

ERNIE WIPF
CHAIR

JULIE BAWCOM
VICE-CHAIR

THERESA MCNERLIN
DIRECTOR

DARWIN DICK
DIRECTOR

CANDACE HORSLEY
DIRECTOR

UKIAH VALLEY SANITATION DISTRICT REGULAR MEETING
WEDNESDAY November 9, 2022 AT 6:00PM

LOCATION:

DISTRICT'S MEETING ROOM - 151 LAWS AVE., UKIAH, CA 95482

AND

THE PUBLIC MAY ALSO VIEW VIA ZOOM

Call in number: 1-669-900-6833

Meeting ID: 854-8389-0132

Zoom Link: <https://us02web.zoom.us/j/85483890132>

*The Board welcomes participation in the Board meetings. If you are joining the meeting via Zoom and wish to make a comment on an item, press the "raise a hand" button. If you are joining the meeting by phone, press *9 to indicate a desire to make a comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3 minutes. If you choose not to observe the meeting via Zoom and wish to make a comment on a specific agenda item, please submit your comment via email to the Board Secretary at aa@uvosd.org at least one hour before the meeting. All public comments submitted to the Board Secretary will be read verbatim for up to 3 minutes.*

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need disability-related modifications or accommodation to participate in this meeting, then please contact Chelsea Teague, Board Secretary at 707-462-4429. Requests must be made as early as possible, and at least one-full business day before the start of the meeting. The times indicated for agenda items are estimated and the Board reserves the right to address items either earlier or later than scheduled.

- 1. CALL TO ORDER**
- 2. APPROVAL OF THE AGENDA**
- 3. PUBLIC EXPRESSION OF NON-AGENDIZED ITEMS**
- 4. APPROVAL OF BOARD MEETING MINUTES**
 - October 12, 2022 Regular Meeting Minutes
- 5. CONSENT CALENDAR**
 - Check Register for October 2022
 - LAIF Statement for October 2022
 - Unaudited Monthly Financial Statements

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6. OLD BUSINESS

None.

7. NEW BUSINESS

- A. DISCUSSION AND POSSIBLE ACTION RE: Leak Adjustment Policy

Recommended Action: Adopt Leak Adjustment Policy

- B. DISCUSSION AND POSSIBLE ACTION RE: Out of Agency Services Agreement (OASA) Application

Recommended Action: Approve Form of Out of Agency Services Agreement (OASA) Application

- C. DISCUSSION AND POSSIBLE ACTION RE: Approval of Master Services Agreement with CLA for Ongoing Accounting Services and Financial Statement Preparation Services

Recommended Action: Approve and Direct Board Chair to Execute Master Services Agreement with CLA for Ongoing Accounting Services and Financial Statement Preparation Services

- D. DISCUSSION AND POSSIBLE ACTION RE: Engage Rate Consultant Hildebrand Consulting to Update the Joint Sewer Rate Study

Recommended Action: Direct Staff to Return with a Proposed Contract with Hildebrand Consulting as the Rate Consultant to Update the Joint Sewer Rate Study

8. ANNOUNCEMENTS/OTHER BUSINESS/MATTERS FROM STAFF

- a) General Manager Report of Ongoing District Activities
- b) ESSU Statistics Report
- c) Staff Report
- d) Report on JPA
- e) Directors' Reports
- f) Letters Received or Sent
- g) Announce Regular Meeting - December 14, 2022

9. ADJOURNMENT

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
November 9, 2022

To: Board of Directors
From: Wing-See Fox
Meeting Date: November 9, 2022

Item #7B: Out of Agency Services Agreement (OASA) Application

Background:

In 2021, the City of Ukiah and the District formed an Ad Hoc Committee to discuss and resolve various issues between the City and the District. Most recently, the Ad Hoc Committee has been focused on discussing and jointly creating a path towards consolidating sewer services in Ukiah Valley. The Committee has also agreed to prioritize working together to provide sewer connection to developing properties just outside of District and City jurisdictional boundaries through the application for Out of Agency Service Agreements (OASA's) with LAFCo. The OASA's are intended to be an interim solution for providing sewer services as the City and District continue to discuss a plan for consolidation. LAFCo has expressed its support for the proposed cooperative approach, and it is anticipated that LAFCo will adopt a coterminous Sphere of Influence (SOI) for the District (i.e., SOI that exactly matches the District's current jurisdictional boundaries).

On June 8, 2022, the Board approved the attached "Agreement Between the Ukiah Valley Sanitation District and the City of Ukiah Regarding Provision of Interim Sewer Services and Out of Area Service Agreements" (the "Agreement"). The Agreement gives the District a first right of refusal on the provision of interim sewer services for properties who would connect to District lines but are outside of the City's and District's jurisdictional boundaries (and within the City's SOI). The Agreement also directs the City to prepare an Out of Agency Service Agreement Application for LAFCo's consideration for the provision of interim sewer services. Furthermore, the Agreement establishes other elements of mutual cooperation related to valley wide sewer service planning between the District and the City. Examples include, but are not limited to, the City agreeing to not apply to LAFCo to detach District territory, and the District agreeing to support City annexation applications and work collaboratively with the City regarding revisions to the City's General Plan, Municipal Service Review, and Sphere of Influence. Furthermore, thresholds for future unification of governance are identified in the agreement, with a goal to maximize efficiency in providing the same or better level of sewer service to District and City customers at reasonable sewer rates.

The term of the Agreement continues in effect until: 1) the District becomes either a subsidiary district within the City or the District is merged with the City; 2) the entire District is annexed by and detached from the City; 3) either the City or the District cancels this Agreement on five year's prior written notice to the other party, or 4) both the City and District otherwise mutually agree to terminate the agreement. This Agreement paves a path for developing properties that are currently outside of District and City boundaries to connect to sewer services. It also paves a path for future consolidation of sewer services between the City and the District. Finally, the Agreement is the main justification for LAFCo considering the following exceptions: 1) Extending sewer services

to near-term development areas located outside the District's SOI; 2) City annexation of properties without District detachment; 3) District coterminous (rather than reduced) SOI.

Discussion:

The City intends to move forward with 3 annexation proposals (City-Owned Properties, Western Hills Area, and Brush Street/Masonite Area). There are properties within the Brush Street/Masonite Area that have requested connection to sewer services. In accordance with these requests and the Agreement between the District and the City, both agencies have been working together on the attached OASA Application to include the attached list of properties and landowners (OASA Location Map also attached).

One of the conditions of the OASA Application is that the property owner must waive the right to protest future annexation by the City (see attached "Landowner Annexation Consent Agreement and Covenant"). Typically, the agency providing the OASA service would be the entity annexing the area. In this case, although the City intends to annex the area, the District and City have agreed that the District will provide interim sewer services. The District agrees to support the City's annexation plans, and the City agrees it will not detach District customers until an agreed upon threshold is reached, and the District becomes a subsidiary of or merges with the City. The City, District, and LAFCo are working through a final draft of the Landowner Annexation Consent Agreement and Covenant, but the attached draft is in substantially final form. Any of the listed property owners can choose to not sign the Landowner Annexation Consent Agreement and Covenant and withdraw from the OASA Application.

If the Board approves the OASA Application and attachments, and the City Council approves the same at its November 16th Council meeting, the Application will be taken to the LAFCo Commission at its meeting in December.

Recommended Action:

Approve Form of Out of Agency Services Agreement (OASA) Application.

Attachments:

- 1) Out of Agency Services Agreement
- 2) List of Properties and Landowners
- 3) Landowner Annexation Consent Agreement and Covenant
- 4) Agreement Between the Ukiah Valley Sanitation District and the City of Ukiah Regarding Provision of Interim Sewer Services and Out of Area Service Agreements
- 5) UVSD Service Map
- 6) OASA Location Map

Respectfully submitted,



WING-SEE FOX
Interim District Manager

MENDOCINO

Local Agency Formation Commission

Ukiah Valley Conference Center | 200 South School Street | Ukiah, California 95482
Telephone: (707) 463-4470 | E-mail: eo@mendolafco.org | Web: www.mendolafco.org

Application Out-of-Agency Services Agreement

Please complete the following information to process an application for Out-of-Agency Services under Government Code Section 56133. Please do not leave information blank on this form; specify N/A if a portion is not applicable.

