *Laboratory*- FRM will continue to utilize the existing onsite laboratory for process monitoring and for those tests required by the discharge permit where practical. FRM will make recommendations regarding additional equipment for purchase where a cost savings to the District would be realized by performing additional testing in-house.

2.3 *Regulatory Issues*- FRM staff will operate the plant with the goal to fulfill all regulatory requirements. FRM will represent the District in routine matters relating to its regulatory responsibility.

2.4 *Maintenance and Repair*- FRM will provide routine maintenance and repair of the District's facility. FRM will perform preventative maintenance in accordance with manufacturers recommendations and will assist the District by making recommendations regarding equipment replacement. FRM will notify the District Manager of major equipment failure or repairs requiring non-routine services.

2.5 *Capital Maintenance and Repairs*- FRM will develop recommendations and justification regarding needed projects for inclusion in future budgets.

3.0 Street Services

3.1 FRM will perform routine inspections of streets and repair small potholes using "cold-mix" as necessary.

3.2 FRM will coordinate major repairs of streets with approval of District Manager.

3.3 FRM will perform routine maintenance on District owned storm drain system consisting of debris removal from inlet grating. Use of FRM's jet/vac truck for cleaning of the storm drain lines is not included and would be considered additional services.

3.4 FRM staff will hand sweep by hand only minor spills of dry material, granular in nature, causing a nuisance condition in roadways and gutters. Materials requiring

power sweeping of streets will be coordinated with District Manager and is considered additional services.

3.5 FRM will remove mud and debris on roadways by hand where practical. Mechanized removal will be coordinated with District Manager and is considered additional services.

3.6 *Capital Maintenance and Repairs*- FRM will develop recommendations and Justification regarding needed projects for inclusion in future budgets.

4.0 Manpower and Labor

4.1 *Manpower and Labor*- FRM will continue to staff the facility in accordance with State Certification regulations.

5.0 Additional Services

5.1 *Hearst Castle Visitor Center* - With District authorization, FRM will complete a study regarding the accuracy of the flow totalization methods currently in use at the Visitor Center, and will prepare a report detailing our findings.

5.2 If authorized by the Board, FRM will explore additional sources of outside revenue for the District for upgrading or augmenting District facilities.

6.0 General

6.1 *Budget*- FRM will annually submit to District a recommended list of capital maintenance, repairs, or replacement expenditures for the water and wastewater facilities as well as for streets and storm drain systems. Items needed for the safety of personnel will be given first priority. FRM will submit, upon request, documentation of the cost effectiveness of "repair vs. replace" recommendations.

6.2 *Chemical and Materials Inventory*- FRM will negotiate competitive pricing on behalf of District. District to pay for, and maintain, an inventory of chemicals routinely used in the operation of the systems. Chemical inventories will be stored at the site in compliance with OSHA and in quantities sufficient to assure continuous operation of the facilities.

6.3 *District Interaction*- Representatives of FRM shall attend scheduled meetings by the District, if requested. FRM shall respond to correspondence and/or inquiries from the District in a prompt and professional manner.

6.4 *Emergency Response*- FRM shall respond to emergency calls within two (2) hours from the time of notification, or when reasonably able to do so, whichever is earlier. FRM will respond to such calls twenty-four (24) hours per day, seven days per week.

6.5 *Biosolids Disposal*-District shall retain ownership of, and responsibility for, all wastewater biosolids. FRM's fees herein includes the labor to arrange for the loading and hauling of said sludge and byproducts by the same method currently

used by the District (tanker truck). A change in handling methods shall be a change of Scope and may be a cause for a price adjustment.

6.6 *Reports*- FRM shall submit to District a monthly operations report including, but not limited to, the following information: total wastewater treated, maintenance and repair work conducted, maintenance costs year-to-date, effluent quality reports, compliance summary, total water produced and supplied, and product water quality reports. FRM will prepare a summary report of operation at the close of each contract year. FRM shall promptly prepare and submit operational and compliance reports as may be required by the State of California, the U.S. EPA, or other local, state, or federal agency having jurisdiction over the facilities.

6.7 *Management Systems*- FRM will use manual and computerized systems to manage and monitor the plant's operation.

DISTRICT'S RESPONSIBILITIES

1.0 **Licenses**- District will maintain existing or necessary easements, access, licenses, and warranties for the mutual benefit of both parties.

2.0 **Insurance**- District shall purchase and ensure that standard fire and liability insurance policies are maintained including extended coverage for the replacement cost of its facilities. Such policies shall name FRM as an additional insured according to its insurable interest under these policies during the term of the Agreement.

3.0 **Permits**- District shall remain the named permittee on any and all permits that may be required, and shall meet all regulatory requirements not specifically assumed herein by FRM as its responsibility.

4.0 **Collection System**- District shall provide the necessary water for sewer line cleaning at no cost to FRM.

INSURANCE

Without limiting FRM's responsibility to defend and indemnify SSCSD, it is agreed that FRM shall maintain in full force and effect, at all times during the performance of this Agreement, following the execution of this contract, FRM will have its insurance carrier(s) issue direct to District certificates of insurance for the following coverage:

1. Workers' Compensation as prescribed by law;
2. Comprehensive General Liability including coverage of the following risks in amounts not less than:
3. Umbrella Coverage Excess Limits of \$ 2,000,000;
4. General Liability aggregate of \$ 500,000; and
5. Completed Operations Aggregate (coverage for work performed) of \$500,000;
6. Automobile Liability Coverage (for bodily injury and property damage, combined single limit) of not less than \$ 1,000,000;

7. FRM affirms that the above referenced insurance will be maintained in force throughout the term of this Agreement.

GUARANTEES, INDEMNITY, AND LIMITATIONS

- 2.1 *Guarantees*- FRM shall use generally accepted business practices to procure materials and replacement equipment. FRM shall not be responsible to District for any guaranty in connection with such materials or replacement equipment. However, FRM shall assert reasonable efforts to obtain the normal guaranties applicable in the particular industry manufacturing such materials or replacement equipment, and shall assign same to District.
- 2.2 *Damage to the District's Facilities*- FRM shall not be required to repair any portion of the District's facilities damaged due to flood, fire, explosion, riot, revolution, civil disturbance, war, or other acts of God or any other cause whatsoever beyond the control of FRM or due to the acts or omissions of any other entity or person(s) other than FRM, its employees, agents, representatives, or sub-contractors. FRM agrees to notify the District of such damage, as soon as possible after the occurrence and knowledge of the above crisis or acts.
- 2.3 *Indemnity*- FRM agrees, to the fullest extent permitted by law, to indemnify and hold the Client harmless from any damage, liability or cost (including reasonable attorneys' fees and costs of defense) to the extent caused by FRM's negligent acts, errors or omissions in the performance of professional services under this Agreement and those of his or her subconsultants or anyone for whom FRM is legally liable. The District agrees, to the fullest extent permitted by law, to indemnify and hold FRM harmless from any damage, liability or cost (including reasonable attorneys' fees and costs of defense) to the extent caused by the District's negligent acts, errors or omissions and those of its contractors, subcontractors or consultants or anyone for whom the District is legally liable, and arising from the services that are the subject of this Agreement. FRM is not obligated to indemnify the District in any manner whatsoever for the District's negligence.
- 2.4 *Abnormal Conditions*- Notwithstanding any other provision of this Agreement, in the event that:
 - 2.4.1 the influent to the wastewater treatment plant exceeds that plant's design parameters, or contains abnormal, toxic, or other substances which cannot be removed or treated by the plant, or
 - 2.4.2 the water supply from District wells exceeds acceptable water quality standards,
 - 2.4.3 FRM will use its best efforts to maximize performance, but shall not be responsible for associated effluent and/or product water characteristics or damages, fines, penalties, or claims resulting therefrom. FRM shall advise District of the abnormal situation and planned course of corrective action within twenty-four (24) hours of occurrence and knowledge of said problem.

- 2.5 *Force Majeure*- FRM shall not be deemed to be in default if performance of the obligations required by this Agreement is delayed, disrupted, or becomes impossible because of any act of God, war, earthquake, fire, strike, accident, civil commotion, epidemic, act of government, its agencies or offices, or any other cause beyond the control of the parties ("Force Majeure"). Upon occurrence of any such event, FRM shall operate the District's facilities on a "best reasonable effort" basis and shall not be responsible for any damages, fines, penalties, or claims resulting therefrom.
- 2.6 *Fines and Penalties*- While this Agreement is in force, and so long as the facilities meets applicable regulatory or customary design criteria, and as long as District has not rejected FRM's operational recommendations which would have prevented or corrected any violation of regulations resulting in action, FRM will pay any fines or penalties successfully placed against the District as a result of enforcement actions taken by the State of California Regional Water Quality control Board, Department of Health Services, or U.S. EPA arising from FRM's sole negligent operation of the plant.
- 2.7 *Compliance with Applicable Laws / Standard of Care*- FRM agrees to obey and comply with applicable local, state, and federal laws, rules and regulations. FRM will provide its services in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances.

FEES

FRM will perform the services denoted in the proposed Scope of Work for \$10,850 per month, due on the first day of the month of service to be rendered. Late payments will be subject to a service charge of one and one-half percent (1.5%) per month. Interest shall accrue from the 31st day following the date of invoice until the payment is received by FRM. This amount shall not be exceeded without the prior written approval of the Board of Directors.

SSCSD will evaluate FRM's performance during the month of June 2004, and annually thereafter. If such an evaluation warrants, the SSCSD, may in its discretion increase or decrease the compensation set forth above. This shall be agreed upon by all parties.

At the request of the District, additional services to the above Scope of Work will be performed by FRM following Board approval. Additional services will be invoiced on a time and materials basis using the Schedule of Fees currently in use at FRM. (Exhibit A attached, is the current schedule of Fees).

TERM AND TERMINATION OF AGREEMENT.

Subject to the provisions of this Section, this Agreement shall remain in effect for a one (1) year period beginning July 1, 2003. This agreement may be extended for an additional three year period provided no notice of termination is given by either party.

FRM serves SSCSD “at-will” and serves at the pleasure of the Board of Directors. As such, SSCSD may terminate this Agreement at any time, with or without cause, by giving sixty (60) days prior written notice.

FRM may voluntarily resign its position with SSCSD before expiration of the term of this Agreement by giving SSCSD sixty (60) days prior written notice.

If any terminating event occurs, or upon request of the SSCSD, FRM shall assemble all SSCSD documents in FRM's possession and put them in order for proper filing and closing, and deliver said documents to SSCSD.

In the event of termination, District shall pay FRM compensation pursuant to this Agreement up to the date of termination (pro rated for less than a full month, if necessary) and any unpaid expenses incurred by FRM pursuant to this Agreement.

OWNERSHIP OF DOCUMENTS

All plans, studies, sketches, drawings, reports, and specifications as herein required are the property of the SSCSD, whether the work for which they are made be executed or not. In the event this Agreement is terminated, and at the end of the term of this Agreement, all such plans, studies, sketches, drawings, reports, and specifications shall be delivered immediately to the SSCSD. FRM may retain one (1) copy of each document for its records, but shall have no proprietary rights to them.

STATUS OF FRM

(a) FRM shall perform the services provided for herein in FRM's own way as an independent contractor and in pursuit of FRM's independent calling. FRM is not to be considered an employee of the SSCSD, nor shall any employees of FRM be considered employees of the SSCSD, for any purpose. FRM shall be under the direction and control of SSCSD Board only as to the results to be accomplished. FRM shall be free to pursue its calling excepting only to the extent contained in this Agreement and not in conflict with same.

(b) Conflicts of Interest. The parties understand and agree that FRM is a for-profit corporation which is in the business of providing engineering and related real property consulting services to a diverse and numerous clientele. Some of FRM's past and/or present clients may at some time have potential or pending matters before the SSCSD which would require some form of approval from the SSCSD (hereafter individually and/or collectively referred to as “FRM's Clients”). It is also possible that some of FRM's Clients might proceed in processing their matters before the SSCSD without the knowledge or consent of FRM.

(1) Potential Conflicts. While FRM is performing services under this Agreement it will necessarily have a potential conflict of interest with respect to the relationship between the SSCSD and FRM's Clients. For example, FRM has and/or will obtain confidential information which, if disclosed, could be detrimental to the interests of the SSCSD and/or FRM's Clients. It is also certainly possible that the interests of the

SSCSD and FRM's Clients may or will differ from each other. For those reasons it is agreed that:

A. Non-disclosure of Confidential Information. FRM shall not disclose any confidential information of FRM's Clients to the SSCSD or of the SSCSD to FRM's Clients; and

B. Waiver of Potential Conflicts. In reliance upon the representations made in this Agreement by FRM, the SSCSD hereby waives any potential conflict which FRM may have hereunder.

(2) Actual Conflicts. It is always possible that a potential conflict of interest may become an actual conflict of interest, such that the interests of the SSCSD would be contrary to the interests of an FRM Client. An actual conflict of interest is not waived by the SSCSD and shall constitute a breach of this Agreement by FRM. For purposes of this Agreement, an actual conflict of interest is defined as the representation by FRM of a client who has a matter pending before the SSCSD which requires approval(s) by the SSCSD and in which FRM is actively consulting with their client and/or providing other professional services directly or indirectly relating to the matter(s) for which approval(s) are being sought or for which it is contemplated that approvals will be sought in the future.

(3) Required Disclosures. FRM shall not be required to disclose potential conflicts of interest to the SSCSD. However, in the event that a potential conflict reasonably appears to be developing into an actual conflict of interest then FRM shall disclose the same to the Board of the SSCSD forthwith. The Board shall have the right under this Agreement to direct FRM to sever its relationship with its client so as to avoid the actual conflict, or the Board may in its discretion waive the actual conflict.

ASSIGNMENT AND SUBCONTRACTING.

(a) FRM is being retained due to its special qualifications to perform services as described herein. Therefore, FRM shall not assign this Agreement, any part thereof, or any compensation due thereunder without the written consent of the SSCSD.

(b) All terms, conditions, and provisions hereof shall inure to and bind each of the parties hereto, and each of their respective heirs, executors, administrators, successors, and assigns.

AGREEMENT CONTAINS ALL UNDERSTANDINGS.

