



# CAYUCOS SANITARY DISTRICT

200 Ash Avenue / PO Box 333  
Cayucos, CA 93430  
(805) 995-3290  
[www.cayucossd.org](http://www.cayucossd.org)

**GOVERNING BOARD**  
R. Enns, President  
S. Lyon, Vice-President  
H. Miller, Director  
J. Curti, Director  
M. Shopshear, Director

**BOARD OF DIRECTORS  
REGULAR MEETING AGENDA  
THURSDAY, OCTOBER 17, 2024 AT 5:00PM  
200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430**

## 1. ESTABLISH QUORUM AND CALL TO ORDER

## 2. PUBLIC COMMENT

At this time the public may address the Board on items other than those scheduled on this agenda (persons wishing to speak on any item scheduled on this agenda will be given the opportunity at the time that agenda item is being considered). When recognized by the Board President, please state your name 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. By conditions of the Brown Act, the Board is prohibited from discussing issues not posted on this agenda, but may set items for future agendas.

## 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. Meeting Minutes

1. Approval of minutes for the September 19, 2024 Board of Directors Regular Meeting

### B. Financial Reports: September 2024

1. Cash, Savings, and Investment Report
2. Check Registers – Wells Fargo (General & CIP Checking Accounts)
3. Budget vs. Actual Status Report
4. Capital Improvement Projects Report

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

### A. District Manager's Report: September 2024

### B. New Will-Serves: September 2024

- 302 Pacific Ave. / Newman / 064-148-001 / SFR Remodel
- 99 13<sup>th</sup> St. / Fischer / 064-163-001 / SFR Remodel

### Extended Will-Serves:

- 320 Cayucos Creek Rd. / Gilkey & Travioli / 064-024-019 / SFR New, ADU New
- 273 S Ocean Ave. / Weyrick / 064-125-051 / CMMCL New
- 147 Ash Ave. / Mission Acquisitions LLC / 064-113-007 / 3 SFR New, 2 ADU New
- 560 Pacific Ave. / Marquart / 064-148-008 / ADU New

### Finale Will-Serves:

- 1036 Pacific Ave. / Mariani / 064-151-020 / SFR Remodel
- 3444 Studio Dr. / Lojacono / 064-449-035 / SFR Remodel
- 184 I St. / Berry / 064-128-002 / Deck Add.
- 62 13<sup>th</sup> St. / Fort / 064-164-019 / SFR Addition/Remodel

**Grants of License:**

None

- 5. PRESENTATION AND ACCEPTANCE OF THE CAYUCOS SANITARY DISTRICT FY 2023/24 FINAL AUDIT BY ADAM GUISE OF MOSS, LEVY & HARTZHEIM**
- 6. DISCUSSION AND CONSIDERATION OF SOLID WASTE AND RECYCLING COLLECTION OBJECTIVES FOR THE COMMUNITY OF CAYUCOS**
- 7. DISCUSSION AND CONSIDERATION TO APPROVE QUITCLAIM DEED TERMINATING EASEMENT RIGHTS OWNED BY CHEVRON LAND AND DEVELOPMENT COMPANY APPURTENANT TO LOTS 8 & 10**
- 8. DISCUSSION AND CONSIDERATION TO APPROVE AN AGREEMENT FOR CONSULTANT SERVICES WITH WATER SYSTEMS CONSULTING, INC. IN THE AMOUNT OF \$73,209.00 FOR THE CHANEY-TO-TORO PIPELINE REPLACEMENT PROJECT**
- 9. 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.
- 10. FUTURE SCHEDULED MEETINGS**
  - November 21, 2024 – Regular Board Meeting
  - December 19, 2024 – Regular Board Meeting
  - January 16, 2025 – Regular Board Meeting
- 11. ADJOURNMENT**

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All staff reports or other documentation relating to each item of business referred to on the agenda are also on file at the District office, available for public inspection or 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.

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### GOVERNING BOARD

R. Enns, President

S. Lyon, Vice-President

H. Miller, Director

J. Curti, Director

M. Shopshear, Director

## BOARD OF DIRECTORS REGULAR MEETING MINUTES THURSDAY, SEPTEMBER 19, 2024 AT 5:00 P.M. 200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430

### 1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 5:02 p.m.

**Directors present:** President Robert Enns, Vice-President Shirley Lyon, Director Hannah Miller, Director John Curti, and Director Michael Shopshear

**Staff present:** District Manager Rick Koon, Administrative Services Manager Amy Lessi, and Administrative Accounting Manager Gayle Good

### 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. Meeting Minutes

1. Approval of minutes for the August 15, 2024 Board of Directors Regular Meeting

#### B. Financial Reports: August 2024

1. Cash, Savings, and Investment Report
2. Check Registers – Wells Fargo (General & CIP Checking Accounts)
3. Budget vs. Actual Status Report FY
4. Capital Improvement Projects Report

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Miller, to approve items on the Consent Calendar as prepared. Motion was seconded by Curti.

**VOTE:** 5-0 Motion passed

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

#### A. District Manager's Report: August 2024

#### B. New Will-Serves: August 2024

- 125 S Ocean Ave. / Cayucos, Inc. / 064-125-030 / CMMCL Remodel

#### Extended Will-Serves:

- 78 Saint Mary Ave. / Lindahl / 064-125-038 / SFR Addition
- 183 H St. / Webb / 064-126-016 / SFR New

#### Finaled Will-Serves:

- 425 Pacific Ave. / Hemmer / 064-143-017 / SFR Remodel
- 573 Pacific Ave. / Cameron / 064-144-009 / SFR Demo/Rebuild

**Grants of License:**

None

Manager Koon gave a summary of the previous month's activities.

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 OF THE DISTRICT-OFFERED HMO HEALTH PLAN COST AND REVIEW OF THE PLAN CHANGES FOR 2025**

Directors Shopshear and Miller requested clarification on how the current plan's premium increase would not necessitate an adjustment to the budgeted amount for this line item, and Administrative Accounting Manager Gayle Good responded that the Budget Committee took potential increases into consideration which included a contingency for potential increases.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Shopshear, to approve the cost of the Blue Sheild Access+ HMO plan for 2025 for the employee and one dependent as the maximum amount paid. Motion was seconded by Miller.

**VOTE: 5-0** Motion passed

**6. DISCUSSION AND CONSIDERATION TO APPROVE A CONTRACTOR SERVICES AGREEMENT WITH N. BRENT KNOWLES CONSTRUCTION IN THE AMOUNT OF \$40,000.00 FOR REPAIR, PAVING AND SLURRY SERVICES ASSOCIATED WITH DISTRICT EMERGENCIES FOR FY 2024/25**

Director Curti requested confirmation that this contract is the same as the one that was approved last year, and Administrative Accounting Manager Gayle Good confirmed it is.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Curti, to approve a Contractor Services Agreement with N. Brent Knowles Construction in the amount of \$40,000.00 for repair, paving and slurry services associated with district emergencies for FY 2024/25. Motion was seconded by Lyon.

**VOTE: 5-0** Motion passed

**7. DISCUSSION AND CONSIDERATION TO AMEND THE FISCAL YEAR 24/25 CIP BUDGET TO REPLACE "STEEL BUILDING FOR ON-SITE STORAGE" WITH "SCADA AND NETWORK UPGRADE PROJECT" AND TO INCREASE THE FINAL DESIGN COST FOR THE CHANEY TO TORO PIPELINE REPLACEMENT PROJECT FROM \$35,000 to \$75,000**

With regard to the SCADA and Network Upgrade Project, the Board weighed the pros and cons of contracting with small, locally-owned businesses, ultimately deciding that the benefits of working with a smaller, nearby and easy to reach team were preferable. For the Chaney to Toro Pipeline Replacement Project, Director Curti wondered how staff would accommodate the temporary absence of one 12" main line. Manager Koon responded that this aspect of the project is still being evaluated. President Enns wondered if it might be simpler or more efficient to utilize the ocean side of the highway for the future main lines, to avoid CalTrans' operations, and Manager Koon stated that moving to the ocean side will be evaluated.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Miller, to amend the Fiscal Year 24/25 CIP Budget to replace "Steel Building for On-Site Storage" with "SCADA and Network Upgrade Project" and to increase The Final Design Cost for the Chaney to Toro Pipeline Replacement Project from \$35,000 to \$75,000. Motion was seconded by Curti.

**VOTE: 5-0** Motion passed

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

President Enns announced that the Board would transition to Closed Session at 6:00 p.m.

Board members present during Closed Session: President Enns, Vice-President Lyon, Director Miller, Director Curti and Director Shopshear

Board members absent during Closed Session: None

Staff members present during Closed Session: District Manager Rick Koon

Open Session reconvened at 6:34 p.m.

**Items to report from Closed Session: None**

**9. BOARD MEMBER COMMENTS**

Director Shopshear shared that he has made some progress as an Ad Hoc Committee of one to address the issue of insufficient garbage receptacles in downtown Cayucos, and requested that there be an item on the next agenda to facilitate further progress.

**10. FUTURE SCHEDULED MEETINGS**

- October 17, 2024 – Regular Board Meeting
- November 21, 2024 – Regular Board Meeting
- December 19, 2024 – Regular Board Meeting

**11. ADJOURNMENT**

The meeting adjourned at 6:40 p.m.

**Minutes Respectfully Submitted By:**

X Amy Lessi

Amy Lessi  
Administrative Services Manager



# CAYUCOS SANITARY DISTRICT

## Monthly Financial Report

### FY 2024/2025

## Cash, Savings and Investments

### September 2024

Bank Accounts	Current Balance
Wells Fargo - General Checking	\$593,412
Wells Fargo - CIP	\$1,174,519
Wells Fargo - Standby	\$253,566
Wells Fargo - USDA	\$410,929
Petty Cash	\$175
LAIF	\$9,058
<b>Total</b>	<b>\$2,441,659</b>
Investment Accounts	
CalTrust	\$2,696,024
Cetera Cash/MM	\$30,841
Cetera Treasury/Securities	\$39,498 *
<b>Total</b>	<b>\$2,766,363</b>
<b>Grand Total</b>	<b>\$5,208,022</b>
MCD Wells Fargo Deposit CD	\$25,000 **

\* Fixed Income

\*\* Franchise Deposit on Hold

## Check Registers - Checks Issued September 2024

Date	Num	Name	Amount
09/03/2024	24471	BLUE-WHITE INDUSTRIES	-352.40
09/03/2024	24472	DXP ENTERPRISES, INC.	-18,881.64
09/09/2024	24473	ABALONE COAST ANALYTICAL, INC.	-2,860.40
09/09/2024	24474	AMAZON	-369.06
09/09/2024	24475	COASTAL ROLL OFF SERVICE	-3,648.21
09/09/2024	24476	MINER'S ACE HARDWARE	-529.21
09/09/2024	24477	MISSION COUNTRY DISPOSAL - WRRF	-379.69
09/09/2024	24478	MORRO ROCK MUTUAL WATER CO. UTILITY 782	-93.85
09/09/2024	24479	POSTMASTER	-200.00
09/09/2024	24480	MISSION UNIFORM SERVICE	-483.76
09/10/2024	24481	CARMEL & NACCASHA, LLP	-976.55
09/10/2024	24482	HACH	-180.60
09/10/2024	24483	KITZMAN WATER	-59.50
09/10/2024	24484	SPEEDY COASTAL MESSENGER, INC.	-780.00
09/10/2024	24485	SPICE INTEGRATION CORP.	-1,080.00
09/10/2024	24486	STAPLES ADVANTAGE	-61.55
09/10/2024	24488	BRAX COMPANY, INC.	-4,927.87
09/10/2024	24489	BREZDEN PEST CONTROL	-393.00
09/10/2024	24490	CHARTER INTERNET	-950.81
09/10/2024	24491	QUICK TECH COMPUTERS	-1,650.50
09/18/2024	24487	PATHIAN ADMINISTRATORS	-226.40
09/19/2024	24492	CAL FIRE STATE FIRE MARSHAL	-80.00
09/19/2024	24493	VOID	0.00
09/19/2024	24494	BUSINESS CARD 01	-882.85
09/19/2024	24495	BUSINESS CARD 91	-127.40
09/19/2024	24496	CALNET3	-443.61
09/19/2024	24497	CWEA	-111.00
09/19/2024	24498	ENDRESS+HAUSER, INC.	-197.25
09/19/2024	24499	FIRSTNET (AT&T)	-547.51
09/19/2024	24500	REC SOLAR	-14,761.83
09/19/2024	24501	SWRCB/DWOCP/WOC	-110.00
09/19/2024	24502	WESTERN ALLIANCE BANK - SERIES B	-88,427.42
09/19/2024	24503	CAL FIRE STATE FIRE MARSHAL	-135.00
09/27/2024	24504	ENNS, ROBERT	-91.25
09/27/2024	24505	LYON, SHIRLEY A	-91.25
09/30/2024	11589 - CIP	RODNEY HUNT, INC.	-14,840.00
09/30/2024	24506	CLAY'S SEPTIC & JETTING	-4,050.00
09/30/2024	24507	COASTAL COPY, INC	-40.70
09/30/2024	24508	EXECUTIVE JANITORIAL	-225.00
09/30/2024	24509	EXXONMOBIL	-679.29
09/30/2024	24510	SOCAL GAS	-24.09

Date	Num	Name	Amount
09/30/2024	24511	WELLS FARGO VENDOR FIN SERV	-350.96
<b>Total Issued Checks</b>			<b>-\$165,301.41</b>