A. Applicant Information

1) Agency Name: City of Ukiah / Ukiah Valley Sanitation District

2) Agency Contact Information:

Name & Title	Craig Schlatter, Community Development Director, City of Ukiah Wing-See Fox, General Manager, Ukiah Valley Sanitation District
Phone	Craig: (707) 463-6219 Wing-See: (650) 503-1500
Email	Craig: cschlatter@cityofukiah.com Wing-See: wingseef@urbanfuturesinc.com
Address	City: 300 Seminary Ave. Ukiah, CA 95482 UVSD: 151 Laws Ave. #B Ukiah, CA 95482

B. Location of Territory to be Served (Use the Supplemental Property Sheet for multiple properties)

Assessor Parcel Number	Size	Current Use	Proposed Use
See attached list of APNs in Attachment 1.			

Landowner Name	See attached list of landowners in Attachment 1.
Mailing Address	
Email	

C. Type of Out-of-Agency Services Agreement

- 1) New Extended
2) Water Sewer Other (please specify): _____

3) A copy of the agreement between the agency and affected landowner(s) to be served has been attached.

Note: a copy of this agreement can be found in Attachment 2.

D. Justification

- 1) Is the subject territory located within the agency's Sphere of Influence?

Yes No

Note: the area is located within the City of Ukiah's Sphere of Influence but not the Ukiah Valley Sanitation District's Sphere of Influence.

- 2) Is the reason for the application a threat to the health and safety of the public or the affected residents?

Yes - Provide documentation from the Public Health Officer.

No - Explain the reason for the application at this time.

In recent months, the area of the subject parcels (the "territory") has faced considerable development pressure. Although landowners prefer municipal sewer services, given these existing pressures failure to provide municipal sewer will likely result in the development of septic systems within the territory. Because of existing environmental and other site conditions within the territory, septic service provision for potential large-scale development projects could pose a future threat to health and safety. Additionally, without the efficient and coordinated provision of municipal sewer services, there may be increased potential for piecemeal development and urban sprawl.

- 3) Explain why a jurisdictional change (e.g., annexation) is not being considered at this time as an alternative to providing services outside the agency's boundaries.

With this Out of Area Service Agreement application, the City of Ukiah ("City") and Ukiah Valley Sanitation District ("District") propose interim municipal sewer service provided to the territory by the District until such time that the City annexes the territory. At its March 7, 2022, regular meeting, the Mendocino Local Agency Formation Commission ("LAFCo") agreed by consensus to this approach. Since this time, the City and District have developed an Agreement (Attachment 3) for providing interim sewer services through Out of Area Service Agreements. Per the Agreement, interim sewer services would be provided for properties requesting out of area service until "(1) the area upon which those properties are situated are annexed by the City; or (2) the City annexes additional sufficient portions of the District to qualify the District for reorganization as a subsidiary district of or merger with the City under applicable provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000..."

The territory of the subject parcels is within the Sphere of Influence ("SOI") of the City of Ukiah adopted by LAFCo in 1984. The territory is also located with the proposed SOI of the City's draft 2040 General Plan (see below). In 2021, the City submitted a pre-application to LAFCo to annex an area north of the City that includes the territory.

4) Is annexation of the subject territory or affected property anticipated in the near future?

Yes No

Please describe the agency’s plans and timelines, or provide other relevant information.

LAFCo staff, working closely with City and District staff, are currently preparing updated Municipal Service Reviews and Spheres of Influence for the City and District. Concurrently, the City is updating its General Plan (Ukiah 2040). At such time as the General Plan is adopted by the City Council- and LAFCo adopts the updated Spheres of Influence for the District and City- the City will apply for annexation of the territory. The Ukiah General Plan is anticipated to be adopted by the City Council by December 2022. Provided LAFCo adopts the SOI for the District and City in December, an annexation application could be submitted to LAFCo as early as Spring 2023.

E. Service Information

1) Describe how the agency would provide the proposed new or extended service to the subject territory. Please identify any onsite and offsite infrastructure or facility improvements, any permits required from regulatory agencies, and associated funding requirements to provide service to the subject territory.

The City provides wastewater services to about two-thirds of City residents; the District provides wastewater services to one-third of City residents. The District also provides wastewater services outside of City limits to the north, south, and east. See Attachment 4 for a map of District wastewater services. In 1995, the City and UVSD entered into a participation agreement whereby the City agreed to operate and maintain the UVSD sewer collection system and provide UVSD wastewater treatment services at the City’s Wastewater Treatment Plant (WWTP), and UVSD agreed to share the costs based on the number of Equivalent Sewer Service Units. Costs for operation and capital are budgeted in City funds and shared by the City and District based on an agreed-upon apportionment.

Because no new development is proposed in the subject territory, future proposed or extended service cannot be determined at this time. The District has sufficient capacity to serve the entirety of this area.

2) If the proposed new or extended service involves water or sewer, identify the anticipated demand in terms of use (i.e., gallons, acre-feet) and frequency of delivery (per day/month/etc.) associated with serving the subject territory. For extended service, please estimate the difference in comparison to existing demand.

Because no new development is proposed in the subject territory, future proposed or extended service cannot be determined at this time. The District has sufficient capacity to serve the entirety of this area.

3) Describe compensation for the proposed service (i.e., fee/household, fee/truck/tank, etc.).

The fee will be determined based on the number of ESSUs needed to serve the future development project(s), once those projects are proposed. This in turn will determine the fee to be charged.

4) Does the agency have sufficient capacities to provide the proposed new or extended service to the subject territory without adversely effecting existing service levels?

Yes. The City's Waste Water Treatment Plan (WWTP), operated by the City, serves both the City and District. The WWTP has an average dry-weather flow capacity of 3.01 million gallons per day (MGD), an average wet-weather flow capacity of 6.89 MGD, and a peak wet-weather flow capacity of 24.5 MGD. The WWTP includes primary, secondary, and tertiary treatment, as well as solids handling facilities. The WWTP was significantly upgraded twelve years ago and remains in good working order. Based on the available capacity data in the below table, there is sufficient capacity remaining for expansion of sewer services into the subject territory without adversely effecting existing service levels.

Summary of ESSUs by Agency			
Area	UVSD	City of Ukiah	Totals
Current Usage (May 2022)	5,688	6,833	12,521
Percent of Total ESSUs	45.43%	54.57%	49.84%
New WWTP Agreement	65%	35%	100%
New WWTP Capacity	1,560	840	2,400
New WWTP ESSU's Used	618	406	1,024
New WWTP ESSU's Percent Used	39.63%	48.33%	42.68%
New WWTP ESSUs Remaining	942	434	1,376

5) What services, if any, are currently provided to the subject territory?

There are currently no known sewer services provided to the subject territory.

6) Are there any alternate service providers or other service options available to the subject territory?

As indicated above, there are no known alternate service providers in the subject territory. The only other potential sewer service option is individual septic.

F. Land Use Information

1) Identify the subject territory's land use designation, zoning, and minimum parcel density requirements and clarify whether the proposed provision of service(s) will increase onsite development potential or be growth inducing for the area.

The entirety of the subject territory is located within the Ukiah Valley Area Plan of Mendocino County. With the exception of APNs 169-130-76 and 170-210-01, the subject parcels carry a General Plan Land Use Designation of Industrial (I) and are zoned Inland General Industrial (I2). The intention of the I2 zoning

designation as described in the Mendocino County Zoning Code is “to create and preserve areas where a full range of industrial uses with moderate to high nuisance characteristics may locate. Typically, this district would be applied to locations where large land acreages were available and where the impacts associated with the unsightliness, noise, odor, and traffic, and the hazards associated with certain industrial uses, would not impact on residential and commercial areas.” The I2 zoning designation, which lists a broad range of permitted civic, commercial, industrial, and agricultural use types not subject to the securing of a use permit, does not list a minimum parcel density requirement. There is no minimum lot area. There is also no minimum side and rear yard requirement, except that any side or rear yard contiguous to any district other than commercial or industrial shall have a minimum side yard of five (5) feet and a minimum rear yard of twenty (20) feet. There is a minimum front yard requirement of 10 feet and a maximum height for structures of 65 feet.