(a) This document (including all exhibits referred to above and attached hereto) represents the entire and integrated Agreement between SSCSD and FRM and supersedes all prior negotiations, representations, or Agreements, either written or oral. This document may be amended only by written instrument, signed by both SSCSD and FRM. The body of this Agreement shall supersede any discrepancy that may exist with respect to any attached exhibits or documents incorporated by reference.

(b) No oral agreement or representation by any officer, agent, or employee of either party made during or after the execution of this Agreement shall become a part of this Agreement except to the extent such oral agreement or representation is expressly reflected in this written Agreement or a written amendment to this Agreement.

DISPUTES.

If a dispute should arise regarding the performance of this Agreement or compensation for work performed under this Agreement, the parties hereby agree to make good faith and reasonable attempts to settle the dispute through subsequent agreement between FRM's principal and SSCSD. In the event that a dispute continues, FRM is required to continue performing under this Agreement pending resolution of the dispute. Nothing in this procedure shall prohibit the parties from seeking remedies available to them at law after they have made a good faith and reasonable attempt to resolve the dispute pursuant to the provisions of this section. In the event of litigation arising out of the interpretation and/or the performance of the obligations of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys fees and other litigation expenses.

NONEXCLUSIVITY.

It is understood and agreed that FRM will be engaged in the practice of providing consulting services to other clients and may continue such practice during the period of this Agreement.

INTERPRETATION.

The terms and conditions of this Agreement shall be construed pursuant to their plain and ordinary meaning and shall not be interpreted against the maker by virtue of that party having drafted the Agreement.

PROFESSIONAL SKILL.

It is further mutually understood and agreed by and between the parties hereto that FRM is skilled in the professional calling necessary to perform the work agreed to be done under this Agreement, and that SSCSD, not being skilled in such matters, relies upon the skill of FRM to do and perform its work in the most skillful manner in accordance with generally accepted professional practice and FRM agrees to thus perform its work, and the acceptance of its work by the SSCSD shall not operate as a release of FRM from said Agreement.

RECORD DRAWINGS

District shall provide FRM with a complete set of record drawings of the facilities, O & M manuals, and any other documents pertinent to operation and maintenance of District facilities upon request. FRM shall maintain these drawings in a manner which allows their efficient and effective use in solving system problems.

MODIFICATIONS

Modification of this Agreement shall be made only by a written document signed by FRM and District.

NOTICES

Such notice as required under this Agreement shall be in writing and shall be sent by registered mail to the intended party's address of record. Notice shall be deemed to have been given when the notice was thus mailed to the following addresses of record:

FRM
Fluid Resource Management
4115 Broad Street, Suite B-5
San Luis Obispo, CA 93401

District
The San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

IN WITNESS WHEREOF, we have hereunto set our hands and seals.

**SAN SIMEON COMMUNITY
SERVICES DISTRICT**

FRM

By: _____
David Kiech, Chairperson

By: _____
Chuck Ellison
FRM Operations Manager

By: _____
Mark A. Bloodgood
General Manager

rws/sscsd.Agt.FRM

**EXTENSION TO AGREEMENT WITH
GENERAL MANAGER ENGINEERING DEVELOPMENT ASSOCIATES**

In accordance with the Agreement for General Manager services by and between the SAN SIMEON COMMUNITY SERVICES DISTRICT ("SSCSD") and ENGINEERING DEVELOPMENT ASSOCIATES ("EDA") entered into and dated August 1 2001, the afore-mentioned agreement is extended for an additional period beginning August 1, 2003 and concluding June 30, 2004, under the same terms and conditions for compensation which shall be as follows:

4. **Compensation.**

EDA shall be compensated for its services according to the attached rate schedule. In no event shall SSCSD be liable for paying more than Sixty-Seven Thousand Dollars (\$67,000.00) per year for EDA's services rendered per this Agreement. This amount shall not be exceeded without the prior written approval of the Board of Directors.

District and EDA herewith accept and approve said extension this ____ day of _____, 2003.

David Kiech, Chairperson
Board of Directors
San Simeon Community Services District

Mark Bloodgood, EDA
General Manager

**EXTENSION AND AMENDMENT TO AGREEMENT WITH
DISTRICT ENGINEER JOHN WALLACE & ASSOCIATES**

In accordance with the Agreement for District Engineer services by and between the SAN SIMEON COMMUNITY SERVICES DISTRICT ("SSCSD") and JOHN L. WALLACE & ASSOCIATES ("JWLA") entered into and dated July 18, 1997, is extended for an additional period beginning July 1, 2003 and concluding June 30, 2004, under the same terms and conditions except for compensation which shall be amended as follows:

Compensation.

JWLA shall be compensated for its services according to the attached rate schedule. In no event shall SSCSD be liable for paying more than Forty Thousand Dollars (\$40,000.00) per year for JWLA's services rendered per this Agreement. This amount shall not be exceeded without the prior written approval of the Board of Directors.

District and JWLA herewith accept and approve said extension and amendment this ___ day of _____, 2003.

David Kiech, Chairperson
Board of Directors
San Simeon Community Services District

John L. Wallace, JWLA
District Engineer

SAN SIMEON COMMUNITY SERVICES DISTRICT

111 Pico Avenue
San Simeon, California 93452
(805) 927-4778

DATE: August 8, 2003
TO: Board of Directors
FROM: Mark Bloodgood, District Manager
SUBJECT: Appointment of Auditor for the 2002 – 2003 Fiscal Year Audit

RECOMMENDATIONS:

Staff recommends the Board:

Appoint Crosby & Cindrich CPA to perform the annual audit for Fiscal Year 2002 - 2003.

FUNDING:

Currently, funds in the amount of **\$5,000** are to be included in the District's Fiscal Year 2003-2004 Budget for Auditing Services.

DISCUSSION:

District management solicited proposals for auditing services for the 2002 - 2003 Fiscal Year. The firms. We received two (2) replies. **Hayes & Hayes** quote for the audit and filing of the Annual State Controller's Report was **\$3,350**. **Crosby & Cindrich** quote remained at **\$3,200**. Therefore, Staff recommends that **Crosby & Cindrich** be appointed to perform the District's annual audit.



**CROSBY & CINDRICH, CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION**

1368 MARSH STREET - SAN LUIS OBISPO, CA 93401
PHONE: (805)543-5800 FAX: (805)543-2575

July 18, 2002

Board of Directors
San Simeon Community Services District
111 Pico Avenue
San Simeon, California 93452

Members of the Board:

We appreciate this opportunity to submit our proposal for the audits of the San Simeon Community Services District, for the years ended June 30, 2002, June 30, 2003, and June 30, 2004.

QUALIFICATIONS OF THE FIRM

Crosby & Cindrich is a full-service CPA firm, located in San Luis Obispo. Both Partners, collectively, have thirty-one years of auditing experience. Our experience with governmental fund accounting and auditing and our familiarity with the San Simeon Community Services District accounts will enable us to audit and prepare the required reports in the most efficient and timely manner. We will make ourselves available when you need us, giving prompt, informed responses to your questions, while conducting your audit in a professional, comprehensive manner.

Crosby & Cindrich meets all current GASB audit standards. The Firm successfully conducted an independent peer review of its accounting and auditing practice in June 2000. The review indicates that the Firm maintains the strict quality control standards set by the American Institute of Certified Public Accountants (AICPA).

Our professional liability insurance is with CAMICO; with coverage totaling \$1,000,000.

The following discussion outlines the technical, timing, and fee details of our proposal.

AUDIT APPROACH

We will audit the financial statements of the San Simeon Community Services District for the years ended June 30, 2002, June 30, 2003, and June 30, 2004, for the purpose of expressing an opinion on them. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audits.

Audit Proposal
Re: San Simeon Community Services District

Letter of Transmittal
July 18, 2002

We will conduct our audits of the San Simeon Community Services District on the accrual/modified accrual basis, in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our opinion.

Based on discussions with management and our review of your operations and accounting systems, we will obtain a firm understanding of your system of internal control, and test the effectiveness of the internal controls in place. This will enable us to determine the timing and extent of our substantive audit testing. We will not issue an opinion on the system of internal control. We will however, issue a management letter at the conclusion of the engagement, informing you of any material weaknesses or reportable conditions we find in the internal control system. We will also include, in the management letter, any business advisory comments or observations we feel may improve the efficiency and effectiveness of operations of the San Simeon Community Services District.

Our audit procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and tests of the physical existence of Property, Plant, and Equipment, as well as, direct confirmation of receivables and certain other assets and liabilities with certain creditors, legal counsel, and banks. We will search for unrecorded liabilities and perform analytical procedures on the income and expense accounts. In addition, we will compare actual performance to budgeted levels and investigate material discrepancies.

We will prepare the independent auditors' report on the audit of the financial statements of the San Simeon Community Services District, financial statements, the appropriate footnotes to the financial statements, in accordance with generally accepted accounting principles. We will also prepare the "Annual Report of Financial Transactions of Special Districts" for the State Controller Division of Local Government Fiscal Affairs, and review the annual calculation of the appropriations limitation for the years ended June 30, 2002, June 30, 2003, and June 30, 2004.

ENGAGEMENT TIMING

We expect to commence the audit work as soon as most of the items on our "items needed list" are completed by your staff. We would like to have all audit confirmations mailed by July, to avoid any confusion in the responses. We will provide a list of the schedules and supporting information required for the audits. Provided that we do not encounter unforeseen obstacles, and the necessary schedules are timely prepared by your staff, the draft copy of the annual report, management letter, and appropriations limitation report will be completed by September 30 and the final report copies will be submitted by October 31 of each year.

Audit Proposal
Re: San Simeon Community Services District

Letter of Transmittal
July 18, 2002

METHOD AND BASIS OF COMPENSATION

The San Simeon Community Services District audit should require approximately 50 hours to complete. The total current year audit fees are not expected to exceed \$3,200. The two subsequent years included in the bid proposal will each be \$3,200, with a possible adjustment for inflation based on the consumer price index.

If extraordinary circumstances or major personnel changes indicate more intensive and detailed services are required, we will consult with you before increasing our maximum fee. Additional fees will be based on our standard hourly billing rates.

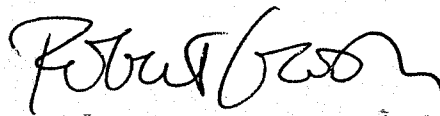
Additional fees may be required if the San Simeon Community Services District requires assistance in implementing the new GASB 34 requirements. Based on the District's annual revenue, it appears as though the District will be required to implement these changes in the 2003/2004 fiscal year.

Our audit staff includes two CPAs and one Enrolled Agent staff accountant. Our firm does not utilize CPA trainees to conduct the audit and field work. Our clients expect to learn from our expertise, rather than train our staff accountants. We will insure that the books are adequately closed and the proper reversing entries are made for the subsequent year. If needed, we will spend extra time to help educate the San Simeon Community Services District's staff on the proper audit procedures and preparation for the audit.

We provide these extra services to maintain a long-term working relationship with all of our audit clients. We believe that the benefits of these extra services streamline future audits and ultimately are passed on to the organization in reduced audit rates.

We are enthusiastic about working with you and welcome your inquiries.

Respectfully submitted,



Robert P. Crosby, CPA

CROSBY & CINDRICH
Certified Public Accountants
A Professional Corporation

REFERENCES
COMMUNITY SERVICE DISTRICT AUDIT CLIENTS

Avila Beach Community Services District John Wallace - General Manager Post Office Box 309 Avila Beach, California 93424 Audited Financial Statements - Fiscal Years Ended 1997 - 2001	(805) 595-2664
Cambria Community Services District Vern Hamilton - General Manager 1316 Tamson Drive, Suite 201 Cambria, California 93428 Audited Financial Statements - Fiscal Years Ended 1999 - 2001	(805) 927-6223
Los Osos Community Services District Bruce Buel - General Manager Post Office Box 6064 Los Osos, California 93412 Audited Financial Statements - Fiscal Years Ended 1997 - 2001	(805) 528-9375
Oceano Community Services District Gina Davis - Assistant General Manager Post Office Box 599 Oceano, California 93445 Audited Financial Statements - Fiscal Years Ended 1987 - 2000	(805) 481-6730
San Miguel Community Services District Mike Ellison - General Manager Post Office Box 180 San Miguel, California 93451 Audited Financial Statements - Fiscal Years Ended 1999 - 2001	(805) 467-3300
Santa Margarita Fire Protection District Robert Murach, Jr. - Assistant Fire Chief Post Office Box 67 Santa Margarita, California 93453 Audited Financial Statements - Fiscal Years Ended 1997 - 2001	(805) 438-5618
South San Luis Obispo County Sanitation District John Wallace - General Manager Post Office Box 399 Oceano, California 93406 Audited Financial Statements - Fiscal Years Ended 1988 - 2001	(805) 481-6903

July 1, 2003

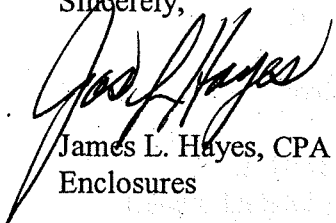
Mark Bloodgood
San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

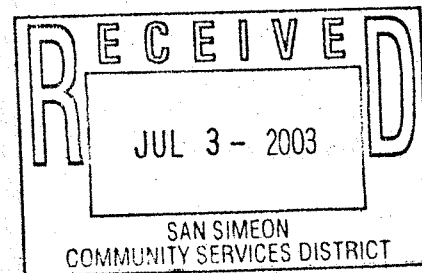
Re: Your request for audit proposals

Enclosed is our audit proposal and supporting documentation (attachments 1, 2).

Please advise if additional information is required.

Sincerely,


James L. Hayes, CPA
Enclosures



AUDIT ENGAGEMENT PROPOSAL

July 1, 2003

Board of Directors
San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

Attn: Mark Bloodgood – General Manager

This proposal is for the accounting services to be provided for the audit of the financial statements of San Simeon Community Services District for the years ended June 30, 2003, 2004, and 2005. We will audit the balance sheet of San Simeon Community Services District, and the related statement of changes in fund equity, statement of revenues and expenses, and statement of cash flows for the years then ended.