## Check Registers - ACH Payments September 2024

Date	Num	Name	Amount
09/03/2024	TFR	STANDBY TRANSFER AUG	-1,233.34
09/05/2024	HLTH090524	CALPERS (HEALTH)	-16,018.70
09/05/2024	439909	ALLIED ADMINISTRATORS FOR DELTA DENTAL	-914.10
09/12/2024	TFR	USDA TRANSFER SEPT	-77,907.72
09/13/2024		QuickBooks Payroll Service	-26,041.02
09/13/2024	EDD091324	EDD	-2,323.85
09/13/2024	FED091324	US TREASURY	-9,132.72
09/13/2024	DEF091324	CALPERS (RETIREMENT)	-1,225.00
09/13/2024	PERS091324	CALPERS (RETIREMENT)	-4,795.21
09/13/2024	07152935811	PG&E LS#1	-722.82
09/13/2024	13252935761	PG&E LS#2	-1,393.08
09/13/2024	02552935791	PG&E LS#3	-259.80
09/13/2024	06052935821	PG&E LS#4	-654.18
09/13/2024	37552935831	PG&E LS#5	-3,768.24
09/13/2024	02552935781	PG&E OFFICE	-264.77
09/13/2024	00252935801	PG&E WELL	-44.34
09/13/2024	34152935771	PG&E WRRF	-3,455.98
09/26/2024		QuickBooks Payroll Service	-26,093.35
09/27/2024	DEF092724	CALPERS (RETIREMENT)	-1,225.00
09/27/2024	PERS092724	CALPERS (RETIREMENT)	-4,795.21
09/27/2024	EDD092724	EDD	-2,308.81
09/27/2024	FED092724	US TREASURY	-9,092.26
<b>Total Issued ACH</b>			<b>-\$193,669.50</b>

## Budget vs. Actual September 2024

AGENDA ITEM:  
**3.B.3**

	Current Month	YTD Actual Rev/Exp	Approved Budget 23/24	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Sewer Income	260,504	794,996	3,187,400	25%
Will Serve Income	16,800	17,650	88,200	20%
Rental Income	-	26,932	52,200	52%
Solid Waste Income	3,702	28,145	141,500	20%
SLOCO Tax Assessments	35,416	66,266	1,257,000	5%
Banking Interest Income	1,539	5,733	9,900	58%
Investment Interest	9,747	29,626	90,000	33%
Other Income	-	4,534	4,600	99%
<b>Total Income</b>	<b>327,708</b>	<b>973,882</b>	<b>4,830,800</b>	<b>20%</b>
<b>Expenses</b>				
<b>Payroll Expenses</b>				
Administrative Payroll	34,360	118,036	447,400	26%
Collections Payroll	16,776	58,150	234,700	25%
WRRF Payroll	26,559	92,506	365,000	25%
Director Payroll	500	2,000	8,000	25%
Vested Benefits	314	942	4,000	24%
Admin Payroll Taxes & Benefits	8,040	54,326	144,900	37% *
Collections Payroll Taxes & Benefits	8,155	49,034	126,300	39% *
WRRF Payroll Taxes & Benefits	9,551	54,623	159,900	34% *
Director Payroll Taxes & Benefits	38	153	600	26%
<b>Total Payroll &amp; Benefits</b>	<b>104,294</b>	<b>429,770</b>	<b>1,490,800</b>	<b>29%</b>
<b>Operating Expenses</b>				
Special Projects	-	-	13,000	0%
Administrative Operating Expenses	92,771	399,084	846,900	47% **
Collections Operating Expenses	4,701	33,012	265,950	12%
Treatment Operating Expenses	110,009	451,876	1,733,100	26%
<b>Total Operating Expenses</b>	<b>207,481</b>	<b>883,973</b>	<b>2,858,950</b>	<b>31%</b>
<b>Total Expenses</b>	<b>311,775</b>	<b>1,313,743</b>	<b>4,349,750</b>	<b>30%</b>
<b>Net Income</b>	<b>15,933</b>	<b>(339,861)</b>	<b>481,050</b>	

\* Unfunded PERS liability and SDRMA insurance premiums are paid in July for the coming fiscal year.

\*\* USDA & Western Alliance Interest payments

**Month 3 of 12; Target 25% of Budget**

## Capital Improvement Projects Budget September 2024

AGENDA ITEM:  
**3.B.4**

	Current Month	YTD Actual Rev/Exp	Approved* Budget 24/25	% of Budget
<b>Collection Improvements</b>				
Sewer Main Repairs	0.00	0.00	50,000.00	0%
Chaney to Lift Station 5 Main Replacement	0.00	0.00	75,000.00	0%
<b>Main Admin</b>				
Backup Electrical System	0.00	0.00	35,000.00	0%
<b>RWQCB Recycled Water Program</b>				
Benthic Sediment and Community Testing of Outfall	0.00	0.00	60,000.00	0%
SCADA and Network Upgrade Project	1,080.00	13,016.47	45,000.00	31%
Automated Influent Valves	15,924.76	0.00	40,000.00	40%
<b>Total Capital Improvements</b>	<b>\$17,004.76</b>	<b>\$13,016.47</b>	<b>\$325,000.00</b>	<b>9%</b>

\* CIP Budget amended and approved Sept. 19, 2024



# CAYUCOS SANITARY DISTRICT STAFF REPORT

**TO:** BOARD OF DIRECTORS  
**FROM:** RICK KOON, DISTRICT MANAGER  
**DATE:** OCTOBER 10, 2024  
**SUBJECT:** MONTHLY MANAGER'S REPORT: SEPTEMBER 2024

## ADMINISTRATIVE

- Customers enrolled in Auto-Pay (ACH): **764** (up from 762 last month)
- Customers enrolled in E-Billing: **375** (up from 368 last month)
- Staff had communications with the County regarding the property tax allocation for Annexations 19 & 20. On October 29<sup>th</sup> the County is proposing to the Board of Supervisors that the District receive the weighted average of 6.77247% of the 1% of the property tax that is allocated to the County for each property.
- Staff has performed a Vacant Lot Audit which evaluated each parcel within the District's service area to see if they are being billed correctly.
- Escrow still has not closed for Lot 7N. Staff is working with the District's Legal Counsel to make sure all District easements are included in the Grant Deed.
- The Series B Loan interest payment was made.

## CAPITAL PROJECTS

- Staff has started work on the installation of the automatic actuator valves at headworks. Trenching and electrical work is to begin the week of the 14<sup>th</sup>.
- The SCADA replacement systems will begin to be brought online on October 15<sup>th</sup>.

## OPERATIONS & MAINTENANCE: SEPTEMBER 2024

**CIP:** None

### Daily Operations of Note:

- Pump down, scrape, and bleach wet wells; clean probes and test generators
- Conduct weekly alarm testing at all lift stations
- Jet 6,395 feet of main lines, including the downtown areas
- Jet inlets of the EQ pump station in preparation for Clay's Septic & Jetting pump out
- Participate in Vector Training Solutions for SDRMA
- Respond to 28 USAs

- Begin grease trap inspections
- Utilized CCTV equipment to further improve our maps and understanding of the conditions in areas of interest
- Bypassed Lift Station 2 for Clay's Septic & Jetting to vacuum and clean the bottom of our wet well
- Collected sea water from the pier for annual lab testing
- Landscaping of bushes at Lift Station 1
- Fire extinguisher safety training
- Add a few more rain catches to manholes that didn't have one or had a damaged one
- Continue assisting Quik Tech and S.P.I.C.E. as they bring SCADA back online at the lift stations

**Call Outs:** None

## WATER RESOURCE RECOVERY FACILITY: SEPTEMBER 2024

### Daily Operations of Note:

- Completed all quarterly, monthly, weekly, and daily maintenance tasks
- Exercised generator and fire pump
- Calibrated on-line meters
- Checked eyewash stations and fire extinguishers
- Completed all daily and weekly lab tests
- Completed all Monthly Reports
- Ongoing groundskeeping throughout month
- Replaced UPS batteries at Dewatering & Grit PLCs September 3
- Flush water heater in Operations Building September 6
- Fire extinguisher training for all District staff September 10
- HCIP on MOS 1 September 10
- Force Main flush September 12
- Jetted lines from EQ basins to EQ wet well September 18
- Vacuumed out EQ Pump Station on September 19
- HCIP on MOS 2 September 24
- Acid cleaned both UV vessels on September 26
- Force Main flush September 27
- Fixed door to MOS turbidimeter room on September 29
- Continuing to divert part of influent flow to Equalization Basin #1 during the day, and running the flow back at night to even flows and biological loading to plant

### WRRF Influent

- Highest flow day September 1: **267,944 gallons**
- Average influent for September: **179,710 gallons per day**
- Total influent for September: **5.39 million gallons**

### WRRF Effluent

- Highest flow day September 21: **286,194 gallons**
- Average effluent for September: **202,649 gallons per day**
- Total effluent for September: **6.08 million gallons**
- Average recycled water use (in-plant): **71,400 gallons per day**



September 13, 2024

Board of Directors  
Cayucos Sanitary District  
PO Box 333  
Cayucos, CA 93430

We have audited the basic financial statements of Cayucos Sanitary District for the fiscal year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2024. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cayucos Sanitary District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2024. We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and deferred inflows and outflows related to pension are based on the CalPERS actuary's expertise experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Loans and Certificates of Participation Payable in Note 5.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 13, 2024.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each fiscal year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Adjustments:* We assisted the District staff in recording depreciation and capital assets that matched their depreciation schedule and we also assisted with adjusting accruals for receivables and accrued leave to ensure that revenues and expenditures were recorded in the proper fiscal period to match when they were actually earned or incurred. We assisted the District in their net pension liability and lease calculations and adjustments.

### *Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Cayucos Sanitary District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Moss, Remy & Hartshorn LLP*

Santa Maria, California





Moss, Levy & Hartzheim LLP

Certified Public Accountants

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

Board of Directors  
Cayucos Sanitary District  
Cayucos, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Cayucos Sanitary District, which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2024.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Moss, Levy & Hartzheim LLP*

Santa Maria, California  
September 13, 2024

**CAYUCOS SANITARY DISTRICT**

**BASIC FINANCIAL STATEMENTS**

June 30, 2024



**CAYUCOS SANITARY DISTRICT**  
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**FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cayucos Sanitary District  
Cayucos, California

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the major fund of the Cayucos Sanitary District (District) as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Cayucos Sanitary District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Cayucos Sanitary District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cayucos Sanitary District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cayucos Sanitary District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cayucos Sanitary District's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability, the Schedule of Net Pension Contributions, the Schedule of Net OPEB Liability and Related Ratios, and the Schedule of OPEB Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Summarized Comparative Information**

We have previously audited the Cayucos Sanitary District's 2023 financial statements, and our report dated November 1, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2024, on our consideration of the Cayucos Sanitary District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Moss, Remy & Hartzheim LLP*

Santa Maria, California

September 13, 2024

## Cayucos Sanitary District Management's Discussion and Analysis

This section of the financial statements is a highlight of the financial condition and activities for the 2023-2024 fiscal year (FY). The discussion and analysis of the Cayucos Sanitary District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements as well as the notes to the basic financial statements to enhance their understanding of the District's financial performance.

The District accounting system is an Enterprise Fund. This is similar to the private sector accounting system. The revenue is primarily generated by service charges with the exception of property tax revenue, investment revenue, and other income. Expenses are stated as operating expenses and capital expenses are capitalized and depreciated over the lives of the fixed assets.

### SOURCES OF REVENUE

The District's total revenue for the fiscal year was \$4,811,946, inclusive of the following:

#### Sewer Service (User) Charge

The main source of revenue for the District is the sewer service charge assessed to all customers who are users of the District's sewerage facilities. Sewer service charges generated \$3,211,716 in annual income for the District, equal to 67% of total revenues.

#### Sewer Standby (Service Availability) Fee

The District charges its customers who are owners of vacant lots for the expense of maintaining a sewer system available to buildable properties. Sewer standby fees generated \$16,424 in annual income to the District; less than 1% of total revenues.

#### Property Tax

The District receives a pro rata share of property tax (ad valorem) revenues collected by the County of San Luis Obispo for properties located within the District's service boundaries. This portion of revenue includes secured, unsecured, unitary, and supplemental property taxes. The District's property tax revenue for FY 2023-2024 was \$1,202,109, representing 25% of total revenues.

#### Sewer Connection and Permit Fees

In FY 2023-2024, the District received \$48,680 in combined sewer connection fees and sewer inspection fees representing 1% of total revenues.

District staff also reviews all plans for new construction and remodel projects and inspects all sewer tie-ins occurring within the District's boundaries, resulting in permit fees of \$8,800 which include charges for processing and issuance of Sewer Will-Serve letters.

#### Investment and Interest Income

The District invests surplus monies not required for immediate necessity of the District in accordance with the provisions of California Government Code Sections 5921 and 53601 et. seq. For this purpose, the District maintains three investment accounts, one with Corestone, Inc., working through Cetera

CAYUCOS SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2024

Advisor Networks, LLC and the second with CalTrust, a state agency administered through State Street Global Advisors. The District's investments are primarily in U.S. Treasury Securities, Certificates of Deposit, and Mortgage-Backed Securities such as GNMA's and FNMA's. In addition, the District maintains an account with the State of California's Local Agency Investment Fund (LAIF).

Investment and interest income totaled \$141,260 over all accounts and is 3% of total revenues.

Lease & Rental Income

The District derives rental income from long term leases it jointly holds with the City of Morro Bay on parcels of real property adjacent to the Morro Bay-Cayucos Wastewater Treatment Plant that are not needed for current operations. Additionally, the District holds a small lease for the property adjacent to the WRRF upon which the solar field sits. The lease and rental income generated in FY 2023-2024 was \$40,766. Annual income was less than 1% of total revenues.

Solid Waste Franchise Fee

The District derives a 10% franchise fee based on gross solid waste and recycling receipts of the franchisee, Mission Country Disposal (a subsidiary of Waste Connections, Inc.). Income of \$126,519 was less than 3% of total revenues.

Miscellaneous Income

In FY 2023-2024 the District received \$15,672 in miscellaneous income derived from various sources which included \$11,138 from Mission Country Disposal for the AB-939 recycling development program and \$4,534 from the County of San Luis Obispo from Economic Development Funds.