APN 170-210-01 carries a General Plan Land Use Designation of AG 40 and is zoned Agriculture. AG 40 reflects a minimum lot area of forty (40) acres and maximum dwelling density of one (1) unit per 40 acres. Minimum front, rear, and side yards must be fifty (50) feet each. Farm employee housing is permitted upon issuance of an administrative permit. The Agricultural Zoning district permits a variety of uses, including single-family residential, civic uses, agricultural use types, and accessory uses. APN 169-130-76 carries a General Plan Land Use Designation of MUNS and is zoned Agriculture. The MUNS (Mixed Use North State) General Plan Land Use Designation is intended to encourage mixed-use development with commercial uses encouraged at street level, retail and service, businesses, residential uses, processing, manufacturing and assembly.

All properties within the subject territory are vacant except for APN 169-130-76 (251 Carter Ln), which is underutilized, and 170-200-03 (410 Ford Rd), which currently is the location of the Big Daddy agricultural supply business.

Although there are no known development proposals at this time, the provision of wastewater services by the District in cooperation with the City through the out of area service agreement represents the best, most efficient approach to serving these parcels as opposed to private septic systems. The provision of sewer services is not expected to increase development potential beyond what is currently pursuable under existing zoning and land use constraints. As noted previously, currently properties in this territory can be developed for a broad range of permitted civic, commercial, industrial, and agricultural use types.

A map of the subject territory, with overlaid zoning and general plan land use designations, is included in Attachment 5.

- 2) Are there any proposed or approved, but not yet built, development projects involving the subject territory?
- Yes No

If yes, describe the proposed projects or land use entitlements and the timeline for implementation.

- 3) The Commission's action regarding this request by the agency to provide new or extended services outside its jurisdictional boundary is subject to the requirements of the California Environmental Quality Act (CEQA). Has the agency conducted any CEQA reviews for any projects associated with this application?

Yes No

If yes, please provide copies of the environmental documentation, including the Notice of Exemption or Notice of Determination and proof of payment of applicable California Department of Fish & Wildlife fees. See Attachment 6 for copies of the environmental documentation.

FEE AGREEMENT AND VOLUNTARY INDEMNIFICATION AGREEMENT

All applications must include signed [Fee Agreement and Voluntary Indemnification Agreement](#) forms, which are located at www.mendolafo.org/application-materials.

FEEES

Per the Mendocino LAFCo [Fee Schedule](#), deposits toward the actual cost of processing proposals must be paid at the time an application is submitted. All deposits are initial payments toward the actual costs of processing proposals, including staff time and materials (e.g., noticing, postage, copying). In signing the Fee Agreement and Voluntary Indemnification, the applicant consents to reimburse LAFCo for all costs incurred in processing, including pre-application assistance.

CERTIFICATION

The undersigned hereby certifies that all LAFCo filing requirements will be met and that the statements made in this application are complete and accurate to the best of my knowledge.

(Signature)

(Date)

Print or Type Name: _____

Daytime Telephone: _____

Email: _____



OUT OF AREA SERVICES AGREEMENT APPLICATION

Attachment 1

List of Properties and Landowners

APN	Address	Landowner	Size (Acres)	Proponent	Current / Proposed Use
170-210-01	401 Ford Rd	LS Fields LLC	±8.32	John Strangio	Vacant / Unknown
170-200-03	410 Ford Rd	Miguel Merino	±4.60	Richard Ruff	Commercial / Commercial
170-200-04	420 Ford Rd	Miguel Merino	±5.00	Richard Ruff	Vacant / Unknown
170-200-05	430 Ford Rd	Miguel Merino	±5.00	Richard Ruff	Vacant / Unknown
170-200-06	440 Ford Rd	Miguel Merino	±5.10	Richard Ruff	Vacant / Unknown
170-200-07	450 Ford Rd	Miguel Merino	±3.80	Richard Ruff	Vacant / Unknown
170-200-08	460 Ford Rd	Miguel Merino	±4.20	Richard Ruff	Vacant / Unknown
170-200-09	470 Ford Rd	LS Fields LLC	±5.60	John Strangio	Vacant / Unknown
170-200-18	550 Ford Rd	William Resnick	±10.63	Andrew Green	Vacant / Unknown
170-180-08	780 Ford Rd	Michael Milovina	±13.20	Michael Milovina	Vacant / Unknown
170-180-13	585 Kunzler Ranch Rd	Daniel Thomas	±17.21	Edie Lerman; Thomas Carter	Vacant / Unknown
170-180-14	611 Kunzler Ranch Rd	Daniel Thomas	±24.00	Daniel Thomas	Vacant / Unknown
169-130-76	251 Carter Ln	Andrew Nicoll	±17.90	Andrew Nicoll	Underutilized / Unknown

After recording, return to:
Mendocino Local Agency Formation Commission
200 S School Street
Ukiah, CA 95482

Exempt from fees per Gov Code 6103

**LANDOWNER OUT OF AREA SERVICE AND ANNEXATION CONSENT
AGREEMENT AND COVENANT**

Address being served: _____

Assessor Parcel No.: _____ (“the
Property,” Legal description in Attachment 1.)

Owners: _____

Parties to Agreement:

Owners

Ukiah Valley Sanitation District (District)

City of Ukiah (City)

Mendocino County Local Agency Formation Commission (LAFCO)

By this Agreement:

1. **Owner agrees** to apply to District for sewer service to the Property. Owner agrees to comply with District’s ordinances and policies governing the extension and provision of such service, including applicable costs and fees.

2. **District agrees** upon approval of this Agreement by LAFCO to provide sewer service to the Property in compliance with its duly adopted policies and ordinances.

3. **Owner consents** to and agrees to support the City’s annexation of the Property in compliance with Attachment 2.

4. **Term of Agreement.** This Agreement remains in effect until annexation of the Property by the City is final at which time this Agreement is terminated.

**AGREEMENT EFFECTIVE UPON LATEST NOTARIZED SIGNATURE DATE
ON PAGE 2.**

SIGNATURE PAGE

OWNER(S)

The undersigned hereby certify to be all the Owner(s) of the Property described in Attachment 1, the only person(s) whose consent is necessary to pass title to said real property, and to have consented to the annexation of said real property to the City of Ukiah.

Signature: _____

Printed Name: _____

Dated: _____

Signature: _____

Printed Name: _____

Dated: _____

Signature: _____

Printed Name: _____

Dated: _____

UKIAH VALLEY SANITATION DISTRICT

By: _____
Ernie Wipf, Chairman

Dated: _____

CITY OF UKIAH

By: _____
Sage Sangiacomo, City Manager

Dated: _____

MENDOCINO LOCAL AGENCY FORMATION COMMISSION

Executed by: _____

Printed Name: _____

Dated: _____

*Signatures to be acknowledged

ACKNOWLEDGMENT

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

State of California

County of _____)

On _____ before me, _____

(insert name and title of the officer)

personally appeared _____,

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

ATTACHMENT 1
[LEGAL DESCRIPTION OF PROPERTY]

ATTACHMENT 2
CONSENT TO ANNEXATION

- a) Consent/Petition to Future Annexation. Owner consents to and petitions for the annexation of the Property by the City of Ukiah, understanding that upon annexation, the Property and its Owners will become subject to City ordinances and other duly adopted regulations and policies, including the taxes, assessments and fees that the City imposes on property in the City.

- 2) Binding on Successors in Interest. This consent shall be a covenant running with the land that is binding on anyone acquiring an ownership interest in the Property.

- 3) Tenants to be Bound. All existing or future leases, rental agreements, or other agreements providing a right to use or occupy the Property shall contain the following covenant:

“This agreement and the right of lessee or tenant to possess and occupy the property is subject to the Annexation Agreement recorded as Mendocino County Document No. _____ on _____, 202_. By its terms that agreement is binding on tenants or anyone else with a right to use or occupy the property under this lease.”

