

SANTA YNEZ COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS

REGULAR MEETING
February 15, 2017
5:30 P.M.
1070 Faraday, Santa Ynez, CA

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. PLEDGE OF ALLEGIANCE
4. DIRECTOR COMMENTS: Directors will give reports on any meetings that they attended on behalf of the District and/or choose to comment on various District activities.
5. PUBLIC COMMENTS: Members of the public may address the Board on any items of interest within the subject matter and jurisdiction of the Board but not on its agenda today. (Government Code - § 54954.3)
6. AUDIT REPORT: The Board will listen to a presentation by the District's auditor, Chris Brown, and accept the audit for fiscal year ending June 30, 2016 as submitted by Fedak and Brown. (Action-roll call vote)
7. DISCUSSION AND ACTION REGARDING REQUEST PENDING BEFORE LOCAL AGENCY FORMATION COMMISSION (LAFCO) TO AMEND DISTRICT SPHERE OF INFLUENCE TO INCLUDE LOS OLIVOS. (Action-roll call vote)
8. APPROVAL OF MINUTES: Review for Board approval draft minutes of the Regular Meeting of October 19, 2016, December 21, 2016 and Wastewater Committee meeting on October 6, 2016. (Action-vote)
9. VOUCHER PAYMENTS: Review for Board ratification payments made from December 21, 2016 through February 15, 2017. (Action-vote)
10. APPOINTMENT TO COMMITTEES FOR 2017.
11. MID YEAR BUDGET REPORT: The Board will review the financial report for the period ending December 31, 2016 and may approve budget adjustments. (Action-roll call Vote)
12. TREASURERS REPORT – Submittal and review quarterly cash position pursuant to

Government Code §61053 for quarter ending 12/31/2016.

13. APPROVE THE RMC CONTRACT FOR PROFESSIONAL SERVICES. (Action-roll call vote)
14. STAFF REPORTS:
 - A. Manager's Report
 - B. Legal Counsel Report
 - C. Secretary/Treasurer Report
 - D. Committee Report
15. TENTATIVE AGENDA ITEMS FOR FUTURE MEETINGS: Employee Handbook, Sewer Code, Design Specifications, Mainline Extension Agreement.
16. ADJOURNMENT

Persons with disabilities who require any disability-related modification or accommodation, including auxiliary aids or services, in order to participate in the meeting are asked to contact the District's Board Secretary at least three (3) days prior to the meeting by telephone (805) 688-3008 or by email to wendy@sycsd.com

Any public records which are distributed less than 72 hours prior to this meeting to all, or a majority of all, of the District's Board members in connection with any agenda item (other than closed sessions) will be available for public inspection at the time of such distribution at the District's office located at 1070 Faraday, Santa Ynez, California 93460

**SANTA YNEZ
COMMUNITY SERVICES DISTRICT
STAFF REPORT**

TO: BOARD OF DIRECTORS

PREPARED BY: Wendy Berry, Secretary Treasurer

FOR: REGULAR BOARD MEETING

DATE: February 15, 2017

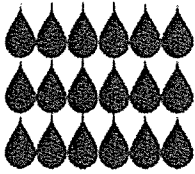
ITEM: ACCEPT ANNUAL FINANCIAL REPORT FOR FISCAL
YEAR ENDING JUNE 30, 2016

SUMMARY: The 2015/2016 fiscal year audit was performed by Fedak and Brown and was completed on October 7, 2016. Attached you will find the Management letter and the financial report for your review.

RECOMMENDATION: Accept the annual financial report for fiscal year ending June 30, 2016.

ATTACHMENTS:

- Draft 2015/2016 Financial Report



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadosco, CPA

Fedak & Brown LLP

Certified Public Accountants

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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Santa Ynez Community Services District
Santa Ynez, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Ynez Community Services District (District) as of and for the year ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated [ISSUE DATE].

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Purpose of this Report

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

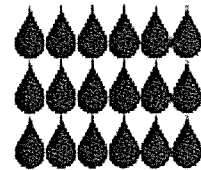
Fedak & Brown LLP
Cypress, California
[ISSUE DATE]

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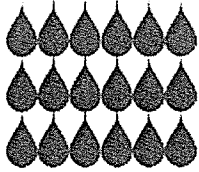
Santa Ynez Community Services District

Management Report

June 30, 2016



Fedak & Brown LLP
Certified Public Accountants



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadosco, CPA

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CONFIDENTIAL

The Board of Directors
Santa Ynez Community Services District
Santa Ynez, California

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Santa Ynez Community Services District (District) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and may not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the audit committee, the board of directors and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Our other observations, comments and recommendations, all of which have been discussed with the appropriate members of management, are summarized as follows:

Summary of Prior Year Comments and Recommendations, Continued

Management's Response

The General Manager agrees that the segregation of duties related to the financial transactions of the District could, under certain circumstances, be an area of concern for our auditor. Regardless, we welcome the Board of Directors oversight and review of the workloads of its office personnel should it so desire to reassign various accounting responsibilities or add additional staff to the accounting function.

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

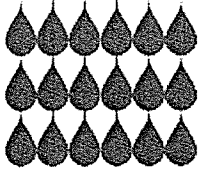
Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

This communication is intended solely for the information and use of management, the audit committee, the board of directors and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

Fedak & Brown, LLP
Cypress, California
[ISSUE DATE]



Charles Z. Fedak, CPA, MBA
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The Board of Directors
Santa Ynez Community Services District
Santa Ynez, California

We have audited the basic financial statements of the Santa Ynez Community Services District (District) for the year ended June 30, 2016 and have issued our report thereon dated [ISSUE DATE]. Generally accepted auditing standards require that we provide the Governing Board and management with the following information related to our audit of the District's basic financial statements.

Auditor's Responsibility under United States Generally Accepted Auditing Standards

As stated in our Audit Engagement Letter dated April 1, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the basic financial statements prepared by management with oversight of the Governing Board are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. Our audit of the financial statements does not relieve the Governing Board or management of its responsibilities of oversight in the District's external financial reporting process or any other processes.

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing requirements previously communicated to the board and management in our Communication to Those Charged with Governance during the Audit Engagement Letter.

Other Audit Findings or Issues

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the Management Representational Letter to the Auditor dated [ISSUE DATE].

Conclusion

We appreciate the cooperation extended us by Jeff Hodge, General Manager and Wendy Berry, Secretary/Treasurer in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

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

Fedak & Brown, LLP
Cypress, California
[ISSUE DATE]



**Santa Ynez Community Services District
Annual Financial Report
June 30, 2016 and 2015**

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Board of Directors as of June 30, 2016

Name	Title	Elected/ Appointed	Term Expires
David Higgins	President	Elected	12/18
Frank Mueller	Vice-President	Appointed	12/16
Carl Maler	Director	Elected	12/16
Barry Marks	Director	Appointed	12/16
David Seymour	Director	Elected	12/18

**Santa Ynez Community Services District
Jeff Hodge, General Manager
1070 Faraday Street
Santa Ynez, California 93460
(805) 688-3008 – www.sycsd.com**



Santa Ynez Community Services District
Annual Financial Report
For the Fiscal Year's Ended June 30, 2016 and 2015

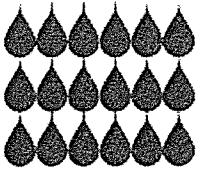
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**Santa Ynez Community Services District
Annual Financial Report
For the Fiscal Year's Ended June 30, 2016 and 2015**

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Independent Auditor's Report

Board of Directors
Santa Ynez Community Services District
Santa Ynez, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Ynez Community Services District (District) as of and for the year's ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Santa Ynez Community Services District as of June 30, 2016 and 2015, and the respective changes in financial position for the year's then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of Matter

As described in note 1 to the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application* and early implementation of Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated [ISSUE DATE], on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 21 and 22.

Fedak & Brown LLP
Cypress, California
[ISSUE DATE]

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Santa Ynez Community Services District
Management's Discussion and Analysis
For the Fiscal Year's Ended June 30, 2016 and 2015

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Santa Ynez Community Services District (District) provides an introduction to the financial statements of the District for the fiscal year's ended June 30, 2016 and 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2016, the District's net position increased 5.10% or \$326,887 as a result of ongoing operations. In 2015, the District's net position increased 10.83% or \$626,273, as a result of that year's operations.
- In 2016, the District's operating revenues increased 4.11% or \$36,509 due primarily to increases of \$44,180 in sewer service charges and \$7,439 in other revenue. In 2015, the District's operating revenues increased 7.67% or \$63,241 due primarily to increases of \$44,847 in sewer service charges and \$18,400 in other revenue
- In 2016, the District's operating expenses increased 21.14% or \$165,793 primarily due to increases of \$110,673 in sewage collection charges and \$55,120 in general and administrative expenses. In 2015, the District's operating expenses decreased 3.19% or \$25,806 primarily due to a decrease of \$73,126 in sewage collection charges which were offset by an increase of \$48,000 in sewage treatment charges.

Required Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate the District's reserves and credit worthiness. The final required financial statement is the Statement of Cash Flows, which provides information about the District's cash receipts, and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operations, investing, non-capital financing, and capital and related financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Santa Ynez Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year's Ended June 30, 2016 and 2015

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 through 20.

Statements of Net Position

Condensed Statements of Net Position					
	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
Assets:					
Current assets	\$ 2,702,050	2,641,393	60,657	1,859,987	781,406
Non-current assets	150,304		150,304	-	-
Capital assets, net	<u>4,154,414</u>	<u>3,818,127</u>	<u>336,287</u>	<u>3,984,593</u>	<u>(166,466)</u>
Total assets	<u>7,006,768</u>	<u>6,459,520</u>	<u>547,248</u>	<u>5,844,580</u>	<u>614,940</u>
Liabilities:					
Current liabilities	<u>271,531</u>	<u>51,170</u>	<u>220,361</u>	<u>62,503</u>	<u>(11,333)</u>
Total liabilities	<u>271,531</u>	<u>51,170</u>	<u>220,361</u>	<u>62,503</u>	<u>(11,333)</u>
Net position:					
Net investment in capital assets	4,154,414	3,818,127	336,287	3,984,593	(166,466)
Unrestricted	<u>2,580,823</u>	<u>2,590,223</u>	<u>(9,400)</u>	<u>1,797,484</u>	<u>792,739</u>
Total net position	<u>\$ 6,735,237</u>	<u>6,408,350</u>	<u>326,887</u>	<u>5,782,077</u>	<u>626,273</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$6,735,237 and \$6,408,350, as of June 30, 2016 and 2015, respectively.

At the end of fiscal year 2016 and 2015, the District showed a positive balance in its unrestricted net position of \$2,580,822 and \$2,590,223, respectively, which may be utilized in future years.

Santa Ynez Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year's Ended June 30, 2016 and 2015

Statements of Revenues, Expenses and Changes in Net Position

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>	<u>Change</u>
Revenue:					
Operating revenue	\$ 924,016	887,507	36,509	824,266	63,241
Non-operating revenue	678,521	676,200	2,321	644,721	31,479
Total revenue	<u>1,602,537</u>	<u>1,563,707</u>	<u>38,830</u>	<u>1,468,987</u>	<u>94,720</u>
Expense:					
Operating expense	950,115	784,322	165,793	810,128	(25,806)
Depreciation	165,661	166,466	(805)	152,775	13,691
Non-operating expense	440,181	437,872	2,309	469,440	(31,568)
Total expense	<u>1,555,957</u>	<u>1,388,660</u>	<u>167,297</u>	<u>1,432,343</u>	<u>(43,683)</u>
Net income before capital	46,580	175,047	(128,467)	36,644	138,403
Capital contributions:	280,307	451,226	(170,919)	23,477	427,749
Change in net position	<u>326,887</u>	<u>626,273</u>	<u>(299,386)</u>	<u>60,121</u>	<u>566,152</u>
Net position, beginning of year	6,408,350	5,782,077	626,273	5,816,390	(34,313)
Prior period adjustment	-	-	-	(94,434)	94,434
Net position, end of year	<u>\$ 6,735,237</u>	<u>6,408,350</u>	<u>326,887</u>	<u>5,782,077</u>	<u>626,273</u>

The statement of revenues, expenses and changes of net position shows how the District's net position changed during the fiscal years. In the case of the District, net position increased by \$326,887 and decreased by \$626,273 for the fiscal years ended June 30, 2016 and 2015, respectively.

