



Pursuant to Government Code Section 54953(e), members of the Board of Directors and staff will participate in this meeting via a teleconference. Members of the public can comment when prompted by unmuting their microphone, and allowing access to their webcam is optional.

**GOVERNING BOARD**

R. Enns, President  
S. Lyon, Vice-President  
R. Frank, Director  
H. Miller, Director  
J. Curti, Director

**CAYUCOS SANITARY DISTRICT**

200 Ash Avenue  
PO Box 333  
Cayucos, California 93430-0333  
805-995-3290

**BOARD OF DIRECTORS  
REGULAR MEETING AGENDA**

**THURSDAY, JULY 21, 2022 AT 5:00PM  
200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430**

Please join our meeting from your computer, tablet or smartphone:

<https://meet.goto.com/AmyLessi/july-bod-regular-meeting>

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**1. ESTABLISH QUORUM AND CALL TO ORDER**

**2. PUBLIC COMMENT:**

This is the time the public may address the Board on items other than those scheduled on the agenda. By conditions of the Brown Act the Board may not discuss issues not posted on the agenda, but may set items for future agendas. Those persons wishing to speak on any item scheduled on the agenda will be given an opportunity to do so at the time that agenda item is being considered. When recognized by the Board President, please stand up and state your name and address for the record (though not required). While the Board encourages public comment, in the interest of time and to facilitate orderly conduct of the meeting, the Board reserves the right to limit individual comments to three minutes.

**3. CONSENT CALENDAR: Recommended to Approve**

Consent Calendar items are considered routine and therefore do not require separate discussion, however, any item may be removed from the Consent Calendar by a member of the Board of Directors for separate consideration. Individual items on the Consent Calendar are approved by the same vote that approves the Consent Calendar, unless an item is pulled for separate consideration.

**A. Regular Meeting Minutes**

1. Approval of minutes for the June 16, 2022 Board of Directors Regular Meeting
2. Approval of minutes for the July 13, 2022 Board of Directors Special Meeting

**B. Financial Reports: June 2022**

1. Check Register – Mechanics Bank (General Checking Account)
2. Check Register – Wells Fargo (General Checking Account)
3. Check Register – Wells Fargo (CIP Checking Account)
4. Cash, Savings, and Investment Report
5. Budget vs. Actual Status Report **FY 2021-2022**
6. Capital Improvement Projects Report
7. Annual Disclosure and Employee Reimbursement Report

Pursuant to Government Code Section 54953(e), members of the Board of Directors and staff will participate in this meeting via a teleconference. Members of the public can comment when prompted by unmuting their microphone, and allowing access to their webcam is optional.

**4. STAFF COMMUNICATIONS AND INFORMATIONAL ITEMS: No Action Required**

**A. District Manager’s Report: June 2022**

**B. New Will-Serves:**

- 249 Ash Ave. / Crye / 064-095-015 / New Lateral Connection

**Extended Will-Serves:**

- 101 N Ocean Ave. / 101 N Ocean Properties LLC / 064-115-023 / CMMCL New

**Finalized Will-Serves:**

- 1975 Cass Ave. / Allen / 064-182-059 / SFR Remodel
- 48 12<sup>th</sup> St. / Kaus / 064-222-014 / SFR New

**Grants Of License:**

None

**5. PRESENTATION OF REPORT REGARDING MISSION COUNTRY DISPOSAL REQUEST FOR SOLID WASTE RATE INCREASE, DISCUSSION AND CONSIDERATION TO SCHEDULE A PUBLIC HEARING TO CONSIDER REQUESTED RATE INCREASE, AND TO DIRECT STAFF TO PREPARE AND DISTRIBUTE A PROPOSITION 218 NOTICE**

**6. DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTION 2022-18 TO AUTHORIZE REMOTE TELECONFERENCING MEETINGS IN ACCORDANCE WITH GOVERNMENT CODE SECTION 54953(e) (AB 361)**

**7. BOARD MEMBER COMMENTS**

This item provides the opportunity for Board members to make brief announcements and/or briefly report on their own activities related to District business.

**8. FUTURE SCHEDULED MEETINGS**

- August 18, 2022 – Regular Board Meeting
- September 15, 2022 – Regular Board Meeting
- October 20, 2022 – Regular Board Meeting

**9. ADJOURNMENT**

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This agenda was prepared and posted pursuant to Government Code Section 54954.2. The agenda, staff reports or other documentation relating to each item of business referred to on the agenda can be accessed and downloaded from the District’s website at <https://www.cayucosssd.org/board-of-directors-meetings>

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All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the District’s office and are available for public inspection and reproduction at cost. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by the Americans with Disability Act. To make a request for disability-related modification or accommodation, contact the District at 805-995-3290 as soon as possible and at least 48 hours prior to the meeting date.



# CAYUCOS SANITARY DISTRICT

200 Ash Avenue  
PO Box 333  
Cayucos, CA 93430-0333  
805-995-3290

AGENDA ITEM: 3.A.1

DATE: July 21, 2022

ACTION: \_\_\_\_\_

## GOVERNING BOARD

R. Enns, President  
S. Lyon, Vice-President  
H. Miller, Director  
R. Frank, Director  
J. Curti, Director

## BOARD OF DIRECTORS REGULAR MEETING MINUTES THURSDAY, JUNE 16, 2022 AT 5:00 P.M. 200 ASH AVENUE, CAYUCOS, CA 93430

### 1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 5:00 p.m.

Board members present via GoToMeeting: President Robert Enns, Vice-President Shirley Lyon, Director Robert Frank, and Director John Curti

Staff present via GoToMeeting: District Manager Rick Koon and Administrative Services Manager Amy Lessi

### 2. PUBLIC COMMENT

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

### 3. CONSENT CALENDAR: Recommended to Approve

#### A. Regular Meeting Minutes

1. Approval of minutes for the May 19, 2022 Board of Directors Regular Meeting

#### B. Financial Reports: May 2022

1. Check Register – Mechanics Bank (General Checking Account)
2. Check Register – Wells Fargo (General Checking Account)
3. Check Register – Wells Fargo (CIP Checking Account)
4. Cash, Savings, and Investment Report
5. Budget vs. Actual Status Report FY **2021-2022**
6. Capital Improvement Projects Report

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Frank, to approve items on the consent calendar as prepared. Motion was seconded by Curti.

**ROLLCALL VOTE:** Frank-yes, Curti-yes, Lyon-yes, Enns-yes

**VOTE 4-0** Motion passed

### 4. STAFF COMMUNICATIONS AND INFORMATION ITEMS: No Action Required

#### A. District Manager's Report: May 2022

#### B. New Will-Serves:

None

#### Extended Will-Serves:

- 3158 Ocean Blvd. / Hyacinth Group, LP / 064-413-020 / SFR Add.
- 2744 Orville Ave. / Bybee / 064-207-048 / SFR New

#### Finaled Will-Serves:

- 1073 Pacific Ave. / Wolowodiuk / 064-154-020 / SFR New

**Continue-to-Serves (No Will-Serve Required):**

None

**Grants of License:**

None

Manager Koon gave a summary of the previous month's activities. Director Lyon asked if there is an estimate for how long the bridge project will take, and Manager Koon replied about two years. Director Frank requested confirmation that PG&E has yet to send an updated bill/statement for the Treatment Plant since the solar field became operational. Manager Koon confirmed, adding that he now expects them to send a credit statement on July 1.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**Items 4.A – B were received and accepted.**

**5. DISCUSSION AND CONSIDERATION TO APPROVE PAYMENT OF MORRO BAY INVOICE FOR 4th QUARTER OF FY 2020-2021 IN THE AMOUNT OF \$113,068.55**

Manager Koon presented his staff report and the invoice from the City of Morro Bay, recommending approval.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Lyon, to approve payment of Morro Bay invoice for 4th quarter of FY 2020-2021 in the amount of \$113,068.55. Motion was seconded by Frank.

**ROLLCALL VOTE:** Lyon-yes, Frank-yes, Curti-yes, Enns-yes

**VOTE 4-0** Motion passed

**6. DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTION 2022-14 CONFIRMING THE ITEMIZED REPORT TO COLLECT DELINQUENT SEWER SERVICE CHARGES ON THE FISCAL YEAR 2022-2023 COUNTY TAX ROLL**

The report of delinquent sewer service charges was submitted to the Board. Director Curti requested an explanation of how the delinquent charges are paid back to the District, and Manager Koon explained that each customer's delinquent charge is added to the property owner's next two property tax bills. When the customer pays their property tax bill, the County reimburses the District for its share. The reimbursements come in sporadically over the fiscal year following the District's submittal of delinquent charges.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Curti, to adopt Resolution 2022-14 confirming the itemized report to collect delinquent sewer service charges on the Fiscal Year 2022-2023 County Tax Roll. Motion was seconded by Frank.

**ROLLCALL VOTE:** Curti-yes, Frank-yes, Lyon-yes, Enns-yes

**VOTE 4-0** Motion passed

**7. DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTION 2022-15 CONFIRMING THE ITEMIZED REPORT TO COLLECT DELINQUENT SOLID WASTE COLLECTION AND DISPOSAL CHARGES ON THE FISCAL YEAR 2022-2023 COUNTY TAX ROLL**

Mission Country Disposal's report of delinquent solid waste collection and disposal charges was submitted to the Board.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Frank, to adopt Resolution 2022-15 confirming the itemized report to collect delinquent solid waste collection and disposal charges on the Fiscal Year 2022-2023 County Tax Roll. Motion was seconded by Lyon.

**ROLLCALL VOTE:** Frank-yes, Lyon-yes, Curti-yes, Enns-yes

**VOTE 4-0** Motion passed

**8. DISCUSSION AND CONSIDERATION TO APPROVE A CONSULTANT SERVICES AGREEMENT WITH WATER SYSTEMS CONSULTING, INC. IN THE AMOUNT OF \$20,000.00 FOR THE DEVELOPMENT OF THE RECYCLED WATER PROGRAM OUTLINE FOR THE WATER RESOURCE RECLAMATION FACILITY**

Manager Koon reminded the Board of the Recycled Water Program that the District is required to implement in association with the new plant. Director Curti questioned how detailed the plan needs to be at this time, and how often the District will need to update the overseeing agencies of revisions to the preliminary plan. Manager Koon responded that at this stage, the most important thing is to develop a plan. The District will provide updates as necessary.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Frank, to approve a Consultant Services Agreement with Water Systems Consulting, Inc. in the amount of \$20,000.00 for the development of the Recycled Water Program outline for the Water Resource Reclamation Facility. Motion was seconded by Curti.

**ROLLCALL VOTE:** Frank-yes, Curti-yes, Lyon-yes, Enns-yes

**VOTE 4-0** Motion passed

**9. DISCUSSION AN CONSIDERATION TO APPROVE A CONSULTANT SERVICES AGREEMENT WITH WATER SYSTEMS CONSULTING, INC. IN THE AMOUNT OF \$40,000.00 FOR A CONSOLIDATION OF SERVICES STUDY FOR THE COMMUNITY OF CAYUCOS**

The Board discussed consolidating services for the community. If consolidation occurs, Director Frank wondered if the District would receive more revenue from the County to facilitate weed abatement and maintenance. Manager Koon confirmed it would. Director Curti expressed support for the idea, as did President Enns, who added that the recycled water from the WRRF would be ideal in maintaining the grass in the local parks.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Curti, to approve a Consultant Services Agreement with Water Systems Consulting, Inc. in the amount of \$40,000.00 for a Consolidation of Services Study for the community of Cayucos. Motion was seconded by Frank.

**ROLLCALL VOTE:** Curti-yes, Frank-yes, Lyon-yes, Enns-yes

**VOTE 4-0** Motion passed

**10. DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTION 2022-16 TO AUTHORIZE REMOTE TELECONFERENCING MEETINGS IN ACCORDANCE WITH GOVERNMENT CODE SECTION 54953(e) (AB 361)**

Manager Koon reminded the Board that they must adopt this Resolution if they wish to continue with remote meetings.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Frank, to adopt Resolution 2022-16 to authorize remote teleconferencing meetings in accordance with Government Code Section 54953(e) (AB 361). Motion was seconded by Frank.

**ROLLCALL VOTE:** Frank-yes, Curti-yes, Lyon-yes, Enns-yes

**VOTE 4-0** Motion passed

**11. CLOSED SESSION: PUBLIC EMPLOYEE PERFORMANCE EVALUATION PURSUANT TO GOVERNMENT CODE SECTION 54957(b)** Title: District Manager

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

President Enns announced that the Board was going into Closed Session at 5:43 p.m.

**CLOSED SESSION:**

Board members present: President Robert Enns, Vice-President Shirley Lyon, Director Robert Frank, and Director Jon Curti

Staff present: District Manager, Rick Koon

Open Session reconvened at 6:00 p.m.

**ITEMS TO REPORT FROM CLOSED SESSION:**

None

**12. BOARD MEMBER COMMENTS**

None

**13. FUTURE SCHEDULED MEETINGS**

- July 21, 2022 – Regular Board Meeting
- August 18, 2022 – Regular Board Meeting
- September 15, 2022 – Regular Board Meeting

**14. ADJOURNMENT**

The meeting adjourned at 6:09 p.m.