SOURCES OF EXPENSE

The total expenses of the District in FY 2023-2024 were \$4,289,423. There was an overall increase of \$285,815 equal to a 7% increase from prior FY 2022-2023 as shown below, mainly due to an increase in pension and wages expense combined with increases in insurance and utilities.

CATEGORY	FY 2024	FY 2023	\$ CHANGE	% CHANGE
Gross Wages	\$913,790	\$807,028	\$106,762	13%
Payroll Taxes and Benefits	420,305	207,839	212,466	102%
Directors' Fees	4,100	6,100	-2,000	-33%
Office Expense	24,671	28,869	-4,198	-15%
Dues and Subscriptions	10,950	11,754	-804	-7%
Business Expense	2,417	3,286	-869	-26%
Permits and Licenses	18,235	18,728	-493	-3%
Professional Services	64,458	84,461	-20,003	-24%
Insurance	209,118	179,414	29,704	17%
Taxes and Assessments	11,674	11,373	301	3%
Utilities	272,852	232,667	40,185	17%
Telephone	11,589	10,057	1,532	15%
Vehicle Expense	11,447	17,938	-6,491	-36%
Maintenance and Operations	143,022	153,965	-10,943	-7%
MB Wastewater Treatment Plant	390	41,552	-41,162	-99%
Lab	108,797	104,728	4,069	4%
Depreciation	1,453,778	1,451,868	1,910	<1%
<b>Total Operating Expenses</b>	<b>3,681,593</b>	<b>3,371,627</b>	<b>309,966</b>	<b>9%</b>
Interest Expense	606,569	630,720	-24,151	-4%
Loss on Disposal of Capital Assets	1,261		1,261	100%
<b>Total Non-Operating Expenses</b>	<b>607,830</b>	<b>630,720</b>	<b>-24,151</b>	<b>-4%</b>
<b>Total Expenses</b>	<b>\$4,289,423</b>	<b>\$4,002,347</b>	<b>\$287,076</b>	<b>7%</b>

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of FY 2023-2024, the District held \$46,564,590 in net capital assets. This amount represents a net decrease (including additions, deletions, and accumulated depreciation) of \$1,245,306. Note that some categories were reconfigured to better reflect the asset distribution between the decommissioning of the Morro Bay Wastewater Treatment Plant, the inception of the Cayucos Water Resource Recovery Facility, and recategorization of Collections assets.

Category	FY 2024	FY 2023	CHANGE
Land	\$3,969,048	\$3,969,048	\$0
Construction in Progress	55,532	22,273	33,259
<b>Total Non-Depreciable</b>	<b>4,024,580</b>	<b>3,991,321</b>	<b>33,259</b>
<b>Depreciable Assets</b>			
Subsurface Lines	2,671,215	2,127,442	543,773
Sewage Tmt. Facilities – MB WWTP	5,542,407	48,392,450	-42,850,043
Sewage Tmt. Facilities - WRRF	42,946,317	0	42,946,317
Conveyance System	6,266,814	4,928,201	1,338,613
Sewage Collection Facilities	194,060	1,878,590	-1,684,530
Trucks	109,212	109,212	0
Office Equipment	65,822	65,822	0
Collection Equipment	399,935	613,660	-213,725
Office Building	1,243,019	1,243,019	0
Treatment Equipment	92,162	92,162	0
<b>Total Depreciable</b>	<b>59,530,963</b>	<b>59,450,558</b>	<b>80,405</b>
<b>TOTAL CAPITAL ASSETS</b>			
<b>TOTAL CAPITAL ASSETS</b>	<b>63,555,543</b>	<b>63,441,879</b>	<b>113,664</b>
Less: Accumulated Depreciation	(16,990,953)	(15,631,983)	(1,358,970)
<b>NET CAPITAL ASSETS</b>	<b>\$46,564,590</b>	<b>\$47,809,896</b>	<b>(\$1,245,306)</b>

The major capital projects, equipment purchases and asset acquisitions for this fiscal year are explained on the following page:

## CAPITAL IMPROVEMENT PROJECTS (CIP)

In the District's continuing upkeep and upgrade of its wastewater treatment plant and collection system, \$52,522 was invested in replacing pumps at Lift Stations #2 and #5, the Outfall was inspected pursuant to our permit at a cost of \$37,235, and the UV bulbs and wiper assemblies were replaced at the WRRF for \$52,702.

## CURRENT FINANCIAL ISSUES AND CONCERNS

The District is financially stable and able to meet any increasing operating costs and capital improvement projects.

### Long Term Debt:

On February 1, 2021, the District entered into an Installment Sale Agreement with the Public Property Financing Corporation through the USDA Department of Rural Development to finance the Cayucos Sustainable Water Project (CSWP) facilities for a principal amount of \$24,301,500 at an interest rate of 1.75% over 40 years. The principal balance at the end of FY23/24 was \$23,444,500.

To fund the final stages of the CSWP, the Western Alliance Series B loan was amended in February of 2021, extending the \$5.0 million line of credit to \$9.0 million at 4.64% for 10 years. FY23/24 ended with a principal balance of \$3,811,527.

### District's Investment Portfolio and Financial Management Strategy:

The CSD continues to have long term investments in the US Treasury bond market for safety and liquidity in an effort to protect the District's cash holdings from any economic downturns.

### Morro Bay-Cayucos SD Wastewater Treatment Plant and Infrastructure:

As the operation of the shared plant came to a close, in 2022 the District and the City of Morro Bay entered a contract with an appraisal firm to determine the value of the old facilities, associated infrastructure and jointly held properties. The appraisal is complete and negotiations for a mutually beneficial separation continue.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is a general overview of the District's finances and demonstrates the District's accountability for the funds received. If you have any questions about this report or need additional financial information please contact Rick Koon, District Manager at (805) 995-3290 or P.O. Box 333, 200 Ash Avenue, Cayucos, CA, 93430.

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**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF NET POSITION - ENTERPRISE FUND**  
June 30, 2024  
With Comparative Totals as of June 30, 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current Assets:		
Cash and investments - cash equivalents (Note 3)	\$ 2,030,376	\$ 1,378,372
Cash and investments - cash equivalents, restricted (Note 3)	1,072,475	967,446
Cash and investments - non cash equivalents (Note 3)	2,687,612	2,583,028
Accounts receivable	186,969	208,404
Interest receivable	1,299	1,452
Lease receivable - current	34,380	43,280
Other receivables	19,419	40,022
Land held for resale	2,205,315	2,205,315
	<u>8,237,845</u>	<u>7,427,319</u>
Total current assets		
Noncurrent Assets:		
Lease receivable - noncurrent	<u>153,755</u>	<u>180,321</u>
Capital assets (Note 4):		
Non depreciable		
Land	3,969,048	3,969,048
Construction in progress	55,532	22,273
Depreciable		
Subsurface lines	2,671,215	2,127,442
Sewage treatment facilities - Morro Bay	5,542,407	48,392,450
Sewage treatment facilities - Cayucos	42,946,317	
Conveyance system	6,266,814	4,928,201
Sewage collection facilities	194,060	1,878,590
Trucks	109,212	109,212
Office equipment	65,822	65,822
Collection equipment	399,935	613,660
Office building	1,243,019	1,243,019
Treatment equipment	92,162	92,162
	<u>63,555,543</u>	<u>63,441,879</u>
Accumulated depreciation	<u>(16,990,953)</u>	<u>(15,631,983)</u>
Net capital assets	<u>46,564,590</u>	<u>47,809,896</u>
Total noncurrent assets	<u>46,718,345</u>	<u>47,990,217</u>
Total assets	<u>54,956,190</u>	<u>55,417,536</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	389,195	372,720
OPEB	<u>3,696</u>	<u>3,696</u>
Total deferred outflows of resources	<u>392,891</u>	<u>372,720</u>

The notes to basic financial statements are an integral part of this statement.



**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF NET POSITION - ENTERPRISE FUND**  
June 30, 2024  
With Comparative Totals as of June 30, 2023

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ 8,296	\$ 21,017
Accrued payroll	38,426	32,256
Accrued interest	215,163	224,582
Customer deposits		325
Security deposit - MCD	25,000	25,000
Current portion of compensated absences (Notes 6 and 7)	15,189	17,046
Current portion of construction loans payable (Notes 5 and 6)	565,459	540,386
Current portion of certificates of participation (Notes 5 and 6)	440,000	432,000
	<hr/>	<hr/>
Total current liabilities	1,307,533	1,292,612
Long-Term Liabilities:		
Compensated absences (Notes 6 and 7)	30,377	34,091
Net pension liability (Notes 6 and 8)	868,756	808,798
Other postemployment benefits (Notes 6 and 9)	236,806	
Construction loans payable (Notes 5 and 6)	3,246,068	3,811,527
Certificates of participation (Notes 5 and 6)	23,004,500	23,444,500
	<hr/>	<hr/>
Total liabilities	28,694,040	29,391,528
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	35,689	60,217
Leases	188,214	222,594
	<hr/>	<hr/>
Total deferred inflows of resources	223,903	282,811
<b>NET POSITION</b>		
Net investment in capital assets	19,308,563	19,581,483
Restricted for construction	250,130	233,934
Restricted for debt service	822,345	733,512
Unrestricted	6,050,100	5,566,988
	<hr/>	<hr/>
Total net position	<u>\$ 26,431,138</u>	<u>\$ 26,115,917</u>

The notes to basic financial statements are an integral part of this statement.

**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**ENTERPRISE FUND**

For the Fiscal Year Ended June 30, 2024  
 With Comparative Totals for the Fiscal Year Ended June 30, 2023

	<u>2024</u>	<u>2023</u>
<b>Operating Revenues:</b>		
Sewer services fees	\$ 3,211,716	\$ 3,208,898
Permit fees	8,800	7,125
Total operating revenues	<u>3,220,516</u>	<u>3,216,023</u>
<b>Operating Expenses:</b>		
Gross wages	913,790	807,028
Payroll taxes and benefits	420,305	207,839
Directors' fees	4,100	6,100
Office expense	24,671	28,869
Dues and subscriptions	10,950	11,754
Miscellaneous business expense	2,417	3,286
Permits and licenses	18,235	18,728
Professional services	64,458	84,461
Insurance	209,118	179,414
Taxes and assessments	11,674	11,373
Utilities	272,852	232,667
Telephone	11,589	10,057
Vehicle expense	11,447	17,938
Maintenance and operations	143,022	153,965
Treatment plant	390	41,552
Lab	108,797	104,728
Depreciation	<u>1,453,778</u>	<u>1,451,868</u>
Total operating expenses	<u>3,681,593</u>	<u>3,371,627</u>
Net operating income (loss)	<u>(461,077)</u>	<u>(155,604)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Rent income	6,387	37,623
Lease revenue	34,379	72,147
Taxes and assessments	1,202,109	1,119,974
Investment income	141,260	41,241
Franchise fees	126,519	40,061
Interest expense	(606,569)	(630,720)
Other revenue	15,672	20,485
Stand by fees	16,424	17,242
Loss on disposal of capital assets	<u>(1,261)</u>	<u></u>
Total non-operating revenues (expenses)	<u>934,920</u>	<u>718,053</u>
<b>Capital Contributions:</b>		
Connection fees	<u>48,680</u>	<u>80,500</u>
Change in net position	<u>522,523</u>	<u>642,949</u>
<b>Net position:</b>		
Net position, beginning of fiscal year	26,115,917	25,472,968
Prior-period adjustment	(207,302)	<u></u>
Net position, beginning of fiscal year, restated	<u>25,908,615</u>	<u>25,472,968</u>
Net position, end of fiscal year	<u>\$ 26,431,138</u>	<u>\$ 26,115,917</u>

The notes to basic financial statements are an integral part of this statement.

**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUND**  
For the Fiscal Year Ended June 30, 2024  
With Comparative Totals for the Fiscal Year Ended June 30, 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 3,262,229	\$ 3,194,266
Payments to vendors	(891,937)	(1,066,167)
Payments to employees	(1,292,833)	(1,174,424)
	<u>1,077,459</u>	<u>953,675</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Property taxes	1,202,109	1,119,974
Franchise fees	126,519	40,061
Stand by fees	16,424	17,242
Other revenue	15,672	20,485
	<u>1,360,724</u>	<u>1,197,762</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(209,733)	(18,508)
Principal paid on long-term debt	(972,386)	(957,064)
Interest paid on long-term debt	(615,988)	(631,807)
Connection fees	48,680	80,500
	<u>(1,749,427)</u>	<u>(1,526,879)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	26,425	41,751
Rent	6,387	37,623
Lease revenue	35,465	72,860
Purchase of investments		(850,000)
	<u>68,277</u>	<u>(697,766)</u>
Net increase (decrease) in cash and cash equivalents	757,033	(73,208)
Cash and cash equivalents, July 1	<u>2,345,818</u>	<u>2,419,026</u>
Cash and cash equivalents, June 30	<u>\$ 3,102,851</u>	<u>\$ 2,345,818</u>
Reconciliation to Statement of Net Position:		
Cash and investments - cash equivalents	\$ 2,030,376	\$ 1,378,372
Cash and investments - cash equivalents, restricted for capital projects	1,072,475	967,446
	<u>\$ 3,102,851</u>	<u>\$ 2,345,818</u>

The notes to basic financial statements are an integral part of this statement.

**CAYUCOS SANITARY DISTRICT**  
**STATEMENT OF CASH FLOWS - ENTERPRISE FUND**  
For the Fiscal Year Ended June 30, 2024  
With Comparative Totals for the Fiscal Year Ended June 30, 2023

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of operating income (loss) to net cash provided (used)</b>		
<b>by operating activities:</b>		
Operating income (loss)	\$ (461,077)	\$ (155,604)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,453,778	1,451,868
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Accounts receivable	21,435	15,035
Other receivables	20,603	(36,792)
Deferred outflows - pensions	(16,475)	(206,026)
Deferred outflows - OPEB	(3,696)	
Accounts payable	(2,317)	(167,375)
Accrued payroll	6,170	2,283
Compensated absences	(5,571)	(18,087)
Customer deposits	(325)	
Net pension liability	59,958	388,820
Other postemployment benefits liability	29,504	
Deferred inflows - pensions	(24,528)	(320,447)
Net cash provided by operating activities	<u>\$ 1,077,459</u>	<u>\$ 953,675</u>

The notes to basic financial statements are an integral part of this statement.