- 4) Consequences of Breach. Owner and LAFCO agree that if Owner or anyone succeeding to Owner’s interest in all or any portion of the Property protests annexation of all or any portion of the Property by the City, LAFCo and the City shall be entitled to take the following actions:
 - a) LAFCo shall treat this consent as the binding decision and action of the Owner for all purposes under the Cortese Knox Hertzberg Act (Government Codes Section 56000 *et seq.*) and any objection or protest shall be null and void and may be disregarded by LAFCO in determining objections and/or the value of all protests to such annexation.

 - b) In addition to the above, if deemed necessary, LAFCO and the City may specifically enforce this agreement and covenant against Owners or their successors in the state courts of Mendocino County.

AGREEMENT BETWEEN
THE UKIAH VALLEY SANITATION DISTRICT AND THE CITY OF UKIAH
REGARDING PROVISION OF INTERIM SEWER SERVICES AND OUT OF AREA
SERVICE AGREEMENTS

This Agreement Regarding Out of Area Service Agreements and Interim Sewer Services ("Agreement") is made and entered into this 8th day of June, 2022, by and between the UKIAH VALLEY SANITATION DISTRICT, a county sanitation district organized under the laws of the State of California ("District") and the CITY OF UKIAH, a California municipal corporation ("City"). District and City are individually referred to as a "Party" and together as the "Parties."

RECITALS

WHEREAS, the Parties provide sewer services within their respective jurisdictions and have received requests to extend sewer service to various properties outside of their jurisdictional boundaries; and

WHEREAS, under Government Code section 56133, the Mendocino Local Agency Formation Commission ("LAFCo") may authorize a district to provide services outside its boundaries and sphere of influence ("SOI") pursuant to a written out of area service agreement ("OASA"); and

WHEREAS, the Parties desire to provide sewer service to those properties; and

WHEREAS, the City has submitted an annexation application to the Mendocino Local Agency Formation Commission (LAFCo) to annex City-owned properties in five areas within Mendocino County and a pre-application for the proposed annexation of areas north of Ukiah (Masonite/Ford Road area), and desires to annex other areas within the County, including the District (collectively referred to in this Agreement as "City Annexations"); and

WHEREAS, LAFCo is developing the Municipal Service Review (MSR)/SOI Update Study for LAFCo consideration of City and District proposals for annexations and/or extensions of service; and

WHEREAS, the Parties desire to enter into this Agreement regarding (i) the provision of interim sewer services for properties requesting out of area service until (1) the area upon which those properties are situated are annexed by the City or (2) the City annexes sufficient additional portions of the District to qualify the District for reorganization as a subsidiary district of or merger with the City under applicable provisions of the Cortese–Knox–Hertzberg Local Government Reorganization Act of 2000 ("CKH Act"), including Government Code §57105 and (ii) the terms under which both Parties are willing to support City annexation.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, and subject to the terms, conditions, and provisions hereof, the Parties hereto agree as follows:

AGREEMENT

1. Incorporation of Recitals. The recitals set forth above are hereby incorporated into this Agreement as if set forth herein in full.

2. Term. The term of this Agreement shall commence on June 8, 2022 ("Commencement Date") and continue in effect until (1) the District becomes either a subsidiary district within the City or the District is merged with the City pursuant to Government Code Section 57105 or other applicable provisions of the CKH Act or state law, (2) the entire District is annexed by and detached from the City, (3) either the City or the District cancels this Agreement on 5 year's prior written notice to the other party, or (4) both the City and District mutually agree to terminate this Agreement.

3. Sewer Service. Until such time as the earliest of the following occurs, District shall have first rights of refusal to provide, at its sole discretion, sewer service to the areas outside the City's and District's jurisdictions: (1) the area is annexed to City; or (2) the Parties mutually agree otherwise. Said sewer service shall be at the same level of service as that provided throughout the District.

4. Mutual Cooperation

A. Out of Area Service Agreement (OASA). The City, as the applicant for annexation, shall prepare OASAs at the direction of the District to serve areas where development could occur with sewer services. The City shall submit sewer service related OASAs to the District for review and approval prior to filing with LAFCo. This Agreement and any OASA related tax sharing agreement with Mendocino County shall be attached to and incorporated by reference into any OASA submitted to LAFCo under this Agreement. The District shall reimburse the City for costs the City incurs to file the OASA, and the District may recover those costs from the property owners that request and receive out of area sewer service. For OASAs approved by LAFCo under this Agreement, the District shall collect all fees associated with providing such services from sewer customers of the affected parcels. During the term of this Agreement, the District shall be responsible for all costs associated with providing such services.

B. The City agrees that it will not apply to LAFCo for detachment of District territory from the City's jurisdictional boundaries as those boundaries currently exist or as they are changed by future City Annexations.

- C. District agrees to support City Annexations and to work cooperatively with City regarding revisions to the City's General Plan, Municipal Service Review and Sphere of Influence necessary or advisable to enable City Annexations and not to propose or seek LAFCo approval for or support proposed provisions in the District's MSR or SOI that would inhibit, conflict with, or prevent such City Annexations and/or reorganizations, as described in this Agreement.
- D. Pursuant to Government Code Section 57105 or other applicable provisions of state law, the District will support and urge LAFCo to approve either designating the District as a subsidiary district of the City or merger of the District with the City at such time as 70% or more of registered voters in the District are within the City limits and 70% of the area of land within the District is within the City's jurisdictional boundaries or when those reorganizations are otherwise authorized by state law.
- E. The District will support and cooperate with the City in seeking special legislation to amend the CKH Act to authorize merger of the District with the City when 70% or more of registered voters in the District are within the City limits without regard to the area of District land that is within the City, subject to reasonable conditions that are agreeable to both parties.

5. Indemnity. Neither Party, its officers, agents or employees, shall have any liability for intentional or negligent acts, by omission or commission, by the other party, or of any officer, agent or employee thereof. Each Party shall indemnify, defend and hold the other party, including their respective officers, agents, employees and independent contractors, harmless from any claim or action arising out of performance of this Agreement with respect to any work to be performed by or authority delegated to such party.

6. Modification and Termination. This Agreement may not be modified, terminated or rescinded, in whole or in part, except by a written instrument duly executed and attested by the Parties hereto or their successors or assigns.

7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

8. Notices. All notices to be delivered hereunder, if personally delivered, shall be deemed received when delivered. If mailed in the United States mail, notices shall be mailed postage prepaid, registered or certified, with return receipt requested, and shall be deemed delivered on the date stated on the return receipt. If mailed in any other manner, including by email with acknowledgment of receipt, notices shall be deemed received on actual receipt. Notices shall be mailed in the above manner to the following addresses:

UKIAH VALLEY SANITATION DISTRICT

151 Laws Avenue
Ukiah, CA 95482
Attn: General Manager
Email: aa@uvsd.org

CITY OF UKIAH

City of Ukiah Civic Center
300 Seminary Avenue
Ukiah, CA 95482
Attn: City Manager
Email: cityclerk@cityofukiah.com

Either Party may from time to time change its address for notice by notifying the other party of such new address.

9. Entire Agreement. This instrument and any authorized attachments thereto contains the entire Agreement between the Parties relating to the obligations of the City and District as described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force or effect.

10 Waiver. Failure of any Party to insist upon strict performance of any of the terms, conditions or covenants in this Agreement will not be deemed a waiver of any right or remedy that Party may have and will not be deemed a waiver of any right or remedy for a subsequent breach or default of the terms, conditions or covenants contained in this Agreement, nor will it constitute a precedent for interpretation of this Agreement.

11. Severability. If any term, provision, covenant or condition of this Agreement is held to be invalid, void or otherwise unenforceable, to any extent, by any court of competent jurisdiction, the remainder to this Agreement shall not be affected thereby, and each term, provision, covenant or condition of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12. Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which, when executed and delivered shall be deemed an original and all of which together shall constitute the same agreement. Facsimile or electronic signatures will be permitted.