Our audit will be made in accordance with generally accepted auditing standards, and the standards for audits of governmental organizations, programs, activities and functions and in accordance with the requirements of the office of the California State Controller for California Special Districts, and will include tests of the accounting records of San Simeon Community Services District and other procedures we consider necessary to enable us to express an unqualified opinion that the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, direct confirmation of receivables, cash balances and certain other assets and liabilities by correspondence with selected funding sources, creditors, and financial institutions. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us.

We will advise you, however, of any matters of that nature that come to our attention. Our responsibility as auditors is limited to the periods covered by our audit and does not extend to any periods for which we are not engaged as auditors.

San Simeon Community Services District
Audit Engagement Proposal
Page Two

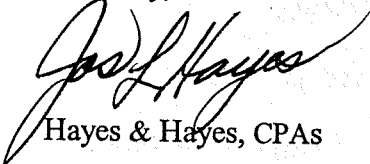
We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application, but the responsibility for the financial statements remains with you. This responsibility includes the maintenance of adequate records and related internal control structure, policies and procedures, the selection and application of accounting principles, and the safeguarding of assets.

Our audits are not specifically designed and cannot be relied on to disclose reportable conditions, that is, significant deficiencies in the design or operation of the internal control structure. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

Based on our standard fees, our audit fee will be \$2,950 for the fiscal year ended June 30, 2003, \$3,200 for the year ended June 30, 2004, and \$3,600 for the year ended June 30, 2005. These fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary we will discuss it with you before we incur the additional cost. Our proposal includes up to (15) copies of the audit report. Travel and out-of-pocket expenses are included in our proposal. Our fee for the preparation of the Annual State Controllers Report (LGFA) will be \$400 for each of the audited years.

We appreciate the opportunity to be of service to San Simeon Community Services District and believe this letter accurately summarizes the significant terms of our engagement. If you agree with the engagement letter terms, as described in this letter, please sign the enclosed copy of this letter and return it to us.

Sincerely,



Hayes & Hayes, CPAs

Response: This proposal correctly sets forth the understanding of San Simeon Community Services District and is accepted.

General Manager – San Simeon Community Services
District

Date

ATTACHMENT 1

Qualifications of Hayes & Hayes, CPAs

Hayes & Hayes, CPAs is a local Santa Maria accounting firm that has been in business since 1981. We perform numerous audits each year for government and non-profit entities. We have been engaged to perform several special district audits, as well as non-profit organizations. See separate list of special district audit clients.

All audits are conducted under the supervision of partner, James L. Hayes using staff members, as required. James L. Hayes, CPA has over thirty years of auditing experience, of which six years was with the international "Big Eight" CPA firm of "Haskins & Sells". We maintain continuing education requirements that exceed the minimum hours required by the State Board of Accountancy. All of our staff accountants are working toward their CPA experience requirements.

The firm of Hayes & Hayes, CPAs is comprised of three full-time staff members, James L. Hayes, CPA and partner Susan G. Hayes, CPA.

Based upon our audit experience and training we believe that we can provide "value" for your investment in our firm. Our firm is always looking for ways to make our clients more efficient. We are independent of the district as defined by generally accepted auditing standards. All key professional staff are properly licensed to practice in California.

Our audit approach is to use a combination of statistical sampling in the tests of transactions of sales and expenses along with analysis of balance sheet accounts. We also perform analytical procedures and compare totals to budget and the prior year. We routinely confirm cash, accounts receivables and long-term debt balances. We use both judgment and sampling techniques.

Our audit programs are those designed by "Practitioners Publishing Company," a firm that specializes in audit programs and techniques for use by accountants in auditing various industries. These programs designed by CPAs have become the standard for accountants. For local governments our initial programs are taken from their four volume set entitled "Audits of Local Governments." We modify these programs, as necessary, to fit a client's particularly circumstances.

We provide our clients with a list of documents required for our audits. Scheduling of the audit work is coordinated with the client to ensure that the audit can be done as quickly and efficiently as possible.

ATTACHMENT 2

Hayes & Hayes, CPAs

Proposal Information

Special District Audits that have been performed by the firm of Hayes & Hayes, CPAs during the past five years include the following:

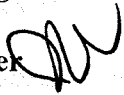
- Santa Ynez Community Service District
- California Valley CSD
- Oceano CSD
- Santa Ynez River Water Conservation District
- Mission Hills CSD
- Santa Barbara Water Purveyor's Agency
- Santa Maria Valley Water CSD

A representative sample of non-profit organization audits include the following current clients:

- United Cerebral Palsy Association of San Luis Obispo County, Inc.
- Smooth, Inc.
- Space Information Laboratories, Inc.
- Central Coast Neurobehavior Center, Inc. (dba "Options")
- Santa Ynez Senior Citizens Foundation, Inc.

SAN SIMEON COMMUNITY SERVICES DISTRICT

111 Pico Avenue
San Simeon, California 93452
(805) 927-4778

DATE: August 13, 2003
TO: Board of Directors
VIA: Mark Bloodgood, General Manager
FROM: John L. Wallace, District Engineer 
SUBJECT: 150,000 Gallon Reservoir - Underwater Inspection Update

RECOMMENDATIONS:

Staff recommends the Board;

Consider the recommendations listed in the Diving Inspection Report and provide
Any further direction to staff.

FUNDING:

Although the reservoir inspection was not listed under the District's FY 2002/03 Budget, funds in the amount of **\$1,810** for this work could be transferred from the Water Maintenance Fund under the FY 2003/04 Budget.

DISCUSSION:

Staff received three quotations to inspect the 150,000 gallon reservoir from three certified water tank diving inspectors. Advantage Technical Services of San Luis Obispo was retained for this work. The results of the inspection are attached for Board review.

The tank was inspected on June 10, 2003. All underwater inspection procedures were performed pursuant to the American Water Works Standards for Disinfection of Water Storage Facilities (ANSI/AWWA C652-02).

The exterior of the tank was visually inspected from the ground to the wood roof. The interior of the wood roof appears to be in good condition. The interior tank lining (over the concrete), appeared to be intact.

Heavy sediment was removed from the bottom of the tank. Several small openings were observed above the water line. Staff was contacted immediately to fill the openings.

EXECUTIVE SUMMARY

The partially buried concrete water storage reservoir located in San Simeon, California was vacuumed and inspected on June 10th, 2003. Advantage Technical Services, Inc. (ATS) provided the services. The tank exterior was inspected visually from the ground and roof. The tank interior was inspected above and below the water line using sanitary diving procedures of the American Water Works Association. Photographs and detailed observations are attached for complete information and recommendations.

The inspection emphasis on a concrete reservoir such as this is to detect spalling, significant cracking or otherwise failing concrete that will impact the structure, cause leakage or expose reinforcing steel to corrosion. Because this reservoir is lined and buried, access for inspection of much of the concrete structure was not available or practical. The internal areas of the timber frame roof appeared to be in good condition.

Heavy sediment (approximately 1") was removed by vacuuming along with approximately ten drowned mice and lizards and three live frogs. Several small openings in the areas above the water surface were noted but it appeared that the lining was intact.

SCOPE, OBJECTIVE AND LIMITATIONS

The bottom and sloping sides of the partially buried concrete potable water storage reservoir, located near Pico St. in San Simeon, California, was vacuumed and inspected on the interior and inspected on the above grade portions of the exterior. The work was completed while the tank interior was full of water. Principle Engineer, Will Bellis, P.E. and associates of Advantage Technical Services, Inc. provided the tank inspection.

External inspection was done from the ground, and the roof of the reservoir. ATS completed the internal inspection using sanitary diving procedures pursuant to the American Water Works Association Standard for Disinfection of Water-Storage Facilities (ANSI/AWWA C652-02). Photographs were taken of representative views and reporting is provided herein.

The observations made during the inspection and reported herein are represented as providing a reasonable evaluation of the tank conditions at the time of the inspection. Considerations of safe access and reasonable care were taken in making and reporting the observations. Latent defects or conditions found during subsequent cleaning, inspections or other work at the tank must be brought to the Engineer's or Owner's attention. Significant amounts of sediment (over two inches in some areas) were found prior to vacuuming. This level of sedimentation hindered pre-cleaning inspection. Turbidity levels during and after vacuuming reduced effectiveness of vacuuming and post-vacuuming inspection.

OBSERVATIONS

General Tank Data

Type: Partially buried concrete reservoir
Media Stored: Potable water
Nominal Capacity: 150,000 gallons

Name Plate

No nameplate was present.

Tank Site

A six foot tall chain link fence with barbed wire top and a gated driveway are present as deterrents to unauthorized access.

No above ground utility lines are present that could limit access or hamper future construction activities.

There are no structures significantly close to the site.

Drainage around the tank appears to be adequate with existing curbs and gutters. Asphalt is degraded and cracking.

Exterior Tank Walls

The overall condition of the exterior timber surfaces of the reservoir walls appears to be fair. Paint is aging and wood is weathering. The shrinkage of the wood has created many areas where small gaps are occurring at interfaces of the wood and concrete and other joints. Lapped timber is effective at most joints to prevent openings at timber to timber connections.

Surfaces below grade were not examined from the exterior.

Exterior Roof

The exterior surfaces of the roof are in good condition. One significant opening in the reservoir was found where instrumentation conduit enters the reservoir through the roof.

No areas of ponding were found.

Appurtenances

Interior Ladder: None exists. The plastic lining is very slippery. The sloped sides and lack of any permanent method of egress from the water would be hazardous for any one entering the tank without proper equipment.

Inlet: The inlet penetrates east side of the reservoir. The PVC pipe appears to be in good condition.

Drain: The bottom piping is in fair condition however the surfaces have no coatings and are heavily corroded. Piping was not examined closely due to the fact that it was not shut down during the dive.

Roof Vents: The vent screens appeared to be intact with some areas having been patched with screen. Venting is not tamper resistant.

Roof Hatch: The steel roof hatch was found locked. The coatings are failed over most of the surface and the hatch is rusted through in one area (approx 1" dia. hole).

Interior Bottom

The bottom was mostly covered with silt and sand prior to vacuuming. Heavy sediment was found in the corner areas and around folds or wrinkles in the lining material. Interior surfaces of the reservoir bottom were found to be in good condition. The level of sediment and other materials removed from the tank indicate that it should be cleaned on shorter intervals.

Interior Walls

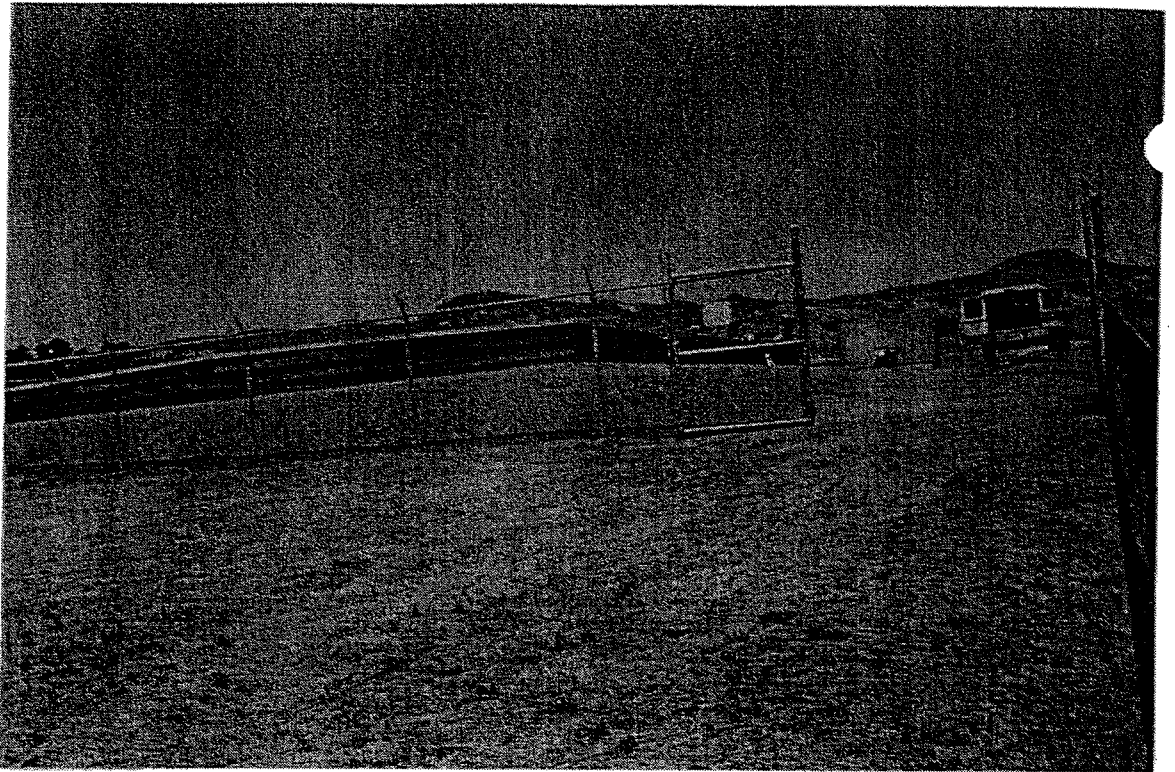
Interior surfaces of the reservoir walls were found to be in good condition. Some areas above the surface show signs of mice living in tank and several live frogs were caught and removed. Liner cap wood and bolts were intact and in good condition.

