

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

DATE: AUGUST 4, 2011

AGENDA ITEM

E-1

AUGUST 10, 2011

**REVIEW SOLID WASTE RATE INCREASE PROPOSED BY
SOUTH COUNTY SANITARY SERVICES CONSIDER OPTIONS FOR
DELAYING IMPLEMENTATION**

ITEM

Review South County Sanitary Services (a.k.a. Nipomo Garbage Company) proposed 5% increase in solid waste fees throughout southern San Luis Obispo County and consider options for delaying the increase within the District [RECOMMEND REVIEW PROPOSED INCREASE AND OPTIONS, DIRECT STAFF]

BACKGROUND

South County Sanitary Services (SCSS) provides solid waste collection services to homes throughout southern San Luis Obispo County. SCSS provides these services to District customers under a Franchise Agreement with the District.

SCSS is requesting a 5% rate 'interim-year' increase throughout the service area – see the attached April 1, 2011 Interim year rate increase request from SCSS. A independent review of the requested rate increase is attached to this report. A 'base-year' review of solid waste rates is scheduled to occur in 2013. Four years ago, SCSS rates increased by 3%. Under the Franchise Agreement, the District is required to administer the Proposition 218 Rate proceedings that are required to adopt the requested increase.

The District's solid waste fund (Fund #300) reserve is approximately \$220,000. The District can negotiate with SCSS to delay the proposed solid waste rate increase by expending approximately \$5,700 in solid waste reserves monthly. This would allow the District to delay the increase for a number of months as needed.

Staff proposes to review the timing for bringing forward a solid waste rate increase with your Board every three months.

FISCAL IMPACT

Delaying the requested 5% rate increase reduces the solid waste reserves by ~\$5,700 each month of delay.

RECOMMENDATION

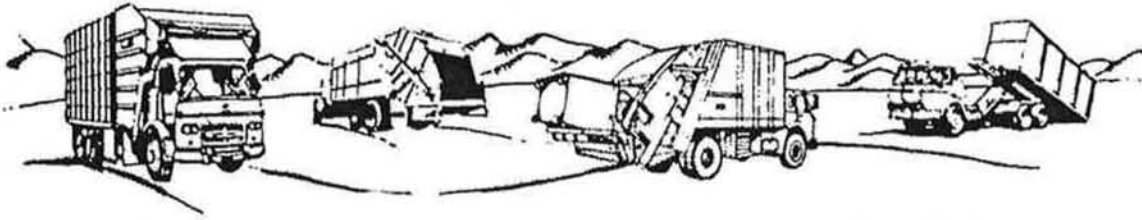
Staff recommends the Board receive the report and provide direction to staff.

ATTACHMENT

- April 1, 2011, Interim Year Rate Increase Request
- June 15, 2011 Review of South County Sanitary Services Interim-Year Rate Request

t:\board matters\board meetings\board letter\2011\110810 solidwaste 218 scheduling.doc

South County Sanitary Service



866 West Grand Avenue • Grover Beach, CA 93433
805-489-4246 • 805-489-3534 • 805-489-2104

Nipomo CSD
Michael LeBrun
148 South Wilson
Nipomo, CA 93444

RECEIVED

APR 04 2011

NIPOMO COMMUNITY
SERVICES DISTRICT

4-1-2011

Re: 2011 Interim year rate increase request

Enclosed please find the 2011 interim year rate increase request.

annual cola	1.00%
greenwaste to Santa Maria	1.65%
garbage tipping fee increase	2.35%
	<u>5.00%</u>

This increase involves trucking the curbside greenwaste to Santa Maria to be turned into compost at the Engel & Gray facility for \$30/ton.

I would be more than happy to meet with council for a study session if that is what they want. The annual cola percentage is based on the November 2010 Bureau of Labor all city average for inflation. The greenwaste percentage is based on the cost of taking it to Santa Maria. The landfill increase is based on a \$5 per ton increase effective 1-1-2011. Contractors tipping fees were raised \$10/ton and will go up another \$5/ton in July 2011.

Call me with questions

A handwritten signature in black ink, appearing to be 'Tom Martin', written in a cursive style.

Tom Martin, General Manager

Interim Year Rate Adjustment Application

7.3% franchise fee

Requested Increase

1. Rate Increase Requested 5.00%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. One Can Service	\$15.00	\$15.75		\$15.75
3. Two Can Service	\$21.49	\$22.56		\$22.56
4. Three Can Service	\$28.16	\$29.57		\$29.57

5. **Multiunit Residential and Non-residential** Rate increases of 5.00%
 will be applied to all rates in each structure
 with each rate rounded up to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Nipomo Community Service District.

Name: TOM MARTIN

Title: General Manager

Signature:

Date: 03/31/11

Interim Year Rate Adjustment Application

Financial Information

Section I-Base Year Costs

Base Year Controllable Costs

6.	Total Allowable Costs	\$7,255,860	
7.	<i>Plus</i> Allowable Operating Profit	\$630,944	
8.	<i>Plus</i> Lease Payments to Affiliated Companies	\$0	
9.	<i>Equals</i> Total Controllable costs	\$7,886,804	84.3%

Base Year Pass Through Costs

10.	Tipping Fees	\$1,468,567	
11.	<i>Plus</i> AB 939 and Regulatory Fees	\$0	
12.	<i>Equals</i> Total Pass Through Costs	\$1,468,567	15.7%

13.	Base Year Revenue Requirements (less Franchise Fee)	\$9,355,371	100%
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Section II-Changes in Costs

Change in Controllable Cost

14.	Historical Percentage Change in Consumer Price Index	1.1%
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Change in Pass Through Cost

15.	Projected Base Year 2010 Tipping Fees	\$1,468,567
16.	<i>Plus</i> Projected Year 2010 AB939 Fees	\$0
17.	<i>Equals</i> Total Base Year Pass Through Costs	\$1,468,567

18.	Projected Interim Year 2011 Tipping Fees	\$1,815,260
19.	Projected Interim Year 2011 AB939 Fees	\$0
20.	<i>Equals</i> Total Projected Interim Year Pass Through costs	\$1,815,260

21.	Projected Percentage Change in Pass Through Costs	23.61%
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Section III-Calculation of Percent Change in Rates

Weighted Change in Controllable Costs

22.	Controllable Costs as a Percent of Base Year Revenue Requirement	84.3%
23.	<i>Multiplied</i> Percent change in CPI	1.1%
24.	<i>Equals</i> Weighted Percent Change in Controllable Costs	0.93%

Weighted Change in Pass Through Costs

25.	Pass Through Costs as a Percent of Base Yr Revenue Requirement	15.7%
26.	<i>Multiplied</i> Percent Change in Pass Through Costs	23.61%
27.	<i>Equals</i> Weighted Percent Change in Pass Through Costs	3.71%

Total Change

28.	Total Percent Change in Cost (Line 24+ Line 27+ Line 28)	4.63%
29.	<i>Divided</i> Adjustment for Franchise Fee (1-10.0 percent)	92.7%
30.	<i>Equals</i> Percent change in Existing Rates	5.00%

William C. Statler

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

June 15, 2011

REVIEW OF SOUTH COUNTY SANITARY SERVICES INTERIM-YEAR RATE REQUEST

Cities of Arroyo Grande, Grover Beach, Pismo Beach and Oceano Community Services District

REPORT PURPOSE

The purpose of this report is to review the rate increases recently requested by South County Sanitary Service (SCSS) for the Cities of Arroyo Grande, Grover Beach, Pismo Beach and the Oceano Community Services District, and to make recommendations to these four agencies as appropriate.

SCSS provides similar services to each of these agencies under formally approved franchise agreements that regulate rates and establish procedures for considering rate increases. Because the financial information for SCSS is closely related for these four agencies, this report jointly reviews rate requests and recommendations for each of them.

Benefits of the Joint Approach. There are significant “economies of scale” with a joint review, including: analysis of SCSS financial operations; review of the rate application; follow-up as needed with their General Manager; and report preparation. In short, while each of the four agencies has unique franchise terms, the underlying financial information is the same for all of them.

OVERVIEW OF FINDINGS

- The last SCSS rate review was four years ago, when an across-the-board rate increase of 3.0% was approved in 2007 for Arroyo Grande, Grover Beach, and Oceano; and 2.9% in Pismo Beach. (The minor difference in rate adjustments is due to the 6% franchise rate in Pismo Beach compared with 10% in the other three communities).
- SCSS has fully provided the supporting documentation required for “interim-year” rate requests under the franchise agreements in Arroyo Grande, Pismo Beach and Oceano; and recommended in Grover Beach. SCSS’s rate increase application for each agency is provided in the Appendix.

- As discussed below, SCSS's "interim year" rate request represents a "hybrid approach," since SCSS did not request a rate increase in 2010, and accordingly, did not submit a "base year" rate application. On the other hand, given the four years that have lapsed since SCSS's last rate review, the underlying rate increase of 1.1% for "controllable costs" (as defined in the franchise agreements) is very modest.

Rate Recommendation

It is recommended that the governing bodies of these four agencies adopt SCSS's requested "interim-year" rates for 2011. As supported by their rate request documentation and the adopted rate-setting methodology, this results in a 5.15% across-the-board rate increase for the communities of Arroyo Grande, Grover Beach and Oceano; and 4.93% in Pismo Beach if it retains the current 6% franchise fee. If Pismo Beach decides to increase its franchise fee to 10% like the other three agencies, then the 5.15% rate increase would apply and a separate rate increase of 3.9% would be required to set the franchise fee at 10%.

Rate Summary for Residential Customers

Table 1 summarizes the current and proposed rates for single-family residential (SFR) customers. As reflected in this summary, the increases would be very modest. For

Table 1. Single Family Residential Rates

	Container Size (Gallons)		
	32	64	96
Proposed			
Arroyo Grande	\$15.47	\$20.11	\$24.76
Grover Beach	14.02	18.96	23.88
Oceano	12.54	18.04	35.30
Pismo Beach			
Franchise Fee @ 6%	13.25	26.50	39.75
Franchise Fee @ 10%	13.77	27.54	41.31
Current			
Arroyo Grande	\$14.71	\$19.13	\$23.55
Grover Beach	13.33	18.03	22.71
Oceano	11.93	17.16	33.57
Pismo Beach	12.63	25.26	37.89
Increase			
Arroyo Grande	\$0.76	\$0.98	\$1.21
Grover Beach	0.69	0.93	1.17
Oceano	0.61	0.88	1.73
Pismo Beach			
Franchise Fee @ 6%	0.62	1.24	1.86
Franchise Fee @ 10%	1.14	2.28	3.42

example, for collection of a 32-gallon garbage container (the most common SFR service level) as well as separate waste wheelers for recycling and green waste, the proposed monthly rate will increase by 67 cents on average for the four agencies. If Pismo Beach raises its franchise rate to 10%, the monthly rate increase there would still be a modest \$1.14.

BACKGROUND

On April 1, 2011, SCSS submitted an "interim year" rate increase request to the Cities of Arroyo Grande, Grover Beach, Pismo Beach and the Oceano Community Services District.

Under the agreed-upon rate review methodology, SCSS would typically have submitted a "base year" rate application in 2010. This did not occur:

given the state of the economy, SCSS chose to not submit a rate request for 2010; and accordingly, they did not submit a "base year" rate application and related documentation. The 2011 application is based on the "interim year" rate setting methodology rather the much more comprehensive "base year" one. The following is a

brief summary of the differences between the two rate-setting methodologies, which follow a three-year cycle:

- **Base Year.** The first year of the cycle—the *Base Year*—requires a comprehensive, detailed analysis of revenues, expenses and operating data. This information is evaluated in the context of agreed upon factors in the franchise agreements in determining fair and reasonable rates. The last “base year” analysis for SCSS under this approach was completed in August 2007.
- **Interim Years.** In both the second and third years of the three-year cycle, SCSS is eligible for *Interim Year* rate adjustments that address two key change factors: changes in the consumer price index for “controllable” operating costs; and changes in “pass-through costs” (primarily tipping fees), which SCSS does not control (they are set by the County Board of Supervisors). These adjustment factors are “weighted” by the proportionate share that these costs represent of total costs. The rate review for the two *Interim Years* requires less information and preparation time than the *Base Year* review, while still providing fair and reasonable rate adjustments.