**Minutes Respectfully Submitted By:**

X Amy Lessi

Amy Lessi  
Administrative Services Manager





## CAYUCOS SANITARY DISTRICT

200 Ash Avenue  
PO Box 333  
Cayucos, CA 93430-0333  
805-995-3290

AGENDA ITEM: 3.A.2

DATE: July 21, 2022

ACTION: \_\_\_\_\_

### GOVERNING BOARD

R. Enns, President  
S. Lyon, Vice-President  
H. Miller, Director  
R. Frank, Director  
J. Curti, Director

### BOARD OF DIRECTORS SPECIAL MEETING MINUTES WEDNESDAY, JULY 13, 2022 AT 9:00 A.M. 200 ASH AVENUE, CAYUCOS, CA 93430

#### 1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 9:00 a.m.

Board members present via GoToMeeting: President Robert Enns, Vice-President Shirley Lyon, Director Robert Frank, and Director John Curti

Staff present via GoToMeeting: District Manager Rick Koon and Administrative Services Manager Amy Lessi

#### 2. PUBLIC COMMENT

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

#### 3. DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTION 2022-17 TO AUTHORIZE REMOTE TELECONFERENCE MEETINGS IN ACCORDANCE WITH GOVERNMENT CODE SECTION 54953(e) (AB361)

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Curti, to adopt Resolution 2022-17 to authorize remote teleconference meetings in accordance with Government Code Section 54953(e) (AB361). Motion was seconded by Frank.

**ROLLCALL VOTE:** Curti-yes, Frank-yes, Lyon-yes, Enns-yes

**VOTE 4-0** Motion passed

#### 4. ADJOURNMENT

The meeting adjourned at 9:02 a.m.

Minutes Respectfully Submitted By:

X *Amy Lessi*

Amy Lessi  
Administrative Services Manager

**Cayucos Sanitary District  
 General Checking - Mechanic's Bank  
 (Payments Only)  
 June 2022**

AGENDA ITEM: <u>3.B.1</u>
DATE: <u>July 21, 2022</u>

Date	Num	Name	Amount
06/01/2022	22956	Postmaster	-673.35
06/06/2022	22968	Cayucos Sanitary District Wells Fargo Acct.	-520,000.00
<b>Total Operating Expenses</b>			<b>-520,673.35</b>



**Cayucos Sanitary District  
General Checking - Wells Fargo  
(Payments Only)  
June 2022**

AGENDA ITEM: 3.B.2

DATE: July 21, 2022

Date	Num	Name	Amount
06/03/2022	23061	ABALONE COAST ANALYTICAL, INC.	-2,447.00
06/03/2022	23062	CAYUCOS BEACH MUTUAL WATER CO. #1	-106.72
06/03/2022	23063	CAYUCOS BEACH MUTUAL WATER CO. #2	-146.80
06/03/2022	23064	EXXONMOBIL	-1,061.33
06/03/2022	23065	KITZMAN WATER	-35.00
06/03/2022	23066	MORRO ROCK MUTUAL WATER CO. UTILITY 782	-84.68
06/03/2022	23067	QUICK TECH COMPUTERS	-1,480.00
06/03/2022	23068	SOCAL GAS	-44.25
06/03/2022	23069	SPEEDY COASTAL MESSENGER, INC.	-545.00
06/03/2022	23070	STREAMLINE	-200.00
06/03/2022	23071	USA BLUE BOOK	-187.90
06/05/2022	HLTH060522	CALPERS (HEALTH)	-12,723.76
06/05/2022	60211622151	ALLIED ADMINISTRATORS FOR DELTA DENTAL	-679.19
06/07/2022	23072	CHARTER INTERNET	-939.48
06/07/2022	23073	COASTAL ROLL OFF SERVICE	-3,282.63
06/07/2022	23074	HACH	-187.39
06/07/2022	23075	MISSION COUNTRY DISPOSAL - WRRF	-182.22
06/07/2022	23076	WELLS FARGO VENDOR FIN SERV	-387.43
06/07/2022	23077	XYLEM WATER SOLUTIONS U.S.A., INC.	-507.00
06/08/2022	23078	SWRCB/DWOCP	-60.00
06/18/2022	23079	PATHIAN ADMINISTRATORS	-186.15
06/08/2022	23080	SWRCB/DWOCP	-65.00
06/08/2022	23081	SWRCB/DWOCP	-65.00
06/08/2022	23082	POLYDYNE INC.	-4,127.06
06/09/2022		QuickBooks Payroll Service	-18,092.62
06/09/2022	23084	CARMEL & NACCASHA, LLP	-1,700.06
06/09/2022	23085	FIIX (ROCKWELL)	-529.65
06/09/2022	23086	PG&E LS#1	-454.75
06/09/2022	23087	PG&E LS#2	-800.36
06/09/2022	23088	PG&E LS#3	-128.90
06/09/2022	23089	PG&E LS#4	-371.36
06/09/2022	23090	PG&E LS#5	-2,518.62
06/09/2022	23091	PG&E OFFICE	-191.02
06/09/2022	23092	PG&E WELL	-10.11
06/10/2022	DD06102201	COLLINS, JONATHAN W	0.00
06/10/2022	DD06102202	GOOD, GAYLE	0.00
06/10/2022	DD06102203	HOOPER, SARAH L	0.00
06/10/2022	DD06102204	KOON, RICHARD L	0.00
06/10/2022	DD06102205	LAKEY, NICK E	0.00
06/10/2022	DD06102206	LESSI, AMY M	0.00
06/10/2022	DD06102207	OWENS, JUSTIN D	0.00
06/10/2022	DD06102208	WINN, CHRISTOPHER M	0.00
06/10/2022	EDD06102022	EDD	-1,672.41
06/10/2022	FED06102022	US TREASURY	-7,645.94

Date	Num	Name	Amount
06/10/2022	PERS061022	CALPERS (RETIREMENT)	-4,300.53
06/10/2022	DEF06102022	CALPERS (RETIREMENT)	-1,375.00
06/14/2022		QuickBooks Payroll Service	-2,599.72
06/14/2022	23093	CAYUCOS SANITARY DISTRICT WELLS FARGO ACT	-1,897.55
06/14/2022	23094	CSA 10A SLO CO PW LS#3	-198.10
06/15/2022	DD06152202	WINN, CHRISTOPHER M	0.00
06/15/2022	DD06152201	COLLINS, JONATHAN W	0.00
06/15/2022	EDD061522	EDD	-187.53
06/15/2022	FED061522	US TREASURY	-879.06
06/15/2022	23095	BREZDEN PEST CONTROL	-371.00
06/15/2022	23096	CALNET3	-401.33
06/15/2022	23097	CSA 10A SLO CO PW LS#4	-198.10
06/15/2022	23098	FIRSTNET (AT&T)	-370.63
06/15/2022	23099	GRAINGER	-126.88
06/15/2022	23100	N. BRENT KNOWLES CONSTRUCTION	-30,920.56
06/15/2022	23101	USA BLUE BOOK	-83.90
06/15/2022	23102	PRINTING SYSTEMS, INC.	-1,102.77
06/21/2022	23103	CAYUCOS BEACH MUTUAL WATER CO. Jet	-66.80
06/21/2022	23104	COASTAL COPY, INC	-40.81
06/21/2022	23105	EXECUTIVE JANITORIAL	-225.00
06/21/2022	23106	MORRO ROCK MUTUAL WATER CO.	-82.53
06/23/2022		QuickBooks Payroll Service	-19,103.06
06/23/2022	23108	COASTAL COPY, INC	-9.78
06/24/2022	DD06242201	COLLINS, JONATHAN W	0.00
06/24/2022	DD06242202	GOOD, GAYLE	0.00
06/24/2022	DD06242203	HOOPER, SARAH L	0.00
06/24/2022	DD06242204	KOON, RICHARD L	0.00
06/24/2022	DD06242205	LAKEY, NICK E	0.00
06/24/2022	DD06242206	LESSI, AMY M	0.00
06/24/2022	DD06242207	OWENS, JUSTIN D	0.00
06/24/2022	DD06242208	WINN, CHRISTOPHER M	0.00
06/24/2022	EDD062422	EDD	-1,842.11
06/24/2022	FED062422	US TREASURY	-8,188.68
06/24/2022	PERS062422	CALPERS (RETIREMENT)	-4,312.80
06/24/2022	DEF062422	CALPERS (RETIREMENT)	-1,375.00
06/27/2022	23109	SOCAL GAS	-39.03
06/30/2022	23110	BECK'S WELDING	-215.00
06/30/2022	23111	BUSINESS CARD 4841	-248.59
06/30/2022	23112	BUSINESS CARD 8913	-1,896.19
06/30/2022	23113	MINER'S ACE HARDWARE	-272.13
06/30/2022	23114	MISSION UNIFORM SERVICE	-555.62
06/30/2022	23115	RADWELL INTERNATIONAL, INC.	-1,681.50
06/30/2022	23116	USA BLUE BOOK	-19.25
06/30/2022	23117	WATER SYSTEMS CONSULTING, INC.	-1,950.00
06/30/2022	23118	CITY OF MORRO BAY	-113,068.55
06/30/2022	99560610222	COLONIAL LIFE INSURANCE PREMIUMS	-52.58
06/30/2022	23119	EXXONMOBIL	-595.84
<b>Total Operating Expenses</b>			<b>-264,700.30</b>

**Cayucos Sanitary District  
CIP Checking - Wells Fargo  
(Payments Only)  
June 2022**

<b>AGENDA ITEM: <u>3.B.3</u></b>
<b>DATE: <u>July 21, 2022</u></b>

<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Amount</u>
06/09/2022	11519	Carmel & Naccasha, LLP	-360.81
06/15/2022	11520	Souza Construction, Inc.	-231,525.79
06/30/2022	11521	Water Systems Consulting, Inc.	-818.75
		<b>Total CIP Expenses</b>	<b><u>-\$232,705.35</u></b>

## Cayucos Sanitary District Cash, Savings and Investment Report June 2022

AGENDA ITEM: 3.B.4

DATE: July 21, 2022

Bank Accounts	Current Balance	
Mechanic's Bank Checking	\$86,053	
Wells Fargo Checking - new general	\$251,113	
Wells Fargo CIP	\$1,207,535	
Wells Fargo Savings (CFF)	\$217,416	
Mechanic's Bank - USDA	\$531,196	
Wells Fargo - USDA (new)	\$95,944	
Petty Cash	\$175	
LAIF	\$8,481	
<b>Total</b>	<b>\$2,397,913</b>	
<b>Investments</b>		
CalTrust	\$1,626,753	
Cetera Cash/MM	\$4,608	
Cetera Treasury/Securities	\$59,985	(Fixed Income)
<b>Total</b>	<b>\$1,691,346</b>	
<b>Grand Total</b>	<b>\$4,089,259</b>	
MCD Rabobank Deposit CD	\$25,000	Franchise Deposit on Hold

**Cayucos Sanitary District  
FY 21/22 Financial Report  
Budget vs. Actual  
June 2022**

AGENDA ITEM: 3.B.5

DATE: July 21, 2022

	Current Month	YTD Actual Rev/Exp	YTD Budget	Approved Budget 21/22	% of Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
<b>4000 · SEWER INCOME</b>	300,723	3,202,218	3,061,150	3,061,150	105%
<b>4100 · WILL SERVE INCOME</b>	8,335	61,531	35,200	35,200	175%
<b>4200 · RENTAL INCOME</b>	-	6,469	38,800	38,800	17%
<b>4300 · SOLID WASTE INCOME</b>	15,003	91,990	89,600	89,600	103%
<b>4400 · SLOCO TAX ASSESSMENTS</b>	16,595	1,043,987	1,018,400	1,018,400	103%
<b>4500 · SAVINGS INTEREST INCOME</b>	1	49	100	100	49%
<b>4600 · INVESTMENT INTEREST</b>	1,801	12,888	18,500	18,500	70%
<b>4700 · OTHER INCOME</b>	-	2,299	4,600	4,600	50%
<b>Total Income</b>	<u>342,458</u>	<u>4,421,432</u>	<u>4,266,350</u>	<u>4,266,350</u>	<u>104%</u>
<b>Expense</b>					
<b>5000 · PAYROLL EXPENSES</b>					
<b>5100 · ADMINISTRATIVE PAYROLL</b>	27,488	358,547	350,900	350,900	102%
<b>5200 · COLLECTIONS PAYROLL</b>	11,795	147,307	195,450	195,450	75%
<b>5300 · TREAT PAYROLL</b>	23,336	246,091	200,250	200,250	123%
<b>5400 · DIRECTOR PAYROLL</b>	-	7,450	8,000	8,000	93%
<b>5500 · VESTED PAYROLL BENEFITS</b>	708	5,517	5,400	5,400	102%
<b>5600 · ADMIN PAYROLL TAXES &amp; BENEFITS</b>	9,924	130,154	138,700	138,700	94%
<b>5700 · COLL PAYROLL TAXES &amp; BENEFITS</b>	7,310	108,676	113,700	113,700	96%
<b>5800 · TREAT PAYROLL TAXES &amp; BENEFITS</b>	4,564	74,166	73,500	73,500	101%
<b>5900 · DIRECTOR PAYROLL TAXES &amp; BENEFITS</b>	-	570	500	500	114%
<b>Total 5000 · PAYROLL EXPENSES</b>	<u>85,125</u>	<u>1,078,478</u>	<u>1,086,400</u>	<u>1,086,400</u>	<u>99%</u>
<b>6000 · OPERATING EXPENSES</b>					
<b>6050 · SPECIAL PROJECTS</b>	-	-	13,000	13,000	0%
<b>6100 · ADMIN OPERATING EXPENSES</b>	4,916	1,047,571	1,312,200	1,312,200	80%
<b>6500 · COLLECTIONS OPERATING EXPENSES</b>	7,764	149,120	213,200	213,200	70%
<b>7000 · TREATMENT OPERATING EXPENSES</b>	44,934	550,860	1,438,300	1,438,300	38%
<b>Total 6000 · OPERATING EXPENSES</b>	<u>57,615</u>	<u>1,747,550</u>	<u>2,976,700</u>	<u>2,976,700</u>	<u>59%</u>
<b>Total Expense</b>	<u>142,740</u>	<u>2,826,029</u>	<u>4,063,100</u>	<u>4,063,100</u>	<u>70%</u>
<b>Net Ordinary Income</b>	<u>199,718</u>	<u>1,595,403</u>	<u>203,250</u>	<u>203,250</u>	
<b>Net Income</b>	<u><u>199,718</u></u>	<u><u>1,595,403</u></u>	<u><u>203,250</u></u>	<u><u>203,250</u></u>	