Interior Roof

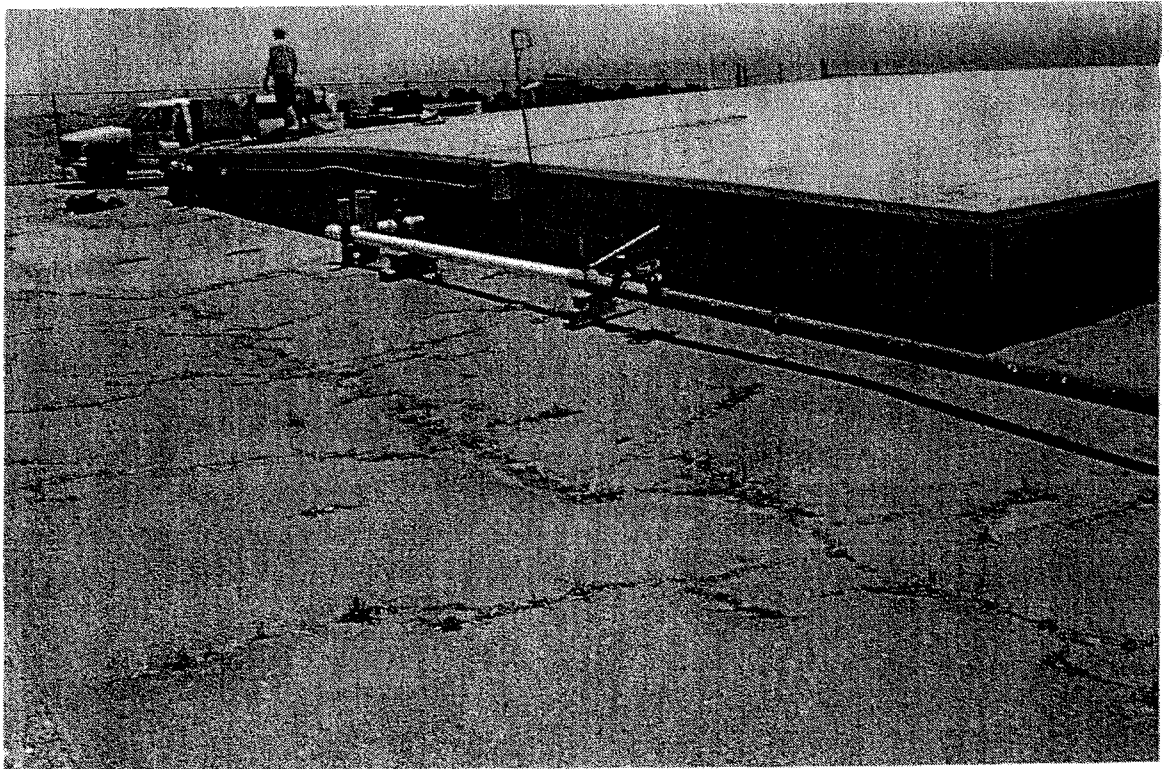
The roof timbers were inspected visually from the surface of the water. The beams, connections and ceiling were found to be in good condition.

RECOMMENDATIONS

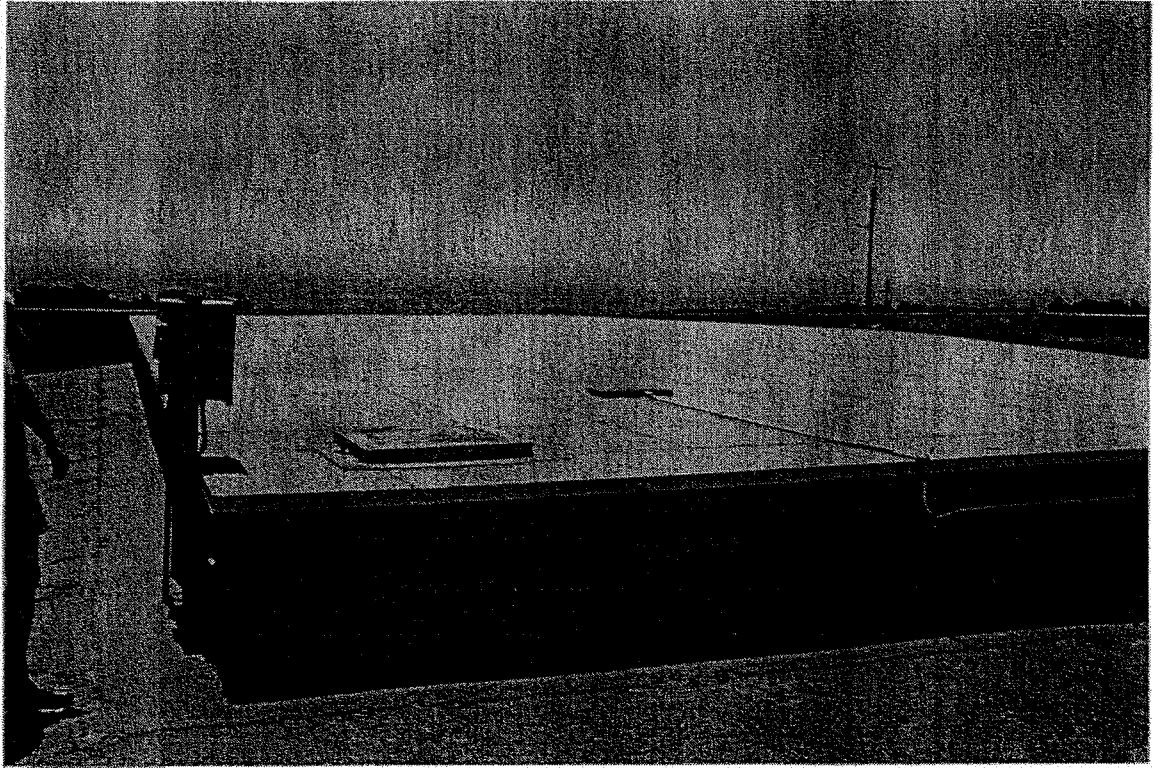
1. Caulk and screen all openings to prevent entry by mice, lizards, frogs and other insects.
2. Provide for more frequent cleanings.
3. Blast and coat carbon steel surfaces, such as piping, that are inside the reservoir.
4. Install a new roof hatch. Use a four inch minimum curb height on hatch frame.
5. Install some method of emergency egress from the water.
6. Security of a reservoir with construction such as this is difficult. Consider security monitoring of reservoir area such as intruder alarms or patrols. Consider the installation of varmint and tamper resistant venting system.



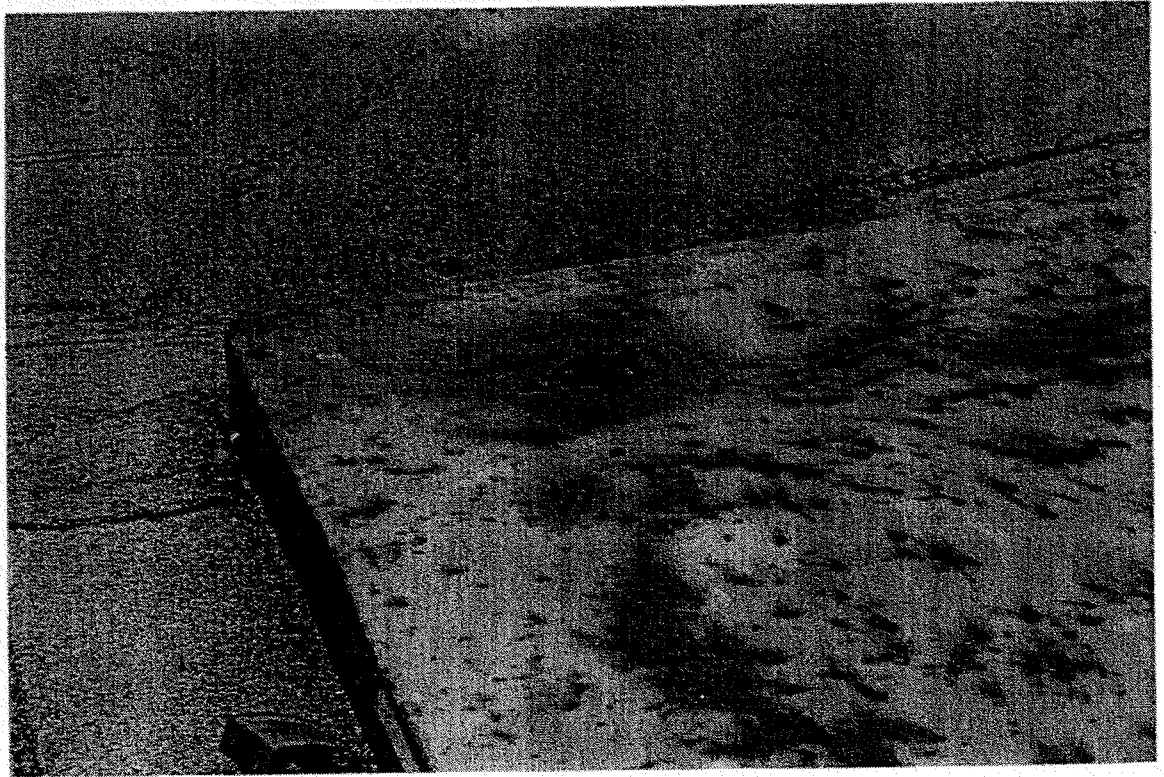
Overall view of reservoir and access gate.



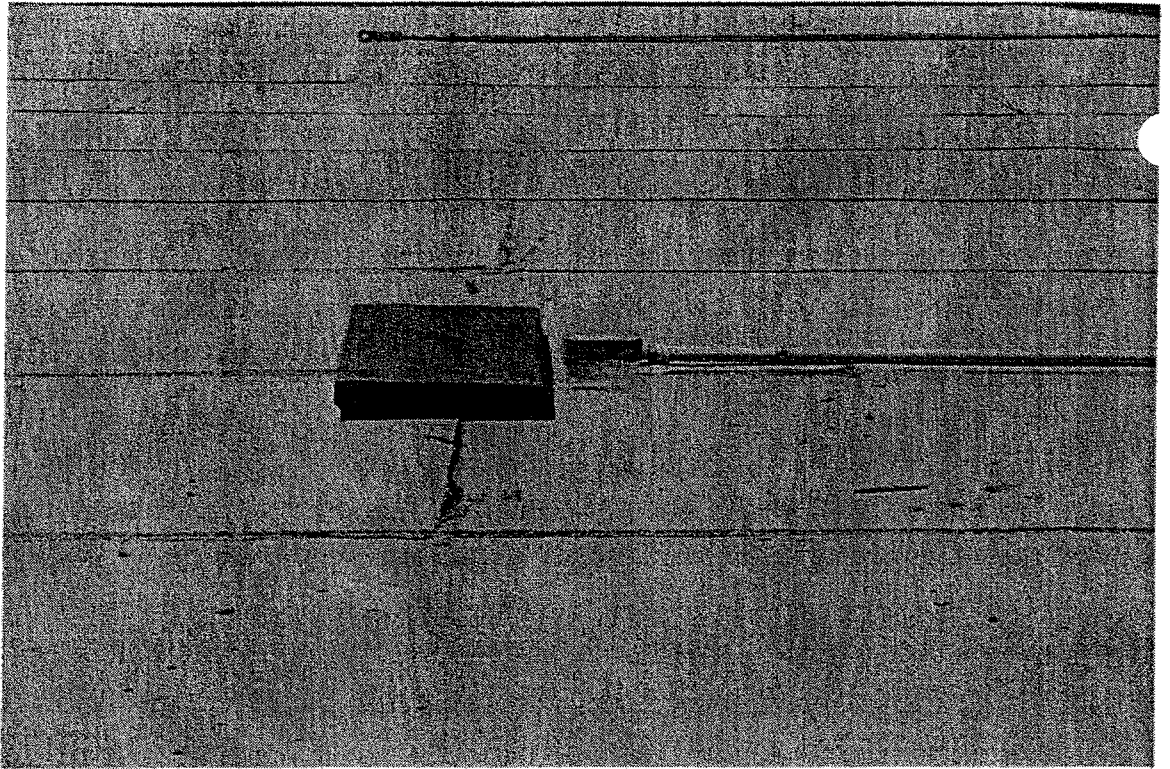
Reservoir as viewed from approximately north east with drainage swale and cracking asphalt.



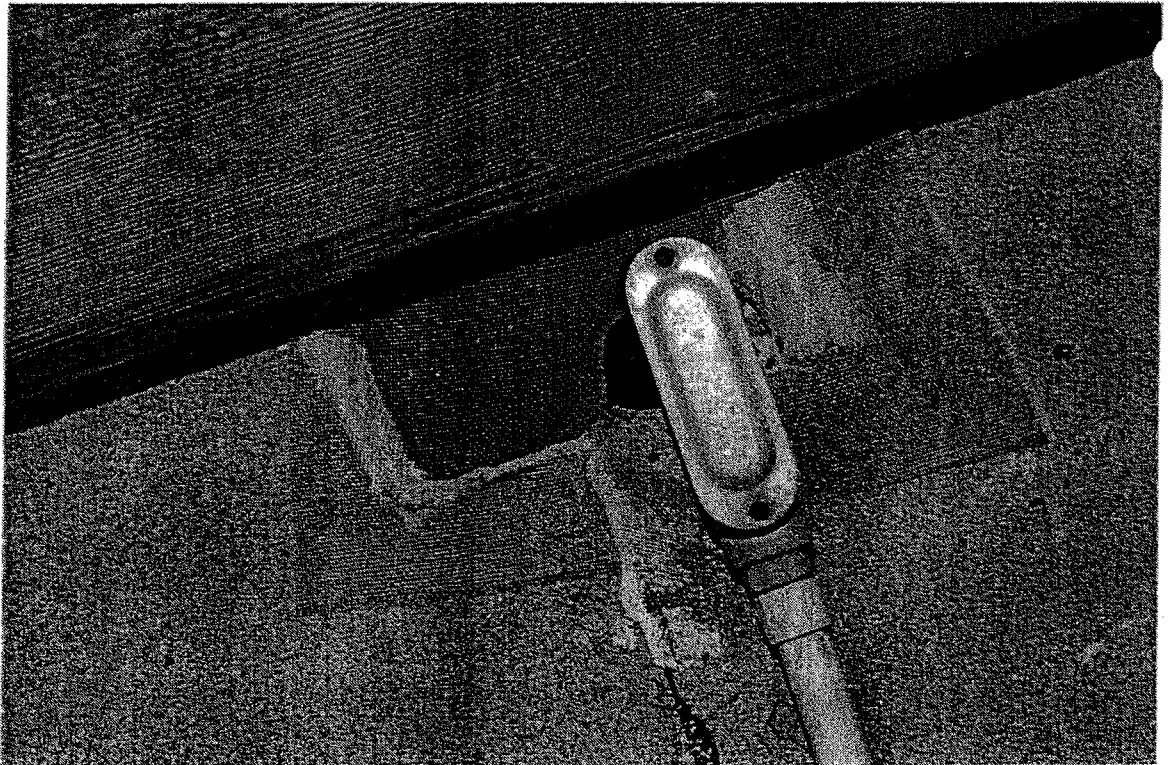
View of the reservoir roof, roof hatch and level transducer penetration area.