Does the “interim year” approach for 2011 make sense? The rate review for 2011 has taken the less comprehensive “interim year” approach as proposed by SCSS. While this is not as comprehensive as a “base year” analysis, the use of the interim rate review approach results in a reasonable outcome in evaluating the appropriateness of the SCSS rate request. As noted above, given that SCSS has not requested a rate increase in four years, the 1.1% rate increase for “controllable costs” is very modest. On the other hand, using the more comprehensive approach would take longer, cost more and is unlikely to have significantly different results. (In fact, a preliminary assessment indicates that the more comprehensive approach could result in higher rates.)

RATE REVIEW METHODOLOGY

Under the adopted franchise agreements, there are three major cost categories for revenue recovery through rates:

- **Allowable Costs (Operations and Maintenance).** The target is an operating profit ratio of 8% on “allowable costs,” which include direct collection labor, fuel, vehicle maintenance and repairs, depreciation, insurance and billing and collection. Allowable costs plus the allowable operating profit equal “controllable costs.”
- **Pass-Through Costs.** Pass-through costs such as tipping (landfill) and franchise fees may be fully recovered through rates, but no profit is allowed on them.
- **Excluded and Limited Costs.** No revenue recovery through rates are allowed for any excluded costs, which include charitable and political contributions; non-IRS approved profit-sharing plans; entertainment, fines and penalties; and income taxes. Additionally, there are limits on officer compensation.

In the case of SCSS, 84% of their costs are “controllable costs” subject to the 8% operating profit ratio; and 16% are pass-through costs that may be recovered through rates but no profit is allowed on them. (No recovery is allowed at all for excluded costs.)

2011 Interim Year Request

In evaluating the SCSS 2011 rate request, the following submittals and documents were reviewed in determining compliance with the *Interim Year* rate adjustment provisions of the franchise agreements.

- Current franchise agreements between SCSS and the Cities of Arroyo Grande, Grover Beach, Pismo Beach and the Oceano Community Services District.
- Prior base year and interim year rate reviews.
- Audited financial statements for 2010 and 2009.
- The correct process, forms and calculations were used in preparing request in accordance with the *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates* referenced in the franchise agreement as the basis for adjusting rates.
- Consumer price index data was correctly gathered and “weighted” in accordance with the franchise agreements.
- Adjustments to projected tipping fee costs were adequately documented and “weighted” in accordance with the franchise agreements.
- Adjustments to account for franchise fees, at either at the 6% or 10% level, were correctly calculated.
- For Pismo Beach, the supporting documentation provided by SCSS was analyzed on the rate impact and added revenues of increasing the franchise fee from 6% to 10%.

“Hybrid Approach.” Normally, “base year” information for an interim-year rate request would be taken from the prior base year rate increase application in determining the relative weighting of controllable versus tipping fee costs. However, as noted above, SCSS did not request a base year rate increase in 2010 (and in fact, has not requested any rate increases since 2007), and accordingly, did not submit a base year application. For this reason, in preparing the 2011 interim year rate request, SCSS used the information for 2010 that it would have used had it filed a 2010 base year rate application.

On the other hand, an independent audit for 2010 by certified public accountants (Caliber Audit and Attest, LLP) based on actual results has since completed. As reflected in Table 2 below, for the purpose of the interim year review, either set of numbers produces the same result in allocating costs between controllable and tipping fee costs.

Table 2. Controllable vs Tipping Fee Costs

Costs	2010 Projected		2010 Actual	
	Amount	%	Amount	%
Controllable Costs				
Allowable Costs	7,255,860	77.6%	7,329,634	77.2%
Allowable Operating Profit *	630,944	6.7%	637,359	6.8%
Total Controllable Costs	7,886,804	84.3%	7,966,993	84.0%
Tipping Fees	1,468,567	15.7%	1,526,234	16.0%
Total	\$9,355,371	100.0%	\$9,493,227	100.0%

* 8% of Controllable Costs

However, if SCSS submits an interim-year request in 2012, it recommended that it use the audited results for 2010 rather than the pro forma for the 2010 base-year application that it did not submit. (To return to the normal three-year review cycle, SCSS should submit a base year application in 2013.)

Rate Calculation Summary

There are three main drivers for interim year rate increases:

- **Controllable Costs.** Rates attributable to controllable costs are allowed to increase by changes in the U.S. consumer price index for all urban consumers (CPI-U). This increased by 1.1% from November 2010 to November 2011. Based on these representing 84% of controllable and tipping fee costs, a rate adjustment of 0.93% is allowed for increased operating and maintenance costs. As noted above, there have been no rate increases to cover increases in “controllable costs” since 2007.
- **Pass-Through Costs: Tipping Fees.** On June 7, 2011, the County approved an increase in tipping fees at the Cold Canyon Landfill of \$5 per ton (from \$29.25 per ton to \$34.25). The last tipping increase prior to that one occurred almost five years ago in October 2006. Additionally, curbside green waste will now be taken to the Engel & Gray facility for composting at a cost of \$30.00 per ton, compared with the prior rate at the Cold Canyon facility of \$18.00 per ton. Based on tipping fees accounting for 16% of allowable and pass-through costs, a rate adjustment of 3.71% is allowed for tipping fee cost increases.
- **Pass-Through Costs: Franchise Fees.** The final adjustment in the rate-setting model is to account for pass-through franchise fees. At a 10% franchise fee rate, this results in an overall allowable rate increase of 5.15%. At a 6% rate, this results in a slightly lower overall allowable rate increase of 4.93%.

Consideration of Franchise Rate Increase in Pismo Beach

The City of Pismo Beach is currently considering increasing its franchise fee from 6% of revenues (plus a flat fee of \$1,500 per month) to 10% of revenues (without the added flat fee). This change would make Pismo Beach’s franchise fee consistent with all of the other communities in the South County. Making this change would result in an annual increase in franchise fees revenues of about \$68,000 (from \$110,000 to \$178,000); and

would require a separate increase of 3.9%. Additionally, rather than an interim year rate increase of 4.93%, the increase would be 5.15% like the other south county agencies.

SUMMARY

Based on the rate-setting policies and procedures formally adopted by Arroyo Grande, Oceano and Pismo Beach in their franchise agreements (and conceptually approved by Grover Beach), this report concludes that:

- The SCSS request for an interim-year rate increase of 5.15% for the three agencies with a 10% franchise fee rate and 4.93% for the City of Pismo Beach if it retains its franchise fee at 6% has been correctly calculated in accordance with each agency's franchise agreement.
- If the City of Pismo Beach decides to increase its franchise fee to 10% like the other three agencies, then the 5.15% rate increase would apply and a separate rate increase of 3.9% would be required.



APPENDIX

2011 Interim Year Rate Application

10% Franchise Fee

- City of Arroyo Grande
- City of Grover Beach
- Oceano Community Services District

6% Franchise Fee

- City of Pismo Beach

Interim Year Rate Adjustment Application

Requested Increase

1. Rate Increase Requested

5.15%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. One Can Service	\$14.71	\$15.47		\$15.47
3. Two Can Service	\$19.13	\$20.11		\$20.11
4. Three Can Service	\$23.55	\$24.76		\$24.76

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

Rate increases of

5.15%

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

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the City of Arroyo Grande.

Name: TOM MARTIN

Title: General Manager

Signature:

Date: 06/07/11

Interim Year Rate Adjustment Application

Requested Increase

1. Rate Increase Requested 5.15%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. One Can Service	\$13.33	\$14.02		\$14.02
3. Two Can Service	\$18.03	\$18.96		\$18.96
4. Three Can Service	\$22.71	\$23.88		\$23.88

5. **Multiunit Residential and Non-residential** Rate increases of 5.15% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the City of Grover Beach.

Name: TOM MARTIN

Title: General Manager

Signature:

Date: 06/07/11

Interim Year Rate Adjustment Application

Requested Increase

1. Rate Increase Requested 5.15%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. One Can Service	\$11.93	\$12.54		\$12.54
3. Two Can Service	\$17.16	\$18.04		\$18.04
4. Three Can Service	\$33.57	\$35.30		\$35.30

5. **Multiunit Residential and Non-residential** Rate increases of 5.15% will be applied to all rates in each structure with each rate rounded up to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Oceano Community Service District.

Name: TOM MARTIN

Title: General Manager

Signature:

Date: 06/07/11

Interim Year Rate Adjustment Application

Financial Information

Section I-Base Year Costs

Base Year Controllable Costs			
6.	Total Allowable Costs	\$7,255,860	
7.	Plus Allowable Operating Profit	\$630,944	
8.	Plus Lease Payments to Affiliated Companies	\$0	
9.	Equals Total Controllable costs	\$7,886,804	84.3%
Base Year Pass Through Costs			
10.	Tipping Fees	\$1,468,567	
11.	Plus AB 939 and Regulatory Fees	\$0	
12.	Equals Total Pass Through Costs	\$1,468,567	15.7%
13.	Base Year Revenue Requirements (less Franchise Fee)	\$9,355,371	100%

Section II-Changes in Costs

Change in Controllable Cost			
14.	Historical Percentage Change in Consumer Price Index		1.1%
Change in Pass Through Cost			
15.	Projected Base Year 2010 Tipping Fees	\$1,468,567	
16.	Plus Projected Year 2010 AB939 Fees	\$0	
17.	Equals Total Base Year Pass Through Costs	\$1,468,567	
18.	Projected Interim Year 2011 Tipping Fees	\$1,815,260	
19.	Projected Interim Year 2011 AB939 Fees	\$0	
20.	Equals Total Projected Interim Year Pass Through costs	\$1,815,260	
21.	Projected Percentage Change in Pass Through Costs		23.61%

Section III-Calculation of Percent Change in Rates

Weighted Change in Controllable Costs			
22.	Controllable Costs as a Percent of Base Year Revenue Requirements	84.3%	
23.	Multiplied Percent change in CPI	1.1%	
24.	Equals Weighted Percent Change in Controllable Costs	0.93%	
Weighted Change in Pass Through Costs			
25.	Pass Through Costs as a Percent of Base Yr Revenue Requirements	15.7%	
26.	Multiplied Percent Change in Pass Through Costs	23.61%	
27.	Equals Weighted Percent Change in Pass Through Costs	3.71%	
Total Change			
28.	Total Percent Change in Cost (Line 24+ Line 27+ Line 28)	4.63%	
29.	Divided l Adjustment for Franchise Fee (1-10.0 percent)	90.0%	
30.	Equals Percent change in Existing Rates		5.15%

Interim Year Rate Adjustment Application

Requested Increase

1. Rate Increase Requested

4.93%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. One Can Service	\$12.63	\$13.25		\$13.25
3. Two Can Service	\$25.26	\$26.51	(\$0.01)	\$26.50
4. Three Can Service	\$37.89	\$39.76	(\$0.01)	\$39.75

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

Rate increases of

4.93%

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

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the City of Pismo Beach.