**Cayucos Sanitary District  
Capital Improvement Projects Report  
FY 21/22  
June 2022**

AGENDA ITEM: 3.B.6

DATE: July 21, 2022

	<b>Current Month</b>	<b>YTD Actual Rev/Exp</b>	<b>Approved Budget 21/22 Amended Aug 19, 2021</b>	<b>Percent Used YTD</b>
<b>CAPITAL IMPROVEMENTS</b>				
<b>1601 - Sewer Main Replacements</b>	0.00	0.00	25,000.00	0%
<b>1601.02 - Chaney to LS #5</b>	0.00	0.00	35,000.00	0%
<b>1615 - Outfall Tie-In</b>	0.00	4,365.52	45,000.00	10%
<b>1616 - RWQCB Recycled Water Program</b>	0.00	0.00	20,000.00	0%
<b>1650 - WRRF Improvements</b>				
<b>1650.1 - Forklift</b>	0.00	77,668.31	75,000.00	104%
<b>Total 1600 CAPITAL IMPROVEMENTS</b>	<b>\$0.00</b>	<b>\$82,033.83</b>	<b>\$200,000.00</b>	<b>41%</b>



## CAYUCOS SANITARY DISTRICT

**TO:** BOARD OF DIRECTORS  
**FROM:** GAYLE GOOD, ADMINISTRATIVE ACCOUNTING MANAGER  
**DATE:** JULY 21, 2022  
**SUBJECT:** ANNUAL REIMBURSEMENT REPORT

**Background:** In accordance with Government Code 53065.5:

*"Each special district, as defined by subdivision (a) of Section 56036, shall, at least annually, disclose any reimbursement paid by the district within the immediately preceding fiscal year of at least one hundred dollars (\$100) for each individual charge for services or product received. "Individual charge" includes, but is not limited to, one meal, lodging for one day, transportation, or a registration fee paid to any employee or member of the governing body of the district. The disclosure requirement shall be fulfilled by including the reimbursement information in a document published or printed at least annually by a date determined by that district and shall be made available for public inspection."*

I have reviewed the Accounts Payable records for the fiscal year ended 6/30/2022, and found the following charges are subject to disclosure:

<b>Individual</b>	<b>Description</b>	<b>Amount Paid</b>
Sarah Hooper	Work Boot Allowance	\$144.79
Rick Koon	Mechanic's Toolbox for WRRF	\$1,800.00
Justin Owens	Work Boot Allowance	\$146.80
Christopher Winn	Work Boot Allowance & Testing	\$353.28





AGENDA ITEM: 4.A

DATE: July 21, 2022

## CAYUCOS SANITARY DISTRICT

**TO: BOARD OF DIRECTORS**

**FROM: RICK KOON, DISTRICT MANAGER**

**SUBJECT: MONTHLY MANAGER'S REPORT: JUNE 2022**

**DATE: JULY 12, 2022**

### **ADMINISTRATIVE:**

- The District continues to adjust the COVID -19 protection protocols for all employees as required by Cal-OSHA, state and local directives.
- All District staff has been busy as other staff is taking turns cycling through various vacations. This will continue through August.
- Treatment staff conducted plant tours of the WRRF for the Board and staff of the RWQCB on June 17<sup>th</sup>, and for 11 members of the Cayucos Lionesses on July 6<sup>th</sup>.
- District staff and WSC are having a final walk-through with punch list items for Cushman for the 1-year anniversary of completion.
- The District received its yearly encroachment permit from SLO County Public Works.
- In order to comply with AB 361 the Board will need to pass another resolution at the August meeting to continue with remote meetings.

### **CAPITAL PROJECTS:**

- The District continues to work on the Recycled Water Plan.
- Longitude 123 is completing the final hookup of the Cathodic protection system for the outfall.

# OPERATIONS AND MAINTENANCE

## June 2022

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### Daily Operations of Note:

- Pump down, scrape, and bleach wet wells; test backup generators
- Clean WRRF coarse screens
- Pressure wash bio basins, handrails and walkways
- Clean screw press
- Test all alarms at lift stations
- Jet 2056' of main line
- Target Solutions Training for SDRMA
- Lift Station 5 warranty walk w/ WSC & Raminha
- JC and JO attended hydro excavation course at City of SLO
- Pump out WRRF force main
- Respond to 38 USAs
- Sweep and mop shop
- Clean and polish lift station MCC
- Attend Vogelsang lobe pump rebuild webinar
- Inspect all lift station emergency generator batteries and check capacity
- Install new flowmeter at Lift Station 5
- Scott O'Brien Fire Safety inspected and certified extinguishers
- Repair fuel filler enclosure lid, treat and paint rust on Lift Station 1 fuel tank
- Check and clean eye wash stations

### Call Outs:

- 6/4/22 JO – Lift Station 5 VFD faults

# WATER RESOURCE RECOVERY FACILITY

## June 2022

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### Daily Operations of Note:

- Completed all monthly, weekly and daily maintenance tasks
- Exercised generator
- Calibrated on-line meters
- Checked eyewash stations and fire extinguishers
- Completed all daily and weekly lab tests
- Completed HCIPs (Clean-In-Place with sodium hypochlorite) on all membranes

### WRRF Effluent

- 6.20 million gallons



**AGENDA ITEM: 5**  
**DATE: July 21, 2022**

# CAYUCOS SANITARY DISTRICT

**TO: BOARD OF DIRECTORS**

**FROM: RICK KOON, DISTRICT MANAGER**

**DATE: JULY 14, 2022**

**SUBJECT: PRESENTATION OF REPORT REGARDING MISSION COUNTRY DISPOSAL REQUEST FOR SOLID WASTE RATE INCREASE, DISCUSSION AND CONSIDERATION TO SCHEDULE A PUBLIC HEARING TO CONSIDER REQUESTED RATE INCREASE, AND TO DIRECT STAFF TO PREPARE AND DISTRIBUTE A PROPOSITION 218 NOTICE**

## **DISCUSSION:**

The Franchise Agreement with Mission Country Disposal requires, among other things, that MCD provide solid waste, recyclable materials, and green waste collection and disposal services for the District. The Agreement also spells out MCD’s allowable profit and the rate adjustment review process.

On October 20, 2021, MCD submitted a Base Year rate increase application to be effective January 1, 2022 to the CCSD. However, due to complexity, concerns with pending rate increases by the Integrated Waste Management Authority (IWMA) and significant subsequent reviews and information exchanges, a revised application was submitted on March 24, 2022. In its revised application, MCD is requesting a rate increase of 43.30% compared with an initial rate request in October 2021 of 45.93% (about a 2.5% decrease).

Under the Agreement, rates are to be calculated in accordance with the “City of San Luis Obispo Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates.” Accordingly, the District retained Mr. Bill Statler to provide an independent review of the rate adjustments being proposed by MCD. Mr. Statler is the former Finance Director for the City of San Luis Obispo and one of the authors of the manual noted above. His report regarding the proposed rate increase is attached and he will be presenting his findings at the Board meeting and will be available to answer questions. Mr. Statler’s report noted that “Although at first glance these percentages may be alarming, the weekly impact to rates for three weekly services (garbage, recycling and organics) is reasonable.”

Mr. Statler’s analysis evaluated “Key Cost Drivers,” which include Depreciation, Greenwaste, Direct Labor, Insurance and Gas and Oil, as well as the allowable 8%

operating profit ratio. His report also noted that there are two key cost differences between the initial and revised application:

- Greenwaste processing costs have been reclassified as “pass-through” costs: while costs may be recovered, no profit is allowed on them.
- IWMA fees have been excluded from the fee analysis. These are approved by a separate agency and will be charged separately on customer bills.

Mr. Statler’s report also noted the following:

***High Level of Service at a Reasonable Cost.*** MCD provides a broad level of high-quality services to these two agencies – including garbage, recycling and green waste collection and disposal as well as hauler-provided “waste wheeler” containers for all three services – at competitive rates compared with many other communities.

In addition, Mr. Statler’s report includes a discussion of Delayed Rate Implementation increases on page 3, which describes a proposal to allow MCD to recoup rates that may have been collected during delays in the consideration of the rate review application. The District has not previously approved delayed implementation rates. However, the Manual does provide for this possibility if there is a delay in implementation of a rate increase of more than 120 days after application if it is “no fault of the franchise hauler.” Given the initial October 20, 2021 submittal date, this would indicate rate approval may have been necessary by March 1<sup>1</sup>. Four of the factors that mitigate this 120-day period are identified and discussed in Mr. Statler’s report as follows:

1. When the 120-day period was set, the understanding at the time was that the Proposition 218 45-day notice and protest requirements did not apply to approval of private company solid waste rates.
2. Review was delayed pending consideration of rate increases by the IWMA and their possible impact on MCD’s rates. These new rates were not adopted by the IWMA until March 9, 2022. Moreover, it was subsequently determined that since these rates are set by the IWMA – and not the franchising agencies – that they did not affect agency rate-setting. (As noted above, this resulted in a revised application from MCD on March 24, 2022).
3. While MCD has been very responsive in following-up on requests for supporting data, the scope and complexity of the 2022 application has been significantly greater, and subsequently taken longer, than envisioned in the Rate Manual. The Rate Manual sets forth nine steps in the review process, with target schedules for each step leading to the cumulative 120- day target. However, each step provides for extended days based on the need for added agency review. So, the 120 day schedule is not an absolute target without regard for complexity. Moreover, in a strict interpretation, a case could be made that the 120-day period does not begin until the receipt of

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<sup>1</sup> Due to complexity, concerns with pending rate increases by the IWMA and significant subsequent reviews and information exchanges, a revised application was submitted on March 24, 2022.

the revised application in March 2022. However, there were iterations and discussion prior to then that are reasonably related to review prior to the revised submittal.

4. Lastly, concern surfaced about Cambria current rates based on the 2019 rate analysis compared with 2021 rate application. This concern has been resolved and the current rates shown in the 2021 application are correct.

In accounting for these factors, Mr. Statler and staff recommend that Delayed Rate implementation apply for the period between July 1, 2022, and the Board’s approval of the rate adjustments, anticipated to be considered on September 15, 2022, as discussed further below. While delays in completion of the analysis of the rate review application were “no fault” of MCD, they were not the fault of the District either. MCD believes the delayed rate implementation should start sooner.

As set forth in Mr. Statler’s report, the proposed Temporary Delayed Implementation Rate Increase is shown in the table below and depends on two variables, the retroactive start date and the effective date. Rates would be reset in January 2023 to the “core rate” for the Interim Year adjustment:

**Table 3(a). Temporary Delayed Implementation Rate Increase\***

Temporary Rate Increase Effective Date*	Retroactive Date					
	May 1		June 1		July 1	
	Cambria	Cayucos	Cambria	Cayucos	Cambria	Cayucos
July 1	13.82%	14.43%	6.91%	7.22%	0.00%	0.00%
August 1	24.88%	25.98%	16.58%	17.32%	8.29%	8.66%
September 1	41.46%	115.47%	31.10%	32.48%	21.65%	20.73%
October 1	69.10%	72.17%	55.28%	57.73%	41.46%	43.30%

\* Ends December 31, 2022

The following summarizes the temporary rate impact through December 31, 2022.

**Table 3(b). Combined Temporary Delayed Implementation Rate Increase**

Temporary Rate Increase Effective Date	Retroactive Date		
	May 1	June 1	July 1
	Cayucos	Cayucos	Cayucos
July 1	57.73%	50.52%	0.00%
August 1	69.28%	60.62%	51.96%
September 1	158.77%	75.78%	64.03%
October 1	115.47%	101.03%	86.60%

**Temporary delayed rate impact: ends March 31, 2023.** All other agencies in San Luis Obispo County considering rate increases serviced by companies affiliated with Waste Connections (such as South County Sanitary Service, providing services to the cities of Arroyo Grande, Grover Beach, Pismo Beach and nearby unincorporated areas; and San Luis Garbage Company, providing services to the City of San Luis Obispo and nearby

unincorporated areas) have also faced temporary delayed rate increases. In all of these agencies, the delayed rate amortization period ended with December 31, 2022. Along with other factors, this has advantage of simplifying the return to the “core rate” effective with January 1, 2023.

However, in mitigating the impact of the temporary delayed rate increase, an option is to extend the amortization period beyond December 31, 2022. The following are examples for Cambria and Cayucos of how the temporary rate would be lessened if the:

- Temporary delayed increase date is July 1, 2022.
- Effective date is October 1, 2022.
- End date is March 31, 2023 (three months beyond December 31, 2022).