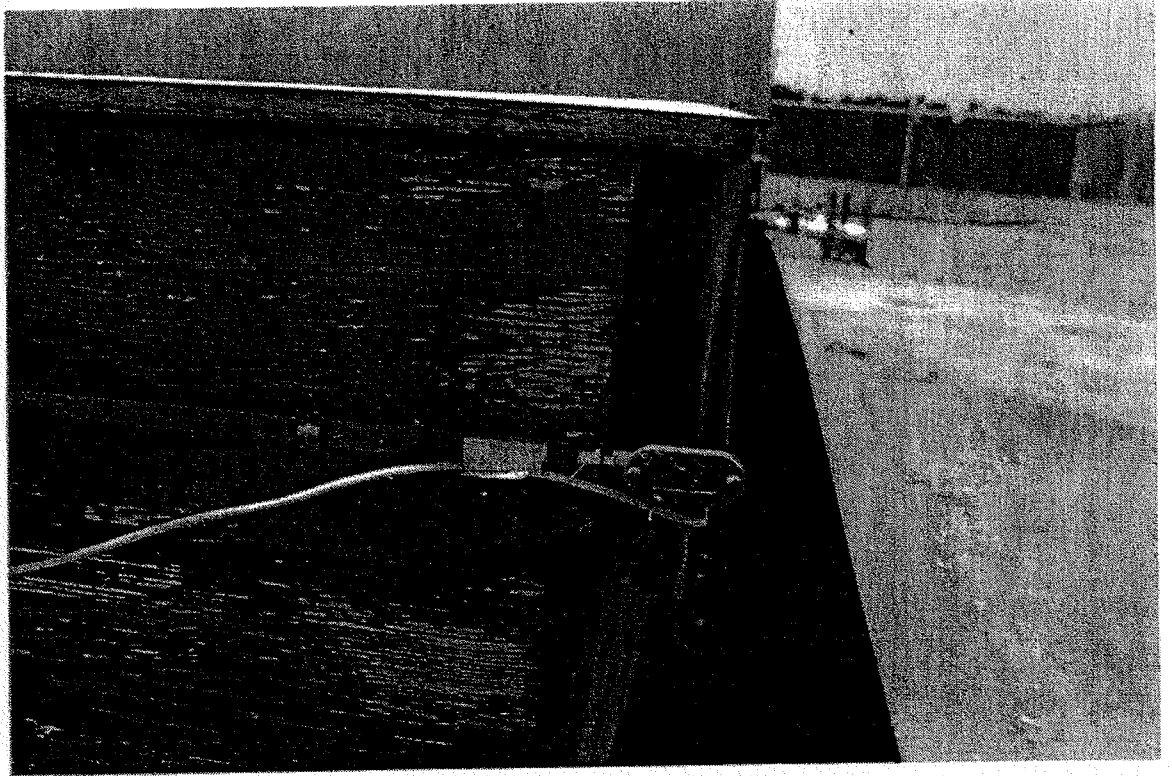
Close up view of rusting steel roof hatch. Hatch has corroded through in one area as shown and was found to be corroding over 100% of the interior surface area also.



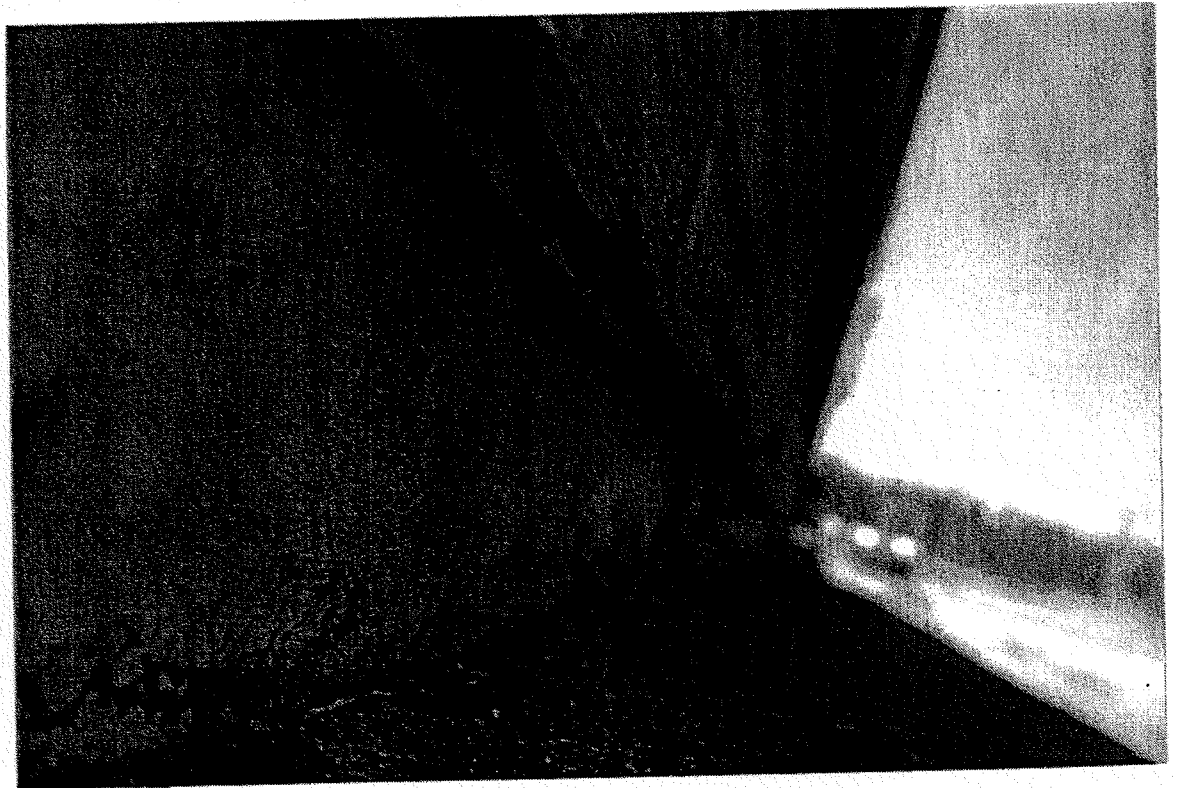
Level sensor penetration.



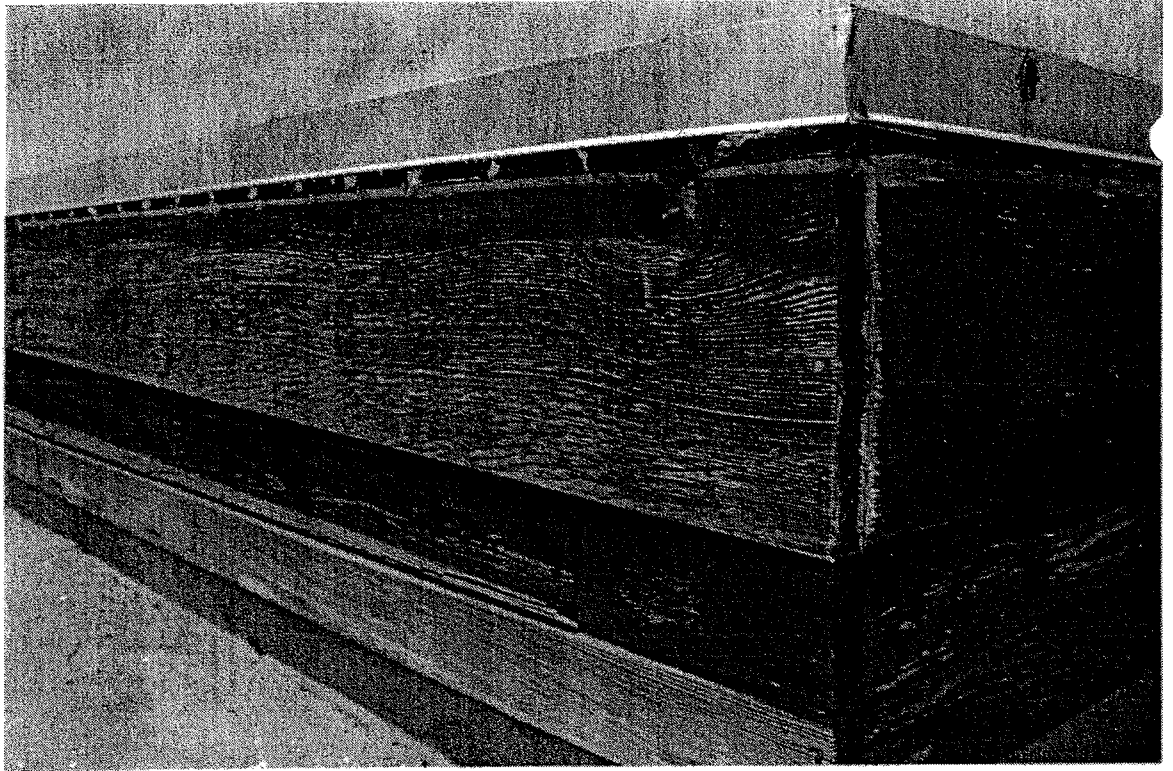
Screen around level sensor that could allow animal and insect entry.



Exterior corner with crevices that may allow insect entry.



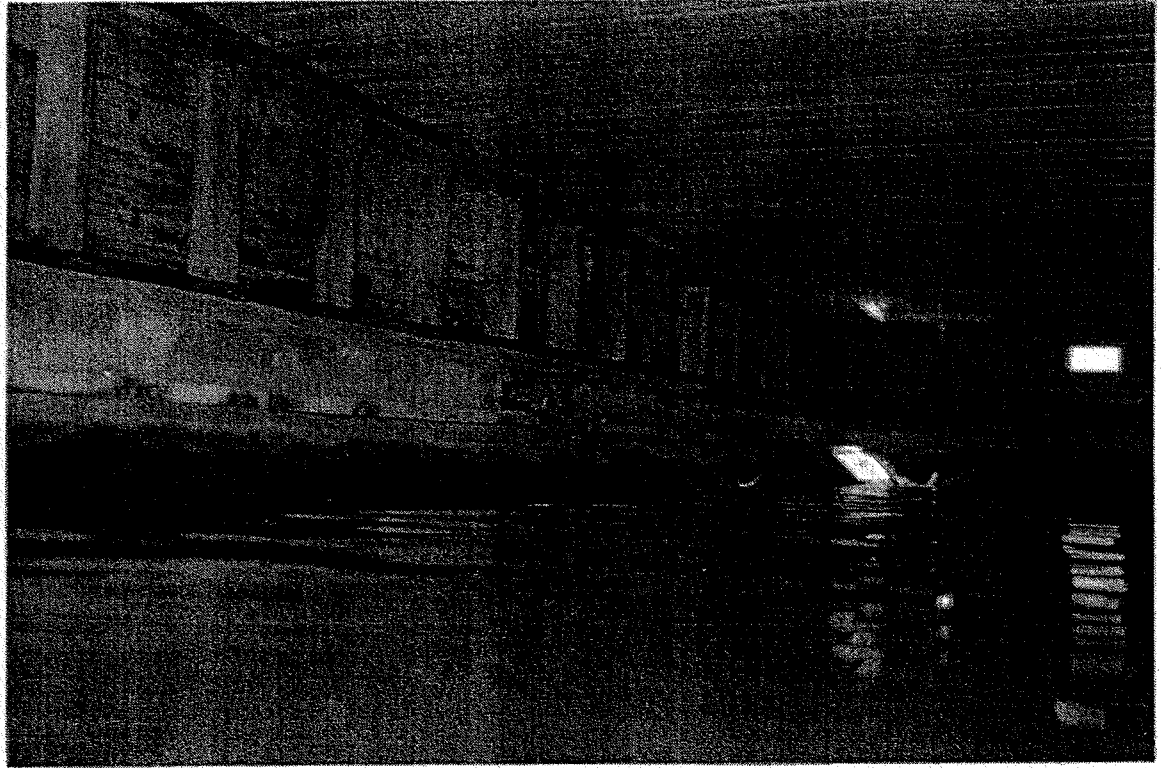
Concrete / timber interface area appeared to be fairly tight but grasses were growing into the tank interior through this area on the west side of the reservoir.



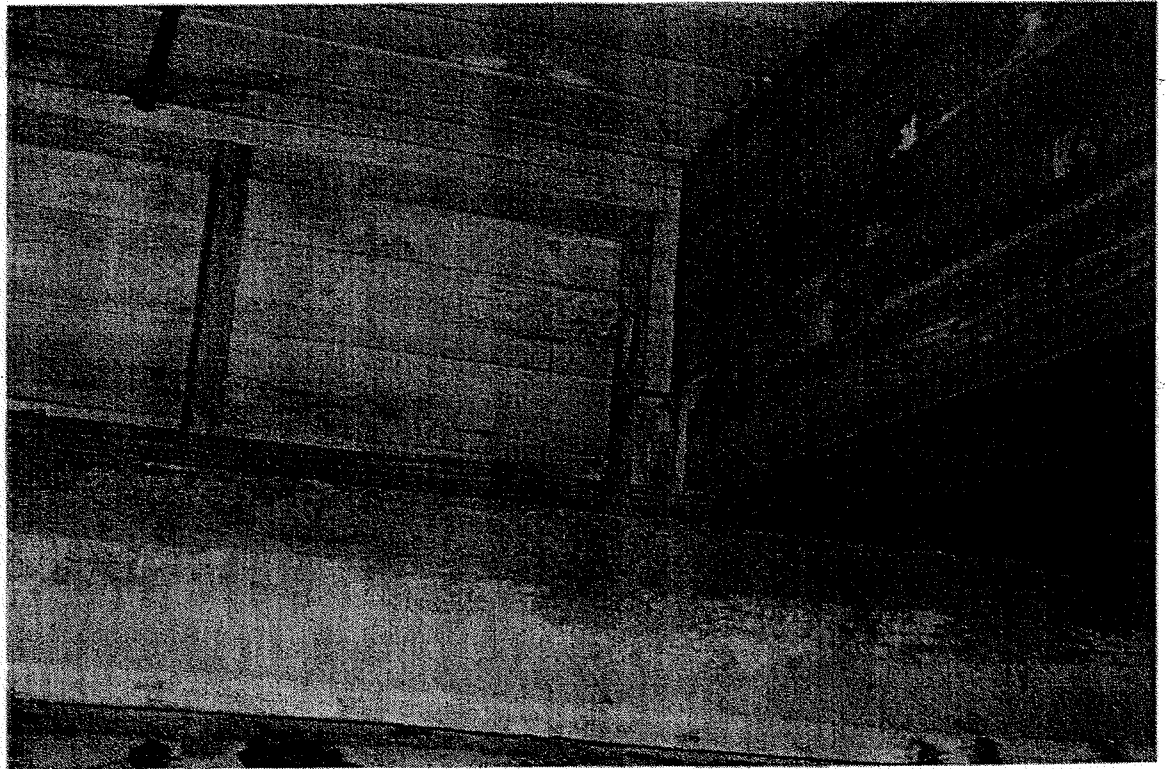
Many of the vent screens have been maintained with patches.



