

Board of Directors

Jorge Magana, President
Jeff Dotzler, Director
Matt Starbuck, Director
Jim Keeling, Director
Glen McLeod, Vice President



1550 East Burton Mesa Blvd.
Lompoc, California, 93436-2100
805.733.4366
www.mhcsd.org

Mike Garner, General Manager

Mission Hills Community Services District Board of Directors

Agenda-Regular Meeting

Wednesday, October 21, 2026

4:30 PM

1550 East Burton Mesa Blvd, Lompoc, CA - District Board Room

1. Call to Order and Pledge of Allegiance

2. Roll Call

3. **Public Comment** – Members of the public may address the Board on any item within the jurisdiction of the Board not included on this agenda for up to 3 minutes. **If you cannot attend, you can submit comments before the meeting to admin@mhcsd.org before 1:00 PM, Tuesday, October 20, 2026.**

4. **Consent Agenda** - Staff recommends that the Directors approve the Consent Agenda in one motion. Members of the public may comment on a consent item (3 minutes maximum per speaker). Directors may pull a consent item for discussion or a separate vote.

A. Consideration of Approval of Minutes from

- i.) September 16, 2026

B. Receive Activity Reports for September

- i) General Manager and Administration Reports
- ii) Water and Wastewater

C. Consideration of Financial Reports for September

- i) Revenue and Expenses: Previous Year Comparison
- ii) Disbursements Journal
- iii) Variation from Projected Income
- iv) Bank Account Summary
- v) Budget to Actual

5. Regular Business

A. Review, Receive and File, the Audited Financial Statements for Fiscal Years Ended June 30, 2024 and June 30, 2025 Prepared by Moss Levy & Hartzheim LLP.

- B. **Discuss and Consideration** of approval of an Agreement for Consultant Services with Tuckfield & Associates for Preparation of a Water, Wastewater, and Street Sweeping Rate Study.

6. Communications - The Board of Directors may ask a question for clarification, make an announcement, or report briefly on recent activities or conferences. Also, Directors may provide references to staff or other resources for information, and direct staff to place a topic or report on a future committee or regular meeting agenda.

- A. General Manager's Comments
- B. Directors' Comments
- C. Public Comments (up to 3 minutes for topics within the district's jurisdiction)

Regular Board Meetings are held on the third Wednesday of each month beginning at 4:30 PM

Copies of the staff reports, or written materials provided for Mission Hills CSD for Open Session agenda items may be obtained upon request and are also available at the Customer Service Counter of the District Office for public inspection and reproduction during regular business hours. Closed-session items are not available for public review.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting or if you need the agenda or other documents in the agenda packet provided in an alternative format, contact the Board Secretary at 805.733.4366 at least 48 hours before the meeting to ensure that reasonable arrangements can be made. (Agenda Prepared under Government Code Section 54954.2)

Board of Directors

Jorge Magana, President
Glen McLeod, Vice President
Jim Keelinhg, Finance Officer
Matthew Starbuck, Director
Jeff Dotzler, Director



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Mike Garner, General Manager

Mission Hills Community Services District Board of Directors

Regular Meeting Minutes

Wednesday, September 16, 2026

1550 East Burton Mesa Blvd, Lompoc, CA – District Board Room

The Regular Meeting of the Board of Directors of Mission Hills Community Services District was called to order at 4:30 pm on Wednesday, September 16, 2026, at the District Board Meeting Room, 1550 East Burton Mesa Blvd, Lompoc, CA

Directors Present:

By Roll Call: Jorge Magana, Matthew Starbuck, Glen McLeod, Jim Keeling, Jeff Dotzler

Directors Absent:

Staff Present:

Mike Garner, Javier Rodriguez, Arleen Block

Via Zoom:

Carol Renyolds

Others Present:

1. Call to Order and Pledge of Allegiance

2. Roll Call

3. Public Comment – No public comments were received

4. Consent Agenda

A. APPROVE MINUTES

i.) August 19, 2026

B. Activity Reports for September

- i) General Manager and Administration Reports
- ii) Water and Wastewater

C. Financial Reports for September

- i) Revenue and Expenses Previous Year Comparison
- ii) Disbursements Journal
- iii) Variation from Projected Income

- iv) Bank Account Summary
- v) Budget to actual

Approved Consent Items:

Motion was made by Director Jim Keeling and seconded by Director Jorge Magana to approve the Consent Agenda as presented.

The motion passed by a 5-0 vote

Ayes: Director Jorge Magana, Director Glen McLeod, Director Jim Keeling, Director Matthew Starbuck, Director Jeff Dotzler

Noes:

Absent:

5. Regular Business

- A. Discuss and Consider** Declaring District Equipment, as Set forth in Attachment A of the Staff Report, Surplus in accordance with the District's Surplus Property Policy.

Motion was made by Director Matt Starbuck and seconded by Director Jeff Dotzler to sell 3 Surplus Vehicles. Vac Trailer, Dump Truck, 2007 Ford F150

Ayes: Director Jorge Magana, Director Glen McCloud, Director Jim Keeling, Director Matthew Starbuck, Director Jeff Dotzler

Noes:

Absent:

6. Communications - The Board of Directors may ask a question for clarification, make an announcement, or report briefly on recent activities or conferences. Also, Directors may provide references to staff or other resources for information, and direct staff to place a topic or report on a future committee or regular meeting agenda.

A. General Manager's Comments – None

B. Director Comments – None

C. Public Comments – None

With no further business before the Board, the meeting was adjourned at 5:21 pm on September 16, 2026.