**Table 3(c). March 31, 2023 Delayed Rate Increase End Date**

Temporary Rate Increase	July 1 Retroactive Date			
	Temporary Delayed		Combined Delayed & Core Rate Increase	
	Cambria	Cayucos	Cambria	Cayucos
October 1	20.73%	21.65%	62.19%	64.95%

*\* Ends March 31, 2023*

In summary, excluding the Delayed Implementation Rate Increase, Mr. Statler is recommending that the District adopt an across-the-board rate increase of 43.30%. Table 4 from his report summarizes the proposed monthly rates for single family residential (SFR) customers as follows:

**Table 4. Single Family Residential Rates**

	Container Size (Gallons)		
	32	64	96
<b>Current</b>			
Cayucos	20.25	23.92	27.62
<b>Proposed</b>			
Cayucos	29.02	34.28	39.58
<b>Increase: Proposed Rates</b>			
Cayucos	8.77	10.36	11.96

Finally, as noted, Mr. Statler's analysis excludes the IWMA fee since it is approved by a separate agency and will be charged separately on customer bills. The following is provided for the Board's reference with regard to those fees. As the Board is aware, IWMA has taken the lead in implementing SB 1383 on behalf of its member agencies. Following the County's exit from the IWMA, it became necessary for the IWMA to reevaluate its fees in light of the anticipated loss of revenue from the customers within the unincorporated areas of the County. This reevaluation resulted in a delay in adoption of revised fees, which are levied on the haulers and ultimately passed through to customers. At its March 9, 2022 IWMA Board of Directors meeting, the Board adopted revised fees establishing a solid waste management fee of 5.4% of gross hauler receipts. This revised fee alters the structure previously used by the IWMA, which had included the following: (1) 2% of the gross revenue collected from commercial customers; and (2) the solid waste management fee of \$0.30 per month for residential accounts charged less than \$50 per month and a 2% fee for residential accounts paying more than \$50 a month. The new fee no longer charges different fees related to commercial and residential accounts and instead charges an overall fee equivalent to 5.4% of the hauler's gross receipts, calculated based on the gross receipts amounts used to determine the hauler's franchise fee obligations to its franchisors.

Solid waste collection and disposal rate increases are subject to the requirements of Proposition 218 (Article XIID, Section 6 of the California Constitution), which includes mailing a written notice of the proposed fee increase at least 45 days in advance. MCD will provide the rate increase notice in compliance with that requirement. The notice will include the amount of the proposed fee, the basis upon which the amount of the proposed fee was calculated, the reason for the fee, along with the date, time and location of a public hearing at which property owners or tenant-customers may submit written protests to the proposed rate increase. It is recommended that the Board of Directors approve scheduling the public hearing for its regular meeting on September 15, 2022

**RECOMMENDATION:**

Staff recommends that the Board discuss and consider the proposed solid waste collection and disposal rate increase from Mission Country Disposal ("MCD") and schedule a public hearing on the proposed increase in accordance with the requirements of Proposition 218.

Attachments:            March 2022 Mission Country Disposal Rate Increase Request  
                                 Report from William C. Statler: Solid Waste Rate Review




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## SOLID WASTE RATE REVIEW

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*Cambria Community Services District  
Cayucos Sanitary District*

July 2022



**William C. Statler**

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

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# Mission Country Disposal Solid Waste Rate Review

July 2022

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## APPENDIX

- A. Base Year Rate Request Application from Mission Country Disposal
- B. HZI Greenwaste Digester Cost Analysis

## William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

### Mission Country Disposal **SOLID WASTE RATE REVIEW** *Cambria Community Services District and Cayucos Sanitary District*

#### REPORT PURPOSE

On October 20, 2021, Mission Country Disposal (MCD) submitted a *Base Year* rate increase application to be effective January 1, 2022 to the Cambria Community Services District (Cambria) and Cayucos Sanitary District (Cayucos). However, due to complexity, concerns with pending rate increases by the Integrated Waste Management Authority (IWMA) and significant subsequent reviews and information exchanges, a revised application was submitted on March 24, 2022.

The revised application is the focus of this report in reviewing the MCD rate increase request in accordance with adopted Franchise Agreement provisions regarding rate increase applications and to make rate recommendations to as appropriate.

#### Joint Agency Review

MCD provides similar services to both Cambria and Cayucos under formally approved franchise agreements that regulate rates and establish procedures for considering rate increases.

Because the financial information for MCD is closely related for these two agencies, this report jointly reviews rate requests and provides recommendations for each of them.

#### SUMMARY OF FINDINGS AND RECOMMENDATIONS

##### Overview

In its revised application, MCD is requesting a rate increase of 41.46% for Cambria and 43.30% for Cayucos. (The difference is due a Franchise Fee of 6% in Cambria versus 10% in Cayucos.) This compares with an initial rate request in October 2021 of 43.98% for Cambria and 45.93% for Cayucos (about a 2.5% decrease). Although at first glance these percentages may be alarming, the weekly impact to rates for three weekly services (garbage, recycling and organics) is reasonable. The rate impact to common service levels is discussed below.

## Solid Waste Rate Review

As discussed in greater detail below, all of the concerns that surfaced in the iterations and further analysis that followed in addressing issues with proposed costs for 2022 have been resolved.

There are two key cost differences between the initial and revised application:

- Greenwaste processing costs have been reclassified as “pass-through” costs: while costs may be recovered, no profit is allowed on them.
- IWMA fees have been excluded from the fee analysis. These are approved by a separate agency and will be charged separately on customer bills.

**Key Cost Drivers.** The following summarizes five key cost drivers, which together account for over 90% of the cost increases since 2020 (last audited financial statements); all other costs account for less than 2% of the cost-driven rate impact.

**Table 1. 2022 Cost Increase from 2020 Rate Impact**

2022 Cost Increase from 2020			
	Amount	% of Total	Rate Impact*
Depreciation	389,631	25%	6.48%
Greenwaste	368,547	24%	6.13%
Direct Labor	370,550	24%	6.17%
Insurance	164,788	11%	2.74%
Gas and Oil	151,160	10%	2.52%
Total Key Drivers	1,444,676	94%	24.04%
Other Costs	95,506	6%	1.59%
Total	\$1,540,182	100%	25.63%

\* Based on Cayucos with 10% franchise fee

**Operating Profit Ratio.** In addition to these cost drivers, an additional increase of 17.67% is required to achieve the 8% operating profit ratio, which was a negative 8.8% in 2020 (and an estimated negative 24.3% in 2021). In short, the allowed operating profit for 2022 is \$449,309 compared with a negative \$346,567 in 2020. An additional rate increase of 17.76% is needed to recover the shortfall of \$795,876 and arrive at the allowed operating profit of 8%.

The following summarizes these impacts based on Cayucos (the impacts are similar for Cambria, which has a lower Franchise Fee):

**Table 2. Proposed Rate Increase Factors**

Cost Drivers	25.63%
Deficit in Revenue Requirement	9.67%
Allowed Profit Margin	8.00%
Total	43.30%

## Findings

- **Complete Application.** With its revised application, MCD has fully provided the supporting documentation required for rate requests under the Franchise Agreements in

## Solid Waste Rate Review

Cambria and Cayucos. The revised application (Appendix A) has been correctly prepared and requests an across-the-board rate increase of 41.46% in Cambria and 43.30% in Cayucos.

- **High Level of Service at a Reasonable Cost.** MCD provides a broad level of high-quality services to these two agencies – including garbage, recycling and green waste collection and disposal as well as hauler-provided “waste wheeler” containers for all three services – at competitive rates compared with many other communities.
- **Need for Updated Rate-Setting Methodology.** The rate-setting process is based on the City of San Luis Obispo’s *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates* (Rate Manual) adopted in 1994. In short, with very minor modifications, this approach has been in place for almost 30 years. However, the need for an update is even greater now: along with the 2019 concerns, new issues have surfaced in this review. As discussed in greater detail below, these include depreciation amortization period, interim rate reviews, cost allocation methodologies, accounting for disposal costs, timeframe for submitting and reviewing applications and trigger option.
- **Delayed Rate Implementation.** In the past, there has been no consideration of delayed rate implementation. However, the Rate Manual does provide for this if there is a delay of more than 120 days after application if it is “no fault of the franchise hauler.” Given the initial October 20, 2021 submittal date, this would indicate rate approval by March 1. However, there are three factors that mitigate this 120-day period:

1. When the 120-day period was set in the 1994 Rate Manual, Proposition 218 was not on the radar: it was not adopted by voters until November 1996. Moreover, it was the “conventional wisdom” afterwards for ten years that its notice and procedural requirements did not apply to most water, sewer and solid waste rate circumstances. This changed with the “Big Horn” decision ten years later in 2006. Even then, many agencies believed it did not apply to private companies like SCSS, while other agencies believed it did (especially where service is mandatory).

### About Proposition 218 Notices

For agencies like Cambria and Cayucos that issue “Proposition 218” notices for private sector solid waste rate increases, the notice sets the maximum amount that rates can be increased at the public hearing.

Rates can be approved at lesser amounts without re-noticing. However, agencies cannot adopt higher rates – even if they only apply to a few customers – without another 45-day re-noticing.

In short, the Proposition 218 45-day notice and protest requirements did not exist when the 1994 Rate Manual was prepared; nor for many years thereafter. This alone conceptually adds 45 days to the review process. However, as a practical matter, given the time needed to schedule Board reviews and prepare notice and agenda reports, this results in added time needed for public notice and review of 75 to 90 days.

## Solid Waste Rate Review

Moreover, it is important to note the Rate Manual does not provide any special timeframes for public review other than the standard 10-day public hearing notice before the Board meeting that considers adoption of rates.

2. Review was delayed pending consideration of rate increases by the IWMA and their possible impact on MCD rates. These new rates were not adopted by the IWMA until March 9, 2022. Moreover, it was subsequently determined that since these rates are set by the IWMA – and not the franchising agencies – that they did not affect agency rate-setting. (As noted above, this resulted in a revised application from MCD on March 24, 2022).
3. While MCD has been very responsive in following-up on requests for supporting data, the scope and complexity of the 2022 application has been significantly greater, and subsequently taken longer, than envisioned in the Rate Manual. The Rate Manual sets forth nine steps in the review process, with target schedules for each step leading to the cumulative 120- day target. However, each step provides for extended days based on the need for added agency review. So, the 120 day schedule is not an absolute target without regard for complexity. Moreover, in a strict interpretation, a case could be made that the 120-day period does not begin until the receipt of the revised application in March 2022. However, there were iterations and discussion prior to then that are reasonably related to review prior to the revised submittal.
4. Lastly, concern surfaced about Cambria current rates based on the 2019 rate analysis compared with 2021 rate application. This concern has been resolved and the current rates shown in the 2021 application are correct

In accounting for these factors, I recommend that delayed rate implementation apply for any rates with an effective date of July 1 or after. In short, while these delays were “no fault” of MCD, they were not the fault of the agencies, either.

MCD disagrees with the July 1 start date and believes it should start sooner.

**Temporary delayed rate implementation: ends December 31, 2022.** The following temporary rate increases would be required depending on three variables: the retroactive start date; the effective date; and the end date of December 31, 2022. With this ending date, rates would be reset in January 2023 to the “core rate” going forward; and the base for any Interim Year adjustment (see below for discussion of Interim Year rate increases).

**Table 3(a). Temporary Delayed Implementation Rate Increase\***

Temporary Rate Increase Effective Date*	Retroactive Date					
	May 1		June 1		July 1	
	Cambria	Cayucos	Cambria	Cayucos	Cambria	Cayucos
August 1	24.88%	25.98%	16.58%	17.32%	8.29%	8.66%
September 1	41.46%	43.30%	31.10%	32.48%	20.73%	21.65%
October 1	69.10%	72.17%	55.28%	57.73%	41.46%	43.30%

\* Ends December 31, 2022

## Solid Waste Rate Review

The following summarizes the combined temporary and “core” rate impact through December 31, 2022.

**Table 3(b). Combined Temporary Delayed Implementation and Core Rate Increase\***

Temporary Rate Increase Effective Date*	Retroactive Date					
	May 1		June 1		July 1	
	Cambria	Cayucos	Cambria	Cayucos	Cambria	Cayucos
August 1	66.34%	69.28%	58.04%	60.62%	49.75%	51.96%
September 1	82.92%	86.60%	72.56%	75.78%	62.19%	64.03%
October 1	110.56%	115.47%	98.58%	101.03%	82.92%	86.60%

\* Temporary delayed rate increase component ends December 31, 2022

It should be noted that while the report recommends a July 1 start date for delayed rate implementation, a reasonable case could be made for an even later start date based on the mitigation factors discussed above.

Lastly, several of these review timeframe factors are not unique to the 2022 review. Accordingly, the application submittal and review schedule should be considered in the Rate Manual update.

**Temporary delayed rate impact: ends March 31, 2023.** All other agencies in San Luis Obispo County considering rate increases serviced by companies affiliated with Waste Connections (such as South County Sanitary Service, providing services to the cities of Arroyo Grande, Grover Beach, Pismo Beach and nearby unincorporated areas; and San Luis Garbage Company, providing services to the City of San Luis Obispo and nearby unincorporated areas) have also faced temporary delayed rate increases. In all of these agencies, the delayed rate amortization period ended with December 31, 2022. Along with other factors, this has advantage of simplifying the return to the “core rate” effective with January 1, 2023.