Name: TOM MARTIN

Title: General Manager

Signature:

Date: 06/07/11

Interim Year Rate Adjustment Application

Financial Information

Section I-Base Year Costs

Base Year Controllable Costs			
6.	Total Allowable Costs	\$7,255,860	
7.	<i>Plus</i> Allowable Operating Profit	\$630,944	
8.	<i>Plus</i> Lease Payments to Affiliated Companies	\$0	
9.	<i>Equals</i> Total Controllable costs	\$7,886,804	84.3%
Base Year Pass Through Costs			
10.	Tipping Fees	\$1,468,567	
11.	<i>Plus</i> AB 939 and Regulatory Fees	\$0	
12.	<i>Equals</i> Total Pass Through Costs	\$1,468,567	15.7%
13.	Base Year Revenue Requirements (less Franchise Fee)	\$9,355,371	100%

Section II-Changes in Costs

Change in Controllable Cost			
14.	Historical Percentage Change in Consumer Price Index		1.1%
Change in Pass Through Cost			
15.	Projected Base Year 2010 Tipping Fees	\$1,468,567	
16.	<i>Plus</i> Projected Year 2010 AB939 Fees	\$0	
17.	<i>Equals</i> Total Base Year Pass Through Costs	\$1,468,567	
18.	Projected Interim Year 2011 Tipping Fees	\$1,815,260	
19.	Projected Interim Year 2011 AB939 Fees	\$0	
20.	<i>Equals</i> Total Projected Interim Year Pass Through costs	\$1,815,260	
21.	Projected Percentage Change in Pass Through Costs		23.61%

Section III-Calculation of Percent Change in Rates

Weighted Change in Controllable Costs			
22.	Controllable Costs as a Percent of Base Year Revenue Requirements	84.3%	
23.	<i>Multiplied</i> Percent change in CPI	1.1%	
24.	<i>Equals</i> Weighted Percent Change in Controllable Costs	0.93%	
Weighted Change in Pass Through Costs			
25.	Pass Through Costs as a Percent of Base Yr Revenue Requirements	15.7%	
26.	<i>Multiplied</i> Percent Change in Pass Through Costs	23.61%	
27.	<i>Equals</i> Weighted Percent Change in Pass Through Costs	3.71%	
Total Change			
28.	Total Percent Change in Cost (Line 24+ Line 27+ Line 28)	4.63%	
29.	<i>Divided by</i> Adjustment for Franchise Fee (1-10.0 percent)	94.0%	
30.	<i>Equals</i> Percent change in Existing Rates		4.93%

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: AUGUST 4, 2011

**AGENDA ITEM
E-2
AUGUST 10, 2011**

CONSIDER DRAFT METER REPLACEMENT POLICY

ITEM

Consider Draft Meter Replacement Policy. [RECOMMEND APPROVE RESOLUTION ADOPTING METER REPLACEMENT POLICY AND DIRECT STAFF TO IMPLEMENT]

BACKGROUND

Unaccounted for water is generally attributed to water lost through leaks, overflows, incorrect meter readings, and unmetered water usage such as fire fighting and aging water metering devices. Like any other mechanical device, a water meter is subject to wear and deterioration and over a period of time, loses its peak efficiency. This gradual wear and tear may allow water to pass through the meter without measuring all of the flow. Inaccurate readings can result in false information about water usage, which impacts system audits and leak detection efforts. Implementation of a meter replacement program may show a decrease in apparent loss, as well as an increase in revenue.

The lifespan of a water meter is between 10 – 15 years. Most studies recommend residential meters should be repaired or replaced after 15 or 20 years. In accordance with the American Water Works Association Guidance Manual M6, a planned meter replacement program can be implemented over a given number of years, so that all replaced meters in the system will be the more-efficient, modern design every 10-15 years.

The District is currently replacing water meters that are between 12 years old to more than 20 years old. Many of the Nipomo Community Services District's water meters that are greater than twelve years old may not operating efficiently. The purpose of the Meter Replacement Policy is to formalize the process of meter replacement and to notify the District customers of the implementation by the District. The Water and Sewer Master Plan, approved by the Board of Directors in 2007, recommended the replacement of 10% of all of the water meters annually. Prior to 2009, District staff replaced meters that were damaged, not registering, or were registering irregularly. Since the implementation of the Operations and Maintenance Program in 2009, District staff has been replacing meters monthly in order to meet this recommended replacement schedule.

1688 OF 4154 METERS ARE 12 YEARS TO MORE THAN 22 YEARS OLD

	2010	2011	
NUMBER OF METERS REPLACED	327	221	548
% OF METERS 12 TO >22 YEARS	19%	13%	32%
% OF TOTAL METERS IN DISTRICT	8%	5%	13%

As of April 2011, records indicate that 1,670 of the District's 4,154 services had meters that are older than 12 years old. This accounts for 42% percent of the District's water meters. During

calendar year 2010, District Staff replaced 19% of the District's oldest meters and this year to date, has replaced an additional 13% for a net total of 32% of the oldest meters replaced thus far. Large meters (1.5"-4") have historically been repaired or replaced on an as needed basis. The District plans to have these larger meters tested for accuracy on a scheduled basis.

FISCAL IMPACT

Development of this draft did use previously budgeted staff time. Water meters are a budgeted expense.

RECOMMENDATION

Staff recommends that the Board approve Resolution 2011-Meter adopting the District Meter Replacement Policy.

ATTACHMENTS

- Resolution
- Meter Replacement Policy

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2011-XXXX**

**A RESOLUTION OF THE
BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING THE WATER METER REPLACEMENT POLICY**

WHEREAS, water meters are subject to wear and deterioration and over a period of time, lose peak efficiency and may allow water to pass through without measurement; and

WHEREAS, replacement of inefficient water meters may increase the District revenue; and

WHEREAS, water sales are the largest revenue in the District; and

WHEREAS, replacement of inefficient water meters may assist the District in reduction of unaccounted for water loss and per capita water use.

NOW, THEREFORE, the Board of Directors of the Nipomo Community Services District does hereby resolve, declare, determine and order as follows:

Exhibit "A", attached hereto, is hereby incorporated by this reference as the District's Meter Replacement Policy

On the motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

CONFLICTS:

The foregoing policy is hereby passed, approved and adopted by the Board of Directors of the Nipomo Community Services District this 10th day of August, 2011.

James Harrison, President
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

Michael S. LeBrun
Secretary to the Board

Jon S. Seitz
District Legal Counsel

EXHIBIT A

NIPOMO COMMUNITY SERVICES DISTRICT WATER METER REPLACEMENT POLICY

Many of the Nipomo Community District Water meters are 15 – 20 years old and may not be operating efficiently. The District is currently in the process of replacing water meters, which are greater than 10 years old. The Operations and Maintenance Program, approved by the District Board of Directors in 2009, and the Water and Sewer Master Plan, approved by the Board of Directors in 2007, recommend replacement of 10% of the meters each year.

The NCS D is responsible for measuring the amount of water delivered through the distribution system to the District's customers.

In order to facilitate this goal, the District:

- 1) Accurately measures the amount of water which passes through the customer water meters
- 2) Schedules meter reads which generate timely and regular water billings.

This process is outlined below:

- **Water Meter Reading.** Approximately 4,154 water meters are read every other month, approximately one half each month, abnormal readings (high and low) are investigated, water service is started and stopped, and access to water meters is maintained.
- **Water Meter Replacement and Maintenance.** Replace all obsolete meters to conserve water and accurately measure water use for billing purposes; replace meters on a 10 year replacement schedule to ensure proper operation, and repair meter leaks as necessary. Annually budget purchase of new meters.
- **Priority is to replace the oldest meters first; > 20 years; then >15 years; then older than 10 years**
- **Large Meter Testing and Repair.** Maintain large irrigation and commercial meters (1.5" to 4") and contract services for the testing and repair on a two to four year schedule.

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: AUGUST 4, 2011



QUARTERLY REVIEW OF STRATEGIC PLAN

ITEM

Consider quarterly review of the strategic plan [RECEIVE REPORT AND PROVIDE DIRECTION TO STAFF]

BACKGROUND

On March 9, 2011, your Board adopted the 2011 Update to the District's Strategic Plan. The Strategic Plan is a top-level planning document that sets clear direction over all operational aspects of our mission. The Plan serves as a framework for decision making over a five-year period. It is a disciplined effort to produce fundamental decisions that shape what the District plans to accomplish by pursuing a rational course of action.

The District's Strategic Plan includes seven strategic elements. Each element has numerous strategic goals. A table of the strategic elements and goals is attached. The plan also identifies actions, activities, and planning efforts that are currently underway and which are needed for continued success in operations and management of the District, and provides for periodic reviews and updates.

The District continues to make measured progress on a number of priority Strategic Goals through the first six months of 2011. Staff will lead a discussion touching on some of the more significant progress and milestones reached in the first six months of 2011. Staff seeks feedback and direction.

FISCAL IMPACT

There is no fiscal impact.

RECOMMENDATION

Staff recommends the Board receive the report and provide direction to staff.

ATTACHMENT

Strategic Plan 2011 Update, Table 1 – The Strategic Plan “At A Glance”

Table 1 –The Strategic Plan “At a Glance”

STRATEGIC ELEMENTS	STRATEGIC GOALS	Estimated Completion Date (FY)
1.0 WATER	1.1 Protect, Enhance and Assess available Water Supplies	On-going
	1.2 Secure New supplies	FY11-15
	1.3 Upgrade and maintain available storage and distribution works	FY10-15 On-going
	1.4 Consistently reduce average demand per customer	Ongoing -
	1.5 Comply with State and Fed. regulations	On-going
2.0 WASTEWATER	2.1 Efficiently operate collection, treatment and disposal works	FY10-13
	2.2 Upgrade and Maintain Collection and Treatment Works	FY12-13 On-going
	2.3 Select disposal solution for Southland	FY12-13
	2.4 Provide for Disposal of Biosolids	FY12-13
	2.5 Comply with State and Federal regulations and mandates	On-going
3.0 PARTNERSHIP/ REGULATORY RELATIONS	3.1 Strengthen ties with neighboring agencies and technical groups	On-going
	3.2 Strengthen ties with County of SLO, APCD, County Environmental Health and WRAC	On-going
	3.3 Work closely with RWQCB and State DPH	On-going
	3.4 Develop deliberate legislative agenda	On-going
	3.5 Participate in LAFCO, , IWMA, CSDA, CSDA Chapter, AWWA and CWEF	On-going
4.0 PERSONNEL/ ORGANIZATION	4.1 Retain and attract new employees	On-going
	4.2 Provide appropriate training and education for employees	On-going
	4.3 Continue commitment to a safe workplace environment	On-going
	4.4 Develop and maintain efficient disaster response capability	On-going

	<i>4.5 Integrate operational technology</i>	<i>FY11-12</i>
5.0 ADMINISTRATIVE MANAGEMENT	<i>5.1 Maintain clear and functional policies and procedures</i>	<i>On-going</i>
	<i>5.2 Complete conversion to electronic records</i>	<i>FY 11-12 On going</i>
	<i>5.3 Provide excellent customer service</i>	<i>FY 10-11 On-going</i>
6.0 FINANCES	<i>6.1 Operate all enterprise funds to be financially sound</i>	<i>On-going</i>
	<i>6.2 Achieve targeted operating and non-operating reserves</i>	<i>On-going</i>
	<i>6.3 Ensure that decisions consider short and long term fiscal impacts</i>	<i>On-going</i>
	<i>6.4 Minimize commitment of discretionary resource long-term projects</i>	<i>Ongoing</i>
	<i>6.5 Protect reserves with sound investment policy and investments</i>	<i>On-going</i>
	<i>6.6 Review Other Post- Employment Benefits (OPEB)</i>	<i>FY 11-12</i>
7.0 OTHER SERVICES	<i>7.A.1 Promote recycling</i>	<i>On-going</i>
	<i>7.A.2 Provide additional solid waste services</i>	<i>On-going</i>
	<i>7.A.3 Communicate with customers</i>	<i>On-going</i>
	<i>7.B.1 Monitor maintenance of facilities</i>	<i>On-going</i>
	<i>7.B.2 Communicate with customers</i>	<i>On-going</i>
	<i>7.C.1 Monitor maintenance of facilities</i>	<i>On-going</i>
	<i>7.C.2 Communicate with customers</i>	<i>On-going</i>
	<i>7.D.1 Plan for Parks and Open Space</i>	<i>FY14-15</i>
	<i>7.E.1 Monitor landscape maintenance</i>	<i>On-going</i>
	<i>7.E.2 Communicate with residents</i>	<i>On-going</i>

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: AUGUST 4, 2011

**AGENDA ITEM
E-4
AUGUST 10, 2011**

**CONSIDER PERSONNEL COMMITTEE RECOMMENDATION TO
AWARD A CONTRACT TO KOFF & ASSOCIATES IN THE
AMOUNT OF \$34,500 FOR RECRUITING SERVICES TO
ASSIST IN FILLING THREE VACANT UTILITY DEPARTMENT
POSITIONS [RECOMMEND CONSIDER COMMITTEE
RECOMMENDATION BY MOTION AND ROLL CALL VOTE
APPROVE CONTRACT]**

ITEM

Consider Personnel Committee recommendation to award a contract to Koff & Associates in the amount of \$34,500.00 for recruiting services to assist in filling three vacant operation positions. [Recommend consider committee recommendation by motion and roll call vote, approve contract].