A closer examination of the sources of changes in net position reveals that:

In 2016, the District's operating revenues increased 4.11% or \$36,509 due primarily to increases of \$44,180 in sewer service charges and \$7,439 in other revenue. In 2015, the District's operating revenues increased 7.67% or \$63,241 due primarily to increases of \$44,847 in sewer service charges and \$18,400 in other revenue.

In 2016, the District's operating expenses increased 21.14% or \$165,793 primarily due to increases of \$110,673 in sewage collection charges and \$55,120 in general and administrative expenses. In 2015, the District's operating expenses decreased 3.19% or \$25,806 primarily due to a decrease of \$73,126 in sewage collection charges which were offset by an increase of \$48,000 in sewage treatment charges.

Santa Ynez Community Services District
Management's Discussion and Analysis, continued
For the Fiscal Year's Ended June 30, 2016 and 2015

Capital Asset Administration

At the end of fiscal year's 2016 and 2015, the District's investment in capital assets amounted to \$4,154,414 and \$3,818,127, respectively, (net of accumulated depreciation). This investment in capital assets includes land, structures and improvements, and equipment.

Changes in capital asset amounts for 2016 were as follows:

	Balance 2015	Additions	Transfers/ Deletions	Balance 2016
Capital assets:				
Non-depreciable assets	\$ 149,109	496,230	-	645,339
Depreciable assets	6,676,650	5,718	-	6,682,368
Accumulated depreciation	(3,007,632)	(165,661)	-	(3,173,293)
Total capital assets, net	<u>\$ 3,818,127</u>	<u>336,287</u>	<u>-</u>	<u>4,154,414</u>

Changes in capital asset amounts for 2015 were as follows:

	Balance 2014	Additions/ Additions	Transfers/ Deletions	Balance 2015
Capital assets:				
Non-depreciable assets	\$ 149,109	-	-	149,109
Depreciable assets	6,676,650	-	-	6,676,650
Accumulated depreciation	(2,841,166)	(166,466)	-	(3,007,632)
Total capital assets, net	<u>\$ 3,984,593</u>	<u>(166,466)</u>	<u>-</u>	<u>3,818,127</u>

(See note 3 for further information)

Conditions Affecting Current Financial Position

Management is unaware of any conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present and future.

Requests for Information

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District General Manager at 1070 Faraday Street, Santa Ynez, CA 93460 - (805) 688-3008.

Basic Financial Statements

WORKING DRAFT

Santa Ynez Community Services District
Statements of Net Position
June 30, 2016 and 2015

	2016	2015
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,350,389	2,235,319
Investments (note 2)	150,143	301,411
Accrued interest receivable	206	139
Accounts receivable – sewer and other services	56,312	101,497
Accounts receivable – grants	145,000	-
Prepaid expenses and other deposits	-	3,027
Total current assets	2,702,050	2,641,393
Non-current assets:		
Investments (note 2)	150,304	-
Capital assets – not being depreciated (note 3)	645,339	149,109
Capital assets, net – being depreciated (note 3)	3,509,075	3,669,018
Total non-current assets	4,304,718	3,818,127
Total assets	7,006,768	6,459,520
Current liabilities:		
Accounts payable and accrued expenses	228,032	18,064
Customer deposits	200	100
Compensated absences (note 4)	43,299	33,006
Total liabilities	271,531	51,170
Net position: (note 5)		
Net investment in capital assets	4,154,414	3,818,127
Unrestricted	2,580,823	2,590,223
Total net position	\$ 6,735,237	6,408,350

See accompanying notes to the basic financial statements

Santa Ynez Community Services District
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Year's Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Sewer service charge	\$ 871,748	827,568
Sewer benefit fees	37,968	38,200
Other charges for services	14,300	21,739
Total operating revenues	924,016	887,507
Operating expenses:		
Sewage collection	536,933	426,260
Sewage treatment	216,000	216,000
General and administrative	197,182	142,062
Total operating expenses	950,115	784,322
Operating income(loss) before depreciation expense	(26,099)	103,185
Depreciation expense – capital recovery	(165,661)	(166,466)
Operating loss	(191,760)	(63,281)
Non-operating revenue(expense):		
Property taxes – ad valorem	162,718	158,477
Voter-approved taxes	20,080	20,976
Special assessments	1,132	1,208
Annexation fees	-	1,970
Investment earnings	6,493	5,268
Indian reservation contract:		
Sewage collection and wastewater treatment plant operation	488,098	488,301
Sewage collection	(57,303)	(65,308)
Wastewater treatment plant operations	(382,878)	(372,564)
Total non-operating revenue, net	238,340	238,328
Net income before capital contributions	46,580	175,047
Capital contributions:		
County grant	145,000	-
Connection fees	135,307	438,041
Connection fees – project area 1 & 2	-	13,185
Total capital contributions	280,307	451,226
Change in net position	326,887	626,273
Net position, beginning of year	6,408,350	5,782,077
Net position, end of year	\$ 6,735,237	6,408,350

See accompanying notes to the basic financial statements

Santa Ynez Community Services District
Statements of Cash Flows
For the Fiscal Year's Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash receipts from customers for sewer services	\$ 1,017,118	908,160
Cash paid to employees for salaries and wages	(605,223)	(554,336)
Cash paid to vendors and suppliers for materials and services	(121,504)	(240,546)
Net cash provided by operating activities	290,391	113,278
Cash flows from non-capital financing activities:		
Property taxes – ad valorem	162,718	158,477
Net cash provided by non-capital financing activities	162,718	158,477
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(501,948)	-
Capital contributions	135,307	451,226
Voter-approved taxes	20,080	20,976
Special assessments	1,132	1,208
Net cash (used in) provided by capital and related financing activities	(345,429)	473,410
Cash flows from investing activities:		
Purchase of investments – certificates-of-deposits	964	(1,411)
Investment earnings	6,426	6,228
Net cash provided by investing activities	7,390	4,817
Net increase in cash and cash equivalents	115,070	749,982
Cash and cash equivalents, beginning of year	2,235,319	1,485,337
Cash and cash equivalents, end of year	\$ 2,350,389	2,235,319
Reconciliation of cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 2,350,389	2,235,319
Total cash and cash equivalents	\$ 2,350,389	2,235,319

Continued on next page

See accompanying notes to the basic financial statements

Santa Ynez Community Services District
Statements of Cash Flows continued
For the Fiscal Year's Ended June 30, 2016 and 2015

Reconciliation of operating loss to net cash provided by operating activities:

	<u>2016</u>	<u>2015</u>
Operating loss	\$ <u>(191,760)</u>	<u>(63,281)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	165,661	166,466
Annexation fees	-	1,970
Indian reservation contract	47,917	50,429
Changes in assets and liabilities:		
(Increase)decrease in assets:		
Accounts receivable – sewer and other services	45,185	(31,746)
Prepaid expenses and other deposits	3,027	773
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	209,968	(11,332)
Customer deposits	100	(2,700)
Compensated absences	<u>10,293</u>	<u>2,699</u>
Total adjustments	<u>482,151</u>	<u>176,559</u>
Net cash provided by operating activities	\$ <u><u>290,391</u></u>	<u><u>113,278</u></u>

See accompanying notes to the basic financial statements

WORKING DRAFT

Santa Ynez Community Services District
Notes to the Basic Financial Statements
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Santa Ynez Community Services District (District) is an independent governmental unit within the unincorporated area of the County of Santa Barbara and derives its decision-making capabilities from State legislation. The District was formed in 1971, pursuant to Section 61000, Title 6, Division 2 of the Community Services District Law of the State of California. The primary purposes of the District are the collection, treatment, and disposal of sewage for inhabitants of the District.

B. Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs (including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges (dispatching fees). Revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses are generated and incurred through the sewage collection services performed by the District. Operating expenses include sewage collection and general and administrative expenses as well as depreciation expense. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

The District has adopted the following GASB pronouncements in the current year:

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for periods beginning after June 15, 2015. This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015. This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

D. Assets, Liabilities and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the District's net position during the reporting period. Actual results could differ from those estimates.

1. Cash and Cash Equivalents

Substantially all of District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

2. Investments and Investment Policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- Passbook checking and savings accounts
- Certificates of deposit (non-negotiable)
- Local Agency Investment Fund (LAIF)

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

3. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position, continued

4. Prepaids

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

5. Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. The District's policy has set the capitalization threshold for reporting capital assets at \$5,000. Amortization/depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Structures and improvements – 30 to 50 years
- Furniture and equipment – 5 to 20 years

6. Compensated Absences

The District's policy is to permit employees to accumulate an amount of earned vacation pay and sick leave benefits.

7. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of net position that does not meet the definition of *restricted* or *net investment in capital assets*.

8. Property Taxes and Special Assessment Revenues

The Santa Barbara County Assessor's Office assesses all real and personal property within the County each year. The Santa Barbara County Tax Collector's Offices bills and collects the District's share of property taxes and assessments. The Santa Barbara County Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

9. Capital Contributions

Capital contributions represent cash, capital grants and capital asset additions contributed to the District by outside parties.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Liabilities and Net Position, continued

10. Capital Contributions

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

(2) Cash and Investments

Cash and investments as of June 30, are classified in the accompanying financial statements as follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 2,350,389	2,235,319
Investments	150,143	301,411
Investments	<u>150,304</u>	<u>-</u>
Total cash and investments	<u>\$ 2,650,836</u>	<u>2,536,730</u>

Cash and cash equivalents as of June 30, consist of the following:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 150	150
Deposits with financial institutions	2,199,020	2,084,529
Investments	<u>451,666</u>	<u>452,051</u>
Total cash and cash equivalents	<u>\$ 2,650,836</u>	<u>2,536,730</u>

As of June 30, 2016, the District's authorized deposits had the following maturities:

	<u>Amount</u>	<u>Maturity</u>
Deposits in Local Agency Investment Fund	\$ 151,219	167 days
Certificate-of-deposit – Goldman Sachs @ 0.75%	75,030	12/16/2016
Certificate-of-deposit – Goldman Sachs @ 0.70%	75,054	12/10/2017
Certificate-of-deposit – Ally Bank @ 1.05%	75,113	6/19/2017
Certificate-of-deposit – Ally Bank @ 0.95%	<u>75,250</u>	8/11/2017
	<u>\$ 451,666</u>	

As of June 30, 2015, the District's authorized deposits had the following maturities:

	<u>Amount</u>	<u>Maturity</u>
Deposits in Local Agency Investment Fund	\$ 150,640	239 days
Certificate-of-deposit – Ally Bank @ 0.40%	150,738	12/15/2015
Certificate-of-deposit – First Bank @ 0.45%	<u>150,673</u>	01/30/2016
	<u>\$ 452,051</u>	

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(2) Cash and Investments, continued

Authorized Deposits and Investments

The District's investment policy only authorizes deposits and investments in certain items as listed in Note 1(D)(2) to the financial statements. The District's investment policy does not contain any specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured at each institution.