13. Authority to Execute Agreement. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that, by so executing this Agreement, the parties hereto are formally bound to the provisions of this Agreement.

14. No Third Party Beneficiaries Intended. No person or entity not a named party to this Agreement is intended as a beneficiary of any provision of this Agreement or to have

any standing or authority to enforce any provision of this Agreement. No such third-party beneficiaries are intended or created.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

UKIAH VALLEY SANITATION DISTRICT CITY OF UKIAH



Ernie Wipf, Chair, Board of Directors



Jim Brown, Mayor

ATTEST:



Chelsea Teague, Board Secretary

ATTEST



Kristine Lawler (Jun 20, 2022 14:04 PDT)
Kristine Lawler, City Clerk

APPROVED AS TO FORM:

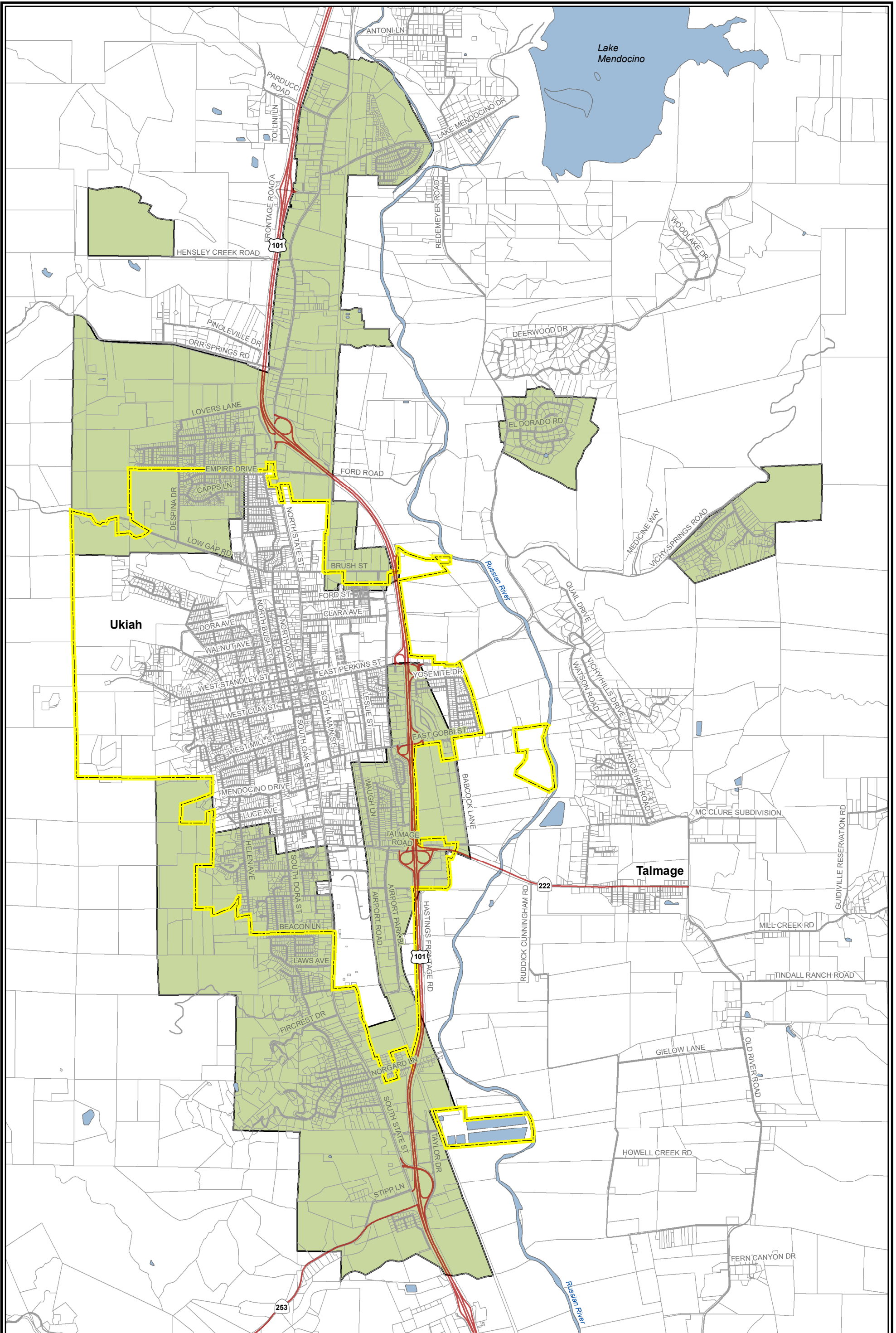


Joanna Gin, General Counsel

APPROVED AS TO FORM:



David Rapport, City Attorney



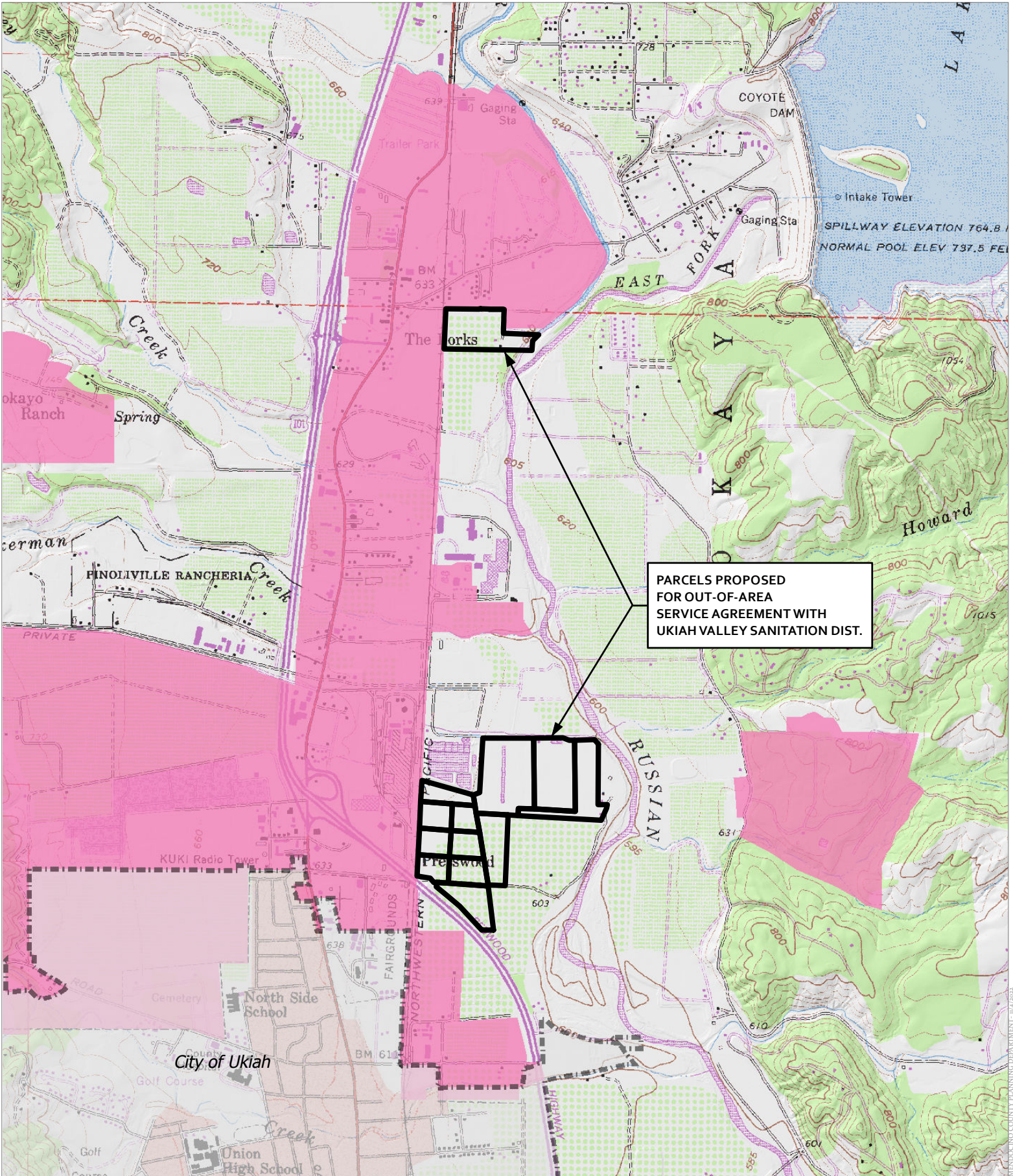
Ukiah Valley Sanitation District

- Ukiah Valley Sanitation District
- City of Ukiah
- Parcels
- Highways
- Roads

Source: This map was created by the Mendocino County Information Services GIS Program, June 2, 2022.
 Note: This map is not a survey product and should not be used to determine legal boundaries.



