



# Helendale Community Services District

**BOARD OF DIRECTORS MEETING**  
**December 7, 2017 at 6:30 PM**  
**26540 Vista Road, Suite C, Helendale, CA 92342**

## Call to Order - Pledge of Allegiance

### 1. Approval of Agenda

2. **Public Participation** - *Anyone wishing to address any matter pertaining to District business listed on the agenda or not, may do so at this time. However, the Board of Directors may not take action on items that are not on the agenda. The public comment period may be limited to three (3) minutes per person. Any member may speak on any agenda item at the time the agenda item is discussed by the Board of Directors.*

### 3. Consent Items

- Approval of Minutes: November 16, 2017 Regular Board Meeting
- Bills Paid and Presented for Approval

### 4. Reports

- Directors' Reports
- General Manager's Report

## Discussion Items

- Discussion and Possible Action Regarding Review and Acceptance of FY 2016/17 Audit
- Discussion and Possible Action Regarding Approval of Revised Exclusive Franchise Agreement Between Helendale Community Services District and Burrtec Waste Industries for Solid Waste Handling And Recycling Services
- Discussion and Possible Action Regarding Increase in Contract Cost for Accounting Support Services with Rogers Anderson Malody and Scott, LLP
- Discussion and Possible Action Regarding Annual Election of Officers

## Other Business

- Requested items for next or future agendas (Directors and Staff only)
- Adjournment

*Pursuant to Government Code Section 54954.2(a), any request for a disability-related modification or accommodation, including auxiliary aids or services, that is sought in order to participate in the above agendized public meeting should be directed to the District's General Manager's office at (760) 951-0006 at least 24 hours prior to said meeting. The regular session of the Board meeting will be recorded. Recordings of the Board meetings are kept for the Clerk of the Board's convenience. These recordings are not the official minutes of the Board meetings.*

## Providing:

- Water
- Wastewater
- Park & Recreation
- Solid Waste Management
- Street lighting
- Graffiti Abatement for the Helendale Community

## OFFICE HOURS:

Monday-Friday  
8:00 – 5:30 p.m.

## PHONE:

760-951-0006

## FAX:

760-951-0046

## ADDRESS:

26540 Vista Road  
Suite B  
Helendale, CA  
92342

## MAILING

### ADDRESS:

PO BOX 359  
Helendale, CA  
92342

Visit us on the Web  
at:  
[www.helendalecsd.org](http://www.helendalecsd.org)





Minutes of the Helendale Community Services District Board of  
Directors Meeting for November 16, 2017 at 6:30 PM  
26540 Vista Road, Suite C, Helendale, CA 92342

**Roll Call:**

**Board:**

President Ron Clark; Vice President Tim Smith; Secretary Sandy Haas; Director Craig Schneider; Director Henry Spiller

**Staff:**

General Manager Kimberly Cox  
Program Coordinator Cheryl Vermette  
Water Operations Manager Craig Carlson

**Consultants**

Legal Counsel Steve Kennedy

**Audience:**

There were three (3) members of the public present.

**Call to Order and Pledge of Allegiance** – The meeting was called to order at 6:33 pm by President Clark after which the Pledge of Allegiance was recited.

**1. Approval of Agenda**

**Discussion:** General Manager Cox requested to remove Item 5: State of the County Presentation/First District Presented by Supervisor Lovingood's District representative, Dillon Lesovsky and the Closed Session item from the agenda.

**Action:** Director Schneider made the motion to approve the Agenda as amended. Director Spiller seconded the motion.

**Vote:** Motion carried. 5 Yes; 0 No

**2. Public Participation**

None

**3. Consent Items**

a. Approval of Minutes: November 2, 2017 Regular Board Meeting

b. Bills Paid and Presented for Approval

**Action:** Director Haas made the motion to approve the Consent Items as presented. Director Smith Seconded the motion.

**Vote:** Motion carried. 5 Yes; 0 No

**4. Reports**

a. Directors' Reports

- Director Schneider thanked Staff for the Thanksgiving luncheon.

b. General Manager's Report

- GM Cox showed the board photos of the concrete at the park
- Operations Manager Carlson gave the water report.
  - Completed monthly well site inspections
  - Restocked 24-hour emergency leak trailer
  - Trenched and installed conduit for PA system at the park
  - Rewired lights at Community Center

- A fire hydrant on Chaparral lane that was hit on November 2
- Program Coordinator Vermette reported on upcoming activities
  - Senior Music Fest will be held on December 8
  - Special Park and Rec meeting will be held on November 21
  - Paint Party will be held on December 14
  - Youth Basketball signups are going on now.
  - Solid waste report included bulky item pickups, customers with extra recycling barrels, refuse and recycling tonnage for the month, and Thrift Store metal recycling.

### Special Presentation

- ~~5. State of the County Presentation/First District Presented by Supervisor Lovingood's District representative, Dillon Lesovsky~~

This item was removed from the agenda

### Discussion Items

6. Discussion and Possible Action Regarding Program Guidelines of Green Waste Drop off Program

**Discussion:** The Board was presented with Green Waste Statistics for drop offs from the last year as well as an overview of how the program is currently run. The Board was also informed that the majority of volume comes from professional landscapers. The Board did not recommend making any changes to the current program but did ask that Staff continue to monitor the program and report back to the Board.

**Action:** There was no action on this item.

7. Discussion and Possible Action Regarding Criteria for Waiver of Payment of Deposits and Adoption of Changes to the District's Deposit and Application for Service Policy

**Discussion:** The Board was presented with options for a credit check in lieu of a deposit. The Board favored "Option 1" where customers above a specified credit score would not have to pay a deposit and customers below a specified credit score would have to pay the deposit. The Board set the service fee for the credit check at \$5 which covers the cost of the credit check. The Board also set the credit score to waive the deposit fee at 700. The Board also opted to lower the deposit to two months average bill for the deposit as opposed to the current three months average bill. They also asked that Staff monitor this program and bring statistics back at the first meeting in April

**Action:** Director Haas made the motion to adopt the modified Deposit and Application Policy and Direct Staff to implement the new process as discussed. Director Spiller seconded the motion.

**Vote:** Motion carried. 5 Yes; 0 No; 0 absent

**Yes:** Director Schneider; Director Haas; President Clark; Vice President Smith; Director Spiller

8. Discussion and Possible Action Regarding Criteria for Waiver of Payment of Deposits and Adoption of Resolution 2017-17: A resolution of the Helendale Community Services District to Tax Defer Member Paid Contributions – ICR414(h) Employer Pick-Up

**Action:** Director Schneider made the motion to adopt Resolution 2017-17 As presented. Director Smith seconded the motion.

**Vote:** Motion carried. 5 Yes; 0 No; 0 absent

**Yes:** Director Schneider; Director Haas; President Clark; Vice President Smith; Director Spiller

### Other Business

9. Requested items for next or future agendas (Directors and Staff only)

- ~~10. Conference with Real Property Negotiators~~

~~(Government Code Section 54956.8)~~  
~~Property: 26538 Lakeview Drive~~  
~~District Negotiator: Kimberly Cox~~  
~~Negotiating Parties: SBA Communications~~  
~~Under Negotiation: Price and terms of payment~~  
This item was removed from the Agenda

Open Session

11. Reportable Action from Closed Session

This item was removed from the Agenda

11. Adjournment

President Clark adjourned the meeting at 7:34 pm

Submitted by:

Attest:

---

Ron Clark, President

---

Sandy Haas, Secretary

The Board actions represent decisions of the Helendale Community Services District Board of Directors. A digital voice recording and copy of the PowerPoint presentation are available upon request at the Helendale CSD office.



# Helendale Community Services District

---

Date: December 7, 2017  
TO: Board of Directors  
FROM: Kimberly Cox, General Manager  
BY: Sharon Kreinop, Senior Account Specialist  
SUBJECT: Agenda item # 3 b.  
Consent Item: Bills Paid and Presented for Approval

---

**STAFF RECOMMENDATION:**

Report Only. Receive and File

**STAFF REPORT:**

Staff issued 49 checks for the period of November 10, 2017 through December 2, 2017 totaling \$126,520.55.

Total cash available:	<u>12/02/17</u>
Cash	\$ 4,501,959.28
Checks Issued	\$ 126,520.55

Investment Report

The Investment Report shows the status of invested District funds. The current interest rate is 1.37% for CalTRUST Short-Term and 1.55% for Medium-Term Investments, 1.143% for LAIF, and 0.25% for the CBB Sweep Account for November 2017. Interest earned in October 2017 on the CalTRUST investments and the CBB Sweep Account is \$3,891.96



Helendale CSD

# Bills Paid and Presented for Approval Transaction Detail

Issued Date Range: 11/10/2017 - 12/04/2017

Cleared Date Range: -

Issued Date	Number	Description	Amount	Type	Module
<b>Bank Account: 251229590 - CBB Checking</b>					
11/21/2017	<a href="#">19950</a>	JANE E RAYMOND	-13.49	Check	Utility Billing
11/21/2017	<a href="#">19951</a>	DCCM INVESTMENT CORP	-141.77	Check	Utility Billing
11/21/2017	<a href="#">19952</a>	JORDAN BUNN	-294.38	Check	Utility Billing
11/22/2017	<a href="#">19953</a>	Apple Valley Communications	-294.00	Check	Accounts Payable
11/22/2017	<a href="#">19954</a>	Burrtec Waste Industries, Inc.	-48,619.41	Check	Accounts Payable
11/22/2017	<a href="#">19955</a>	Capital One Commercial	-114.04	Check	Accounts Payable
11/22/2017	<a href="#">19956</a>	Choice Builder	-768.96	Check	Accounts Payable
11/22/2017	<a href="#">19957</a>	County of San Bernardino, Solid Waste Mgmt. Div.	-715.50	Check	Accounts Payable
11/22/2017	<a href="#">19958</a>	Daily Press	-124.38	Check	Accounts Payable
11/22/2017	<a href="#">19959</a>	Frontier Communications	-111.63	Check	Accounts Payable
11/22/2017	<a href="#">19960</a>	Geo-Monitor, Inc.	-178.50	Check	Accounts Payable
11/22/2017	<a href="#">19961</a>	Home Depot Credit Services	-443.65	Check	Accounts Payable
11/22/2017	<a href="#">19962</a>	Industrial Rubber & Supply, LLC	-17.78	Check	Accounts Payable
11/22/2017	<a href="#">19963</a>	Infosend	-1,834.26	Check	Accounts Payable
11/22/2017	<a href="#">19964</a>	Liberty Composting, Inc.	-334.25	Check	Accounts Payable
11/22/2017	<a href="#">19965</a>	Lowe's	-25.25	Check	Accounts Payable
11/22/2017	<a href="#">19966</a>	Mojave Water Agency	-352.34	Check	Accounts Payable
11/22/2017	<a href="#">19967</a>	Official Payments Corp	-58.80	Check	Accounts Payable
11/22/2017	<a href="#">19968</a>	Paul Harvey	-1,425.00	Check	Accounts Payable
11/22/2017	<a href="#">19969</a>	R & C Compliance Management Services	-700.00	Check	Accounts Payable
11/22/2017	<a href="#">19970</a>	Robert Yeghoian Co., Inc.	-4,191.90	Check	Accounts Payable
11/22/2017	<a href="#">19971</a>	Rogers, Anderson, Malody & Scott	-12,928.00	Check	Accounts Payable
11/22/2017	<a href="#">19972</a>	Southern California Edison	-345.44	Check	Accounts Payable
11/22/2017	<a href="#">19973</a>	Southern California Edison	-1,587.03	Check	Accounts Payable
11/22/2017	<a href="#">19974</a>	Southern California Edison	-10,625.60	Check	Accounts Payable
11/22/2017	<a href="#">19975</a>	SWRCB FEES	-150.00	Check	Accounts Payable
11/22/2017	<a href="#">19976</a>	Tim Smith	-750.00	Check	Accounts Payable
11/22/2017	<a href="#">19977</a>	Uline	-611.06	Check	Accounts Payable
11/22/2017	<a href="#">19978</a>	United Site Services	-473.42	Check	Accounts Payable
11/22/2017	<a href="#">19979</a>	USA Blue Book	-225.37	Check	Accounts Payable
11/22/2017	<a href="#">19980</a>	Verizon Wireless	-96.90	Check	Accounts Payable
11/27/2017	<a href="#">19981</a>	KIRK VAN EPPS	-1,218.87	Check	Utility Billing
11/28/2017	<a href="#">19982</a>	Triple C Electric	-25,779.00	Check	Accounts Payable
11/30/2017	<a href="#">19983</a>	Capital One Commercial	-98.22	Check	Accounts Payable
11/30/2017	<a href="#">19984</a>	Craig Schneider	-972.72	Check	Accounts Payable
11/30/2017	<a href="#">19985</a>	Daily Press	-124.38	Check	Accounts Payable
11/30/2017	<a href="#">19986</a>	Desert Community Bank	-267.30	Check	Accounts Payable
11/30/2017	<a href="#">19987</a>	Graham Equipment	-800.00	Check	Accounts Payable
11/30/2017	<a href="#">19988</a>	Henry Spiller	-530.24	Check	Accounts Payable
11/30/2017	<a href="#">19989</a>	Larry Walker Associates	-3,830.00	Check	Accounts Payable
11/30/2017	<a href="#">19990</a>	Rebecca Gonzalez	-345.00	Check	Accounts Payable
11/30/2017	<a href="#">19991</a>	Sandy Haas	-775.55	Check	Accounts Payable
11/30/2017	<a href="#">19992</a>	Shred-it USA LLC	-60.29	Check	Accounts Payable
11/30/2017	<a href="#">19993</a>	Sierra Analytical	-1,498.00	Check	Accounts Payable
11/30/2017	<a href="#">19994</a>	Southwest Gas Company	-225.94	Check	Accounts Payable
11/30/2017	<a href="#">19995</a>	Staples Office Supplies	-569.30	Check	Accounts Payable
11/30/2017	<a href="#">19996</a>	Tyler Technologies, Inc.	-137.00	Check	Accounts Payable
11/30/2017	<a href="#">19997</a>	UIA Ultimate Internet Access, Inc	-686.48	Check	Accounts Payable
11/30/2017	<a href="#">19998</a>	Jonathan A. Escobar	-50.15	Check	Accounts Payable
<b>Bank Account 251229590 Total: (49)</b>			<b>-126,520.55</b>		
<b>Report Total: (49)</b>			<b>-126,520.55</b>		

**Bank Transaction Report**

**Bank Account**

[251229590 CBB Checking](#)

	<b>Count</b>	<b>Amount</b>
	49	-126,520.55
<b>Report Total:</b>	<u>49</u>	<u>-126,520.55</u>

**Cash Account**

[99 99-111000 Cash in CBB - Checking](#)

**Report Total:**

	<b>Count</b>	<b>Amount</b>
	49	-126,520.55
	<u>49</u>	<u>-126,520.55</u>

**Transaction Type**

Check

	<b>Count</b>	<b>Amount</b>
	49	-126,520.55
<b>Report Total:</b>	<u>49</u>	<u>-126,520.55</u>



# Helendale Community Services District

---

**Date:** December 7, 2017  
**TO:** Board of Directors  
**FROM:** Kimberly Cox, General Manager  
**SUBJECT:** Agenda item #5  
Discussion and Possible Action Regarding Review and Acceptance of the FY 2016/17 Audit

---

## **Staff Recommendation**

A motion to accept the annual audit for fiscal year 2016-17.

## **STAFF REPORT:**

The new District auditors have completed the annual audit for the fiscal year ending June 30, 2016. Mr. Chris Brown, CPA, will present an overview of the audit at the Board meeting. The auditors have presented an unmodified audit. This means that the District has followed accounting guidelines and principles to account for the use and receipt of District funds. The draft final audit is included with this staff report.

During the course of the audit District staff provided access to all information that was relevant to the audit and the financial statements. The auditors met with various District senior staff, consultants and critical staff that prepare financial documents, payments, investments, payroll and other related operations. The responses to the various inquiries help to determine the financial condition and compliance with District policies and procedures and State and Federal accounting guidelines and pronouncements.

From time to time the audit landscape changes by requirements for additional information required by the Governmental Accounting Standards Board (GASB). The requirement to address the pension liability of the District has been complied with and is indicated in the audited financial statement tables and addressed in the notes to the financial statements.

One of the most helpful components of the audit is the Management Discussion and Analysis (MD&A). The discussion is prepared by Staff and explains the actions of the District during the course of the fiscal year in fairly non-technical terms. The MD&A provides information by the individual funds of the District, explaining the activities and account balances as of the end of the fiscal year.

The auditors have met with the President and Secretary of the Board to review the audit in greater detail.

## **Motion:**

A motion to accept the annual audit for fiscal year 2016-17





## **Annual Financial Report**

**For the Fiscal Year Ended June 30, 2017**



**Helendale Community Services District  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

**Table of Contents**

	<u>Page No.</u>
Table of Contents.....	i
 <b>Financial Section</b>	
Independent Auditor's Report .....	1 – 2
Management's Discussion and Analysis.....	3 – 12
<b>Financial Statements:</b>	
Statement of Net Position .....	13 – 14
Statement of Revenues, Expenses, and Changes in Net Position .....	15
Statement of Cash Flows .....	16 – 17
Notes to Financial Statements .....	18 – 41
<b>Required Supplementary Information</b>	
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date .....	42
Schedule of Plan Contributions.....	43
 <b>Report on Internal Controls and Compliance</b>	
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 Governmental Auditing Standards .....	44 – 45

**<Page Intentionally Left Blank>**

# Financial Section



## **Independent Auditor's Report**

Board of Directors  
Helendale Community Services District  
Helendale, California

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Helendale Community Services District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The accompanying financial statements of the District as of June 30, 2016, were audited by other auditors whose report dated February 13, 2017, expressed an unmodified opinion on those statements.

### ***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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 opinion.

## **Independent Auditor's Report, continued**

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Helendale Community Services District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and required supplementary information on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. That report can be found on page 44 and 45.

**Fedak & Brown LLP**  
Cypress, California  
December 7, 2017





# Helendale Community Services District

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Helendale Community Services District (District) financial report presents a narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. The District provides water and wastewater utility services and street lighting within the Silver Lakes community, and solid waste management, graffiti removal, and parks and recreation services District-wide. Please read this discussion and analysis in conjunction with the accompanying District's financial statements and notes to the financial statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. This overview provides data for the financial activities during the fiscal year ended June 30, 2017. The District assumed full responsibility and authority for CSA Zones 70 B & C on April 1, 2007, and without further San Bernardino County Special Districts oversight or involvement. The District applies the accrual method of accounting in accordance with generally accepted accounting principles. The financial statements offer information about the District's activities for the fiscal year ended June 30, 2017. The District's fiscal year starts July 1 of each year and ends on June 30 of the following year, encompassing a twelve-month period of operation.

Fiscal year 2016-17 displays financial data for the individual enterprise funds, and each fund is shown as a standalone operation. The Park and Recreation Fund includes Rental Activities, Thrift Store, Street Lighting and Graffiti Removal to eliminate the need for separate operating funds. The administrative costs which are accounted for separately internally, are allocated amongst the individual enterprise funds at the end of the fiscal year.

The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature of the components and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure, liquidity and overall financial integrity of the District.

The *Statement of Revenues, Expenses and Changes in Net Position* measures the success of operations for the fiscal year. It can be used to determine profitability, credit worthiness and whether all costs were successfully recovered through service charges, user fees, other revenue, and taxes.

The *Statement of Cash Flows* provides information about cash receipts and cash payments. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. It accounts for the changes in cash and cash equivalents from July 1, 2016, through June 30, 2017, and displays cash received, cash spent, and the net change in the amount of cash and cash equivalents. The beginning balances on July 1, 2016 reflect the ending balances from the fiscal year ended June 30, 2016.

## **HIGHLIGHTS**

### **Water Fund**

Current assets consist of cash, receivables and prepaid expenses. The District has made significant investments in water rights to serve current and future needs of the community. Permanent water rights are an asset to the District and increase the amount of free production allowance (FPA) or water that the District can pump to meet customer needs. Any excess water unused at the end of the Water Year (October 1 – September 30) can be leased to another water user. This revenue, however, should not be relied upon as the market is dynamic and subject to supply and demand vulnerabilities. In 2015-16 the District pumped 1,396 acre feet; and in 2016-17 pumping was 1,523 acre feet, which is 127 acre feet more than the previous year. Pumping increases can be attributed to the declaration that the State's epic drought was over.

The District currently owns 3,707 acre feet in Base Annual Production. For an explanation of BAP, the Mojave basin adjudication and water rights administered by the Mojave Agency Watermaster can be downloaded from the Mojave Agency Watermaster 2015-16 Twenty-Third Annual Report at <http://www.mojavewater.org/downloads.html>. During 2016-17 the District leased 786 acre feet in carryover water rights to the Victorville Water District Improvement District #1. The total revenue generated from this temporary lease is \$198,588. This is unpredictable revenue and should not be relied upon annually due to uncertain market conditions. To satisfy the make-up obligation to an adjacent sub-basin, the District leased 118 acre feet from Aqua Capital Management for \$5,310.

- Current assets as of June 30, 2017, for the water fund are \$415,872 and consist of cash, receivables and prepaid expenses.
- Noncurrent capital assets as of June 30, 2017, net of accumulated depreciation and amortization, are \$10,955,857. Noncurrent capital assets consist of water wells, water rights, property, equipment and vehicles, asset purchases and infrastructure improvements made during the fiscal year.
- Deferred outflows of resources as of June 30, 2017, include \$240,775 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, are \$530,458, and include accounts payable, accrued payroll, customer deposits, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2017, are \$4,485,059. This category includes notes payable of \$4,329,229. This represents the Water Fund's share of the \$2.8 million borrowed from Municipal Finance Corporation for the purchase or lease of water rights and the construction of Well 1A and \$500,000 borrowed to construct Well 4A and the \$4,000,000 loan for the purchase of water rights. Well 1A went into service in July 2010 and Well 4A went into service in September 2011. Noncurrent liabilities also includes the net pension liability of \$142,345 as determined by the California Public Employees Retirement System (CalPERS) actuarial report. This category also includes the long-term portion of compensated absences.

## ***Helendale Community Services District***

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017**

---

#### **Water Fund, continued**

- Deferred inflows of resources as of June 30, 2017, include \$17,527 that are pension related, and will be amortized into operating revenue over time.
- Total Water Fund net position is \$6,748,954. The total of net position plus total liabilities and deferred inflows of resources equals the combined sum of total assets and deferred outflow of resources, or \$11,781,998.
- Water Fund activities resulted in an operating income of \$346,647 that includes depreciation of Water Fund capital assets. The District does not fund depreciation in its annual budget. Non-operating revenues of \$80,690 are from connection fees, property taxes, franchise fees, investment income, and other income. Non-operating expenses of \$205,380 are from interest expense and a loss on sale of capital assets.
- Administrative costs and revenue are accounted for separately during the fiscal year and then allocated to the enterprise funds at year-end. Revenue associated with administration includes franchise fees, property taxes and other miscellaneous income. Expenditures include administrative salaries and benefits as well as administrative operating expenses. Fifty percent of indirect administrative costs are allocated to the Water Fund.

#### **Wastewater Fund**

- Current assets as of June 30, 2017, for the wastewater fund are \$4,918,959 and consist of cash, investments, receivables, due from other funds, and prepaid expenses. The park fund borrowed funds for improvements at Helendale Community Park and its rental units at the facility.
- Noncurrent capital assets as of June 30, 2017, net of accumulated depreciation and amortization, are \$1,939,845. Noncurrent assets consist of the wastewater plant, property and equipment, improvements from previous fiscal years, and improvements made during the fiscal year.
- Deferred outflows of resources as of June 30, 2017, include \$194,473 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, are \$93,983 and consist of accounts payable, accrued payroll, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2017, are \$562,255. This category includes notes payable of \$434,612. This represents the Wastewater Fund's share of the \$2.8 million borrowed from Municipal Finance Corporation to reimburse the District for construction of new treatment plant headworks, clarifier recoating, construction of new sludge drying beds, and other plant improvements. Noncurrent liabilities also includes the net pension liability of \$114,972 as determined by the California Public Employees Retirement System (CalPERS) actuarial report. This category also includes the long-term portion of compensated absences.
- Deferred inflows of resources as of June 30, 2017, include \$14,156 that are pension related, and will be amortized into operating revenue over time.

## ***Helendale Community Services District***

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017**

---

#### **Wastewater Fund, continued**

- Total Wastewater Fund net position is \$6,384,166. The total of net position plus total liabilities and deferred inflows of resources equals the sum of assets and deferred outflows of resources, or \$7,054,560.
- Wastewater Fund activities resulted in an operating loss of \$24,952. Revenue consists of monthly sewer fees of \$36.64 per equivalent dwelling unit (EDU). The District does not fund depreciation in its annual budget. Non-operating revenues of \$76,054 are from connection fees, investment income, and other income. Non-operating expenses of \$19,603 are from interest expense and a loss on sale of capital assets.
- Administrative costs and revenue are accounted for separately during the fiscal year and then allocated to the enterprise funds at year-end. Revenue associated with administration includes franchise fees, property taxes and other miscellaneous income. Expenditures include administrative salaries and benefits as well as administrative operating expenses. Fifty percent of indirect administrative costs are allocated to the Wastewater Fund.

#### **Parks and Recreation Fund**

- The Park and Recreation Fund accounts for park operations and rental activities, the Helendale Thrift Store, and also includes street lighting and graffiti removal costs. Electrical expense for street lighting is accounted for separately within the fund, and the fund has allocated an increased share of general property taxes equal to the amount of that specific electrical expense.
- Current assets as of June 30, 2017, for the Park and Recreation Fund are \$67 and consist of prepaid expenses.
- Noncurrent capital assets as of June 30, 2017, for the Parks and Recreation Fund consist of net capital assets of \$2,902,378. It consists of the park property and structures, the community center, thrift store and administrative offices, and vehicles and equipment.
- Deferred outflows of resources as of June 30, 2017, include \$4,631 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, are \$1,288,898 and consist of accounts payable, accrued payroll, an interfund loan from the Sewer Fund for park improvements, general administrative offices, and the current portion of compensated absences and notes payable.
- Noncurrent liabilities as of June 30, 2017, include notes payable of \$1,330,977. This balance represents the Parks and Recreation Fund's share of the \$2.8 million borrowed from the Municipal Finance Corporation to purchase the Silver Lakes Farm property on which is the Helendale Community Park, and for the \$500,000 borrowed to purchase and upgrade the Community Center. This category also includes the net pension liability of \$2,737 as determined by the California Public Employees Retirement System (CalPERS) actuarial report.
- Deferred inflows of resources as of June 30, 2017, include \$337 that are pension related, and will be amortized into operating revenue over time.