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

Investment in State Investment Pool

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

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of a \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy does not discuss interest rate risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(3) Capital Assets

Changes in capital assets for the year ended June 30, 2016, were as follows:

	<u>Balance 2015</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2016</u>
Non-depreciable assets:				
Land and land rights	\$ 149,109	-	-	149,109
Construction-in-process	-	496,230	-	496,230
Total non-depreciable assets	<u>149,109</u>	<u>496,230</u>	<u>-</u>	<u>645,339</u>
Depreciable assets:				
Structures and improvements	6,408,143	5,718	-	6,413,861
Furniture and equipment	268,507	-	-	268,507
Total depreciable assets	<u>6,676,650</u>	<u>5,718</u>	<u>-</u>	<u>6,682,368</u>
Accumulated depreciation:				
Structures and improvements	(2,837,284)	(151,248)	-	(2,988,532)
Furniture and equipment	(170,348)	(14,413)	-	(184,761)
Total accumulated depreciation	<u>(3,007,632)</u>	<u>(165,661)</u>	<u>-</u>	<u>(3,173,293)</u>
Total depreciable assets, net	<u>3,669,018</u>	<u>(159,943)</u>	<u>-</u>	<u>3,509,075</u>
Total capital assets, net	<u>\$ 3,818,127</u>			<u>4,154,414</u>

Changes in capital assets for the year ended June 30, 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land and land rights	\$ 149,109	-	-	149,109
Construction-in-process	-	-	-	-
Total non-depreciable assets	<u>149,109</u>	<u>-</u>	<u>-</u>	<u>149,109</u>
Depreciable assets:				
Structures and improvements	6,408,143	-	-	6,408,143
Furniture and equipment	268,507	-	-	268,507
Total depreciable assets	<u>6,676,650</u>	<u>-</u>	<u>-</u>	<u>6,676,650</u>
Accumulated depreciation:				
Structures and improvements	(2,685,996)	(151,288)	-	(2,837,284)
Furniture and equipment	(155,170)	(15,178)	-	(170,348)
Total accumulated depreciation	<u>(2,841,166)</u>	<u>(166,466)</u>	<u>-</u>	<u>(3,007,632)</u>
Total depreciable assets, net	<u>3,835,484</u>	<u>(166,466)</u>	<u>-</u>	<u>3,669,018</u>
Total capital assets, net	<u>\$ 3,984,593</u>			<u>3,818,127</u>

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(4) Compensated Absences

Changes to compensated absences for 2016, were as follows:

<u>Balance</u>			<u>Balance</u>
2015	<u>Earned</u>	<u>Taken</u>	2016
\$ 33,006	34,765	(24,472)	43,299

Changes to compensated absences for 2015, were as follows:

<u>Balance</u>			<u>Balance</u>
2014	<u>Earned</u>	<u>Taken</u>	2015
\$ 30,307	27,206	(24,507)	33,006

(5) Net Position

Calculation of net position at June 30, was as follows:

	<u>2016</u>	<u>2015</u>
Net investment in capital assets:		
Capital assets – not being depreciated	\$ 645,339	149,109
Capital assets, net – being depreciated	3,509,075	3,669,018
Total net investment in capital assets	4,154,414	3,818,127
Unrestricted net position:		
Non-spendable net position:		
Prepaid expenses and other deposits	-	3,027
Total non-spendable net position	-	3,027
Spendable net position are designated as follows:		
Operating reserve	2,580,823	2,587,196
Total spendable net position	2,580,823	2,587,196
Total unrestricted net position	2,580,823	2,590,223
Total unrestricted net position	\$ 6,735,237	6,408,350

(6) Deferred Compensation Plan

The District provides retirement benefits for all full time employees, in lieu of social security coverage, under Sections 457 and 401a of the Internal Revenue Code. Under the section 457 plan, employee and employer contributions are based on 6.2% of regular wages, and under the section 401a plan, employee and employer contributions are based on 7.65% of regular wages. The District has no liability or vested interest in the plan.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(7) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2016, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$2,500,000, combined single limit at \$2,500,000 per occurrence.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total for the pool of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.
- Workers' compensation insurance coverage of statutory limits per occurrence and Employer's Liability Coverage up to \$5 million per occurrence.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2016, 2015, and 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2016, 2015, and 2014.

(8) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(8) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 74, continued

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Santa Ynez Community Services District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(8) Governmental Accounting Standards Board Statements

Newly Issued Accounting Pronouncements, But Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 82

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

(9) Commitments and Contingencies

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(10) Subsequent Events

Events occurring after June 30, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of [ISSUE DATE], which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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WORKING DRAFT

Report on Compliance and Internal Controls

WORKING DRAFT

WORKING DRAFT

**SANTA YNEZ
COMMUNITY SERVICES DISTRICT
STAFF REPORT**

TO: BOARD OF DIRECTORS

PREPARED BY: Jeff Hodge, General Manager

FOR: REGULAR BOARD MEETING

DATE: February 15, 2017

ITEM: Discussion and action regarding request pending before Local Agency Formation Commission (LAFCO) to amend District Sphere of Influence to include Los Olivos.

SUMMARY: In September 2015, the District was presented with over 140 signatures from Los Olivos residents requesting help with a sewer solution. Because of the interest from the Los Olivos residents, the SYCSD Board of Directors voted to move forward to investigate how to get sewer to Los Olivos in the best cost-effective way. To do that, the District filed an application with LAFCO to include Los Olivos in the SYCSD's Sphere of Influence (the "SOI Application"). The SOI Application was filed so that LAFCO could make a determination as to whether SYCSD should be the provider of sewer service to Los Olivos. The SOI Application was filed with LAFCO on January 25, 2016. To date, LAFCO has not taken action on the SOI Application. Prior to the February 2, 2017 LAFCO meeting, LAFCO staff contacted the District's legal counsel to discuss the processing of the District's SOI Application and the pending petition to form a new community services district to provide sewer service to Los Olivos (the "LOCSO Petition"). District staff subsequently sent a letter to the LAFCO staff stating that District staff would recommend to the District's Board members at the February 15, 2017 regular Board meeting that the SYCSD Board formally take the position that, if LAFCO determines that the LOCSO Petition should be given priority and proceed first, SYCSD will not challenge that determination so long as the processing of the LOCSO Petition begins promptly and proceeds with reasonable diligence. That letter was sent to the LAFCO Executive Director on January 25, 2017 and was included as a public comment item in the LAFCO Board Packet for the February 2, 2017 meeting.

The SYCSD has the following six options to consider for the District's SOI Application:

1. Do nothing and let LAFCO proceed as it wishes
2. Withdraw the District's pending SOI Application. The District could reserve the right to refile the SOI Application if the LOCSO Petition is not approved
3. Ask LAFCO to put the SOI Application on hold until after a final LAFCO determination and vote by the residents of Los Olivos on the pending LOCSO Petition

4. Advise LAFCO that the District will not object if LAFCO decides to (i) process the LOCSD petition first, and (ii) put the SOI Application on hold in the meantime. This is what the District's letter to Paul Hood on January 25 said staff would be recommending
5. Ask LAFCO to process and act on the SOI Application before acting on the LOCSD Petition because the SOI application was filed first
6. Ask LAFCO to process and act on the SOI Application and LOCSD Petition concurrently. At its February 2 meeting, this is how LAFCO indicated it wished to proceed.

ATTACHMENTS:

Letter from District to LAFCO dated January 25, 2017

SANTA YNEZ COMMUNITY SERVICES DISTRICT

Mailing Address: P.O. Box 667, Santa Ynez, CA 93460-0667 • (805) 688-3008

January 25, 2017

Paul Hood, Executive Officer
Santa Barbara Local Agency Formation Commission
105 E. Anapamu Street
Santa Barbara, CA 93101

Subject: Proposed Sphere of Influence Amendment to Include Los Olivos

Dear Mr. Hood:

The next meeting of the Board of Directors of the Santa Ynez Community Services District ("SYCSD") will be on Wednesday February 15, 2017. This letter will confirm that an item will be placed on the agenda for that meeting relating to SYCSD's pending request to amend its sphere of influence to include the Los Olivos area (the "SOI Amendment"). More specifically, the SYCSD Board will be asked to consider its position regarding the priority for processing the SOI Amendment by the Local Agency Formation Commission ("LAFCO") in light of the fact that a petition has now been filed to form a community services district to serve the Los Olivos area (the "LOCSO Petition"). At the February 15 SYCSD Board meeting, SYCSD staff will recommend that the SYCSD Board formally take the position that if LAFCO determines that the LOCSO Petition should be given priority and processed first, SYCSD will not challenge that determination so long and the processing of the LOCSO Petition begins promptly and proceeds with reasonable diligence. That position will allow LAFCO to place on hold the processing of the SOI Amendment and the related Municipal Service Review update until final action has been taken on the LOCSO Petition.

Based on your recent conversation with SYCSD legal counsel, it is our understanding that LAFCO staff will not take any action regarding the completeness of SYCSD's application relating to the SOI Amendment, and will not proceed with the processing of the SOI Amendment, until after the SYCSD Board has had an opportunity to consider this matter at its February 15 meeting.

Please feel free to contact me if you have any questions or if you would like to discuss this matter.

Sincerely,

SANTA YNEZ COMMUNITY
SERVICES DISTRICT


Jeff Hodge
General Manager

Mr. Paul Hood
January 25, 2017
Page 2

cc SYCSD Board of Directors
Richard G. Battles, SYCSD Legal Counsel

SANTA YNEZ COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS

REGULAR MEETING MINUTES

October 19, 2016

5:30 P.M.

1070 Faraday, Santa Ynez, CA

BOARD MEMBERS PRESENT: David Higgins Frank Mueller
David Seymour
Carl Maler

OTHERS PRESENT: Karen Jones

1. **CALL TO ORDER:** President Higgins called the meeting to order at 5:33 p.m.
2. **ROLL CALL:** Higgins, Maler, Seymour, Mueller. Absent – Barry Marks
3. **PLEDGE OF ALLEGIANCE:** President Higgins led the Pledge of Allegiance.
4. **DIRECTOR COMMENTS:** Director Seymour attended the October SBCSDA meeting and learned about LAFCO's formation and processes.
5. **PUBLIC COMMENTS:** Karen Jones, commenting as a member of the public, stated she remains concerned on how the annexation process was conducted and that the District wasn't reaching out to the public. She is a rate payer and a stake holder and knew nothing about the annexation. She is not annexed and has family that was and the protest vote was not accepted. The public outreach wasn't done properly and the annexed area doesn't get to vote for two years.
6. **APPROVAL OF MINUTES:** Review for Board approval draft minutes of the Regular Meeting of September 21, 2016. Director Seymour motioned to approve the draft Minutes of the Regular Meeting of September 21, 2016, Director Higgins seconded and the motion passed with four ayes.
7. **VOUCHER PAYMENTS:** Review for Board ratification payments made from September 17, 2016 through October 19, 2016. Director Higgins motioned to ratify payments made from September 17, 2016 through October 19, 2016, Director Maler seconded and the motion passed with four ayes.
8. **TREASURER REPORT** – Submittal and review quarterly cash position pursuant to Government Code §61053 for quarter ending 09/30/16. Staff reviewed the quarterly cash position with the Board for the quarter ending September 30, 2016. Total cash was

\$2,245,149.22. LAIF's interest rate was .61% and interest earned was \$1,777.07.

9. **DISCUSSION TO SOLVANG'S RESPONSE TO THE DISTRICT'S SEWER CAPACITY REQUEST.** On November 18, 2015, the District sent a letter to the City of Solvang in regards to purchasing additional future capacity, if needed. The City of Solvang hired Cannon Engineering to conduct a capacity report which was completed September 28, 2016, which the District will be responsible in paying 20% of that report. At the City of Solvang, September 26, 2016 City Council Meeting, Solvang denied the District's request to purchase additional capacity for future needs. The District still has enough available capacity to serve the entire District's Sphere of Influence and the entire newly annexed area. Shannon Stewart presented the Board with a video presentation of Solvang's Fjord Drive lift station. Over the summer months, the flows have been all over the place. The metering facility is maintained and cleaned by the City of Solvang. The flow meter was blocked and the line to it is full of rust buildup on both sides of the channel which causes a restriction. The restriction causes the flows to back up into the flow meter. The flow meter measures the elevation of the flow so when it backs up the flow is read higher than the actual flow. Cannon's report used the reads prior to the line being cleaned, therefore those reads can't be accurate to the actual flow being sent to Solvang. In public comment for this item, Karen Jones commented, the City of Solvang has the right to deny the District capacity and why did the District file the application after the fact and the District should have had a prior agreement with Solvang to handle the annexation area flows. As stated above and at prior meetings, the District has enough capacity to handle the District's entire Sphere of Influence including the newly annexed area.
10. **APPROVE AS-NEEDED TECHNICAL SUPPORT FROM RMC WATER AND ENVIRONMENT.** The District would like to continue a working relationship with RMC Water and Environment because of their expertise in wastewater treatment and water reuse. Legal council recommended the District include an addendum that attaches the proposal as an exhibit. Director Seymour motioned to approve staff to use RMC on an as-needed basis for services with including an addendum to their proposal. Director Higgins seconded the motion and it passed by a roll call vote: ayes; Higgins, Maler, Seymour, Mueller.
11. **DISCUSSION AND PROVIDE DIRECTION TO STAFF ON THE SANTA YNEZ RIVER WATER CONSERVATION DISTRICT REQUEST FOR SEWER CONNECTION.** Santa Ynez River Water Conservation District (SYRWCD) is doing their preliminary design for the proposed treatment facility located at their Sagunto Street location. They have requested a connection to the District's sewer system to facilitate the disposal of the backwash from the treatment process. Legal counsel recommends having a contractual agreement because ID #1 is exempt from paying property tax. Director Higgins motioned to authorize staff to begin working with ID #1 to put together a

contract and a plan for accepting their water discharge from their new treatment plant, Director Muller seconded and the motion passed with four ayes.