1,000 500 0 1,000 Feet

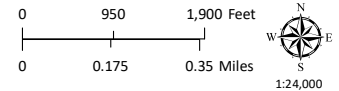




PARCELS PROPOSED FOR OUT-OF-AREA SERVICE AGREEMENT WITH UKIAH VALLEY SANITATION DIST.

Map produced by the Mendocino County Planning & Building Svcs. Dept., November 2022
 Coordinate System: NAD 83, Calif. State Plane Zone II
 Projection: Lambert Conformal Conic
 Parcel Data: Mendocino County Information Services, October, 2018
 Aerial Imagery: US Dept. of Agriculture/ArcGIS Online mosaic
 Topographic Data: USGS 7.5 minute quad series Mount Diablo Base & Meridian
 Parcel numbers are for tax purposes only and do not represent legal or salable parcels.
 All spatial data is approximate. This map is not a substitute for a proper land survey.

-  Major Towns & Places
-  City Limits



LOCATION MAP

**THIS MAP AND DATA ARE PROVIDED WITHOUT WARRANTY OF ANY KIND.
 DO NOT USE THIS MAP TO DETERMINE LEGAL PROPERTY BOUNDARIES**

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
November 9, 2022

To: Board of Directors
From: Wing-See Fox
Meeting Date: November 9, 2022

Item #7C: Approval of Master Services Agreement with CLA for Ongoing Accounting Services and Financial Statement Preparation Services

Background:

CliffordLarsonAllen LLP(CLA) is a professional service network and the eighth largest accountancy firm in the United States. The firm has a significant practice and focus in government related accounting, auditing, and consulting services. CLA was selected by the District in 2018 to provide accounting services and financial statement preparation services to the District. Prior work completed by CLA includes the preparation of five years of financial statements for Fiscal Years 2014-2018 that were subsequently audited by the District's auditor. The audited financial statements were a critical component of UVSD's successful bond refinancing. CLA has represented the District in working with the City of Ukiah on the exchange of accounting information and oversight support when the City still provided billing and collection services to the District. CLA has also provided support in the transition of billing and collection responsibilities from the City to the District. District staff is of the opinion that CLA has provided high-quality services and has been very responsive to District needs and requests.

At this time, CLA is requesting to enter into a new Master Services Agreement that updates their hourly rates. The Master Services Agreement and Statement of Work are attached for Board review.

Discussion:

The hourly rates for Senior staffing and Principal/Quality Assurance staffing (the two levels that the District utilizes) have increased significantly due to inflationary pressures. In addition, there will be a 5% administrative fee added to the monthly charges. However, the higher rates will be offset by transitioning most of the workload to the Senior staff person, with reduced hours required by the Principal/Quality Assurance staff person. Additionally, over the last 4 years, CLA staff has been able to streamline the Scope of Work (i.e., with significantly fewer hours) as they have become familiar with our financial management systems and as we have worked with the City to simplify processes.

CLA anticipates that monthly accounting services will range from \$3,000 to \$5,000 in any given month but will average closer to \$3,000 per month. This is in line with prior and current years' budgets for CLA's monthly accounting services. Annual preparation of financial statements will range from \$10,000 to \$20,000 annually. District staff estimates that this part of the Scope of Work will total approximately \$12,500, which is approximately \$2,500 more than what staff budgeted for FY22 and approximately \$5,000 more than what staff budgeted for FY23.

However, staff does not anticipate a need to amend the FY23 Budget since we believe that this increase will be offset by other Professional Services coming in below budget.

Recommended Action:

Approve and Direct Board Chair to Execute Master Services Agreement with CLA for Ongoing Accounting Services and Financial Statement Preparation Services.

Attachments:

- 1) Master Services Agreement
- 2) Outsourcing Preparation Statement of Work

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Wing-See Fox', with a stylized flourish at the end.

WING-SEE FOX
Interim District Manager



Master Services Agreement

Ukiah Valley Sanitation District
151 Laws Avenue, Ukiah, CA 95482
MSA Date: October 11, 2022

This master service agreement (“MSA”) documents the terms, objectives, and the nature and limitations of the services CliftonLarsonAllen LLP (“CLA,” “we,” “us,” and “our”) will provide for Ukiah Valley Sanitation District (“you,” or “your”). The terms of this MSA will apply to the initial and each subsequent statement of work (“SOW”), unless the MSA is changed in a communication that you and CLA both sign or is terminated as permitted herein.

1. **Scope of Professional Services**

CLA will provide services as described in one or more SOW that will reference this MSA. The SOW will describe the scope of professional services; the nature, limitations, and responsibilities related to the specific services CLA will provide; and the fees for such services.

If modifications or changes are required during CLA’s performance of requested services, or if you request that we perform any additional services, we will provide you with a separate SOW for your signature. Such SOW will advise you of the additional fee and time required for such services to facilitate a clear understanding of the services.

Our services cannot be relied upon to disclose all errors, fraud, or noncompliance with laws and regulations. Except as described in the scope of professional services section of this MSA or any applicable SOW, we have no responsibility to identify and communicate deficiencies in your internal controls as part of any services.

2. **Management responsibilities**

You acknowledge and understand that our role is to provide the services identified in an SOW and that management, and any other parties engaging CLA, have responsibilities that are fundamental to our undertaking to perform the identified services.

3. **Fees and terms**

See the applicable SOW for the fees for the services.

Work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our

engagements will be deemed to have been completed even if we have not completed the services. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Payments may be made utilizing checks, Bill.com, your online banking platform, CLA's electronic payment platform, or any other client initiated payment method approved by CLA. CLA's electronic online bill pay platform claconnect.com/billpay accepts credit card and Automated Clearing House (ACH) payments. Instructions for you to make direct bank to bank wire transfers or ACH payments will be provided upon request.

4. Other Fees

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf.

5. Finance charges and collection expenses

You agree that if any statement is not paid within 30 days from its billing date, the unpaid balance shall accrue interest at the monthly rate of one and one-quarter percent (1.25%), which is an annual percentage rate of 15%. In the event that any collection action is required to collect unpaid balances due us, reasonable attorney fees and expenses shall be recoverable.

6. Dispute Resolution

Any disagreement, controversy, or claim ("Dispute") that may arise out of any aspect of our services or relationship with you shall be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator.

The mediation will be conducted as specified by the mediator and agreed upon by the parties (i.e., you and CLA). The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

7. Limitation of remedies

These limitation of remedies provisions are not applicable for any audit or examination services provided to you.

Our role is strictly limited to the services described in an SOW, and we offer no assurance as to the results or ultimate outcomes of any services or of any decisions that you may make based on our communications with you. You agree that it is appropriate to limit the liability of CLA, its partners, principals, directors, officers, employees, and agents (each a "CLA party").

You further agree that you will not hold CLA or any other CLA party liable for any claim, cost, or damage, whether based on warranty, tort, contract, or other law, arising from or related to this MSA,

the services provided under an SOW, the work product, or for any plans, actions, or results of an SOW, except to the extent authorized by this MSA. In no event shall any CLA party be liable to you for any indirect, special, incidental, consequential, punitive, or exemplary damages, or for loss of profits or loss of goodwill, costs, or attorney fees.