## **Helendale Community Services District**

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017**

---

#### **Parks and Recreation Fund, continued**

- Total Parks and Recreation Fund net position as of June 30, 2017, is \$284,127. The total of net position plus total liabilities and deferred inflows of resources equals the total sum of assets and deferred outflows of resources, or \$2,918,201.
- Revenue for the Parks and Recreation Fund includes rental income from ten units on the park property, rental from the water department for their shop, rental from Community Center uses. Rental income, charges for services, and other services totaled \$254,247. Charges for services represent the fees collected from classes as well as rental for other functions held in the Community Center. This fiscal year the Repurposing Center/Thrift Store generated \$289,337 in gross revenue of which the net proceeds will go to park and Community Center improvements and programs per Board of Directors action. The net operating income for 2016-17 is \$20,316.
- The operating expenses include the maintenance and repair of park rental units, and for park property cleanup. The utility costs include street lighting electricity, electricity for rental units and irrigation wells, trash collection and gas provided for park owned facilities. Operating expenses, including depreciation on park assets, totaled \$523,268.
- Non-operating revenue was \$83,951 and consists of property taxes, franchise fees and other income. Non-operating expenses of \$65,066 are from interest expense and a loss on sale of capital assets. Non-operating expenses are primarily interest expense of \$63,398 consisting of the interest payment on the 20-year loan received from the Municipal Finance Corporation in December 2008 for the purchase of the Helendale Community Park, and for \$500,000 borrowed in September 2011 to purchase and upgrade the Community Center and administrative offices. The 2008 loan was refinanced in December 2014 which reduced the semi-annual interest payment.
- The combination of operating loss and non-operating income, transfers in and capital grants resulted in a net increase for the Park and Recreation Fund of \$108,088 for the fiscal year.
- During the year major improvements occurred at the park including the installation of playground equipment, three large picnic shelters, high voltage electrical infrastructure, ballfield lighting, and a security camera system. In addition, new carpeting was installed throughout the Community Center. Equipment purchases included a used forklift for the Repurposing Center/Thrift Store to assist with loading recyclable materials.

#### **Solid Waste Fund**

- The District collects a special assessment of \$85.14 per single family resident to offset the disposal fees paid to the County Landfill for the disposal of the weekly curbside pickup. In addition, the District issues dump passes to residents wanting to haul their own trash to the dump in lieu of the weekly curbside pickup offered by Burrtec. The dump pass will also cover large volumes of residential trash that will not fit in the residential-size containers. The fee also funds the two clean-up days each year and a robust bulky item pickup program that offers curbside pickup of items too large for the residential cart. Current assets of \$483,584 consist of cash, receivables and prepaid expenses. Non-current assets consist of equipment, including trailers and a service truck for the pickup and hauling of large bulky items totaling \$613 in net capital assets.

## ***Helendale Community Services District***

### **Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017**

---

#### **Solid Waste Fund, continued**

- Current assets as of June 30, 2017, are \$483,584 and consist of cash, accounts receivable, taxes and assessments receivable, and prepaid expenses.
- Noncurrent assets as of June 30, 2017, consist of net capital assets of \$613 which include equipment.
- Deferred outflows of resources as of June 30, 2017, include \$23,152 that are pension related, and will be amortized into operating expenses over time.
- Current liabilities as of June 30, 2017, of \$92,154 include accounts payable (due to the trash hauler for tipping fees), accrued payroll, and the current portion of compensated absences.
- Deferred inflows of resources as of June 30, 2017, include \$1,685 that are pension related, and will be amortized into operating revenue over time.
- Total Solid Waste Fund net position as of June 30, 2017, is \$399,193. The total of net position plus total liabilities and deferred inflows of resources equals the total sum of assets and deferred outflows of resources, or \$507,349.
- Administrative costs and revenue are accounted for separately during the fiscal year and then a pro-rata share is charged to the solid waste fund at year-end. Revenue associated with administration includes franchise fees, property taxes and some other income. Expenditures include administrative salaries and benefits as well as administrative operating expenses.
- Operating Income includes charges for services of \$483,098. This amount represents the billing that the District does on behalf of the solid waste hauler. The refuse collection charges are included in the District's monthly utility service bill. Other services includes delinquent charges on late accounts.
- Special assessments of \$85.14 per single family residence for solid waste fees represents all of the non-operating revenues of \$233,995, no other property taxes were collected during the year.
- Expenses include salaries and benefits, contractual services and professional fees totaling \$687,784. Contractual services of \$592,023 include the cost of residential trash disposal tipping fees paid by the hauler and reimbursed by the District to the hauler. Two staff persons are assigned to this fund full-time.
- Operations resulted in a change in net position of \$35,310.

#### **FINANCIAL ANALYSIS OF HELENDALE COMMUNITY SERVICES DISTRICT**

One of the most important questions to ask when assessing the financial condition of the District is whether the District is better off or worse off as a result of its activities. The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* provide information about the District's activities to help answer this question. These two statements report the net position of the District. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, other local, regional, national and global non-financial factors must also be considered.

**Helendale Community Services District**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017**

---

**NET POSITION**

A summary of the District's *Statement of Net Position* is presented in Table A-1.

**Table A-1  
Condensed Statements of Net Position  
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 5,817,199	\$ 5,385,878	\$ 431,321
Net Capital Assets	15,968,187	16,365,175	(396,988)
Total Assets	<u>21,785,386</u>	<u>21,751,053</u>	<u>34,333</u>
<b>Deferred Outflows</b>	<u>463,031</u>	<u>411,102</u>	<u>51,929</u>
<b>Liabilities</b>			
Current Liabilities	2,002,927	1,928,740	74,187
Long-Term Liabilities	6,395,345	6,660,011	(264,666)
Total Liabilities	<u>8,398,272</u>	<u>8,588,751</u>	<u>(190,479)</u>
<b>Deferred Inflows</b>	<u>33,705</u>	<u>119,931</u>	<u>(86,226)</u>
<b>Net Position</b>			
Net investment in capital assets	9,553,733	9,644,162	(90,429)
Unrestricted	4,262,707	3,809,311	453,396
Total Net Position	<u>\$ 13,816,440</u>	<u>\$ 13,453,473</u>	<u>\$ 362,967</u>

Table A-1 shows the net position as a result of operations for the fiscal years ended June 30, 2017 and 2016. Net position is inclusive of actual fixed plant, equipment, reservoirs, distribution systems, collection systems, and park property within the District and the amount of unrestricted net position.

**REVENUES, EXPENSES AND CHANGES IN NET POSITION**

While the statement of net position shows the financial position of the District at the end of the year, the statement of revenues, expenses and changes in net position provides an explanation as to the nature and source of the changes in net position during the year.

As shown in Table A-2, combined District operations (water, wastewater, parks and recreation, and solid waste) resulted in a net operating income of \$143,326. Total non-operating revenues and expenses from investment income, connection fees, property taxes, assessments, franchise fees, other income, and interest expenses totaled \$184,641. The result of operations and non-operating revenues for the year ended June 30, 2017, increased combined net position by \$362,967. Table A-2 shows the change in net position for the fiscal years ended June 30, 2017 and 2016.

**Helendale Community Services District**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017**

---

**REVENUES, EXPENSES AND CHANGES IN NET POSITION, continued**

**Table A-2  
Condensed Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Operating Revenues</b>			
Water sales	\$ 1,462,206	\$ 1,409,567	\$ 52,639
Wastewater charges	1,277,663	1,278,369	(706)
Sale of leased water rights	198,588	613,209	(414,621)
Rental income	273,848	250,260	23,588
Charges for service	589,533	556,485	33,048
Thrift store sales	289,337	269,408	19,929
Other services	131,087	101,584	29,503
<b>Total Operating Revenue</b>	<u>4,222,262</u>	<u>4,478,882</u>	<u>(256,620)</u>
<b>Operating Expenses</b>			
Source of supply	37,144	49,436	(12,292)
Pumping and collection	134,320	182,103	(47,783)
Treatment	11,183	16,157	(4,974)
Customer accounts	12,556	11,616	940
Administrative and general	3,065,160	2,876,416	188,744
Depreciation and amortization	818,573	812,362	6,211
<b>Total Operating Expenses</b>	<u>4,078,936</u>	<u>3,948,090</u>	<u>130,846</u>
<b>Operating Income (Loss)</b>	<u>143,326</u>	<u>530,792</u>	<u>(387,466)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Taxes and assessments	394,889	384,935	9,954
Investment income and other revenue	79,801	60,968	18,833
Interest expense	(280,837)	(293,721)	12,884
Gain (loss) on sale of capital assets	(9,212)	8,195	(17,407)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>184,641</u>	<u>160,377</u>	<u>24,264</u>
<b>Contributions</b>			
Capital grants	35,000	5,269	29,731
<b>Change in Net Position</b>	<u>\$ 362,967</u>	<u>\$ 696,438</u>	<u>\$ (363,202)</u>



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At June 30, 2017, the District had \$29,157,186 invested in infrastructure including land, land improvements, water rights, plant and buildings, office equipment, trucks and autos, and construction in progress as shown in Table A-3 below. Accumulated depreciation on these assets totaled \$13,188,999 resulting in a net capital asset investment of \$15,968,187.

**Table A-3  
Condensed Schedule of Capital Assets  
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Capital Assets</b>			
Land	\$ 919,532	\$ 953,446	\$ (33,914)
Structures and improvements	20,467,045	20,083,456	383,589
Equipment	896,782	760,656	136,126
Vehicles	424,574	471,632	(47,058)
Water rights and other intangibles	6,231,393	6,231,393	-
Construction in progress	217,860	291,174	(73,314)
Total Capital Assets	<u>29,157,186</u>	<u>28,791,757</u>	<u>365,429</u>
Accumulated depreciation	<u>(13,188,999)</u>	<u>(12,426,582)</u>	<u>(762,417)</u>
Net Capital Assets	<u>\$ 15,968,187</u>	<u>\$ 16,365,175</u>	<u>\$ (396,988)</u>

**DEBT**

**Notes Payable**

On December 23, 2008, the District entered into an Installment Sale Agreement to provide financing for the acquisition of Silver Lakes Farm, for the purchase of water rights, development of a replacement water well, and for improvements to the wastewater treatment facility. The District refinanced the loan in December 2014 to 4.1% for the balance of the 15 years remaining. The refinance saves the District \$204,407 over the remaining life of the loan. The semi-annual installments are paid in June and December of each year.

On June 1, 2011, the District entered into an Installment Sale Agreement to provide financing for the development of a replacement for water well 4A, and for the construction or purchase of a District Community Center. The amount of the agreement was \$1,000,000 maturing in 20 years at 5.25% payable in semi-annual installments in March and September of each year.

In August 2014, the District acquired 814 acre feet of permanent water rights with a \$4,000,000 loan from Citizens Business Bank at 4.25% for 20 years. The annual debt payment is \$289,895 paid in semi-annual installments in February and August.

**Helendale Community Services District**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2017**

---

**LIABILITIES**

Current liabilities, or amounts owed in the short term, are shown in Table A-4.

**Table A-4  
Condensed Schedule of Current Liabilities  
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Current Liabilities</b>			
Accounts payable	\$ 176,810	\$ 211,177	\$ (34,367)
Accrued payroll	33,997	30,930	3,067
Accrued expenses	1,698	1,751	(53)
Accrued interest payable	71,307	74,248	(2,941)
Customer deposits	194,535	196,369	(1,834)
Due to other funds	1,160,944	1,062,707	98,237
Current portion of compensated absences payable	44,000	45,000	(1,000)
Current portion of notes payable	319,636	306,558	13,078
Total Current Liabilities	<u>\$ 2,002,927</u>	<u>\$ 1,928,740</u>	<u>\$ 74,187</u>

**NET POSITION**

Net position is comprised of \$9,553,733 net investment in capital assets, and \$4,262,707 in unrestricted net position. Total net position as of June 30, 2017, was \$13,816,440, which is an increase of \$362,967 from the prior year total net position of \$13,453,473.

**CONTACTING THE DISTRICT**

This financial report is designed to provide the residents and others within the Helendale Community Services District's boundary and its customers with a general overview of the District's finances and to show the District's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Kimberly Cox, General Manager at:

Helendale Community Services District  
26540 Vista Road, Suite B  
P.O. Box 359  
Helendale, CA 92342  
  
(760) 951-0006  
kcox@helendalecsd.org

# **Basic Financial Statements**

**Helendale Community Services District**

**Statement of Net Position  
June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 224,956	\$ 530,326	\$ -	\$ 433,595	\$ 1,188,877
Investment pools	-	3,085,684	-	-	3,085,684
Accounts receivable	170,289	129,727	-	46,228	346,244
Taxes and assessments receivable	9,173	6,161	-	3,613	18,947
Interest receivable	1,572	1,572	-	-	3,144
Other receivables	375	-	-	-	375
Due from other funds	-	1,160,944	-	-	1,160,944
Prepaid expenses	8,224	4,545	67	148	12,984
<b>Total Current Assets</b>	<b>414,589</b>	<b>4,918,959</b>	<b>67</b>	<b>483,584</b>	<b>5,817,199</b>
<b>Noncurrent Assets:</b>					
<b>Capital Assets:</b>					
<b>Nondepreciable:</b>					
Land	169,494	119,212	630,826	-	919,532
Construction in progress	-	-	217,860	-	217,860
<b>Total Nondepreciable Capital Assets</b>	<b>169,494</b>	<b>119,212</b>	<b>848,686</b>	<b>-</b>	<b>1,137,392</b>
<b>Depreciable:</b>					
Structures and improvements	9,691,034	7,909,102	2,866,909	-	20,467,045
Equipment	399,688	375,474	116,275	5,345	896,782
Vehicles	207,917	157,981	58,676	-	424,574
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
<b>Total Depreciable Capital Assets</b>	<b>16,530,032</b>	<b>8,442,557</b>	<b>3,041,860</b>	<b>5,345</b>	<b>28,019,794</b>
Accumulated depreciation	(5,574,175)	(6,621,924)	(988,168)	(4,732)	(13,188,999)
<b>Total Depreciable Capital Assets, net</b>	<b>10,955,857</b>	<b>1,820,633</b>	<b>2,053,692</b>	<b>613</b>	<b>14,830,795</b>
<b>Total Capital Assets, net</b>	<b>11,125,351</b>	<b>1,939,845</b>	<b>2,902,378</b>	<b>613</b>	<b>15,968,187</b>
<b>Total Assets</b>	<b>11,539,940</b>	<b>6,858,804</b>	<b>2,902,445</b>	<b>484,197</b>	<b>21,785,386</b>
<b>Deferred Outflows of Resources</b>					
Pension related	240,775	194,473	4,631	23,152	463,031
<b>Total Deferred Outflows of Resources</b>	<b>240,775</b>	<b>194,473</b>	<b>4,631</b>	<b>23,152</b>	<b>463,031</b>

The accompanying notes are an integral part of these financial statements.

**Helendale Community Services District**

**Statement of Net Position (continued)  
June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 52,068	\$ 26,647	\$ 9,960	\$ 88,135	\$ 176,810
Accrued payroll	15,484	12,536	3,278	2,699	33,997
Accrued expenses	-	-	1,698	-	1,698
Accrued interest payable	64,304	349	6,654	-	71,307
Customer deposits	178,897	4	15,634	-	194,535
Due to other funds	-	-	1,160,944	-	1,160,944
Current portion of compensated absences payable	22,440	20,240	-	1,320	44,000
Current portion of long-term debt	195,982	32,924	90,730	-	319,636
<b>Total Current Liabilities</b>	<b>529,175</b>	<b>92,700</b>	<b>1,288,898</b>	<b>92,154</b>	<b>2,002,927</b>
<b>Noncurrent Liabilities:</b>					
Compensated absences payable	13,485	12,671	-	630	26,786
Long-term debt	4,329,229	434,612	1,330,977	-	6,094,818
Net pension liability	142,345	114,972	2,737	13,687	273,741
<b>Total Noncurrent Liabilities</b>	<b>4,485,059</b>	<b>562,255</b>	<b>1,333,714</b>	<b>14,317</b>	<b>6,395,345</b>
<b>Total Liabilities</b>	<b>5,014,234</b>	<b>654,955</b>	<b>2,622,612</b>	<b>106,471</b>	<b>8,398,272</b>
<b>Deferred Inflows of Resources</b>					
Pension related	17,527	14,156	337	1,685	33,705
<b>Total Deferred Inflows of Resources</b>	<b>17,527</b>	<b>14,156</b>	<b>337</b>	<b>1,685</b>	<b>33,705</b>
<b>Net Position</b>					
Net investment in capital assets	6,600,140	1,472,309	1,480,671	613	9,553,733
Unrestricted	148,814	4,911,857	(1,196,544)	398,580	4,262,707
<b>Total Net Position</b>	<b>\$ 6,748,954</b>	<b>\$ 6,384,166</b>	<b>\$ 284,127</b>	<b>\$ 399,193</b>	<b>\$13,816,440</b>

The accompanying notes are an integral part of these financial statements.

**Helendale Community Services District**

**Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Year Ended June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
<b>Operating Revenues</b>					
Water sales	\$ 1,462,206	\$ -	\$ -	\$ -	\$ 1,462,206
Wastewater charges	-	1,277,663	-	-	1,277,663
Sale of leased water rights	198,588	-	-	-	198,588
Rental income	21,468	21,468	230,912	-	273,848
Charges for services	58,310	28,491	19,634	483,098	589,533
Thrift store sales	-	-	289,337	-	289,337
Other services	100,097	21,288	3,701	6,001	131,087
<b>Total Operating Revenues</b>	<b>1,840,669</b>	<b>1,348,910</b>	<b>543,584</b>	<b>489,099</b>	<b>4,222,262</b>
<b>Operating Expenses</b>					
Source of supply:					
Water purchases	25,018	-	-	-	25,018
Operations, maintenance, power and replacement	12,126	-	-	-	12,126
Pumping and collection	101,860	32,460	-	-	134,320
Treatment	-	11,183	-	-	11,183
Customer accounts	12,556	-	-	-	12,556
Administrative and general:					
Salaries and benefits	685,440	529,961	152,652	85,879	1,453,932
Services and supplies	141,190	188,866	78,487	592,023	1,000,566
Professional fees	137,570	164,565	26,793	2,563	331,491
Utilities	115,720	76,569	60,438	284	253,011
Rents and leases	15,510	4,650	-	6,000	26,160
Other operating:					
Depreciation and amortization	247,032	365,608	204,898	1,035	818,573
<b>Total Operating Expenses</b>	<b>1,494,022</b>	<b>1,373,862</b>	<b>523,268</b>	<b>687,784</b>	<b>4,078,936</b>
<b>Operating Income (Loss)</b>	<b>346,647</b>	<b>(24,952)</b>	<b>20,316</b>	<b>(198,685)</b>	<b>143,326</b>
<b>Nonoperating Revenues (Expenses)</b>					
Taxes	30,500	30,500	47,912	-	108,912
Special assessments	28,422	23,560	-	233,995	285,977
Franchise fees	13,223	13,224	30,000	-	56,447
Intergovernmental	428	-	-	-	428
Investment income	7,274	7,274	-	-	14,548
Other income	843	1,496	6,039	-	8,378
Interest expense	(198,299)	(19,140)	(63,398)	-	(280,837)
Loss on sale of capital assets	(7,081)	(463)	(1,668)	-	(9,212)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(124,690)</b>	<b>56,451</b>	<b>18,885</b>	<b>233,995</b>	<b>184,641</b>
<b>Income Before Transfers and Contributions</b>	<b>221,957</b>	<b>31,499</b>	<b>39,201</b>	<b>35,310</b>	<b>327,967</b>
<b>Transfers</b>					
Transfers in	-	16,794	33,887	-	50,681
Transfers out	(50,681)	-	-	-	(50,681)
<b>Total Transfers</b>	<b>(50,681)</b>	<b>16,794</b>	<b>33,887</b>	<b>-</b>	<b>-</b>
<b>Contributions</b>					
Capital grants	-	-	35,000	-	35,000
<b>Change in Net Position</b>	<b>171,276</b>	<b>48,293</b>	<b>108,088</b>	<b>35,310</b>	<b>362,967</b>
<b>Total Net Position - beginning</b>	<b>6,577,878</b>	<b>6,335,873</b>	<b>176,039</b>	<b>363,883</b>	<b>13,453,473</b>
<b>Total Net Position - ending</b>	<b>\$ 6,748,954</b>	<b>\$ 6,384,166</b>	<b>\$ 284,127</b>	<b>\$ 399,193</b>	<b>\$13,816,440</b>

The accompanying notes are an integral part of these financial statements.

**Helendale Community Services District**

**Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 1,947,587	\$ 1,359,048	\$ 533,666	\$ 451,023	\$ 4,291,324
Payments for water	(25,018)	-	-	-	(25,018)
Payments for services and supplies	(530,505)	(503,906)	(173,273)	(554,202)	(1,761,886)
Payments for employee services	(737,311)	(559,219)	(152,351)	(86,168)	(1,535,049)
Net Cash Provided By (Used For) Operating Activities	654,753	295,923	208,042	(189,347)	969,371
<b>Cash Flows from Noncapital Financing Activities</b>					
Taxes and special assessments	60,324	58,196	47,912	234,385	400,817
Proceeds from capital grants	-	-	35,000	-	35,000
Other nonoperating revenue	14,494	14,720	36,039	-	65,253
Interfund borrowing	-	(98,237)	98,237	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	74,818	(25,321)	217,188	234,385	501,070
<b>Cash Flows from Capital and Related Financing Activities</b>					
Acquisition and construction of capital assets	(140,604)	(16,413)	(274,467)	-	(431,484)
Principal paid on capital debt	(187,834)	(31,677)	(87,048)	-	(306,559)
Interest paid on capital debt	(200,900)	(19,163)	(63,715)	-	(283,778)
Net Cash Used For Capital and Related Financing Activities	(529,338)	(67,253)	(425,230)	-	(1,021,821)
<b>Cash Flows from Investing Activities</b>					
Investment income	6,323	6,322	-	-	12,645
Net Cash Provided By Investing Activities	6,323	6,322	-	-	12,645
Net Increase in Cash and Cash Equivalents	206,556	209,671	-	45,038	461,265
Cash Balance - beginning of the year	18,400	3,406,339	-	388,557	3,813,296
Cash Balance - end of the year	\$ 224,956	\$ 3,616,010	\$ -	\$ 433,595	\$ 4,274,561
<b>Reconciliation of Cash to the Statement of Net Position</b>					
Cash and cash equivalents	\$ 224,956	\$ 530,326	\$ -	\$ 433,595	\$ 1,188,877
Investment pools	-	3,085,684	-	-	3,085,684
	\$ 224,956	\$ 3,616,010	\$ -	\$ 433,595	\$ 4,274,561

The accompanying notes are an integral part of these financial statements.

**Helendale Community Services District**

**Statement of Cash Flows, (continued)  
For the Fiscal Year Ended June 30, 2017**

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
<b>Schedule of Noncash Capital Financing Activities</b>					
Acquisition of capital assets through:					
Transfer of construction in progress	\$ -	\$ 33,227	\$ 291,174	\$ -	\$ 324,401
Interfund transfers	(50,681)	16,794	33,887	-	-
	<u>\$ (50,681)</u>	<u>\$ 50,021</u>	<u>\$ 325,061</u>	<u>\$ -</u>	<u>\$ 324,401</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities</b>					
Operating income (loss)	\$ 346,647	\$ (24,952)	\$ 20,316	\$ (198,685)	\$ 143,326
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization expense	247,032	365,608	204,898	1,035	818,573
Prior year construction in process projects abandoned	-	687	-	-	687
Changes in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable, net	738	11,359	-	(38,076)	(25,979)
Other receivables, net	96,875	-	-	-	96,875
Prepaid expenses	21,581	20,620	8,156	2,903	53,260
Deferred outflows of resources	(33,168)	(23,866)	3,591	1,514	(51,929)
Increase (Decrease) in:					
Accounts payable	(15,554)	(46,920)	(15,658)	43,765	(34,367)
Accrued payroll	914	257	397	1,499	3,067
Compensated absences payable	(8,777)	5,512	-	1,609	(1,656)
Accrued expenses	-	-	(53)	-	(53)
Customer deposits	9,305	(1,221)	(9,918)	-	(1,834)
Net pension liability	32,198	24,454	(1,625)	600	55,627
Deferred inflows of resources	(43,038)	(35,615)	(2,062)	(5,511)	(86,226)
Net Cash Provided By (Used For) Operating Activities	<u>\$ 654,753</u>	<u>\$ 295,923</u>	<u>\$ 208,042</u>	<u>\$ (189,347)</u>	<u>\$ 969,371</u>

The accompanying notes are an integral part of these financial statements.



## **Helendale Community Services District**

### **Notes to Financial Statements For the Fiscal Year Ended June 30, 2017**

---

#### **NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization and Operations of the Reporting Entity**

The Helendale Community Services District (District) was formed on December 5, 2006, for the purpose of construction, operation, and maintenance of wastewater collection and water services. Prior to formation, the service area was administered by the County of San Bernardino as San Bernardino County Special Districts Zones B & C. District staff assumed full responsibility of the District from the County of San Bernardino on April 1, 2007.

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District reports the following enterprise funds:

The **Water fund** is used to account for activities related to the District's water system.

The **Wastewater fund** is used to account for activities related to the District's wastewater system.

The **Parks and Recreation fund** is used to account for activities related to the District's parks and recreation programs, rental activities, and the thrift store.

The **Solid Waste fund** is used to account for activities related to the District's management of solid waste disposal and recycling.

The District has elected to follow all pronouncements of the Governmental Accounting Standards Board (GASB).

##### **Use of Estimates**

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the useful lives and impairment of tangible and intangible assets, the allocation of administrative account balances and transactions between the funds, and other estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Accordingly, actual results could differ from those estimates.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in money market funds and government securities that are highly liquid and readily available with an original maturity of three months or less, deposits in investment pools including the Investment Trust of California (CalTRUST) and the State of California Local Agency Investment Fund (LAIF). Deposits in the CalTRUST and LAIF can be withdrawn at any time without penalty.