BACKGROUND

The District currently has three positions open in the Utility Department which equates to nearly 30% of the budget Department workforce. The Utility Department is responsible for the '24/7' operation of two wastewater treatment facilities, thirteen sewage lift stations, eight permitted production wells, more than one-hundred miles of piping and associated infrastructure and over four-thousand customer service connections.

In fiscal year 2009-2010, three positions were added to the Department bringing the staffing level to nine positions. In fiscal 2010-2011, two additional positions were added. The current budgeted position authority for the Department is ten and one-half (10.5).

The process of recruiting, orienting, and training new Utility staff places additional burden on existing Utility and Administration staff. Change-over at the top-level of District management during the past two years has further complicated the hiring process and negatively impacted organizational efficiency. To date, staff has conducted a single recruitment at a time to mitigate resources burden and insure proper orientation and training of new employees. The most recent staff-led recruitment was unsuccessful – no job offer made.

Staff promotion into one of the newly created Utility Worker (Maintenance) positions in March 2010 vacated the *Customer Service* position. Staff promotion to Maintenance Supervisor in January 2011 left the *Utility Operator/Water Quality Technician* position vacated. Termination of a probationary employee in February 2011 vacated the *Utility Worker* position.

Following discussions with and direction from your Board, staff mailed a request for recruitment services proposals to three firms. The Personnel Committee met on July 25, 2011 and reviewed the two proposals received by the submittal deadline. The Committee discussed a number of options for engagement of recruitment services. The Personnel Committee recommended that all three positions be recruited through Koff & Associates, Inc. This will allow the District to take advantage of the 15% cost savings offered by the recruiter for three positions. Furthermore, the Committee directed staff to negotiate with Koff & Associates, Inc.

for a contract which the District will retain 25% of the fee for each position until which time a successful hire for that position is made (commencement of employment). The negotiated contract is attached

Koff proposes a fee of \$10K per position with a 15% reduction if all three positions are contracted for, resulting in a fee of \$8.5K per position. Koff estimates 'pass-through' expenses for each recruitment to be \$2-3K. Staff expects overall expenses to be less than \$7K given the nature of the positions recruited.

The salary ranges for the three open positions are as follows:

Maintenance/Customer Service Representative: \$32,544.00 - \$39,564.00
 Utility Worker: \$35,004.00 - \$42,552.00
 Utility Operator/Water Quality Technician: \$42,552.00 - \$51,720.00

The minimum experience and certification requirements for the three positions are listed below.

Position	Minimum Qualifications	Certifications				
		D1	D2	T1	WW1	Collections1
Maintenance/Customer Service Rep	None , Const/maint is desirable	Within 1yr				
Utility Worker	1 yr const/maint	x				Within 1 year
Utility Operator/water Quality tech	3 yrs ops/maint of water/wastewater		x	x	x	Highly desirable

Certification Abbreviations:

D1	Grade 1 Water Distribution Operator Certificate issued by the California Department of Health Services
D2	Grade 2 Water Distribution Operator Certificate issued by the California Department of Health Services
T1	Grade 1 Water Treatment Operator Certificate issued by the California Department of Health Services
WW1	Grade 1 Wastewater Treatment Operator Certificate issued by the California Water Quality Control Board
Collections 1	Grade 1 Wastewater Collections System Maintenance Certificate issued by the California Water Environment Association

Utilizing professional recruitment services to fill operations level positions is not typical practice at the District or at a utility operation of the District's size. These are not typical times at the District. Growth in staffing, a 30% vacancy rate in operations, recent management turnover, rising employee and regulatory standards, and \$40M in capital improvements underway has District staffing resources at all levels stretched.

District Utility Superintendent, working with Assistant General Manger, would manage the recruitment contract. A portion of the time afforded staff by utilizing recruitment services would be dedicated to developing a written new-employee orientation and training program and otherwise preparing to bring on three new employees simultaneously.

STRATEGIC PLAN

The Strategic Plan includes within the Core Values the desire to support the welfare of our employees and District Vision includes sustaining a qualified, long-term and productive workforce to assure an effective organization. To that end, the assistance of a recruiting organization will allow the District greater reach in the advertising and experience in the selection of a qualified list of personnel to select from. Your Honorable Board will be supporting the welfare of the employees by sustaining a high performing, motivated and adaptable workforce. Filling the vacancies will reduce the burden upon the small workforce of the NCSD.

FISCAL IMPACT

The Fiscal Year 2011-12 Budget included a full year of salary for the three unfilled positions. It is estimated that the salary for the three vacant positions for six months is approximately \$55,000 and will more than offset the cost of the recruiting services.

RECOMMENDATION

Staff recommends your honorable Board by motion and roll call vote approve a contract with Koff & Associates, Inc. for not to exceed \$34,500 and Direct Staff to proceed with the recruitment process.

ATTACHMENTS

- Proposal from Koff & Associates, Inc.



PROPOSAL
For
RECRUITING SERVICES
For
THREE UTILITY/MAINTENANCE/CUSTOMER SERVICE POSITIONS
For The
NIPOMO COMMUNITY SERVICES DISTRICT

Submitted by:

KOFF & ASSOCIATES, INC.
6400 Hollis Street, Suite 5
Emeryville, CA 94608

510-658-5633 – voice

510-652-5633 – fax

E-mail: gkrammer@koffassociate.com

www.koffassociates.com

Contact Person:
Georg Krammer
Chief Executive Officer



July 26, 2011

Ms. Lisa Bognuda
Finance Director/Assistant General Manager
Nipomo Community Services District
P.O. Box 326
Nipomo, CA 93444-0326

Dear Lisa:

Thank you for the opportunity to submit a proposal for recruiting services for the Utility Operator/Water Quality Technician, Utility Worker, and Maintenance/Customer Service Worker positions at the Nipomo Community Services District. We are most interested in assisting the District with this critical effort and are committed to providing exceptional service and excellent results.

As you know, Koff & Associates is a small firm with a specialty in public sector human resources. We have been assisting public agencies with their recruitment and other human resource needs for over 27 years. Our entire practice has grown as a result of satisfied clients who refer us to their colleagues in other agencies. Being responsive to your needs is our number one priority. We feel that our firm is exceptionally qualified to support you in this search effort because of our extensive experience with local government agencies and our specialty serving special district, with a strong emphasis in water and wastewater. We have successfully placed numerous water, wastewater, and utility operators and maintenance workers with small special districts and are confident that we can accomplish successful placements for this effort.

In addition, we are uniquely qualified for this effort because K&A has performed classification, compensation, and organizational review projects for Nipomo CSD in the past, and we are therefore very familiar with your organization, your services, and the requirements of each of your positions. In fact, we are currently conducting an organization study for another community services district, for which Nipomo CSD is a "comparator" agency. This has given us renewed opportunity to look at your District and re-familiarize ourselves with your operation.

We will aggressively market your positions seeking the best available candidates. Our efforts are to find the active, as well as, passive candidates through significant public outreach and sourcing of viable candidates that may not be actively looking for work. Depending upon the professional organizations we are able to tap into, we advertise positions through various media to attract the largest possible candidate pool. In addition, we have created databases of water and wastewater professionals based on certification level and can directly market your positions to those individual by direct mail.

We then employ various methods during the applicant review and assessment process in order to present only the most qualified individuals to the District for final interviews. Our approaches

include a competency and factor-based evaluation tool that clarifies each candidate's strengths and weaknesses and extensive telephone screening interviews to discuss each candidate's experience, technical background, and communication and interpersonal style, in order to screen out all but the most highly qualified candidates. These approaches to a recruitment effort provide our clients with a substantial talent pool that is closely matched to the organization's needs and desires. Having placed countless professionals with numerous public agencies over the past 27 years, we understand the importance of technical competence and cultural match.

We maximize the effectiveness of the recruitment activity to ensure quality of both the integrity of the recruitment campaign (which reflects on the District), as well as, the quality of the candidate pool that we are able to generate.

As Chief Executive Officer of the firm, I would be Project Director for this recruitment effort. You can reach me at the address and phone number below and my email address is gkrammer@koffassociates.com. Please call or email if I can provide any additional information. We look forward to the opportunity to provide professional services to the District again.

Sincerely,

A handwritten signature in cursive script that reads "Georg S. Krammer".

Georg S. Krammer
Chief Executive Officer



PROPOSAL
For
RECRUITING SERVICES
For
THREE UTILITY/MAINTENANCE/CUSTOMER SERVICE POSITIONS
For The
NIPOMO COMMUNITY SERVICES DISTRICT

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PROPOSAL
For
RECRUITING SERVICES
For
THREE UTILITY/MAINTENANCE/CUSTOMER SERVICE POSITIONS
For The
NIPOMO COMMUNITY SERVICES DISTRICT

QUALIFICATIONS AND EXPERIENCE

Koff & Associates, Inc. is a small, woman-owned, full-spectrum human resources consulting services firm and has been assisting public-sector agencies for the past 27 years. Our firm is located in Emeryville, CA, and we are a State-registered small business and are registered with the County of Alameda as a Very Small Local Business Enterprise. The firm her provided services across the State of California since its incorporation in 1984.

The firm's areas of focus are executive search and staff recruitments; compensation and classification studies; strategic management tools for organizational performance; employee performance management and incentive compensation programs; policy/procedure and employee handbook development; and serving as off-site Human Resources Director for smaller public agencies that need the expertise of an HR Director but do not need a full-time, on-site professional.

We have extensive experience working in both union and non-union environments (including serving as the management representative in meet & confer meetings), with Merit Boards, Boards of Directors, Boards of Supervisors, Civil Service Commissions, and City Councils.

Without exception, all of our recruitments have successfully met all of our intended commitments; communications were successful with client agencies and job candidates; and we were able to assist each agency in successfully placing highly qualified candidates. All recruitments were brought to completion within stipulated time limits and proposed fees.

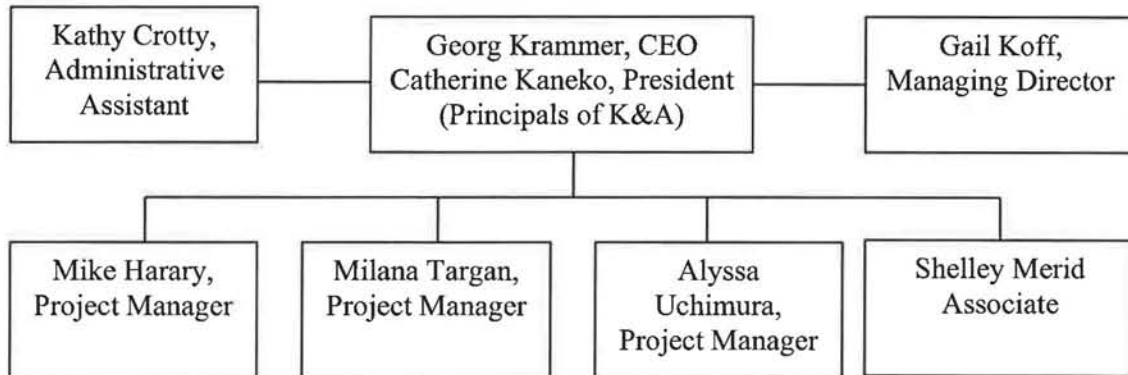
The firm's growing list of clients is indicative of its reputation throughout California as being a quality organization that can be relied upon for providing comprehensive, sound, and cost-effective services and solutions. Koff & Associates, Inc. has a reputation for being "hands-on" with an ability and expertise to implement its ideas and recommendations through completion. K&A relies on our stellar reputation and on the recommendations and referrals of current clients to attract new clients. Our work speaks for itself and our primary goal is to provide professional and technical recruiting assistance with integrity, honesty, and a commitment to excellence. We invite you to contact anyone on the Client List as a referral.