The exclusive remedy available to you shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by a CLA party of our duties owed under this MSA and the specific SOW thereunder, but any recovery on any such claims shall not exceed the fees actually paid by you to CLA pursuant to the SOW that gives rise to the claim.

8. Governing Laws, Jurisdiction, and Venue

The MSA is made under and shall be governed by the laws of the state of Minnesota, without giving effect to choice of law principles. This includes dispute resolution and limitation of remedies.

9. Time limitations

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between you and any CLA party. The parties (you and CLA) agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this MSA or the services performed under an SOW, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against any CLA party must be commenced as provided below, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. An action to recover on a dispute shall be commenced within these periods (“Limitation Period”), which vary based on the services provided, and may be modified as described in the following paragraph:

Service	Time after the date we deliver the services or work product*
Tax Consulting Services	36 months
Tax Return Preparation	36 months
Examination, compilation, and preparation services related to prospective financial statements	12 months
Audit, review, examination, agreed-upon procedures, compilation, and preparation services other than those related to prospective financial information	24 months
All Other Services	12 months

* pursuant to the SOW on which the dispute is based

If the MSA is terminated or your ongoing relationship with CLA is terminated, then the applicable Limitation

Period is the lesser of the above periods or 12 months after termination of MSA or your ongoing relationship with CLA. The applicable Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

10. Confidentiality

Except as permitted by the “Consent” section of this MSA, CLA will not disclose any of your confidential, proprietary, or privileged information to any person or party, unless you authorize us to do so, it is published or released by you, it becomes publicly known or available other than through disclosure by us, or disclosure is required by law, regulation or professional standard. This confidentiality provision does not prohibit us from disclosing your information to one or more of our affiliated companies in order to provide services that you have requested from us or from any such affiliated company. Any such affiliated company shall be subject to the same restrictions on the use and disclosure of your information as apply to us. You also consent to our disclosure of information regarding the nature of services we provide to you to another independent network member of CLA Global, for the limited purpose of complying with professional obligations regarding independence and conflicts of interest.

The Internal Revenue Code contains a limited privilege for confidentiality of tax advice between you and our firm. In addition, the laws of some states likewise recognize a confidentiality privilege for some accountant-client communications. You understand that CLA makes no representation, warranty or promise, and offers no opinion with respect to the applicability of any confidentiality privilege to any information supplied or communications you have with us, and, to the extent that we follow instructions from you to withhold such information or communications in the face of a request from a third party (including a subpoena, summons or discovery demand in litigation), you agree to hold CLA harmless should the privilege be determined not to apply to particular information or communications.

The workpapers and files supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers and files to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we retain our workpapers and files in accordance with our record retention policy that typically provides for a retention period of seven years. After this period expires, our workpapers and files will be destroyed. Furthermore, physical deterioration or catastrophic events may shorten the time our records are available. The workpapers and files of our firm are not a substitute for your records.

Pursuant to authority given by law, regulation or professional standards we may be requested to make certain workpapers and files available to a regulator for its regulatory oversight purposes. We will notify you of any such request, if permitted by law. Access to the requested workpapers and files will be provided to the regulator under the supervision of CLA personnel and at a location designated by our firm. Furthermore, upon request, we may provide copies of selected workpapers and files to such regulator. The regulator may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

11.

Other provisions

You agree that CLA will not be assuming any fiduciary responsibility on your behalf during the course of this MSA, except as may be assumed in an SOW.

CLA may, at times, utilize external web applications to receive and process information from our clients; however, any sensitive data, including protected health information and personally identifiable information, must be redacted by you to the maximum extent possible prior to uploading the document or file. In the event that you are unable to remove or obscure all sensitive data, please contact us to discuss other potential options for transmitting the document or file.

CLA and certain owners of CLA are licensed by the California State Board of Accountancy. However, CLA has owners not licensed by the California State Board of Accountancy who may provide services under this MSA. If you have any questions regarding licensure of the personnel performing services under this MSA, please do not hesitate to contact us.

During the course of the engagement, there may be communication via fax or email. You are responsible to ensure that communications received by you or your personnel are secured and not shared with unauthorized individuals.

12. Consent to use financial information

We regularly aggregate anonymized client data and perform a variety of analyses using that aggregated data. Some of these analyses are published to clients or released publicly. However, we are always careful to preserve the confidentiality of the separate information that we obtain from each client, as required by the AICPA Code of Professional Conduct and various laws. Your acceptance of this MSA will serve as your consent to our use of Ukiah Valley Sanitation District anonymized data in performing and reporting on these cost comparison, performance indicator and/or benchmarking analyses.

Unless authorized by law or the client consents, we cannot use a client's tax return information for purposes other than the preparation and filing of the client's tax return. By signing and dating this MSA, you authorize CLA to use any and all information furnished to CLA for or in connection with the preparation of the tax returns under this MSA, for a period of up to six (6) years from the date of this MSA, in connection with CLA's preparation of the types of reports described in the foregoing paragraph.

13. Consent to send you publications and other materials

For your convenience, CLA produces a variety of publications, hard copy and electronic, to keep you informed about pertinent business and personal financial issues. This includes published articles, invitations to upcoming seminars, webinars and webcasts, newsletters, surveys, and press releases. To determine whether these materials may be of interest to you, CLA will need to use your tax return information. Such tax information includes your name and address as well as the business and financial information you provided to us.

By signing and dating this MSA, you authorize CLA to use the information that you provide to CLA during the preparation of your tax returns to determine whether to offer you relevant materials. Your

consent is valid until further notice.

14. Subcontractors

CLA may, at times, use subcontractors to perform services under this MSA, and they may have access to your information and records. Any such subcontractors will be subject to the same restrictions on the use of such information and records as apply to CLA under this MSA.

15. Technology

CLA may, at times, use third-party software applications to perform services under this MSA. You acknowledge the software vendor may have access to your data.

16. Termination of MSA

This MSA shall continue for five years from October 11, 2022, unless terminated earlier by giving appropriate notice. Either party may terminate this MSA at any time by giving 30 days written notice to the other party.

Upon termination of the MSA, the provisions of this MSA shall continue to apply to all services rendered prior to termination.

17. Agreement

We appreciate the opportunity to be of service to you and believe this MSA accurately summarizes the significant terms of our relationship. This MSA, along with the applicable addendum(s) and SOW(s), constitute the entire agreement regarding services to be performed and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA. If you have any questions, please let us know. If you agree with the terms of our relationship as described in this MSA, please sign, date, and return.

CliftonLarsonAllen LLP

Jeffrey Peek

Principal

916-724-6834

jeffrey.peek@claconnect.com

Response:

This MSA correctly sets forth the understanding of Ukiah Valley Sanitation District

CLA
CliftonLarsonAllen LLP



Jeffrey Peek, Principal

SIGNED 10/11/2022, 1:24:19 PM CDT

Client
Ukiah Valley Sanitation District

SIGN:

Ernie Wipf, Chair

DATE:



Outsourcing Preparation Statement of Work

Date: October 11, 2022

This agreement constitutes a Statement of Work (“SOW”) to the Master Service Agreement (“MSA”) made by and between CliftonLarsonAllen LLP (“CLA,” “we,” “us,” and “our”) and Ukiah Valley Sanitation District (“you” and “your”) dated October 11, 2022 or any superseding MSA. The purpose of this SOW is to outline certain services you wish us to perform in connection with that agreement.

Scope of professional services

Jeffrey Peek is responsible for the performance of the preparation engagement and other services identified in this agreement. They may be assisted by one or more of our authorized signers in the performance of the preparation engagement.

Ongoing normal accounting services:

- Outsourced accounting functions - Monthly
 - We will reconcile the following accounts and prepare journal entries as necessary:
 - Cash and investment accounts
 - Accounts receivable, customer deposit, and revenue accounts
 - Accounts payable and expense accounts
 - Long-term debt accounts
 - Prepare capital asset and depreciation schedules
 - Prepare monthly financial statements (additional information is provided below).
 - We expect that you will request CLA to prepare financial statements, that will not be subject to a compilation, for use by the district's board of directors.
 - We expect that if the financial statements are intended for use by someone who is not knowledgeable about the district's financial affairs, you will request that they be

subject to a compilation engagement.