Respectfully Submitted:

Arleen Block

X _____

President, Jorge Magana

X _____

Board Secretary, Arleen Block



General Manager and Administrative Activity Reports

October 21, 2026

General Manager Report

Burton Ranch – Jorge Magana, Jim Keeling and I had a productive meeting with the owners of the Burton Ranch project.

Well #7 – Back online and pumping at 515 gpm.

November Meeting- No board meeting in November.

Administrative Services Manager

Participated in the CSDA Board of Directors Meeting. Participated in Board Meeting & As is customary Board Meeting preparation. Facilitated money transfers between accounts as warranted. Kept abreast of the District priorities on a weekly basis by both the General Manager and the Operations Supervisor. Worked with CPA to complete the FY 2024-2025 Financial Statement.

Accountant

Working with management on journal entries, accounts payable and receivable. Assisting Customer Service with collection of delinquent accounts.

Board Secretary / Admin Analyst & Customer Service Representative II

Sent out bills for September, book hotels for Representatives of MHCSO who will be attending classes in the months coming up. Applied 10% Late Fee for non-payment. Sent out letters to residents regarding Backflow. Took payments from rate payers and processed all payment drop offs.

**Board of Directors:**

President; Jorge Magana
 Vice President; Glen McLeod
 Director; Jim Keeling
 Director; Matthew Starbuck
 Director; Jeff Dotzler

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Mike Garner, General Manager

MISSION HILLS COMMUNITY SERVICES DISTRICT

Water and Wastewater Report – September

September	
<u>Water</u>	<u>Wastewater</u>
Monthly Distributed: 17.99 MG	Total Monthly Influent Flow: 4.81 MG
Daily Average: 0.57 MGD	Daily Average: 0.16 MGD
Monthly Sold: 17.2 MG	Ratio of Daily returned Flow: 27%
Unaccounted Water: 0.79 MG (4.3%)	(0.16/0.57 = 0.28)

Water

Staff

- Ben Quinlan attended the Cross Connection and Backflow Tester Certification Course.
- Florencio Rodriguez attended Cla-Val valve operation training Course.

Compliance

- Submitted the State Water Resource Control Board (SWRCB) Monthly reports.

Capital Improvement Projects

- Staff completed the valve replacement project at treatment plant. (See Pictures)

Distribution System Maintenance/Repair

- Water main line repairs: 0
- Water service line repair: 4
- Hydrant replaced: 0

Wells & Pumping

- Well 7 passed testing and returned to service on September 29.

Preventative Maintenance Program:

August

- Hydrants Maintenance : **10 76/106 YTD**
- Valves exercised: **20 95/175 YTD**
- Valves to be replaced: **3**

Wastewater

Compliance

- Collected all weekly settleable solids samples.
- Submitted the Monthly No Spill Report.

Collection System/Lift Station

- Replaced the Dry-Well sump pump.
- Continued monitoring of Wet well Wizard.