However, in mitigating the impact of the temporary delayed rate increase, an option is to extend the amortization period beyond December 31, 2022. The following are examples for Cambria and Cayucos of how the temporary rate would be lessened if the:

- Temporary delayed increase date is July 1, 2022.
- Effective date is October 1, 2022.
- End date is March 31, 2023 (three months beyond December 31, 2022).

**Table 3(c). March 31, 2023 Delayed Rate Increase End Date**

Temporary Rate Increase Effective Date*	July 1 Retroactive Date			
	Temporary Delayed Rate Increase		Combined Delayed & Core Rate Increase	
	Cambria	Cayucos	Cambria	Cayucos
October 1	20.73%	21.65%	62.19%	64.95%

\* Ends March 31, 2023



## Solid Waste Rate Review

Of course, other extension options are possible (as well as retroactive and effective dates). But in this example, extending the amortization period by three months reduces the temporary delayed rate increase component in Cambria from 41.46% to 20.73%; and from 43.3% to 21.65% in Cayucos.

In both cases for this example, the amount to be recovered is the same but it is spread over three more months.

However, the rate impact is modest. For 32-gallon trash container customers, who account for about 85% of single family residential customers, the monthly rate difference is \$5.42 per month for Cambria and \$4.39 in Cayucos for the three month difference.

With this option, MCD will apply any Interim Rate increase to the “core” rate (without the retroactive component); and then the on April 1, 2023, the retroactive piece component will be deleted.

### Rate Recommendations

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It is recommended that the agencies adopt an across-the-board rate increase of 41.46% in Cambria and 43.30% in Cayucos. Table 4 summarizes the proposed monthly rates for single family residential (SFR) customers.

**Table 4. Single Family Residential (SFR) Rates**

	Container Size (Gallons)		
	32	64	96
<b>Current</b>			
Cambria	\$26.12	\$52.22	\$78.35
Cayucos	20.25	23.92	27.62
<b>Proposed</b>			
Cambria	36.95	73.87	110.83
Cayucos	29.02	34.28	39.58
<b>Increase: Proposed Rates</b>			
Cambria	10.83	21.65	32.48
Cayucos	8.77	10.36	11.96

*Excludes temporary delayed rate increase*

As reflected rates are higher in Cambria than in Cayucos. This makes sense given Cambria’s longer distance for landfill, materials recovery facility (MRF) and greenwaste disposal. As noted above, about 85% of area customers have selected 32-gallon service.

### BACKGROUND

On October 20, 2021, MCD submitted a *Base Year* rate increase to be effective January 1, 2022. As noted above, due to several complex issues, a revised application, was submitted on March 24, 2022. This application was prepared in accordance with the rate review process and methodology formally set forth in its Franchise Agreements with Cambria and Cayucos.

## Solid Waste Rate Review

In establishing a rate-setting process and methodology, each of these Franchise Agreements specifically reference the City of San Luis Obispo's *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates*. This comprehensive approach to rate reviews was adopted by San Luis Obispo in 1994 and establishes detailed procedures for requesting rate increases and the required supporting documentation to do so. It also sets cost accounting standards and allowable operating profit ratios.

As noted above, the financial information for Cambria and Cayucos is closely related. For this reason, these two agencies jointly contracted with William C. Statler (who has extensive experience in evaluating rate requests in accordance with the adopted methodology). This is the second *Base Year* analysis performed under this rate-setting methodology. The first was prepared in August 2019.

### Franchise Agreement Summary

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While there are minor differences in Franchise Agreements in Cambria and Cayucos, they have similar key provisions:

**Table 5. Franchise Agreement Effective Dates**

Agency	Agreement	Amended
Cambria	July 27, 2001	May 27, 2010
Cayucos	August 11, 2006	March 16, 2017

- Each agency contracts with MCD for garbage, green/food waste and “single stream” recycling; and MCD provides the container (waste wheelers) for each service.
- As noted above, each agency has adopted the same rate-setting methodology.

The most significant difference is the Franchise Fee, which is 6% in Cambria and 10% in Cayucos.

### RATE REVIEW WORKSCOPE

This report addresses four basic questions:

- Should MCD be granted a rate increase? And if so, how much?
- How much does it cost to provide required service levels?
- Are these costs reasonable?
- And if so, what is a reasonable level of return on these costs?

The following documents were closely reviewed in answering these questions:

- Franchise Agreements and any Amendments for each agency
- Independently audited financial statements for MCD for 2019 and 2020.
- City of San Luis Obispo's *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates (Rate Manual)*
- MCD rate increase application and supporting documentation

## Solid Waste Rate Review

- Follow-up interviews, correspondence and briefings with MCD staff
- Rate surveys of Central Coast communities

### REVENUE AND RATE SETTING OBJECTIVES

In considering MCD's rate increase request, it is important to note the revenue and rate setting objectives for solid waste services as set forth in the Franchise Agreements via the Rate Manual.

**Revenues.** These should be set at levels that:

- Are fair to customers and the hauler.
- Are justifiable and supportable.
- Ensure revenue adequacy.
- Provide for ongoing review and rate stability.
- Are clear and straightforward for the agency and hauler to administer.

**Rate Structure.** Almost any rate structure can meet the revenue principles outlined above and generate the same amount of total revenue. Moreover, almost all rate structures will result in similar costs for the *average* customer: what different rate structures tell us is how costs will be distributed among *non-average* customers. The following summarizes adopted *rate structure* principles for solid waste services:

- Promote source reduction, maximum diversion and recycling.
- Provide equity and fairness within classes of customers (similar customers should be treated similarly).
- Be environmentally sound.
- Be easy for customers to understand.

### FINANCIAL OVERVIEW

While detailed financial and service information is provided in the MCD rate request application (Appendix A), the following summarizes costs, revenues and account information based its proposal for 2022 for all areas serviced by MCD

## Solid Waste Rate Review

**Costs by Type.** Total expenses for 2022 (after deducting for non-allowable and limited costs as discussed later in this report) are \$7.5 million.

As reflected in Table 6, five cost areas accounted for over 85% of total costs:

- Direct labor for collection: 27%
- Vehicle operations and maintenance (including depreciation): 22%
- Disposal (landfill, recycling and greenwaste): 22%
- Insurance: 8%
- Franchise fees: 7%

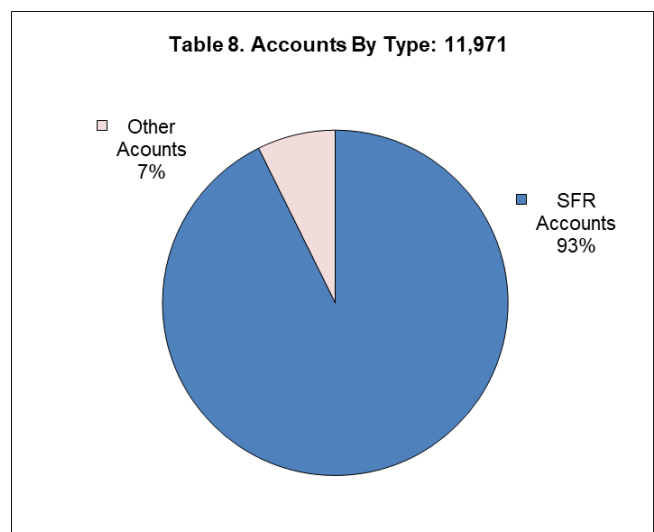
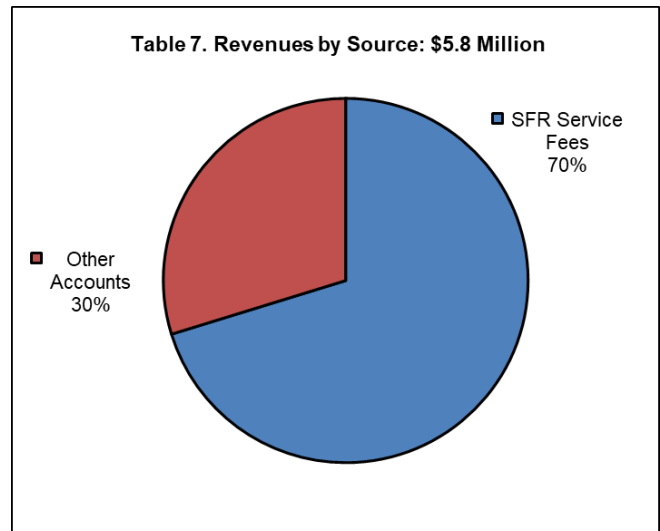
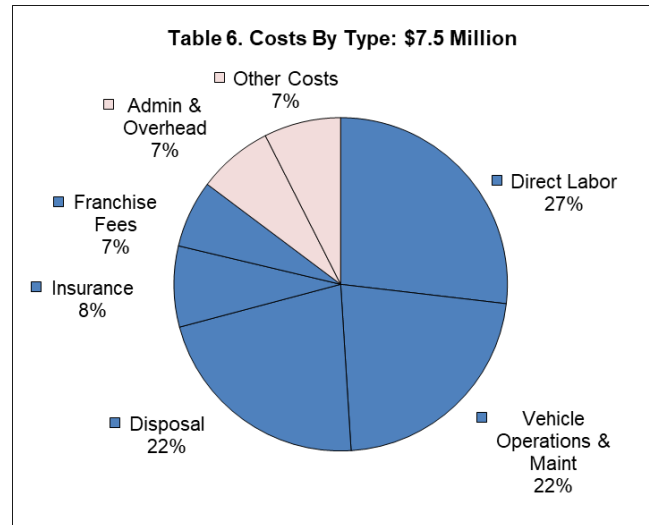
**Revenues by Source.** Total revenues (without proposed rate increases) are \$5.8 million. As reflected in Table 7, 70% of MCD's revenues come from SFR accounts.

Services to multi-family residential and non-residential customers account for 30% of their revenues, with less than 1% from other revenues.

This significant gap between revenues and expenses (plus allowable profit) drives the proposed rate increase.

**Service Accounts by Type.** While single-family residences account for 70% of revenues, they represent 93% of total accounts (Table 8).

This reflects the fact that per account, multi-family and non-residential customers generate more solid waste than single-family residential customers (and thus more revenue per account).



**RATE-SETTING PROCESS**

Under the *Rate Manual*, the rate-setting process follows a three-year cycle:

- **Base Year.** The first year of the cycle—the *Base Year*—requires a comprehensive, detailed analysis of revenues, expenses and operating data. This information is evaluated in the context of agreed upon factors in the franchise agreements in determining fair and reasonable rates. As noted above, the last *Base Year* analysis for MCD under this approach was prepared in August 2019.
- **Two Interim Years.** In both the second and third years, MCD is eligible for *Interim Year* rate adjustments that address three key change factors: changes in the consumer price index for “controllable” operating costs; changes in disposal costs (which MCD does not control: they are set by the County Board of Supervisors); and an adjustment to cover increased franchise fees.

The first two adjustment factors are “weighted” by the proportionate share that these costs represent of total costs (excluding franchise fees). For example, in the current Base Year analysis for recommended 2022 rates, controllable costs account for about 80% of total costs, with disposal costs accounting for about 20%.

The rate review for the two *Interim Years* requires less information and preparation time than the *Base Year* review, while still providing fair and reasonable rate adjustments.

**Proposed Interim Year Rates**

Consistent with past practice, MCD has proposed an interim year approach that is slightly different from the Rate Manual methodology. In the interest of a more straightforward, streamlined process, MCD proposes simply adjusting rates by changes in the CPI-U in 2023 and 2024. As noted in the past, the concept is consistent with the Rate Manual approach, but is simpler and allows for multi-year rate setting. Accordingly, I recommend that two agencies continue using this approach.

Given the that interim review methodology set forth in the Rate Manual has not been used for several years, this is another area the update should consider.

**RATE SETTING METHODOLOGY**

**Are the Costs Reasonable?**

The first step in the rate review process is to determine if costs are reasonable. There are three analytical techniques that can be used in assessing this:

- Detailed review of costs and service responsibilities over time.
- Evaluation of external cost factors, such as general increases in the cost of living (as measured by the consumer price index).
- Comparisons of rates with other communities.

Each of these was considered in preparing this report, summarized as follows.

### *Detailed Cost Review*

In its rate application (Appendix A), MCD provides detailed financial data for five years:

- Audited results for the two prior years (2019 and 2020).
- Estimated results for 2021.
- Projected costs for the Base Year (2022).
- Estimated costs for the following year (2023).

Additionally, for virtually all line items, MCD provided supplemental detail beyond their rate application as requested to support cost increases from 2020 to 2022.

Table 9 below provides actual costs for 2020 (most recent audit results) compared with cost projections for 2022. While there are significant cost increases in several categories, they are reasonable given the cost drivers facing MCD.

**The Short Story.** The key cost drivers behind the proposed rate increases for 2022 can be summarized by five factors over the past two years:

- Direct labor
- Truck depreciation.
- Food and green waste recycling.
- Insurance
- Gas and oil

All other cost increases including ongoing maintenance, disposal costs at the landfill and MRF, account for less than 2% of the rate increase driven by costs.

As reflected above, cost factors account for about 60% of the rate increase. The remaining balance is due to restoring MCD to an 8% operating target on allowable costs (compared with a loss of \$346,567 in 2020), offset by modest increases in the revenue base from 2017.