- Assist the district's board of directors in monitoring actual expenditures against appropriation/budget.
- Assist the district's board in reviewing and monitoring quarterly Actual Cost True Up between the district and the City of Ukiah as defined in the Operating Agreement for the Combined Sewer System Serving the Ukiah Valley Sanitation District and the City of Ukiah dated October 3, 2018.
- Attend board meetings as requested.
- Be available during the year to consult with you on any accounting matters related to the district.
- Outsourced accounting functions - Annual
 - Prepare the year-end financial statements (additional information is provided below) and related audit schedules for use by the district's auditors.
 - Assist the district in managing the audit process and coordinating information requested by the auditors.
 - Prepare the district Special District Financial Transactions Report as required by the California State Controller's Office.

Preparation services - financial statements (monthly)

You have requested that we prepare the monthly financial statements of Ukiah Valley Sanitation District, which comprise the financial statements identified below in accordance with GAAP (financial reporting framework).

Financial statements: (monthly)

Statement of Net Position

Statement of Revenues, Expenses, and Changes in Fund Net Position

Management has requested the financial statements be prepared without substantially all disclosures, which is a departure from the financial reporting framework. The financial statements will identify these departures.

Preparation services - financial statements (annual)

You have requested that we prepare the annual year-end financial statements of Ukiah Valley Sanitation District which comprise the financial statements identified below in accordance with GAAP (financial

reporting framework).

Financial statements: (annual)

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Fund Net Position
- Statement of Cash Flow

Engagement objectives and our responsibilities

The objective of our engagement is to prepare financial statements in accordance with the financial reporting framework based on information provided by you and information generated through our outsourced accounting services.

We will conduct our preparation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

Engagement limitations

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements and the supplementary information.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You agree that we shall not be responsible for any misstatements in the entity's financial statements that we may not identify as a result of misrepresentations made to us by you.

CLA's relationship with you shall be solely that of an independent contractor and nothing in the MSA or a SOW shall be construed to create or imply any relationship of employment, agency, partnership, or any relationship other than an independent contractor.

No assurance statement

The financial statements will not be accompanied by a report. However, management agrees that each page of the financial statements will include a statement clearly indicating that no assurance is provided on them.

Our firm cannot be associated with any financial statements you file with the U.S. Securities and Exchange Commission (SEC) and accordingly, the name of our firm cannot be included in any of Ukiah Valley Sanitation District's public filings.

Management responsibilities

The engagement to be performed is conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that our role is to prepare financial statements in accordance with the financial reporting framework.

We are required by professional standards to identify management's responsibilities in this agreement. Those standards require that you acknowledge and understand that management, and those charged with governance, as appropriate, have the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARs:

- a) The selection of the financial reporting framework to be applied in the preparation of the financial statements and determining that the financial reporting framework is acceptable in the circumstances.
- b) 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.
- c) The prevention and detection of fraud.
- d) To ensure that the entity complies with the laws and regulations applicable to its activities.
- e) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements.
- f) To provide us with the following:
 - a) Access to all information relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that may be requested for the purpose of the engagement.
 - c) Unrestricted access to persons within the entity with whom we determine it necessary to communicate.

We understand that you are engaging us to make recommendations and perform services to help you meet your responsibilities relevant to the preparation and fair presentation of the financial statements (items a and b).

For all accounting services we may provide to you, including the preparation of your financial statements, management agrees to assume all management responsibilities; oversee the services evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

Fees and terms

Billing rates guaranteed through December 31, 2023:

Services performed by	Rate per hour
Staff	\$160
Senior	\$230
Assistant Controller	\$260
Consulting Controller	\$325
Consulting CFO	\$375
Principal / Quality Assurance	\$450

Subsequent to the billing rate guarantee date, the rates may be adjusted as agreed between you and CLA through an addendum to this SOW.

Monthly Outsourced Accounting Functions will range from \$3,000 - \$5,000, per month.

Annual Outsourced Accounting Functions will range from \$10,000 - \$20,000, annually.

Our professional fees will be billed based on the time involved and the degree of responsibility and skills required. We will also bill for, expenses (including internal and administrative charges) plus a technology and client support fee of five percent (5%) of all professional fees billed.

Use of financial statements

The financial statements we prepare are for management's use. If you intend to reproduce and publish the financial statements, they must be reproduced in their entirety.

Non-Solicitation

You agree that during the term and for a period of one year after the expiration or termination date of the MSA, you will not solicit, hire, contract with, or engage the services of any person providing services to you on behalf of CLA without the prior written consent of CLA. If you breach this non-solicitation provision, you shall pay \$100,000 to CLA as liquidated damages within two weeks of the date on which the former CLA employee or consultant begins his or her new employment with you.

Indemnity

For the services described in this SOW, you agree to indemnify and hold harmless CLA, its successors and affiliates, officers, employees, and agents from any claims brought or asserted by any other person, third party, or governmental body for any loss, damages, liabilities, remedies, or cause of action, and from any reasonable expenses incurred in defending against any such claims or actions (including attorney fees)

arising from or relating to the services performed by any CLA party.

Agreement

We appreciate the opportunity to provide the services described in this SOW related to the MSA. All terms and provisions of the MSA shall apply to these services. If you agree with the terms of this SOW, please sign below and return a signed copy to us to indicate your acknowledgment and understanding of, and agreement with, this SOW.

CliftonLarsonAllen LLP

Jeffrey Peek

Principal

916-724-6834

jeffrey.peek@claconnect.com

Response

This SOW correctly sets forth the understanding of Ukiah Valley Sanitation District and is accepted by:

CLA
CliftonLarsonAllen LLP

Jeffrey Peek

Jeffrey Peek, Principal

SIGNED 10/12/2022, 6:51:21 AM CDT

Client
Ukiah Valley Sanitation District

SIGN:

Ernie Wipf, Chair

DATE:

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
November 9, 2022

To: Board of Directors
From: Wing-See Fox
Meeting Date: November 9, 2022

Item #7D: Engage Rate Consultant Hildebrand Consulting as the Rate Consultant to Update the Joint Sewer Rate Study

Background:

In 2020, the City and the District engaged Hildebrand Consulting and the Reed Group, Inc., to prepare a Joint Sewer Rate Study, which served as a critical component of the bond refinancing. The Joint Sewer Rate Study recommended rate increases for both the City and the District and recommended modifications to the District's rate structure. The City proceeded to adopt the recommend rate increases.

However, the rate increases proposed by the Joint Sewer Rate Study has not been considered by the District Board through a Proposition 218 Public Hearing process to date due to financial hardships on customers from the COVID-19 pandemic. Additionally, it was determined by the District that since the District has sufficient reserves and projected sufficient Net Revenues to meet the Rate Covenant of its 2020 Refunding Bonds, it would not be necessary to increase rates in the near term. Hildebrand Consulting has stayed engaged with the District and the City in providing annual cost allocation and true-up calculations.

Discussion:

The City and District sewer rates are composed of fixed and variable rate components based on customer classes. The variable rate component is calculate based on the average water usage during the winter months of January, February, and March. Prior to the Joint Sewer Rate Study, the City utilized one winter month to establish the variable rate component, but the City agreed to switch to the District's methodology of averaging the three months from January through March.

The Board has expressed its desire to revisit the District's rate structure given that during drought years, the need to water lawns could skew the water usage and therefore inflate a customer's sewer bill. One method that could mitigate this variability is to weight the rate structure more on the fixed component, thereby reducing the impact of the variable component. Re-examining the rate structure requires an update to the Joint Sewer Rate Study in order to determine a rate structure that aligns with the costs of providing sewer service, is equitable among all ratepayers, and complies with Proposition 218.

Recommended Action:

Direct Staff to Return with a Proposed Contract with Hildebrand Consulting as the Rate Consultant to Update the Joint Sewer Rate Study.

Respectfully submitted,



WING-SEE FOX
Interim District Manager