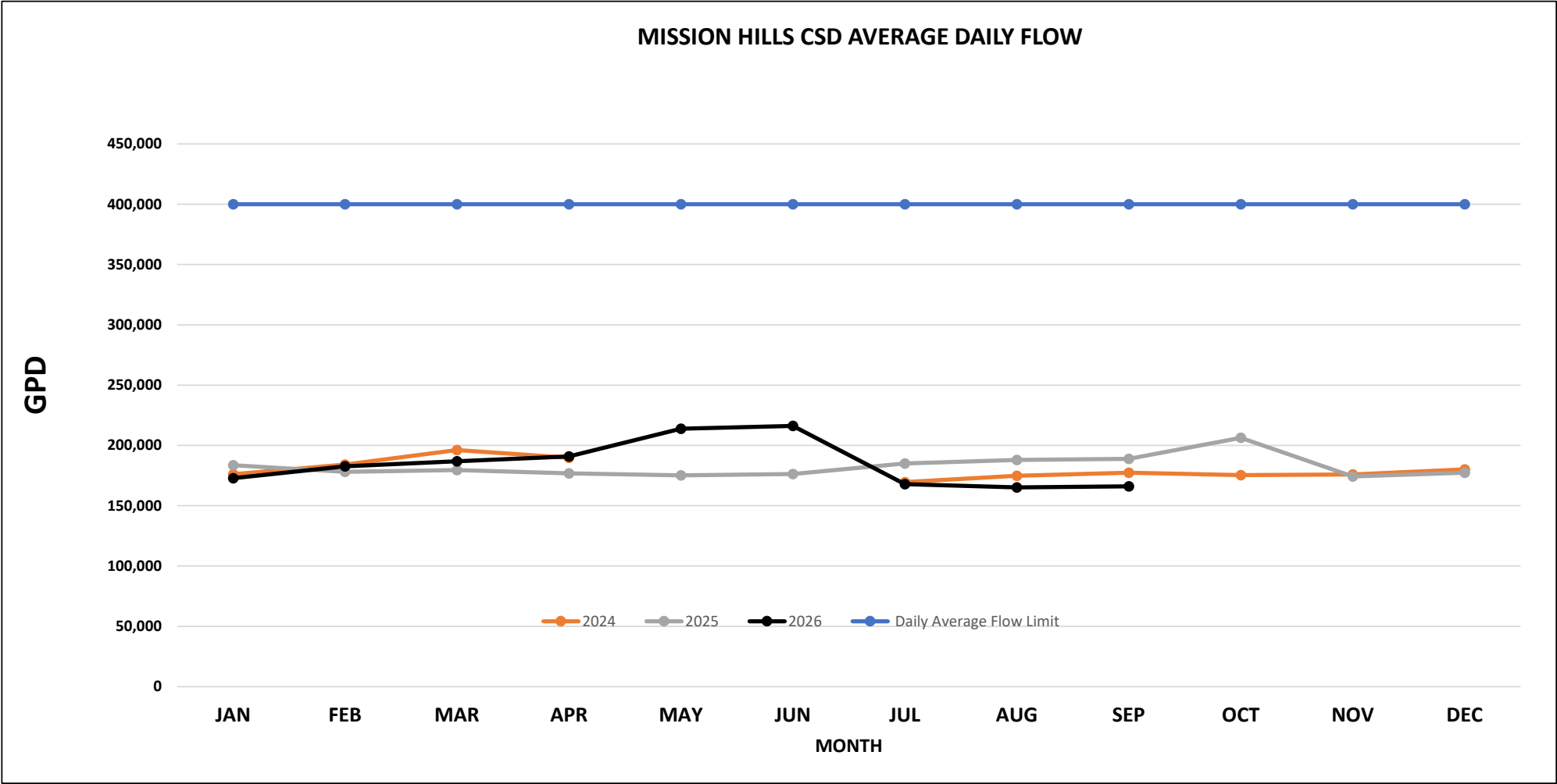
Wastewater Plant

- Performed weekly laboratory in-house samples.



MHCSD AVERAGE DAILY WASTEWATER FLOW (GPD)

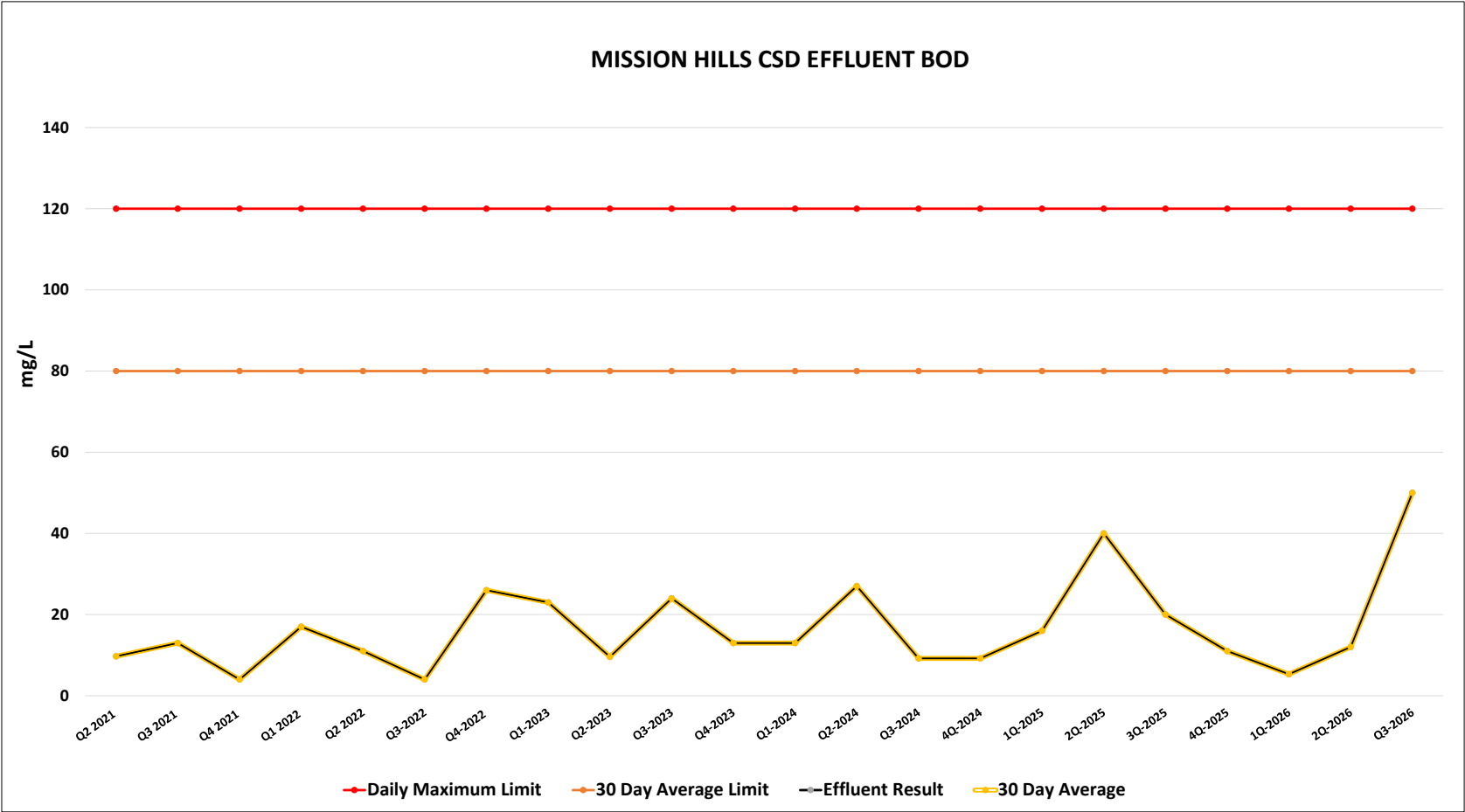
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Daily Average Flow Limit	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
2024	176,039	184,061	196,175	189,774			169,626	174,891	177,358	175,452	176,004	180,042
2025	183,577	178,078	179,587	176,856	175,259	176,370	185,035	187,896	188,808	206,308	174,291	177,419
2026	172,798	182,705	186,921	190,896	213,845	216,181	167,847	165,208	166,030			