More specifically to this project, our firm has over 27 years of staff recruitment search experience in the water and wastewater industry. In fact, our specialty is assisting small local government agencies and special districts with their operations and maintenance recruitments, including Water and/or Wastewater Operator (at varying levels with varying certification requirements), Maintenance Worker, Customer Service and Accounting, and Engineering. Some recent examples of recruitment efforts small Water/Sanitation Districts conducted by Koff & Associates are:

- | | |
|---|--------------------------------|
| Maintenance Worker | Assistant/Associate Engineer |
| Maintenance Trainee | Project Engineer |
| Maintenance Crew Leader | District Engineer |
| Lead Maintenance Mechanic | Pipeline Engineer |
| Utility Worker | Accountant |
| Operator in Training | Administrative Assistant |
| Mechanical Technician | Administrative Technician |
| Collection Systems Operator | Environmental Services Analyst |
| Wastewater Treatment Plant Operator (Grade I-III) | Industrial Waste Inspector |
| Water Systems Operator (D1, D2) | Laboratory Technician |
| Stormwater Outreach Coordinator | Regulatory Compliance Officer |
| Engineering Technician | HR Analyst/ IT Analyst |

K&A's Business Organization

ORGANIZATIONAL CHART



EXPERIENCE AND QUALIFICATIONS OF PRINCIPALS AND KEY STAFF

**Georg S. Krammer, M.B.A., S.P.H.R.
 Chief Executive Officer**

Georg brings close to fifteen (15) years of management-level human resources experience to Koff & Associates, Inc. with an emphasis in executive and staff recruitment; classification and

compensation design; market salary studies; performance management; organizational development; and employee relations, in the public sector, large corporations, and small, minority-owned businesses.

After obtaining a Master's Degree in English and Russian and teaching credentials at the University of Vienna, Austria, Georg came to the United States to further his education and experience and attained his MBA from the University of San Francisco. After starting his human resources career in Wells Fargo Bank's college recruiting department, he moved on to human resources management positions in the banking and high-tech consulting industries. With his experience as a recruiter in the high-tech industry and a well-rounded senior human resources generalist and his education in business and teaching, Georg's contribution to K&A's variety of search efforts and consulting projects greatly complements our consulting team. Georg joined K&A in 2000 and has been the firm's Chief Executive Officer since 2005.

Georg will serve as the Principal in charge of this project. He will be personally involved in all client meetings, development of the recruitment strategy, development of ideal candidate profile and competencies, outreach and sourcing efforts, candidate review and assessment, and will also be the District's direct contact and be available for any necessary personal client interface.

Catherine Kaneko, C.P.A., P.H.R.
President

Catherine brings twenty (20) years of management level human resources experience to Koff & Associates, Inc., both as a human resources director and as a management consultant in the hi-tech industry as well as the public sector. She has extensive experience in recruitment and selection in both the public and private sector; compensation including equity plans and performance incentive programs, survey design and reporting; classification and job analysis; compensation and job evaluation techniques, employee relations, retention strategies, and infrastructure development; coaching; policy and procedure development; mergers and acquisitions; and change management and employee training.

With a Bachelor's Degree in Business Administration, Catherine started her career as a Certified Public Accountant (CPA) in an international accounting/consulting firm. She transitioned into Human Resources within the firm to become the Human Resources Director of the San Francisco office. She then moved into the hi-tech industry where she served in leadership positions for high-growth, startup, and organizations in transition. Her primary focus in recent years has been in recruitment services and classification and compensation in the public sector. Catherine joined K&A in 2000 and has been the firm's President since 2005.

Catherine's experience provides a broad knowledge of human resource management within diverse organizations. Her background provides her a strong ability to understand the big picture, identify problems and solutions, and effectively implement them. Her skill set and experience provides her with a sound background and understanding of how vital and unique executive placements are for the successful performance of a large agency.

Having completed numerous executive recruitments herself, Catherine will be instrumental in developing the ideal candidate profile and required competencies and in reviewing and assessing job candidates to ensure best technical and cultural fit for the District.

Gail Koff
Managing Director

Gail Koff, Principal of Koff & Associates, Inc. for 21 years and now the Managing Director, has over thirty (30) years of human resource management experience, most of which have been serving the needs of public agencies. Gail's prior experience, after receiving her degree from Boston University, includes serving as the Personnel Director for one of California's largest sanitary districts, Central Contra Costa Sanitary District as well as the Personnel Director for the California College of Arts and Crafts.

She has spent the last thirty (30) years providing consulting assistance to cities, counties, and special districts (housing, transit, water, wastewater, hospital, school, community service, air quality management, fire, etc.). She specializes in executive search; strategic development; labor/management issues; classification and job analysis; compensation design and pay for performance strategies; employee handbooks and policy direction; performance management; and organizational efficiency issues.

Gail is familiar with the unique problems of public agencies and has worked extensively with publicly elected Councils, Boards, Commissions, numerous unions, and management and employee groups.

Gail works closely with the staff throughout the entire process to ensure success. She is actively engaged throughout the firm's recruitment efforts and consulting projects to ensure quality control, timeliness, and meeting client expectations.

Alyssa Uchimura
Project Manager

Alyssa earned her bachelor's degree in Psychology with a minor in Sociology-Organization Studies from the University of California, Davis and is currently working on her PhD in Organizational Psychology from Alliant International University. She brings with her over six (6) years of human resources experience in compensation data gathering and analysis, classification analysis and development, performance management, affirmative action program development, and recruitment. Alyssa also has experience in designing and conducting quantitative and qualitative research studies.

Since joining K&A, Alyssa has been actively engaged in many of our executive search and recruitment activities for both our public and private sector clients, as well as managing some of our special studies and projects such as recruitment and retention strategies, voluntary termination analyses, and succession planning.

Alyssa will be involved in many of the procedural steps of this recruitment, such as developing drafts for the recruitment brochure, placing approved job ads on various recruitment and industry-specific websites and newspapers, and assisting with initial screening of resumes and setting up the assessment tool for the competency and factor-based evaluation of the candidates.

Kathy Crotty
Administrative Assistant

Kathy is our data entry, administrative, and technical “guru.” She will be involved with the clerical aspects of the recruitment and assist our professional staff during each phase of the search process with the development of a candidate database, mailings, and general communication with job applicants.

CLIENT REFERENCES OF RECENTLY COMPLETED RECRUITMENTS

All recruitment efforts below were completed on time and within the proposed budget and were completed by our own professional staff.

Agency / Positions Recruited

Dublin San Ramon Services District
Administrative Assistant I/II
Administrative Technician
Assistant/Associate Engineer
Customer Services Supervisor
Engineering Technician/GIS Specialist I
General Manager
Human Resources Analyst I/II
Information Systems Technician I/II
Information Technology Analyst I/II
Maintenance Worker I/II
Wastewater Treatment Operator I/II/Senior

Contact

Ms. Mary Gordon
Organizational Services Manager
Phone: (925) 875-2290
E-mail: gordon@dsrsd.com

Mr. Bert Michalczyk
General Manager
Phone: (925) 875-2200
E-mail: michalczyk@dsrsd.com
7051 Dublin Blvd.
Dublin, CA 94568

Sausalito-Marín City Sanitary District

Associate Engineer
District Secretary
General Manager
Plant Superintendent

Mr. Robert Simmons
General Manager
Phone: (415) 332-0244
E-mail: bob@smcsd.net

Mr. Ray Gergus
Board Member
Phone: (415) 332-0244
No. 1 Fort Baker Road
Sausalito, CA 94965

Agency / Positions Recruited

Central Marin Sanitation Agency

Accountant Technician
Administrative Assistant
Asset-Contract Administrator
Assistant/Associate Engineer
Business Services Manager
Environmental Compliance Supervisor
Environmental Services Analyst I/II
Finance Analyst
Finance Manager
Industrial Waste Inspector/Lab Technician
Laboratory Director
Mechanical Technician
Operator-in-Training
Project Engineer
Treatment Plant Manager
Utility Worker

Ironhouse Sanitary District

District Secretary
Utility Operator

Las Gallinas Valley Sanitary District

Administrative and Financial Secretary
Administrative Services Manager
District Secretary
General Manager
Laboratory Technician
Operator I
Plant Superintendent
Plant Supervisor
Safety and Training Specialist

Contact

Mr. Jason Dow

General Manager
Phone: (415) 459-1455 ext. 145
E-mail: jdow@centralmarinsa.org
1301 Andersen Drive
San Rafael, CA 94901

Mr. Tom Williams

General Manager
Phone: (925) 625-2279
E-mail: williamsid@sbcglobal.net
450 Walnut Meadows Drive
Oakley, CA 94561-1105

Mr. Mark Williams

General Manager
Phone: (415) 472-1734
E-mail: mwilliams@lgvdsd.org
300 Smith Ranch Road
San Rafael, CA 94903

Agency / Positions Recruited

City of Stockton

Collections Systems Operator (Entry-Journey)
Plant Operator-In-Training
Plant Operator (Entry-Journey-Senior)
Water Systems Operator (Entry-Journey)
Environmental Control Officer (Entry-Journey)
Laboratory Technician
Laboratory Supervisor
Assistant/Associate Engineer
Assistant/Associate Civil Engineer
Regulatory Compliance Officer
Senior Environmental Control Officer
Stormwater Outreach Coordinator

Castro Valley Sanitary District

District Manager

Truckee Sanitary District

General Manager

Contact

Mr. Stephen Gittings

Deputy Director/Wastewater
City of Stockton
2500 Navy Drive
Stockton CA 95206-1191

Mr. Gittings has retired and contact information may be provided upon request.

Mr. Roland Williams

General Manager
Phone: (510) 537-0757 ext. 104
E-mail: roland@cvsan.org
21040 Marshall Street
Castro Valley, CA 94546

Mr. Thomas Selfridge

General Manager
Phone: (530) 587-3804
E-mail: tselfridge@truckeesan.org

Mr. Jerry Gilmore

Board Member
Phone: (530) 587-3804
12304 Joerger Drive
Truckee, CA 96161

RECRUITMENT STRATEGY AND PROCESS

Meet with Key Decision Makers to Develop Ideal Candidate Profile

The identification of the desired profile of the ideal job candidate for each position is crucial for a successful search process. We will meet with the General Manager, Finance Director/Assistant General Manager, and other stakeholders, as appropriate, to discuss and refine the District's needs and resulting position requirements.

The goal of this phase of the recruitment is to identify and/or develop:

- Position Profile Requirements, i.e., Knowledge, Skills, and Abilities;
- Ideal Candidate's Competencies, Experiences, and Characteristic Profiles;
- Personal and Professional Attributes Required;
- Type of Working Relationship that Utility Department Staff Desires with the New Incumbent;
- Concerns and Issues Regarding the Recruitment and the Positions;
- Advertising Strategies;
- Geographical Strategies;
- Compensation Levels; and
- Completion Timetable.

Working closely with the key decision makers, Koff & Associates assists in identifying the specific needs of the District and identifies key competencies and characteristics of the "ideal" candidates for each position. We will obtain an understanding of District management's goals and priorities. Once these criteria are established, salary and benefit considerations are discussed to ensure market competitiveness, credential requirements are considered, and geographic recruitment boundaries are identified. At the conclusion of the meeting(s) with the various stakeholders, there should be a clear consensus of the key qualifications and characteristics of each position and the process and timetable to be utilized for the recruitment activity.