## Solid Waste Rate Review

**Table 9. Detail Cost Review: 2020 Compared with 2022**

	2020	2022 Proposed	
	Actual	Amount	Change
Direct Labor	1,656,566	2,027,116	370,550
Administrative Costs			
Corporate Overhead	91,704	97,336	5,632
Office Salaries	308,392	338,409	30,017
Other Expenses			
Depreciation	376,319	765,950	389,631
Gas and Oil	358,629	509,789	151,160
Insurance			
Medical	302,386	385,025	82,639
General Liability	125,120	207,269	82,149
Office Expense	93,897	114,738	20,841
Operating Supplies	38,307	40,764	2,457
Outside Services	80,781	72,734	(8,047)
Permits	31,411	50,963	19,552
Tires	58,486	79,450	20,964
Truck Repairs	293,765	316,700	22,935
Other Costs	137,639	160,811	23,172
Total Allowable Costs	3,953,402	5,167,054	1,213,652
Pass-Through Costs			
Disposal Costs			
Landfill	484,703	514,221	29,518
MRF	444,307	415,318	(28,989)
Greenwaste	352,682	721,229	368,547
Franchise Fees	554,664	493,114	(61,550)
Regulatory Fees	7,565	11,122	3,557
Facility Rent, Related Party	110,915	118,545	7,630
Interest, Related Party	100,412	107,679	7,267
Transportation, Related Party	-	550	550
Total Pass-Through Costs	2,055,248	2,381,778	326,530
Total Costs	\$6,008,650	\$7,548,832	\$1,540,182

These costs are organized by costs where MCD is allowed a profit (“Allowable”) and those where it can recover the cost but not earn a profit on them (“Pass-Through”).

The following describes the basis for each for major cost areas and significant changes.

### *Allowable Costs*

- **Direct Labor.** This reflects a two-year increase of 22%. This increase is composed of two parts:
  1. **Labor costs increases.** These are projected to increase by about 10% over the two years, or about 5% per year. Given the tight labor market and current increases in CPI, this increase for retention and attraction is reasonable.
  2. **Allocation of labor costs between companies.** Waste Connections has prepared a more detailed analysis of the direct labor costs between companies. Compared with 2020, this resulted in an 11% increase in direct labor costs. As discussed below under

## Solid Waste Rate Review

“Cost Accounting Issues,” this change drives other major costs that are allocated between companies based on direct labor hours, most notably vehicle operating costs (depreciation, repairs, tires and mechanic labor) and group health insurance.

- **Office Salaries.** This reflects annual increases of about 4.5% per year. Again, given the tight labor market and current increases in the consumer price index) and office salaries.
- **Depreciation.** The 2019 *Base Year* report noted that as fully depreciated trucks were replaced, significant continuing higher depreciation costs were expected in the future due to two factors: annual depreciation costs on fully depreciated trucks would go from zero to about \$60,000 each; and the cost basis for new trucks would be significantly higher than in the past. Given replacements during 2021 and those proposed in 2022, the increased cost is reasonable. Combined with a possible change in amortization schedule as noted in the sidebar, planned replacements should result in stabilized costs in the future.
- **Gas and Oil.** There are two parts to this cost increase.
  1. **Cost increases.** The cost is projected to increase by about 9% annually. Given the volatility (both up and down) of diesel and CNG costs (especially recent cost spikes), this is a reasonable assumption for 2022 costs.
  2. **Allocation based on gallons used.** In the past, this was based on driver hours. For 2022, it uses the more accurate gallon usage as the cost allocation basis. This resulted in an increased allocation base of 23%.
- **Insurance: Health Care and Liability.** There are two parts to this cost increase
  1. **Cost increases.** Costs are projected to increase significantly by about 12.5% annually (7.5% for health care and 22.5% for liability insurance). Given increases in health care costs and the current liability insurance market, these are reasonable assumptions for 2022 costs.
  2. **Allocation of labor costs between companies.** As noted above, Waste Connections has prepared a more detailed analysis of the direct labor costs between companies. Compared with 2020, this resulted in an 13% increase in direct labor costs. This relocation accounts for the balance of this cost increase.
- **All Other Allowable Costs.** While there are ups and downs in the other individual line items, in total these reflect modest annual increases of about 1.5%.

### Truck Amortization

The Rate Manual calls for depreciating trucks over seven years. While this made sense in 1994, manufacturing improvements since then have resulted in longer lives, with ten years becoming the industry standard. As noted above, this change should be considered as part of the Rate Manual update.



## *Pass-Through Costs*

- **Disposal Costs: Landfill.** No rate increases are reflected in the rate application (\$41.00 per ton). The modest two-year increase (about 3% annually) reflects increased tonnage.
- **Disposal Costs: Greenwaste.** After direct labor and depreciation, this is the largest cost increase from 2020. These costs are incurred under an on-site agreement with HZI and reflect costs to build (via depreciation), operate and maintain the anaerobic digestion plant. The purpose of this plant is to process local food and greenwaste in meeting California regulation SB 1383. Key drivers include higher costs than initially projected for construction; ongoing operations and maintenance due to feedstock challenges; and local outbound material. The following further describes these challenges; and a cost summary is provided in Appendix B.

**Construction and startup** The construction of the anaerobic digester plant in San Luis Obispo was one of the first high solids digesters in the United States and the 99<sup>th</sup> overall renewable gas anaerobic plant built globally by HZI. The construction of the anaerobic digester in California posed unique challenges but was constructed safely and without any environmental incidents. Given the “first-of-the-kind” nature of the project in California, the actual cost to construct the anaerobic digestion plant exceeded the original budget originally set in 2014. The cost increases were mainly driven by labor availability, prevailing wage, civil and underground cost increases, and equipment and material escalations.

**Operation and maintenance.** The anaerobic digestion plant exceeds 95% availability (uptime) to process waste while producing renewable green electricity. To ensure the plant is reliably available to process local community waste, the operations and maintenance cost of the anaerobic digestion exceeds the original annual budget due to several factors:

1. The quantity of entrained inorganic material (such as sand and metal) entrained in the waste increases the wear and tear on the mechanical components of the plant, which inherently increases the number of staff required to operate and maintain the facility.
2. The lower than anticipated quantity of food was also increases the wear and tear on the equipment, which has mainly been driven need to continue to educate the community on organics recycling and the impacts of COVID on commercial businesses (most notably restaurants).

### Local Benefits

While costs have increased over 2014 estimates, HZI and SCSS believe there are substantial local benefits to the greenwaste operation, including:

- Powering over 600 homes with 6.2 million kWh per year of renewable electricity.
- Diverting 72 million pounds of organics from landfills per year
- Reducing greenhouse gas emissions by 5,300 metric tons per year.
- Operating at greater than 95% availability to process waste and generate renewable energy.

3. Plant labor costs have increased due to the requirements of processing the waste, maintaining the equipment, competitive labor market and inflationary costs in San Luis Obispo County and more broadly in California. Plant administrative costs such as insurance, legal and taxes continue to increase greater than was historically budgeted.

In summary, key operation and maintenance cost increases reflect continual sand removal; increased equipment replacement and maintenance; increased labor hours and rates; and management of backend compost.

**Depreciation.** Plant depreciation expenses reflect the higher construction costs discussed above in addressing waste profile challenges such as sand and low food waste content.

**Lower Natural Gas Production (Revenue).** Due to the amount of inorganic material (like sand) and the lower than anticipated food waste content, the overall natural gas production is lower than planned. This directly limits the amount of overall natural gas production potential of the digester and ultimately electricity sales.

In the past, greenwaste contract costs have been considered “allowable” costs. However, as disposal costs, they are more like landfill and recycling costs, which are treated as “pass-through” costs that can be recovered but profit is not allowed on them. Accordingly, this is considered a pass-through cost in this rate review. However, this another area that should be reviewed as part of the rate manual update.

- **Franchise Fees.** This reflects removal of IWMA fees from the cost base.

### ***Trends in External Cost Drivers***

The most common external “benchmark” for evaluating cost trends is the consumer price index. Over the past two calendar years (2020 and 2021), the U.S. CPI-U increased by 8.5% (about 4.2% annually). Excluding the cost drivers discussed above, all other costs increased over the past two years by 3% (about 1.5% annually).

### ***Rates in Comparable Communities***

Lastly, reasonableness of rates (and underlying costs) can also be evaluated by comparing rates with comparable communities. However, survey results between “comparable” communities need to be carefully weighed because every community is different.

Nonetheless, surveys are useful assessment tools—but they are not perfect, and they should not drive rate increases. Typical reasons why solid waste rates may be different include:

- Franchise fees and AB 939 fee surcharges.
- Landfill costs (tipping fees).
- Service levels (frequency, quality).
- Labor market.

## Solid Waste Rate Review

- Operator efficiency and effectiveness.
- Voluntary versus mandatory service.
- Direct services provided to the franchising agency at no cost, such as free trash container pick-up at city facilities, on streets and in parks.
- Revenue collection procedures: Does the hauler or the franchising agency bill for service? And what are the procedures for collecting delinquent accounts?
- Services included in the base fee (recycling, green waste, containers, pick-up away from curb).
- Different rates structures.
- Land use and density (lower densities will typically result in higher service costs).
- Mix of residential and non-residential accounts, and how costs and rates are allocated between customer types. This factor is particularly relevant to MCD, where commercial revenues that often help offset residential rates, make up only 30% of revenues.
- Distance from collection areas to disposal sites. This is also a key cost factor for MCD.

With these caveats, the following summarizes single family residential rates for other cities in the Central Coast area compared with the proposed rates for MCD. As reflected below, even with the proposed rate increases, Cayucos will have rates in the mainstream of the other agencies for 32-gallon containers; and among the lowest for larger sizes. Due to its further distance, this is not the case for Cambria.

**Table 10. Single Family Residential Rate Survey**

<b>Single Family Residential Monthly Trash Rates</b>			
	Container Size (Gallons)		
	30-40	60-70	90-101
Atascadero	\$28.55	\$44.50	\$55.77
Morro Bay	24.95	49.90	74.86
Paso Robles	30.90	51.12	57.25
Pismo Beach*	21.15	42.32	63.47
San Luis Obispo (City)*	20.94	41.87	67.56
San Miguel	28.33	44.48	61.06
Templeton	31.40	45.01	45.95
<b>MCD Proposed*</b>			
Cambria	36.95	73.87	110.83
Cayucos	29.02	34.28	39.58

\* Excludes temporary delayed rate increases

In comparing these rates, it is important to note that about 85% of area customers use the 32-gallon service. Accordingly, these rates are still reasonable given the value of the service. For example, even with the proposed rates, for all three services (refuse, recycling and greenwaste), most customers in Cambria will pay 29 cents per gallon for each weekly pick-up; and 23 cents in Cayucos.

**Summary: Are the costs reasonable?** Based on the results of the three separate cost-review techniques—trend review, external factor analysis and rate comparisons—the proposed cost assumptions for 2022 are reasonable.

### **What Is a Reasonable Return on these Costs?**

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After assessing if costs are reasonable, the next step is to determine a reasonable rate of return on these costs. The rate-setting method formally adopted by Cambria and Cayucos in their Franchise Agreements with MCD includes clear criteria for making this assessment. It begins by organizing costs into three main categories, which will be treated differently in determining a reasonable “operating profit ratio:”

#### ***Allowable Costs: Reasonable Operating Profit Allowed***

- Direct collection labor
- Vehicle maintenance and repairs
- Insurance
- Fuel
- Depreciation
- Billing and collection

#### ***Pass-Through Costs: Can be Recovered but No Profit Allowed***

- Disposal costs (landfill, recycling, greenwaste)
- Franchise fees
- Payments to affiliated companies (such as facility rent and trucking charges)

#### ***Excluded and Limited Costs: No Revenues Allowed***

- Charitable and political contributions
- Entertainment
- Income taxes
- Non-IRS approved profit-sharing plans
- Fines and penalties
- Limits on corporate overhead

After organizing costs into these three categories, determining “operating profit ratios” and overall revenue requirements is straightforward:

- The target is an 8% operating profit ratio on “allowable costs.”
- Pass-through costs may be fully recovered through rates but no profit is allowed on these costs.
- No revenues are allowed for any excluded or limited costs.

In the case of MCD, about 70% of their costs are subject to the 8% operating profit ratio; and 30% are pass-through costs that may be fully recovered from rates, but no profit is allowed. No recovery is allowed for excluded costs. The overall operating profit ratio after allowable and pass-through costs is about 5.5%.

## Preparing the Rate Request Application

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Detailed “spreadsheet” templates for preparing the rate request application—including assembling the required information and making the needed calculations—are provided in the Rate Manual. MCD has prepared their rate increase application in accordance with these requirements (Appendix A); and the financial information provided in the application for 2019 and 2020 ties to its audited financial statements.

## Proposed Rate Summary

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The following summarizes the calculations that support the proposed rate increases:

**Table 11. Proposed Rate Increase Summary**

	Cambria	Cayucos
Allowable Costs	5,167,054	5,167,055
Allowable Profit (8% Operating Ratio)	449,308	449,308
Pass-Through Costs		
Disposal		
Landfill	514,221	514,221
MRF (Recycling)	415,318	415,318
Greenwaste	721,229	721,229
Franchise Fees	493,114	493,114
Other Pass-Through Costs	237,896	237,896
Total Pass-Through Costs	2,381,778	2,381,778
Allowed Revenue Requirements	7,998,141	7,998,142
Revenue without Rate Increase	5,757,804	5,757,805
Revenue Requirement: Shortfall (Surplus)	2,240,337	2,240,337
Rate Base Revenue	5,748,477	5,748,478
Percent Change in Revenue Requirement	38.97%	38.97%
Allowed Revenue Increase *	41.46%	43.30%

*\*Adjusted for franchise fees of 6.0% in Cambria and 10.0% in Cayucos*

As reflected in this summary, all the rate-setting factors are the same for Cambria and Cayucos except for the franchise fee adjustment (which reflects 6% for Cambria and 10% for Cayucos).