**Investments**

Investments are stated at fair value (the value at which financial instruments could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale). 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.

**Allowance for Doubtful Accounts**

The District considers substantially all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

**Due to/Due from Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The District reports negative cash in a fund from its pooled cash accounts as amounts due to other funds.

**Prepaid Expenses**

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

**Capital Assets**

Purchased or constructed capital assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. The costs of normal maintenance and repairs are charged to operations as incurred. District policy has established a threshold of \$5,000 for capitalization of depreciable capital assets. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Capital Assets (continued)**

Depreciation is computed using the straight-line method over the following estimated service lives:

Improvements to land	20 to 50 years
Structures and improvements	20 to 40 years
Equipment	5 to 15 years
Vehicles	5 to 10 years
Other intangibles	20 years

**Employee Benefits**

District employees earn vacation and sick leave days based on length of service. Upon termination, the District is obligated to compensate employees for 100% of the accrued unused vacation time. Upon retirement, and after 10 years or more of continuous service, the District is obligated to compensate employees for 50% of the accrued unused sick leave to a maximum of 1,000 hours. Changes in compensated absences payable during the year were as follows:

<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
\$ 72,442	\$ 43,517	\$ (45,173)	\$ 70,786	\$ 44,000	\$ 26,786

The District provides health benefits through a cafeteria plan, which includes health, dental and vision care to eligible District employees. Benefit expenses are recognized in the period in which the benefits were provided.

**Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. The District currently has pension related deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has pension related deferred inflows of resources.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**Net Position**

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 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. The District did not have any restricted net position as of June 30, 2017.

**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*.

**Operating and Nonoperating Activities**

Revenues and expenses are distinguished between operating and nonoperating items. Operating revenues generally result from providing services in connection with the District's principal ongoing operations. Operating expenses include costs associated with the purchasing, pumping, and distribution of water, the pumping, treatment, and transmission of wastewater, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**Property Taxes**

Property taxes are attached as an enforceable lien on property as of March 1. Taxes are levied on July 1, and are due in two installments. The first installment is due on November 1, and is payable through December 10, without penalty. The second installment is due February 1, and becomes delinquent on April 10. Property taxes are remitted to the District from the County of San Bernardino at various times throughout the year.

**Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. Transfers are used to move unrestricted resources from one fund to another in accordance with budgetary authorizations.

**Contributions**

Contributions represent cash and/or capital assets contributed to the District by other governmental agencies for the acquisition, construction or improvement of the District's capital assets.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

**NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Pension Plans**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Accounting standards require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

**NOTE 2: CASH AND INVESTMENTS**

The District's cash and investments are pooled between four funds. Negative cash in a fund is reclassified as due to other funds in the Statement of Net Position. Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
<b>Statement of Net Position:</b>					
Cash and cash equivalents	\$ 224,956	\$ 530,326	\$ -	\$ 433,595	\$ 1,188,877
Investment pools	-	3,085,684	-	-	3,085,684
<b>Totals</b>	<u>\$ 224,956</u>	<u>\$ 3,616,010</u>	<u>\$ -</u>	<u>\$ 433,595</u>	<u>\$ 4,274,561</u>

Cash and investments as of June 30, 2017 consisted of the following:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Cash on hand	\$ -	\$ 300	\$ -	\$ -	\$ 300
Deposits with financial institutions	224,956	530,026	-	433,595	1,188,577
Deposits with investment pools	-	3,085,684	-	-	3,085,684
<b>Total Cash and Investments</b>	<u>\$ 224,956</u>	<u>\$ 3,616,010</u>	<u>\$ -</u>	<u>\$ 433,595</u>	<u>\$ 4,274,561</u>

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (continued)**

**Investments Authorized by the California Government Code and the District's Investment Policy**

The table below identifies the investment types that are authorized by the District in accordance with Section 53601 of the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Bills, Notes and Bonds	5 years	100%	None
Government Agency Securities	None	100%	None
Banker's Acceptances	270 days	25%	5%
Commercial Paper	None	15%	10%
Negotiable Certificates of Deposit	5 years	25%	None
Repurchase Agreements	1 year	20%	None
California Local Agency Investment Fund	N/A	None	\$65,000,000
Medium-Term Notes	5 years	30%	None
Money Market Mutual Funds	90 days	20%	None
Collateralized Bank Deposits	None	10%	None
Investment Pools	None	40%	\$10,000,000 per account

**Interest Rate Risk**

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

As of June 30, 2017, the District had the following investments and maturities:

	Fair Value	Maturity
California Local Agency Investment Fund (LAIF)	\$ 6,601	6 months average
Investment Trust of California (CalTRUST)	3,079,083	18 months average
Total	<u>\$ 3,085,684</u>	

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 2: CASH AND INVESTMENTS (continued)**

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

At June 30, 2017, the District did not hold investments that were highly sensitive to interest rate fluctuations beyond that already indicated in the information provided above.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Credit ratings of investments as of June 30, 2017, met or exceeded the minimum legal ratings required by the California Government Code (or the District's investment policy, where more restrictive).

**Concentration of Credit Risk**

The District's investment policy is to apply the prudent investor standard as set forth in the California Government Code: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The investment policy of the District contains limitations on the amounts that can be invested in any one issuer. At June 30, 2017, the District did not hold any investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. 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.

As of June 30, 2017, \$924,233 of the District's demand deposits in an interest bearing account with a financial institution were in excess of federal depository insurance limits and were collateralized by an interest in an undivided collateral pool as required by State law.

NOTE 2: CASH AND INVESTMENTS (continued)

**Investment in External Investment Pools**

*State Investment Pool*

The District is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance and State Controller. The District may invest up to \$65,000,000 in the LAIF fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. All investments with LAIF are secured by the full faith and credit of the State of California. Separate LAIF financial statements are available from the California State Treasurer's Office on the Internet at [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

The District's investment in this pool is reported in the accompanying financial statements at cost which approximates fair value 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.

*Investment Trust of California*

The District voluntarily participates in the Investment Trust of California (CalTRUST), a Joint Powers Authority (JPA), established by public agencies in California for the purpose of pooling and investing local agency funds, operating reserves, and bond proceeds. A Board of Trustees supervises and administers the investment program of the Trust. The Board is comprised of experienced investment officers and policy-makers of the public agency members.

For the CalTRUST Short-Term, Medium-Term, and Long-Term Accounts, funds from all participants are pooled in each of the accounts. Participants receive units in the Trust and designated shares for the particular accounts in which they invest. The District invests in the Short-Term and Medium-Term Accounts, with targeted investment durations of up to two years.

CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. seq. Investment guidelines adopted by the Board of Trustees may further restrict the types of investments held by the Trust, and leveraging within the Trust's portfolios is prohibited. Separate CalTRUST financial statements are available from the Trustee on the Internet at [www.caltrust.org](http://www.caltrust.org).



**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

**NOTE 3: CAPITAL ASSETS**

Summaries of changes in capital assets in service for the year ended June 30, 2017, were as follows:

	Balance June 30, 2016	Additions	Deletions	Interfund Transfers	Balance June 30, 2017
<b>Water Fund</b>					
Land	\$ 169,494	\$ -	\$ -	\$ -	\$ 169,494
Total Nondepreciable Capital Assets	169,494	-	-	-	169,494
Structures and improvements	9,706,714	-	(140)	(15,540)	9,691,034
Equipment	326,213	140,604	(7,979)	(59,150)	399,688
Vehicles	313,651	-	(47,058)	(58,676)	207,917
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	16,577,971	140,604	(55,177)	(133,366)	16,530,032
Accumulated depreciation	(5,457,924)	(247,032)	48,096	82,685	(5,574,175)
Total Depreciable Capital Assets, net	11,120,047	(106,428)	(7,081)	(50,681)	10,955,857
Total Capital Assets, net	\$ 11,289,541	\$ (106,428)	\$ (7,081)	\$ (50,681)	\$ 11,125,351
<b>Wastewater Fund</b>					
Land	\$ 119,212	\$ -	\$ -	\$ -	\$ 119,212
Construction in progress	33,914	10,871	(44,785)	-	-
Total Nondepreciable Capital Assets	153,126	10,871	(44,785)	-	119,212
Structures and improvements	7,882,215	42,427	-	(15,540)	7,909,102
Equipment	316,047	7,213	(6,936)	59,150	375,474
Vehicles	157,981	-	-	-	157,981
Total Depreciable Capital Assets	8,356,243	49,640	(6,936)	43,610	8,442,557
Accumulated depreciation	(6,235,973)	(365,608)	6,473	(26,816)	(6,621,924)
Total Depreciable Capital Assets, net	2,120,270	(315,968)	(463)	16,794	1,820,633
Total Capital Assets, net	\$ 2,273,396	\$ (305,097)	\$ (45,248)	\$ 16,794	\$ 1,939,845
<b>Parks and Recreation Fund</b>					
Land	\$ 630,826	\$ -	\$ -	\$ -	\$ 630,826
Construction in progress	291,174	267,571	(340,885)	-	217,860
Total Nondepreciable Capital Assets	922,000	267,571	(340,885)	-	848,686
Structures and improvements	2,494,527	341,302	-	31,080	2,866,909
Equipment	113,051	6,479	(3,255)	-	116,275
Vehicles	-	-	-	58,676	58,676
Total Depreciable Capital Assets	2,607,578	347,781	(3,255)	89,756	3,041,860
Accumulated depreciation	(728,988)	(204,898)	1,587	(55,869)	(988,168)
Total Depreciable Capital Assets, net	1,878,590	142,883	(1,668)	33,887	2,053,692
Total Capital Assets, net	\$ 2,800,590	\$ 410,454	\$ (342,553)	\$ 33,887	\$ 2,902,378

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

**NOTE 3: CAPITAL ASSETS (continued)**

	Balance June 30, 2016	Additions	Deletions	Reclassifi- cations	Balance June 30, 2017
<b>Solid Waste Fund</b>					
Equipment	\$ 5,345	\$ -	\$ -	\$ -	\$ 5,345
Total Depreciable Capital Assets	5,345	-	-	-	5,345
Accumulated depreciation	(3,697)	(1,035)	-	-	(4,732)
Total Depreciable Capital Assets, net	1,648	(1,035)	-	-	613
 Total Capital Assets, net	 \$ 1,648	 \$ (1,035)	 \$ -	 \$ -	 \$ 613
<b>Combined - All Funds</b>					
Land	\$ 919,532	\$ -	\$ -	\$ -	\$ 919,532
Construction in progress	325,088	278,442	(385,670)	-	217,860
Total Depreciable Capital Assets	1,244,620	278,442	(385,670)	-	1,137,392
Structures and improvements	20,083,456	383,729	(140)	-	20,467,045
Equipment	760,656	154,296	(18,170)	-	896,782
Vehicles	471,632	-	(47,058)	-	424,574
Water rights and other intangibles	6,231,393	-	-	-	6,231,393
Total Depreciable Capital Assets	27,547,137	538,025	(65,368)	-	28,019,794
Accumulated depreciation	(12,426,582)	(818,573)	56,156	-	(13,188,999)
Total Depreciable Capital Assets, net	15,120,555	(280,548)	(9,212)	-	14,830,795
 Total Capital Assets, net	 \$ 16,365,175	 \$ (2,106)	 \$ (394,882)	 \$ -	 \$ 15,968,187

Depreciation expense for the year ended June 30, 2017, was:

Fund	Amount
Water	\$ 247,032
Wastewater	365,608
Parks and Recreation	204,898
Solid Waste	1,035
 Total	 \$ 818,573

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

**NOTE 4: DUE TO/FROM OTHER FUNDS**

The composition of interfund balances as of June 30, 2017, was as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>
Wastewater	<u>\$ 1,160,944</u>	Parks and Recreation

The interfund balance is a result of a negative cash position in the Parks and Recreation Fund at year end.

**NOTE 5: LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2017, was as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Parks and Recreation</u>	<u>Total</u>
Balance, June 30, 2016	\$4,713,045	\$ 499,213	\$ 1,508,755	\$6,721,013
Reductions	<u>(187,834)</u>	<u>(31,677)</u>	<u>(87,048)</u>	<u>(306,559)</u>
Balance, June 30, 2017	<u>\$4,525,211</u>	<u>\$ 467,536</u>	<u>\$ 1,421,707</u>	<u>\$6,414,454</u>
Current portion	\$ 195,982	\$ 32,924	\$ 90,730	\$ 319,636
Noncurrent portion	<u>4,329,229</u>	<u>434,612</u>	<u>1,330,977</u>	<u>6,094,818</u>
Totals	<u>\$4,525,211</u>	<u>\$ 467,536</u>	<u>\$ 1,421,707</u>	<u>\$6,414,454</u>

Long-term debt activity by debt instrument for the year ended June 30, 2017, was as follows:

	<u>Balance at 6/30/16</u>	<u>Reductions</u>	<u>Balance at 6/30/17</u>
2008 Installment Sale Agreement	\$2,062,861	\$ (130,896)	\$ 1,931,965
2011 Installment Sale Agreement	855,632	(36,917)	818,715
2014 Installment Sale Agreement	<u>3,802,520</u>	<u>(138,746)</u>	<u>3,663,774</u>
	<u>\$6,721,013</u>	<u>\$ (306,559)</u>	<u>\$6,414,454</u>

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 5: LONG-TERM DEBT (continued)**

**2008 Installment Sale Agreement**

The District entered into an Installment Sale Agreement (2008 Note) on December 23, 2008, in order to provide financing for acquiring and constructing various capital improvements to the District in the amount of \$2,832,000, maturing in 20 years at 4.95% interest per annum. The proceeds of the 2008 Note were used for (1) reimbursement of a portion of the purchase price of land and improvements (Silver Lakes Farm property), including water rights acquisition, wastewater effluent disposal area, District administration site and recreation area, (2) improvements to the wastewater treatment plant, including the acquisition and installation of sludge drying beds, headworks and clarifier, and (3) improvements to the water system, including developing well #10, well improvements, and the purchase of additional water rights.

The District entered into Amendment No. 2 on December 23, 2014, amending Installment Sale Agreement dated December 23, 2008 in order to reduce the interest and produce cash flow savings to the District. Commencing on December 23, 2014, the interest rate on the unpaid principal balance of the 2008 Note was reduced from 4.95% to 3.90%. The District's savings over the course of the loan as a result of the refinancing is approximately \$204,407.

As of June 30, 2017, annual debt service requirements to maturity for the 2008 Note payable, as amended, are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 136,050	\$ 74,033	\$ 210,083
2019	141,408	68,675	210,083
2020	146,976	63,107	210,083
2021	152,764	57,319	210,083
2022	158,780	51,303	210,083
2023-2027	892,765	157,649	1,050,414
2028-2029	303,222	11,902	315,124
Totals	<u>\$ 1,931,965</u>	<u>\$ 483,988</u>	<u>\$ 2,415,953</u>

The District may prepay the unpaid principal balance of the 2008 Note in whole or in part, on any installment payment date on or after December 23, 2019, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with the installment payment, required to be paid on such installment payment date, plus a prepayment premium as follows:

<u>Prepayment Dates</u>	<u>Prepayment Premium</u>
December 23, 2019, through June 23, 2024	1.0%
December 23, 2024, and thereafter	0.0%

The installment payments on this 2008 Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 5: LONG-TERM DEBT (continued)**

**2011 Installment Sale Agreement**

The District entered into an Installment Sale Agreement (2011 Note) on June 1, 2011, in order to provide financing for acquiring and constructing various capital improvements to the District in the amount of \$1,000,000, maturing in 20 years at 5.25% interest per annum. The proceeds of the 2011 Note were received on September 21, 2011, and used for (1) the acquisition and construction of a water well and other water projects, and (2) the purchase of the administrative facility.

As of June 30, 2017, annual debt service requirements to maturity for the 2011 Note payable are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 38,880	\$ 42,479	\$ 81,359
2019	40,948	40,411	81,359
2020	43,126	38,233	81,359
2021	45,420	35,939	81,359
2022	47,836	33,523	81,359
2023-2027	280,160	126,634	406,794
2028-2032	322,345	43,768	366,113
Totals	<u>\$ 818,715</u>	<u>\$ 360,987</u>	<u>\$ 1,179,702</u>

The District may prepay the unpaid principal balance of the 2011 Note in whole or in part, on any installment payment date on or after September 21, 2018, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with a two percent prepayment premium thereon.

The installment payments on this 2011 Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

NOTE 5: LONG-TERM DEBT (continued)

**2014 Installment Sale Agreement**

The District entered into an Installment Sale Agreement (2014 Note) on August 1, 2014, in order to provide financing for the acquisition of water rights in the amount of \$4,000,000, maturing in 20 years at 4.25% interest per annum.

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 144,706	\$ 154,189	\$ 298,895
2019	150,921	147,974	298,895
2020	157,404	141,491	298,895
2021	164,164	134,731	298,895
2022	171,215	127,680	298,895
2023-2027	972,911	521,564	1,494,475
2028-2032	1,200,587	293,888	1,494,475
2033-2035	701,866	45,370	747,236
Totals	<u>\$ 3,663,774</u>	<u>\$ 1,566,887</u>	<u>\$ 5,230,661</u>

The District may prepay the unpaid principal balance of the 2014 Note, in whole or in part, on any installment payment date on or after August 15, 2024, by paying a prepayment price equal to the principal amount of the installment payments to be prepaid, together with a two percent premium thereon.

The installment payments on this 2014 Note, and any redemption price payments, are payable from the net revenues of the District. Net revenues of the District have been pledged to the payment of the installment payments.

**Debt to Maturity Schedule**

As of June 30, 2017, annual debt service requirements to maturity for all long-term debt combined are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 319,636	\$ 270,701	\$ 590,337
2019	333,277	257,060	590,337
2020	347,506	242,831	590,337
2021	362,348	227,989	590,337
2022	377,831	212,506	590,337
2023-2027	2,145,836	805,847	2,951,683
2028-2032	1,826,154	349,558	2,175,712
2033-2035	701,866	45,370	747,236
Totals	<u>\$ 6,414,454</u>	<u>\$ 2,411,862</u>	<u>\$ 8,826,316</u>

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 6: NET POSITION**

The net investment in capital assets portion of net position at June 30, 2017, was determined as follows:

	Water	Wastewater	Parks and Recreation	Solid Waste	Total
Total capital assets	\$ 11,125,351	\$ 1,939,845	\$ 2,902,378	\$ 613	\$ 15,968,187
Less: Related debt	(4,525,211)	(467,536)	(1,421,707)	-	(6,414,454)
Net investment in capital assets	<u>\$ 6,600,140</u>	<u>\$ 1,472,309</u>	<u>\$ 1,480,671</u>	<u>\$ 613</u>	<u>\$ 9,553,733</u>

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS)**

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

**Plan Description**

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS.) The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan operates under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plan's authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)**

**A. General Information about the Pension Plans (continued)**

**Benefits Provided (continued)**

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<b>Miscellaneous Plan</b>	
	<b>Prior to January 1, 2013</b>	<b>On or after January 1, 2013</b>
Hire date		
Benefit formula	2.7 % @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 & Up	52 & Up
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7.949%	6.250%
Required employer contribution rates	11.008%	6.555%

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Employer Contributions to the Plan for the fiscal year ended June 30, 2017, were \$108,682. The actual employer payments of \$97,330 made to CalPERS by the District during the measurement period ending June 30, 2016, differed from the District's proportionate share of the employer's contribution of \$47,227 by \$50,103, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

**B. Net Pension Liability**

The District's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows:



**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)**

**B. Net Pension Liability (continued)**

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Actuarial Value of Assets
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases (1)	3.3% - 14.2%
Investment Rate of Return (2)	7.65%
Mortality Rate Table (3)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

(1) Annual increases vary by category, entry age, and duration of service

(2) Net of pension plan investment and administrative expenses, includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

**Change of Assumptions**

There were no changes of assumptions.

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)**

**B. Net Pension Liability (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)**

**B. Net Pension Liability (continued)**

**Discount Rate (continued)**

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2015.

<b>Asset Class</b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>1</sup></b>	<b>Real Return Years 11+<sup>2</sup></b>
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	(0.55%)	(1.05%)
<b>Total</b>	<b>100%</b>		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

**Pension Plan Fiduciary Net Position**

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)**

**C. Proportionate Share of Net Pension Liability**

The following table shows the Plan's proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015 (VD)	\$ 1,204,641	\$ 986,527	\$ 218,114
Balance at: 6/30/2016 (MD)	\$ 1,541,957	\$ 1,268,216	\$ 273,741
Net Changes during 2015-16 (MP)	\$ 337,316	\$ 281,689	\$ 55,627

Valuation Date (VD), Measurement Date (MD), Measurement Period (MP).

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov). The District's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016, was as follows:

	Miscellaneous Plan
Proportionate Share - June 30, 2015	0.00795%
Proportionate Share - June 30, 2016	0.00788%
Change - Increase (Decrease)	(0.00007%)

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

The following presents the District's proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plan Net Pension Liability	\$ 481,336	\$ 273,741	\$ 102,174

NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)

**C. Proportionate Share of Net Pension Liability (continued)**

**Subsequent Events**

There were no subsequent events that would materially affect the results presented in this disclosure.

**Recognition of Gains and Losses**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for the Plan for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 7: DEFINED BENEFIT PENSION PLAN (PERS) (continued)**

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of the start of the measurement period (July 1, 2015), the District's net pension liability was \$218,114. For the measurement period ending June 30, 2016 (the measurement date), the District incurred pension expense of \$26,153.

As of June 30, 2017, the District has deferred outflows and inflows of resources related to pension as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ -	\$ 32,908
Differences Between Expected and Actual Experience	3,478	797
Difference Between Actual Contributions and Proportionate Share of Contributions	104,537	-
Change in Employer's Proportion	75,058	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	171,276	-
Pension Contributions Subsequent to the Measurement Date	108,682	-
<b>Total</b>	<b>\$ 463,031</b>	<b>\$ 33,705</b>

These amounts above are net of outflows and inflows recognized in the 2015-16 measurement period expense. Contributions subsequent to the measurement date of \$108,682 reported with deferred outflows of resources will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<b>Measurement Period Ending June 30:</b>	<b>Miscellaneous Deferred Outflows/(Inflows) of Resources, Net</b>
2017	\$ 117,077
2018	84,572
2019	74,633
2020	44,362
2021	-
Thereafter	-

**E. Payable to the Pension Plan**

At June 30, 2017, the District reported a payable of \$400 for the outstanding amount of contributions to the pension plan.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 8: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA). The Authority was formed under a joint powers agreement pursuant to California Government Code Sections 6500 et. seq. to provide risk financing programs for member districts. Contribution development is based on the particular characteristics of the member districts. Insurance policies were purchased as follows:

**General and Auto Liability, Public Officials' and Employees' Errors and Omissions and Employment Practices Liability:** Total risk financing limits of \$5 million per occurrence, with \$500 deductible per occurrence for general liability property damage, \$1,000 deductible per occurrence for auto liability property damage, and 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims.

**Employee Dishonesty:** Purchased from National Union Fire Insurance Company – coverage of \$400,000 per loss.

**Property Loss:** Purchased from Lexington Insurance Company – coverage of \$1 billion per occurrence, subject to a \$1,000 deductible per occurrence.

**Boiler and Machinery:** Purchased from Lexington Insurance Company – coverage of \$100 million per occurrence, subject to a \$1,000 deductible.

**Public Officials Personal Liability:** Coverage of \$500,000 per occurrence, with an annual aggregate of \$500,000 per each elected/appointed official, with deductible of \$500 per claim.

**Comprehensive and Collision:** On selected vehicles, with deductibles of \$250/\$500 or \$500/\$1,000, as elected.

**Workers' Compensation and Employer's Liability:** Statutory limits per occurrence for Workers' Compensation and \$5 million for Employer's Liability coverage.

**Adequacy of Protection**

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

**Helendale Community Services District**

**Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2017**

---

**NOTE 9: INTERFUND TRANSFERS**

The District transferred various capital assets at their net book value from the Water fund to the Wastewater and Parks and Recreation funds as follows.

<u>Transfers In</u>	<u>Transfers Out</u> <u>Water Fund</u>
Wastewater Fund	\$ 16,794
Parks and Recreation Fund	33,887
	<u>\$ 50,681</u>



## **Required Supplementary Information**



**Helendale Community Services District**

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017**

**Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and  
Related Ratios as of the Measurement Date  
Last 10 Years\***

	Measurement Date		
	6/30/2014	6/30/2015	6/30/2016
Employer's Proportion of the Net Pension Liability <sup>1</sup>	0.00331%	0.00795%	0.00788%
Employer's Proportionate Share of the Collective Net Pension Liability	\$ 205,731	\$ 218,114	\$ 273,741
Employer's Covered Payroll	\$ 807,545	\$ 818,798	\$ 898,794
Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	25.48%	26.64%	30.46%
Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	77.99%	81.89%	82.25%

<sup>1</sup> Proportion of the collective net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

\* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only three years are reported.

**Helendale Community Services District**

**Required Supplementary Information  
For the Fiscal Year Ended June 30, 2017**

---

**Schedule of Plan Contributions  
Last 10 Years\***

	<b>Fiscal Year</b>		
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Actuarially Determined Contribution	\$ 123,067	\$ 97,754	\$ 108,682
Contributions in Relation to the Actuarially Determined Contribution	(123,067)	(97,754)	(108,682)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's Covered Payroll	\$ 818,798	\$ 898,794	\$ 947,366
Contributions as a Percentage of Covered Payroll	15.03%	10.88%	11.47%

\* Fiscal year 2014-15 was the 1st year of implementation, therefore, only three years are reported

**Notes to Schedule:**

Change in Benefit Terms: None

Change in Assumptions: None

# **Report on Internal Controls and Compliance**



**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  
Helendale Community Services District  
Helendale, 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 Helendale Community Services District (District), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2017.

**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 opinion 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 Controls Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, (continued)**

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Fedak & Brown LLP**  
Cypress, California  
December 7, 2017





# Helendale Community Services District

---

**Date:** December 7, 2017  
**TO:** Board of Directors  
**FROM:** Kimberly Cox, General Manager  
**SUBJECT:** Agenda item #6  
Discussion and Possible Action Regarding Approval of Revised Exclusive Franchise Agreement Between Helendale Community Services District and Burrtec Waste Industries For Solid Waste Handling And Recycling Services

---

**STAFF RECOMMENDATION:**

Staff requests input from the Board regarding this matter.