MISSION HILLS CSD EFFLUENT BOD (mg/L)

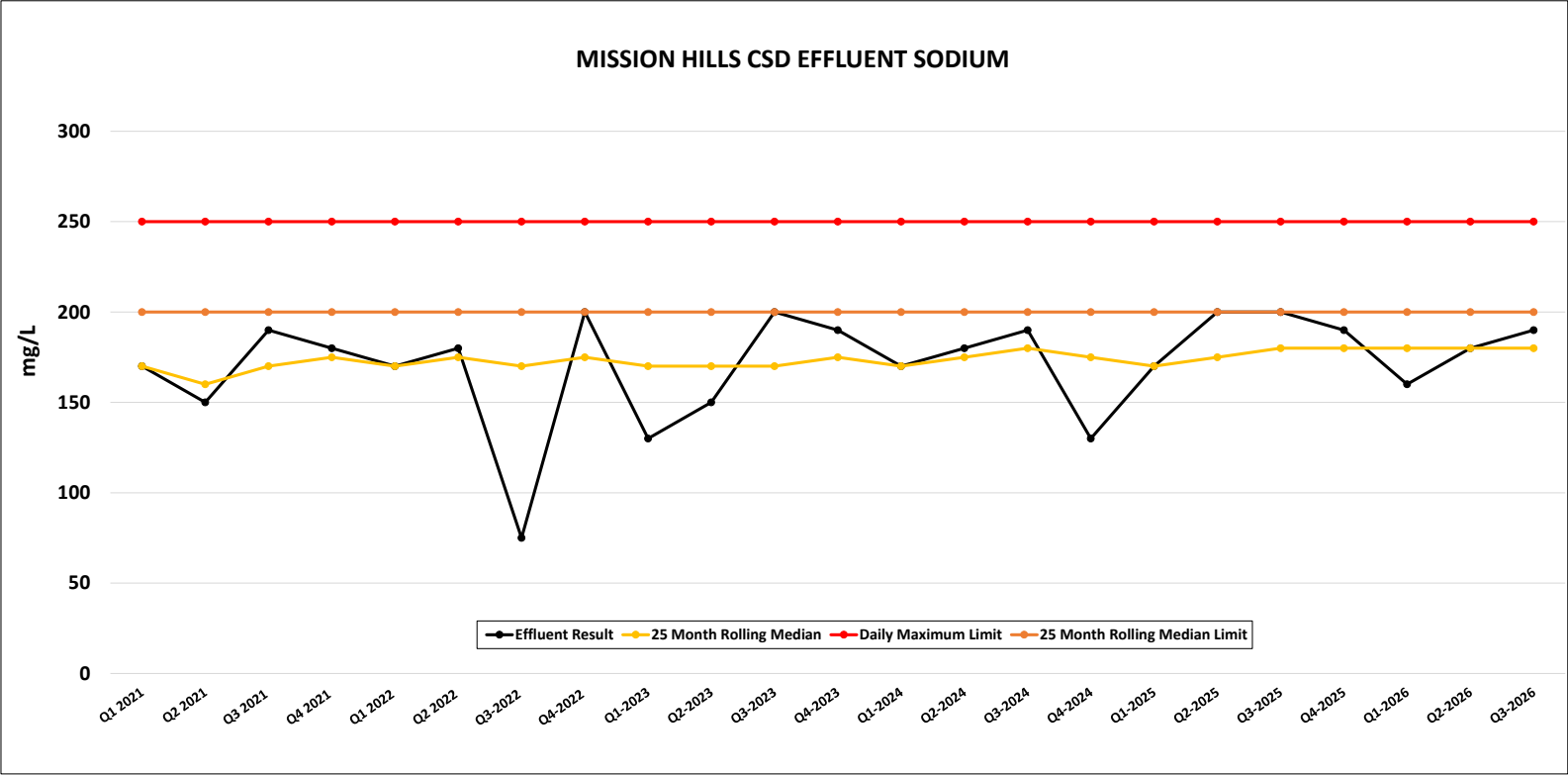
MONTH	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026
Daily Maximum Permit Limit	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
30 Day Average Permit Limit	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Effluent Result	10	13	<4.0	17	11	<4.0	26	23	166030	24	13	13	27	9	9	16	40	20	11	5	12	50
30 Day Average	10	13	<4.0	17	11	<4.0	26	23	10	24	13	13	27	9	9	16	40	20	11	5	12	50

Non-detect, estimated, and greater than (>) results are graphed at their reporting levels or as reported by lab.