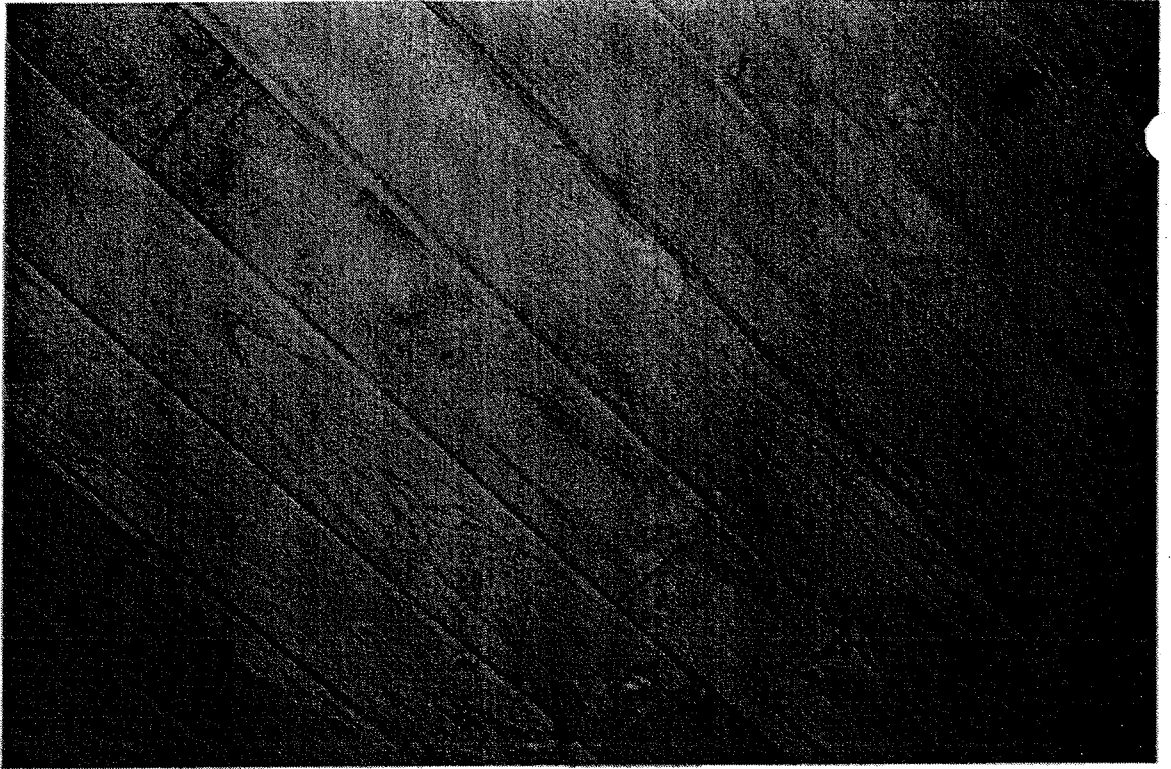
Exterior corner on southwest side with caulking visible.



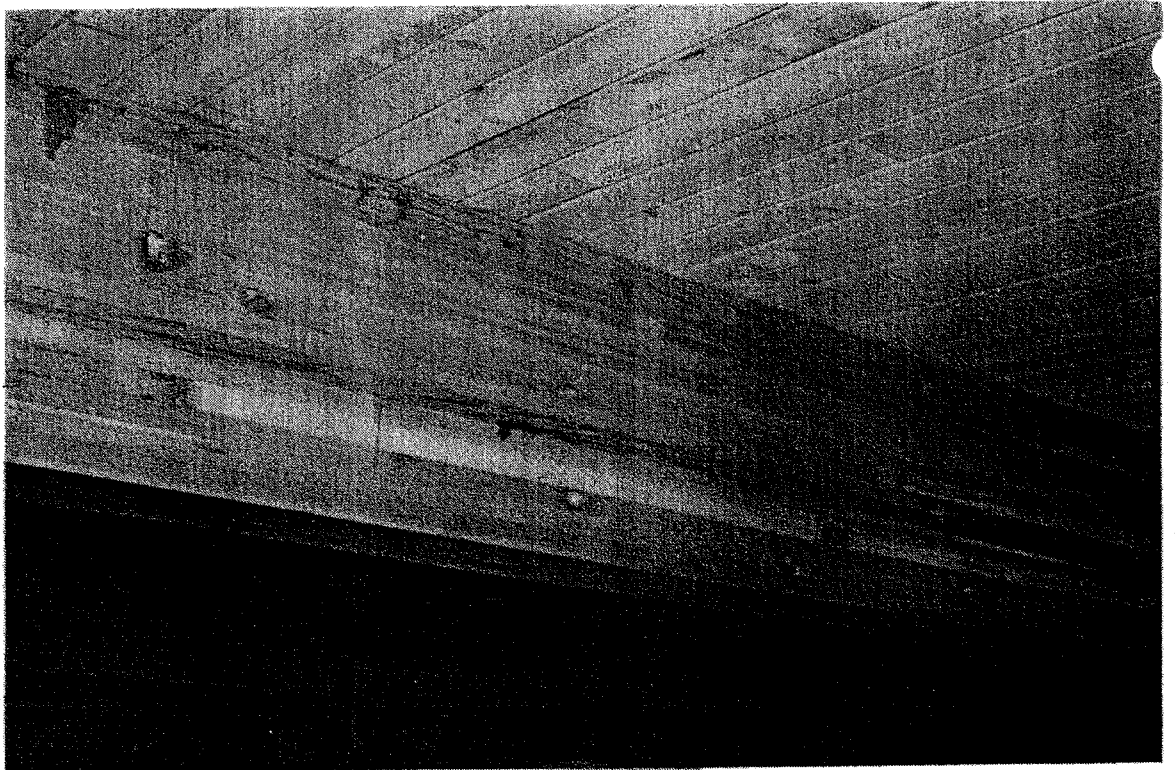
Overall view of the interior above the water surface.



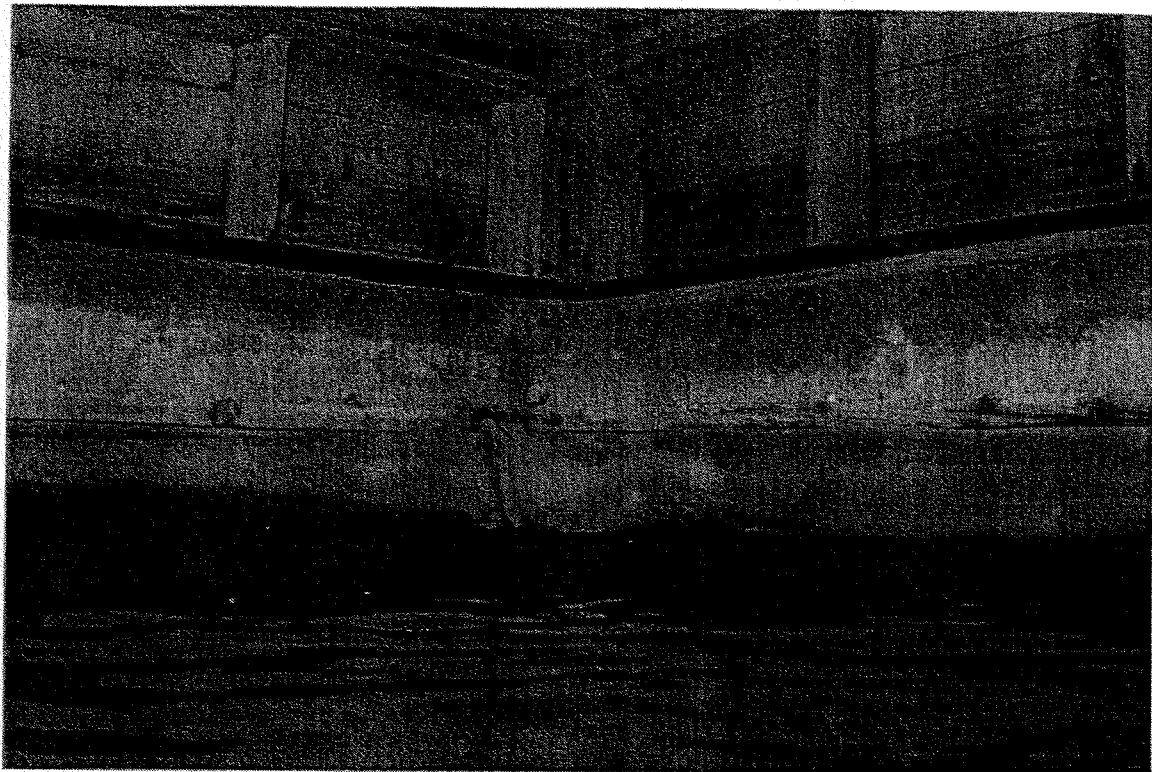
Beam connection on the south wall.



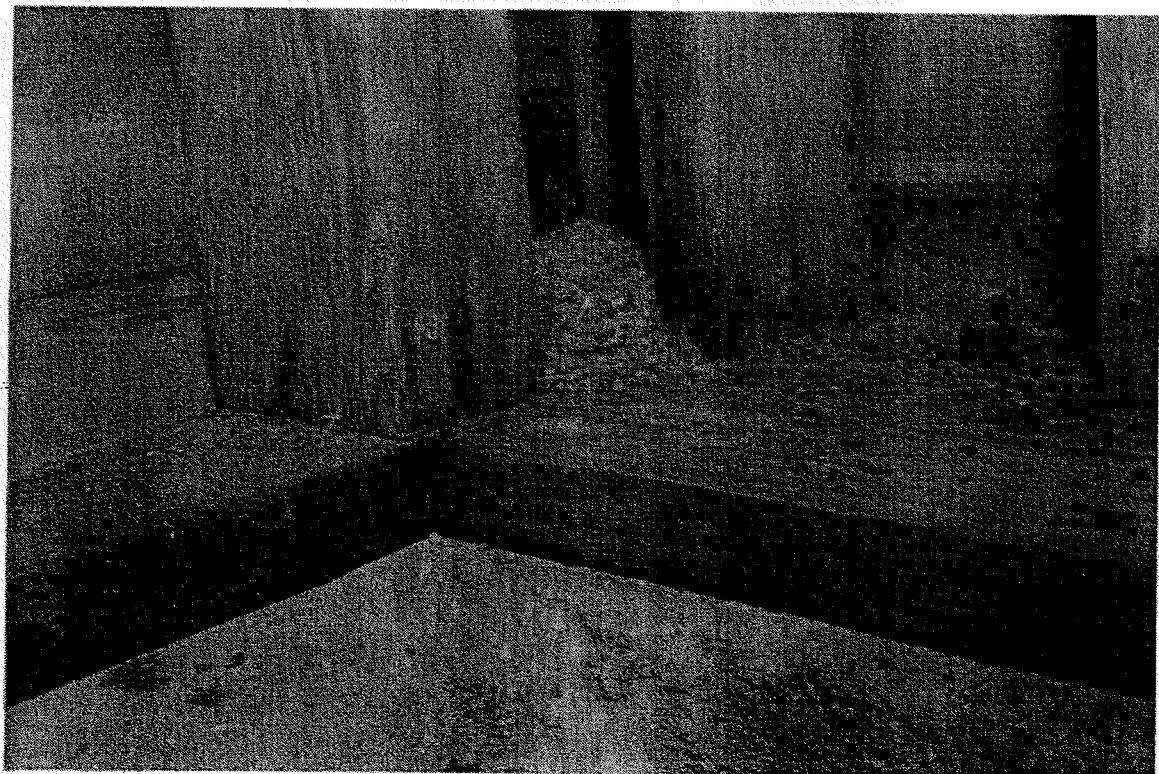
This view is representative of the good condition of the interior roof.