**STAFF REPORT:**

The contract revision was initiated a couple of years ago based upon a request from Burrtec to increase the initial term from five years to another term length due to their ability to collateralize the contract to fund equipment and other necessary operating and expansion costs. Two terms have been discussed, a seven-year or ten-year term, and each with a separate donation level for the community park construct efforts for Board consideration. A copy of the letter will be provided at the Board meeting.

The contract has received input from the District's Solid Waste consultant, John Davis. Last week District's counsel, GM and Burrtec representatives completed the final draft changes to the contract for presentation to the Board. The highlighted areas in the document are intended for Board input.

- Beginning on page 9, Staff is requesting the length of term the Board desires for this contract and the effective date if other than 12/7.
- Page 21 refers to Attachments D and F which have been substantially changed from the first version of the contract to better reflect the current rates (D) and the actual cost breakdown for the charges (F).
- Page 26 and 27 indemnification language will be discussed by District Counsel who will brief the Board on the presented language.

Due to the timeframe over which the conversation has occurred and the numerous iterations of the contract, a redline no longer exists showing the changes from the current contract to the proposed contract. However, every word had been reviewed by both parties and other than seeking direction on the items listed above, Staff is confident that the proposed contract represents and memorializes the current operations of the existing relationship between Burrtec and the Helendale CSD.

**EXCLUSIVE FRANCHISE AGREEMENT**  
**BETWEEN**  
**THE HELENDALE COMMUNITY SERVICE DISTRICT**  
**AND**  
**BURRTEC WASTE INDUSTRIES**  
**FOR**  
**SOLID WASTE HANDLING AND RECYCLING SERVICES**

## TABLE OF CONTENTS

<b>ARTICLE 1. DEFINITIONS.....</b>	<b>5</b>
1.01 DEFINITIONS .....	5
1.02 STATUTORY DEFINITIONS.....	5
<b>ARTICLE 2. REPRESENTATIONS AND WARRANTIES.....</b>	<b>5</b>
2.01 CONTRACTOR .....	5
2.02 DISTRICT .....	6
<b>ARTICLE 3. EXCLUSIVE FRANCHISE AGREEMENT .....</b>	<b>7</b>
3.01 GRANT OF FRANCHISE .....	7
3.02 LIMITATIONS ON EXCLUSIVE FRANCHISE.....	7
3.03 FRANCHISE AREA DEFINED .....	9
3.04 ANNEXATION COVERED BY EXISTING AGREEMENT .....	9
<b>ARTICLE 4. TERM OF AGREEMENT .....</b>	<b>9</b>
4.01 EFFECTIVE DATE .....	9
4.03 TERM.....	9
4.03 AVOIDANCE OF AUTOMATIC EXTENSION; EARLY TERMINATION .....	9
4.04 DISTRICT ELECTION TO PROVIDE RESIDENTIAL CART CUSTOMER SERVICE, DELIVERY AND BULKY ITEM COLLECTION .....	9
<b>ARTICLE 5. CONTRACTOR SERVICES .....</b>	<b>10</b>
5.01. PERFORMANCE STANDARDS .....	10
5.02 COLLECTION DAYS AND TIMES.....	12
5.03 SERVICE STANDARDS.....	13
<b>ARTICLE 6. OTHER SERVICES.....</b>	<b>13</b>
6.01 CUSTOMER SERVICE.....	13
6.02 PAYMENT FOR TEMPORARY BINS AND ROLL-OFF BOXES.....	14
<b>ARTICLE 7. REQUIREMENTS FOR OPERATIONS.....</b>	<b>15</b>
7.01 COLLECTION STANDARDS .....	15
7.02 VEHICLES .....	16
7.03 CONTAINERS .....	17
7.04 PERSONNEL .....	19
7.05 HAZARDOUS WASTE.....	20
<b>ARTICLE 8. DISTRICT FEES.....</b>	<b>19</b>
8.01 GENERAL.....	19
8.02 FRANCHISE FEES.....	19
8.03 ADMINISTRATIVE FEES.....	19
8.04 RECORDS.....	20
<b>ARTICLE 9. DISPOSAL AND PROCESSING FACILITIES.....</b>	<b>21</b>
9.01 GENERAL .....	21
<b>ARTICLE 10. CONTRACTOR COMPENSATION AND RATES .....</b>	<b>21</b>
10.02 CART SERVICE AT RESIDENTIAL PREMISES.....	21
10.03 CART SERVICE AT NON-RESIDENTIAL PREMISES, BIN SERVICE AND ROLL-OFF BOX SERVICE.....	22
10.04 INITIAL RATES.....	22
10.05 ANNUAL FORMULA-BASED COMPENSATION ADJUSTMENT .....	22
10.06 DISPOSAL AND PROCESSING FEES.....	23
10.07 CHANGES IN SCOPE OF SERVICES.....	23
10.08 EXTRAORDINARY RATE ADJUSTMENTS.....	24
10.09 ADDITIONAL CUSTOMER RATE INCREASE PROCEDURES .....	24
<b>ARTICLE 11. RECORDS AND REPORTS .....</b>	<b>25</b>
11.01 RECORDS .....	25
11.02 REPORTS .....	25
11.03 AUDIT .....	26
<b>ARTICLE 12. INDEMNITY AND INSURANCE .....</b>	<b>26</b>
12.01 INDEMNIFICATION .....	26
12.02 INSURANCE.....	28

<b>ARTICLE 13. CONTRACTOR PERFORMANCE.....</b>	<b>29</b>
13.01 ANNUAL REVIEW.....	29
13.02 BREACH.....	30
13.03 ADMINISTRATIVE HEARING.....	31
13.04 LIQUIDATED DAMAGES.....	32
13.06 RIGHTS OF DISTRICT TO PERFORM DURING EMERGENCY.....	33
13.06 FORCE MAJEURE.....	34
<b>ARTICLE 14. OTHER AGREEMENTS OF THE PARTIES.....</b>	<b>34</b>
14.01 RELATIONSHIP OF PARTIES; INDEPENDENT CONTRACTOR.....	34
14.02 COMPLIANCE WITH LAWS.....	35
14.03 ASSIGNMENT; TRANSFER; CHANGE IN CONTROL.....	35
14.04 SUBCONTRACTING.....	36
14.05 CONTRACTOR'S INVESTIGATION.....	36
14.06 NOTICE.....	36
14.07 REPRESENTATIVES.....	37
14.08 DUTY OF CONTRACTOR NOT TO DISCRIMINATE.....	37
14.09 TRANSITION TO NEXT SERVICE PROVIDER.....	37
14.10 PAVEMENT DAMAGE.....	38
14.11 OWNERSHIP OF SOLID WASTE.....	38
<b>ARTICLE 15. MISCELLANEOUS PROVISIONS.....</b>	<b>38</b>
15.01 GOVERNING LAW.....	38
15.02 JURISDICTION.....	38
15.03 BINDING ON SUCCESSORS.....	39
15.04 PARTIES IN INTEREST.....	39
15.05 WAIVER.....	39
15.06 ATTACHMENTS.....	39
15.07 ENTIRE AGREEMENT.....	39
15.08 SECTION HEADINGS.....	39
15.09 INTERPRETATION.....	39
15.10 AMENDMENT.....	39
15.11 SEVERABILITY.....	39
15.12 COSTS AND ATTORNEYS' FEES.....	40
15.13 NO DAMAGES FOR INVALIDATION OF AGREEMENT.....	40
15.14 REFERENCE TO LAWS.....	40
15.15 INDEMNITY AGAINST CHALLENGES TO AGREEMENT.....	40

THIS EXCLUSIVE FRANCHISE AGREEMENT FOR SOLID WASTE HANDLING AND RECYCLING SERVICES (“Agreement”) is entered into by and between the HELENDALE COMMUNITY SERVICES DISTRICT, organized under the laws of the State of California (“District”) and BURRTEC WASTE INDUSTRIES, INC., a California corporation (“Contractor”). District and Contractor are sometimes hereinafter individually referred to as a “Party” and collectively referred to as the “Parties”.

#### RECITALS

WHEREAS, California Government Code Section 61100 *et seq.*, authorizes District to determine and arrange for all aspects of solid waste handling; and

WHEREAS, California Public Resources Code section 41780 requires that local agencies divert 50% of their waste from landfill disposal; and

WHEREAS, California Public Resources Code Chapter 12.8 requires recycling of commercial solid waste; and

WHEREAS, California Public Resources Code Chapter 12.9 requires that jurisdictions implement a commercial organic waste recycling program; and

WHEREAS, California Public Resources Code Chapter 13.1 sets organic waste disposal reduction targets; and

WHEREAS, on December 1, 2006 the District adopted the existing San Bernardino County Solid Waste Program and exclusive franchise agreement with Contractor for Solid Waste Handling and Recycling Services (the “Original Agreement”); and

WHEREAS, District and Contractor entered into that certain agreement titled “Exclusive Franchise Agreement Between the Helendale Community Services District and Burrtec Waste Industries for Solid Waste Handling and Recycling Services” effective December 1, 2011, as amended in or about February of 2014 (“the Existing Agreement”); and

WHEREAS, effective May 1, 2012, the District assumed certain customer service functions, barrel delivery, and bulky item collection service under the Existing Agreement in accordance with its exercise of the “Election” as defined therein (“Election”); and

WHEREAS, the District’s Board of Directors (the “Board of Directors”) finds that Contractor has demonstrated through its good and workmanlike performance of the Existing Agreement and in its negotiations with the District that Contractor is qualified and competent to perform the solid waste services desired by District; and

WHEREAS, the Board of Directors finds that the District is in compliance with the waste diversion goals mandated by the State of California; and

WHEREAS, the Board of Directors wishes to enter into this Agreement with Contractor to replace the Existing Agreement, but retain the no-longer applicable pre-Election provisions from the Existing Agreement for purposes of context, clarity, and possible effectiveness in the event the District chooses to rescind the Election in the future; and

WHEREAS, the Board of Directors finds that this Agreement will contribute to providing the best and most cost-effective Solid Waste Handling Services to its citizens.

NOW, THEREFORE, in consideration of the respective and mutual covenants and promises contained and made in this Agreement, and subject to all of the terms and conditions of this Agreement, the Parties agree as follows:

## **ARTICLE 1. DEFINITIONS**

### **1.01 DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this Agreement shall have the meanings set forth in the definitions contained in Attachment A, Definitions.

### **1.02 STATUTORY DEFINITIONS**

Unless a term is otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the same meaning as the definitions of those terms contained in the California Integrated Waste Management Act, California Public Resources Code Section 40000 *et seq.* (the "Act"). In the event of a conflict between the definition of a term in the Act and in this Agreement, the definition in this Agreement shall prevail.

## **ARTICLE 2. REPRESENTATIONS AND WARRANTIES**

### **2.01 CONTRACTOR**

Contractor represents and warrants as follows:

- a. **Status.** Contractor is a corporation duly organized, validly existing and in good standing under the laws of the State of California (the "State") and is qualified to do business in the State.
- b. **Authority and Authorization.** Contractor has full legal right, power and authority to execute and deliver this Agreement and perform its obligations hereunder. This Agreement has been duly executed and delivered by Contractor and constitutes a legal, valid and binding obligation of the Contractor enforceable against the Contractor in accordance with its terms.
- c. **Accuracy of Representations.** Contractor's representations and warranties made throughout this Agreement are accurate, true and correct on and as of the Effective Date (defined in Section 4.01, below) of this Agreement.
- d. **No Conflicts.** Neither the execution or delivery by Contractor of this Agreement, the performance by Contractor of its performance obligations, nor the fulfillment by Contractor of the terms and conditions hereof: (i) conflicts with, violates or results in a breach of applicable law; (ii) conflicts with, violates or results in a breach of any term or condition of any judgment, order or decree of any court, administrative agency or other government authority, or any agreement or instrument to which Contractor is a party or by which Contractor or any of its properties or assets are bound, or constitutes a default thereunder; or (iii) will result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Contractor.
- e. **No Approvals Required.** No approval, authorization, license, permit, order or consent of, or declaration, registration or filing with any governmental or administrative authority, commission, board, agency or instrumentality is

required for the valid execution and delivery of this Agreement by Contractor, except such as have been duly obtained from its board of directors.

- f. No Litigation. There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental authority, commission, board, agency or instrumentality pending or, to the best of Contractor's knowledge, threatened, against Contractor wherein an unfavorable decision, ruling or finding, in any single case or in the aggregate, would materially adversely affect the performance by Contractor of its obligations hereunder or in connection with the transactions contemplated hereby, or which, in any way, would adversely affect the validity or enforceability of this Agreement or any other agreement or instrument entered into by Contractor in connection with the transactions contemplated hereby.
- g. Due Diligence. Contractor has made an independent investigation satisfactory to it of the conditions and circumstances surrounding the Agreement and services it is required to perform.
- h. Duty. Contractor shall be at all times during the Term (as defined in Section 4.02, below) of this Agreement, ready, willing and able to collect and transport all Solid Waste generated within District in accordance with the provision of this Agreement and all applicable laws, rules and regulations.
- i. Insurance and Bonds. Contractor will furnish evidence of the insurance and bonds required under this Agreement prior to the Effective Date of this Agreement.
- j. Criminal Activity. Contractor has represented that none of its officers or directors have a criminal conviction from a court of competent jurisdiction with respect to conviction for any crime, including racketeering, which indicates a lack of business integrity or business honesty that seriously and directly affects the present responsibility of Contractor or its officers or directors; nor has Contractor or any of its respective officers or directors made an admission of guilt or pled no contest to the conduct as described above.

## **2.02 DISTRICT**

District represents and warrants as follows:

- a. Status. District is a California Community Services District pursuant to California Government Code Section 61000 *et seq.* under the Constitution and laws of the State.
- b. Authority and Authorization. District has full legal right, power and authority to execute, deliver, and perform its obligations hereunder. This Agreement has been duly executed and delivered by District and constitutes a legal, valid and binding obligation of District enforceable against District in accordance with its terms.
- c. No Conflicts. Neither the execution or delivery by District of this Agreement, the performance by District of its performance obligations, nor the fulfillment by District of the terms and conditions hereof: (i) conflicts with, violates or results in a breach of applicable law; or (ii) conflicts with, violates or results in a breach of any term or condition of any judgment, order or decree of any court, administrative agency or other government authority, or any agreement or

instrument to which District is a party or by which District or any of its properties or assets are bound, or constitutes a default thereunder.

- d. **No Approvals Required.** No approval, authorization, license, permit, order or consent of, or declaration, registration or filing with any governmental or administrative authority, commission, board, agency or instrumentality is required for the valid execution and delivery of this Agreement by District, except such as have been duly obtained from its Board of Directors.
- e. **No Litigation.** There is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental authority, commission, board, agency or instrumentality pending or, to the best of District's knowledge, threatened, against District wherein an unfavorable decision, ruling or finding, in any single case or in the aggregate, would materially adversely affect the performance by District of its obligations hereunder or in connection with the transactions contemplated hereby, or which, in any way, would adversely affect the validity or enforceability of this Agreement or any other agreement or instrument entered into by District in connection with the transactions contemplated hereby.
- f. **No Warranty Regarding Waste Characterization.** District makes no warranties with respect to the characterization of Solid Waste within District. District expressly disclaims any warranties, either express or implied, as to the merchantability or fitness for any particular purpose of Solid Waste or Recyclable Materials collected by Contractor.

### **ARTICLE 3. EXCLUSIVE FRANCHISE AGREEMENT**

#### **3.01 GRANT OF FRANCHISE**

Upon the Effective Date of this Agreement and continuing for the Term of this Agreement or any extension or renewal thereof, District hereby grants Contractor the exclusive right and duty to collect, transfer, transport, recycle, compost, process and dispose of Solid Waste, Green Waste, Organic Materials, Construction and Demolition Waste including concrete wash-out waste and Recyclable Material generated or accumulated within District by any Residential, Commercial or Industrial Premises. This grant of franchise shall be exclusive except as provided in Section 3.02 below, and shall be subject to all of the terms and conditions of this Agreement. Should the District be required to take administrative, law enforcement, or other legal action against any Person that infringes on Contractor's exclusive rights, Contractor shall reimburse the District for its reasonable administrative, law enforcement, and other legal costs related to any such action. Nothing herein shall preclude Contractor from taking such legal action against third parties as it deems appropriate to protect the exclusive nature of its Franchise.

#### **3.02 LIMITATIONS ON EXCLUSIVE FRANCHISE**

The Franchise granted to Contractor shall be exclusive except as to the categories of Solid Waste listed in this Section. The granting of this Franchise shall not preclude the categories of Solid Waste listed below from being delivered to and collected and transported by others provided that nothing in this Agreement is intended to or shall be construed to excuse any Person from obtaining authorization from the District which is otherwise required by law:



- a. The sale or donation of Recyclable Material by the Waste Generator to any person or entity other than Contractor; provided however, that the Waste Generator is paid monetarily for the material, or the material is picked up and disposed of at no cost to the Waste Generator. Waste Generator may not contract with another hauler to pay for removal of materials which have no intrinsic value;
- b. Solid Waste, Green Waste, Organic Materials, Construction and Demolition Waste and Recyclable Materials which is removed from any premises by the Waste Generator, and which is transported personally by such generator (or his or her full-time employees) to a Recycling, Processing or Disposal Facility in a manner consistent with all applicable laws and regulations, utilizing equipment owned and or leased by the Waste Generator;
- c. Containers delivered for Recycling under the California Beverage Container Recycling Litter Reduction Act (California Public Resources Code, section 14500, *et seq.*);
- d. Green Waste removed from premises by a gardening, landscaping, or tree trimming contractor, utilizing its own equipment, as an incidental part of a total service offered by that contractor rather than as a hauling service;
- e. The collection, transfer, transport, Recycling, processing, and disposal of animal remains from slaughterhouse or butcher shops for use as tallow;
- f. The collection, transfer, transport, Recycling, processing, and disposal of by-products of sewage treatment, including sludge, sludge ash, grit and screenings;
- g. The collection, transfer, transport, Recycling, processing, and disposal of Hazardous Substances, Hazardous Waste, and radioactive waste regardless of its source;
- h. The collection, transfer, transport, Recycling, processing, and disposal of Solid Waste by the District through District officers or employees in the normal course of their employment;
- i. Solid Waste Handling Services for governmental agencies other than District, which may have facilities in District, but over which District has no jurisdiction in connection with the regulation of Solid Waste; and
- j. Solid Waste Handling Services provided by any Person having a legal right to continue doing so, pursuant to California Public Resources Code section 49520, *et seq.*, or otherwise, as long as and to the extent such legal right continues to exist.
- k. In addition to the foregoing, in the event that future interpretations of current law, future enactments or developing legal trends limit the ability of District to lawfully grant Contractor the Scope of Services as specifically set forth herein, Contractor agrees that the scope of this Agreement will be limited to those services and materials which may be lawfully provided, and that District shall not be responsible for any lost profits claimed by Contractor as a result thereof.

**3.03 FRANCHISE AREA DEFINED**

The Franchise Area granted by this Agreement shall include all Residential, Commercial, and Industrial Generators within the District limits except as limited by this Agreement. As provided for below, the Franchise Area may be changed by annexation.

**3.04 ANNEXATION COVERED BY EXISTING AGREEMENT**

Territory annexed into the District that is covered by an existing Solid Waste permit, license, agreement or franchise granted by another public entity to another contractor may continue to be served by the same contractor for the balance of the term of such contractor's permit, license, agreement or franchise.

**ARTICLE 4. TERM OF AGREEMENT**

**4.01 EFFECTIVE DATE**

This Agreement shall become effective \_\_\_\_\_, 2017 (the "Effective Date"), and shall supersede the Existing Agreement.

**4.02 TERM**

The term of this Agreement shall be \_\_\_\_\_ ( ) years, commencing on the Effective Date. At the end of each year of the term, the Agreement shall automatically be extended for an additional one (1) year unless either party shall provide written notice to the other of its intent not to extend the term, not later than one hundred eighty (180) days prior to the end of any year of the term. The word "Term" as used hereinafter may include references to the Initial Term or any subsequent extension thereof as provided for in this Article. Contractor may request an adjustment to the Term in the event it is required to invest in new equipment required due to changes in law or at the request of the District. Any such request shall be handled in the same manner as a request for extraordinary rate adjustments under Section 10.08.

**4.03 AVOIDANCE OF AUTOMATIC EXTENSION; EARLY TERMINATION**

Either Party shall have the right at any time to avoid the automatic extension provision set forth in the preceding Section. In order to exercise such right, the District or Contractor shall provide written notice thereof to the other Party in accordance with the notice provisions of Section 14.06 below. Nothing contained in this Article 4 shall limit the District's rights to terminate this Agreement at any time for a failure of the Contractor to perform hereunder pursuant to Article 13 hereof.

**4.04 DISTRICT ELECTION TO PROVIDE RESIDENTIAL CART CUSTOMER SERVICE, DELIVERY AND BULKY ITEM COLLECTION**

At any time during the Term of this Agreement, District may elect to assume the customer service functions, barrel delivery and bulky item collection service under this Agreement (the "Election"). At any time following the Election, District may rescind its Election and services will revert to the Contractor. Services subject to the Election are described in Attachment E. District will provide written notification to Contractor of its Election or rescission.

## ARTICLE 5. CONTRACTOR SERVICES

### 5.01. PERFORMANCE STANDARDS

- a. General. The work to be performed by Contractor pursuant to this Agreement shall include the furnishing of all labor, supervision, equipment, materials, supplies, and all other items necessary to perform the services required. All services performed and Solid Waste generated is subject to the exclusive rights to operate and collect, provided under the terms of this Agreement.
- b. The work to be performed by Contractor pursuant to this Agreement shall be accomplished in a thorough and professional manner so that the residents and businesses within District are provided reliable, courteous, and high-quality service at all times.
- c. Scope of Services. The services to be performed by Contractor are generally described in Attachment B, Scope of Services, but may also be specified and described in detail in other Sections of this Agreement, including without limitation this Section 5.01.
- d. District Facility Collection Services. Contractor shall provide, collect and dispose of, at no charge to District, containers for Collection of all Solid Waste generated in the course of daily operations, at Premises owned and/or operated by District as designated in Attachment C, District Facility Collection Services. Contractor shall also provide necessary containers for Collection of Solid Waste generated from weed abatement. District Facilities generating construction or demolition debris or generating Solid Waste from third party operations shall pay for service at the rates and charges in effect at the time service is rendered and under the same terms and conditions as any other Commercial/Industrial Premises Customer.  
  
Contractor shall provide each District Facility with the appropriate number of Carts or Bins for the collection of Solid Waste and commingled Recyclable Materials appropriate for the type and amount of materials on a facility-by-facility basis. Contractor shall also provide Roll-Off Boxes at District's corporation yard and/or Administrative Center of the appropriate size and quantity for Solid Waste, curbside bulky items, source-separated Green Waste and source-separated Construction and Demolition Waste (concrete and asphalt, woody waste, metals and sand, soil and sod) for the amount of materials generated.
- e. Frequency and Location. Contractor shall collect Solid Waste and Recyclables from Residential Premises receiving individual collection one time per week from Contractor-provided containers. Contractor shall collect Solid Waste and Recyclables from Commercial Premises, including Residential Premises utilizing Bins, and Industrial Premises a minimum of one time per week from Contractor-provided Bins or Roll-Off Boxes or from stationary Compactors provided by Contractor or Customer.
- f. Residential Organic Material Composting. The District and Contractor will cooperate to develop and implement a residential organic material disposal reduction program as required by law. The initial focus is to reduce recycling concentration in residential landfill Carts, thereby increasing compostable

organic material concentration to a level acceptable for compost facility processing. Once that acceptable level is achieved, the landfill Carts will be converted to compost carts and District organic material will be delivered to a permitted compost facility that District may designate.

- g. Drop Off Site. The District may at its own expense, staff and operate a drop-off location for collection of recycling, residential organic compostable materials, and residential landfill materials during days of operation as established by the District. Contractor will provide containers and transport collected materials from the drop off location to District-approved facilities one (1) time per week, and will not combine separated drop-off materials. District will pay associated facility tipping fees, including any direct residue disposal charges. Additional service will be charged at the rates in Exhibit D as may be amended from time to time.
- h. Commercial Recycling and Organics Program. Contractor will implement a comprehensive Commercial Recycling and Organics Disposal Reduction Program, including Source Separated and Select Commercial Recycling and Organics collection and composting.

The program will consist of customer outreach including social marketing, providing waste disposal and recycling education. All accounts receiving Commercial Solid Waste Collection Service will be presented with recycling service options. These options are to include:

- 1) Providing containers for source separated materials.
- 2) Providing containers for comingled recyclables.
- 3) Identifying account as a dry waste generator and placing on a select load collection route.
- 4) Collection of organic materials using separate containers for delivery to composting facility.

Once a recycling or composting service option is selected or assigned the Solid Waste Service level is adjusted and the appropriate recycling or composting containers are delivered. The containers will be collected on the scheduled route and the material will be processed accordingly.

Multi-family Bin service customers will be included in the Commercial Recycling Program.

It is the intent that the Commercial Recycling Program include, at a minimum, all customers receiving service of 4 cubic yards or more per week. This program will comply with California state laws requiring Mandatory Commercial Recycling, Mandatory Commercial Organics Composting, and Organics Disposal Reduction.

- i. Emergencies. Contractor's equipment and staff will be available to assist with District-declared emergencies.
- j. Public Outreach. Contractor will be responsible for the following services which include, but are not limited to:
  - 1) Organize and provide an annual document destruction event at Contractor's sole expense;

- 2) Development and management of school outreach recycling programs. This program shall include annual visits to all schools and classrooms within the District limits which receive Collection Services provided by Contractor under this Agreement, provided such schools and classrooms continue to receive such Collection Services;
- 3) Establish a residential route audit program, with procedures approved by the District to assure service verification of accurate customer billings and accurate tipping fee charges;
- 4) Provide a social marketing based program to reduce recycling contamination and increased recyclable material recovery for residential and non-residential customers, including a comprehensive container inspection and compliance element. Contractor will commit funds at least equivalent to the California Supplemental Curbside Program to such social marketing program; and
- 5) Development and management of commercial recycling outreach program.