**NOTE 1 - REPORTING ENTITY**

The reporting entity is the Cayucos Sanitary District, which began operations in 1942, under the authorization of Section 6400 et. seq. of the Health and Safety Code of the State of California. The District operates under the direction of a board of directors who are elected by the residents of Cayucos. The District provides wastewater disposal services.

The District is a Sanitary District as defined under State Code Section: 61000. A Sanitary District is a public agency (State Code Section: 12463.1) which is a State instrumentality (State Code Section: 23706). State instrumentalities are exempt from federal and state income taxes.

There are no component units included in this report which meet the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Accounting Policies – The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.
- B. Accounting Method – The District is organized as an Enterprise Fund and follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred.
- C. Fund Financial Statements – The fund financial statements provide information about the District’s proprietary fund.

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

GASB Statement No. 34, defines major funds and requires that the District’s major business-type fund be identified and presented separately in the fund financial statements.

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total of all fund types. The District maintains one major proprietary fund.

Proprietary Fund Type

**Enterprise Fund**

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

The District reported its enterprise fund as a major fund in the accompanying basic financial statements.

Sewer Utility Fund is used to account for the provision of sewer services to residents of Cayucos.

- D. Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.
- E. Property, Plant, and Equipment – The District uses a \$5,000 minimum capitalization threshold. Capital assets purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired.
- F. Depreciation – Capital assets owned by the District are depreciated over their estimated useful lives (ranging from 5-40 years) under the straight-line method of depreciation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. Receivables – The District did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable are shown at full value.
- H. Unearned Revenue – The District bills customers in advance, thus amounts received prior to services being rendered by the District are recorded as unearned revenue.
- I. Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.
- J. Compensated Absences – Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. Unused vacation is paid in full upon termination end of an employee’s employment for up to 30 days accrued and unused sick leave is paid out for one half of accumulated time up to 90 days accrued.
- K. Property Taxes – Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:
- Property Valuations – Are established by the Assessor of the County of San Luis Obispo for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From the base assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- Tax Collections – Are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.
- Tax Levy Apportionments – Due to the nature of the District-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total District-wide levy for the three years prior to fiscal year 1979.
- Property Tax Administration Fees – The State of California FY 90-91 Budget Act, authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.
- Tax Levies – Are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.
- Tax Levy Dates – Are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- L. Restricted Net Position – Restricted net position are financial resources segregated for a special purpose such as construction of improvements and financing of debt obligations. These financial resources are for the benefit of a distinct group and as such are legally or contractually restricted.
- M. Lease Receivable – The District’s lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the District may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

O. Net Position – GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

P. Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District’s plan (OPEB Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Cayucos Sanitary District’s California Public Employee’s Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources represents a consumption of net position by the government that applies to future periods. The District has one item which qualifies for reporting in this category; refer to Notes 8 and 9 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position by the government that applies to a future periods. The District has two items which qualify for reporting in this category; refer to Notes 8 and 10 for a detailed listing of the deferred inflows of resources the District has reported.

S. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No. 102	"Certain Risk Disclosures"	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No. 103	"Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 3 - CASH AND INVESTMENTS**

Investments are carried at fair value in accordance with GASB Statement No. 72. On June 30, 2024 and June 30, 2023, the District had the following cash and investments on hand:

	2024	2023
Cash on hand	\$ 175	\$ 175
Cash in banks	3,102,676	2,345,643
Investments	2,687,612	2,583,028
Total	<u>\$ 5,790,463</u>	<u>\$ 4,928,846</u>

Cash and investments listed above are presented on the accompanying basic financial statements, as follows:

	2024	2023
Cash and investments-cash equivalents	\$ 2,030,376	\$ 1,378,372
Cash and investments-cash equivalents restricted for capital projects and debt service	1,072,475	967,446
Cash and investments-non cash equivalents	2,687,612	2,583,028
Total	<u>\$ 5,790,463</u>	<u>\$ 4,928,846</u>

The District categorizes its fair value measurements within the fair value hierarchy established by the U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2024:

	<u>Fair Value Measurement Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by fair value level</u>			
Debt securities			
Mortgage pass-through securities	\$ 40,192	\$ 40,192	\$ -
Total investments measured at fair value	<u>40,192</u>	<u>\$ 40,192</u>	<u>\$ -</u>
Investments measured at amortized cost			
CalTrust medium term fund	2,613,463		
Certificate of deposit	25,000		
LAIF	8,957		
Total investments	<u>\$ 2,687,612</u>		

Investments Authorized by the California Government Code

The table on the following page identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.



**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Investments Authorized by the California Government Code (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	N/A	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase and Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	5 years	20%	10%
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
State Registered Warrants, Notes, or Bonds	5 years	None	None
Notes and Bonds of other Local California Agencies	5 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<b>2024</b>					
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Mortgage pass-through securities	\$ 40,192	\$ -	\$ -	\$ 184	\$ 40,008
CalTrust medium term fund	2,613,463	2,613,463			
Certificate of deposit	25,000	25,000			
State investment pool (LAIF)	8,957	8,957			
	<u>\$ 2,687,612</u>	<u>\$ 2,647,420</u>	<u>\$ -</u>	<u>\$ 184</u>	<u>\$ 40,008</u>
<b>2023</b>					
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
Mortgage pass-through securities	\$ 50,337	\$ -	\$ -	\$ 306	\$ 50,031
CalTrust medium term fund	2,499,063	2,499,063			
Certificate of deposit	25,000	25,000			
State investment pool (LAIF)	8,628	8,628			
	<u>\$ 2,583,028</u>	<u>\$ 2,532,691</u>	<u>\$ -</u>	<u>\$ 306</u>	<u>\$ 50,031</u>

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			Not Rated
			AAA	AA+	AA-	
Mortgage pass-through securities	\$ 40,192	N/A	\$ 40,192	\$ -	\$ -	\$ -
CalTrust medium term fund	2,613,463	N/A				2,613,463
Certificate of deposit	25,000	N/A				25,000
State investment pool (LAIF)	8,957	N/A				8,957
	<u>\$ 2,687,612</u>		<u>\$ 40,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,647,420</u>

**2023**

Investment Type	Carrying Amount	Minimum Legal Rating	Rating as of Fiscal Year End			Not Rated
			AAA	AA+	AA-	
Mortgage pass-through securities	\$ 50,337	N/A	\$ 50,337	\$ -	\$ -	\$ -
CalTrust medium term fund	2,499,063	N/A				2,499,063
Certificate of deposit	25,000	N/A				25,000
State investment pool (LAIF)	8,628	N/A				8,628
	<u>\$ 2,583,028</u>		<u>\$ 50,337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,532,691</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2024, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk (Continued)

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

Investment in State Pool (LAIF)

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**NOTE 4 - SCHEDULE OF CAPITAL ASSETS**

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2024, is shown below:

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
<b>Non-depreciable</b>					
Land	\$ 3,969,048	\$ -	\$ -	\$ -	\$ 3,969,048
Construction in progress	22,273	191,164		(157,905)	55,532
Total non depreciable	<u>\$ 3,991,321</u>	<u>\$ 191,164</u>	<u>\$ -</u>	<u>\$ (157,905)</u>	<u>\$ 4,024,580</u>
<b>Depreciable</b>					
Office building	\$ 1,243,019	\$ -	\$ -	\$ -	\$ 1,243,019
Subsurface lines	2,127,442			543,773	2,671,215
Sewage treatment facility - Morro Bay	48,392,450			(42,850,043)	5,542,407
Sewage treatment facilities - Cayucos				42,946,317	42,946,317
Conveyance system	4,928,201		(1,316)	1,339,929	6,266,814
Sewage collection facilities	1,878,590		(39,160)	(1,645,370)	194,060
Collection equipment	613,660	18,569	(55,593)	(176,701)	399,935
Office equipment	65,822				65,822
Treatment equipment	92,162				92,162
Trucks	109,212				109,212
	59,450,558	18,569	(96,069)	157,905	59,530,963
Less accumulated depreciation	15,631,983	1,453,778	(94,808)		16,990,953
Total depreciable	<u>\$ 43,818,575</u>	<u>\$ (1,435,209)</u>	<u>\$ (1,261)</u>	<u>\$ 157,905</u>	<u>\$ 42,540,010</u>
Net capital assets	<u>\$ 47,809,896</u>	<u>\$ (1,244,045)</u>	<u>\$ (1,261)</u>	<u>\$ -</u>	<u>\$ 46,564,590</u>

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 4 - SCHEDULE OF CAPITAL ASSETS (Continued)**

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2023, is shown below:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
<b>Non-depreciable</b>					
Land	\$ 3,969,048	\$ -	\$ -	\$ -	\$ 3,969,048
Construction in progress	70,794	10,867		(59,388)	22,273
Total non depreciable	<u>\$ 4,039,842</u>	<u>\$ 10,867</u>	<u>\$ -</u>	<u>\$ (59,388)</u>	<u>\$ 3,991,321</u>
<b>Depreciable</b>					
Office building	\$ 1,243,019	\$ -	\$ -	\$ -	\$ 1,243,019
Subsurface lines	2,127,442				2,127,442
Sewage treatment facilities	48,327,826	7,641	(2,405)	59,388	48,392,450
Conveyance system	4,928,201				4,928,201
Sewage collection facilities	1,878,590				1,878,590
Collection equipment	613,660				613,660
Office equipment	65,822				65,822
Treatment equipment	92,162				92,162
Trucks	109,212				109,212
	<u>59,385,934</u>	<u>7,641</u>	<u>(2,405)</u>	<u>59,388</u>	<u>59,450,558</u>
Less accumulated depreciation	14,180,115	1,451,868			15,631,983
Total depreciable	<u>\$ 45,205,819</u>	<u>\$ (1,444,227)</u>	<u>\$ (2,405)</u>	<u>\$ 59,388</u>	<u>\$ 43,818,575</u>
Net capital assets	<u>\$ 49,245,661</u>	<u>\$ (1,433,360)</u>	<u>\$ (2,405)</u>	<u>\$ -</u>	<u>\$ 47,809,896</u>

**NOTE 5 - LOANS AND CERTIFICATES OF PARTICIPATION PAYABLE**

On March 1, 2018, the District entered into a loan agreement with Public Property Financing Corporation of California for two loans, Series A loan, can be drawn down from \$22,000,000 and a Series B loan can be drawn down from \$5,000,000. On October 5, 2019, the District entered into the first amendment to the agreement for an additional \$6,804,844. The purpose of the loans were for bridge financing for the construction of the Wastewater Treatment Plant until long-term financing can be secured.

The District drew down \$22,000,000 from Series A and \$50,000 from Series B, however, the \$50,000 from Series B was repaid in the 2019 Installment Purchase Contract Series A-1 issuance for a total drawn down total of \$6,804,844. On February 1, 2021, the District secured an Installment Sale Agreement with the Public Property Financing Corporation of California for Certificates of Participation in the principal amount of \$24,301,500, secured by a pledge of net revenues of the District. The interest rate is 1.75% and the proceeds were used to pay off the 2018 Western Alliance construction loan Series A in full for \$22,000,000 and make a payment of \$2,301,500 of principal to pay down the 2019 Series A-1 construction loan. In addition, also on February 1, 2021, the second amendment to the 2018 Installment Purchase Contract with the Public Property Financing Corporation of California amended the original 2018 contract to increase the Series B loan for construction to increase the amount available up to \$9,000,000 at 4.64% interest and revising the payment schedule. 2019 Series A-1 loan was repaid in full during the fiscal year ended June 30, 2021. Future debt service payments on the existing debt are as shown on the following page:

**CAYUCOS SANITARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2024

**NOTE 5 - LOANS AND CERTIFICATES OF PARTICIPATION PAYABLE (Continued)**

2021 Series B Loan			
Fiscal Year			
Ending	Principal	Interest	Total
2025	\$ 565,459	\$ 176,855	\$ 742,314
2026	591,697	150,618	742,315
2027	619,151	123,163	742,314
2028	647,880	94,434	742,314
2029	677,942	64,373	742,315
2030	709,398	32,916	742,314
Total	<u>\$ 3,811,527</u>	<u>\$ 642,359</u>	<u>\$ 4,453,886</u>

2021 Certificates of Participation			
Fiscal Year			
Ending	Principal	Interest	Total
2025	\$ 440,000	\$ 406,428	\$ 846,428
2026	447,000	398,667	845,667
2027	455,000	390,774	845,774
2028	463,000	382,741	845,741
2029	471,000	374,569	845,569
2030-2034	2,484,000	1,745,051	4,229,051
2035-2039	2,709,000	1,518,034	4,227,034
2040-2044	2,953,000	1,270,461	4,223,461
2045-2049	3,221,000	1,000,505	4,221,505
2050-2054	3,513,000	706,049	4,219,049
2055-2059	3,832,000	384,918	4,216,918
2060-2062	2,456,500	64,858	2,521,358
Total	<u>\$ 23,444,500</u>	<u>\$ 8,643,055</u>	<u>\$ 32,087,555</u>

**NOTE 6 - LONG-TERM LIABILITIES**

The changes in long-term liabilities at June 30, 2024 and June 30, 2023, are as follows:

	July 1, 2023	Additions	Retirements	Restatements	June 30, 2024	Due within one year
Construction loans payable	\$ 4,351,913	\$ -	\$ 540,386	\$ -	\$ 3,811,527	\$ 565,459
2021 certificates of participation	23,876,500		432,000		23,444,500	440,000
Compensated absences	51,137	84,383	89,954		45,566	15,189
Net pension liability	808,798	59,958			868,756	
Other postemployment benefits		29,504		207,302	236,806	
	<u>\$ 29,088,348</u>	<u>\$ 173,845</u>	<u>\$ 1,062,340</u>	<u>\$ 207,302</u>	<u>\$ 28,407,155</u>	<u>\$ 1,020,648</u>

	July 1, 2022	Additions	Retirements	Additions	June 30, 2023	Due within one year
Construction loans payable	\$ 4,883,977	\$ -	\$ 532,064	\$ -	\$ 4,351,913	\$ 540,386
2021 certificates of participation	24,301,500		425,000		23,876,500	432,000
Compensated absences	69,224	73,957	92,044	73,957	51,137	17,046
Net pension liability	419,978	388,820			808,798	
	<u>\$ 29,674,679</u>	<u>\$ 73,957</u>	<u>\$ 1,437,928</u>	<u>\$ 73,957</u>	<u>\$ 29,088,348</u>	<u>\$ 989,432</u>

**NOTE 7 - COMPENSATED ABSENCES**

As of June 30, 2024, it is estimated that the District’s employees have \$45,566 of accumulated vested vacation time and sick leave. Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the District. The accumulated benefits will be liquidated in future years as employees elect to use them.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN**

**A. General Information about the Pension Plans**

*Plan Descriptions*

All qualified permanent and probationary employees are eligible to participate in the District’s Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS’ website.