Develop and Implement Recruitment and Advertisement Strategy

Following the development of the candidate profile, a recruitment flyer for each position will be prepared and presented to the District for review prior to any job posting. The job flyer will highlight the information about the District and its service area, pertinent facts regarding the positions, and necessary and desirable candidate qualifications. Advertisements will be prepared and placed for publication in appropriate newsletters, job bulletins, websites, professional magazines, industry trade journals, professional organizations, public sector newsletters, etc.

Advertising resources typically include local newspapers, Jobs Available, Water and Wastewater industry specific organizations' website (such as CASA, ACWA, CWEA, WEF, AWWA, and others), and other public sector job bulletin boards.

We will also send job announcements to other public agencies, special districts, cities, counties, and other public agencies, locally and statewide. In addition, we have developed various industry-specific mailing lists for direct marketing to individuals who hold the required and desirable water and/or wastewater certifications.

Having worked in the public sector for more than 27 years, we have established excellent relationships with many agencies and their management teams. Utilizing this effective network, we discreetly solicit recommendations and contact individuals meeting our criteria who may not be actively seeking other employment. Time and again, this has proven to be a valuable candidate source that is used concurrently with more traditional recruitment strategies as described above.

Having conducted countless recruitment and search efforts has made K&A an expert in identifying, targeting, recruiting, and successfully placing women and minority candidates in many of our recruitments. Being a majority woman-owned and State registered small business, our firm has a vast pool of resources at our fingertips when designing a successful advertising campaign that targets women and minorities.

Finally, we will also place internet postings on the District's website, if desired, and our own company website.

Review Application Packets and Assess Candidates

For the level of positions the District is trying to fill, we typically require applicants to submit a fully completed application form and any other information that applicants would like to add, including resumes and cover letters, if available. However, we are flexible regarding the preferred approach to application materials. We can provide our generic application form unless the District prefers using its own application form.

After application materials are received, we prepare a thorough assessment of the merits of each candidate and their appropriateness for hire, including their professional and education credentials. Initially, candidates and application materials are carefully evaluated based upon an objective and clearly defined factor ranking analysis that incorporates the parameters previously discussed, as well as, the specific requirements of the job description. All elements from the initially developed position profiles will be incorporated in the evaluation, including required experience, education, licenses/certifications, knowledge, skills, and abilities; ideal candidate competencies, experiences, and characteristic profiles; and personal and professional attributes required of and priorities for the new incumbent. Candidates are also ranked against each other and a numerical score that clearly distinguishes the most qualified candidates recommended for further consideration.

Conduct Initial Screening/Preliminary Interviews

Top candidates will initially be screened by means of a telephone screening interview to further assess their experience and qualifications, to clarify any issues raised by the submitted documents; reasons for position interest will be identified; the level of commitment to the position and the organization will be determined; and other issues, including salary requirements will be discussed.

This screening process is specifically designed to narrow the pool of candidates to only the most highly qualified individuals, to focus on each candidate's behavioral styles and situational experience, to assess the personal and professional attributes the District is seeking, and to further establish best organizational fit of each potential finalist.

Recommend Slate of Candidates

Koff & Associates will submit for District review, clear written recommendations and analysis of the most qualified applicants as finalists. Our recommendations will include all relevant data submitted by the applicants, such as application forms, resumes, and any additional information the applicants have submitted. In addition, we provide our detailed assessment from each of the various steps of the assessment process, as outlined above.

Participate in Final Interview Process

Working with the District, we will identify a highly-qualified Oral Board panel and develop a set of key questions that will help analyze the candidates' qualifications and work style. We will complete all of the necessary communications with the members of the interview panel and candidates so that all parties are well-prepared for the interviews.

Our firm will provide oversight during the interview process and facilitate a focused panel discussion at the conclusion of the interviews to identify the most qualified candidates for final consideration. Our facilitation skills usually prove useful in the assessment of candidates at the end of the interview process.

Conduct Final Reference and Background Checks

Koff & Associates will conduct extensive reference and background checks for the final candidates after the Oral Board interview process and before any offers of employment. This review includes employment and professional references, confirmation of educational degrees and certifications, driving record check, and criminal record search and military service check (if applicable). We, as well as our background contract firm meet, or exceed, all of California's extensive reporting requirements.

Maintain All Required Legal Documentation

We are responsible for ensuring compliance with and establishing and maintaining all legally mandated documentation throughout the process.

Complete all Correspondence

We believe that each candidate, regardless of their qualifications and success in the selection process, deserves the courtesy and respect of being informed throughout the process. Applicants receive ongoing communications via our office, which not only keeps all the candidates abreast of the process and their continued candidacy, but also enhances the District's reputation and image of being considerate, thoughtful, and professional.

Maintain Regular and Ongoing Communications

Our #1 priority is meeting the District's needs. Regular, on-going dialogue with the key decision makers is integral and critical to successfully managing a recruitment campaign.

Post-Employment Support

In addition to the steps of the processing leading to an offer of employment to the top candidates, we are committed to ensuring that the new incumbents' transition into their new positions will be smooth and successful.

FEE STRUCTURE

Our professional fee for the described recruiting services for the three vacant positions will be as follows:

For All Staff-Level Positions \$10,000 professional fee

This fee represents the fee for each individual recruitment. If the District were to assign all three recruitments to our firm, we would be happy to offer a 15% discount. Therefore, the professional fee for the three (3) recruitment efforts will be \$25,500 plus expenses.

Documented reimbursable expenses (newspaper and journal advertisements, job flyer printing, postage, telephone, professional reference and criminal background check) are anticipated to be in the range of two to three thousand dollars (\$2,000-\$3,000) *per* recruitment. All reimbursable expenses are pass-through without any additional mark-up. Expenses are controllable depending upon the style of the job flyer and the level of newspaper and internet advertisement desired/required. For example, if the District were to decide to only advertise on Craig's List in San Luis Obispo and Santa Maria, the cost would be minimal. However, this would most likely not reach the desired pool of qualified candidates. As noted earlier, advertisement expenses are to be limited to \$3,000 per recruitment with overruns approved by District management staff.

Therefore, the total lump sum cost for the three recruitments should not exceed \$34,500.

Should professional consulting assistance be requested beyond the scope of the individual recruitment efforts as noted above, the fee schedule is as follows:

President and CEO: \$140/hour
Project Manager: \$100/hour
Associate: \$90/hour
Admin. Assistant: \$50/hour

GUARANTEE

It is Koff & Associates' number one priority to provide the most highly qualified candidates to the District for each recruitment and each position. In 27 years, we have never had an unsuccessful recruitment. The goal is provide the District with a slate of qualified candidates for each position from which the District can choose their preferred candidate as the finalist in order to make an offer of employment. In addition, we would like to guarantee successful placement of the final candidate in each position, i.e., an offer of employment is made, we check professional references and conduct a criminal, driving record and education/certification background check, and the final candidate successfully starts his/her employment with the District.

To that end, we propose payment of our professional fees based on the following schedule:

After Completion of This Project Task:	Percentage of Professional Fee:
Initial Meeting(s); K&A Develops Job Flyers; District Approves Job Flyers; Job Advertising	25% of the professional fee for each recruitment
K&A Reviews Application Packets and Ranks Candidates for Each Position	25% of the professional fee for each recruitment
K&A Conducts Screening Process; District Approves Candidates; District's Interview Panel Convenes	25% of the professional fee for each recruitment
Second Interviews by District, if necessary; Reference/Background Checks; Offer of Employment; Start of Employment	25% of the professional fee for each recruitment

SCHEDULE

Shown below is a schedule that is suggested for conducting the recruitment effort. Our experience has been that recruitment efforts of this scope take at approximately three (3) months to complete, allowing enough time for all phases of the process. We have found that providing a Final Filing Date for applications of less than one month from the initial advertisement does not allow enough time for exposure to a significant enough candidate pool. The following is a suggested timeline (of course, we are flexible depending on the District's needs):

Key Target Points:

Contract Start Date:	---
Initial Meeting(s):	1 week from contract start date
K&A Develops Job Flyers:	1 week from contract start date
District Approves Job Flyers:	2 weeks from contract start date
Job Advertising:	5 weeks from contract start date
K&A Reviews Application Packets:	6 weeks from contract start date

K&A Conducts Screening Process:	7 weeks from contract start date
District Approves Candidates:	8 weeks from contract start date
District's Interview Panel Convenes:	10 weeks from contract start date
Second Interviews by District, if necessary:	11 weeks from contract start date
Reference/Background Checks:	12 weeks from contract start date
Offer of Employment:	12 weeks from contract start date

This proposal shall be valid for ninety (90) days.

Respectfully Submitted,
KOFF & ASSOCIATES, INC.



Georg S. Krammer, CEO

July 26, 2011

Date

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: AUGUST 4, 2011

**AGENDA ITEM
F
AUGUST 10, 2011**

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is July 22, 2011 through August 4, 2011.*

DISTRICT BUSINESS

Administrative

- Prepared notification of proposed water rate increase
- Responding to questions from the community on supplemental water
- News of Interest
 - Warming Climate Expected to Harm Water Supplies
 - City Council OKs Water Swap as Desalination Debate Continues
 - Water Agencies Update Desalination Plant Testing Project
 - Comprehensive Groundwater Rules Are Needed
- Service Connection Information:
 - Number of Water Connections: 4158
 - Number of Sewer Connections: 2987
 - Number of New Water Connections during period: 7 (2 in late July, 5 in August)
 - Number of New Sewer Connections during period: 4 (all in August)

In addition, there are 460 connections to the District's Southland sewer system via the County (these homes are served water by Golden State Water Company)

Major Capital Projects

- Frontage Road Trunk Line bid awarded July 13, 2011. Approximate 6-month construction.
- Willow Road Project, Phase I near complete. District elements of Phase II scheduled for fall 2011.
- Southland WWTF Upgrade; 95% Design due mid-June, Construction schedule November 2011-November 2012
- Supplemental Water; \$2.3M Proposition 84 Grant pending, Outreach program underway, Assessment options being weighed. Design efforts idle and near 100%. Summary of project cost to date is attached.

Conservation

- Science Discovery Contract for 2011/2012 School year executed. Not To Exceed limit of \$2,000.

Meetings

Meetings attended:

- *July 25, Personnel Committee*
- *July 26, Recruitment Services*
- *July 27, Regular Board Meeting*
- *July 28, Management Team Coordination*
- *July 28, Capital Improvement Planning (Operations Mgmt and Engineer)*

- July 29, Hillside Terrace Development
- July 29, Outreach Ad Hoc
- July 29, CSD General Managers
- July 31, Coordination with Board President
- August 1, Ken Kreh of Blacklake HOA
- August 1, Coordination with District Engineer
- August 1, Townsend Public Affairs – grant funding opportunities
- August 2, Coordination with Utilities Superintendent

Meetings Scheduled:

- August 5, Outreach Ad Hoc
- August 9, Supplemental Water Financing
- August 10, Regular Board Meeting
- August 11, Management Coordination and Quarterly All-Staff
- August 12, Coordination with District General Counsel
- August 15 Coordination with Board President

Safety Program

- No accidents or incidents.

RECOMMENDATION

Staff seeks direction and input from your Honorable Board

ATTACHMENTS

- July 27, 2011, Warming Climate Expected to Harm Water Supplies
- July 27, 2011, City Ok's Water Swap; Desalination Debate Continues
- July 29, 2011, Water Agencies Update Desalination Testing Project
- July 30, 2011, Comprehensive Groundwater Rules Needed
- Supplemental Water Project Expenditures Through June 30, 2011

Warming climate expected to harm water supplies

Wednesday, July 27, 2011

Jeff Roberson / ASSOCIATED PRESS

Increased flooding is seen as one likely outcome of the world's warming climate, a new study shows.

American cities will face severe problems in coming decades as the world's warming climate hits the coasts with rising sea levels, causes huge floods and storms in the Midwest, and triggers water shortages in the Southwest, according to a national environment organization.

The Natural Resources Defense Council, noted both for its science and its advocacy, released a 128-page report Tuesday on what its experts see as the impact of global warming on water supplies in a dozen America cities, including San Francisco.