Within 90 days of the Effective Date of this Agreement, Contractor shall develop a plan for District approval for each of the services to be provided in paragraphs 1) through 5), above. The plan shall include verifiable performance measurement factors and quarterly program reports presenting performance results.

- k. Community Clean-Up. Supply equipment and manpower for a no charge drop off community clean-up two (2) times per year.

## **5.02 COLLECTION DAYS AND TIMES**

- a. Residential Premises. Collections from Residential Premises shall be made Monday through Friday between the hours of 6:00 a.m. and 8:00 p.m. Collections of Solid Waste and Recyclable Materials shall be made on the same day.
- b. Non-Residential Premises. Collections from Non-Residential Premises shall be made Monday through Saturday between the hours of 5:00 a.m. and 8:00 p.m. Collections shall be scheduled at a day and time mutually agreed upon by Contractor and Customer. Collections of Solid Waste and Recyclable Materials may be made on different days.
- c. Holiday Schedule. Contractor's collection operations shall observe the same holiday schedule as the Disposal Facility and the Processing Facility that may be used during the term of this Agreement. When a holiday falls on a regular collection day, scheduled collections shall occur on the next regularly scheduled Collection the remainder of that week. Contractor shall advise District annually of the upcoming holiday schedule, and immediately notify District of any changes to that schedule.
  - i. Prior to the Election, Contractor shall advise all Customers of upcoming holidays and the holiday collection schedule in advance of the holiday.
  - ii. After the Election, Contractor shall advise all Customers at Non-Residential Premises and District shall advise Customers at Residential Premise, of upcoming holidays and the holiday collection schedule in advance of the holiday.

### **5.03 SERVICE STANDARDS**

- a. **Overfilled Carts or Bins.** All materials placed in Carts or Bins by Customers must be fully contained in the Carts or Bins with the lid closed and Contractor shall not be required to collect Carts or Bins that are overfilled. Contractor shall attach a notice on Carts or Bins not collected, citing the reason for non-Collection (“Notice of Non-Collection”). The form and content of the Notice of Non-Collection shall be approved by District.
- b. **Clean out of Enclosures.** Contractor shall clean out any overflowing Bins or enclosures within twenty-four (24) hours of notification by District, the cost of which shall be borne by the Customer. Contractor shall work with the General Manager or General Manager’s designee in identifying and resolving continual problems of overages or misuse in Customer Bins or enclosures.
- c. **Uncontained Materials.** Contractor shall only collect uncontained Solid Waste and Recyclable Materials when such Collection has been arranged in advance by Customer and for which Customer has agreed to pay the appropriate Rate.
- d. **Bins Required For Apartment Complexes.** Multi-Family Premises or apartment complexes with more than four (4) individual dwelling units shall use Bins for Solid Waste Collection.
- e. **Bin Placement.** When delivering Bins to new Customers at Residential Premises and Commercial Premises, including Multi-Family Premises, Contractor shall advise Customer to consult District’s adopted standards and requirements for enclosures and Bin placement.

## **ARTICLE 6. OTHER SERVICES**

### **6.01 CUSTOMER SERVICE**

- a. **Customer Service; Prior to the Election.** Prior to the Election, or if the District elects to rescind the Election, Contractor shall perform all of the customer service functions which shall consist of providing Customer service representatives for telephone, electronic mail and in-person contacts by Customers regarding: (i) starting or stopping service, (ii) ordering extra Containers, (iii) ordering exchanges of damaged Containers, (iv) inquiring or expressing concerns about service, (v) inquiring about sanitation bills, and (vi) processing payments (the “Customer Service Functions”).
- b. **Customer Service; After the Election.** After the District makes the Election, it shall provide the Customer Service Functions for Cart Service. In such event, all service changes for Cart service at Residential Premises shall be communicated to Contractor on a daily basis via e-mail or fax with confirmation of receipt by Contractor. Contractor shall work with District staff to address and resolve issues which include but are not limited to Solid Waste code enforcement and pick-up and delivery of Solid Waste and recycling containers.
- c. **Role of District.** After making the Election, District shall handle Customer Service for Cart service at Residential Premises.
- d. **Role of Contractor.** Prior to the Election, Contractor shall handle Customer Service for all services hereunder. After the Election, Contractor shall handle

Customer Service for Cart service at Non-Residential Premises, all Bin service and all Roll-Off Box service.

- e. Office Hours. Contractor's office hours shall be, at a minimum, from 8:00 a.m. to 5:00 p.m. Monday through Friday. A representative of Contractor shall be available during office hours for communication with District at Contractor's principal office.
- f. Missed Collections. All missed Collections will be made by the earlier of (i) as soon as reasonably practicable or (ii) the following Collection day.
- g. Service Complaints. All Customer Collection Service complaints shall be directed promptly in light of the severity of the complaint (and in any event not less frequently than once per month) to Contractor by the General Manager.
- h. Resolution of Disputes. Contractor shall notify Customers of this complaint resolution procedure at the time Customers apply for or are provided service.

Before reviewing the complaint, the General Manager shall refer it to Contractor. If Contractor fails to cure the complaint within ten (10) days, General Manager shall review Customer's complaint and determine if further action is warranted. General Manager may request written statements from Contractor and Customer, and/or oral presentations.

General Manager shall determine if Customer's complaint is unresolved; and if so, what remedy, if any, shall be imposed. The remedy under this Section shall be limited to rebate of Customer charges related to the period of complaint.

General Manager may delegate these duties to a designee. The decision of General Manager or Manager's designee shall be final on any matter under One Thousand Dollars (\$1,000). In the event of a decision on a matter awarding One Thousand Dollars (\$1,000) or more, Contractor may seek review by the Board of Directors.

- i. Bulky Item Collection. Each Single Family Residential Premises receiving individual Collection Service shall be entitled to two (2) Collections of up to five (5) Bulky Waste items, which includes but is not limited to tires, televisions and computers, in each twelve (12) month period at no additional charge. Collections of additional Bulky Items or Bulky Items collected from Multi-Family Apartment Dwellings or Non Residential Customers shall be subject to the Rates included in the Customer Rate Schedule, Attachment D.
- j. Bulky Item Collection; Prior to the Election. Contractor shall provide Bulky Item Collection service to all Customers.
- k. Bulky Item Collection; After the Election. District shall provide Bulky Item Collection service to all Residential Cart Customers.

## **6.02 PAYMENT FOR TEMPORARY BINS AND ROLL-OFF BOXES.**

Contractor may require payment in advance for temporary Bin or temporary Roll-Off Box services provided at Residential, Commercial or Industrial Premises.

### **6.03 BAD DEBT RECOVERY.**

- a. District will act on behalf of Contractor to recover the debt for solid waste and recycling services rendered by Contractor prior to the Election (“Pre-Election Debt”).
- b. In order to reimburse the District its costs of administering the Pre-Election Debt recovery services, the District will retain a fee equal to thirty percent (30%) of the Pre-Election Debt paid by Debtors.
- c. District will account for the Pre-Election Debt recovered from Debtors every two months, or as deemed practical, and submit to Contractor seventy percent (70%) of the Pre-Election Debt paid by Debtors to District.

## **ARTICLE 7. REQUIREMENTS FOR OPERATIONS**

### **7.01 COLLECTION STANDARDS**

- a. **Servicing of Containers.** Contractor shall Collect the contents and return each Container to the location where Occupant properly placed the Container for Collection. Following Collection, Contractor shall place the Containers upright. Contractor shall use due care when handling Containers.
- b. **Christmas Tree Collection.** Curbside Collections of Christmas Trees from Single Family Residential Dwellings receiving individual Collection Service shall be performed free of charge for two weeks following Christmas Day. Contractor shall provide adequate Roll Off containers for Christmas Trees drop-off at District’s Administrative Center for one month starting December 26. Contractor shall remove and manage Christmas Trees dropped-off at the Administrative Center at no charge to the District.
- c. **Missed Pick-Ups.** When notified of a missed pick-up, Contractor shall Collect the Solid Waste, Recyclable Materials, or Green Waste the earlier of (i) as soon as reasonably practicable or (ii) the following Collection day. Contractor shall notify District by email or fax within 24 hours of service completion. If service is not completed by the following Collection day, Contractor shall notify District by email or fax immediately.
- d. **New Bin Service Customers.** Contractor shall deliver containers and initiate Collection services for a new Customer requiring Bin service within five (5) business days of the Customer’s request for service.
- e. **Change in Bin Service.** If an existing Customer requests a change in the number or size of their Solid Waste or Recyclable Materials Containers and/or frequency of collection, Contractor shall deliver and/or remove Containers and initiate changes in the Collection services within five (5) Business Days of the Customer’s request for a change in service.
- f. **Separate Collection.** Contractor shall separately Collect Solid Waste, Organic Material and Recyclable Materials from each other and shall not commingle these materials at any time during the transportation or delivery of those materials to the Disposal Facility or Processing Facility. Commercial (but not residential) Solid Waste, Organic Material and Recyclable Materials Collected in



District may be combined with similar commercial materials Collected from other jurisdictions and shall be allocated by Contractor to District's Collection program based upon tonnage, volume or Container counts. Contractor must demonstrate that District's Collection program pays its fair share of costs resulting from such combining.

- g. Non-Collection Notices. Contractor may choose to not Collect materials for the following reasons: (i) Recyclable Materials contain excessive contamination; (ii) materials contain Hazardous Waste; (iii) the loaded weight of a Container exceeds the maximum load limit specified by the Cart manufacturer; (iv) materials are not fully contained within Containers; and, (v) Container is not accessible due to vehicles or other obstacles. In such case, Contractor shall issue Non-Collection Notices stating the reason(s) the materials were not collected. The Notice of Non-Collection shall be affixed prominently on the Container to ensure that it is not inadvertently removed due to weather conditions. Contractor shall immediately notify District of all Non-Collection Notices. Contractor shall maintain a master record of Notices of Non-Collection issued for inspection by District.
- h. Excess Materials. Materials not contained within Customer's container shall be considered as excess materials and Contractor shall not be required to collect the excess amounts unless Customer has arranged and paid for such Collection.
- i. Care of Private Property. Contractor shall not damage private property and shall ensure that its employees: (i) close all gates opened in making collections, (ii) not cross landscaped areas, and (iii) do not climb or jump over hedges and fences.  
  
District shall refer complaints about damage to private property to Contractor who shall repair, to its previous condition, all damage to private or public property caused by its employees or operations.  
  
Contractor shall repair damage and/or resolve claims regarding damage to property within thirty (30) calendar days of receipt of the Complaint.
- j. Spills and Cleanup. Contractor shall instruct employees to cleanup any spills or scattered materials resulting from its Collection operation. Contractor shall not be required to cleanup spilled or scattered materials resulting from the actions of others including materials falling from overfilled containers or uncontained materials.
- k. Warning Tags. Contractor shall prepare Warning Tags approved by District for use to advise Customers of collection rule infractions and/or non-collection such as but not limited to: (i) uncontained materials, (ii) prohibited contents, (iii) excess weight, and (iv) blocked or inaccessible container. Warning Tags shall have an adhesive strip affixed to the back to adhere the tag to the Container. Warning Tags shall be of two-part construction so that Contractor's employee can submit copies of all Warning Tags to Contractor's field supervisor, dispatch office or customer service representative. Contractor shall immediately notify District of all Warning Tags. Contractor shall maintain a master record of Warning Tags issued for inspection by District

## **7.02 VEHICLES**

- a. General. Contractor shall provide a fleet of Collection vehicles sufficient in number and capacity to efficiently perform the work required by the Agreement

in strict accordance with its terms. Contractor shall have available sufficient back-up vehicles to respond to mechanical breakdowns, complaints and emergencies.

- b. Age. Contractor shall not introduce a used vehicle into service in District as a frontline collection vehicle that is more than five (5) years of age when introduced. Contractor shall not operate a vehicle in District as a regular route collection vehicle that is more than seven (7) years of age unless said vehicle is exceptionally well-maintained and has been accepted by District. Contractor shall not operate a vehicle in District more than ten (10) years of age as a regular route collection vehicle.

Contractor shall be permitted to use vehicles older than the above limitations for periods up to thirty (30) days as back-ups for regular route vehicles when such vehicles are out of service for repair or maintenance or to supplement the regular collection vehicles for special programs such as community clean-ups or emergency situations.

- c. Vehicle Emissions. Contractor shall comply with all applicable air quality rules and regulations in its vehicle deployment.
- d. Specifications. All vehicles operated in District by Contractor shall: (i) be registered with the California Department of Motor Vehicles; (ii) have leak proof bodies designed to prevent leakage, spillage, and/or overflow; and (iii) comply with California Environmental Protection Agency noise emission and California Air Resources Board air quality regulations.
- e. Identification. Contractor's name, local telephone number and vehicle identification number designated by Contractor shall be prominently displayed on the sides and rear of each Collection vehicle.
- f. Condition and Maintenance. Contractor shall maintain all of its vehicles and equipment used in providing service under this Agreement in a good, safe, neat, clean, and operable condition at all times.
- g. Operation. Vehicles shall be operated in compliance with Federal, State and local laws and regulations.
- h. Vehicle Inventory and Replacement Plan. Annually, on or before October 1<sup>st</sup> of each year, Contractor shall provide District with an inventory of all collection vehicles currently operating in District listing (i) Contractor's vehicle identification number, (ii) year manufactured, (iii) make, (iv) body style, and (v) fuel type. Contractor shall include its collection vehicle replacement plan with the vehicle inventory.

### **7.03 CONTAINERS**

- a. General. Contractor shall provide all Carts, Bins, Roll-Off Boxes, other Containers and Compactors, as appropriate, to all Customers as part of its obligations under the terms of this Agreement.

All Containers used in the performance of this Agreement shall remain the property of the Contractor.

- b. Carts. Contractor shall supply Carts for individual collection to all Residential Premises and certain small business Commercial Premises. Each such Single Family Residential Customer shall receive one (1) cart each for Compost/Solid

Waste and Recyclable Materials. One (1) additional Recycling Material cart is available at no charge for each Single Family Resident. Eligible Multi-Family Dwellings and Commercial establishments shall receive one (1) Cart each for Solid Waste and Recyclable Materials.

Carts provided by Contractor shall be offered uniformly in different colors for different materials: (i) 95-gallon Green Carts with Green Lids for Solid Waste/Compost; and (ii) Blue 65-gallon or 95-gallon Carts for Recyclable Materials, or such other Carts as the parties may agree are appropriate from time-to-time. All Carts shall be equipped with hinged lids and wheels and shall be labeled for appropriate material types.

- c. New Customer Carts. Contractor shall provide new Customers with Carts no later than the next business day following notification of subscription. New Customers shall receive Carts that are new, or alternatively, used Carts that have been pressure washed. All new Solid Waste Carts shall be green.
- d. Cart Repair and Replacement; Prior to the Election. Before the District makes the Election, or if District elects to rescind the Election, Contractor shall be responsible to maintain all containers in a clean and functional condition, including but not limited to routine, on location, repair or replacement of lids, handles and/or wheels, it being the intent of the parties that replacement containers will only be provided at such time as a container is lost, unserviceable or incapable of routine repair. Contractor shall replace all lost, unserviceable or irreparable Carts by the next service day following receipt of Customers request. All replacement Compost/Solid Waste carts shall be green. Carts damaged by Contractor or from normal wear and tear shall be replaced at no charge to Customer. Contractor may charge customers to replace missing Carts or Carts damaged by Customer. Contractor shall notify Customer by the next service day following receipt of Customer's request if charges shall apply and shall additionally notify District of its findings. Should District determine that the need for cart replacement is the result of Contractor's actions and not the actions of Customer, District shall instruct Contractor to deliver a replacement cart at no charge to Customer. District's decision shall be final.
- e. Cart Repair and Replacement; After the Election. After the District makes the Election, Contractor shall provide the District with an inventory of new or refurbished Carts sufficient to allow the District to deliver Carts to Residential Premises starting service, ordering extra Carts, or ordering exchanges of damaged Carts. Carts will be provided by Contractor within 72 hours of District request by email or FAX, and will be kept by District at its facilities in sufficient quantity to meet Customer demand. Contractor shall collect and repair, wash or replace damaged Carts and return them to such inventory, it being the intent of the parties that replacement containers will only be provided at such time as a container is lost, unserviceable or incapable of routine repair. Contractor shall replace all lost, unserviceable or irreparable Carts by the next service day following receipt of District's request. All replacement Carts shall be in the applicable color scheme. Carts damaged by Contractor or from normal wear and tear shall be replaced or repaired at no charge to Customer. Contractor may charge customers to replace missing Carts or Carts damaged by Customer.
- f. Bins. Contractor shall provide metal Bins in 1.5 cubic yard, 2 cubic yard, 3 cubic yard and 4 cubic yard sizes to select Residential Premises, select Multi-Family

Premises complexes and select Commercial and Industrial Premises. All Bins shall meet applicable Federal, State and local regulations for Bin safety, and shall be covered with attached lids.

- g. Recycling Bins. Contractor shall distinguish Recycling Bins by color, and shall clearly label them "Recyclables Only".
- h. Multiple Bins. Contractor is to identify and propose recycling collection options for locations with multiple Bin site limitations.
- i. Temporary Bins. Contractor shall provide metal 3 cubic yard Bins for temporary use by any premises in the District for removal of Solid Waste, Construction and Demolition Debris or Green Waste. Contractor shall cover temporary Bins during transport to prevent the release of litter and debris.
- j. Roll-Off Boxes. Contractor shall provide metal Roll-Off Boxes of 10 cubic yard, 20 cubic yard and 40 cubic yard sizes for regular use by select Commercial and Industrial Premises and for temporary use by any Premises in District. Contractor shall cover Roll-Off Boxes during transport to prevent the release of litter and debris.
- k. Compactors. Contractor may provide, for a fee, stationary compactors for use by Customers or may service stationary compactors owned and provided by Customers provide that any stationary compactor provided by Customer shall meet the specifications of Contractor and be compatible with Contractor's collection vehicles.
- l. Concrete Wash-Out Containers. Contractor shall provide containers suitable for the purpose of retaining the liquids and solids generated from the wash out process of vehicles containing concrete. Service for these containers will include the removal and disposal of concrete wastewater by means of a pumping process and standard disposal of concrete sediment solids.

#### **7.04 PERSONNEL**

- a. General. Contractor shall furnish such qualified drivers, mechanical, supervisory, Customer service, sales, recycling, clerical and other personnel as may be necessary to provide the services required by this Agreement in a safe and efficient manner.
- b. No Gratuities. Contractor shall not permit its employees to demand, solicit or accept any additional compensation or gratuity in exchange for Collection Service.
- c. Conduct and Courtesy. Contractor shall employ only competent and qualified personnel who serve the public in a courteous, helpful, and impartial manner. Contractor shall use its best efforts to assure that all employees present a neat appearance and conduct themselves in a courteous manner. If any employee is found not to be courteous or not to be performing services in the manner required by this Agreement, Contractor shall take appropriate measures. The District may require Contractor to reassign an employee, if the employee has conducted himself or herself inconsistently with the terms of this Agreement.
- d. Uniforms. While performing services under this Agreement, all Contractor's employees performing field service shall be dressed in clean uniforms.

## **7.05 HAZARDOUS WASTE**

- a. To the extent practical, Contractor shall inspect containers for the presence of Hazardous Waste and take reasonable precautions to prevent the Collection of Hazardous Waste.
- b. If the presence of Hazardous Waste is detected in any container, Contractor's personnel shall not collect the contents of the container and shall leave a Notice of Non-Collection.
- c. If Hazardous Waste is later detected in a load, Contractor shall attempt to contact the offending Customer who shall be responsible for its removal and cost of removal.

## **ARTICLE 8. DISTRICT FEES**

### **8.01 GENERAL**

In consideration for the rights and privileges provided in this Agreement, and the costs associated in providing the Customer service functions set forth in Section 6.01, including all billing services, and subject to payments to the Contractor as provided in Section 10 below, the District shall receive and/or retain all sums collected from Customers for all services contemplated in this Agreement.

### **8.02 FRANCHISE FEES**

- a. In consideration for the rights and privileges provided in this Agreement, and the costs associated in providing services hereunder, the District shall receive Franchise Fees equal to ten percent (10%) of the Service Component for Solid Waste Handling Services collected from Customers for such services as set forth in this Section 8.02.
- b. Prior to making the Election, the Contractor shall pay the Franchise Fees to the District for each calendar month during the term of this Agreement on or before 30 days after the end of such month.
- c. After making the Election, the District will retain the Franchise Fees from the District's gross monthly billings for Cart Service for Residential Premises. Contractor will pay non-residential Franchise Fees directly to District in accordance with Section 8.02.a.
- d. If the District chooses to rescind the Election, the Contractor shall pay the Franchise Fees to the District for each calendar month during the term of this Agreement on or before 30 days after the end of such month.

### **8.03 ADMINISTRATIVE FEES**

- a. After making the Election, the District shall retain an initial Administrative Fee (including a Franchise Fee offset) of Two Dollars and Twenty-two Cents (\$2.22) per account from its gross monthly billings for Cart Service for Residential Premises in consideration for the rights and privileges provided in this Agreement, and the costs associated in providing services hereunder. The Administrative Fee may be adjusted periodically by the District, provided that such adjustment shall be treated as a "pass

through” which shall adjust the Rate Schedule contained in Attachment D accordingly.

- b. If the District chooses to rescind the Election, the Automated refuse and recycling service rate shall be modified in an amount equal to the sum of Two Dollars and Twenty-two Cents (\$2.22) multiplied by any percentage CPI adjustment that may have been approved by the Board of Directors from the date of the Election to the date of the rescission pursuant to the provisions Section 10.05 hereof or as may be adjusted pursuant to Section 10.08.
- c. The “Helendale Cost Component Adjustment” (ATTACHMENT F) illustrates the Service Component Rate with the District’s Election.

#### **8.04 RECORDS**

The Contractor shall keep and maintain accurate records of all persons, firms and corporations for whom refuse collection services are provided, the amount of money billed and the amount of money collected for each type of service. The District and the person served by the Contractor shall have the right to examine such records at all reasonable times. Such records shall be maintained in accordance with generally accepted accounting standards and shall include all necessary information as to the accuracy of revenues and billings.

### **ARTICLE 9. DISPOSAL AND PROCESSING FACILITIES**

#### **9.01 GENERAL**

District shall direct the use of all Disposal Facilities and Processing Facilities, all of which be fully permitted to accept all waste to be recycled, composted, processed or disposed of hereunder, in compliance with all applicable laws. During the term of this Agreement the District shall be responsible for payment of Gate Fees charged by these facilities.

### **ARTICLE 10. CONTRACTOR COMPENSATION AND RATES**

#### **10.01 GENERAL**

Contractor’s compensation provided for in this Article 10 shall be the full, entire, and complete compensation due to Contractor pursuant to this Agreement for all labor, equipment, materials and supplies, taxes, insurance, bonds, overhead, profit, and all other items necessary to perform all of the services in the manner required by the Agreement.

#### **10.02 CART SERVICE AT RESIDENTIAL PREMISES.**

As compensation for the performance of Cart service at Residential Premises in each calendar month, the Contractor shall be paid an amount equal to the applicable rate as set forth in Attachment D, multiplied by the total number of Customers billed by the District for such service that calendar month. Contractor shall receive payment from District on or before the last day of the following calendar month.

The foregoing rates as shown on current Attachment D and Attachment F shall be effective upon the Effective Date of this Agreement, provided; however, that the

Automated refuse and recycling service rate shall be reduced by the then current Administrative Fee at such time that the District makes the Election. Prior to the District making the Election or if, the District rescinds the Election, the District shall so notify the Contractor in writing and Contractor shall thereafter perform all Solid Waste Handling Services under this Agreement and retain all collections subject to payment of the Administrative Fee and Franchise Fee to the District.

**10.03 CART SERVICE AT NON-RESIDENTIAL PREMISES, BIN SERVICE AND ROLL-OFF BOX SERVICE**

As compensation for the performance of services for Cart service at Non-Residential Premises, all Bin Service and all Roll-Off Box service work in each calendar month, Contractor shall bill for and retain an amount equal to the applicable "Rate to Customer" as set forth in Attachment D, Residential Bin and Commercial Services. This compensation is subject to Franchise Fee payments by Contractor to District.

The current "Rate to Customer" shall be effective upon the Effective Date of this Agreement.

**10.04 INITIAL RATES**

All Customers shall pay for Cart Service at Residential Premises in accordance with the rates set by the District. All Customers shall pay for all other Collection Service in accordance with those rates specified in Attachment D, Residential Bin and Commercial Services (as modified from time to time).

**10.05 ANNUAL FORMULA-BASED COMPENSATION ADJUSTMENT**

The maximum rates set forth in Attachment D, Residential Bin and Commercial Services may be adjusted annually effective each July 1<sup>st</sup> by an amount equal to the calendar year annual twelve-month mean average change in the Consumer Price Index for All Urban Consumers for Los Angeles-Riverside-Orange Counties as published by the United States Department of Labor, Bureau of Labor Statistics for the previous calendar year annual twelve-month period ("CPI"). The first such adjustment shall take place no earlier than July 1, 2013. It is understood by both parties that the maximum annual CPI increase shall be no greater than four percent (4%) in any given adjustment period.

- a. Adjustment Request Procedure. Contractor shall submit its request for a CPI-based rate adjustment not later than April 1 of each year using the form specified in Attachment D, accompanied by a complete revised proposed Attachment D, Residential Bin and Commercial Services, reflecting the CPI-based rate adjustment. The District may determine that the request be submitted earlier than April 1.
- b. Adjustment Approval Procedure. Contractor's request shall be subject to review and approval by the Board of Directors. Subject to all applicable requirements of law, the Board of Directors' decision shall be based solely upon verification of the change in CPI in accordance with the formula set forth in this Agreement and verification of Contractor's computations of the changes in Attachment D, Residential Bin and Commercial Services. The Board of Directors' decision shall be rendered not later than July 1 and shall not be unreasonably withheld.