12. **APPROVE PROPOSAL FROM TUCKFIELD AND ASSOCIATES TO CONDUCT A FINANCIAL PLAN UPDATE AND CAPACITY CHARGE STUDY.** Tuckfield and Associates completed the Wastewater Study Rate Study in March. The West Santa Ynez annexation was approved by LAFCO at their September meeting 2016 meeting. The District needs to recalculate the capacity fee charge and create a buy-in fee because of the newly annexed area. Under Proposition 218, the District was not able to calculate the fees because the annexation was not complete. Legal counsel recommends including the addendum in the formal contract. Director Higgins motioned to approve the proposal from Tuckfield and Associates with inclusion of the addendum, Director Mueller seconded and the motion passed by a roll call vote: ayes; Mueller, Higgins, Maler, Seymour.
13. **DISCUSSION AND DIRECTION TO STAFF REGARDING THE MUNICIPAL SERVICE REVIEW REQUESTED BY LAFCO.** On October 6, 2016, the District received the MSR request from LAFCO. The MSR is due by November 18, 2016. Back in February 2016, the General Manager inquired from Paul Hood when the District would be required to complete the MSR. Every five years, LAFCO requires the special districts to complete their MSRs, however updates will be prepared as necessary if there are significant changes to the sphere of influence. Due to the timeframe of the MSR and the pending application with LAFCO to include Los Olivos in the District's Sphere of Influence, the MSR needs to be completed by the due date. The application for the Sphere of Influence change will be subject to the information included within the MSR. Director Higgins motioned to direct staff or legal counsel to ask LAFCO for an extension and/or get clarification on what is needed and have staff complete the MSR, Director Mueller seconded and the motion passed with four ayes.
14. **APPROVE EXTENTION OF FEDAK AND BROWN LLP'S AUDIT SERVICES.** On January 22, 2014, the Board contracted with Charles Fedak and Company to conduct the District's audit for a three-year term. Charles Fedak and Company changed names to Fedak and Brown LLP within the three-year period and Fedak and Brown finished their third year of auditing services this year. Director Higgins motioned to extend Fedak and Brown's contract for audit services for three years with using the addendum to the Contract, Director Seymour seconded the motion and it passed by a roll call vote; ayes; Seymour, Higgins, Maler, Mueller.
15. **PRESENTATION OF THE PRELIMINARY DESIGN AND LAYOUT OF THE DISTRICT'S NEW WEBSITE.** Staff presented the new website to the Board and showed the different features it will have. The proposed go live date is the week of October 4, 2016.

16. **STAFF REPORTS:**

A. Manager's Report-Solvang WWTP has been notified by the State that they will need to begin nitrifying and denitrifying which could possibly degrade the capacity in their plant. The General Manger had notified Solvang about the grant available for a reuse facility study and nothing was done so he took the lead and received a matching grant for a reuse feasibility study. The General manager briefed the Board on the draft study. In the future, an upgrade to the Solvang plant will be needed. The District has ample capacity unless Solvang degrades their plant. The SBCSDA meeting will be held October 24, 2016 at the Glen Annie Gold Course, Los Olivos steering committee invited the Board to their October 24, 2016 meeting. The Little Hoover Commission review of special Districts and gave a legislative update on AB2613, AB2257, SB 1029.

B. Legal Counsel Report-None

C. Secretary/Treasurer Report -On October 6 and 7 the final audit was completed.

D. Committee Report - None

10. **TENTATIVE AGENDA ITEMS FOR FUTURE MEETINGS:** Employee Handbook, Sewer Code, Design Specifications, Mainline Extension Agreement.

11. **ADJOURNMENT:** The meeting was adjourned at 7:07 p.m.

APPROVED:

David Seymour, President of the Board

Wendy Berry, Secretary of the Board

SANTA YNEZ COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS

REGULAR MEETING MINUTES

December 21, 2016

5:30 P.M.

1070 Faraday, Santa Ynez, CA

BOARD MEMBERS PRESENT: David Higgins Barry Marks
David Seymour
Carl Maler

OTHERS PRESENT: Winston Craven

1. **CALL TO ORDER:** President Seymour called the meeting to order at 5:30 p.m.
2. **ROLL CALL:** Higgins, Maler, Seymour, Jones Absent - Mueller
3. **PLEDGE OF ALLEGIANCE:** Director Higgins led the Pledge of Allegiance.
4. **ADMINISTER OATH OF OFFICE FOR NEW BOARD MEMBERS:** The Board Secretary administered the Oath of Office to Karen Jones and Carl Maler. Frank Mueller's Oath of Office was administered in the district office on December 20, 2016.
5. **APPOINTMENT OF BOARD PRESIDENT, VICE-PRESIDENT, AND COMMITTEES FOR 2017.** President Higgins passed the meeting over to the General Manager and the General Manager asked for nominations for President. Director Higgins nominated Director Seymour for President, Director Maler seconded and the motion to have Director Seymour President passed by a roll call vote: ayes; Higgins, Maler, Seymour, Jones. The meeting was passed to President Seymour and Director Higgins nominated Frank Mueller as Vice-President, seconded by Director Seymour and the motion to nominate Frank Mueller as Vice -President passed by a roll call vote: ayes; Maler, Higgins, Seymour, Jones. Committee appointments was moved to the next regular scheduled Board meeting.
6. **DIRECTOR COMMENTS:** Director Seymour attended the SBCSDA awards banquet at the November meeting. CSDA was active in 2016 protecting the interests of Special Districts. CSDA did a great job keeping the Districts informed of legislation that was proposed that would affect special districts. Karen Jones attended the LAFCO December meeting, there was a strong showing of the steering committee from Los Olivos and the people in the steering committee left feeling good about the decision to form their own CSD, there was confusion why the agenda item was information only, LAFCO will be studying the application and the last steering committee email she received that day said

they far exceeded the number of ballots to get put on the ballot.

7. **PUBLIC COMMENTS:** No comments from the public.
8. **ADOPT RESOLUTION 16-10, A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SANTA YNEZ COMMUNITY SERVICES DISTRICT IN RECOGNITION AND APPRECIATION OF THREE AND A HALF YEARS OF SERVICE TO BARRY MARKS.** Barry Marks was appointed to the Board on February 20, 2013 and served until December 21, 2016. Director Higgins motioned to adopt Resolution 16-10, Director Jones seconded and the motion passed by a roll call vote: ayes; Maler, Higgins, Seymour, Jones.
9. **APPROVAL OF MINUTES:** Review for Board approval draft minutes of the Regular Meeting of October 19, 2016 and Personnel Committee meeting of November 3, 2016. The minutes of the October 19, 2016 meeting will be deferred to the next Board meeting for verification of the public hearing notice that Karen Jones stated in public comment. Director Seymour motioned to approve the Personnel Committee meeting minutes of November 3, 2016 and Director Maler seconded and the motion passed with four ayes: Directors Maler, Higgins, Seymour and Jones.
10. **VOUCHER PAYMENTS:** Review for Board ratification payments made from October 20, 2016 through December 16, 2016. Director Higgins motioned to approve the voucher payments from October 20, 2016 through December 21, 2016, Director Maler seconded and the motion passed by four ayes: Maler, Higgins, Seymour, Jones.
11. **REVIEW AND APPROVE THE BUDGET/ACTUAL REPORT FOR FISCAL YEAR 2015/2016.** Staff reviewed the budget vs. actual report for fiscal year ending June 30, 2016 with the Board. Total revenue was \$1,438,316 with connection fee revenue of \$135,307.00. Total expense was 845,247.00. The District transferred from reserves, \$103,700.00 for the District's portion of Solvang's capital project cost and \$384,203.00 for the Hwy 246 Jack and Bore and the West Santa Ynez Preliminary Sewer Design project. Director Seymour motioned to approve the Budget/Actual report for fiscal year 2015/2016, Director Higgins seconded and the motion passed with four ayes: Maler, Higgins, Seymour, Jones.
12. **STATUS OF RESERVES.** Staff reviewed the status of reserves and the amount going into reserves was \$105,166.00 for fiscal year 2015/2016.
13. **APPROVE CHANGES TO THE ADDENDUM FROM RMC WATER AND ENVIRONMENT FOR THE AS-NEEDED TECHNICAL SUPPORT.** At the October 19, 2016 regular Board meeting, the Board approved as-needed technical support with RMC but RMC had changes to the District's standard addendum. The Board would like legal counsel to negotiate changes and bring the final back to the Board. Director Higgins motioned to direct staff and legal counsel to negotiate changes on the addendum and bring back to the Board for final approval, Director Jones seconded and the motion passed by a roll call vote: ayes; Maler, Higgins, Seymour, Jones.

14. **DISCUSSION AND DIRECTION ON HOW TO PROCEED WITH THE INACCURATE FLOW ISSUE AT THE JOINT CONVEYANCE FACILITY AT THE FJORD DRIVE LOCATION.** During the review of the flows from June to September, staff discovered there was an issue with the flow meter at the Fjord Drive lift station. Staff alerted Solvang. Solvang staff then requested SYCSD to jet the line and clean out the pipe. The Board was shown a video at the October 19, 2016 regular Board meeting of the line before and after it was cleaned. Due to the build-up, the flow was restricted causing the meter to record erroneously high numbers. Due to the amount of build-up in the line, staff believes that the readings have been inaccurate for a long period. On October 7, 2016, the District sent the City of Solvang a letter in regards to the recent discovery of the condition of the effluent line and the parshall flume at the Fjord Drive lift station and requested copies of the maintenance and cleaning records and the annual meter calibration records for the last five years. On November 14, 2016, the District received a response from Solvang. Solvang also stated in their reply that they would credit the District for 915,700 gallons. The District is charged based on the total flow that's received by Solvang. The Board would like to have RMC look at the flows to determine if there is a difference after cleaning out the lines. Director Higgins motioned to have staff follow up with Solvang in writing to reserve our rights to get a further refund after RMC reviews the flows over the last five years, Director Seymour seconded and the motion passed with four ayes; Maler, Higgins, Seymour, Jones.
15. **DISCUSSION AND PROVIDE DIRECTION TO STAFF ON THE APPROVED CITY OF SOLVANG ORDINANCE REVISING SOLVANG MUNICIPAL CODE TITLE 9, CHAPTER 2 SEWER CODE, IMPLEMENTING RESIDENTIAL WATER SOFTENER RESTRICTIONS.** The City of Solvang adopted a Water Softener Restriction Ordinance on November 28, 2016. Solvang's new ordinance will take effect in five years. Pursuant to the Wastewater agreement between the City of Solvang and SYCSD, SYCSD is required to enact and enforce water quality regulations no less stringent than those of the City of Solvang. The City of Solvang is requesting the SYCSD adopt the same or equivalent Ordinance. Legal counsel will confirm what the legal requirements are and staff will draft a new ordinance that follows the Solvang ordinance.
16. **AUTHORIZATION TO INCREASE EMPLOYEE HEALTH INSURANCE ALLOWANCE \$230.76 PER PAY PERIOD.** The District's Health Insurance is increasing by 17%. The District has made ongoing commitment to provide its employees with adequate health insurance. It was discussed at the personnel committee meeting on November 3, 2016, to increase the health insurance allowance \$230.76 per pay period to offset the costs of the employee and family health insurance costs. Director Seymour motioned to increase the health insurance allowance by \$230.76 per pay period, Director Higgins seconded and the motion passed by a roll call vote: ayes; Maler, Higgins, Seymour noes; Karen Jones

17. **STAFF REPORTS:**

A. Manager's Report

- Flows - see attached chart
- SYCSD has received \$145,000 reimbursement from Environmental Health Services (EHS) for West Santa Ynez preliminary engineering.
- ID#1 Timeline for new Chrome 6 Plant construction. See attached timeline.
- CSDA – Training January 26, 2017. See attached announcement.
- Golden Inn – The lift station is operational. There remain a few start up items to be resolved.
- Facilities Grant – The final draft of the Facilities Feasibility Study from RMC is expected to be completed in February.
- Discussion continues about cost and framework for potentially managing Dunn school's treatment facility.
- Santa Barbara CSDA monthly meeting – The next CSDA meeting will be Monday, January 23, 2016 at 5:45 p.m.