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.75%
Required employer contribution rates	14.06% + \$57,753	7.68% + \$0

*Contributions*

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the District were \$127,896 for the fiscal year ended June 30, 2024.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

At June 30, 2024, the District reported a liability of \$868,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The District's proportionate share of net pension liability for the miscellaneous plan as of June 30, 2023, and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion-June 30, 2022	0.01728%
Proportion-June 30, 2023	0.01737%
Change-Increase (Decrease)	<u>0.00009%</u>

For the fiscal year ended June 30, 2024, the District recognized pension expense of \$146,851. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 127,896	\$ -
Differences between expected and actual experience	44,381	6,885
Changes in assumptions	52,451	
Net difference between projected and actual earnings on retirement plan investments	140,659	
Adjustment due to differences in proportions	3,761	26,208
Difference in actual contributions and proportionate share of contributions	20,047	2,596
	<u>\$ 389,195</u>	<u>\$ 35,689</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

\$127,896 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025.

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

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2025	\$ 63,642
2026	45,073
2027	112,860
2028	4,035
Total	<u>\$ 225,610</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Actuarial Assumptions*

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The probabilities are based on the 2021 CalPERS' Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS' Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS' website.

*Long-term Expected Rate of Return*

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return (a,b)
Global Equity - cap-weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporations	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.30% was used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management Study.



**NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

**B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

*Discount Rate*

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	1% Decrease <u>5.90%</u>	Discount Rate <u>6.90%</u>	1% Increase <u>7.90%</u>
District's proportionate share of the net pension plan liability	\$ 1,292,302	\$ 868,756	\$ 520,141

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS' financial reports.

**C. Payable to the Pension Plan**

At June 30, 2024, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2024.

**NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB)**

**A. Plan Description**

The District provides other postemployment benefits (OPEB) under a single employer plan to qualified employees who retire from the District and meet the District's vesting requirements. Qualified Employees may retire directly from the District under PERS (age 50 and 5 years of PERS service if they entered service before January 1, 2013 or age 52 and 5 years of PERS service) and receive the minimum amount allowed pursuant to the Public Employees' Medical and Hospital Care Act (PEMHCA) (which was \$151 per month for 2023 and is \$157 per month for 2024). The District also pays the CalPERS' administrative fee. The District does not offer vision, dental, or life benefits for retirees. Benefit provisions are established through negotiations between the District and the bargaining union representing District employees.

**B. Employees Covered**

As of the June 30, 2023, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	8
Inactive plan members or beneficiaries currently receiving benefits	<u>2</u>
Total	<u><u>10</u></u>

**NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)**

**C. Contributions**

The District currently finances benefits on a pay-as-you-go basis and does not have any assets in an OPEB trust.

**D. Total OPEB Liability**

The District's OPEB Liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the OPEB Liability was determined by an actuarial valuation as of June 30, 2023.

*Actuarial assumptions:* The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend rate	Pre-65: 7.60% in the first year trending down to 3.90% over 52 years Post-65: 5.10% in the first year trending down to 3.90% over 52 years

Pre-retirement mortality and post-retirement mortality rates were based on the mortality projected fully generational with the 2021 CalPERS' Experience Study. Actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

*Discount rate:* GASB Statement No. 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Municipal Bond 20 Year High Grade	
		Rate Index	Discount Rate
June 30, 2024	June 30, 2023	3.86%	3.86%

**E. Changes in the OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2023 (Valuation Date June 30, 2023)	<u>\$ 207,302</u>
Changes recognized for the measurement period:	
Service cost	29,846
Interest	8,684
Changes of assumptions	(5,426)
Benefit payments	<u>(3,600)</u>
Net Changes	29,504
Balance at June 30, 2024 (Measurement Date June 30, 2023)	<u><u>\$ 236,806</u></u>

**NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (OPEB) (Continued)**

**E. Changes in the OPEB Liability (Continued)**

*Sensitivity of the OPEB liability to changes in the discount rate:* The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.86 percent) or 1 percentage-point higher (4.86 percent) than the current discount rate:

	1% Decrease <u>2.86%</u>	Discount Rate <u>3.86%</u>	1% Increase <u>4.86%</u>
OPEB Liability	\$ 271,843	\$ 236,806	\$ 208,213

*Sensitivity of the OPEB liability to changes in the healthcare cost trend rates:* The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (5.90 percent decreasing to 2.90 percent) or 1 percentage-point higher (7.90 percent decreasing to 4.90 percent) than the current healthcare cost trend rates:

	1% Decrease (6.60%) decreasing to <u>2.90%</u>	Trend Rate (7.60%) decreasing to <u>3.90%</u>	1% Increase (8.60%) decreasing to <u>4.90%</u>
OPEB Liability	\$ 202,126	\$ 236,806	\$ 281,432

**F. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2024, the District recognized OPEB expense of \$33,104. As of the fiscal year ended June 30, 2024, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	<u>\$ 3,696</u>	<u>\$ -</u>
	<u>\$ 3,696</u>	<u>\$ -</u>

The reported deferred outflows of resources related to OPEB in the amount of \$3,696 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the 2024-25 fiscal year.

**NOTE 10 – LEASE RECEIVABLE**

In July 2009, the District and a co-lessor, the City of Morro Bay entered into a lease for the property at 1700 Embarcadero in Morro Bay, California. Under the lease, the Morro Dunes Trail Park & Campgrounds Inc agreed to pay the District semi-annual payments that started at \$9,039 in 2008 and are adjusted annually by CPI through August 2028. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a current discount rate of 5.3%, which is the implicit rate used for the agreement. In fiscal year 2024, the District recognized \$31,710 of lease revenue and \$7,383 of interest revenue under the lease.

In June 2022, the District entered into a lease for the property under the solar array at 800 Toro Creek Road, Morro Bay, California. Under the lease, Rec Solar Commercial Corporation agreed to pay the District annual payments on \$3,600 starting in June 2022 through June 2027. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 3%, which is the implicit rate used for the agreement. In fiscal year 2024, the District recognized \$2,670 of lease revenue and \$1,788 of interest revenue under the lease.

**NOTE 11 - CONTINGENCIES**

According to the District's attorney, no contingent liabilities are outstanding, and no lawsuits are pending of any real financial consequence.

**NOTE 12 – RESTATEMENT**

A prior-period adjustment was reported in the Statement of Revenues, Expenses, and Changes in Net Position in order to record a beginning of the year balance for the Other Postemployment Benefit (OPEB) liability in the amount of \$(207,302) due to the implementation of GASB Statement No. 75 in the fiscal year ended June 30, 2024.

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**REQUIRED SUPPLEMENTARY INFORMATION**



**CAYUCOS SANITARY DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
Last 10 Years  
As of June 30, 2024

The following table provides required supplementary information regarding the District's Pension Plan.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportion of the net pension liability	0.00696%	0.00700%	0.00777%	0.00634%	0.00621%
Proportionate share of the net pension liability	\$ 868,756	\$ 808,798	\$ 419,978	\$ 689,373	\$ 636,106
Covered payroll	\$ 701,994	\$ 606,962	\$ 535,380	\$ 365,219	\$ 309,496
Proportionate share of the net pension liability as percentage of covered payroll	123.8%	133.3%	78.4%	188.8%	205.5%
Plan's total pension liability	\$ 52,441,984,274	\$ 49,525,975,138	\$ 46,174,942,264	\$ 43,702,930,887	\$ 41,426,453,489
Plan's fiduciary net position	\$ 39,966,633,692	\$ 37,975,170,163	\$ 40,766,653,876	\$ 32,822,501,335	\$ 31,179,414,067
Plan fiduciary net position as a percentage of the total pension liability	76.21%	76.68%	88.29%	75.10%	75.26%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.00606%	0.00598%	0.00590%	0.00569%	0.00469%
Proportionate share of the net pension liability	\$ 584,314	\$ 592,893	\$ 510,398	\$ 390,527	\$ 291,955
Covered payroll	\$ 296,478	\$ 287,078	\$ 283,428	\$ 252,538	\$ 257,826
Proportionate share of the net pension liability as percentage of covered payroll	197.1%	206.5%	180.1%	154.6%	113.2%
Plan's total pension liability	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631
Plan's fiduciary net position	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

**Notes to Schedule:**

There were no changes to assumptions but SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring after July 1, 2023 which resulted in a change between expected and actual experience.



**CAYUCOS SANITARY DISTRICT**  
**SCHEDULE OF NET PENSION CONTRIBUTIONS**  
Last 10 Years  
As of June 30, 2024

The following table provides required supplementary information regarding the District's Pension Plan.

	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually required contribution (actuarially determined)	\$ 127,896	\$ 120,564	\$ 106,828	\$ 91,965	\$ 70,877
Contribution in relation to the actuarially determined contributions	127,896	120,564	106,828	91,965	70,877
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 768,211	\$ 701,994	\$ 606,962	\$ 535,380	\$ 365,219
Contributions as a percentage of covered payroll	16.65%	17.17%	17.60%	17.18%	19.41%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution (actuarially determined)	\$ 58,972	\$ 57,084	\$ 51,948	\$ 50,972	\$ 40,776
Contribution in relation to the actuarially determined contributions	58,972	57,084	51,948	50,972	40,776
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 309,496	\$ 296,478	\$ 287,078	\$ 283,428	\$ 252,538
Contributions as a percentage of covered payroll	19.05%	19.25%	18.10%	17.98%	16.15%

**Notes to Schedule:**

There were no changes to assumptions for the fiscal year ended June 30, 2024.

**CAYUCOS SANITARY DISTRICT**  
**SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS**  
 Last 10 Years\*  
 As of June 30, 2024

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	<u>2024</u>
Total OPEB Liability	
Service cost	\$ 29,846
Interest on the total OPEB liability	8,684
Actual and expected experience difference	
Changes in assumptions	(5,426)
Benefit payments	<u>(3,600)</u>
Net change in total OPEB Liability	29,504
Total OPEB liability - beginning	<u>207,302</u>
Total OPEB liability - ending	<u><u>\$ 236,806</u></u>
Covered payroll	\$ 822,834
Total OPEB liability as a percentage of covered-payroll	28.78%

Notes to Schedule

For fiscal year ending June 30, 2023, the discount rate was increased from 3.69% to 3.86%.

\*- Fiscal year 2024 was the 1st year of implementation, therefore only one year is shown.

**CAYUCOS SANITARY DISTRICT**  
**SCHEDULE OF OPEB CONTRIBUTIONS**  
Last 10 Years\*  
As of June 30, 2024

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As of June 30, 2024, the plan is not administered through a qualified trust. Therefore there is no Actuarially Determined Contribution (ADC). Benefit payments of were made of \$3,696 on a pay-as-you-go basis for the fiscal year ended June 30, 2024.

\*- Fiscal year 2024 was the 1st year of implementation, therefore only one year is shown.