#### **10.06 DISPOSAL AND PROCESSING FEES**

In addition to other compensation payable to Contractor under this Section 10, the District shall reimburse contractor for all fees charged to the Contractor at any Disposal Facility or Processing Facility, but excluding any fees related to commingled recycling ("Disposal and Processing Fees") for disposal or processing of waste from Cart service at Residential Premises. Contractor shall bill the District for all such fees incurred in the prior calendar month no later than the fifteenth day of the following calendar month and Contractor shall receive payment from District on or before the last day of the that calendar month. The current Disposal and Processing Fees for all other services provided hereunder are included within the applicable "Rate to Customer" as set forth in Attachment D, Residential Bin and Commercial Services, which rates shall be adjusted (subject to the requirements of applicable law) concurrent with the effective date of any change in the Disposal and or Processing Fees charged by the County of San Bernardino and or any other approved Disposal or Processing Facility (in any amount equal to any such change in Disposal and Processing Fees). The rates in Attachment D include Recycling Processing Fees as those fees may be adjusted by Recycling materials revenues; including the facility processing fees, residue disposal charges, and Recycling materials revenues. District will receive any revenues attributed to increased Recycling materials volume as a result of District's efforts under 5.01.f.

#### **10.07 CHANGES IN SCOPE OF SERVICES**

The rates and fees identified in Attachment D, Contractor Service Unit Rates, provided for in Section 10.03 hereof, shall be adjusted for Contractor's operating expense, overhead expense and profit to reflect any changes or additions to Attachment B, Scope of Services, which are mutually agreed-upon by the Parties in writing or ordered by District. Contractor's compensation for changes in Attachment B, Scope of Services, shall be established by the following procedure:

- a. District shall provide Contractor written notice describing the addition or change in the Scope of Services desired by District.
- b. Within thirty (30) days following receipt of District's written notice, Contractor shall submit its written proposal to provide the services requested by District. At a minimum, Contractor's proposal shall include (i) a description of how the service will be rendered; (ii) Contractor's schedule to provide the requested services; (iii) Contractor's cost to render the requested service; and (iv) a description of any options or alternatives Contractor deems appropriate.
- c. Within thirty (30) days following the submittal of Contractor's written proposal, District and Contractor shall meet and negotiate in good faith to agree on an amendment to this Agreement to provide the services described by District.
- d. Should District and Contractor be unable to reach a negotiated agreement on an amendment to this Agreement to provide the services requested by District, the Board of Directors may order that Contractor provide the services for the compensation determined by the Board of Directors which shall be reasonable compensation for Contractor's cost for providing the service. The decision of the Board of Directors shall be final.



## **10.08 EXTRAORDINARY RATE ADJUSTMENTS**

Contractor may request an adjustment to its Rates at reasonable times other than that allowed in Sections 10.06 and 10.07 in the event of extraordinary changes in the cost of providing service under this Agreement.

- a. **Included Changes.** Changes in the cost of providing service considered extraordinary shall include but not be limited to:
  - 1) **Changes in Law.** Changes in law or regulations enacted after the Effective Date of this Agreement by Federal, State, or local regulatory agencies, including amendments to the District's ordinances, resolutions, rules, regulations, policies, and/or procedures.
  - 2) **Extraordinary Costs.** Changes in operating costs brought about by unforeseen circumstances beyond the control of the Contractor.
  - 3) **Change in Disposal Facility.** Temporary or permanent changes in the location of the Disposal Facility.
- b. **Request and Review.** For each request for an extraordinary Rate adjustment to Rates that Contractor may charge Customers brought pursuant to this Section 10.09, Contractor shall prepare a schedule documenting the extraordinary costs and request for Reasonable Compensation. Such request shall be prepared in a form acceptable to District with support for assumptions made by Contractor in preparing the estimate. District shall review the Contractor's request and, in District's sole judgment and absolute, unfettered discretion make the final determination as to whether an adjustment to the Rates will be made, and, if an adjustment is to be permitted, the appropriate amount of the adjustment. District's approval shall not be unreasonably withheld, but shall include consideration of any rate increases obtained by Contractor pursuant to Section 10.05. Any approved extraordinary adjustments will be limited to one year from approval, and be subject to verification that the circumstances warranting the adjustment did not change during that year.

## **10.09 ADDITIONAL CUSTOMER RATE INCREASE PROCEDURES**

Contractor acknowledges that various legal procedures, including but not limited to those contained in Proposition 218, may be applicable to any rate increases proposed to be passed on to customers, including the rate increases contemplated above. If such procedures are applicable, no increases to rates to be passed on to Customers shall become effective until the District has complied with any and all applicable legal requirements. In the event such rate increases do not receive the requisite approval under such procedures, the District shall not be required to adopt such rate increases, nor shall the District be liable to Contractor for the failure to implement any such increases, nor shall District be required to compensate Contractor for any requested rate increases or "pass through" rates. However, with respect to Scope of Services changes requested by the District pursuant to Section 10.08, the Board of Directors may, at its sole discretion, determine whether the District shall compensate Contractor for such additional services without increasing Customer rates.

## **10.10 RATES FOR ORGANIC MATERIALS**

Rates for Collection of Commercial and Residential Organic Materials shall be determined by agreement between the District and Contractor at such time as such programs are developed pursuant to this Agreement.

## **ARTICLE 11. RECORDS AND REPORTS**

### **11.01 RECORDS**

- a. **General.** Contractor shall maintain records required to conduct its operations, to support requests it may make to District, and to respond to requests from District.
- b. **Inspection.** Contractor's records shall be available for inspection by District during regular business hours and upon reasonable notice.
- c. **Records Retention.** Contractor shall maintain all records required in the performance of this Agreement for a period of five (5) years after its expiration or early termination.
- d. **Customer Records.** Contractor shall maintain Customer service information by service route including: (i) name and address of Customer; and, (ii) service level.
- e. **Service Records.** Contractor shall maintain records of Customer complaints and inquiries for three (3) years.
- f. **Materials Records.** Contractor shall maintain a monthly record by service route of the weight of Solid Waste, Recyclable Materials and Construction and Demolition Waste collected from all Premises in District.
- g. **Disposal Records.** Contractor shall maintain a monthly record of all Solid Waste disposed of at the Disposal Facility.
- h. **Route Information.** Contractor shall maintain a record of its routes and collection days by service route for review by District. Such record may be in the form of maps and route books.

### **11.02 REPORTS**

- a. **General.** Contractor shall submit reports according to the following schedule: (i) monthly reports within forty-five (45) days after the end of the reporting month; (ii) annual reports within forty-five (45) days after the end of the calendar year; and (iii) event-specific reports shall be submitted within thirty (30) Days following the occurrence. Monthly reports shall include all Commercial Refuse, Organics and Recycling customers including location and service levels demonstrating compliance with California's Mandatory Commercial Recycling and Mandatory Commercial Organics Collection requirements. Monthly reports also shall include Residential Refuse and Recycling customers including location and services levels.
- b. **Recycling and Diversion Reporting.** Contractor shall prepare and deliver to District all reports necessary to enable the District to comply with its obligations under applicable law.
- c. **Residential Route Audit.** Contractor shall provide the annual residential route audit to District. This audit shall demonstrate verified service levels for all

residential customers, shall list all locations where service levels did not correspond to billings, and shall demonstrate corrective actions for all service level discrepancies.

- d. Reporting Violations. The failure or neglect of the Contractor to file any of the required reports, or the inclusion of any materially false or misleading statement or representation made knowingly by Contractor in such report shall be deemed a material breach of the Agreement, and shall subject Contractor to all remedies, legal or equitable, which are available to District under the Agreement or otherwise.
- e. Commercial Recycling Report. Contractor will provide a quarterly report:
  - 1) Showing all Commercial Recycling, Select, Organics, and refuse Customers (including location and service level);
  - 2) Explaining why Refuse only Customers are not receiving Recycling select or Organics service; and
  - 3) Identifying progress in reducing refuse only Customers and increasing Recycling and Organics tonnage.

### **11.03 AUDIT**

- a. Auditable Records. Contractor shall maintain in auditable form all records relating to the services provided hereunder, including but not limited to, customer lists, maps, compliance records, and Customer complaints, for the full Term of this Agreement, and an additional period of not less than three (3) years, or any longer period required by law or by District. The District shall have the right, upon giving thirty (30) days advance written notice to Contractor, to inspect maps, compliance records, Customer complaints, and other like materials of Contractor which reasonably relate to Contractor's compliance with the provisions of this Agreement. Such records shall be made available to District at Contractor's regular place of business, but in no event outside the County of San Bernardino.

## **ARTICLE 12. INDEMNITY AND INSURANCE**

### **12.01 INDEMNIFICATION**

- a. Indemnification of District. Contractor shall indemnify, defend and hold harmless District, its officers, employees and agents (collectively, the "Indemnitees"), from and against (i) any and all liability, penalty, claim, demand, action, proceeding or suit, of any and every kind and description, whether judicial, quasi-judicial or administrative in nature, (ii) any and all loss including, but not limited to, injury to and death of any person and damage to property, and (iii) contribution or indemnity demanded by third parties (collectively, the "Claims"), arising out of or occasioned in any way by, directly or indirectly, Contractor's performance of, or its failure to perform, its obligations under this Agreement. Contractor shall defend (with attorneys reasonably acceptable to District) the Indemnitees. Contractor's duty to defend, indemnify and hold harmless Indemnitees shall survive the expiration or earlier termination of this Agreement. If, due to the joint, concurring, comparative or contributory fault, negligence or willful misconduct of the Parties which gives rise to the Claims for

which the Indemnitees are entitled to indemnification under this section, then liability for such Claims shall be allocated between the Parties in proportion to their respective degrees of fault, negligence, or willful misconduct contributing to such Claims.

- b. **Indemnification of Contractor.** District shall indemnify, defend and hold harmless Contractor, its officers, directors, shareholders, employees and agents (collectively, the "Indemnified Parties"), from and against (i) any and all liability, penalty, claim, demand, action, proceeding or suit, of any and every kind and description, whether judicial, quasi-judicial or administrative in nature, (ii) any and all loss including, but not limited to, injury to and death of any person and damage to property, and (iii) contribution or indemnity demanded by third parties (collectively, the "Claims"), arising out of or occasioned in any way by, directly or indirectly, District's performance of, or its failure to perform, its obligations under this Agreement. District shall defend (with attorneys reasonably acceptable to District) the Indemnified Parties. District's duty to defend, indemnify and hold harmless the Indemnified Parties shall survive the expiration or earlier termination of this Agreement. If, due to the joint, concurring, comparative or contributory fault, negligence or willful misconduct of the Parties which gives rise to the Claims for which the Contractor is entitled to indemnification under this section, then liability for such Claims shall be allocated between the Parties in proportion to their respective degrees of fault, negligence, or willful misconduct contributing to such Claims.
- c. **PRC 41821.2 Indemnification.** Contractor agrees to indemnify and hold harmless the Indemnitees against all fines and/or penalties imposed on the District pursuant to California Public Resources Code Section 41821.2 et seq., including but not limited to Section 41850, on Contractor's failure to comply with laws, regulations or permits or caused or contributed to by Contractor's failure to perform its obligations under this Agreement. This indemnity obligation is subject to the limitations and conditions in California Public Resources Code section 40059.1, but is enforceable to the maximum extent allowable by that Section.
- d. **Hazardous Waste Indemnification.** Except with respect to Disposal of Solid Waste collected from the District Facilities designated in Attachment C, District Facility Collection Services, Contractor shall indemnify, defend with counsel approved by District, protect and hold harmless Indemnitees and any successor or successors to District's interest from and against all claims, actual damages (including but not limited to special and consequential damages); natural resources damage, punitive damages, injuries, costs, response, remediation and removal costs, losses, demands, debts, liens, liabilities, causes of action, suits, legal or administrative proceedings, interest, fines, charges, penalties, and expenses (including but not limited to attorneys' and expert witness fees and costs incurred in connection with defending against any of the foregoing or in enforcing this indemnity) of any kind whatsoever paid, incurred or suffered by, or asserted against, Indemnitees arising from or attributable to any repair, cleanup or detoxification, or preparation and implementation of any removal, remedial, response, closure or other plan hazardous substance or hazardous wastes at any place where Contractor stores or disposes of municipal solid waste or construction debris pursuant to this Agreement. The foregoing indemnity is intended to operate as an agreement pursuant to Section 107 (e) of the

Comprehensive Environmental Response, Compensation and Liability Act, "CERCLA", 42 U.S.C. section 9607 (e), and California Health and Safety Code section 25364, to insure, protect, hold harmless, and indemnify District from liability. This provision is in addition to all other provisions of this Agreement and is intended to apply to Contractor's actions during the term of this Agreement and survive the end of the Term of this Agreement.

## 12.02 INSURANCE

Without limiting Contractor's indemnification of Indemnitees pursuant to Section 12.01 above, and at its sole expense, Contractor shall procure from an insurance company or companies admitted to do business in the State, and shall maintain in force at all times during the Term of this Agreement, the following types and amounts of insurance:

- a. **Workers' Compensation and Employer's Liability.** Contractor shall maintain workers' compensation insurance covering its employees in statutory amounts and otherwise in compliance with the laws of the State. Contractor shall maintain employer's liability insurance in an amount not less than one million dollars (\$1,000,000) per accident or disease. Contractor shall not be obligated to carry workers' compensation insurance if: (i) Contractor qualifies under California law and continually complies with all statutory obligations to self-insure against such risks; (ii) furnishes a certificate of Permission to Self-Insure issued by the Department of Industrial Relations; and (iii) furnishes updated certificates of Permission to Self-Insure periodically to evidence continuous self insurance.
- b. **General Liability Insurance and Commercial Vehicle Liability Insurance.** The limits of such insurance coverage, and companies, if any, shall be subject to review and approval by District's Risk Manager. Contractor shall obtain and maintain in full force and effect throughout the entire Term of this Agreement a Broad Form Comprehensive General Liability (occurrence) policy with a minimum limit of Four Million Dollars (\$4,000,000.00) aggregate and One Million Dollars (\$1,000,000.00) per occurrence for bodily injury and property damage. Said insurance shall protect Contractor and District from any claim for property damage which may arise from operations performed pursuant to this Agreement, whether such operations are by Contractor itself, or by its agents, employees, and/or sub-contractors. Contractor shall also obtain and maintain a Commercial Vehicle Liability Insurance policy, covering personal injury and property damage, of not less than One Million Dollars (\$1,000,000) combined single limit, covering any vehicle utilized by Contractor, its officers, employees, servants, volunteers, agents and independent contractors and/or subcontractors in performing the services required by this Agreement.
- c. **Endorsements.** Copies of the endorsements evidencing the above required insurance coverage shall be filed with the District. All of the following endorsements are required to be made a part of the insurance policies required by this Section:

"District, its employees, agents, contractors, and officers, are hereby added as additional insured as respects liability arising out of activities performed by or on behalf of Contractor."

“This policy shall be considered primary insurance as respects any other valid and collectible insurance the District may possess including any self-insured retention District may have, and any other insurance District does possess shall be considered excess insurance and shall not contribute with it.”

“This insurance shall act for each insured, as though a separate policy had been written for each. This, however, shall not act to increase the limit of liability of the insuring company.”

“Thirty (30) days prior written notice by certified mail, return receipt requested, shall be given to District in the event of suspension, cancellation, reduction in coverage or in limits, or non-renewal of this policy for whatever reason. In the case of cancellation for non-payment, ten (10) days advance written notice shall be given. Such notices shall be sent to the District.”

The limits of such insurance coverage, and companies, shall be subject to review and approval by District’s General Manager every year and may be increased at that time to match the coverage provided by District’s own liability insurance policy. District shall be included as an additional insured on all policies and endorsements. The requirements of this Section may be satisfied in whole or in part by Contractor’s self-insurance program.

- d. Modification. The insurance requirements provided herein may be modified or waived in writings by the Board of Directors upon request of Contractor, or in the sole discretion of District provided the Board of Directors determines such modification or waiver is in the best interests of District considering all relevant factors, including acceptable coverage amounts.

## **ARTICLE 13. CONTRACTOR PERFORMANCE**

### **13.01 ANNUAL REVIEW**

- a. General Manager Review. Annually within sixty (60) days of the anniversary of the Effective Date of this Agreement, General Manager may, and, if a public hearing review before Board of Directors is to be held, shall conduct a review of Contractor’s performance, quality of service, Collection systems and programs, feasibility of new services and new technologies, Customer complaints, rights of privacy, amendments to Agreement, developments in law, new initiatives for meeting or exceeding diversion goals, complying with statewide recycling obligations and initiatives, regulatory constraints and other services, jointly with Contractor for the purpose of identifying problems, progress and opportunities. Within sixty (60) days of such General Manager review, General Manager shall issue a written report summarizing the findings and conclusions of the review. Within thirty (30) days following receipt of General Manager’s written report, Contractor shall provide General Manager a written response.
- b. Board Presentation. At District’s sole option, within sixty (60) days following General Manager’s review, the General Manager may make a presentation to the Board of Directors (the “Board Presentations”) at which Contractor shall be present and shall participate, to discuss General Manager’s review regarding Contractor’s performance, quality of service, Collection systems, programs and other services.

- c. **District Report.** Within sixty (60) days after the conclusion of the Board Presentation, District shall issue a report with respect to: (i) the adequacy of Contractor's performance and quality of service; and (ii) a listing of any service changes desired and considered technically and economically feasible by District. District may require Contractor to provide such services within a reasonable time, for reasonable rates and compensation. If any noncompliance with Agreement is found, District may direct Contractor to correct the inadequacies by issuing a Notice of Noncompliance in accordance with this Section 13.01.
- d. **Contractor Response to Inadequacies.** Within sixty (60) days after receiving a notice of noncompliance from District, Contractor shall submit a report to District indicating: (i) inadequacy cited by District; (ii) cause of inadequacy; (iii) corrective measures taken by Contractor including dates action was taken; and (iv) measures taken by Contractor to prevent reoccurrence of the inadequacy.

### **13.02 BREACH**

Each of the following shall constitute a material breach of this Agreement by Contractor:

- a. Contractor fails to perform its obligations under this Agreement and its failure to perform is not cured within ten (10) business days after written notice from District;
- b. Contractor fails to perform its obligations under any Section of this Agreement and its failure to perform is not cured within ten (10) business days after written notice from District, provided that if the nature of the breach is such that it will reasonably require more than ten (10) business days to cure, Contractor shall not be in breach so long as it promptly advises District in writing of the reasonable additional time required to cure, subsequently commences the cure and diligently proceeds to completion of the cure; and provided further that neither notice nor opportunity to cure applies to events described in Subsections c through h, below;
- c. Contractor ceases to provide Collection and transportation services for a period of four (4) business days for any reason within Contractor's control, including labor unrest such as strike, work stoppage or slowdown, sickout, picketing, or other concerted job action by Contractor's employees;
- d. Contractor files a voluntary petition for relief under any bankruptcy, insolvency or similar law;
- e. An involuntary petition brought against Contractor under any bankruptcy, insolvency or similar law which remains undismissed or unstayed for ninety (90) calendar days;
- f. Contractor fails to provide reasonable assurance of performance when required under any provision of this Agreement; and
- g. A representation or warranty contained in Section 2.01, above proves to be false or misleading in a material respect as of the date such representation or warranty was made.

### 13.03 ADMINISTRATIVE HEARING

- a. **Hearing Required.** An administrative hearing shall be held: (i) if either Party alleges a breach of this Agreement by the other; and (ii) preceding a default hearing before the Board of Directors. Should either Party contend a breach of this Agreement by the other Party, the offended Party shall give a written request with the other Party for an administrative hearing within fourteen (14) days of the alleged breach.
- b. **Hearing Officer Selection.** Within ten (10) days of receipt by either Party of a written notice requesting an administrative hearing, General Manager and Contractor shall meet to mutually agree on the selection of a hearing officer. If agreement is not reached within twenty (20) days after the notice requesting an administrative hearing is received, the offended Party shall select the hearing officer from a list of three potential hearing officers who are retired California Superior Court or appellate Court justices, none of whom are related to the Parties, prepared in advance by the General Manager and approved by the Board of Directors.
- c. **Hearing Procedure and Venue.** The hearing shall be conducted according to California Code of Civil Procedure Section 1280, *et seq.* (the "California Arbitration Act"). The exclusive venue shall be in San Bernardino County, California. A hearing officer to whom a matter is referred shall have the authority to (i) order the District or Contractor to undertake remedial action to cure the breach and to prevent occurrence of similar breaches in the future; (ii) assess damages and/or levy a penalty upon the District or the Contractor consistent with the terms of this Agreement; or (iii) find there has been no breach. If the hearing officer finds there has been no breach, such a decision precludes the District from conducting a default hearing.
- d. **Payment of Fees.** The Party losing the hearing shall be liable for the hearing officer's fees.
- e. **Failure to Comply.** Any failure of Contractor to comply with the hearing officer's order shall be deemed a material breach of the Agreement, and may be grounds for termination of the Agreement.
- f. **Hearing Commencement; Discovery.** The hearing officer shall commence the hearing within thirty (30) days of selection unless the Parties and the hearing officer otherwise agree. Any Party to the hearing may issue a request to compel reasonable document production from the other Party. Disputes concerning the scope of document production and enforcement of document requests shall be subject to agreement by the Parties, or if agreement is not reached within twenty (20) days of that document request, then by disposition by order of the hearing officer. Any such document request shall be subject to the proprietary rights and rights of privilege of the Parties, and the hearing officer shall adopt procedures to protect such rights. Except as may be otherwise specifically agreed by the Parties, no other form of pretrial discovery shall be available to the Parties; provided that if either Party notifies the hearing officer that a material violation of the Franchise or rights in connection therewith is claimed by either Party, the provisions of Code of Civil Procedure section 1283.05 shall apply.
- g. **Communications.** Neither Party may communicate separately with the hearing officer after the hearing officer has been selected. All subsequent



communications between a Party and a hearing officer shall be simultaneously delivered to the other Party. This provision shall not apply to communications made to schedule a hearing or request a continuance.

- h. **Effective Date; Findings.** Until a final decision is entered by the hearing officer proceeding under the foregoing provisions and the time for appeal or other post judgment petition has expired, the imposition or enforcement of any penalties or sanctions provided in this Agreement and related to the subject matter of the hearing shall be stayed. The hearing officer may modify or cancel any proposed penalties or sanctions upon finding that the Party subject thereto acted with substantial justification or if the interest of justice so requires.
- i. **Appeal.** Any Party to an administrative hearing as set forth in this Section may petition the Superior Court in San Bernardino County, California to confirm, correct, or vacate the decision on the grounds stated in the California Arbitration Act. Any proceedings on appeal shall be in accordance with California Code of Civil Procedure sections 1294 and 1294.2.
- j. **Award/Decision Non-Binding.** To the extent that the administrative hearing procedure set forth herein is interpreted as a requirement for arbitration, any decision by a hearing officer arising out of such administrative hearing shall be **NON-BINDING**, and nothing in this Article or elsewhere in this Agreement, shall prevent the Parties from seeking judicial review or a trial de novo with respect to any decision rendered by a hearing officer as set forth herein.

#### **13.04 LIQUIDATED DAMAGES**

- a. **Material Breach.** District finds, and Contractor agrees, that as of the time of the execution of this Agreement, it is impractical, if not impossible, to reasonably ascertain the extent of damages which shall be incurred by District as a result of a material breach by Contractor of its obligations under this Agreement. The factors relating to the impracticality of ascertaining damages include, but are not limited to, the fact that: (i) substantial damage results to members of the public who are denied services or denied quality or reliable services; (ii) such breaches cause inconvenience, anxiety, frustration, and deprivation of the benefits of the Agreement to individual members of the general public for whose benefit this Agreement exists, in subjective ways and in varying degrees of intensity which are incapable of measurement in precise monetary terms; (iii) that services might be available at substantially lower costs than alternative services, and the monetary loss resulting from denial of services or denial of quality or reliable services is impossible to calculate in precise monetary terms; and (iv) the termination of this Agreement for such breaches, and other remedies are, at best, a means of future correction and not remedies which make the public whole for past breaches.
- b. **Amount.** After providing Contractor notice and an opportunity to cure set forth herein, the Board of Directors may, in its discretion, assess liquidated damages in an amount not to exceed Eight Hundred Dollars (\$800.00) per day, for each calendar day that service is not provided by Contractor in accordance with this Agreement. The amount of the liquidated damages shall be adjusted annually each September 1 by the amount of change in the Consumer Price Index according to the procedure specified in Section 10.06 above, for Contractor compensation.

- c. **Payment.** District finds, and Contractor acknowledges and agrees, that the above described liquidated damage provisions represent a reasonable sum in light of all the circumstances. Said liquidated damages sums shall be applicable to each business day of delay during which Contractor has been found by the Board of Directors to be in material breach pursuant to this Section. The Contractor shall pay any liquidated damages assessed by the Board of Directors within ten (10) days after they are assessed.

### **13.05 DISTRICT'S ADDITIONAL REMEDIES**

In addition to the remedies set forth in this Section, District shall have the following rights and remedies:

- a. **Rental of Equipment and Facilities.** To rent or lease equipment from Contractor at its fair and reasonable rental value for the purpose of performing the services which Contractor is obligated to perform pursuant to this Agreement, for a period not to exceed six (6) months. In the case of equipment not owned by Contractor, Contractor shall assign to District, to the extent Contractor is permitted to do so under the instruments pursuant to which Contractor possesses such equipment, the right to possess the equipment. If District exercises its rights under this Section, District shall pay Contractor the reasonable rental value of the equipment so taken for the period of District's possession thereof.
- b. **Performance by Others.** The right to license others to perform the services otherwise to be performed by Contractor hereunder or to perform such services itself.
- c. **Damages.** The District's right to obtain damages and/or injunctive relief. Both Parties recognize and agree that in the event of a breach of the terms of this Agreement by Contractor, District may suffer irreparable injury and incalculable damages sufficient to support injunctive relief, to enforce the provisions of this Agreement and to enjoin the breach thereof.

### **13.06 RIGHTS OF DISTRICT TO PERFORM DURING EMERGENCY**

- a. **Temporary Possession.** Should Contractor, for any reason whatsoever, except the occurrence or existence of any of the events or conditions set forth in Section 13.07, "Force Majeure", refuse or be unable to collect, transport, recycle, compost, and dispose, and provide temporary Bin/Roll-Off Box services for any or all of the Refuse, Compostables, and Recyclables which it is obligated under this Agreement for a period of more than seventy-two (72) hours, and if as a result thereof, debris, Refuse, Compostables, Recyclables and construction debris should accumulate in District to such an extent, in such a manner, or for such a time that the General Manager should find that such accumulation endangers or menaces the public health, safety, or welfare, then in such event District shall have the right, upon twenty-four (24) hour prior written notice to Contractor, during the period of such emergency, to temporarily take possession of any or all equipment and facilities of Contractor previously used in the collection, transportation, Recycling, Composting, and Disposal of Solid Waste and construction debris and provide temporary Bin/Roll-Off services under this Agreement, and to use such equipment and facilities to collect, Recycle, Compost, and transport any or all debris, Refuse, Compostables, Recyclables,

and construction debris and provide temporary Bin/Roll-off services which Contractor would otherwise be obligated to collect, Recycle, Compost, transport, and Dispose of Solid Waste and construction debris and provide temporary Bin/Roll-off services pursuant to this Agreement. Contractor agrees that in such event it shall fully cooperate with District to effect such a transfer of possession for District's use.