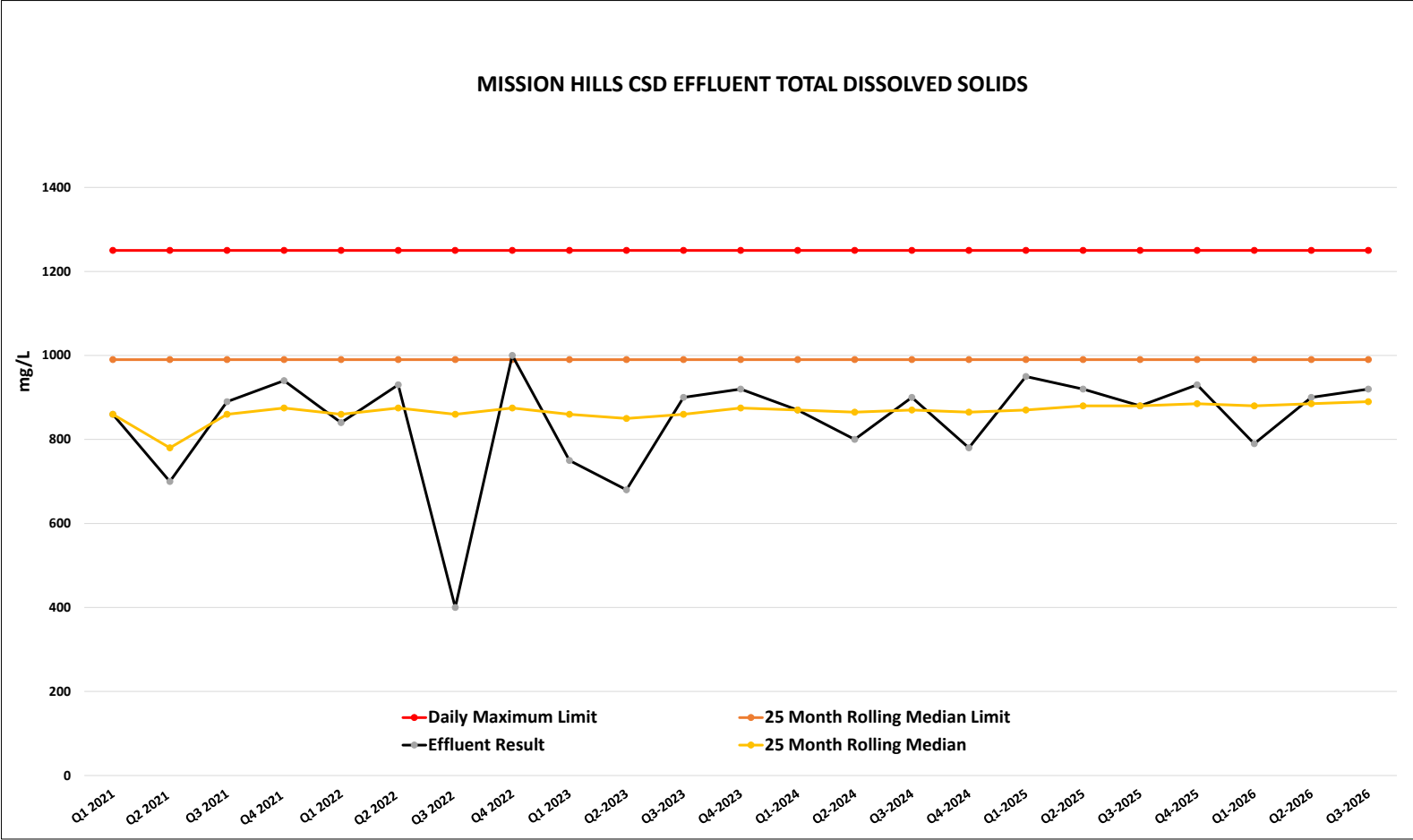
MISSION HILLS CSD EFFLUENT SODIUM (mg/L)

MONTH	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026
Daily Maximum Permit Limit	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
25 Month Rolling Median Limit	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200	200
Effluent Result	170	150	190	180	170	180	75	200	166030	150	200	190	170	180	190	130	170	200	200	190	160	180	190
25 Month Rolling Median	180	160	170	175	170	175	170	175	180	175	180	180	180	180	180	180	180	175	180	180	180	180	180



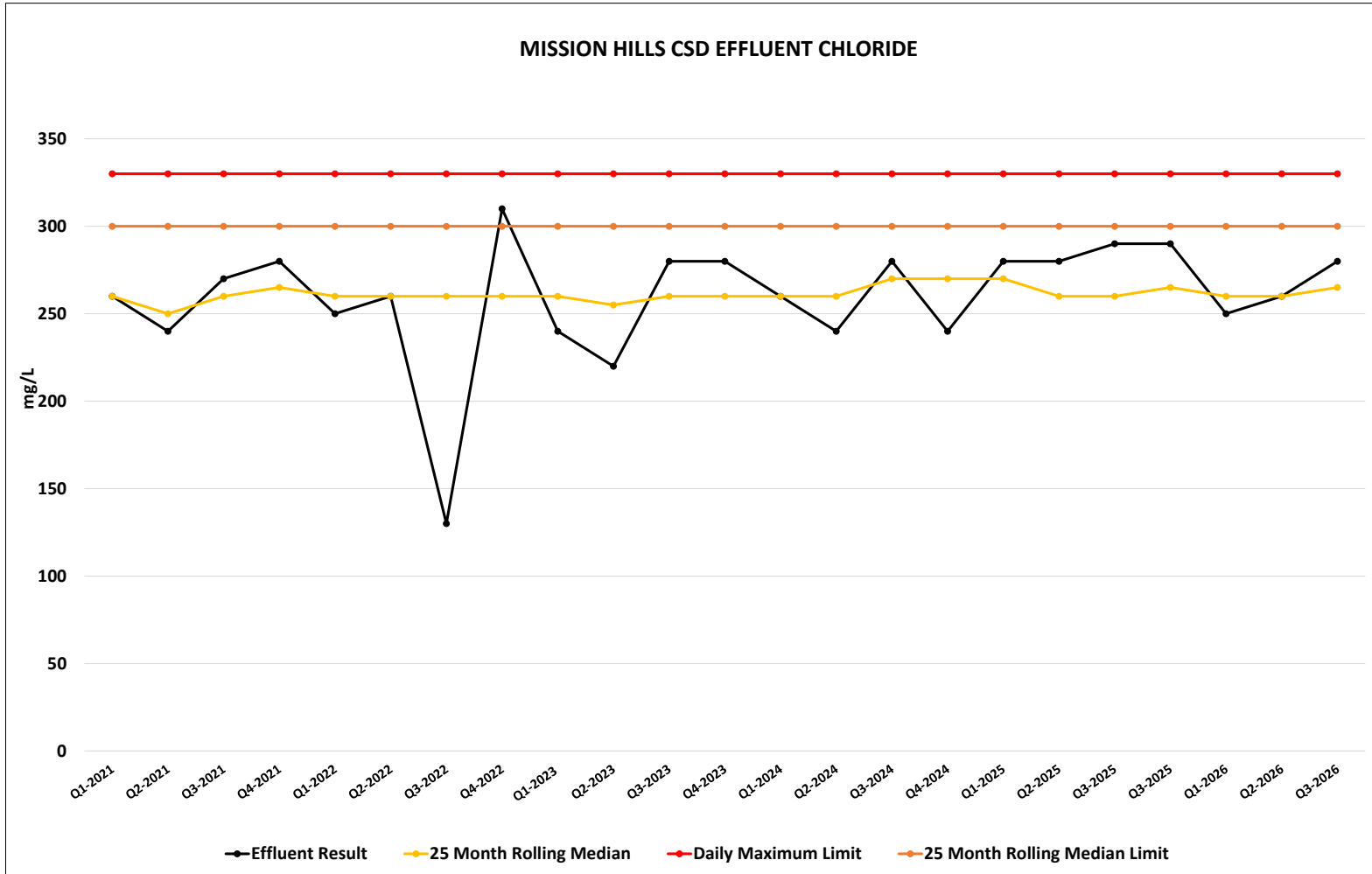
MISSION HILLS CSD EFFLUENT TOTAL DISSOLVED SOLIDS (mg/L)