**AGENDA ITEM:**

**6**

*No handout for this agenda item*



# CAYUCOS SANITARY DISTRICT STAFF REPORT

**TO:** BOARD OF DIRECTORS

**FROM:** RICK KOON, DISTRICT MANAGER

**DATE:** OCTOBER 10, 2024

**SUBJECT:** DISCUSSION AND CONSIDERATION TO APPROVE QUITCLAIM DEED TERMINATING EASEMENT RIGHTS OWNED BY CHEVRON LAND AND DEVELOPMENT COMPANY APPURTENANT TO LOTS 8 & 10

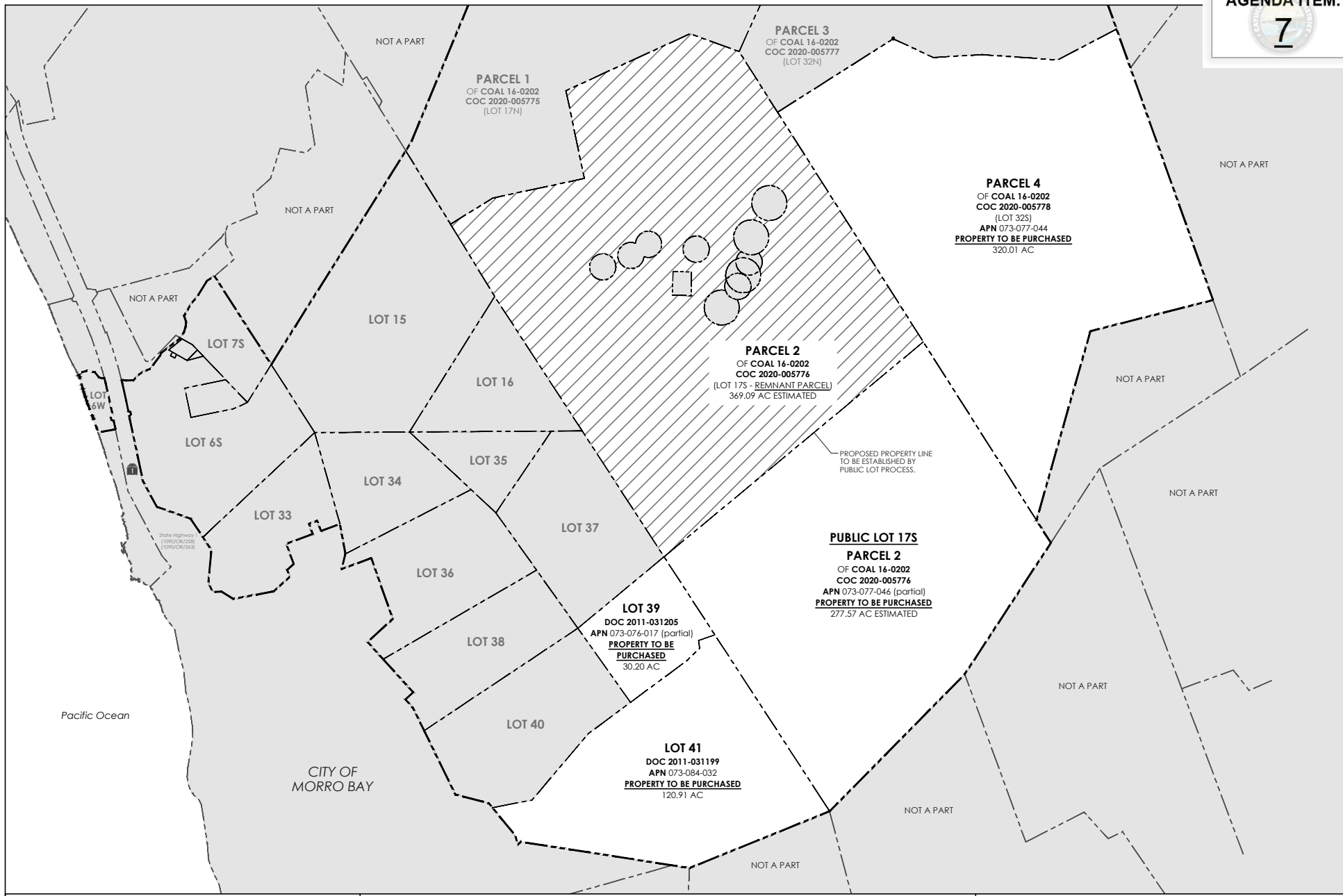
## DISCUSSION

As part of the 2016 purchase of Lots 8 and 10, Chevron Land and Development Company ("CLDC") retained several easements across Lots 8 and 10 for the benefit of their neighboring lots. These easements provided for access, future waterlines and potential treatment facilities if CLDC were to develop the other lots.

Instead of developing, CLDC has chosen to sell the lots "as is", without installation of any water distribution or treatment system. In April of 2020, and again in August of 2020, CLDC quitclaimed similar easements back to the District. The current Quitclaim Deed is for the sale of Lot 39, Lot 41, Parcel 2, and Parcel 4 to the Land Conservancy (see attached map). County and Land Conservancy Legal Counsels are currently working with CLDC on the final draft of the Quitclaim Deed.

## RECOMMENDATION


Staff recommends that the Board of Directors approve the Quitclaim Deed eliminating easement rights owned by Chevron Land and Development Company appurtenant to Lots 8 & 10 upon review of the Quitclaim Deed by District Legal Counsel.



**EXHIBIT B**  
 PROPERTY MAP

**LEGEND**

-  PROPERTY TO BE PURCHASED
-  REMNANT PARCEL

2000 1000 500 0 1000 FT 

Drawn By: RRM	Not to Scale	Date: 09.04.2024	Sheet: 1 of 1
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**RECORDING REQUESTED BY**  
 First American Title Company

**AND WHEN RECORDED MAIL THIS DEED AND TAX STATEMENTS TO:**

Cayucos Sanitary District  
 200 Ash Avenue  
 P.O. Box 333  
 Cayucos, CA 93430

APNs: Portion of 073-076-017, 073-084-032,  
 073-077-044, 073-077-046

(SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY)

EXEMPT FROM RECORDING FEE  
 PER GOV'T CODE §§ 6103 and 27383

EXEMPT FROM FEE PER GOV'T  
 CODE § 27388.1(a)(2)(D)

**QUITCLAIM DEED**

FOR GOOD AND VALUABLE CONSIDERATION, receipt and sufficiency of which is hereby acknowledged, **CHEVRON LAND AND DEVELOPMENT COMPANY**, a Delaware corporation ("**GRANTOR**")

HEREBY REMISES, RELEASES AND FOREVER QUITCLAIMS TO **CAYUCOS SANITARY DISTRICT**, a political subdivision of the State of California, ("**GRANTEE**") all of the GRANTOR'S right, title and interest under that certain Easement Agreement between and among Grantee, Grantor, Chevron U.S.A. Inc. a Pennsylvania corporation, Chevron Pipe Line Company, a Delaware corporation and Texaco Downstream Properties Inc., a Delaware corporation dated July 19, 2016, recorded July 26, 2016 as Instrument Number 2016035935, in the Office of the County Recorder of San Luis Obispo County, California ("Official Records") as amended by that certain Amendment to Easement Agreement dated November 1, 2018, recorded November 1, 2018 in the Official Records as Instrument No. 2018045636 (the "Easement Agreement") with respect to those certain parcels of real property located in Morro Bay, CA 93442, APNs: Portion of 073-076-017; 073-077-044 and -046; and 073-084-032 as more particularly described in Exhibit A, "Benefitted Property" under the Easement Agreement.

IN WITNESS WHEREOF, Grantor has caused its name to be affixed hereto and this instrument to be executed by the person named below duly authorized.

**GRANTOR:**

Dated: \_\_\_\_\_, 2023

**Chevron Land and Development Company,  
a Delaware corporation**

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

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

Its: \_\_\_\_\_

**ACCEPTANCE**

**GRANTEE** hereby accepts this Quitclaim Deed

**CAYUCOS SANITARY DISTRICT,**  
a political subdivision of the State of California,

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

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

Its: \_\_\_\_\_



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

State of California )  
County of \_\_\_\_\_ )

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_

**EXHIBIT "A" TO QUITCLAIM DEED**

**LEGAL DESCRIPTION OF BENEFITTED PROPERTY**

Real property in the unincorporated area of the County of San Luis Obispo, State of California, described as follows:

*[Note: The legal description is not yet final and will be inserted prior to execution.]*

DRAFT



# CAYUCOS SANITARY DISTRICT STAFF REPORT

**TO:** BOARD OF DIRECTORS

**FROM:** RICK KOON, DISTRICT MANAGER

**DATE:** OCTOBER 10, 2024

**SUBJECT:** DISCUSSION AND CONSIDERATION TO APPROVE AN AGREEMENT FOR CONSULTANT SERVICES WITH WATER SYSTEMS CONSULTING, INC. IN THE AMOUNT OF \$73,209.00 FOR THE CHANEY-TO-TORO PIPELINE REPLACEMENT PROJECT

## DISCUSSION

Last month the Board approved a \$75,000 dollar increase to the Fiscal Year 23/24 CIP Budget for the design of the construction plans for the Chaney-to-Toro Pipeline Replacement Project. This contract is for WSC to perform the work as required by the CalTrans permit process.

## RECOMMENDATION

Staff recommends that the Board of Directors approve an Agreement for Consultant Services with Water Systems Consulting, Inc. in the amount of \$73,209.00 for the Chaney-to-Toro Pipeline Replacement Project.

## **AGREEMENT FOR CONSULTANT SERVICES**

This AGREEMENT FOR CONSULTANT SERVICES (“Agreement”) is made and effective as of October 17, 2024 between **WATER SYSTEMS CONSULTING, INC.** (“Consultant”), and the **CAYUCOS SANITARY DISTRICT**, a special district of the State of California (“District”). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. **TERM**

This Agreement shall commence on October 17, 2024 and shall remain and continue in effect until completion of the work described below, unless sooner terminated pursuant to the provisions hereof.

2. **SERVICES**

Consultant shall perform the tasks described and comply with all terms and provisions set forth in Consultant’s proposal dated September 19, 2024 (“Proposal”), attached hereto as Exhibit “A,” and incorporated herein by this reference.

3. **PERFORMANCE**

Consultant shall at all times faithfully, competently and to the best of their ability, experience and talent, perform all tasks described herein. Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of Consultant hereunder in meeting its obligations under this Agreement.

4. **AGREEMENT ADMINISTRATION**

District Manager, Rick Koon, shall represent the District in all matters pertaining to the administration of this Agreement. Consultant’s Vice President, Dylan Wade, shall represent Consultant in all matters pertaining to the administration of this Agreement.

5. **PAYMENT**

The District agrees to pay the Consultant in accordance with the payment rates and terms set forth in Exhibit “B,” attached hereto and incorporated herein by this reference, in monthly progress payments based on time spent on each task.

6. **SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE**

(a) The District may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise.

If the District suspends or terminates a portion of this Agreement such suspension or termination shall not make void or invalidate the remainder of this Agreement.

(b) In the event this Agreement is terminated pursuant to this Section, the District shall pay to Consultant the actual value of the work performed up to the time of termination, provided that the work performed is of value to the District. Upon termination of the Agreement pursuant to this Section, the Consultant will submit an invoice to the District pursuant to Section 5.

## 7. **TERMINATION ON OCCURRENCE OF STATED EVENTS**

This Agreement shall terminate automatically on the occurrence of any of the following events:

- (a) Bankruptcy or insolvency of any party;
- (b) Sale of Consultant's business;
- (c) Assignment of this Agreement by Consultant without the consent of District; or
- (d) End of the Agreement term specified in Section 1.

## 8. **DEFAULT OF CONSULTANT**

(a) The Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event that Consultant is in default for cause under the terms of this Agreement, District shall have no obligation or duty to continue compensating Consultant for any work performed after the date of default and can terminate this Agreement immediately by written notice to the Consultant. If such failure by the Consultant to make progress in the performance of work hereunder arises out of causes beyond the Consultant's control, and without fault or negligence of the Consultant, it shall not be considered a default.

(b) If the District Manager or his/her delegate determines that the Consultant is in default in the performance of any of the terms or conditions of this Agreement, he/she shall cause to be served upon the Consultant a written notice of the default. The Consultant shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that the Consultant fails to cure its default within such period of time, the District shall have the right, notwithstanding any other provision of this Agreement to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

## 9. **LAWS TO BE OBSERVED.** Consultant shall:

(a) Procure all permits and licenses, pay all charges and fees, and give all notices which may be necessary and incidental to the due and lawful prosecution of the services to be performed by Consultant under this Agreement;

(b) Keep itself fully informed of all existing and proposed federal, state and local laws, ordinances, regulations, orders, and decrees which may affect those engaged or employed under this Agreement, any materials used in Consultant's performance under this Agreement, or the conduct of the services under this Agreement;

(c) At all times observe and comply with, and cause all of its employees to observe and comply with all of said laws, ordinances, regulations, orders, and decrees mentioned above;

(d) Immediately report to the District's General Manager in writing any discrepancy or inconsistency it discovers in said laws, ordinances, regulations, orders, and decrees mentioned above in relation to any plans, drawings, specifications, or provisions of this Agreement; and

(e) The District, and its officers, agents and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this Section.

#### 10. **OWNERSHIP OF DOCUMENTS**

(a) Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts, and other such information required by District that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of District or its designees at reasonable times to such books and records; shall give District the right to examine and audit said books and records; shall permit District to make transcripts therefrom as necessary; and shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

(b) Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, designs, drawings, maps, models, computer files, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of the District and may be used, reused, or otherwise disposed of by the District without the permission of the Consultant. With respect to computer files, Consultant shall make available to the District, at the Consultant's office and upon reasonable written request by the District, the necessary computer software and hardware for purposes of accessing, compiling, transferring, and printing computer files.

#### 11. **INDEMNIFICATION**

(a) Indemnification for Professional Liability. When the law establishes a professional standard of care for Consultant's Services, to the fullest extent permitted by

law, Consultant shall indemnify, protect, defend and hold harmless District and any and all of its officials, employees and agents (“Indemnified Parties”) from and against any and all losses, liabilities, damages, costs and expenses, including attorney’s fees and costs to the extent same are caused in whole or in part by any negligent or wrongful act, error or omission of Consultant, its officers, agents, employees or subcontractors (or any entity or individual that Consultant shall bear the legal liability thereof) in the performance of professional services under this agreement.

(b) Indemnification for Other Than Professional Liability. Other than in the performance of professional services and to the full extent permitted by law, Consultant shall indemnify, defend and hold harmless District, and any and all of its employees, officials and agents from and against any liability (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, whether actual, alleged or threatened, including attorney’s fees and costs, court costs, interest, defense costs, and expert witness fees), where the same arise out of, are a consequence of, or are in any way attributable to, in whole or in part, the performance of this Agreement by Consultant or by any individual or entity for which Consultant is legally liable, including but not limited to officers, agents, employees or subcontractors of Consultant.

(c) General Indemnification Provisions. Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this section from each and every subcontractor or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this agreement. In the event Consultant fails to obtain such indemnity obligations from others as required here, Consultant agrees to be fully responsible according to the terms of this section. Failure of District to monitor compliance with these requirements imposes no additional obligations on District and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend District as set forth here is binding on the successors, assigns or heirs of Consultant and shall survive the termination of this agreement or this section.