- b. No Payment; Relinquishment. Contractor agrees that, in such emergency as described in Subsection a above, District may take temporary possession of and use all of said equipment and facilities without paying Contractor any rental or other charge, provided that District agrees that, in such event, it assumes complete responsibility for the proper and normal use of such equipment and facilities. District agrees that it shall immediately relinquish possession of all of the above mentioned property to Contractor upon receipt of written notice from Contractor to the effect that it is able to resume its normal responsibilities under this Agreement.

### **13.06 FORCE MAJEURE**

Contractor shall not be in breach under this Agreement in the event that the services to be provided by Contractor are temporarily interrupted or discontinued for any of the following events which are beyond the reasonable control of and not caused by the actions of Contractor: (i) riots, wars, sabotage, severe civil disturbances, insurrections, and explosions; (ii) natural disasters such as floods, earthquakes, landslides, and fires; (iii) strikes, lockouts, and other labor disturbances; or (iv) other catastrophic events. Other catastrophic events do not include the financial inability of Contractor to perform or failure of Contractor to obtain any necessary permits or licenses from other governmental agencies or the right to use the facilities of any public utility where such failure is due solely to the acts or omissions of Contractor.

### **13.08 PERFORMANCE BOND**

Contractor shall, prior to the Effective Date of this Agreement, execute and file with the District a surety bond in the penal sum of Two Hundred Thousand Dollars (\$200,000.00) conditioned upon the faithful performance of this Agreement by Contractor, and its subcontractors, if any. Said bond may be written for a term of one (1) year, and may thereafter be renewed by certificate, provided however, that Contractor agrees to and shall maintain such bond in force for the complete Term of this Agreement (including any extensions thereof).

## **ARTICLE 14. OTHER AGREEMENTS OF THE PARTIES**

### **14.01 RELATIONSHIP OF PARTIES; INDEPENDENT CONTRACTOR**

The Parties intend that Contractor shall perform the services required by this Agreement as an independent contractor engaged by District, and not as an officer or employee of District, nor as a partner of or joint venture with District. No employee of Contractor shall be deemed to be an employee or agent of District. Except as expressly provided herein, Contractor shall have the exclusive control over the manner and means of conducting the services performed under this Agreement, and over all persons performing such services. Contractor shall be solely responsible for the acts and omissions of its

officers, employees, subcontractors and agents. Neither Contractor, nor its officers, employees, subcontractors or agents shall obtain any rights to retirement benefit, workers' compensation benefits, or any other benefits which accrue to District employees by virtue of their employment with District.

#### **14.02 COMPLIANCE WITH LAWS**

In providing the services required under this Agreement, Contractor shall at all times comply with all applicable laws of the United States, the State and District, with all applicable regulations promulgated by Federal, State, regional or local administrative and regulatory agencies, and by District, now in force and as they may be enacted, issued or amended during the Term, and with all permits affecting the services to be provided.

#### **14.03 ASSIGNMENT; TRANSFER; CHANGE IN CONTROL**

- a. District Consent Required. It is the expressed intent of the Parties to this Agreement that the rights and privileges granted by this Agreement shall not be transferred, sold, hypothecated, leased, assigned, nor shall any of the rights or privileges herein be hypothecated, leased, assigned, sold, or transferred, either in whole or in part, nor shall title thereto, either legal or equitable, or any right, interest, or property therein, pass to or vest in any person, except Contractor, either by act of Contractor or by operation of law, nor shall any Change in Control (as defined in Subsection c, below) occur, without the prior written consent of District, expressed by resolution adopted by the Board of Directors.

It is further understood and agreed that District's consent to any of the above actions or transactions may be withheld for any reason, with or without cause, and that upon the occurrence of any of the above events, without consent of District, District shall have the absolute right to terminate the Agreement without notice.

- b. Penalty for Unauthorized Transfer. In addition to the rights provided District with respect to terminating this, Agreement should Contractor take any of the actions set forth in Subsection 14.03. a above, prior to obtaining written consent of District, twenty-five percent (25%) of the gross monthly billings for Solid Waste and Recycling, from the date of the unauthorized action until the date District receives notice of the unauthorized action, shall be returned to District.
- c. Change In Control Defined. District consent is required for any change in control of Contractor. "Change in Control" shall mean any sale, transfer, or acquisition of Contractor. Contractor is a corporation, and any acquisition of more than twenty-five percent (25%) of Contractor's voting stock by any person, or groups of persons acting in concert, who already own less than fifty percent (50%) of the voting stock, shall be deemed a change in control. Provided, however, that the transfer of stock of Contractor to another solid waste company shall be deemed a transfer and not a change in control.
- d. Application Fee. Any application for a Franchise transfer, assignment of this Agreement or Change in Control, as described in this Section 14.03, shall be made in the manner prescribed by the General Manager. The application shall include the payment and reimbursement to District of: (i) up to Ten Thousand Dollars (\$10,000) to cover the cost of all direct or indirect administrative expenses including consultants and attorneys, necessary to adequately analyze

the application (the ("Transfer Application Fee"); and (ii) all additional associated costs not covered by the Transfer Application Fee. Bills evidencing the costs and expenses associated with a Franchise transfer, assignment or Change of Control shall be supported with evidence of the expense or cost incurred. The applicant shall pay such bills within thirty (30) days of receipt. The Transfer Application Fee and cost reimbursements set forth in this Subsection are in addition to any other fees specified in this Agreement.

- e. Assignment to Family Member. Notwithstanding the fact it would otherwise fall within the provisions of this Section 14.03, any transfer of interests to an immediate family member of any existing shareholder may occur with the written approval of the General Manager, and without any of the other provisions of this Section 14.03 applying if Contractor certifies and the General Manger verifies that the transfer is in fact to an immediate family member or members; and, the General Manager finds both of the following: (i) that the transfer of interest will have no adverse impact on Contractor's operations in District, and (ii) that the transfer of interest will not result in any interest in Contractor being vested in any person who is not an immediate family member of an existing shareholder of Contractor. In the event the General Manager is unable to make these findings, or has any concern regarding his/her ability to do so, he/she may refer the matter in whole or part to the Board of Directors for its consideration, approval, or other action, and the Board of Directors shall have the discretion to consider the matter as if it were a transfer as described in this Section 14.03. Any assignment to a family member shall not incur a Transfer Application Fee.

#### **14.04 SUBCONTRACTING**

Contractor shall not engage any subcontractors to perform any of the services required of it by this Agreement without the prior written consent of District. Contractor shall notify District no later than thirty (30) days prior to the date on which it proposes to enter into a subcontract. District may approve or deny any such request in its sole discretion and its approval shall not be unreasonably withheld. Contractor retains the right to enter into an arrangement with an affiliated entity to perform any of the services, activities or administration of services or activities which Contractor is required or allowed to perform under this Agreement. Any arrangement by Contractor with an affiliated entity shall neither be considered as a subcontracting nor as an assignment.

#### **14.05 CONTRACTOR'S INVESTIGATION**

Contractor has made an independent investigation, satisfactory to it, of the conditions and circumstances surrounding the Agreement and the work to be performed by it. Contractor has taken those matters into consideration in agreeing to provide the service required under this Agreement for the compensation to be provided herein.

#### **14.06 NOTICE**

All notices, demands, requests, proposals, approvals, consents and other communications which this Agreement requires, authorizes or contemplates shall be in writing and shall either be personally delivered to a representative of the Parties at the addresses below, or be deposited in the United States mail, first class postage prepaid, addressed as follows:

- a. If to District:  
 General Manager  
 HELENDALE COMMUNITY SERVICES DISTRICT  
 26540 Vista Rd, Suite 3  
 PO Box 359  
 Helendale, CA 92342
- b. If to Contractor:  
 Cole Burr, President  
 BURRTEC WASTE INDUSTRIES, INC.  
 9890 Cherry Avenue  
 Fontana, California 92335
- c. The address to which communications may be delivered may be changed from time to time by a notice given in accordance with this Section.
- d. All notices shall be deemed delivered upon receipt by personal service or as of the second (2nd) day after deposit in the United States mail.

**14.07 REPRESENTATIVES**

- a. Representatives of District. References in this Agreement to actions to be taken by the District shall mean action taken by the Board of Directors, except as provided below or elsewhere in this Agreement. The General Manager shall be deemed to be the administrator of this Agreement and may in turn delegate authority to other District officials in writing. Contractor may rely upon actions taken by the delegates of the General Manager if such actions are within the scope of the authority delegated to them.
- b. Representative of Contractor. Contractor shall designate a responsible representative to serve as its "government liaison" and act in its behalf in all matters related to the Agreement and shall inform District in writing of such designation and of any limitations upon his or her authority to bind Contractor. District may rely upon action taken by such designated representative as actions of Contractor unless they are outside the scope of the authority delegated to him/her by Contractor as communicated to District. Contractor shall provide District prior written notification of a change in its government liaison. District reserves the right to require a change of Contractor's government liaison.

**14.08 DUTY OF CONTRACTOR NOT TO DISCRIMINATE**

In the performance of this Agreement Contractor shall not discriminate, nor permit any subcontractor to discriminate, against any employee, applicant, for employment, or Customer an account of race, color, national origin, ancestry, religion, sex, age, physical disability, medical condition, sexual orientation, marital status, or other characteristic, in violation of any applicable law.

**14.09 TRANSITION TO NEXT SERVICE PROVIDER**

At the expiration of the Term or the earlier termination of this Agreement, or upon District's approval of a proposed assignment, Contractor shall cooperate fully with District to ensure an orderly transition to any and all new service providers. Contractor

shall further cooperate with District by providing route and account data for the development of a request for proposals should District decide to seek proposals for the services provided under this Agreement.

#### **14.10 PAVEMENT DAMAGE**

District has determined, and Contractor acknowledges, that Contractor's operation of collection vehicles places a burden on streets and is a cause of pavement damage. District has further determined that it may levy on Contractor a collection vehicle impact fee and from time to time adjust said fee to partially offset a portion of pavement maintenance and repair costs resulting from Contractor's collection vehicles. The parties further agree that any such collection vehicle impact fee levied by District shall be a pass through expense and rates shall be adjusted contemporaneously with the levy or adjustment of such a fee.

#### **14.11 OWNERSHIP OF SOLID WASTE**

- a. Once Solid Waste, Recyclable Materials, Green Waste, Organic Materials, and Construction and Demolition Waste is placed in Commercial containers for Collection, or Residential containers for curbside, collection, ownership shall transfer to Contractor. Contractor is hereby granted the right to retain, Recycle, Compost, dispose of, and otherwise use such Solid Waste, Recyclable Materials, Green Waste, Organic Materials, and Construction and Demolition Waste, or any part thereof, in any lawful fashion or for any lawful purpose as agreed to by District and Contractor in order to meet AB 939 requirements.
- b. Transfer of Ownership. When disposed of at a Disposal Site or Processing Facility (whether landfill, transformation facility, transfer station, or material recovery facility) Solid Waste, Recyclable Materials, Green Waste, Organic Materials and Construction and Demolition Waste shall become the property of the owner or operator of the Disposal Facility or Processing Facility once deposited there by Contractor. At no time does District obtain any right of ownership or possession of Solid Waste placed for Collection as described herein, and nothing in this Agreement shall be construed as giving rise to any inference that District has such rights.

### **ARTICLE 15. MISCELLANEOUS PROVISIONS**

#### **15.01 GOVERNING LAW**

This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.

#### **15.02 JURISDICTION**

Any lawsuits between the Parties arising out of this Agreement shall be brought and concluded in the courts of the State of California, which shall have jurisdiction over such lawsuits. With respect to venue, the Parties agree that this Agreement is made and will be performed in San Bernardino County.

**15.03 BINDING ON SUCCESSORS**

The provisions of this Agreement shall inure to the benefit of and be binding on the successors and permitted assigns of the Parties.

**15.04 PARTIES IN INTEREST**

Nothing in this Agreement is intended to confer any rights on any Persons other than the Parties to it and their permitted successors and assigns.

**15.05 WAIVER**

The waiver of either Party of any breach or violation of any provisions of this Agreement shall not be deemed to be a waiver of any breach or violation of any other provision nor of any subsequent breach or violation of the same or any other provision.

**15.06 ATTACHMENTS**

Each of the Attachments to this Agreement, identified as Attachments "A" through "F", is attached hereto and incorporated herein and made a part of this Agreement by this reference.

**15.07 ENTIRE AGREEMENT**

This Agreement, including the Attachments, represents the full and entire agreement between the Parties with respect to the matters covered herein and supersedes all prior negotiations and agreements, either written or oral.

**15.08 SECTION HEADINGS**

The Section headings in this Agreement are for convenience of reference only and are not intended to be used in the construction of this Agreement nor to alter or affect any of its provisions.

**15.09 INTERPRETATION**

This Agreement shall be interpreted and construed reasonably and neither for nor against either Party, regardless of the degree to which either Party participated in its drafting.

**15.10 AMENDMENT**

This Agreement may not be modified or amended in any respect except by a writing signed by the authorized representatives of the Parties.

**15.11 SEVERABILITY**

If a court of competent jurisdiction holds any provision of this Agreement to be invalid and unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Agreement which shall be enforced as if such invalid or unenforceable provision had not been contained herein.



**15.12 COSTS AND ATTORNEYS' FEES**

The prevailing Party in any action brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with such an action from the other Party.

**15.13 NO DAMAGES FOR INVALIDATION OF AGREEMENT**

Except as otherwise set forth in Section 15.15 below, if a final judgment of a court of competent jurisdiction determines that this Agreement is illegal or was unlawfully entered into by District, neither Party shall have any claim against the other for damages of any kind (including but not limited to loss of profits) on any theory.

**15.14 REFERENCE TO LAWS**

All references in this Agreement to laws and regulations shall be understood to include such laws and regulations as they may be subsequently amended or recodified, unless otherwise specifically provided. In addition, references to specific government agencies shall be understood to include agencies that succeed to or assume the functions they are currently performing.

**15.15 INDEMNITY AGAINST CHALLENGES TO AGREEMENT**

For the Term of this Agreement, Contractor shall indemnify, defend and hold harmless Indemnitees from and against any and all liability, claim, demand, action, proceeding or suit of any and every kind and description brought by a third person challenging the process by which this Agreement was negotiated or awarded.

(Signature page follows)

LAST PAGE OF AGREEMENT

In WITNESS WHEREOF, District and Contractor have executed this Agreement as of the day and year first written above.

HELENDALE COMMUNITY SERVICES  
DISTRICT:

BURRTEC WASTE INDUSTRIES, INC.

By: \_\_\_\_\_  
Ron Clark  
President of the Board

By: \_\_\_\_\_  
Cole Burr  
President

APPROVED:

\_\_\_\_\_  
Kimberly Cox  
General Manager

ATTEST:

\_\_\_\_\_  
APPROVED AS TO FORM:

\_\_\_\_\_  
Legal Counsel

## ATTACHMENT A

### DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this Agreement shall have the meanings set forth below.

- a. Agreement – The term “Agreement” shall mean this contract, entered into between District and Contractor.
- b. Bin- The term "Bin" means a metal container with hinged lids and wheels serviced by a front-end loading truck.
- c. Bulky Waste – The term “Bulky Waste” shall mean large items of Solid Waste such as appliances, furniture, large auto parts, trees, branches greater than 4 inches in diameter and 36 inches in length, stumps and other oversize wastes whose large size precludes or complicates their handling by normal collection, processing or disposal methods.
- d. District– The term “District” shall mean the HELENDALE COMMUNITY SERVICES DISTRICT.
- e. Board of Directors – The term “Board of Directors” shall mean the Board of Directors of the HELENDALE COMMUNITY SERVICES DISTRICT.
- f. General Manager – The term “General Manager” shall mean the General Manager of the HELENDALE COMMUNITY SERVICES DISTRICT.
- g. Cart- the term "Cart" means a plastic container with a hinged lid and wheels provide for automated refuse and recycling service.
- h. Code – The term “Code” shall mean the ordinances, resolution, rules, regulations, policies, and/or procedures of the HELENDALE COMMUNITY SERVICES DISTRICT.
- i. Collection Service – The term “Collection Service” shall mean all or any part of the activities involved in collecting and transporting solid waste, recyclable materials or green waste to an appropriate disposal or recycling facility.
- j. Commercial/Industrial Premises – The term “Commercial/Industrial Premises” shall mean stores, offices, including manufacturing and industrial offices and facilities, restaurants, warehouses, schools, colleges, universities, hospitals, and other non-manufacturing entities.
- k. Commercial Recycling Program – The term “Commercial Recycling Program” shall mean Source Separated Commercial Recycling and Select Commercial Recycling
- l. Commercial Organics Program – The term “Commercial Organics Program” shall mean collection and processing of organic material from Commercial/Industrial Premises as required by application law. Compost – The term “Compost” shall mean controlled biological decomposition of organic material, producing a stable soil amendment.
- m. Compost – The term “Compost” shall mean shall mean controlled biological decomposition of organic material, producing a stable soil amendment.
- n. Construction and Demolition Waste – The term “Construction and Demolition Waste” shall mean used or discarded construction materials removed from a premise during

construction, demolition or renovation of a structure where a District permit has been issued.

- o. Customer – The term “Customer” shall mean those generators of solid waste, recyclable materials or green waste to whom a franchisee provides collection service.
- p. Disposal Facility – The term “Disposal Facility” shall mean any dump site, transfer station or other place specifically designed for the receipt and disposition of refuse collected by Contractor pursuant to this agreement.
- q. Disposal and Processing Fees – The term “Disposal and Processing Fees” shall mean the basic processing fee charged to process commingled recycling materials, including residue disposal and Recycled materials revenues.
- r. Exclusive Solid Waste Handling Services – The term “Exclusive Solid Waste Handling Services” means any action by District, whether by franchise, contract, license, permit, or otherwise, whereby the District itself or one or more other local agencies or solid waste enterprises has the exclusive right to provide solid waste handling services of any class or type within all or any part of the territory of the local agency.
- s. Franchise – The term “Franchise” shall mean a certificate, contract, or license issued by the District authorizing a person to provide solid waste and recycling collection service and to use District streets.
- t. Franchisee – The term “Franchisee” shall mean the person granted the exclusive franchise by this Agreement.
- u. Gate Fee – The term “Gate Fee” shall mean the fee charged for the disposal of solid waste at any public or private landfill, transfer station and/or resource recovery or recycling facilities.
- v. Green Waste – The term “Green Waste” shall mean compostable materials including grass clippings, leaves, pruning and similar vegetative materials; but does not include sod, stumps, or similar bulky materials, rocks or dirt.
- w. Multi-Family Premises – The term “Multi-Family Premises” shall mean any building or group of buildings that contain 5 or more dwellings.
- x. Organic Material – The term “Organic Material” shall mean Solid Waste materials that are biologically synthesized by plants or animals from simpler substances, are no longer suited for their intended purpose, and may be readily broken down by biological processes into soil constituents. Examples include, but are not limited to, food waste, green waste, paper, and putrescible material which are generally a source of food for bacteria.
- y. Non-Residential Premises – The term “Non-Residential Premises” shall mean Commercial/Industrial and Multi-Family Premises.
- z. Processing Facility – The term “Processing Facility” shall mean a facility designated by the District to accept Recycling Material, Organic Material and/or Compost for the purpose of reduction, separation, recovery and conversion.
- aa. Recyclable Materials – The term “Recyclable Materials” shall mean Solid Waste that is source separated, has some potential economic value, and is set aside, handled, packaged, or offered for collection in a manner different from Refuse in order to allow it to be processed for recycling. Recycling Materials must be acceptable to the Processing Facility, and include paper, cardboard, glass, metal, and rigid plastic containers.

- bb. Refuse – The term “Refuse” shall mean Solid Waste, as defined herein. However, the term “Refuse”, for purposes of this Agreement, shall not be deemed to refer to or include dead animals, manure, sewage waste or waste water, explosive substances, radioactive materials, materials which have been exposed to highly infectious or contagious diseases, or other hazardous materials.
- cc. Residential Premises – The term “Residential Premises” shall mean a single family dwelling or a multi-family dwelling with up to and including 4 dwelling units on a single tax lot.
- dd. Roll-Off Box- the term “Roll-Off Box” means an open-top metal container serviced by a roll-off truck with a capacity of 10 to 40 cubic yards.
- ee. Select Commercial Recycling – The term “Select Commercial Recycling” shall mean the collection of non-residential Bins that include high concentrations of Recyclable Materials, as evidenced by the Customers’ typical generation, but that are not otherwise collected as Commercial Recycling.
- ff. Service Unit – The term “Service Unit” shall mean each of the following which receives standard service: each single-family dwelling, each dwelling unit within a duplex, triplex or multi-family residential building, each apartment or condominium unit within an apartment or condominium building, and each business, professional, industrial or other non-residential use unit.
- gg. Service Component-The term Service Component shall mean that portion of all of the fees collected hereunder for Solid Waste Handling Services except Disposal and Processing Fees and Administrative Fees.
- hh. Solid Waste – The term “Solid Waste” shall mean all putrescible and nonputrescible solid and semisolid wastes, including garbage, trash, refuse, paper, rubbish, ashes, industrial wastes, demolition and construction wastes, discarded home and industrial appliances, manure, vegetable or animal solid and semisolid wastes, and other discarded solid and semisolid wastes. “Solid Waste” does not include hazardous waste as defined by the State of California, or low-level radioactive waste. “Solid Waste” does not include medical waste which has not been treated for disposal at a solid waste facility.
- ii. Solid Waste Handling Services – The term “Solid Waste Handling Services” shall mean the collection, transportation, storage, and transfer of solid wastes for residential, commercial, institutional, or industrial users or customers.
- jj. Source Separated Commercial Recycling – The term “Source Separated Commercial Recycling” shall mean the collection of Bins that have high concentrations of source separated Recyclable Materials.
- kk. Standard Service – The term “Standard Service” shall mean curbside collection service required for all service units not arranging with the Contractor for Bin service nor required by the District to obtain Bin service from the Contractor.
- ll. Waste Generator – The term “Waste Generator” shall mean any Person, including any contractors or subcontractors acting on such Person’s behalf, whose act or process produced Solid Waste, or whose act first causes Solid Waste to become subject to District’s regulatory authority. A contractor or subcontractor engaged for the purpose of collecting, hauling, and transporting waste is not a waste generator.

## ATTACHMENT B

### SCOPE OF SERVICES

The services to be performed by Contractor are as follows and are subject to change as described in Section 10.08 of this Agreement.

- a. Provide Carts for automated collection of residential Solid Waste and Recyclable Materials in accordance with Section 7.03.
- b. Provide fully automated, once a week collection of residential Solid Waste and Recyclable Materials.
- c. Provide annual residential curbside Christmas Tree Collection.
- d. Provide containers for collection of commercial Solid Waste, Organic and Recyclable Materials in accordance with Section 7.03.
- e. Provide for collection of commercial Solid Waste, Organic and Recyclable Materials up to seven days per week.
- f. Provide for collection of Solid Waste, Organic and Recyclable Materials from selected District Facilities in accordance with Subsection 5.01d.
- g. Provide Records and Reports in accordance with Article 11.
- h. Upon District request, work with District to develop a residential Organic material collection and composting program.
- i. Provide an annual event for document destruction (Shred-Fest), at Contractor's sole cost.
- j. Development and management of commercial recycling outreach program.
- k. Establish a periodic residential route audit and service verification program;
- l. Provide a social marketing based program to reduce recycling contamination and increased recyclable material recovery for residential and non-residential customers, including a comprehensive container inspection and compliance element;
- m. Provide for the development and management of school outreach recycling programs including annual site visits to all schools and classrooms within the District limits which receive Collection Services provided by Contractor under this Agreement, provided such schools and classrooms continue to receive such Collection Services.
- n. Supply equipment and manpower for a no charge drop off community clean-up two (2) times per year.

## ATTACHMENT C

### DISTRICT FACILITY COLLECTION SERVICES

Contractor will provide at no charge to District, containers for, and collection and disposal of all Solid Waste generated at the following premises owned and/or operated by the District (collectively "District Facilities" and individually "District Facility").

26540 Vista Road – Community Center

27079 Helendale Road – Wastewater Plant

15302 Smithson Road, Units A-D – Community Park Housing

15425 Wild Road, Units A-F – Community Park, 4-plex and Water Shop

## ATTACHMENT D HELENDALE CSD RATES

Effective 7/1/17

(May be amended from time to time as approved by the Board.)