B. Legal Counsel Report – AB 626 imposes new procedures for claims under the public works contract that disputes amounts over \$300,000 must be included into the contract documents. The Supreme Court will be ruling on whether public business conducted on personal devices will be subject to the Public Records Act.

C. Secretary/Treasurer Report – I went to the Board Secretary conference in November and took a policy writing class, it was very beneficial, the financial statements have been completed, two CD's are coming due that will be reinvested.

D. Committee Report-the personnel committee met on November 3, 2016 and spoke about health insurance increases.

18. **TENTATIVE AGENDA ITEMS FOR FUTURE MEETINGS:** Employee Handbook, Sewer Code, Design Specifications, Mainline Extension Agreement, revise water softener ordinance.

19. **ADJOURNMENT:** Director Seymour adjourned the meeting at 7:24 p.m.

SANTA YNEZ COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS

Minutes of the Wastewater Committee Meeting
October 6, 2016
3:30 P.M.

PRESENT: David Higgins
David Seymour

ALSO

PRESENT: Jeff Hodge, General Manager
Wendy Berry, Secretary/Treasurer

- I. **CALL TO ORDER:** The meeting was called to order at 3:40 p.m., in the District Office, 1070 Faraday, Santa Ynez, by Director Higgins.
- II. **PUBLIC COMMENTS:** No one from the public was in attendance.
- III. **SANTA YNEZ RIVER WATER CONSERVATION DISTRICT'S REQUEST FOR SERVICE.** On September 7, the District received a request from the Santa Ynez River Water Conservation District #1 asking for a can and will serve for an additional sewer connection to discharge the water from their new water treatment facility. The flow rate of discharge is anticipated to be up to 60 gallons/minute. Staff will continue to work ID #1 on the discharge amount and components of the water.
- IV. **SOLVANG'S RESPONSE TO THE DISTRICT'S SEWER CAPACITY REQUEST.** In the October 6, 2016 letter from the City of Solvang, Solvang denied the District's request for an additional 120,000 gallons for additional capacity due to the Regional Water Quality Control Board informally notified City staff that as part of the WWTP permit renewal process, the City of Solvang will need to begin nitrifying their BNR Plant, therefore Solvang doesn't know how much capacity they will have left. Santa Ynez currently has enough capacity to handle the newly annexed Santa Ynez West.
- V. **REVIEW OF RMC FEASIBILITY STUDY.** Staff reviewed the draft reuse feasibility study with the committee and the final study should be completed in February 2017.
- VI. **ADJOURNMENT:** The meeting adjourned at 4:35 p.m.

APPROVED:

David Higgins, Board of Directors

Santa Ynez Community Services District

Account QuickReport

As of February 15, 2017

Date	Num	Name	Amount	Tribe
12/23/2016	13172	All Around Landscape Supply	25.28	
12/23/2016	13173	All Around Landscape Supply	21.01	
12/23/2016	13174	Cannon Associates	10,179.00	
12/23/2016	13175	Comcast	289.15	
12/23/2016	13176	Ecology Water Systems Tech	\$	1,530.00
12/23/2016	13177	FGL Environmental	105.00	\$ 706.00
12/23/2016	13178	Frontier Communications	36.97	
12/23/2016	13179	PG&E	109.26	
12/23/2016	13180	Stewart's De-Rooting & Plumbing	\$	2,100.00
12/23/2016	13181	USA Blue Book	\$	575.61
12/23/2016	13182	Wells Fargo Vendor Fin	160.92	
01/09/2017	13206	City of Solvang	18,000.00	
01/09/2017	13207	Coastal Copy	91.34	
01/09/2017	13208	FGL Environmental	\$	427.00
01/09/2017	13209	Frontier Communications	\$	46.58
01/09/2017	13210	void	0.00	
01/09/2017	13211	National Benefit Services, LLC	1,200.00	
01/09/2017	13212	Petty Cash	45.76	
01/09/2017	13214	PG&E	805.98	\$ 429.93
01/09/2017	13215	Staples	167.10	\$ 89.94
01/09/2017	13216	Verizon Wireless	253.27	\$ 53.64
01/09/2017	13217	City of Solvang	18,000.00	
01/10/2017	13201	City of Solvang	18,000.00	
01/10/2017	13202	Jeff Hodge'	321.81	
01/11/2017	EFT	Business Card	188.71	\$ 9.71
01/23/2017	13213	National Benefit Services, LLC	18.00	
01/23/2017	13226	Brenntag Pacific Inc.	\$	538.49
01/23/2017	13227	Business Card	34.99	
01/23/2017	13228	City of Solvang	18,000.00	
01/23/2017	13229	Crystal Springs Water Co.	\$	8.00
01/23/2017	13230	FGL Environmental	\$	243.00
01/23/2017	13231	Howell Moore & Gough LLP	7,812.00	
01/23/2017	13232	Santa Barbara Co. Special Districts Assoc	150.00	
01/23/2017	13233	Underground Service Alert/SC	12.00	
01/23/2017	13234	US Bank Voyager Fleet Sys.	127.83	
01/23/2017	13235	USA Blue Book	\$	79.95
01/23/2017	13243	All Around Landscape Supply	134.50	\$ 213.87
01/23/2017	13244	Business Card	1,397.88	\$ 1,843.14
01/23/2017	13245	FGL Environmental	105.00	\$ 692.00
01/23/2017	13246	void	0.00	
01/23/2017	13247	void	0.00	
01/23/2017	13248	S.Y.R.W.C.D.	88.33	\$ 46.42
01/23/2017	13249	Santa Barbara Co. Special Districts Assoc	120.00	
01/23/2017	13250	Stanley Convergent Security Solutions-HSM	79.31	
01/23/2017	13251	The Gas Company	65.48	
01/23/2017	13252	Todd Pipe & Supply	107.47	\$ 213.87
01/23/2017	13253	FGL Environmental	\$	408.00
01/23/2017	13254	USA Blue Book	\$	41.99
01/26/2017	13256	Wendy Berry'	430.99	
01/30/2017	13258	Harrison Hardware	126.97	\$ 251.77
01/31/2017	EFT	PG&E	1,033.92	\$ 364.79
02/06/2017	13266	Cannon Associates	6,615.50	
02/06/2017	13267	Coastal Copy	22.79	

Santa Ynez Community Services District

Account QuickReport

As of February 15, 2017

02/06/2017	13268	Comcast	286.39		
02/06/2017	13269	Fedak and Brown LLP	500.00		
02/06/2017	13270	FGL Environmental	105.00	\$	742.00
02/06/2017	13271	Frontier Communications	37.00	\$	51.57
02/06/2017	13272	Hamner & Jewell	765.16		
02/06/2017	13273	Harrison Hardware	113.43	\$	422.74
02/06/2017	13274	Mission Communications, LLC	623.40		
02/06/2017	13275	RL Johnson Construction, Inc.	1,330.00		
02/06/2017	13276	RMC Water and Environment	857.00		
02/06/2017	13277	Staples	86.38		
02/06/2017	13278	Tuckfield & Associates	6,944.56		
02/06/2017	13279	USA Blue Book		\$	1,570.97
02/06/2017	13280	Verizon Wireless	253.01	\$	53.64
02/06/2017	13281	Wells Fargo Vendor Fin	160.55		
02/06/2017	13282	Health Sanitation Services	48.78		
02/06/2017	13283	Howell Moore & Gough LLP	2,945.00		
02/06/2017	13284	Underground Service Alert/SC	13.50		
02/10/2017	13285	California Assoc. of Sanitation Agencies	1,607.00		
02/10/2017	13286	City of Solvang	18,000.00		
02/10/2017	13287	County of Santa Barbara	1,082.92		
02/10/2017	13288	Crystal Springs Water Co.		\$	16.10
02/10/2017	13289	FGL Environmental		\$	569.00
02/10/2017	13290	Hamner & Jewell	422.50		
02/10/2017	13291	S.Y.R.W.C.D.	84.52	\$	46.42
02/10/2017	13292	Stanley Convergent Security Solutions-HSM	79.31		
02/10/2017	13293	USA Blue Book		\$	371.05
02/10/2017	13294	WateReuse Association		\$	1,380.00
			<u>140,828.93</u>	\$	<u>16,137.19</u>
			<u><u>156,966.12</u></u>		

Signature

**SANTA YNEZ
COMMUNITY SERVICES DISTRICT
STAFF REPORT**

TO: BOARD OF DIRECTORS
PREPARED BY: Wendy Berry, Secretary/Treasurer
FOR: REGULAR BOARD MEETING
DATE: February 15, 2017
ITEM: Board Organization

SUMMARY: The Board President will appoint two board members each for the Finance/Budget, Personnel, and Wastewater committee.

RECOMMENDATION: Appoint committee members for the Finance/Budget, Personnel, and Wastewater committee.

ATTACHMENTS:
2016 Committee Assignment sheet

**Santa Ynez Community Services District
January 1, 2016**

BOARD OF DIRECTORS

President: David Higgins Vice-President: Frank Mueller
Board Members: Carl Maler, David Seymour, Barry Marks

Board Secretary: Wendy Berry

COMMITTEE ASSIGNMENTS

FINANCE/BUDGET

David Higgins
Barry Marks

PERSONNEL

Carl Maler
Barry Marks

WASTEWATER TREATMENT

David K. Higgins
David Seymour

**SANTA YNEZ
COMMUNITY SERVICES DISTRICT
STAFF REPORT**

TO: BOARD OF DIRECTORS
PREPARED BY: Wendy Berry, Secretary/Treasurer
FOR: REGULAR BOARD MEETING
DATE: February 15, 2017
ITEM: MID-YEAR BUDGET REPORT FOR 2016/2017.

SUMMARY: Every year the Board is presented with the mid-year budget report which is an over view of the budget to actual for the District's revenue and expense for the first half of the fiscal year.

RECOMMENDATION: Approve the mid-year budget report and budget adjustments.