The report concluded that "while there may be some uncertainty as to the rate of warming or sea level rise, there is no uncertainty that these changes are taking place, and that they are taking place in our backyards."

Many cities, including San Francisco, have made significant efforts to assess potential threats from climate change and plan for them, but others are lagging far behind, the report said. Los Angeles, for example, "currently lacks a local or regional vulnerability assessment," the report said.

"Some of the most serious impacts will be water-related, such as flooding of critical infrastructure due to rising seas, and longer droughts due to less snowpack and less rain," the report said.

San Francisco, according to the researchers, will be challenged on a number of fronts. Sea levels will rise; there will be more land erosion and increased saltwater intrusion; early snowmelt will create water supply issues as will an increase in droughts; flooding will increase even as annual precipitation decreases; fisheries will be affected; and more frequent and intense storm events will occur.

The assessment is based largely on reports from Pacific Institute, a nonpartisan think tank in Oakland that focuses on environment and economic policy. Climate change consequences - like a projected 55-inch average sea

level rise estimated for the coming century around the Bay Area - stem from the most recent estimates by the United Nation's Intergovernmental Panel on Climate Change.

On the plus side, the report said that San Francisco is preparing itself well. It has created an interagency task force to develop policies dealing with sea level rise. Also, the city's Public Utilities Commission is working with government agencies and other cities to plan for potential water shortages, and is "pursuing regulatory reforms to support the use of gray water, storm water, rainwater and recycled water," the report said.

"San Francisco has developed several commendable initiatives to address climate change's impact on water, providing a positive example for others to look to," Steve Fleischli, the council's senior water attorney, said in a statement.

E-mail David Perlman at dperlman@sfchronicle.com.

This article appeared on page A - 10 of the San Francisco Chronicle

Read more: <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/07/26/MN5U1KFBGM.DTL#ixzz1TMwK32GH>

Santa Cruz City Council OKs studying water swap as desalination debate continues

By J.M. BROWN

Posted: 07/27/2011 01:30:39 AM PDT

Related

- [Desal debate](#)
- [Jul 27:](#)
- [County water manager: Transfers can't replace desal](#)
- [Jul 26:](#)
- [Santa Cruz City Council OKs studying water swap as desalination debate continues](#)
- [Jun 21:](#)
- [Desal opponents urge new citizen panel: Officials say public campaign is sufficient](#)
- [Apr 21:](#)
- [Desal timeline extended by a year: Plant would be constructed by 2016 if OK'd](#)
- [Apr 20:](#)
- [Desal timeline extended by a year: Plant would be constructed by 2016 if OK'd](#)
- [Apr 15:](#)
- [Proponents, opponents debate merits of desalination plant](#)

SANTA CRUZ -- The ongoing debate over desalination heated up Tuesday as the controversial drought-fighting measure and a proposal to swap water during winter in exchange for help in dry periods became focal points at the City Council's afternoon session.

The council unanimously agreed to join a study with regional water agencies for swapping supplies, an idea explored but abandoned 21 years ago. In recent years, however, the county had laid the groundwork for a new study funded by a state grant that will evaluate trading water between Santa Cruz, Scotts Valley and the Soquel Creek Water District.

Vice Mayor Don Lane saw the move as consistent with efforts to study alternatives to a desalination plant that could transform 2.5 million gallons seawater for potable use each day.

"We are pulling out all the stops," Lane said. "Every idea that might have some benefit to our water system, including desal and including conjunctive use [or swaps], are all worthy of our consideration."

The idea is that Santa Cruz, a largely surface-water system, would provide excess water from the San Lorenzo River in winter to be delivered first to the Scotts Valley Water District then to Soquel Creek Water District, with the understanding that the groundwater-based Soquel Creek

district may return some water during drought periods. The city would be paid for the water it treats and transfers.

The city's Water Commission approved studying swaps June 6, and managers of the system serving 90,000 customers from Davenport to Mid-County agree the idea is worth exploring again even though they still expect few benefits.

"It seems clear at this time that this is not a substitute for desalination but may provide some incremental benefit to other agencies and maybe the city decades in the future," Water Director Bill Kocher wrote in a report. He also expressed concerns about whether transfers would challenge the city's water rights.

Critics of desalination have long advocated for regional swaps, questioning whether the city should continue exploring a plant that could cost upward of \$100 million if there are other opportunities to boost supply during the high-demand, low-rain summer months. Some council members drilled Kocher about the rising cost of studying desalination.

Kocher requested, and received with unanimous approval on Tuesday, nearly \$300,000 more for a consultant conducting an environmental analysis for the plant. The contract change order brings to \$1.7 million the funds approved for URS Corp. Americas.

Kocher said the consultant needed more funding because the scope of research and other work increased after public comments and questions regarding what should be studied in the draft environmental report, which was expected to be completed by the end of year but will be delayed until spring.

"Anytime we are putting more money into this project you know there are a lot of concerns," said Councilwoman Katherine Beiers, who asked if Kocher could assure the council this would be the last increase for the consultant.

"It would be hard for me to stand here and tell you this is absolutely it," Kocher said.

Kocher estimated the total cost of studying desalination so far at \$12 million combined for the city and its partner, Soquel Creek Water District. After grants are taken into account, he said the cost is \$9.5 million, split evenly between the two agencies.

Santa Cruz Desal Alternatives said the city should hold off on spending more on desalination while a required Urban Water Management Plan and negotiations with federal fisheries managers are unfinished.

"With so many uncertainties," group member Rick Longinotti said, "The citizens of Santa Cruz would say that's too much; let's push the pause button."

Water Agencies Update Desalination Plant Testing Project

by Jonathan Volzke

Jul 29, 2011 | 228 views | 0  | 0  |  | 

The test plant turning sea water into drinking water at Doheny State Beach is shut down while officials try to determine the best way to keep water from running into the lagoon at the end of San Juan Creek.

The plant, operated in a pilot project funded by Dana Point's South Coast Water District, the Municipal Water District of Orange County, Moulton-Niguel Water District, San Clemente and San Juan Capistrano. If the test project is successful, the agencies could decide to go ahead with a \$50 million project that would suck water through the ocean floor, remove the impurities and send it to homes to meet about 25 percent of the area's water demands.

But Karl Seckel, assistant general manager of MWDOC, this week briefed agencies that the project has some challenges.

The immediate issue: the season's heavy storms pushed out the berm that creates the lagoon at the mouth of San Juan Creek. The pilot plant has an outfall pipe that was on the ocean side of the berm, sending unused water into the ocean. But with the berm's movement, the outfall pipe is now in the lagoon area. State parks workers expressed concern the outfall water could fill the lagoon and force a break that would endanger people on the shore, so the system is shut off.

That fix likely will require building a longer outfall pipe, Seckel said. But a more pressing issue is the quality of the water pulled into the plant. The water is brought into the system by a long well drilled at an angle beneath the ocean floor. But that pipe is picking up "old" water—about 7,500 years old—and water from the San Juan Basin underneath the creek. Officials expected more of the water to be "new" ocean with a different makeup of iron and manganese, which need to be removed from the water.

Officials want to run the test well longer, or bore holes in the ocean floor, to determine the ultimately make up of the water. But that will require money, from \$290,000 for five months of additional pumping in the test well, or as much as \$3 million for the borings.

The agencies involved must decide if they want to pay the additional costs.

FIND OUT MORE:

See http://www.mwdoc.com/pages.php?id_pge=68

Read more: [Dana Point Times - Water Agencies Update Desalination Plant Testing Project](#)

Viewpoints: Comprehensive groundwater rules are needed

By M. Rhead Enion

Special to The Bee

Published: Saturday, Jul. 30, 2011 - 12:00 am | Page 13A

An essential part of California's limited water supply is its groundwater.

In an average year, groundwater makes up about 29 percent of California's water supply. That increases to 39 percent in dry years.

In the Central Valley, groundwater is about 80 percent of total water use. Imagine trying to farm in the Central Valley with 80 percent less water. If we fail to protect the quality of our groundwater, or allow it to be overused, that is the future we leave California.

Besides just supplying water, groundwater basins – when managed appropriately – can act as a buffer, providing a secure water supply in times of drought. Long-range climate forecasts suggest that California will see more seasonal droughts in this century, making groundwater buffers essential to California's water security. Protecting our state's groundwater resources should therefore be a high priority for California.

Groundwater and surface water make up a single, functional natural system. Surface water flows into groundwater basins and groundwater flows out of groundwater basins into rivers and streams. Withdraw too much water too quickly in some groundwater basins, and the amount of water in nearby surface streams and rivers will decrease. Pollute groundwater, and over time rivers and streams may become polluted as well.

The physical connection between surface water and groundwater means it is inefficient and often counterproductive to regulate the use of one but not the other.

Yet California continues to regulate surface water under one system while providing little oversight of groundwater use. Among Western states, only California and Texas do not have a state permitting system for groundwater use.

And California lacks good, comprehensive data on water quality in its groundwater basins and use of that groundwater. The last statewide survey to examine overuse of groundwater in California was more than 30 years ago.

California cannot meaningfully protect and secure its entire water supply without comprehensively monitoring and regulating groundwater throughout the state. The Legislative Analyst's Office has suggested that "re-evaluating how groundwater is managed is necessary if it is to achieve its full potential as a reliable source of water." The Association of California Water

Agencies recently agreed that managing both surface water and groundwater together, rather than in isolation from each other, would benefit California.

This is not to say that California should impose statewide regulations, overriding years of local groundwater management. Some local districts – but certainly not all – have voluntarily developed innovative and successful groundwater management plans. The state should build on these successes by establishing standards, providing expertise and developing a management framework to be implemented by regional and local agencies.

Regulating groundwater effectively means first understanding the problem. California should first establish clear standards for the collection of groundwater data and coordinate the collection of this data from regional and local entities.

The state has begun moving toward state-standardized monitoring of groundwater elevation with Senate Bill X7 6, by Sen. Darrell Steinberg, D-Sacramento, but still lacks access to high-quality data on groundwater use and quality. Monitoring should include accurate local metering of all groundwater use. And the state, with assistance from regional and local agencies, should implement real-time monitoring and periodic surveys of groundwater quality.

California then needs a comprehensive framework for regulation of groundwater, wherein local jurisdictions are given clear guidelines and mandatory management goals. The state must do more to enforce legal restrictions on groundwater use and prevent unmonitored withdrawals. And local or regional agencies should determine and enforce a "sustainable yield" that will prevent overuse of groundwater basins over the long term.

Californians will benefit from better groundwater regulation. Farmers stand to gain economically from programs that manage groundwater and surface water together. Better groundwater management can help to protect the quality of our drinking water. And cost-effective groundwater storage can reduce the need for expensive surface water storage projects.

A state-local cooperative framework for groundwater regulation has potential to address groundwater overdraft and groundwater pollution, with the promise of better water security for California's future.