Service Type	Current Rate	Proposed Rate	Service Type	Current Rate	Proposed Rate
<b><u>Residential Service</u></b>			<b><u>Commercial Trash Service</u></b>		
95-gallon barrel w/paid disposal costs	\$ 19.89	\$ 20.24	<u>Size</u>	<u>Freq</u>	
95-gallon barrel w/o paid disposal costs	\$ 27.78	\$ 27.50	1.5	1	\$ 81.08 \$ 82.31
Extra 95-gallon trash barrel	\$ 7.27	\$ 7.41	1.5	2	\$ 153.89 \$ 156.18
65/95-gallon recy. 1st extra	N/C	N/C	1.5	3	\$ 226.76 \$ 230.11
65/95-gallon recy. extra	\$ 1.43	\$ 1.46	2	1	\$ 105.33 \$ 106.90
Extra pick-up (barrels)	\$ 21.63	\$ 22.04	2	2	\$ 202.46 \$ 205.45
			2	3	\$ 299.58 \$ 303.99
			3	1	\$145.69 \$147.81
			3	2	\$291.32 \$295.58
			3	3	\$437.06 \$443.43
			3	4	\$582.72 \$591.23
			3	5	\$728.38 \$739.01
			3	6	\$874.06 \$886.82
<b><u>Commercial Barrel Service</u></b>			<b><u>Recycling Bin Service</u></b>		
95-gallon barrel -1x	\$ 16.71	\$ 16.91	1.5	1	\$72.59 \$74.15
95-gallon barrel -2x	\$ 42.28	\$ 42.86	1.5	2	\$145.16 \$148.29
95-gallon barrel -3x	\$ 62.40	\$ 63.25	1.5	3	\$217.75 \$222.44
Automated Recy 65g - 1x	\$ 7.09	\$ 7.22	2	1	\$94.01 \$96.04
			2	2	\$188.01 \$192.09
			2	3	\$282.02 \$288.12
			3	1	\$128.72 \$131.53
			3	2	\$257.44 \$263.07
			3	3	\$386.17 \$394.62
			3	4	\$514.89 \$526.16
			3	5	\$643.59 \$657.68
			3	6	\$772.32 \$789.23
<b><u>Residential Bin Service</u></b>			<b><u>Temporary Bins</u></b>		
<u>Size</u>	<u>Freq</u>		Temporary Bins	\$ 103.33	\$ 105.32
1.5	1	\$ 63.62 \$ 64.84			
1.5	2	\$ 127.22 \$ 129.67			
1.5	3	\$ 190.84 \$ 194.51			
2	1	\$ 82.06 \$ 83.63			
2	2	\$ 164.11 \$ 167.27			
2	3	\$ 246.17 \$ 250.89			
3	1	\$ 110.79 \$ 112.91			
3	2	\$ 221.58 \$ 225.83			
3	3	\$ 332.38 \$ 338.76			
<b><u>Permanent (Trash) + Disposal/Processing</u></b>			<b><u>Miscellaneous Bin Charges</u></b>		
40 yard	\$ 191.03	\$ 194.70	Locking container	\$ 7.27	\$ 7.41
20 yard	\$ 191.03	\$ 194.70	Container steam clean	\$ 36.01	\$ 36.70
10 yard	\$ 191.03	\$ 194.70	Pull-out service	\$ 36.01	\$ 36.70
40 yard compactor	\$ 191.03	\$ 194.70	Extra pick-up	\$ 43.28	\$ 44.11
Dry Run /Relocate	\$ 68.73	\$ 70.06	Recy contamination	\$ 42.18	\$ 42.99
Rental Fee (per day)	\$ 23.26	\$ 23.70			
Disposal (per ton)	\$ 59.94	\$ 59.94			
<b><u>Temporary Roll-Offs (Trash)</u></b>			<b><u>Concrete Washout</u></b>		
40 yard	\$ 550.67	\$ 554.34	Delivery	\$ 502.18	\$ 511.82
20 yard	\$ 790.43	\$ 794.10	Pump	\$ 370.03	\$ 377.13
10 yard	\$ 790.43	\$ 794.10	Pump Service	\$ 502.18	\$ 511.82
Dry Run /Relocate	\$ 68.73	\$ 70.06	Relocate	\$ 126.87	\$ 129.30
Disposal (per ton)	\$ 59.94	\$ 59.94	Rental Fee (per day)	\$ 10.57	\$ 10.77
<b><u>Roll-Offs (Recycling) + Disposal/Processing</u></b>					
40 yard	\$ 191.03	\$ 194.70			
20 yard	\$ 191.03	\$ 194.70			
10 yard	\$ 191.03	\$ 194.70			
40 yard compactor	\$ 191.03	\$ 194.70			



ATTACHMENT E  
SERVICES SUBJECT TO DISTRICT ELECTION OR RESCISSION

- Section 6.01(a) Customer Service; Prior to the Election
- Section 6.01(b) Customer Service; After the Election
- Section 6.01 (c) District Role
- Section 6.01(d) Contractor Role
- Section 6.01(i) Bulky Item Collection
- Section 6.01(j) Bulky Item Collection; Prior to the Election
- Section 6.01(k) Bulky Item Collection; After the Election
- Section 7.03(d) Cart Repair and Replacement; Prior to the Election
- Section 7.03(e) Cart Repair and Replacement; After the Election

**ATTACHMENT F**  
**HELENDALE COST COMPONENT ADJUSTMENT**  
(May be amended from time to time as approved by the Board.)

**Residential Service no ESRF Disposal**

Service Level	Current Components - July 2016							Proposed Components - July 2017					
	2015 CPI 0.89%		2015 CPI 0.89%					2016 CPI 1.92%					
	Trash Service	Recycling Service	Admin Fee	218 Recovery	10% Fran. Fee		Total	Trash Service	Recycling Service	Admin Fee (incl CPI)	218 Recovery	10% Fran. Fee	Total
95 gallon (and recy)	14.71	1.01	2.11	0.08	1.98		\$ 19.89	14.99	1.02	2.15	0.06	2.02	\$ 20.24
95 gallon trash extra	6.54		-		0.73		\$ 7.27	6.67		-		0.74	\$ 7.41
65/95 gallon recy. 1st extra							No Charge						No Charge
65/95 gallon recy. extra	1.29				0.14		\$ 1.43	1.31				0.15	\$ 1.46

**Residential Service with ESRF Disposal**

Service Level	Current Components - July 2016							Proposed Components - July 2017						
	2015 CPI 0.89%		2015 CPI 0.89%					2016 CPI 1.92%						
	Trash Service	Recycling Service	ESFR Disposal	Admin Fee	218 Recovery	10% Fran. Fee	Total	Trash Service	Recycling Service	ESFR Disposal	Admin Fee (incl CPI)	218 Recovery	10% Fran. Fee	Total
95 gallon (and recy)	14.71	1.01	7.10	2.11	0.08	2.77	\$ 27.78	14.99	1.02	7.26	2.15	0.06	2.02	\$ 27.50
95 gallon trash extra	6.54					0.73	\$ 7.27	6.67					0.74	\$ 7.41
65/95 gallon recy. 1st extra							No Charge							No Charge
65/95 gallon recy. extra	1.29					0.14	\$ 1.43	1.31					0.15	\$ 1.46

**Proposed Ordinance  
that will be considered  
by the Board on 12/21**

12/21 - First Reading  
1/18 - Public Hearing

**ORDINANCE NO.**

**ORDINANCE OF THE BOARD OF DIRECTORS  
OF THE HELENDALE COMMUNITY SERVICES DISTRICT  
ESTABLISHING REGULATIONS FOR ENFORCEMENT OF  
EXCLUSIVE FRANCHISE FOR SOLID WASTE HANDLING  
AND RECYCLING SERVICES**

**WHEREAS**, the Helendale Community Services District ("District") is a Community Services District located within the County of San Bernardino ("County") and is organized and operates pursuant to the California Government Code Section 61000 et seq.

**WHEREAS**, on or about June 21, 2006, the Local Agency Formation Commission of the County of San Bernardino ("LAFCO") adopted Resolution No. 2927 which made determinations on, and approved the incorporation of, the District, which was subsequently approved by the electorate pursuant to an election held on November 7, 2006, and thereafter confirmed by LAFCO pursuant to its adoption of Resolution No. 2951 on December 4, 2006, all of which operated to authorize the formation of the District as the successor agency for the performance of water, sewer, streetlighting, refuse collection, parks and recreation, and graffiti abatement functions and services within the prior County Service Area 70, Improvement Zones B and C (the "District Boundaries").

**WHEREAS**, LAFCO Resolution Nos. 2927 and 2951 authorize the District to collect, transfer, and dispose of solid waste and to provide solid waste handling services, including but not limited to source reduction, recycling, and composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code ("Solid Waste Services"), within the District Boundaries.

**WHEREAS**, on or about July 21, 2010, LAFCO adopted Resolution No. 3099 affirming the District's authorization to collect, transfer, and dispose of solid waste and provide Solid Waste Services within the District Boundaries pursuant to LAFCO Resolution Nos. 2927 and 2951.

**WHEREAS**, the Legislature of the State of California, by enactment of the California Integrated Waste Management Act of 1989 (California Public Resources Code Section 40000 et seq.), has declared that it is in the public interest to authorize and require local agencies to make adequate provisions for Solid Waste Services within their jurisdictions to meet the goals and requirements of Assembly Bill 939.

**WHEREAS**, pursuant to California Public Resources Code Section 40059(a)(2), the District has determined that the public health, safety, and well-being require that an exclusive franchise be awarded to a qualified company for the collection, transportation, recycling, processing, and disposal of solid waste and other services to meet the goals and requirements of Assembly Bill 939.

**WHEREAS**, pursuant to the authority expressly set forth in LAFCO Resolution No. 2951, the District entered into an Exclusive Franchise Agreement with Burrtec Waste Industries, Inc. (“Burrtec”), effective \_\_\_\_\_, 201\_ (the “Franchise Agreement”), which granted to Burrtec the exclusive right, privilege, and franchise to provide certain Solid Waste Services (as described in the Franchise Agreement) within the District Boundaries, subject to the terms and conditions of said Franchise Agreement.

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of the Helendale Community Services District as follows:

#### SECTION 1. PURPOSE, INTENT, AND FINDINGS.

##### 1.1 The purposes of this Ordinance are as follows:

a. To allow for the establishment of solid waste handling franchises within the District Boundaries, pursuant to the authorities cited above and as set forth in Government Code Section 25827, in Public Resources Code Sections 40057-40059 or 49200-49205, in California Code of Regulations Sections 17332 and 17333, and any other applicable State or local law;

b. To assist the District in meeting its obligation to provide Solid Waste Services within the District Boundaries as required in Public Resources Code Section 40057, and in satisfying its obligations under Assembly Bill 939, as amended, by providing its residents with source reduction, recycling, and composting programs and opportunities, by implementation of franchises through entering into franchise agreements with grantees;

c. To help ensure that residents of the District receive the similar quality of waste collection and recycling services as do those residents in the incorporated cities and towns, and unincorporated areas, of the County;

d. To ensure that programs and service levels for Solid Waste Services within the District Boundaries will replicate to the extent possible, programs and service levels of adjacent cities and towns and unincorporated areas of the County;

e. To minimize, to the extent possible, disruption of programs and services to the District’s residents; and

f. To help quantify the waste stream from the District in order to comply with diversion requirements of Assembly Bill 939, as amended.

1.2 Based on the foregoing, the District’s Board of Directors (“the Board”) has determined that there is no possibility that the Ordinance have any potential to cause significant effects on the environment, and that, pursuant to the California Environmental Quality Act (Public Resources Code Section 21000 et seq.) (“CEQA”), the Ordinance does not constitute a

“project” under Sections 15061 and 15378 of the State CEQA Guidelines, and is therefore exempt from environmental review.

## SECTION 2. DEFINITIONS.

2.1 “General Manager” shall mean that person appointed by the Board pursuant to California Government Code Sections 61050-61051 to manage the activities of the District or his or her designee.

2.2 “May” shall mean an action which is discretionary.

2.3 “Shall” or “Must” shall mean an action which is mandatory.

## SECTION 3. REQUIRED AUTHORIZATION.

3.1 Except as otherwise provided in Section 3.2 of this Ordinance, no person shall engage in, solicit, contract for, or provide, in the District Boundaries, Solid Waste Services without such person having and maintaining a franchise agreement with the District authorizing the person to provide the specified Solid Waste Services being provided.

3.2 Notwithstanding Section 3.1 above, any person may engage in or provide, in the District Boundaries, those Solid Waste Services which are related solely to one of the types of solid waste set forth below, without such person being required to have or maintain a franchise agreement with the District:

- a. Abandoned vehicles and parts thereof;
- b. Ashes;
- c. Dewater, treated, or chemically fixed sewage sludge;
- d. Self-generated waste or waste generated and hauled by the property owner;
- e. Greenwaste or yard trimmings generated as an incidental part of providing gardening, landscaping, or landscape maintenance as a professional gardener or landscaper;
- f. Inert materials or demolition of waste from remodeling jobs which are generated as an incidental part of providing such remodeling services, provided that the construction contractor is not a hauling service or solid waste enterprise, does not separately or additionally charge for the incidental service of removing, transporting, or disposing (except for the tipping fee), and transportation is accomplished using the contractor’s own equipment; and
- g. Recyclable materials that are sold or donated by the generator of such materials to a party or other than the grantee of a franchise. A mere discount or reduction in

price of the hauler's chargers for the handling of such materials is not a sale or donation within the meaning of this Ordinance.

**SECTION 4. ENFORCEMENT OFFICER.** The General Manager is hereby declared and appointed as the enforcement officer of this Ordinance, and shall be empowered to take such other actions as authorized herein, or as may otherwise be authorized by the Board or be reasonably necessary, for enforcement of the Ordinance.

**SECTION 5. LIABILITY FOR VIOLATION.** Any person violating any of the provisions of this Ordinance, or permitting or maintaining any property in violation of any of this Ordinance, shall be liable to the District for any expense, loss or damage, occasioned by the District by reason of such violation. Such liability shall be in addition to any other civil or criminal penalties imposed under this Ordinance or under any other provision of law.

**SECTION 6. PENALTIES AND FINES.**

6.1 Pursuant to Government Code Section 61064(c), the General Manager is hereby authorized to issue citations for violations of this Ordinance. Any person violating any provision of this Ordinance, as determined by the Board, may be prosecuted, by the applicable law enforcement agency or the General Manager in the name of the people of the State of California, as committing either a misdemeanor or an infraction, or may be the subject of redress by civil action.

6.2 Pursuant to Government Code Section 61064(a), a person violating any provision of this Ordinance shall be guilty of a misdemeanor, and shall be punishable by imprisonment in the County jail for not more than thirty (30) days, or by a fine of not more than one thousand dollars (\$1,000), or by both such fine and imprisonment as may be allowed by law. Each and every violation of this Ordinance and each day during which such violation is committed or continued shall constitute a separate offense.

6.3 Pursuant to Government Code Section 61064(b), any citation issued by the General Manager for a violation of this Ordinance may be processed as an infraction, and shall be punishable by (a) a fine not exceeding one hundred dollars (\$100) for a first violation of this Ordinance, (b) a fine not exceeding five hundred dollars (\$500) for a second violation of this Ordinance within one year, and (c) a fine not exceeding one thousand dollars (\$1,000) for each additional violation of this Ordinance within one year.

**SECTION 7. INJUNCTION.** In addition to the remedies set forth in this Ordinance, the District may file a civil action to compel compliance with this Ordinance, including but expressly not limited to, an action to enjoin any pending or future violations of the Ordinance, or for the issuance of an order stopping or disconnecting a service if the charges for that service are delinquent or unpaid.

**SECTION 8. RESERVATION OF RIGHTS.** All remedies set forth in this Ordinance are herein declared to be cumulative and non-exclusive, and shall not preclude the District from enforcing

any other rights or remedies available under the law or any other rules and regulations of the District.

SECTION 9. SEVERABILITY. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional or invalid, such decisions shall not affect the validity of the remaining portions of this Ordinance.

SECTION 10. PUBLICATION AND POSTING. The General Manager is hereby directed to cause a summary of this Ordinance to be published at least five (5) days prior to the date of adoption hereof in a newspaper of general circulation within the District Boundaries and a copy of the full text of this Ordinance must be posted at the District office at least five (5) days prior to the meeting. Within fifteen (15) days after adoption, the General Manager is hereby directed to cause said summary of this Ordinance to be published in a newspaper of general circulation within the District Boundaries and a copy of the full text of this Ordinance must be posted at the District office.

SECTION 11. EFFECTIVE DATE. This Ordinance shall become effective thirty (30) days after adoption.

APPROVED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2017.

---

President, Board of Directors



STATE OF CALIFORNIA                    )  
  )  
COUNTY OF SAN BERNARDINO        )

I, \_\_\_\_\_, Secretary of the Board of Directors of the Helendale Community Services District, do hereby certify that the foregoing Ordinance, being Ordinance No. \_\_\_\_\_, was duly adopted by the Board of Directors of said District at a regular meeting of said Board held on \_\_\_\_\_, and that it was so adopted by the following roll call vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

ATTEST:

\_\_\_\_\_  
Secretary of the Helendale Community Services District and of the Board of Directors thereof

SEAL



# Helendale Community Services District

---

Date: December 7, 2017  
TO: Board of Directors  
FROM: Kimberly Cox, General Manager  
SUBJECT: Agenda item #7  
Discussion and Possible Action Regarding Increase in Contract Cost for Accounting Support Services with Rogers Anderson Malody and Scott, LLP

---

**STAFF RECOMMENDATION:**

Staff seeks input from the Board Regarding this matter.

**STAFF REPORT:**

RAMS began providing expanded accounting support for the District March 2016 and assumed responsibility for helping in budget development. It was discussed with the Board that the enterprise software was not being utilized to its potential and that the desire was to develop the new FY17/18 budget fully utilizing the accounting software. In addition, there were several other areas that RAMS was requested to add into the Tyler system including Capital assets and set up and assist Staff with the project accounting. The contract was for the balance of FY 16/17 and the entirety of FY17/18.

Due to cost exceedances, the contract for work for this fiscal year (FY17/18) has exceeded the approval by \$1,357. An estimate for the additional funds needed for the balance of the fiscal year is \$33,271.50. It is anticipated that costs will drop in the following subsequent fiscal (FY18/19). In addition to the work outlined, many hours have been spent training staff and simplifying processes which will provide future benefits in time/cost savings. It is further expected that in future years, staff will be able to complete some of the tasks currently being performed through the accounting support contract.

On the following page is the comparison of costs between the consultant and RAMS support and the projected costs with a RAMS only contract. Unforeseen additional work has created the increase in costs in part. Next fiscal year it is estimated that RAMS's services would run approximately \$73,000 compared to the estimated \$56,263 as envisioned in the March 2017 presentation.

Some of the year end financial statements will transition to the auditors for the remainder of the audit contract which will save the District an estimated \$7,000 in RAMS costs.

Following is a spreadsheet that was presented to the Board on March 2, 2017, that outlines the costs for the past three years and the estimated proposed contract.

<u>Year</u>	<u>Financial Consultant</u>	<u>RAMS</u>	<u>Total</u>
FY 2013-14	\$62,400	\$17,280	\$79,680
FY 2014-15	\$62,400	\$12,600	\$75,000
FY 2015-16	\$48,100	\$14,560	\$62,660
FY 2016-17	\$29,182	\$34,120	\$63,302
FY 2017-18	\$ 0	\$56,263	<b>\$56,263</b>

**FISCAL IMPACT:**

Increase of \$33,271.50 for FY 2017/18

**POSSIBLE MOTION:** Approve increase in an accounting services contract in the amount of \$33,271.50 for the balance of the 2017/18 Fiscal Year.

**Helendale Community Services District**  
10/31/2017

FY 2017

Project Description	Hrs	Original Cost Estimate	Hrs	Invoiced	Hrs	Contract Balance
Budget and chart of accounts enhancements:						
• Chart of accounts enhancements	20	\$ 2,900.00	30.3	\$ 4,393.50	(10)	\$ (1,493.50)
• Initial design and setup of budget model in Excel, and integration of budget numbers into Tyler. Create custom budget vs. actual reports with custom level of detail.						
• Preparation of FY 2017-18 budget	40	5,800.00	40	5,800.00		
Monthly closing assistance	100	14,500.00	164.1	23,794.50	(64)	(9,294.50)
ADP payroll enhancements	48	6,960.00	72.3	10,483.50	(24)	(3,523.50)
Capital assets integration with Tyler system	48	6,960.00	15.6	2,262.00	32	4,698.00
Project accounting in Tyler system			6.2	898.00	(6)	(898.00)
Other services as needed	16	4,800.00	5.3	768.50	(5)	(768.50)
			4	1,555.00	12	3,045.00
<b>TOTAL</b>	<b>272.00</b>	<b>\$ 41,720.00</b>	<b>337.80</b>	<b>\$ 49,956.00</b>	<b>(65.80)</b>	<b>\$ (8,236.00)</b>

**RAMS Bills:**

54000	15,645.50
54483	14,416.50
54909	13,876.50
55141	6,017.50
<b>Total</b>	<b>49,956.00</b>

FY 2018

Project Description	Hrs	Original Cost Estimate	Hrs	Invoiced	Hrs	Contract Balance	Hrs	Budget Adj	Hrs	Modified Budget	Hrs	Modified Balance
Monthly closing assistance FY 2018	96	13,920.00	70.40	10,208.00	26	\$ 3,712.00	48.00	6,960.00	144.00	20,880.00	73.60	10,672.00
Year end close for FYE 6/30/17 performed in FY 2018	80	11,600.00	256.40	\$ 40,115.50	(176)	(28,515.50)	147.90	28,515.50	227.90	40,115.50	(28.50)	-
Preparation of FY 2018-19 budget	100	14,500.00		-	100	14,500.00	30.00	4,350.00	130.00	18,850.00	130.00	18,850.00
Capital assets integration with Tyler system	64	9,280.00	26.80	3,886.00	37	5,394.00	(37.20)	(5,394.00)	26.80	3,886.00	-	-
Project accounting in Tyler system	16	2,320.00		-	16	2,320.00	(16.00)	(2,320.00)	-	-	-	-
Custom reporting in Tyler System	32	4,640.00	15.50	2,247.50	17	2,392.50			32.00	4,640.00	16.50	2,392.50
Other services as needed				1,160.00		(1,160.00)		1,160.00	-	1,160.00		-
<b>TOTAL</b>	<b>388</b>	<b>\$ 56,260.00</b>	<b>369.10</b>	<b>\$ 57,617.00</b>	<b>19</b>	<b>\$ (1,357.00)</b>	<b>173</b>	<b>\$33,271.50</b>	<b>560.70</b>	<b>\$69,631.50</b>	<b>191.60</b>	<b>\$31,914.50</b>

**RAMS Bills:**

55405	15,007.50
55607	8,787.00
55761	20,894.50
56029	12,928.00
<b>Total</b>	<b>57,617.00</b>



# Helendale Community Services District

---

Date: December 7, 2017  
TO: Board of Directors  
FROM: Kimberly Cox, General Manager  
SUBJECT: Agenda item #8  
Discussion and Possible Action Regarding Annual Election of Officers

---

**STAFF RECOMMENDATION:**

This matter is at the discretion of the Board.

**STAFF REPORT:**

The Election of Officers in non-election years occurs on the first meeting of December. The Board process for the annual selection of officers is outlined in Resolution 2011-07: *A Resolution of the Board of Directors of the Helendale Community Services District Establishing Policies for Its Relations Among Directors and With Staff*. This resolution is attached for your reference.

Election of officers is an administrative event discussed by the Board of Directors on an annual basis. The Board is to select the presiding officer and the two additional officers each year. The Board currently has three officers: President, Vice-President and Secretary.

The current Board officers are:

President – Ron Clark  
Vice-President – Tim Smith  
Secretary – Sandy Haas

President Clark has served in this capacity since last December and is interested in continuing in this role if that is the pleasure of Board.

**FISCAL IMPACT:**

None

**Additional Information  
for the Board.**

**Not a part of any  
agenda item.**

# HESPERIA

Questions or comments?  
760-951-6235  
kraudgeon@vvdaily.com

## Rate increase a 'fact of life'

**City Council votes to raise water, sewer fees**

By Rene Ray De La Cruz  
Staff Writer

**HESPERIA** — The City Council here concluded that "nobody" on the dais wanted to raise water and sewer fees, but it was "a fact of life" for operating the city.

Citing an annual subsidy of \$500,000 from the city's general fund to the Hesperia Water District for the last 20 years,

the Council voted on Tuesday night to raise fees incrementally over the next five years beginning Jan. 1.

During the final public hearing, the Council agreed to raise rates in order to pay for water rights, the maintenance of an aging water system, increases by the Victor Valley Water Reclamation Authority and other services.

The increase of about 9 percent each year through 2011 will keep money in the city's general fund, which may be used for

roads, public safety and other services, said Mayor Paul Russ via an online telecommunications application.

Russ is currently staying in Louisiana in hopes of obtaining a kidney and liver transplant through Ochsner Medical Center in New Orleans.

"When you figure it out, it's more like 10.77 percent," Councilman Larry Bird told the audience. "So in the end, it's more like 9 percent after five

See **PASSION, C8**

WORLD NEWS

**COLD WAR  
DRAMA  
CAUGHT  
TAPE**

A North Korean soldier was but still in desperate need of freedom limped across the South border and rescued.

## PASSION

From Page C1

years."

For the average residential water user, the rate increase equates to a jump of about \$2.80 per month for the first year, with the rate still remaining "the lowest" in the area, according to Hesperia spokeswoman Rachel Molina.

The monthly increase during year two would be \$3.60, year three \$3.93, year four \$4.34 and year five \$6.11, she said.

During public comment, several residents opposed the rate hike, with many saying the increase would place an undue burden on water customers, especially seniors who are on a fixed income.

Others said the increase was an "unequal application" of the new rates, with the heaviest burden of the increase placed on customers with smaller homes and meters.

One resident asked the city to conduct an internal audit to discover why they are paying \$6 million for administration and customer service.

Another claimed the Council appeared to unanimously approve the rate hike in September before a Prop. 218 hearing notice process went into effect.

But Hesperia attorney Eric Dunn remarked that city staff prepared and mailed out a Proposition 218 hearing notice to Hesperia Water District as required by law, with water customers having 45 days to protest the rate hike.

He also refuted a claim by one resident that an additional \$100,000 had been included in the water report.

Staff reported that several public hearings were scheduled regarding the increase, close to 44,000 notices were mailed to customers, hearing notice and information was printed in local publications and a dedicated website for the increase was created by the city.

The Council would not have adopted the rate increase if written protests were presented by a majority of customers — over 50 percent, plus one vote. Only 89 written protests were received as of Tuesday's deadline, Dunn said.

A Victorville Water District rate study completed by NBS last year compared monthly water bills for

single-family homes with a three-quarter-inch water meter in the East Valley Water District.

The rate report showed that water customers in Hesperia, Hesperia and Victorville paid just under \$42 a month, compared to Adelanto residents who paid just over \$62 and Liberty Utilities customers in Apple Valley who paid over \$73.

"Despite the water increase, people in Hesperia are still paying the lowest prices for water in the area," Mayor Pro Tem Russ Blewett said.

Rene Ray De La Cruz may be reached at 760-951-6227, [RDeLaCruz@VVDailyPress.com](mailto:RDeLaCruz@VVDailyPress.com), Twitter @ [DR\\_ReneDeLaCruz](https://twitter.com/DR_ReneDeLaCruz) and Instagram @ [reneraydelacruz](https://www.instagram.com/reneraydelacruz)