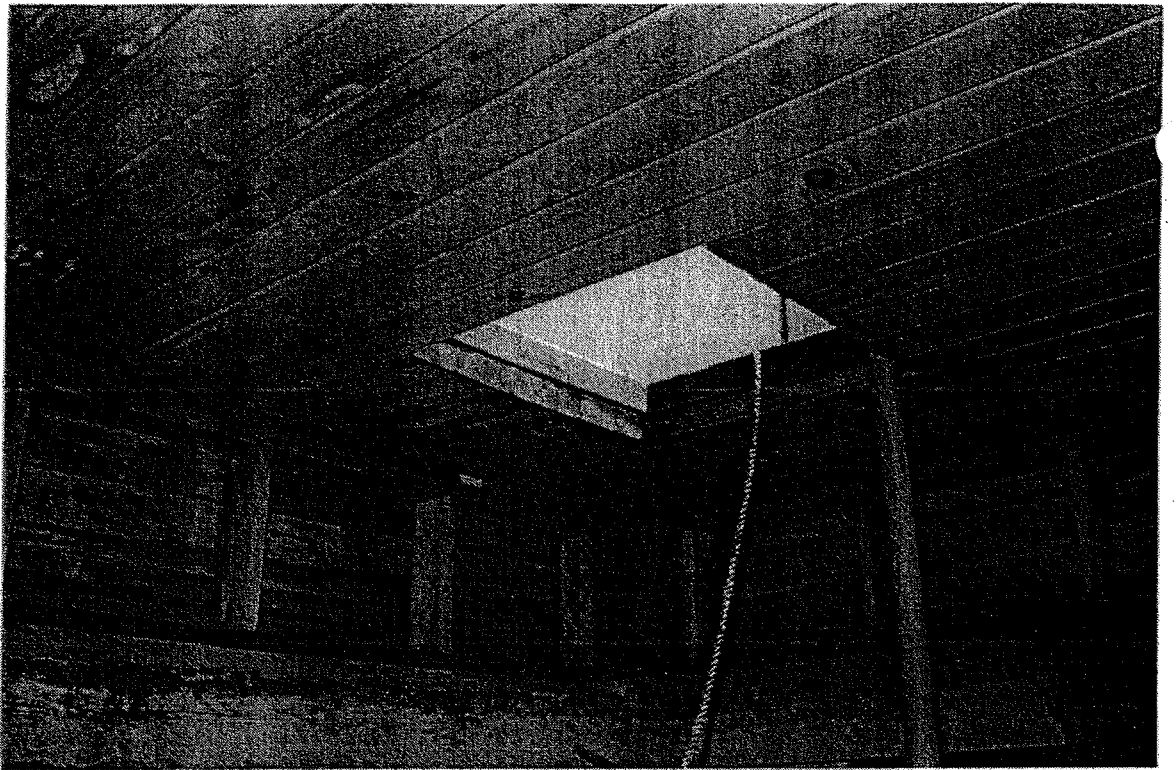
This is an additional view that is representative of the good condition of the interior roof and roof beams.



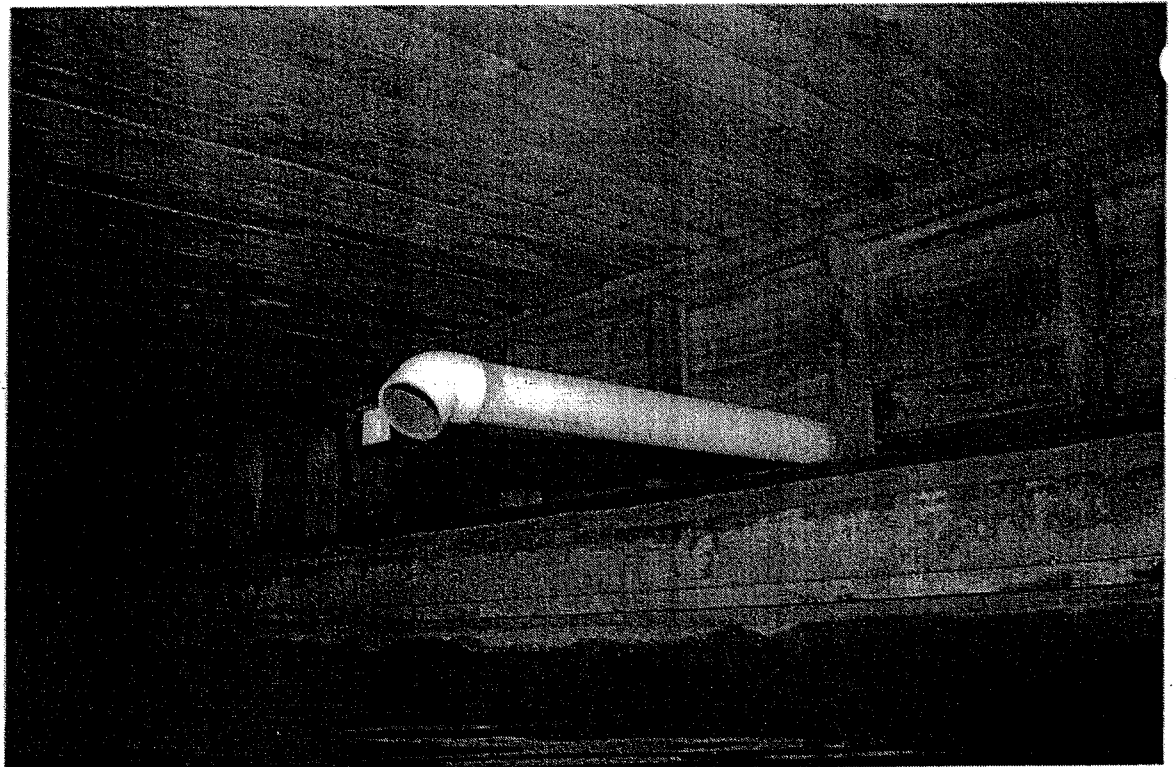
View of liner attachment board and upper liner. Note the green frog on the liner attachment board and the mouse nest in the corner.



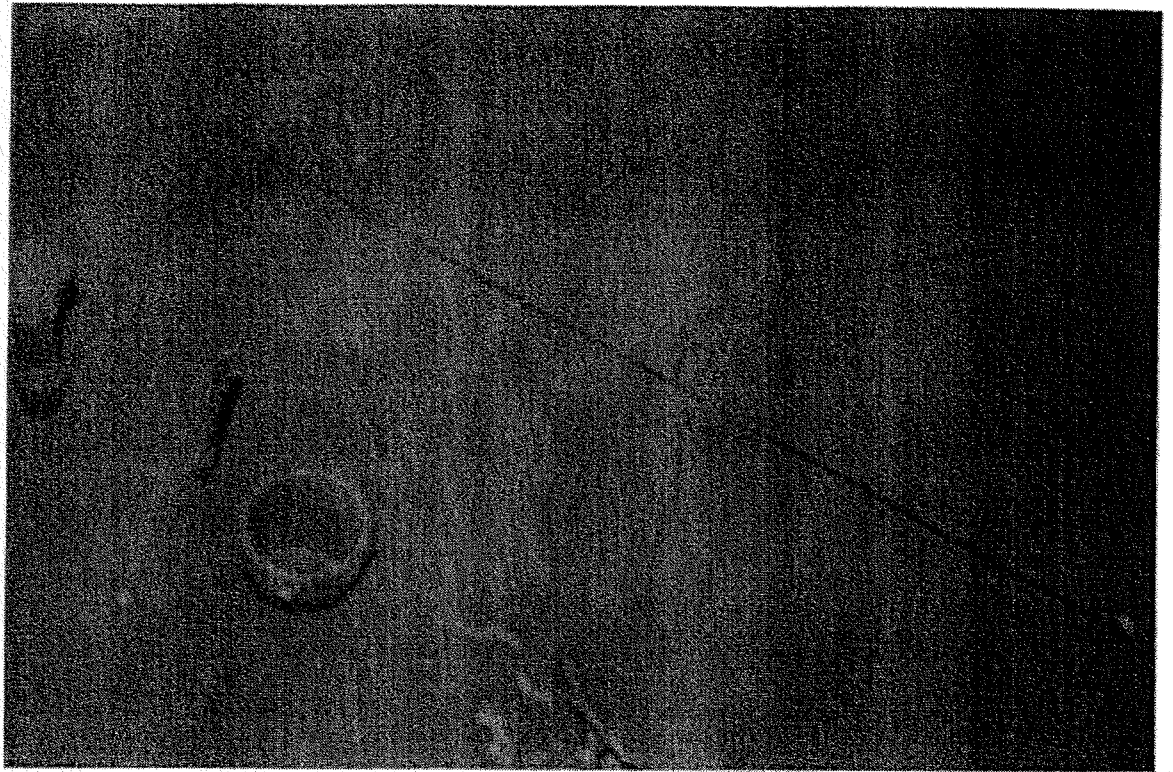
Close view of mouse nest in the southeast corner.



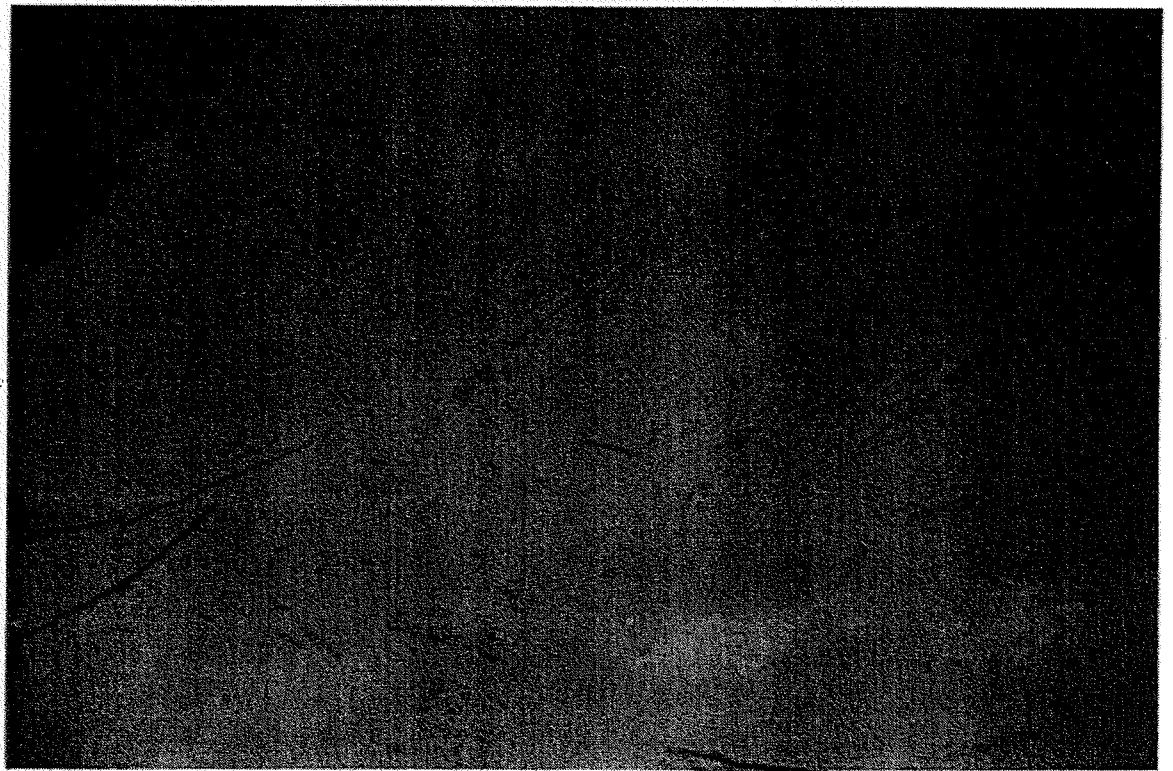
Roof hatch area as viewed from the interior.



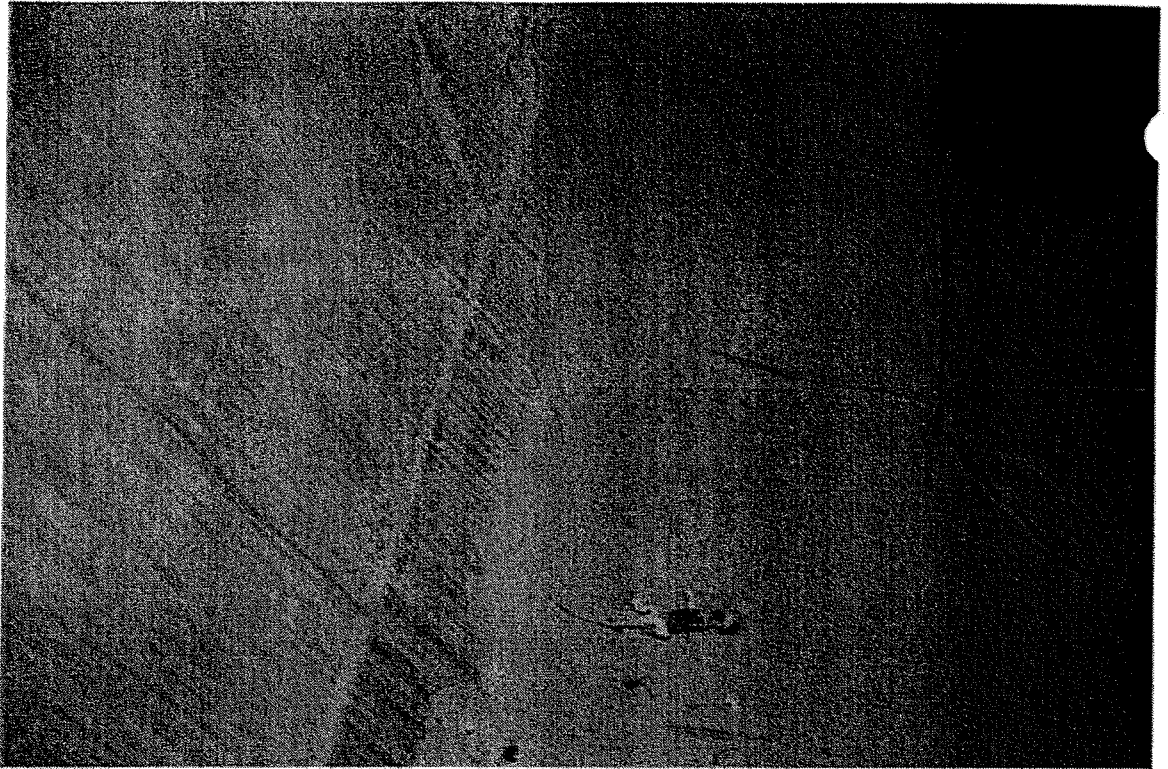
Inlet pipe on the east wall.