ATTACHMENTS:

Mid-Year Budget Report

SANTA YNEZ COMMUNITY SERVICES DISTRICT
MID YEAR BUDGET
DECEMBER 31, 2016

bu% of year

Account #	Description	Budget		YTD 12/31/2016	Budget		%	Adj.	Mid Year Budget
		16/17			Balance				
	Revenue/Enterprise Fund								
31036	Administrative Fee	\$ 375.00	\$ -	\$ -	\$ 375.00		0.00%	\$ -	\$ 375.00
31037	WWTP Admin Fee	\$ 18,000	\$ 9,879	\$ 8,121.00	\$ 8,121.00		54.88%	\$ -	\$ 18,000.00
31038	WWTP Over Head Contribution	\$ 18,000	\$ -	\$ 18,000.00	\$ 18,000.00		0.00%	\$ -	\$ 18,000.00
31050	Connection Fees	\$ 5,498	\$ 5,708	\$ (210.00)	\$ (210.00)		103.82%	\$ -	\$ 5,498.00
31080	Property Tax	\$ 160,000	\$ 90,148	\$ 69,852.00	\$ 69,852.00		56.34%	\$ -	\$ 160,000.00
31090	Inspection Fees	\$ 175.00	\$ 115.00	\$ 60.00	\$ 60.00		65.71%	\$ -	\$ 175.00
31100	Interest Income	\$ 4,000.00	\$ 2,831.00	\$ 1,169.00	\$ 1,169.00		70.78%	\$ -	\$ 4,000.00
31126	Tribe Admin Fee	\$ 6,000.00	\$ 3,600.00	\$ 2,400.00	\$ 2,400.00		60.00%	\$ -	\$ 6,000.00
31127	Tribe Overhead Contribution	\$ 3,000.00	\$ -	\$ 3,000.00	\$ 3,000.00		0.00%	\$ -	\$ 3,000.00
31170	Rents/Leases	\$ 400.00	\$ -	\$ 400.00	\$ 400.00		0.00%	\$ -	\$ 400.00
31190	Sewer Benefit Fees	\$ 37,900	\$ 20,136	\$ 17,764.00	\$ 17,764.00		53.13%	\$ -	\$ 37,900.00
31200	SRF Funds	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -
32085	Miscellaneous Income	\$ -	\$ -	\$ -	\$ -		0.00%	\$ -	\$ -
32086	Golden Inn Reimbursable	\$ -	\$ 2,879	\$ (2,879.00)	\$ (2,879.00)			\$ -	\$ -
41000	Sewer Service Fees	\$ 850,000	\$ 469,661	\$ 380,339.00	\$ 380,339.00		55.25%	\$ -	\$ 850,000.00
		\$ 1,103,348	\$ 604,957	\$ 498,391	\$ 498,391		54.83%	\$ -	\$ 1,103,348.00
	Administration Expense								
51010	Salaries	\$ 90,000	\$ 29,048	\$ 60,952.00	\$ 60,952.00		32.28%	\$ -	\$ 90,000
51016	Medical Exams	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -
51020	Employee Benefits	\$ 30,000	\$ 24,005	\$ 5,995.00	\$ 5,995.00		80.02%	\$ -	\$ 30,000
51022	Vacation/Sick Leave Accrual	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -
51027	Payroll Taxes	\$ 2,200	\$ 704	\$ 1,496.00	\$ 1,496.00		32.00%	\$ -	\$ 2,200
51070	Insurance	\$ 3,100	\$ 3,110	\$ (10.00)	\$ (10.00)		100.32%	\$ -	\$ 3,100
51080	Membership	\$ 4,000	\$ 2,971	\$ 1,029.00	\$ 1,029.00			\$ -	\$ 4,000
51096	Bond Admin Fee	\$ 46.00	\$ -	\$ 46.00	\$ 46.00			\$ -	\$ 46.00
51111	Computer Operations	\$ 15,000	\$ 14,095	\$ 905.00	\$ 905.00		93.97%	\$ -	\$ 15,000
51113	LAFCO	\$ 1,500	\$ 1,228	\$ 272.00	\$ 272.00		81.87%	\$ -	\$ 1,500
51114	Property Tax Fee	\$ 2,100	\$ -	\$ 2,100.00	\$ 2,100.00		0.00%	\$ -	\$ 2,100
51118	Retirement Plan Fee	\$ -	\$ 72	\$ (72.00)	\$ (72.00)			\$ -	\$ -
51120	Professional Services	\$ 35,000	\$ -	\$ 35,000.00	\$ 35,000.00			\$ -	\$ 35,000
51121	Legal Services	\$ 25,000	\$ 10,518	\$ 14,482.00	\$ 14,482.00		42.07%	\$ -	\$ 25,000
51123	Audit Contract	\$ 10,500	\$ 10,000	\$ 500.00	\$ 500.00		95.24%	\$ -	\$ 10,500
51125	Postage	\$ 500	\$ 283	\$ 217.00	\$ 217.00		56.60%	\$ -	\$ 500
51126	Office Supplies	\$ 3,000	\$ 1,813	\$ 1,187.00	\$ 1,187.00		60.43%	\$ -	\$ 3,000
51130	Printing & Publishing	\$ 1,500	\$ 412	\$ 1,088.00	\$ 1,088.00		27.47%	\$ -	\$ 1,500
51154	Office Machines	\$ 1,000	\$ 272	\$ 728.00	\$ 728.00		27.20%	\$ -	\$ 1,000
51160	Educations & Seminars	\$ 4,000	\$ 1,365	\$ 2,635.00	\$ 2,635.00		34.13%	\$ -	\$ 4,000
51170	Travel & Meetings	\$ 3,000	\$ 2,749	\$ 251.00	\$ 251.00		91.63%	\$ -	\$ 3,000

SANTA YNEZ COMMUNITY SERVICES DISTRICT
MID YEAR BUDGET
DECEMBER 31, 2016

50% of year

Account #	Description	Budget 16/17	YTD 12/31/2016	Budget Balance	%	Adj.	Mid Year Budget
51193	Telephone	\$ 1,500	\$ 603	\$ 897.00	40.20%	\$ -	\$ 1,500
	Total Administration	\$ 232,946	\$ 103,248	\$ 129,698	44.32%	\$ -	\$ 232,900
	Building Expense						
52226	Supplies	\$ 800	\$ 104	\$ 696.00	13.00%	\$ -	\$ 800
52270	Insurance	\$ 1,400	\$ 1,304	\$ 96.00	93.14%	\$ -	\$ 1,400
52290	Utilities	\$ 4,500	\$ 2,248	\$ 2,252.00	49.96%	\$ -	\$ 4,500
52293	Maintenance	\$ 5,000	\$ -	\$ 5,000.00	0.00%	\$ -	\$ 5,000
52294	Alarm System	\$ 1,100	\$ 590	\$ 510.00	53.64%	\$ -	\$ 1,100
	Total Building Expense	\$ 12,800	\$ 4,246	\$ 8,554	33.17%	\$ -	\$ 12,800
	Operations Expense						
55010	Salaries	\$ 280,000	\$ 109,106	\$ 170,894.00	38.97%		\$ 280,000
55015	Uniforms	\$ 1,600	\$ 112	\$ 1,488.00	7.00%		\$ 1,600
55016	Medical Exams	\$ -	\$ -	\$ -			\$ -
55020	Employee Benefits	\$ 90,000	\$ 43,286	\$ 46,714.00	48.10%		\$ 90,000
55027	Payroll Taxes	\$ 6,600	\$ 1,916	\$ 4,684.00	29.03%		\$ 6,600
55029	Dig Alert	\$ 350	\$ 136	\$ 214.00	38.86%		\$ 350
55060	Gas/Oil/Fuel	\$ 3,000	\$ 844	\$ 2,156.00	28.13%		\$ 3,000
55070	Insurance	\$ 15,000	\$ 14,557	\$ 443.00	97.05%		\$ 15,000
55071	Legal Services	\$ 25,000	\$ 961	\$ 24,039.00	3.84%		\$ 25,000
55080	Membership Dues	\$ 3,500	\$ 812	\$ 2,688.00	23.20%		\$ 3,500
55100	Operating Supplies	\$ 6,000	\$ 1,177	\$ 4,823.00	19.62%		\$ 6,000
55105	Small Tools & Equipment	\$ 8,000	\$ 48	\$ 7,952.00	0.60%		\$ 8,000
55111	Computer Operations	\$ 5,000	\$ -	\$ 5,000.00	0.00%		\$ 5,000
55125	Postage	\$ 100	\$ 100	\$ -	100.00%		\$ 100
55126	Office Supplies	\$ 2,000	\$ 2,004	\$ (4.00)	100.20%		\$ 2,000
55130	Printing & Pub	\$ 500	\$ 186	\$ 314.00	37.20%		\$ 500
55140	Permit Fees	\$ 3,000	\$ 2,088	\$ 912.00	69.60%		\$ 3,000
55151	R & M Operations	\$ 16,000	\$ 3,036	\$ 12,964.00	18.98%		\$ 16,000
55153	R & M Vehicles	\$ 3,000	\$ 106	\$ 2,894.00	3.53%		\$ 3,000
55154	Office Machines	\$ 3,500	\$ 1,193	\$ 2,307.00	34.09%	\$ 1,500	\$ 3,500
55156	Lab Testing	\$ 500	\$ 878	\$ (378.00)	175.60%		\$ 2,000
55160	Education & Seminars	\$ 5,000	\$ 698	\$ 4,302.00	13.96%		\$ 5,000
55170	Travel & Meetings	\$ 3,000	\$ 1,675	\$ 1,325.00	55.83%		\$ 3,000
55190	Utilities	\$ 15,000	\$ 7,247	\$ 7,753.00	48.31%		\$ 15,000
55199	Golden Inn	\$ -	\$ 2,695	\$ (2,695.00)			\$ -

SANTA YNEZ COMMUNITY SERVICES DISTRICT
MID YEAR BUDGET
DECEMBER 31, 2016

50% of year

Account #	Description	Budget 16/17	YTD 12/31/2016	Budget Balance	%	Adj.	Mid Year Budget
55200	Wastewater Treatment Plant	\$ 216,000	\$ 54,000	\$ 162,000.00	25.00%		\$ 216,000
55201	Solvang WWTP Projects	\$ -	\$ -	\$ -			\$ -
		\$ 711,650	\$ 248,861	\$ 462,789	34.97%	\$ 1,500	\$ 713,150
	Total Enterprise	\$ 157,652	\$ 248,602	\$ (601,041)	157.69%	\$ 1,500	\$ 156,198
	Reserves						
	Grease Interceptor	\$ 8,000	\$ -	\$ -	0.00%		\$ 8,000
	Sewer Main Repair	\$ 85,000	\$ -	\$ -	0.00%		\$ 85,000
	Connection Fee Study	\$ 7,000	\$ -	\$ -	0.00%		\$ 7,000
	Steel Building	\$ 30,000	\$ -	\$ -	0.00%		\$ 30,000
	SCADA for 246 Pump Station	\$ -					\$ -
	Reseal Parking Lot	\$ 15,000					\$ 15,000
	Solvang WWTP Projects	\$ -	\$ 43,784				\$ -
	Study of analysis of capacity	\$ 25,000	\$ -	\$ -	0.00%		\$ 25,000
	Westside Sewerline Extension	\$ -	\$ 29,642	\$ -			\$ -
	Reuse Construction In Progress	\$ -	\$ 21,070				\$ -
	Total From Reserves	\$ 77,000	\$ 94,496	\$ -	122.72%	\$ -	\$ 77,000
	Total To Reserves						
	Street Light Fund						
31080	Property Taxes	\$ 4,000	\$ -	\$ 4,000	0.00%	\$ -	\$ 4,000
53100	Street Lights	\$ 1,400	\$ 546	\$ 854	39.00%	\$ -	\$ 1,400
	Street Light Reserve	\$ 2,600	\$ -	\$ 2,600	0.00%	\$ -	\$ 2,600
		\$ 4,000	\$ 546	\$ 3,454	13.65%	\$ -	\$ 4,000
	General Obligation Bond						
31075	GO Bond Taxes	\$ 18,877	\$ 10,665	\$ 9,224		\$ -	\$ 11,151

SANTA YNEZ COMMUNITY SERVICES DISTRICT
MID YEAR BUDGET
DECEMBER 31, 2016

50% of year

Account #	Description	Budget	YTD	Budget	%	Adj.	Mid Year Budget
		16/17	12/31/2016	Balance			
31104	Interest Income	\$ -				\$ -	
	TOTAL GO BOND REVENUE	\$ 18,877	\$ 10,665	\$ 9,224		\$ -	\$ 11,151
	State Revolving Fund						
31200	SRF Taxes	\$ -	\$ 565	\$ (565)		\$ -	\$ 565
31106	Interest Income	\$ -				\$ -	
	TOTAL SRF REVENUE	\$ -	\$ 565	\$ (565)		\$ -	\$ 565
	Tribe Revenue						
	Revenue from Tribe - Collection	\$ 7,900	\$ 3,600	\$ 4,300	45.57%		\$ 7,900
	Revenue from Tribe - WWTP	\$ 16,645	\$ 9,879	\$ 6,766	59.35%		\$ 16,645
	Tribe Overhead Contribution	\$ 3,000.00	\$ -	\$ 3,000	0.00%		\$ 3,000.00
	WWTP Over Head Contribution	\$ 18,000	\$ -	\$ 18,000	0.00%		\$ 18,000
	Revenue to Enterprise Fund	\$ 45,545	\$ 13,479	\$ 32,066	29.59%	\$ -	\$ 45,545
	Chumash Tribe Collection Expense						
57110	Salaries	\$ 35,000	\$ 17,879	\$ 17,121	51.08%		\$ 35,000
57120	Benefits	\$ 12,000	\$ 5,640	\$ 6,360	47.00%		\$ 12,000
57127	Payroll Taxes	\$ 2,000	\$ 272	\$ 1,728	13.60%		\$ 2,000
57151	Repair & Maintenance	\$ 5,500	\$ 5,858	\$ (358)	106.51%		\$ 5,500
57170	Insurance	\$ 4,600	\$ 4,738	\$ (138)	103.00%		\$ 4,600
57190	Utilities	\$ 5,000	\$ 2,953	\$ 2,561	59.06%		\$ 5,000
	Overhead Contribution	\$ 3,000	\$ -	\$ -	0.00%		\$ 3,000
	Administrative Fee	\$ 6,000	\$ 3,600	\$ 2,293	60.00%		\$ 6,000
	Total Tribe Collection	\$ 73,100	\$ 40,940	\$ 29,567	56.01%	\$ -	\$ 73,100
	Chumash Tribe Wastewater Plant						
57210	Salaries	\$ 220,000	\$ 112,780	\$ 107,220	51.26%		\$ 220,000
57215	Uniforms	\$ 525	\$ -	\$ 525	0.00%		\$ 525
57220	Benefits	\$ 59,000	\$ 33,692	\$ 25,308	57.11%		\$ 59,000