MONTH	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1 2026	Q2 2026	Q3-2026
Daily Maximum Permit Limit	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
25 Month Rolling Median Limit	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990	990
Effluent Result	860	700	890	940	840	930	400	1,000	166,030	680	900	920	870	800	900	780	950	920	880	930	790	900	920
25 Month Rolling Median	855	850	855	860	855	860	855	860	855	850	855	860	865	860	865	860	865	870	875	880	875	885	890



MISSION HILLS CSD EFFLUENT CHLORIDE (mg/L)

MONTH	Q1-2021	Q2-2021	Q3-2021	Q4-2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026
Daily Maximum Permit Limit	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330	330
25 Month Rolling Median Limit	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Effluent Result	260	240	270	280	250	260	130	310	240	220	280	280	260	240	280	240	280	280	290	290	250	260	280
25 Month Rolling Median	260	255	260	260	260	260	260	260	166,030	255	260	260	260	260	260	260	260	260	260	265	260	260	280



MISSION HILLS CSD EFFLUENT TOTAL NITROGEN (mg/L)

MONTH	Q1-2021	Q2-2021	Q3-2021	Q4-2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q3-2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026	Q3-2026
Daily Maximum Permit Limit	30	30	20	30	30	30	20	30	30	30	20	30	30	30	20	30	30	30	30	30	30	30	30
Monthly Average Limit	15	15	10	15	15	15	10	15	15	15	10	15	15	15	10	15	15	15	10	15	15	15	10
Effluent Result	13	9	6	5	14	26	3	8	166,030	12	9	5	9	14	4	5	19	12	7	5	7	7	10



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							Sep 26	Sep 25	\$ Change
Net Ordinary Income							56,012.96	10,996.66	45,016.30
Other Income/Expense									
	Other Income								
		7010 · Interest income					7,264.88	8,175.75	-910.87
		7025 · Connection fees, net					0.00	16,218.00	-16,218.00
	Total Other Income						7,264.88	24,393.75	-17,128.87
Other Expense									
		8060 · Misc Expense					0.00	690.65	-690.65
	Total Other Expense						0.00	690.65	-690.65
Net Other Income							7,264.88	23,703.10	-16,438.22
Net Income							63,277.84	34,699.76	28,578.08

Mission Hills Community Services District
Revenue and Expense Previous Year Comparison
September 2026

										Explanation
Ordinary Income/Expense										
Income										
4005 · 48 hour notice fees										
4045 · Late fees										More Late Fees 2026
4075 · Returned check fees										
4085 · Sewer basic charges										Rate Increase 2026
4095 · Street sweeping charges										
4105 · Water basic charges										Rate Increase 2026
4115 · Water usage charges										
Total Income										
Gross Profit										
Expense										
6000 · Salaries and wages										
6005 · Wage expense										Extensive Overtime 2026
6010 · Payroll tax expense										
Total 6000 · Salaries and wages										
6050 · Employee benefits										
6060 · Disability insurance										
6065 · Health insurance										Increase # of Employees 2026
6075 · Retirement expenses										
6085 · Workers compensation expense										Increase # of Employees 2026
6090 · Vacation & Sick Leave										More Vacations Taken 2026
6095 · Benefit Administration										
Total 6050 · Employee benefits										
6100 · Director fees										
6110 · Depreciation expense										
6140 · Vehicle expenses										
6145 · Tractor and equipment										
6150 · Vehicle fuel										
6155 · Vehicle maintenance										
6160 · Automobile Allowance										
Total 6140 · Vehicle expenses										
6190 · Dues and memberships										ACWA Annual Membership Fee 2025
6200 · Office expenses										
6220 · Licenses and fees										
6230 · Office supplies										
6235 · Postage expense										Bulk Mail Postage 2025
6245 · Office Equipment										Laptop Purchase 2025
Total 6200 · Office expenses										
6300 · Operating supplies and expenses										
6310 · Miscellaneous supplies										
6315 · Oil expense										Well #6 Oil Expense 2025
6325 · Portable equipment										
6335 · Small tools and appliances										Mower Attachment Purchase 2025
6340 · Chemicals										
6344 · Chlorine										
6345 · Corrosion inhibitor										Timing of Payment 2025
Total 6340 · Chemicals										