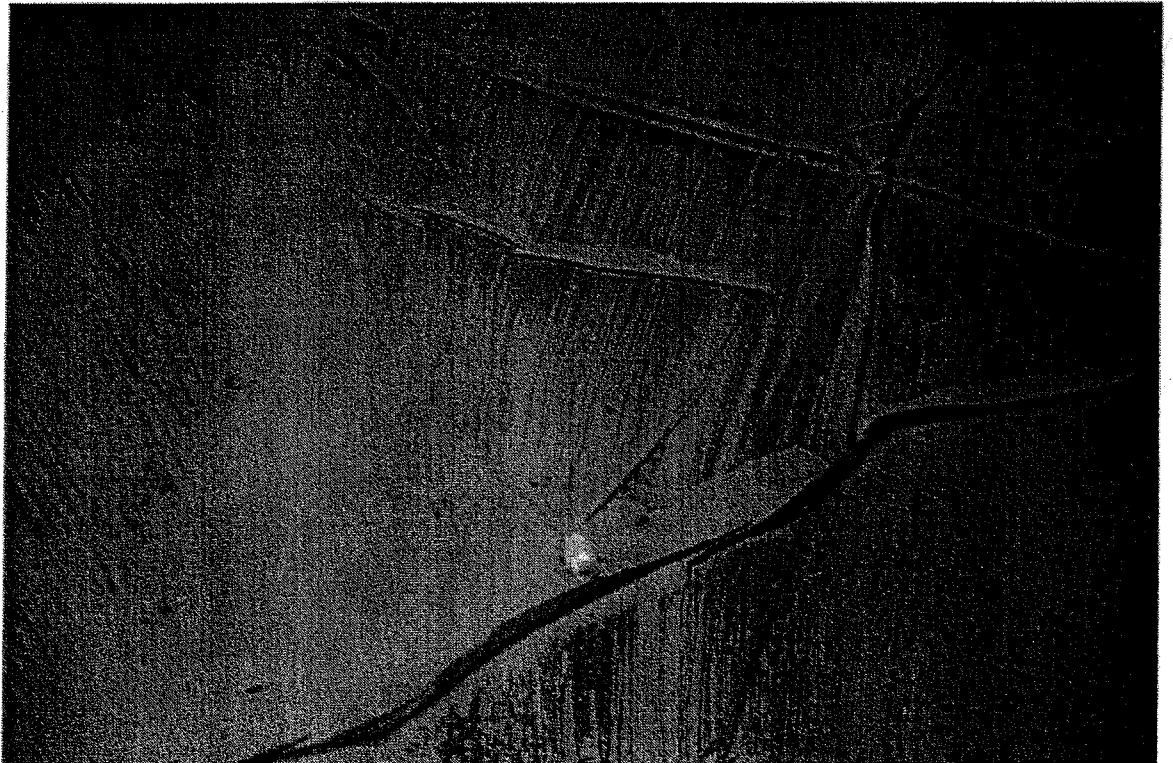
Bottom drain pipe as viewed prior to the vacuuming.



Typical tank bottom prior to vacuuming.



Lizard found on the tank bottom prior to vacuuming.



Mouse on the tank bottom prior to vacuuming.

SAN SIMEON COMMUNITY SERVICE DISTRICT
111 Pico Avenue, San Simeon, CA 93452
(805) 927-4778

Date: August 5, 2003

To: Board of Directors

From: District Counsel

Subject: Authorization for Funding to defending lawsuit entitled *Cavelier Inn v. SSCSD*.

INTRODUCTION:

This report requests that the Board of Directors discuss and authorize \$25,000 out of General Reserve to fund the defense of the above referenced lawsuit.

BACKGROUND:

This lawsuit arises out of the District's alleged wrongful refusal to issue a will-serve letter to Cavalier Inn, Inc., allegedly resulting in Cavalier's inability to reconstruct a restaurant bathroom to comply with laws designed to provide access to disabled persons. The District adamantly denies the allegations.

1. The First Amended Complaint

On April 30, 2002, Carolyn Martin filed a First Amended Complaint in the United States District Court, Central District of California, Case No. CV-02-02259 AHM/PJW against Cavalier Inn, Inc., Cavalier Acres, Inc., Cavalier Investments, Inc. and V & H Holdings, LLC. The First Amended Complaint generally alleges that Martin is a physically disabled person who requires the use of a wheelchair for mobility. The First Amended Complaint also alleges that defendants are the owners of the Cavalier Ocean Front Resort (the "Resort") and the Cavalier Restaurant (the "Restaurant").

The First Amended Complaint further alleges that defendants have failed to provide accessible guest rooms, parking and restaurant facilities including public restrooms that are offered to able-body persons. As a result, plaintiff has allegedly suffered damages. In addition, plaintiff seeks an injunction that would require defendants to provide accessible facilities for physically disabled persons.

The specific causes of action alleged in the First Amended Complaint are as follows:

The first cause of action for “damages and injunctive relief for denial of full and equal access to a public accommodation: public facilities in a public restaurant (§§ 19955 et seq. Health & Safety Code, §54.1 Civil Code)” alleges that upon arriving at the Resort on April 3, 2001, Martin noticed that there were no properly marked or assigned disabled accessible parking spaces for her van. In addition, this cause of action alleges that Martin’s guest room was not wheelchair accessible and there were no accessible features in the guest restroom necessary for her to use the sanitary facilities. As a result, this cause of action alleges that Martin was forced to use a bedpan to relieve herself and was unable to wash herself in the lavatory bath.

This cause of action also alleges there are various other areas within the Resort and Restaurant which were not accessible to handicapped persons. As a result of this lack of disabled access, this cause of action alleges that Martin was unable to return to the Resort and its related facilities without facing continuing discrimination in multiple respects. This cause of action further alleges that Martin has suffered “physical injury and pain and suffering, mental and emotional shock, emotional distress, embarrassment and humiliation, statutory damages and general damages.” In addition, this cause of action alleges that Martin is entitled to trebled damages and injunctive relief.

The second cause of action for “violation of the Americans with Disabilities Act of 1990” alleges that Martin as well as all other disabled wheelchair users have been denied the full and equal access to the Resort and its related facilities in violation of Section 302 of the ADA. As a result of defendants’ alleged violations of the ADA, this cause of action alleges that Martin is entitled to the remedies and procedures set forth in Section 204 (a) of the Civil Rights Act of 1964, injunctive relief as well as attorney’s fees and litigation expenses pursuant to Section 54.3 and 55 of the California Civil Code, Section 19953 of the California Health & Safety Code and Section 1021.5 of the California Code of Civil Procedure.

2. The Cross-Claim for Indemnity and Declaratory Relief Against the District.

On October 21, 2002, cross-claimants, Cavalier Inn, Inc., Cavalier Acres, Inc., Cavalier Investments, Inc. and V & H Holdings, LLC filed a cross-claim for indemnity and declaratory relief against the District. The Cross-Claim generally alleges that on March 9, 1988, San Simeon adopted Ordinance No. 66 to continue in effect a moratorium on the issuance of water and sewer connections within the boundaries of the District (the “Moratorium”). The Cross-Claim also alleges that in 1995, Cavalier applied to the County of San Luis Obispo for a building permit for the remodel of the façade of the Restaurant.

According to the Cross-Claim, on July 7, 1995, the County building department approved Cavalier’s application and issued building permit 96027 (the “Permit”). However, the Permit was allegedly conditioned upon Cavalier’s construction of certain

improvements to the bathroom of the Restaurant to accommodate persons with disabilities.

As required by the County's Building Department, Cavalier allegedly submitted its plan for improvements to the restaurant bathroom to the District in order to obtain a "will-serve letter," verifying that Cavalier would have continued water and sewer service. According to the Cross-Claim, Cavalier's plan to enlarge the restaurant bathroom did not provide for any additional plumbing fixtures or toilets but only an enlargement and reconfiguration of the existing bathroom and its stalls. The Cross-Claim also alleges that the District arbitrarily and capriciously refused to issue a will-serve letter to Cavalier with respect to the restaurant bathroom improvements.

As a result of the District's alleged wrongful denial of a will-serve letter, the Cross-Claim alleges that Cavalier was unable to expand the restaurant bathroom in a manner that would comply with laws designed to provide access to disabled persons. The Cross-Claim further alleges that had Cavalier been able to modify the restaurant bathroom in 1995, the bathroom would have been fully compliant with the ADA and the Unruh Act and would not have presented the conditions alleged in the complain filed by Martin.

The Cross-Claim further alleges that the denial of Cavalier's plans to improve the restaurant bathroom were part of a pattern by the District to deny all requests for permits since the Moratorium was enacted. According to the Cross-Claim, such denials have effectively prevented property owners within the District from modifying their properties to accommodate individuals with disabilities. In addition to preventing other property owners in the District from building accommodations for disabled persons, the Cross-Claim alleges that the District is itself currently in violation of ADA and Unruh Act requirements.

The specific causes of action alleged in the Cross-Claim are as follows:

The first cause of action for "equitable indemnity" alleges that the District was an active participant in some of the occurrences in Martin's complaint and are partly or totally responsible for the damage, if any, allegedly sustained by Martin. Further, this cause of action alleges that should Cavalier be found liable to Martin, Cavalier will be entitled to an apportionment of responsibility attributed to the District as well as attorney's fees pursuant to Cal. Civil Code §55.

The second cause of action for "declaratory relief" alleges that Cavalier is entitled to a judicial declaration with regards to the respective rights and obligations of Cavalier and the District relating to the damages claimed by Martin.

3. SSCSD Defense

Pursuant to the Board's direction, the District has hired the firm Hall & Hieatt to defend the District in this lawsuit. The District has filed an answer denying all

of the allegations asserted by the Cavalier Inn. District Counsel's position is that this is a frivolous lawsuit in that the San Simeon Community Services District has never denied a formal application or request for a will-serve letter from Cavalier Inn related to the provision of water and sewer service for the period of January 1991 through 2000. Furthermore, even if the District had denied service, the District was within its legal right to do deny the application based up Ordinance 66 and that the filing of the lawsuit is beyond all applicable statute of limitations.

The District has filed a Motion to Sever the Cross-Complaint. This would stop the continued legal fees for the time being until after the Complaint was settled or until it went to trial and the Cavalier Inn lost to Plaintiff. We are waiting for a decision from the Judge.

4. Insurance.

SDRMA has determined that the above matter does not trigger any potential for covered liability falling within the memorandum of coverages and therefore will not afford coverage for this case. We are appealing this decision.

To date, the District has received invoices for legal fees in approximately \$10,000. Since this item is not covered by insurance and is not budgeted for, the Board will need to make a motion approving the payment of legal fees to Hall & Hieatt. The additional request for \$15,000 will allow the District to pay Hall & Hieatt for future legal fees associated with the defense of this action.

RECOMMENDATIONS

It is recommended that Board authorize funding in the amount of \$25,000 to defend the lawsuit filed by Cavalier Inn against the District.

MORRO BAY

Desal facility may face obstacles

BOARD DIRECTOR SAYS PROPOSAL HAS MANY PROBLEMS

BY DAVID SNEED
THE TRIBUNE

A desalination plant under consideration near Morro Bay, which would be the first such for-profit facility in the state, faces severe regulatory obstacles.

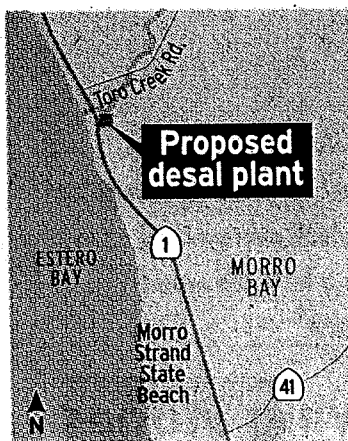
That's the assessment of Peter Douglas, executive director of the state Coastal Commission, which would have to permit the plant before it could be built.

"It's extremely problematic," Douglas said. "I would suggest that these companies come and talk to the Coastal Commission before they go any further."

Among the problems the proposal faces, Douglas said, would be the killing of fish larvae and the potential to encourage growth in the coastal zone.

A group of three engineering firms have proposed building a

Please see DESAL, A6



TRIBUNE MAP

Desal

From Page A1

plant at the old Estero Bay petroleum terminal just north of Morro Bay. The plant would purify at least 3 acre-feet — or 977,700 gallons — of ocean water a day into drinking water.

Dan Johnson, president of DealNATE, one of the firms, said the Coastal Commission and other regulators will be contacted as part of its feasibility study, and Douglas' concerns will be addressed.

"All these issues are being addressed as part of the study," he said. "We should be able to respond favorably."

Active and inactive desalination plants are scattered along the state's coast, but most are owned by public agencies. None have been built as for-profit enterprises.

San Luis Obispo County has two desalination plants. One provides fresh water for Diablo Canyon nuclear power plant and is the largest in the nation. The other is in Morro Bay and is used only as a backup source.

Douglas said the for-profit nature of the proposed plant could cause conflicts with the public trust doctrine. Natural resources, such as ocean water, are meant to belong to everyone and should not be privatized, he said.

"The Coastal Commission has consistently taken the position that the taking of public resources for private gain is simply not good public policy," Douglas said.

Desalination as a source of fresh water has gained considerable popularity in recent years. Advances in technology have made the process of purifying ocean water much more economical.

Officials in Cambria, San Luis Obispo and Nipomo have all expressed an interest in desalination as a new water source. This week, the Coastal Commission will hear a proposal by the city of Long Beach to build a desalination plant.

"Desal is still more expensive than other water sources but not

nearly as much as 10 years ago," said Tom Luster, an environmental analyst with the Coastal Commission.

Desalination is also attractive because it provides local water purveyors a reliable source. Another key supply is state water, which is piped in from Northern California. The reliability of wells and reservoirs in that project can be reduced during droughts.

This upsurge in interest in desalination has prompted the Coastal Commission and other state agencies, as well as the Monterey Bay National Marine Sanctuary, to publish reports on the environmental consequences of new plants.

The Coastal Commission will receive its report Wednesday. In addition to public trust questions, these reports identify these environmental concerns associated with desalination plants:

- Growth. The scarcity of water is one of the main limitations to growth, particularly in coastal the areas of San Luis Obispo County. New desalination plants can induce growth where it might not otherwise occur.

"It is up to local jurisdictions to ensure that a proliferation of desalination facilities does not lead to unsustainable community growth, through responsible planning and limitations on plant capacities," concluded a report published by the Monterey Bay National Marine Sanctuary.

- Larvae mortality. A desalination plant that sucks in ocean water also kills tiny fish and crab larvae. Such mortality can harm populations of some nearshore marine species.

Larvae mortality is considered a major environmental impact of power plants, which also use large quantities of ocean water.

- Brine. Waste water left over from the desalination process is generally twice as salty as ocean water. This brine effluent is denser than seawater and tends to sink to the bottom where it may become concentrated unless steps are taken to mix it with ocean water.