SANTA YNEZ COMMUNITY SERVICES DISTRICT
MID YEAR BUDGET
DECEMBER 31, 2016

50% of year

Account #	Description	Budget		YTD 12/31/2016	Budget		%	Mid Year Budget	
		16/17	16/17		Balance	Balance		Adj.	Adj.
57227	Payroll Taxes	\$ 5,100	\$ 1,763	\$ 3,337	\$ 5,100	\$ 1,763	34.57%	\$ 5,100	\$ 5,100
57251	Repairs & Maintenance	\$ 40,000	\$ 17,262	\$ 22,738	\$ 40,000	\$ 17,262	43.16%	\$ 40,000	\$ 40,000
57252	Education/Seminars	\$ 3,000	\$ 300	\$ 2,700	\$ 3,000	\$ 300	10.00%	\$ 3,000	\$ 3,000
57253	Travel & Meetings	\$ 300	\$ -	\$ 300	\$ 300	\$ -	0.00%	\$ 300	\$ 300
57256	Lab Testing	\$ 30,000	\$ 15,890	\$ 14,110	\$ 30,000	\$ 15,890	63.80%	\$ 30,000	\$ 30,000
57270	Insurance	\$ 14,000	\$ 14,435	\$ (435)	\$ 14,000	\$ 14,435	103.11%	\$ 14,000	\$ 14,000
57275	Membership Dues	\$ 1,200	\$ -	\$ 1,200	\$ 1,200	\$ -	0.00%	\$ 1,200	\$ 1,200
57280	Operating Supplies	\$ 30,000	\$ 17,023	\$ 12,977	\$ 30,000	\$ 17,023	56.74%	\$ 30,000	\$ 30,000
57293	Telephone	\$ 700	\$ 395	\$ 305	\$ 700	\$ 305	56.43%	\$ 700	\$ 700
	Overhead Contribution	\$ 18,000	\$ -	\$ -	\$ 18,000	\$ -	0.00%	\$ 18,000	\$ 18,000
	Administrative Fee	\$ 18,000	\$ 9,879	\$ 7,698	\$ 18,000	\$ 9,879	54.88%	\$ 18,000	\$ 18,000
	<i>Total Tribe WWTP</i>	\$ 439,825	\$ 223,419	\$ 216,406	\$ 439,825	\$ 223,419	50.80%	\$ 439,825	\$ 439,825
	TOTAL CHUMASH	\$ 512,925	\$ 254,359	\$ 245,973	\$ 512,925	\$ 245,973	51.54%	\$ 512,925	\$ 512,925

**SANTA YNEZ COMMUNITY SERVICES DISTRICT
INVESTMENT REPORT
December 31, 2016**

	Rabobank Checking	Rabobank Money Market	LAIIF Investment	Aly Bank/ Goldman Sacs	Total Cash
9/30/2016	\$ 7,705.34	\$ 1,783,929.38	\$ 151,330.71	\$ 301,990.35	\$ 2,244,955.78
Deposits	\$ 1,068,511.01	\$ 289,433.43			\$ 1,357,944.44
Disbursements	\$ (542,228.69)	\$ (265,000.00)		\$ (167.25)	\$ (807,228.69)
Interest Earned	\$ 1.54	\$ 904.37	\$ 229.94	\$ 956.18	\$ 1,135.85
Balance @ 12/31/2016	\$ 533,989.20	\$ 1,809,267.18	\$ 151,560.65	\$ 302,779.28	\$ 2,797,596.31
			Interest rate .68%		
The SYCSD 2nd Quarter 2016/2017 investments are in compliance with Resolution No. 11-03 Investment Policy					
Wendy Berry, Secretary-Treasurer					

**SANTA YNEZ
COMMUNITY SERVICES DISTRICT
STAFF REPORT**

TO: BOARD OF DIRECTORS

PREPARED BY: Jeff Hodge, General Manager

FOR: REGULAR BOARD MEETING

DATE: February 15, 2017

ITEM: Approve final contract for RMC Water and Environment for as-needed technical support.

SUMMARY: At the October 19, 2016 regular Board meeting the Board approved as-needed technical support from RMC with the inclusion of the District's standard addendum. RMC came back with several changes to the District's addendum. At the December 21, 2016, regular Board meeting, the Board asked legal counsel and staff to negotiate changes to the addendum and bring back the final contract for approval.

RECOMMENDATION: Approve the final contract with RMC.

ATTACHMENTS:
RMC Contract

ADDENDUM TO PROPOSAL TO PROVIDE AS-NEEDED TECHNICAL SUPPORT

THIS ADDENDUM TO PROPOSAL TO PROVIDE AS-NEEDED TECHNICAL SUPPORT (this "Addendum"), dated for reference purposes only as of September 22, 2016, is entered into by and between the **SANTA YNEZ COMMUNITY SERVICES DISTRICT**, a public agency ("SYCSD"), and **RMC WATER AND ENVIRONMENT**, a California corporation ("Consultant"). SYCSD and Consultant mutually agree as follows:

1. **Purpose of Addendum.** The purpose of this Addendum is to supplement and amend the terms of that certain proposal from Consultant to SYCSD dated as of the date first referenced above (the "Proposal") relating to Consultant's services in connection with the project described in said proposal (the "Project"). In the event of any inconsistencies between the terms of the Proposal and this Addendum, the provisions of this Addendum shall apply and be controlling.

2. **Standard of Care.** The services to be provided by Consultant shall be performed in accordance with generally accepted industry standards in the vicinity of the Project in effect when the services are rendered.

3. **Extra Work.** Consultant shall not perform any work not included in the scope of services described in the Proposal unless the extra work has been approved by SYCSD in writing. Consultant shall be paid for the extra work in accordance with the terms of the Proposal or, in the event the Proposal does not address payment for extra work, payment shall be at a rate to be mutually agreed on in writing prior to commencement of the extra work.

4. **Insurance.**

a. Consultant shall maintain during the term of the Project a general liability insurance policy relating to the services to be provided under the Proposal with a minimum of \$5,000,000 combined single limit coverage for personal injury, bodily injury, and property damage. Said policy shall name SYCSD and its directors, officers, and employees as additional insureds.

b. Consultant shall maintain during the term of the Project workers' compensation insurance in the amounts required by law.

c. Consultant shall maintain during the term of the Project and, if written on a "claims made" basis, for a period of three (3) years following completion of services hereunder, a policy of professional liability insurance in the amount of \$5,000,000 per claim.

d. Prior to commencing services, Consultant shall furnish SYCSD with certificates of insurance evidencing the coverage required above. Such certificates shall provide that the carrier will give SYCSD at least thirty (30) days' prior notice of cancellation of coverage (ten (10) days for nonpayment of premium). Consultant shall provide SYCSD with new certificates of insurance evidencing the renewal of coverage prior to the expiration of any policy required hereunder.

5. **Indemnification.** Consultant shall defend with counsel acceptable to SYCSD, indemnify, save and hold harmless SYCSD, its officers, directors, and employees from and against any and all claims, demands, causes of action, fines, penalties, liabilities, damages, costs, and expenses (including but not limited to reasonable fees of attorneys and other professionals) that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Consultant or its officers, employees, agents, subconsultants, successors or assigns, or any person under Consultant's direction or control, except to the extent that such claims, demands, causes of action, fines, penalties, liabilities, damages, costs, and expenses (i) are attributable to the negligence, recklessness, or willful misconduct of SYCSD, or (ii) arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of any third party.

6. **Work Product.** Upon full payment to Consultant for its services in accordance with the Proposal and this Addendum, SYCSD shall have a perpetual, irrevocable right and license to use all documents and data prepared by Consultant under the Proposal, including electronic documents and data ("Work Product").

7. **Independence.** Consultant shall act at all times herein as an independent contractor, and nothing contained herein shall be construed to create a relationship of partners, principal and agent, or employer and employee between SYCSD and Consultant. The Proposal shall in no way limit or restrict the ability of Consultant to provide services for other persons or entities, for compensation or otherwise, during the term hereof.

8. **Non-Disclosure.** Except as required in the performance of duties for SYCSD, Consultant shall not disclose any confidential information acquired in the performance of services hereunder to any person other than SYCSD and SYCSD's authorized representatives, or use such information for any purpose, either during or after the term of hereof, without the consent of SYCSD.

9. **Conflicts of Interest.** Consultant represents and warrants to SYCSD that Consultant presently has no interests as a party to a contract or otherwise, and agrees not to acquire any such interests, which would materially conflict with the performance of the services to be provided hereunder. Consultant further agrees that, in the performance of its services, Consultant shall not knowingly retain any employee, subcontractor, or agent having any such conflicting interests.

10. **Entire Agreement/Modifications.** The Proposal, this Addendum and all attached exhibits constitute the entire agreement between the parties and supersede all prior agreements and understandings of the parties relating to the subject matter hereof. Neither the Proposal nor this Addendum may be modified in any way except by an instrument in writing signed by each of the parties hereto.

11. **Attorneys' Fees.** In any action at law or in equity arising out of the Proposal or this Addendum, the prevailing party shall be entitled to reasonable attorneys' fees in addition to any other relief awarded to said party.

12. **Successors.** The provisions hereof shall be binding upon and shall inure to the benefit of the parties and their respective successors, assigns, executors, administrators, and heirs.

13. **Waivers.** No waiver of any breach of any covenant or provision herein shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

14. **Construction.** Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part hereof. Whenever required by the context, the singular shall include the plural and the masculine shall include the feminine and vice versa. All exhibits and other documents attached to or referred to in the Proposal or this Addendum are incorporated by this reference.

15. **Governing Law.** The parties hereto expressly agree that (i) the Proposal and this Addendum shall be governed by, interpreted under and enforced in accordance with the laws of the United States of America and the State of California, (ii) in the event of any dispute, the parties shall be subject to the jurisdiction of the courts of the State of California, regardless of their place of residence, and (iii) in any action arising hereunder, venue shall be in the County of Santa Barbara, State of California, United States of America.

16. **Signatures.** The Proposal and this Addendum may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. In the event executed copies of the Proposal or this Addendum are provided by one party to the other(s) by facsimile or email transmission, the facsimile or email copies and the signatures thereon shall for all purposes be treated as originals.

17. **Further Assurances.** The parties agree to take such actions and execute such documents as may be reasonably required to carry out the intent of the Proposal and this Addendum.

18. **Limitation of Liability.** The total aggregate liability of the Consultant to SYCSD or anyone claiming through SYCSD for any and all claims whatsoever arising out of this Agreement shall not exceed the applicable insurance policy limits set forth herein or five million dollars (\$5,000,000), whichever is greater.

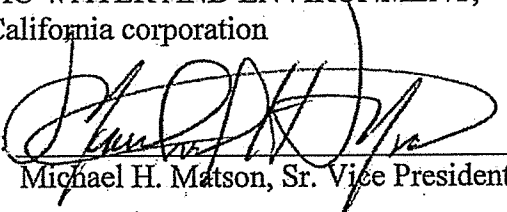
[Signatures on Next Page]

IN WITNESS WHEREOF, the parties have executed this Addendum on the date(s) set forth below.