20

[illegible]

Mission Hills Community Services District
Disbursements Journal
September 2026

		Date	Num	Name	Amount	Explanation
1000 · FSB - Operating 1535412						
		09/01/2026	EFT	Tierzero	-243.80	
		09/02/2026	35209	3rd Gen Pump & Well	-11,610.00	CIP- Well #7 Rehab
		09/02/2026	35210	American Industrial Supply	-343.46	
		09/02/2026	35211	Boot Barn	-994.15	
		09/02/2026	35212	Bremer Auto Parts	-15.86	
		09/02/2026	35213	CivicPlus LLC	0.00	
		09/02/2026	35214	Clinical Labs of San Bernardino Inc	-1,587.50	Chemicals
		09/02/2026	35215	Core & Main	-14,862.29	CIP-Filter & Valve Upgrade
		09/02/2026	35216	Dahl Air Conditioning	-210.00	
		09/02/2026	35217	Famcon Pipe & Supply Inc.	-1,352.85	CIP- Well #8 Conduit
		09/02/2026	35218	Reimbursement	-400.00	
		09/02/2026	35219	JB Dewar Inc	-1,147.99	Vehicle Fuel
		09/02/2026	35220	Jon's Lawn Mowing	-313.79	
		09/02/2026	35221	Linde Gas & Equipment Inc	-241.99	
		09/02/2026	35222	Mission Paving Inc	-1,500.00	Striping Path - Via Dona
		09/02/2026	35223	O'Connor Pest Control	-140.00	
		09/02/2026	35224	Pro3 Automation Inc	-2,080.00	SCADA Troubleshoot
		09/02/2026	35225	Standard Insurance Company	-312.70	
		09/02/2026	35226	Underground Service Alert of SC	-57.95	
		09/02/2026	35227	ZWorld GIS, LLC	-2,100.00	CIP- GIS Support Services
		09/09/2026	EFT	Frontier Communications	-115.80	
		09/09/2026	EFT	Carmel & Naccasha LLP	-761.50	
		09/09/2026	EFT	Converged	-297.50	
		09/09/2026	EFT	Converged	-415.00	
		09/09/2026	EFT	Converged	-780.00	
		09/09/2026	EFT	De Lage Landen Financial Service	-231.57	
		09/15/2026	EFT	Marborg Industries	-273.01	
		09/15/2026	EFT	Marborg Industries	-81.34	
		09/16/2026	32899	Five Star Bank	100,000.00	
		09/16/2026	EFT	CivicPlus LLC	-366.80	
		09/16/2026	35228	ACWA/JPIA *Medical Insurance	-19,418.80	Medical Insurance
		09/16/2026	35229	Brenntag Pacific, Inc	-1,747.86	Chemicals
		09/16/2026	35230	County of Santa Barbara- Gen Svc	-90.00	
		09/16/2026	35231	Ditch Witch	-146,901.00	CIP- Skid Steer & Vactor Trailor
		09/16/2026	35232	Flextg	-308.87	
		09/16/2026	35233	Reimbursement	-786.60	
		09/16/2026	35234	Home Depot	-399.35	
		09/16/2026	35235	JB Dewar Inc	-1,228.82	Vehicle Fuel
		09/16/2026	35236	Juana Garcia Rodriguez	-200.00	Janitorial
		09/16/2026	35237	Reimbursement	-799.56	
		09/16/2026	35238	MNS Engineers, Inc.	-1,290.00	CIP- WWTP Professional Services
		09/16/2026	35239	SP Maintenance Services, Inc.	-1,568.00	Street Sweeping Services
		09/16/2026	35240	Springbrook Holding Company LLC	-92.88	
		09/16/2026	35241	State Water Resources Control Bo	-112.00	
		09/16/2026	35242	USA BlueBook	-226.26	
		09/16/2026	35244	Valley Rock Ready Mix, Inc.	-1,788.65	Repairs - Pellham Dr
		09/23/2026	EFT	CivicPlus LLC	-366.80	
		09/23/2026	35245	Refund	-2,227.62	Customer Refund
		09/23/2026	EFT	De Lage Landen Financial Service	-44.24	
		09/23/2026	EFT	CivicPlus LLC	-3,150.00	Software Support Fee
Total 1000 · FSB - Operating 1535412					-125,584.16	
1060 · CHCU - General 4163						
		09/01/2026	EFT	Right Networks	-237.60	
		09/09/2026	EFT	PG&E	-6,958.97	WWTP
		09/11/2026	EFT	Pitney Bowes	-206.54	
		09/11/2026	EFT	SoCalGas	-2,024.40	Well #6
		09/11/2026	EFT	SoCalGas	-26.86	Office
		09/16/2026	32899	Five Star Bank	-100,000.00	
		09/23/2026	EFT	PG&E	-12.00	Street Light