## Implementation

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The following summarizes key implementation concepts in the adopted rate-setting model:

- The “8%” operating profit ratio is a target; in the interest of rate stability, adjustments are only made if the calculated operating profit ratio falls outside of 10% to 6%. As noted above, the operating ratio was a negative 8.8% in 2020; and an estimated negative 24.3% in 2021.

## Solid Waste Rate Review

- On the other hand, if past ratios have been stronger than this target, then the revenue base is re-set in the *Base Year* review.
- Special rate increases for extraordinary circumstances *may* be considered.

The result of this process is a proposed rate increase of 41.46% in Cambria and 43.30% in Cayucos.

### COST ACCOUNTING ISSUES

As noted above, MCD's financial operations for Cambria and Cayucos are closely related. Keeping costs and revenues segregated is further complicated by the fact that MCD is a subsidiary of Waste Connections US (which acquired the company in April 2002). It shares ownership with the following local companies:

- San Luis Garbage Company
- South County Sanitary Service
- Mission Country Disposal
- Morro Bay Garbage Service
- Coastal Roll-Off Service
- Cold Canyon Landfill
- Cold Canyon Processing Facility (Recycling)

Additionally, the MCD service area includes:

- Los Osos Community Services District
- Other north coastal unincorporated areas

### Cost Accounting System

Audited financial statements are prepared for each company within Waste Connections' central coast operations by an independent certified public accountant; and MCD's auditors have consistently issued "clean opinions" on its financial operations. However, only direct labor hours for collection (and related compensation), liability insurance, franchise fees and revenues are directly accounted for each company (like MCD); and then within each agency serviced by it. As summarized below for major cost categories, costs are allocated between companies based on apportionments using generally accepted accounting principles:

**Table 12. Cost Allocation Bases**

Allocation Basis	Major Cost Categories
Customer counts	<ul style="list-style-type: none"> <li>• Region and division overhead</li> <li>• Office salaries</li> <li>• Office expense</li> <li>• Legal and accounting</li> </ul>
Direct labor hours	<ul style="list-style-type: none"> <li>• Truck depreciation</li> <li>• Truck repairs and tires</li> </ul>

## Solid Waste Rate Review

	<ul style="list-style-type: none"> <li>• Mechanic labor</li> <li>• Gas and oil</li> </ul>
Tonnage	<ul style="list-style-type: none"> <li>• Disposal costs</li> <li>• Landfill</li> <li>• MRF/recycling</li> <li>• Greenwaste</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>• Corporate overhead (adjusted for Rate Manual limitations)</li> <li>• Bad debt expense</li> <li>• Other taxes</li> </ul>
Containers	<ul style="list-style-type: none"> <li>• Container depreciation</li> <li>• Container labor</li> <li>• Container repairs</li> </ul>
Gallons	<ul style="list-style-type: none"> <li>• Diesel fuel</li> </ul>

These allocation bases seem reasonable. However, they are subject to periodic change as determined by Waste Connections. Since these apportionments are a key basis for rate setting, the bases of allocation for each cost category (including allocations of regional and district overhead and accounting for direct costs) should be established in an updated Rate Manual.

### COORDINATION WITH OTHER AGENCIES

MCD has also submitted initial rate applications for Los Osos and the north coastal areas, proposing the same rate increases as Cayucos.

### SUMMARY

Based on the rate-setting policies and procedures adopted by Cambria and Cayucos, this report concludes that:

- MCD has submitted the required documentation required under its Franchise Agreements with the two agencies.
- This results in a recommended rate increase of 41.46% for Cambria and 43.30% in Cayucos.

### ATTACHMENTS

Appendix A: Base Year Rate Request Application from Mission Country Disposal  
 Appendix B: HZI Greenwaste Digester Cost Analysis

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# **Appendix A**

## **BASE YEAR RATE REQUEST APPLICATION**

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### **Base Year Application Summary**

- Cayucos Sanitary District
- Cambria Community Services District

### **Supporting Schedules**

- Financial Information: Cost and Revenue Requirements Summary
- Revenue Offset Summary
- Cost Summary for Base Year
- Base Year Revenue Offset Summary
- Operating Information



## Mission Country Disposal

## Base Year Rate Adjustment Application

## Summary

## CAYUCOS SANITARY DISTRICT

Requested Increase			
Digester Expense	6.67%	Market Rate Wage Adjustment	4.91%
Capital Purchases	9.56%	Truck Repairs	3.25%
Insurance	1.80%	Other Outside Services	2.67%
Fuel	1.25%	Landfill Disposal	0.19%
Commingle Processing Fee	1.79%	Franchise Fee Related to PI	4.33%
		CPI Increase/Other	6.88%

1. Rate Increase Requested

43.30%

## Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
<b>Single Family Residential</b>				
2. Economy Service (1 - can curb)	\$20.25	\$8.77		\$29.02
3. Standard Service (2- can curb)	\$23.92	\$10.36		\$34.28
4. Premium Service (3 - can curb)	\$27.62	\$11.96		\$39.58

(a) Calculated rates are rounded up to the nearest \$0.01.

5. **Multiunit Residential and Non-residential**

Rate increases of

43.30%

will be applied to all rates in each structure  
with each rate rounded to the nearest \$0.01

## Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: Jeff Clarin

Title: District Manager

Signature:

Date: 10/20/21  
Revised: 3/21/2022

## Mission Country Disposal

## Base Year Rate Adjustment Application

## Summary

## CAMBRIA CSD

Requested Increase			
Digester Expense	6.67%	Market Rate Wage Adjustment	4.91%
Capital Purchases	9.56%	Truck Repairs	3.25%
Insurance	1.80%	Other Outside Services	2.67%
Fuel	1.25%	Landfill Disposal	0.19%
Commingle Processing Fee	1.79%	Franchise Fee Related to PI	2.49%
		CPI Increase/Other	6.88%

1. Rate Increase Requested

41.46%

## Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
<b>Single Family Residential</b>				
2. Economy Service (1 - can curb)	\$26.12	\$10.83		\$36.95
3. Standard Service (2- can curb)	\$52.22	\$21.65		\$73.87
4. Premium Service (3 - can curb)	\$78.35	\$32.48		\$110.83

(a) Calculated rates are rounded up to the nearest \$0.01.

5. **Multiunit Residential and Non-residential**

Rate increases of

41.46%

will be applied to all rates in each structure

with each rate rounded to the nearest \$0.01

## Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: Jeff Clarin

Title: District Manager

Signature:

Date:

10/20/21

Revised:

3/21/2022

## Mission Country Disposal

## Base Year Rate Adjustment Application

## Financial Information

Historical		Current	Projected	
2019	2020	2021	Base Year 2022	2023

(from Pg. 4)

## Section I-Allowable Costs

6.	Direct Labor	\$1,987,893	\$1,656,566	\$1,881,780	\$2,027,116	\$2,087,926
7.	Corporate Overhead	\$90,171	\$91,704	\$92,437	\$97,336	\$100,256
8.	Office Salaries	\$281,869	\$308,392	\$307,058	\$338,409	\$348,479
9.	Other General and Admin Costs	\$2,263,225	\$2,249,422	\$2,758,424	\$2,704,193	\$2,915,906
10.	<b>Total Allowable Costs</b>	<b>\$4,623,158</b>	<b>\$4,306,084</b>	<b>\$5,039,699</b>	<b>\$5,167,054</b>	<b>\$5,452,567</b>

## Section II-Allowable Operating Profit

11.	Operating Ratio	144.1%	108.8%	124.3%	92.0%	92.0%
12.	<b>Allowable Operating Profit</b>	<b>(\$1,415,951)</b>	<b>(\$346,567)</b>	<b>(\$984,823)</b>	<b>\$449,309</b>	<b>\$474,136</b>

## Section III-Pass Through Costs

13.	Tipping Fees	\$921,271	\$929,010	\$956,880	\$1,650,768	\$1,660,064
14.	Franchise Fees	\$453,112	\$554,664	\$557,265	\$493,114	\$507,907
15.	AB939 Fees	\$6,152	\$7,565	\$7,621	\$11,122	\$11,455
16.	Other Pass-through Costs	\$166,213	\$211,327	\$194,965	\$226,774	\$247,513
17.	<b>Total Pass Through Costs</b>	<b>\$1,546,748</b>	<b>\$1,702,566</b>	<b>\$1,716,731</b>	<b>\$2,381,778</b>	<b>\$2,426,939</b>

## Section IV - Revenue Requirement

18.	Revenue Requirement				\$7,998,141	\$8,353,642
19.	<b>Total Revenue Offsets</b> (from Page 3)	<b>\$4,753,955</b>	<b>\$5,662,083</b>	<b>\$5,771,608</b>	<b>\$5,757,804</b>	<b>\$5,815,561</b>

## Section V - Net Shortfall (Surplus)

20.	Net Shortfall (Surplus)				\$2,240,337	
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21.	Total Residential and Non-residential Revenue without increase in Base Year (pg.3, lines 32+40)				\$5,748,477	<b>Cambria</b>
22.	Percent Change in Residential and Non-residential Revenue Requirement				38.97%	38.97%
23.	Franchise Fee Adjustment Factor (1 - 6 percent)				90.00%	94.00%
24.	Percent Change in Existing Rates				<b>43.30%</b>	<b>41.46%</b>

## Mission Country Disposal

## Base Year Rate Adjustment Application

## Revenue Offset Summary

	Section VII - Revenue Offsets				
	Historical		Current	Projected	
				Base Year	
	2019	2020	2021	2022	2023
28. Single Family Residential Multiunit Residential Dumpster	\$3,239,590	\$3,971,479	\$4,043,364	\$4,044,206	\$4,084,648
29. Number of Accounts	0	0	0	0	0
30. Revenues	\$0	\$0	\$0	\$0	\$0
31. Less Allowance for Uncollectible Resid Accounts					
<b>32. Total Residential Revenue</b>	<b>\$3,239,590</b>	<b>\$3,971,479</b>	<b>\$4,043,364</b>	<b>\$4,044,206</b>	<b>\$4,084,648</b>
<i>Non-residential Revenue (without increase in Base Yr.)</i>					
Account Type					
Non-residential Can					
33. Number of Accounts			61	61	62
34. Revenues			\$13,648	\$13,785	\$13,922
Non-residential Wastewheeler					
35. Number of Accounts			239	242	244
36. Revenues			\$160,648	\$162,255	\$163,877
Non-residential Dumpster					
37. Number of Accounts			567	573	579
38. Revenues	\$1,512,372	\$1,690,251	\$1,545,078	\$1,528,231	\$1,543,514
39. Less: Allowance for Uncollectible Non-resid	\$0	\$0	\$0	\$0	\$0
<b>40. Total Non-residential Revenue</b>	<b>\$1,512,372</b>	<b>\$1,690,251</b>	<b>\$1,719,374</b>	<b>\$1,704,270</b>	<b>\$1,721,313</b>
45. Interest on Investments	\$0	\$0	\$0	\$0	\$0
46. Other Income	\$1,993	\$353	\$8,870	\$9,327	\$9,600
<b>47. Total Revenue Offsets</b>	<b>\$4,753,955</b>	<b>\$5,662,083</b>	<b>\$5,771,608</b>	<b>\$5,757,804</b>	<b>\$5,815,561</b>