"CONSULTANT"

RMC WATER AND ENVIRONMENT,
a California corporation

By:



Michael H. Matson, Sr. Vice President

Date:

January 13, 2017

"SYCSD"

SANTA YNEZ COMMUNITY SERVICES
DISTRICT, a public agency

By:

Jeffrey W. Hodge, General Manager

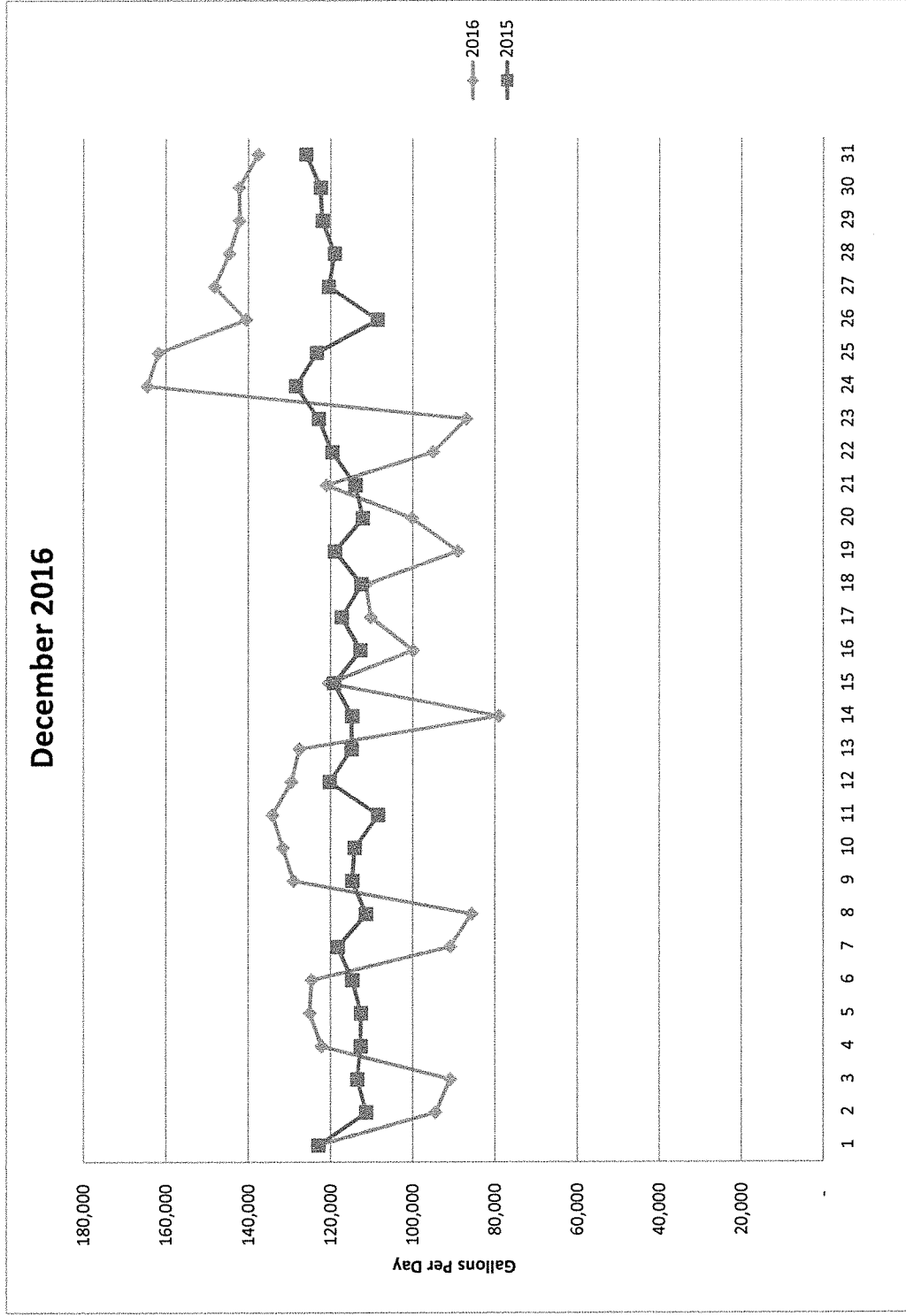
Date:

SANTA YNEZ COMMUNITY SERVICES DISTRICT
MANAGER'S REPORT
February 15, 2017

- Monthly Flows - see attached charts. As you can see the flows vary greatly. A portion can be accounted for due to the recent rains. The other variation we believe to be meter/installation error or other yet to be determined cause(s) at the Fjord Lift Station in Solvang. The Board approved having RMC Engineering firm to investigate this matter further at the December Board meeting.
- Facilities Grant – The final draft of the Facilities Feasibility Study from RMC is expected to be completed in March.
- Update Connection Fee study – This project is about 75% complete at this time.
- Santa Barbara CSDA monthly meeting – The next CSDA meeting will be held at the Santa Ynez Valley Marriott, Monday, February 27, 2016 at 5:30 p.m.

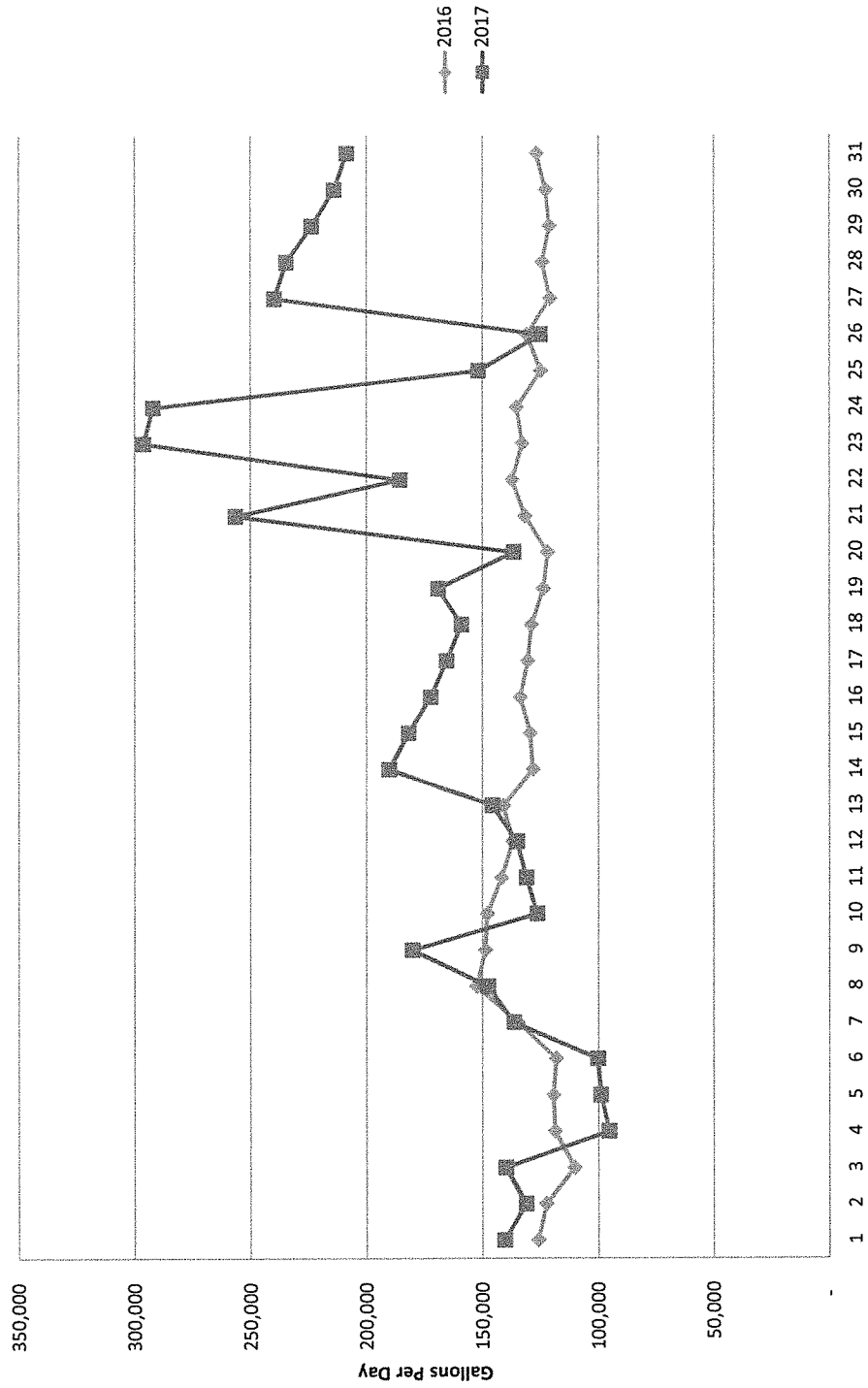
2016	2015
123,231	123,005
94,524	111,364
90,873	113,539
122,195	112,726
125,091	112,660
124,620	114,734
90,941	118,246
85,711	111,409
129,047	114,703
131,670	114,136
134,174	108,445
129,536	120,224
127,613	114,939
79,105	114,770
120,435	119,142
99,966	112,748
110,256	117,305
111,381	112,528
89,071	118,930
100,207	112,186
121,051	113,978
95,134	119,615
87,052	122,910
164,574	128,523
161,946	123,406
140,589	108,602
148,245	120,480
144,673	119,074
142,230	122,040
142,294	122,498
137,654	125,999

3,705,089 3,624,864

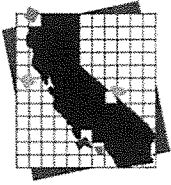


2016	2017
125,999	140,557
122,540	131,206
110,316	139,998
118,786	95,462
119,486	98,917
118,277	100,221
134,851	136,445
152,536	147,571
148,822	180,226
148,018	126,347
141,862	131,044
136,987	135,196
141,031	145,814
128,334	190,317
129,542	181,956
133,755	172,411
130,624	165,565
129,011	159,126
123,734	169,217
121,958	136,563
131,829	256,581
137,269	185,795
132,985	296,259
135,342	292,199
124,988	151,889
131,032	125,187
120,972	239,898
124,361	234,718
121,295	223,746
122,896	214,094
126,934	208,647

January 2017



4,026,372 5,313,172



Santa Barbara County
Chapter of the

SBCGSDA.ORG

**California Special
Districts Association**

>>> *Districts Stronger Together*

JOIN US!

Monthly Chapter Meeting

Monday, February 27, 2017

Networking: 5:30 p.m.

Meeting: 6:00 p.m.

Dinner: 6:15 p.m.

Santa Ynez Valley Marriott

555 McMurray Rd, Buellton

Program

Robert Lewin

Director of Santa Barbara Office of Emergency Management

Registration Fee for members and their guests- \$40

Please reserve your seat with Veroneka Reade

by

Thursday, February 23

at

(805) 922-1726 or vreade@santamariaairport.com

SANTA YNEZ COMMUNITY SERVICES DISTRICT
Secretary/Treasurer Report
February 15, 2017

- The 700 Form is due by April 1, 2017.
- Each Director needs to complete the sexual harassment prevention training and education training. You can complete the training through the CSDA website.
- February 25, 2017 will be a valley wide document shred day. (see attached flier)

Valley Wide Shred Day



Rabobank



Saturday, February 25th

Buellton / Solvang / Santa Ynez Rabobank Locations

Need to shred old documents / financials / paperwork? Here's your chance. The Chambers of Commerce are hosting a Valley Wide Shred Day to help you clean out some of the clutter.

See below for times and locations.

9:30am – 11:30am at Rabobank in Buellton

12noon – 2:00pm at Rabobank in Solvang

2:30pm – 4:30 pm at Rabobank in Santa Ynez

A Shred2U truck will be located, in the parking lot of these locations at the times provided. You may bring up to two banker's boxes to shred for free. Additional boxes will cost \$7 per box.

eat, stay & play!!
BUELLTON
VISITORS BUREAU & CHAMBER OF COMMERCE



THE
SantaYnez
CHAMBER