(d) Indemnification for Design Professional Services. Notwithstanding anything herein to the contrary, to the fullest extent permitted by law for all design professional services arising under this Agreement, Consultant shall indemnify, protect, defend and hold harmless District and any and all of its officials, employees and agents (“Indemnified Parties”) from and against any and all losses, liabilities, damages, costs and expenses, including attorney’s fees and costs which arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant.

## 12. **INSURANCE**

Consultant shall maintain prior to the beginning of and for the duration of this Agreement insurance coverage as specified in Exhibit “C,” attached hereto and incorporated herein as though set forth in full.

13. **INDEPENDENT CONSULTANT**

(a) Consultant is and shall at all times remain as to the District a wholly independent Consultant. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither District nor any of its officers, employees, or agents shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents, except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of the District. Consultant shall not incur or have the power to incur any debt, obligation, or liability whatever against District, or bind District in any manner.

(b) No employee benefits shall be available to Consultant in connection with performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, District shall not pay salaries, wages, or other compensation to Consultant for performing services hereunder for District. District shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

14. **UNDUE INFLUENCE**

Consultant declares and warrants that no undue influence or pressure was or is used against or in concert with any officer or employee of the Cayucos Sanitary District in connection with the award, terms or implementation of this Agreement, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of the Cayucos Sanitary District will receive compensation, directly or indirectly, from Consultant, or from any officer, employee or agent of Consultant, in connection with the award of this Agreement or any work to be conducted as a result of this Agreement. Violation of this Section shall be a material breach of this Agreement entitling the District to any and all remedies at law or in equity.

15. **NO BENEFIT TO ARISE TO LOCAL EMPLOYEES**

No member, officer, or employee of District, or their designees or agents, and no public official who exercises authority over or responsibilities with respect to the project during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any agreement or sub-agreement, or the proceeds thereof, for work to be performed in connection with the project performed under this Agreement.

16. **RELEASE OF INFORMATION/CONFLICTS OF INTEREST**

(a) All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without District's prior written authorization. Consultant, its officers, employees, agents, or subcontractors, shall not without written authorization from the District Manager or unless requested by the District Counsel, voluntarily provide declarations, letters of support, testimony at



depositions, response to interrogatories, or other information concerning the work performed under this Agreement or relating to any project or property located within the District. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives District notice of such court order or subpoena.

(b) Consultant shall promptly notify District should Consultant, its officers, employees, agents, or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request, court order, or subpoena from any person or party regarding this Agreement and the work performed thereunder or with respect to any project or property located within the District. The District retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing, or similar proceeding. Consultant agrees to cooperate fully with District and to provide the opportunity to review any response to discovery requests provided by Consultant. However, the District's right to review any such response does not imply or mean the right by District to control, direct, or rewrite said response.

17. **NOTICES**

Any notice which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, which provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by notice:

To District: Rick Koon, District Manager  
Cayucos Sanitary District  
PO Box 333  
Cayucos, CA 93430

Copy to: Timothy J. Carmel  
Carmel & Naccasha, LLP  
694 Santa Rosa Street  
San Luis Obispo, CA 93401

To Consultant: Dylan Wade, Vice-President  
Water Systems Consulting, Inc.  
805 Aerovista Place, Suite 201  
San Luis Obispo, CA 93410

18. **ASSIGNMENT**

The Consultant shall not assign the performance of this Agreement, nor any part thereof, without the prior written consent of the District.

19. **GOVERNING LAW**

The District and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the superior or federal district court with jurisdiction over the Cayucos Sanitary District.

20. **ENTIRE AGREEMENT**

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations, and statements, or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

21. **TIME**

District and Consultant agree that time is of the essence in this Agreement.

22. **CONTENTS OF PROPOSAL**

Consultant is bound by the contents of the Proposal submitted by the Consultant, previously incorporated herein. Should there be a conflict between the terms of this Agreement and the terms of the Proposal, the terms of this Agreement shall prevail.

23. **CONSTRUCTION**

The parties agree that each has had an opportunity to have their counsel review this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto. The captions of the sections are for convenience and reference only and are not intended to be construed to define or limit the provisions to which they relate.

24. **AMENDMENTS**

Amendments to this Agreement shall be in writing and shall be made only with the mutual written consent of all of the parties to this Agreement.

25. **AUTHORITY TO EXECUTE THIS AGREEMENT**

The person or persons executing this Agreement on behalf of Consultant warrants and represents that they have the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed the day and year first above written.

**CAYUCOS SANITARY DISTRICT**

**WATER SYSTEMS CONSULTING, INC.**

By: \_\_\_\_\_  
Rick Koon, District Manager

By: \_\_\_\_\_  
Dylan Wade, Vice-President

**Approved as to Form:**

\_\_\_\_\_  
Timothy J. Carmel, District Counsel

EXHIBIT A  
CONSULTANT'S PROPOSAL

# Chaney to Toro Pipeline Replacement Final Design Project

The Cayucos Sanitary District desires to reduce system inflows and infiltration by replacing the two feedlines serving Lift Station 5 with a single large diameter sewer trunkline. This will provide additional equalization volume and replace a suspected area on inflows and infiltration. This proposal is anticipated to cover final design and Caltrans coordination efforts. Subsequent efforts with additional budget will be required for the construction phase.

## TASK 0.0 PROJECT MANAGEMENT & COORDINATION

### 0.1 Project Administration

- WSC will provide project administration and coordination with the Cayucos Sanitary District, Caltrans, subconsultants, and the County.
- WSC will prepare monthly invoices. Project management is assumed to cover a 6-month duration covering the final design phase of the project.

### 0.2 Quality Assurance/Quality Control

- WSC senior technical staff will be responsible for executing the Quality Assurance and Quality Control (QA/QC) program.
- WSC senior technical staff will provide comprehensive QC reviews of deliverables prior to submittal to CSD for review. Anticipated deliverables are described in subsequent tasks.

### 0.3 90% Draft Design Review Meeting

- WSC will plan, organize, and conduct Meeting #1. The purpose of the meeting is to discuss the 90% Design Submittal and Technical Specifications. WSC anticipates the meeting will be held approximately ten (10) business days after the Draft Design is submitted. Discussion topics will include the points of connection, utility conflicts, additional potholing (if necessary), technical specifications, Caltrans permitting status and any other comments or preferences CSD would like to incorporate. The review will be followed by a discussion of the next steps and design completion schedule. Draft agendas will be provided prior to the meeting.

*Deliverable: Draft agendas, meeting minutes, and decision logs*

## TASK 1.0 PERMITTING AND SURVEYING

### 1.1 Encroachment Permit

- WSC will continue to lead the application effort for the California Department of Transportation (Caltrans) Encroachment Permit for the project. This includes revising, as necessary, the application and associated documentation which WSC prepared in 2023 and 2024.
- WSC will assist CSD with discussions with Caltrans staff as required for submission of an encroachment permit application.
- WSC assumes CSD will directly pay any Caltrans permit fees. WSC assumes that the contractor will prepare Storm Water Pollution Prevention Plan (SWPPP) and traffic control plans to Caltrans standards as required by Contract Documents prepared during subsequent phases of work.

## 1.2 Survey, Base Map Preparation, and Site Visit

- WSC's surveying subconsultant, MBS Surveying, will conduct survey control to establish horizontal and vertical control for Project area in conformance with SLO County standards (as applicable). MBS will perform a detailed aerial topographic survey and a ground survey. These will be used to prepare project base maps which include the following components: 1-foot contours, edge of pavement, centerlines and right-of-way monuments, fences, power poles, trees, and other features according to standard practice. An aerial survey is necessary to sufficiently reduce the amount of time spent in Caltrans ROW such that no Caltrans permit is required for the surveyors.
- WSC will prepare a base map using survey data provided by MBS, record drawings obtained from utility companies, and aerial and street view imagery available in the public domain. The base map which was used for 50% design, which consists of drawings for the newer, existing, 12" sewer main, will be used on demolition sheets in the drawings.
- WSC will conduct a site visit of the project area to verify the information depicted on the utility location maps and plans, where possible. Additional evidence of existing utilities or necessary corrections observed during the site visit will be field measured and the base map will be updated to reflect the approximate locations.

*Deliverable: One (1) PDF submittal of the base map.*

**Task 1.0 Assumptions:** WSC will use standard County of San Luis Obispo details and as such is not obtaining site specific geotechnical engineering information. WSC will incorporate standard manhole and other material preferences provided by CSD into the design plans and specifications.

## TASK 2.0 CONSTRUCTION DOCUMENTS

### 2.1 Pipeline Design

- WSC will prepare plans at scale of 1" = 40' horizontal for approximately 2,000 LF of 36-inch pipeline between Lift Station 5 and Chaney Avenue.
- The plans will include the following elements: the new pipeline will be located in Caltrans right of way, in the same trench as the deeper of the existing 12" mains where possible; the alignment of the proposed pipeline dimensioned offset from relevant features (such as right-of-way); connections to the existing system at both Chaney and Lift Station 5; locations for any new system appurtenances; and pipe centerline stationing to identify the locations of pertinent features on the plan and profile view as well as to aid in collecting accurate as-built information during construction.

### 2.2 Specifications

- WSC will prepare technical specifications in 50 Division CSI format including Division 01 General specification and required technical specifications. It is anticipated that minimal changes will be made to the proposed list of technical specifications which is attached to this proposal.
- WSC will prepare front-end specifications. It is assumed the Front-End Documents for this project will be based on the previous CSWP EJCDC documents.

### 2.3 Opinion of Probable Construction Cost

- WSC will prepare and submit an opinion of probable construction cost with the 90% Draft and Final Design submittal. The estimates will be prepared to a Class 2 estimate in accordance with AACE International standards.

## 2.4 90% Draft Design Submittal

- WSC will submit the 90% Draft Design Submittal (drawings, technical specifications, and 90% opinion of probable construction cost) for review. WSC will conduct Meeting #1 - 90% Draft Design Review Meeting with CSD staff to discuss the Draft Design Submittal and receive comments. Design drawings and specifications will be revised according to CSD's comments. Assumes no major comments or requested changes related to alignment or overall design.

*Deliverable: One (1) PDF submittal of 90% draft plans, specifications, and probable construction cost estimate. Two (2) full-size hard copies of the plans and two (2) half-size hard copies of the plans.*

## 2.5 Final Design Submittal

- WSC will submit the Final Design once CSD approves the Draft Final Design. The final design will be submitted as one (1) set of stamped and signed 22" x 34" plans on bond paper, one complete stamped and signed specification book, and an electronic pdf version of the signed plans, specifications, and final opinion of probable construction cost. WSC will also provide a copy of the AutoCAD file for the Final Design Submittal (along with the ctb file) via Sharefile. The digital files will be delivered via email and the hard copy will be mailed or delivered to CSD.

*Deliverable: One (1) PDF submittal of final plans, specifications, and probable construction cost estimate. Two (2) full-size hard copies of the plans and two (2) half-size hard copies of the plans.*

**Task 2.0 Assumptions:** Plan sets will be on 22" x 34" paper, and the presentation and layout of the plans will consider the functionality of half-size (11" x 17") plans. All drawings shall be in native AutoCAD 2018 format and per WSC CAD standards. WSC understands that the scope of the project lies entirely within street and Caltrans right-of-way and existing Public Utility Easements and that no easement or property acquisition is required. Scope assumes open cut construction for the entirety of this alignment, jack and bore or directional drilling would require additional engineering beyond this scoped effort.

## OPTIONAL TASK 1.0 BID PHASE SUPPORT

### 01.1 Bid Phase Services

- WSC will attend one (1) pre-bid meeting along with the CSD and assist in providing an overview of the project and answering any field questions from potential bidders. WSC anticipates attendance of the Project Manager for a one-hour meeting in person plus travel.
- WSC will receive questions from CSD and prepare responses in the form of addenda. WSC's scope includes the preparation of two (2) addenda as part of the scope of work. WSC assumes that addenda distribution will be provided by CSD.
- WSC will facilitate bid opening.
- WSC will review and analyze bids for responsiveness. WSC will prepare an award recommendation letter to be included in the staff report for CSD Board approval.
- WSC will prepare a set of conformed construction documents, incorporating the changes made during the addenda phase. The conformed construction documents will be submitted as one (1) set of stamped and signed full size plans, a hardcopy of the conformed specifications and digital copies of both plans and specifications (PDF via email). WSC will also provide a copy of the AutoCAD file.

**Task O1.1 Assumptions:** Task 0 Project Management and Coordination includes project management, administration, invoicing time for design (Tasks 1 and 2) and bid phase services (Optional Task 1.1). CSD will advertise project for bidding and provide contract documents for bidder purchase. Conformed documents will be issued electronically, with Contractor responsible for any printing costs incurred.