Fiscal Year: 1-1-2022 to 12-31-2022

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## Mission Country Disposal

## Base Year Rate Adjustment Application

## Cost Summary for Base Year

Description of Cost	Section VIII-Base Year Cost Allocation				
	2019	2020	2021	Base Year 2022	2023
Labor	\$1,825,776	\$1,537,344	\$1,747,146	\$1,882,351	\$1,938,818
Payroll Taxes	\$162,117	\$119,222	\$134,633	\$144,765	\$149,108
48. <b>Total Direct Labor</b>	\$1,987,893	\$1,656,566	\$1,881,780	\$2,027,116	\$2,087,926
49. Corporate Overhead	\$119,957	\$152,448	\$173,276	\$182,460	\$187,934
Less limitation (enter as negative)	(\$29,786)	(\$60,744)	(\$80,839)	(\$85,124)	(\$87,677)
<b>Total Corporate Overhead</b>	\$90,171	\$91,704	\$92,437	\$97,336	\$100,256
Office Salaries	\$262,103	\$289,698	\$284,014	\$313,196	\$322,510
Payroll Taxes - Office	\$19,766	\$18,694	\$23,044	\$25,213	\$25,969
50. <b>Total Office Salaries</b>	\$281,869	\$308,392	\$307,058	\$338,409	\$348,479
Bad Debt	\$1,525	\$3,260	\$5,669	\$5,669	\$5,669
Allocated expenses	\$0	\$0	\$0	\$0	\$0
Bonds expense	\$4,522	\$3,931	\$3,807	\$4,009	\$4,129
Depreciation	\$284,167	\$376,319	\$555,020	\$765,950	\$922,792
Drive Cam fees	\$3,010	\$8,854	\$10,790	\$11,362	\$11,703
Dues and Subscriptions	\$10,727	\$2,361	\$8,088	\$8,517	\$8,772
Facilities	\$24,611	\$17,600	\$11,831	\$12,458	\$12,832
Gas and oil	\$401,106	\$358,629	\$506,154	\$509,789	\$524,706
Insurance	\$430,834	\$427,506	\$530,264	\$592,294	\$610,063
Laundry (Uniforms)	\$12,878	\$13,479	\$15,484	\$16,305	\$16,794
Legal and Accounting	\$36,525	\$18,862	\$20,777	\$21,821	\$22,444
Miscellaneous and Other	\$4,802	\$2,158	\$2,083	\$2,193	\$2,259
Office Expense	\$95,657	\$93,897	\$108,945	\$114,738	\$118,190
Operating Supplies	\$42,549	\$38,307	\$38,712	\$40,764	\$41,987
Other Taxes	\$12,577	\$13,598	\$20,213	\$21,235	\$21,844
Outside Services	\$453,199	\$501,740	\$499,646	\$134,283	\$136,172
Public Relations and Promotion	\$2,516	\$3,498	\$3,093	\$3,099	\$3,103
Permits	\$34,610	\$31,411	\$48,398	\$50,963	\$52,492
Postage	\$8,021	\$3,552	\$5,259	\$5,537	\$5,704
Relocation	\$4,633	\$12,510	\$8,947	\$8,947	\$8,947
Rent	\$5,278	\$5,278	\$7,019	\$7,575	\$7,621
Telephone	\$6,939	\$15,238	\$15,344	\$16,157	\$16,642
Tires	\$72,014	\$58,486	\$75,451	\$79,450	\$81,834
Travel	\$19,244	\$3,572	\$5,034	\$5,301	\$5,460
Truck Repairs	\$279,312	\$225,488	\$242,308	\$255,151	\$262,805
Utilities	\$11,969	\$9,888	\$10,091	\$10,626	\$10,944
51. <b>Total Other Gen/Admin Costs</b>	\$2,263,225	\$2,249,422	\$2,758,424	\$2,704,193	\$2,915,906
52. <b>Total Tipping Fees</b>	\$921,271	\$929,010	\$956,880	\$1,650,768	\$1,660,064
53. <b>Total Franchise Fee</b>	\$453,112	\$554,664	\$557,265	\$493,114	\$507,907
54. <b>Total AB 939/Regulatory Fees</b>	6,152	7,565	\$7,621	\$11,122	\$11,455
55. <b>Total Lease Pmt to Affil Co.'s</b>	\$92,796	\$110,915	\$112,578	\$118,545	\$122,102
55a. <b>Interest, related Party</b>	\$69,017	\$100,412	\$81,836	\$107,679	\$124,861
55b <b>Total Transportation to Affil Co.'s</b>	\$4,400	\$0	\$550	\$550	\$550
56. <b>Total Cost</b>	\$6,169,906	\$6,008,650	\$6,756,430	\$7,548,832	\$7,879,506

## Mission Country Disposal

## Base Year Rate Adjustment Application

## Base Year Revenue Offset Summary

For Information Purposes Only

Description of Revenue	Section VII-Revenue Offsets						
	Overall	Franchise	Refuse Collection				Non
	Total	Total	LO CSD	Cayucos	Cambria	County	Franchised
<i>Residential Revenue</i>							
<i>(without increase in Base Year)</i>							
57. Single Family Residential	11,095	11,095	5,218	1,892	3,783	202	-
	\$4,044,206	4,044,206	1,894,586	638,164	1,446,755	64,700	-
<i>Multiunit Residential Dumpster</i>							
58. Number of Accounts	\$0	\$0	0	0	0	0	0
59. Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
60. Less Allowance for Uncollectable	\$0	\$0	0	0	0	0	0
61. <b>Total Residential Revenue</b>	<b>\$4,044,206</b>	<b>\$4,044,206</b>	<b>\$1,894,586</b>	<b>\$638,164</b>	<b>\$1,446,755</b>	<b>\$64,700</b>	<b>\$0</b>
<i>Non-residential Revenue (without increase in Base Year)</i>							
Account Type							
Non-residential Can							
62. Number of Accounts	61	61	5	17	-	40	-
63. Revenues	\$13,785	\$13,785	2,103	2,528	-	9,154	-
<i>Non-residential Wastewheeler</i>							
64. Number of Accounts	242	242	71	37	97	37	-
65. Revenues	\$162,255	\$162,255	58,569	23,504	56,829	23,353	-
<i>Non-residential Dumpster</i>							
66. Number of Accounts	573	573	149	67	138	219	-
67. Revenues	\$1,528,231	\$1,528,231	485,153	181,324	369,510	492,244	-
68. Less: Allowance for Uncollectible							
Non-residential Accounts	\$0	\$0	\$0	\$0	\$0	\$0	\$0
69. <b>Total Non-residential Revenue</b>	<b>\$1,704,270</b>	<b>\$1,704,270</b>	<b>\$545,824</b>	<b>\$207,356</b>	<b>\$426,339</b>	<b>\$524,751</b>	<b>\$0</b>
74. <b>Interest on Investments</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
75. <b>Other Income</b>	<b>\$9,327</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,327</b>
76. <b>Total Revenue Offsets</b>	<b>\$5,757,804</b>	<b>\$5,748,477</b>	<b>\$2,440,410</b>	<b>\$845,520</b>	<b>\$1,873,095</b>	<b>\$589,451</b>	<b>\$9,327</b>

Fiscal Year: 1-1-2022 to 12-31-2022

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## Mission Country Disposal

## Base Year Rate Adjustment Application

## Operating Information

Historical			Current			Projected		
	Percent		Percent		Percent	Base Year	Percent	
2019	Change	2020	Change	2021	Change	2022	Change	2023

## Section IX-Operating Data

*Residential & Commercial Garbage*

77.	Los Osos Residential Accts	5,110	0.3%	5,124	0.8%	5,166	1.0%	5,218	1.0%	5,270
	Cayucos Residential Accts	1,856	0.4%	1,863	0.6%	1,873	1.0%	1,892	1.0%	1,911
	Cambria Residential Accts	3,735	0.1%	3,737	0.2%	3,746	1.0%	3,783	1.0%	3,821
	County Residential Accts	132	1.5%	134	49.3%	200	1.0%	202	1.0%	204
	Los Osos Commercial Accts	235	-0.9%	233	-4.4%	223	1.0%	225	1.0%	227
	Cayucos Commercial Accts	146	-5.5%	138	-13.5%	119	1.0%	121	1.0%	122
	Cambria Commercial Accts	267	-1.1%	264	-11.8%	233	1.0%	235	1.0%	238
	County Commercial Accts	317	-0.6%	315	-7.2%	292	1.0%	295	1.0%	298
78.	Routes	10	-13.3%	8	-8.3%	8	0.0%	8	0.0%	8
79.	Tons Collected	14,307	-17.4%	11,822	3.0%	12,177	3.0%	12,542	1.0%	12,667
80.	Direct Labor Hours	20,102	-13.3%	17,430	-8.3%	15,986	0.0%	15,986	0.0%	15,986

*Recyclable Materials - Curbside Recycling-Los Osos, Cambria, & Cayucos*

85.	Accounts	11,259	0.1%	11,272	0.0%	11,271	1.0%	11,384	1.0%	11,498
86.	Routes	7	-13.3%	6	-8.3%	5	0.0%	5	0.0%	5
	Tons Collected	4,485	3.2%	4,628	3.0%	4,767	3.0%	4,910	1.0%	4,959
87.	Direct Labor Hours	13,585	-13.3%	11,779	-8.3%	10,803	0.0%	10,803	0.0%	10,803

*Recyclable Materials - Greenwaste Collection-Los Osos, Cambria, & Cayucos*

88.	Accounts	10,701	0.2%	10,724	0.6%	10,785	1.0%	10,893	1.0%	11,002
89.	Routes	5	-13.3%	5	-8.3%	4	0.0%	4	0.0%	4
	Tons Collected	5,277	3.6%	5,469	3.0%	5,633	3.0%	5,802	1.0%	5,860
90.	Direct Labor Hours	11,020	-13.3%	9,555	-8.3%	8,763	0	8,763	0.0%	8,763

Fiscal Year: 1-1-2022 to 12-31-2022

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**HZI Cost Increase Summary**

**Appendix B**

Cost Category	Original Plan	2021	2022	Variance		Comment
				Amount	%	
Staffing and Administrative Cost	\$ 1,090	\$ 1,592	\$ 1,706	\$ 616	57%	Staff operation requirements increased from 3 to 6 team members due to feedstock profile, increased maintenance, equipment change out and operational demands. Additionally salary increases have been necessary to meet CA labor market demands. Administratively pollution insurance was added and audit and legal fees were increased to meet reporting requirements.
O&M Expense	\$ 495	\$ 1,747	\$ 1,439	\$ 944	191%	Increased cost due to CHP maintenance increases related to gas cycling, dosing feeder erosion, screw feeder premature erosion, shredder blade erosion and damage due to contamination, digestate pump rebuild frequency due to sand, premature wear and replacement of the decanter, and continued vacuum truck clean out of the sand build-up. Added +250K/year for management of backend products and front end peak loading;
Capital Expense	\$ 1,487	\$ 1,945	\$ 1,946	\$ 459	31%	Added Capital cost includes Feed Bunker Wall extension, Speed Screen, Fat, Oils, and Grease system, and redundant pumps related to decreased food waste and sand issues in the CA environment
Total Cost	\$ 3,072	\$ 5,284	\$ 5,091	\$ 2,019		-
Total Service Fee	\$ 1,749	\$ 1,779	\$ 3,861	\$ 2,082	119%	Increase requested equates closely to cost increase seen since original plan of monthly service fees
Change	\$ (1,323)	\$ (3,505)	\$ (1,230)	\$ 63		



**RESOLUTION 2022-18**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE CAYUCOS SANITARY DISTRICT MAKING  
FINDINGS IN ACCORDANCE WITH AB 361 AND GOVERNMENT  
CODE SECTION 54953(e), AUTHORIZING REMOTE TELECONFERENCE MEETINGS  
OF THE LEGISLATIVE BODIES OF THE CAYUCOS SANITARY DISTRICT**

WHEREAS, on March 4, 2020 Governor Newsom declared a State of Emergency in the State of California pursuant to Government Code Section 8625 as a result of the threat of the Coronavirus (COVID-19) pandemic; and

WHEREAS, subsequently, in March 2020, in response to the COVID-19 pandemic, Governor Newsom issued Executive Orders N-25-20 and N-29-20. These orders suspended certain elements of the Brown Act and specifically allowed for legislative bodies as defined by the Brown Act to hold their meetings entirely electronically with no physical meeting place. On June 11, 2021, Governor Newsom issued Executive Order N-08-21, which provided that the provisions in Executive Order N-29-20 suspending certain elements of the Brown Act would continue to apply through September 30, 2021; and

WHEREAS, on September 16, 2021 Governor Newsom signed AB 361, which added subsection (e) to Government Code section 54953 of the Brown Act, and makes provision for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions; and

WHEREAS, a required condition of AB 361 is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the State caused by conditions as described in Government Code section 8558; and

WHEREAS, there has been a significant increase in COVID-19 cases in San Luis Obispo County due primarily to the Delta variant of SARS-CoV-2, the virus that causes COVID-19. Emerging evidence indicates that the Delta variant is far more transmissible than prior variants of the virus, causes more severe illness, and that even fully vaccinated individuals can spread the virus to others; and

WHEREAS, the Board of Directors now desires to adopt a Resolution finding that the requisite conditions exist for the legislative bodies of the Cayucos Sanitary District, as defined in the Brown Act, to conduct remote teleconference meetings without compliance with paragraph (3) of subdivision (b) of Government Code section 54953.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Cayucos Sanitary District as follows:

1. The above recitals are true, correct and are incorporated herein by this reference.

2. In accordance with the requirements of Government Code Section 54953(e)(3), the Board of Directors of the Cayucos Sanitary District hereby finds and determines that it has reconsidered the circumstances of the State of Emergency and that the State of Emergency continues to exist and to directly impact the ability of the members to meet safely in person due to the COVID-19 pandemic, and its continued spread in San Luis Obispo County and Cayucos through the Delta and Omicron variants of SARS-CoV-2, which are both far more transmissible than prior variants of the virus, and that even fully vaccinated individuals can spread the virus to others, and therefore holding meetings in person would present imminent risks to the health or safety of attendees.
3. The District Manager and legislative bodies of the Cayucos Sanitary District are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including, continuing to conduct open and public remote teleconferencing meetings in accordance with the requirements of Government Code section 54953(e) and other applicable provisions of the Brown Act.
4. This Resolution shall take effect immediately upon its adoption and shall be effective for thirty (30) days after its adoption, subject to being extended for an additional 30 day period by the Board of Directors adoption of a subsequent resolution in accordance with Government Code section 54953(e)(3) to further extend the time during which the legislative bodies of the Cayucos Sanitary District may continue to teleconference without compliance with paragraph (3) of subdivision (b) of Government Code section 54953.

PASSED AND ADOPTED this 21<sup>st</sup> day of July, 2022.

Ayes:  
Nays:  
Absent:  
Abstain:

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Robert Enns, President  
Board of Directors

ATTEST:

APPROVED AS TO FORM:

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Rick Koon  
District Manager

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Timothy J. Carmel  
District Counsel