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Read more: <http://www.sacbee.com/2011/07/30/3804668/comprehensive-groundwater-rules.html#ixzz1Tq09pJQM>

NIPOMO COMMUNITY SERVICES DISTRICT
 SUPPLEMENTAL WATER PROJECT
 MONTHLY REPORT TO THE BOARD OF DIRECTORS
 (FY JUNE 30, 2011)

REVENUES FY 2010-2011 (1)	<u>MONTH OF</u> <u>JUNE</u>	<u>FISCAL YEAR</u> <u>7/1/2010 TO</u> <u>6/30/2011</u>
Supplemental Water Capacity Fees Collected	15,929.50	136,287.50
Interest Income (monthly & quarterly posting)	<u>591.60</u>	<u>9,467.70</u>
Revenue Subtotal	<u>16,521.10</u>	<u>145,755.20</u>
EXPENDITURES FY 2010-2011 (2)		
<u>CONSULTANTS</u>		
1590-A1 Feasibility Study (Cannon)	0.00	0.00
1590-A2 EIR Preparation (Wood & Assoc)	0.00	0.00
1590-A3 Estimate/Preliminary Schedule (Cannon)	0.00	0.00
1590-A4 Proposed Routes/Facilities (Cannon)	0.00	0.00
1590-A5 Prop 50 Grant Applicatin	0.00	0.00
1590-A6 Project Support (Cannon)	0.00	0.00
1590-A7 Groundwater Grant Assistance (SAIC)	0.00	0.00
<u>LEGAL</u>		
1590-B1 Shipsey & Seitz	704.00	18,664.80
1590-B2 McDonough, Holland & Allen	0.00	0.00
1590-B3 Richards, Watson & Gershon	0.00	0.00
<u>LAND ACQUISITION</u>		
1590-C1 Appraisals (Tarvin & Reeder Gilman)	0.00	3,600.00
1590-C2 Property Negotiations (Hamner Jewell)	2,349.94	36,481.90
1590-C3 Property Acquisitions	0.00	600.00
<u>FINANCIAL</u>		
1590-D1 Reed Group and Wallace Group	0.00	0.00
1590-D2 Lobbying	0.00	9,000.00
<u>ENGINEERING</u>		
1590-E1 Preliminary Engineering Design (AECOM)	0.00	0.00
1590-E2 Water Modeling by Carollo (City of Santa Maria)	0.00	0.00
1590-E3 Alternative Water Supplies (AECOM)	0.00	0.00
1590-E4 Project Information (AECOM)	0.00	0.00
1590-E5 Project Design (AECOM)	3,326.40	172,785.69
1590-E6 Pressure Testing	0.00	0.00
1590-E7 Peer Review	0.00	12,134.80
1590-E8 Pot Holing	0.00	0.00
<u>OTHER</u>		
1590-F1 FGL Environmental	0.00	0.00
1590-F2 Copy/Print	0.00	52.07
<u>PERMITS</u>		
1590-G1 Santa Maria Valley Water Conservation District	0.00	0.00
<u>ASSESSMENT DISTRICT</u>		
1590-H1 Wallace Group	237.50	56,931.64
1590-H2 SLO County Reimbursement Agreement for JPA	0.00	6,799.89
1590-H3 Purveyor Partner Reimbursements to NCSD	0.00	(10,492.04)
1590-H4 A/D Financial Advisor	0.00	8,835.63
1590-H5 A/D Outreach/Education	23,561.40	74,571.75
<u>CONSTRUCTION</u>		
1590-I1 Construction Management (MNS)	0.00	0.00
1590-I2 Arborist (A&T Arborists)	0.00	0.00
<u>SALARY AND BENEFITS (3)</u>		
1590-Z1 Wages-Capitalized	3,707.92	46,698.55
1590-Z2 Payroll Taxes-Capitalized	139.45	1,918.13
1590-Z3 Retirement-Capitalized	610.28	6,729.62
1590-Z4 Medical-Capitalized	147.65	3,352.92
1590-Z5 Dental/Vision-Capitalized	19.76	239.83
1590-Z6 Workers Compensation-Capitalized	20.62	277.61
Expenditure Subtotal	<u>34,824.92</u>	<u>449,182.79</u>
Net Revenues less Expenditures	<u>(18,303.82)</u>	<u>(303,427.59)</u>
Beginning Fund Balance as of July 1, 2010		2,373,651.69
Ending Fund Balance as of June 30, 2011		<u>2,070,224.10</u>

(1) See attached "Supplemental Water Fees Collected" Schedule for more detail.
 (2) See attached "Supplemental Water Cost Summary" for more detail.
 (3) Salary and Benefits of GM and District Engineer are allocated among NCSD projects and capitalized as part of the cost of the project.

**NIPOMO COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL WATER COST SUMMARY**

A/C #	DESCRIPTION	7/1/2004 TO 6/30/2005	7/1/2005 TO 6/30/2006	7/1/2006 TO 6/30/2007	7/1/2007 TO 6/30/2008	7/1/2008 TO 6/30/2009	7/1/2009 TO 6/30/2010	7/1/2010 TO 6/30/2011	GRAND TOTAL
1645	Reservation Fee-City of Santa Maria	37,500.00	0.00	0.00	0.00	0.00	0.00	0.00	37,500.00
1590-A1	Feasibility Study (Cannon)	25,887.29	0.00	0.00	0.00	0.00	0.00	0.00	25,887.29
1590-A2	EIR Preparation (Wood & Assoc)	28,037.48	87,100.23	16,053.83	45,407.70	76,544.11	500.00	0.00	254,643.35
1590-A3	Est/Preliminary Schedule (Cannon)	3,708.19	2,602.75	0.00	0.00	0.00	0.00	0.00	6,308.94
1590-A4	Proposed Routes/Facilities (Cannon)	5,050.07	520.00	0.00	0.00	0.00	0.00	0.00	5,570.07
1590-A5	Prop 50 Grant Application	2,757.00	6,210.00	0.00	1,857.60	0.00	0.00	0.00	10,824.60
1590-A6	Project Support (Cannon)	0.00	11,797.44	0.00	0.00	0.00	0.00	0.00	11,797.44
1590-A7	Groundwater Grant Assistance (SAIC)	0.00	0.00	0.00	15,000.00	0.00	0.00	0.00	15,000.00
1590-B1	Shipsey & Seltz	0.00	23,095.55	17,564.25	2,201.50	18,224.00	16,601.58	18,664.80	96,351.68
1590-B2	McDonough, Holland & Allen	0.00	34,177.28	15,071.65	0.00	0.00	0.00	0.00	50,048.93
1590-B3	Richard, Watson & Gershon	0.00	9,472.38	27,954.81	0.00	0.00	0.00	0.00	37,427.19
1590-C1	Appraisals (Tarvin & Reeder Gilman)	0.00	0.00	16,170.00	10,000.00	0.00	8,000.00	3,600.00	37,770.00
1590-C2	Property Negotiations (Hamner Jewell)	0.00	0.00	0.00	0.00	15,250.00	14,748.75	36,481.90	66,480.65
1590-C3	Property Acquisitions	0.00	0.00	0.00	0.00	673.00	2,772.00	600.00	4,045.00
1590-D1	Reed Group and Wallace Group	0.00	2,809.85	0.00	0.00	7,585.45	4,476.25	0.00	14,871.55
1590-D2	Lobbying	0.00	0.00	0.00	38,801.11	38,950.00	54,000.00	9,000.00	140,751.11
1590-E1	Preliminary Engineering Design (Boyle)	0.00	6,470.33	223,286.67	103,460.19	2,194.43	0.00	0.00	335,411.62
1590-E2	Water Modeling by Carollo (City of SM)	0.00	0.00	24,942.00	0.00	0.00	0.00	0.00	24,942.00
1590-E3	Alternative Water Supplies (Boyle)	0.00	0.00	164,230.48	70,772.01	0.00	0.00	0.00	235,002.49
1590-E4	Project Information (Boyle)	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	6,000.00
1590-E5	Project Design (AECOM)	0.00	0.00	0.00	0.00	752,319.66	228,952.01	172,765.69	1,154,037.36
1590-E6	Pressure Testing	0.00	0.00	0.00	0.00	8,682.92	0.00	0.00	8,682.92
1590-E7	Peer Review	0.00	0.00	0.00	0.00	7,571.05	37,349.25	12,134.80	57,055.10
1590-E8	Pot Holing	0.00	0.00	0.00	0.00	0.00	29,053.05	0.00	29,053.05
1590-F1	Lab Testing (FGL Environmental)	0.00	0.00	5,047.00	0.00	0.00	0.00	0.00	5,047.00
1590-F2	Copy/Print	0.00	0.00	740.24	1,022.01	0.00	0.00	52.07	1,814.32
1590-G1	Permits	0.00	0.00	0.00	0.00	130.00	0.00	0.00	130.00
1590-H1	Assessment District	0.00	0.00	0.00	0.00	83,030.71	21,227.92	56,931.64	161,190.27
1590-H2	SLO County Reimb Agreement-JPA	0.00	0.00	0.00	0.00	0.00	39,603.80	6,799.89	43,403.69
1590-H3	Purveyor Partner Reimbursements to NCSA	0.00	0.00	0.00	0.00	0.00	0.00	(10,492.04)	(10,492.04)
1590-H4	A/D Financial Advisor	0.00	0.00	0.00	0.00	0.00	0.00	8,835.63	8,835.63
1590-H5	A/D Outreach/Education	0.00	0.00	0.00	0.00	0.00	0.00	74,571.75	74,571.75
1590-I1	Construction Management (MNS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1590-I2	Arborist (A&T Arborist)	0.00	0.00	0.00	0.00	0.00	2,830.00	0.00	2,830.00
1590-Z1	Wages-Capitalized	0.00	29,076.92	35,884.51	28,197.08	31,926.57	50,005.29	46,698.55	221,788.92
1590-Z2	Payroll Taxes-Capitalized	0.00	587.22	587.42	455.96	504.53	2,058.44	1,918.13	6,111.70
1590-Z3	Retirement-Capitalized	0.00	8,418.08	10,344.53	8,110.84	8,690.47	9,443.17	6,729.62	51,736.71
1590-Z4	Medical-Capitalized	0.00	2,861.36	3,387.02	2,564.88	2,757.36	3,390.94	3,352.92	18,294.48
1590-Z5	Dental/Vision-Capitalized	0.00	0.00	247.90	328.23	348.15	459.62	239.83	1,623.73
1590-Z6	Workers Compensation-Capitalized	0.00	280.35	341.83	225.21	259.81	271.21	277.61	1,636.02
		103,938.03	225,459.74	582,634.14	334,404.32	1,055,642.22	522,743.28	449,182.79	3,254,004.52

**NIPOMO COMMUNITY SERVICES DISTRICT
CERTIFICATES OF PARTICIPATION
DEBT SERVICE SCHEDULE**

	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	PRINCIPAL BALANCE
				4,000,000.00
FY June 30, 2004	0.00	136,384.79	136,384.79	4,000,000.00
FY June 30, 2005	75,000.00	169,950.00	244,950.00	3,925,000.00
FY June 30, 2006	80,000.00	167,625.00	247,625.00	3,845,000.00
FY June 30, 2007	80,000.00	165,225.00	245,225.00	3,765,000.00
FY June 30, 2008	85,000.00	163,132.50	248,132.50	3,680,000.00
FY June 30, 2009	85,000.00	161,198.75	246,198.75	3,595,000.00
FY June 30, 2010	85,000.00	158,888.75	243,888.75	3,510,000.00
FY June 30, 2011	90,000.00	156,425.00	246,425.00	3,420,000.00
FY June 30, 2012	90,000.00	153,545.00	243,545.00	3,330,000.00
FY June 30, 2013	95,000.00	150,397.50	245,397.50	3,235,000.00
FY June 30, 2014	100,000.00	146,885.00	246,885.00	3,135,000.00
FY June 30, 2015	100,000.00	143,110.00	243,110.00	3,035,000.00
FY June 30, 2016	105,000.00	139,137.50	244,137.50	2,930,000.00

NIPOMO COMMUNITY SERVICES DISTRICT

JULY 25, 2011

SPECIAL MEETING MINUTES

PERSONNEL COMMITTEE

1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Vierheilig called the meeting to order at 2:00 p.m. Chairman Vierheilig and Director Gaddis were in attendance along with staff members Michael LeBrun, Lisa Bognuda and Tina Grietens. There were no members of the public present.

2. REVIEW PROPOSALS FOR RECRUITING SERVICES

Staff presented the Staff Report. The Committee discussed the two proposals and felt that Koff & Associates, Inc. had more experience in recruiting non-managerial positions than Murray & Associates.

The Committee unanimously agreed to recommend to the Board of Directors that Koff & Associates, Inc. be retained to provide recruiting services for all three positions and directed Staff to negotiate with Koff & Associates to determine if they are willing to accept 75% of the fee when the list of qualified candidates is provided to the District and the remaining 25% upon the hiring of the candidates.

3. ADJOURN

The meeting was adjourned at 2:35 p.m.