## Anticipated Sheet List

#	Sheet	Name	Included in 50% Draft Design	90% Submittal	Final
1	T-1	Title, Vicinity Map, and Location Map	Yes	Update	Final
2	G-1	Key Map	No	Create	Final
3	G-2	Engineer's Notes, Sheet Index, and Abbreviations	Yes	Update	Final
4	D-1	Demolition Plan (1)	Yes	Update	Final
5	D-2	Demolition Plan (2)	Yes	Update	Final
6	D-3	Demolition Plan (3)	Yes	Update	Final
7	C-1	Pipeline Plan & Profile (1)	Yes	Update	Final
8	C-2	Pipeline Plan & Profile (2)	Yes	Update	Final
9	C-3	Pipeline Plan & Profile (3)	Yes	Update	Final
10	C-4	Civil Details (1)	Yes	Update	Final
11	C-5	Civil Details (2)	Yes	Update	Final
12	C-6	Civil Details (3)	No	Create	Final
13	C-7	Lift Station 5 Connection Plan	No	Create	Final
14	C-8	Road Sections	Yes	Update	Final

## Anticipated Specification List

#	Number	Name	90% Submittal	Final
	<b>DIVISION 00</b>	<b>BIDDING REQUIREMENTS, CONTRACT FORMS, &amp; CONDITIONS OF THE CONTRACT</b>	Create	Final
1	00 01 00	ADVERTISEMENT FOR BIDS	Create	Final
2	00 02 00	INSTRUCTIONS TO BIDDERS	Create	Final
3	00 04 10	BID FORM DRUG-FREE WORKPLACE CERTIFICATION	Create	Final
4	00 04 20	NON-COLLUSION DECLARATION	Create	Final
5	00 04 30	BID BOND	Create	Final
6	00 04 51	CERTIFICATION OF BIDDER'S EXPERIENCE AND QUALIFICATIONS	Create	Final
7	00 04 80	LIST OF SUBCONTRACTORS	Create	Final
8	00 05 20	AGREEMENT	Create	Final
9	00 06 10	PERFORMANCE BOND	Create	Final

#	Number	Name	90% Submittal	Final
10	00 06 15	PAYMENT BOND	Create	Final
11	00 07 00	GENERAL CONDITION	Create	Final
12	00 08 00	SUPPLEMENTARY CONDITIONS	Create	Final
	<b>DIVISION 01</b>	<b>GENERAL REQUIREMENTS</b>	-	-
13	01 10 00	SUMMARY	Create	Final
14	01 20 00	PRICE AND PAYMENT PROCEDURES	Create	Final
15	01 25 00	SUBSTITUTION PROCEDURES	Create	Final
16	01 30 00	ADMINISTRATIVE REQUIREMENTS	Create	Final
17	01 33 00	SUBMITTAL PROCEDURES	Create	Final
18	01 40 00	QUALITY REQUIREMENTS	Create	Final
19	01 50 00	TEMPORARY FACILITIES AND CONTROLS	Create	Final
20	01 57 23	TEMPORARY STORM WATER POLLUTION CONTROL	Create	Final
21	01 60 00	PRODUCT REQUIREMENTS	Create	Final
22	01 70 00	EXECUTION AND CLOSEOUT REQUIREMENTS	Create	Final
	<b>DIVISION 02</b>	<b>EXISTING CONDITIONS</b>	Create	Final
23	02 01 20	PROTECTING EXISTING UTILITIES	Create	Final
24	02 04 00	DEMOLITION	Create	Final
	<b>DIVISION 03</b>	<b>CONCRETE</b>	Create	Final
25	03 30 00	CAST-IN-PLACE CONCRETE	Create	Final
26	03 60 00	GROUTING	Create	Final
	<b>DIVISION 31</b>	<b>EARTHWORK</b>	Create	Final
27	31 05 13	SOILS FOR EARTHWORK	Create	Final
28	31 05 16	AGGREGATES FOR EARTHWORK	Create	Final
29	31 10 00	SITE CLEARING AND RESTORATION	Create	Final
30	31 22 13	ROUGH GRADING	Create	Final
31	31 23 17	EXCAVATION AND TRENCHING	Create	Final
	<b>DIVISION 32</b>	<b>EXTERIOR IMPROVEMENTS</b>	Create	Final
32	32 31 13	CHAIN LINK FENCES AND GATES	Create	Final
	<b>DIVISION 33</b>	<b>UTILITIES</b>	Create	Final
33	33 05 05.31	HYDROSTATIC TESTING	Create	Final
34	33 05 14	PUBLIC MANHOLES AND STRUCTURES	Create	Final
35	33 31 13	PUBLIC SANITARY UTILITY SEWAGE PIPING	Create	Final

EXHIBIT B  
CONSULTANT'S FEE



Task No.	Task Description	WSC								MBS Land	ALL FIRMS	
		Principal in Charge & QA/QC	Project Manager	Staff Engineer	CAD Drafter	Clerical/Administrative	WSC Labor Hours	WSC Labor Fee	Expenses	WSC Fee	Labor Fee	Total Fee
		Dylan Wade	Kendall Houghton	David Williams	Christopher Durbin	Kay Merrill						
	<i>Billing rates, \$/hr</i>	\$399	\$257	\$173	\$179	\$179						
<b>0</b>	<b>Project Management &amp; Coordination</b>											
0.1	Project Administration	1	8			8	17	\$ 3,887	\$ -	\$ 3,887		\$ 3,887
0.2	Quality Assurance/Quality Control	6					6	\$ 2,394	\$ -	\$ 2,394		\$ 2,394
0.3	90% Draft Design Review Meeting	2	3	3			8	\$ 2,088	\$ -	\$ 2,088		\$ 2,088
	<b>SUBTOTAL</b>	<b>9</b>	<b>11</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>31</b>	<b>\$ 8,369</b>	<b>\$ -</b>	<b>\$ 8,369</b>	<b>\$ -</b>	<b>\$ 8,369</b>
<b>1</b>	<b>General Engineering</b>											
1.1	Encroachment Permit	4	24	10			38	\$ 9,494	\$ -	\$ 9,494		\$ 9,494
1.2	Survey, Base Map Preparation, and Site Visit		3	3	8		14	\$ 2,722	\$ -	\$ 2,722	\$ 16,503	\$ 19,225
	<b>SUBTOTAL</b>	<b>4</b>	<b>27</b>	<b>13</b>	<b>8</b>	<b>0</b>	<b>52</b>	<b>\$ 12,216</b>	<b>\$ -</b>	<b>\$ 12,216</b>	<b>\$ 16,503</b>	<b>\$ 28,719</b>
<b>2</b>	<b>Construction Documents</b>											
2.1	Pipeline Design	2	6	6	8		22	\$ 4,810	\$ -	\$ 4,810		\$ 4,810
2.2	Specifications		15	55			70	\$ 13,370	\$ -	\$ 13,370		\$ 13,370
2.3	Opinion of Probable Cost		4	14			18	\$ 3,450	\$ -	\$ 3,450		\$ 3,450
2.4	90% Draft Design Submittal		4	6	45		55	\$ 10,121	\$ -	\$ 10,121		\$ 10,121
2.5	Final Design Submittal		6	6	10		22	\$ 4,370	\$ -	\$ 4,370		\$ 4,370
	<b>SUBTOTAL</b>	<b>2</b>	<b>35</b>	<b>87</b>	<b>63</b>	<b>0</b>	<b>187</b>	<b>\$ 36,121</b>	<b>\$ -</b>	<b>\$ 36,121</b>	<b>\$ -</b>	<b>\$ 36,121</b>
	<b>COLUMN TOTALS</b>	<b>15</b>	<b>73</b>	<b>103</b>	<b>71</b>	<b>8</b>	<b>270</b>	<b>\$ 56,706</b>	<b>\$ -</b>	<b>\$ 56,706</b>	<b>\$ 16,503</b>	<b>\$ 73,209</b>
<b>OT 1</b>	<b>Bid Phase Support</b>											
OT 1.1	Bid Phase Services	2	21	6	6		35	\$ 8,307	\$ -	\$ 8,307		\$ 8,307
	<b>Bid Phase Support TOTAL</b>	<b>2</b>	<b>21</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>35</b>	<b>\$ 8,307</b>	<b>\$ -</b>	<b>\$ 8,307</b>	<b>\$ -</b>	<b>\$ 8,307</b>
	<b>OPTIONAL TASKS TOTAL</b>	<b>2</b>	<b>21</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>35</b>	<b>\$ 8,307</b>	<b>\$ -</b>	<b>\$ 8,307</b>	<b>\$ -</b>	<b>\$ 8,307</b>

10% mark-up on direct expenses; 15% mark-up for sub-contracted services  
 Standard mileage rate \$0.67 per mile (or current Federal Mileage Reimbursement Rate)  
 Rates are subject to revision as of January 1 each year.

## EXHIBIT C

### INSURANCE REQUIREMENTS

*Prior to the beginning of and throughout the duration of the Work, Consultant will maintain insurance in conformance with the requirements set forth below. Consultant will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth here, Consultant agrees to amend, supplement or endorse the existing coverage to do so. Consultant acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. Any insurance proceeds available to District in excess of the limits and coverage required in this agreement and which is applicable to a given loss, will be available to District.*

*Consultant shall provide the following types and amounts of insurance:*

Commercial General Liability Insurance using Insurance Services Office "Commercial General Liability" policy from CG 00 01 or the equivalent. Defense costs must be paid in addition to limits. There shall be no cross liability exclusion for claims or suits by one insured against another. Limits are subject to review but in no event less than \$1,000,000 per occurrence.

Business Auto Coverage on ISO Business Auto Coverage from CA 00 01 including symbol 1 (Any Auto) or the equivalent. Limits are subject to review, but in no event to be less than \$1,000,000 per accident. If Consultant owns no vehicles, this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Consultant or Consultant's employees will use personal autos in any way on this project, Consultant shall provide evidence of personal auto liability coverage for each such person.

Workers Compensation on a state-approved policy form providing statutory benefits as required by law with employer's liability limits no less than \$1,000,000 per accident or disease.

Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designated to protect against acts, errors or omissions of the Consultant and "Covered Professional Services" as designated in the policy must specifically include work performed under this agreement. The policy limit shall be no less than \$1,000,000 per claim and in the aggregate. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend the insured. The policy retroactive date shall be on or before the effective date of this agreement.

*Insurance procured pursuant to these requirements shall be written by insurer that are admitted carriers in the state California and with an A.M. Bests rating of A- or better and a minimum financial size VII.*

General conditions pertaining to provision of insurance coverage by Consultant. Consultant and District agree to the following with respect to insurance provided by Consultant:

1. Consultant agrees to have its insurer endorse the third party general liability coverage required herein to include as additional insureds District, its officials employees and agents, using standard ISO endorsement No. CG 2010 with an edition prior to 1992 or current equivalent. Consultant also agrees to require all consultants, and subcontractors to do likewise.

2. No liability insurance coverage provided to comply with this Agreement shall prohibit Consultant, or Consultant's employees, or agents, from waiving the right of subrogation prior to a loss. Consultant agrees to waive subrogation rights against District regardless of the applicability of any insurance proceeds, and to require all Consultants and subcontractors to do likewise.

3. All insurance coverage and limits provided by Consultant and available or applicable to this agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to the District or its operations limits the application of such insurance coverage.

4. None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to District and approved of in writing.

5. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any Consultant or subcontractor.

6. All coverage types and limits required are subject to approval, modification and additional requirements by the District, as the need arises. Consultant shall not make any reductions in scope of coverage (e.g. elimination of contractual liability or reduction of discovery period) that may affect District's protection without District's prior written consent.

7. Proof of compliance with these insurance requirements, consisting of certificates of insurance evidencing all of the coverages required and an additional insured endorsement to Consultant's general liability policy, shall be delivered to District at or prior to the execution of this Agreement. In the event such proof of any insurance is not delivered as required, or in the event such insurance is canceled at any time and no replacement coverage is provided, District has the right, but not the duty, to obtain any insurance it deems necessary to protect its interests under this or any other agreement and to pay the premium. Any premium so paid by District shall be charged to and promptly paid by Consultant or deducted from sums due Consultant, at District option.

8. Certificate(s) are to reflect that the insurer will provide 30 days notice to District of any cancellation of coverage. Consultant agrees to require its insurer to modify such certificates to delete any exculpatory wording stating that failure of the insurer to mail written notice of cancellation imposes no obligation, or that any party will “endeavor” (as opposed to being required) to comply with the requirements of the certificate.

9. It is acknowledged by the parties of this agreement that all insurance coverage required to be provided by Consultant or any subcontractor, is intended to apply first and on a primary, noncontributing basis in relation to any other insurance or self-insurance available to District.

10. Consultant agrees to ensure that subcontractors, and any other party involved with the project that is brought onto or involved in the project by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the project will be submitted to District for review.

11. Consultant agrees not to self-insure or to use any self-insured retentions or deductibles on any portion of the insurance required herein and further agrees that it will not allow any Consultant, subcontractor, Architect, Engineer or other entity or person in any way involved in the performance of work on the project contemplated by this agreement to self-insure its obligations to District. If Consultant’s existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to the District. At the time the District shall review options with the Consultant, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions.

12. The District reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving the Consultant ninety (90) days advance written notice of such change. If such change results in substantial additional cost to the Consultant, the District will negotiate additional compensation proportional to the increase benefit to District.

13. For purposes of applying insurance coverage only, this Agreement will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards performance of this Agreement.

14. Consultant acknowledges and agrees that any actual or alleged failure on the part of District to inform Consultant of non-compliance with any insurance requirements in no way imposes any additional obligations on District nor does it waive any rights hereunder in this or any other regard.

15. Consultant will renew the required coverage annually as long as District, or its employees or agents face an exposure from operations of any type pursuant to this

agreement. This obligation applies whether or not the agreement is canceled or terminated for any reason. Termination of this obligation is not effective until District executes a written statement to that effect.

16. Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Consultant's insurance agent to this effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to District within five days of the expiration of the coverages.

17. The provisions of any workers' compensation or similar act will not limit the obligations of Consultant under this agreement. Consultant expressly agrees not to use any statutory immunity defenses under such laws with respect to District, its employees, officials and agents.

18. Requirements of specific coverage features or limits contained in this section are not intended as limitations on coverage, limits or other requirements nor as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.

19. These insurance requirements are intended to be separate and distinct from any other provision in this Agreement and are intended by the parties here to be interpreted as such.

20. The requirements in this Section supersede all other sections and provisions of this Agreement to the extent that any other section or provision conflicts with or impairs the provisions of this Section.

21. Consultant agrees to be responsible for ensuring that no contract used by any party involved in any way with the project reserves the right to charge District or Consultant for the cost of additional insurance coverage required by this agreement. Any such provisions are to be deleted with reference to District. It is not the intent of District to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against District for payment of premiums or other amounts with respect thereto.

22. Consultant agrees to provide immediate notice to District of any claim or loss against Consultant arising out of the work performed under this agreement. District assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve District.