Mission Hills Community Services District
Disbursements Journal
September 2026

		Date	Num	Name	Amount	Explanation
		09/23/2026	EFT	PG&E	-12,404.81	Well #5
		09/23/2026	EFT	PG&E	-3,501.97	Lift Station
		09/23/2026	EFT	PG&E	-69.59	Well #7
		09/23/2026	EFT	PG&E	-552.05	Office
		09/23/2026	EFT	PG&E	-792.28	Shop
		09/23/2026	EFT	PG&E	-68.62	Well #6
		09/24/2026	EFT	TASC	-92.56	
		09/30/2026	EFT	Right Networks	-237.60	
Total 1060 · CHCU - General 4163					-127,185.85	
1070 · CHCU - Payroll 4155						
		09/02/2026	1494	Matrix Trust Company	-7,416.18	401K/457
		09/09/2026		Payroll	-29,015.85	
		09/11/2026	E-pay	EDD	-2,565.24	
		09/11/2026	E-pay	IRS USATAXPYMT	-7,175.06	
		09/11/2026	EFT	CA State Disbursement Unit/Exper	-299.07	
		09/16/2026	1495	Matrix Trust Company	-7,801.67	401K/457
		09/23/2026		Payroll	-31,710.65	
		09/23/2026		BOD Payroll	-227.62	
		09/24/2026	1496	BOD Payroll	-113.82	
		09/24/2026	1497	BOD Payroll	-113.81	
		09/24/2026	1498	BOD Payroll	-113.81	
		09/25/2026	E-pay	EDD	-2,459.55	
		09/25/2026	E-pay	IRS USATAXPYMT	-6,381.56	
		09/25/2026	EFT	CA State Disbursement Unit/Exper	-299.07	
Total 1070 · CHCU - Payroll 4155					-95,692.96	
1075 · CHCU - ACH 4130						
		09/16/2026	EFT	Springbrook (ACH Services)	-251.26	ACH Transaction Fees
		09/30/2026	EFT	Bluefin Payment Systems	-71.85	Credit Card Processing Fees
		09/30/2026	EFT	Bluefin Payment Systems	-1,718.47	Credit Card Processing Fees
Total 1075 · CHCU - ACH 4130					-2,041.58	
TOTAL					-350,504.55	

Variation From Projected Income

Fiscal Year Ending 6-30-2027

	Water			Wastewater						
Billing Month	Budgeted Income*	Actual Income	Variation	Budgeted Income	Actual Income	Variation	Total (Loss) / Gain	Current Year Units Sold	Last Year Units Sold	Previous 5 Year Average Units Sold
Jul-26	\$ 153,015	\$ 139,860	\$ (13,155)	\$ 124,624	\$ 115,469	\$ (9,155)	\$ (22,310)	22,742	22,768	23,781
Aug-26	\$ 151,157	\$ 152,019	\$ 862	\$ 124,624	\$ 124,855	\$ 231	\$ 1,093	21,182	21,920	22,175
Sep-26	\$ 140,913	\$ 145,486	\$ 4,573	\$ 124,624	\$ 124,843	\$ 219	\$ 4,792	23,016	22,055	21,202
Oct-26	\$ 140,595			\$ 124,624			\$ -		16,433	18,562
Nov-26	\$ 118,502			\$ 124,624			\$ -		12,123	14,972
Dec-26	\$ 128,765			\$ 124,624			\$ -		14,496	13,145
Jan-27	\$ 135,816			\$ 124,624			\$ -		11,341	11,836
Feb-27	\$ 120,452			\$ 124,624			\$ -		11,713	11,910
Mar-27	\$ 111,783			\$ 124,624			\$ -		18,303	14,136
Apr-27	\$ 143,210			\$ 124,624			\$ -		17,028	15,625
May-27	\$ 120,436			\$ 124,624			\$ -		19,183	19,906
Jun-27	\$ 120,890			\$ 124,623			\$ -		22,014	21,179
Total	\$ 1,585,534	\$ 437,366	\$ (7,719)	\$ 1,495,487	\$ 365,167	\$ (8,705)	\$ (16,424)		209,377	208,431
								Year to Date Monthly Averages		
YTD avg	100%	28%		100%	24%			22,313	17,448	17,369
								Yearly Average	17,448	17,369
* Projected Income is calculated by using current year and previous 5 year average monthly units sold.										
		Units Sold by Calendar Year (1 Unit = 1 HCF = 748 Gallons)								

Bank Account Summary												Consent Item 4.C. iv
	7/31/2026	8/31/2026	9/30/2026	10/31/2026	11/30/2026	12/31/2026	1/31/2027	2/28/2027	3/31/2027	4/30/2027	5/31/2027	6/30/2027
LAIF	\$349,342	\$349,342	\$349,342									
California Class	\$2,145,864	\$2,152,694	\$2,159,449									
Coast Hills FCU												
Checking	\$265,971	\$301,028	\$240,889									
Investment Checking	\$202	\$202	\$202									
Payroll	\$37,067	\$36,663	\$47,630									
ACH (Sweep Account)	\$1,000	\$1,000	\$1,000									
Total Coast Hill FCU	\$304,240	\$338,893	\$289,721									
Five Star Bank												
Operating	\$218,261	\$205,166	\$168,698									
Development	\$13,060	\$13,061	\$13,062									
Money Market	\$139,976	\$140,432	\$140,877									
Total Five Star Bank	\$371,297	\$358,659	\$322,637									
Combined Balance	\$3,170,743	\$3,199,589	\$3,121,149									
Monthly Change	-\$55,907	\$28,846	-\$78,440									
Fiscal Year Monthly Change To Date												
-\$105,501												

Mission Hills Community Services District							3
Budget to Actual Comparison							0.25
Thru 09/30/2026							9
	Budgeted	Prorated Budget	Actual Thru		Remainder	% of Budget	Explanation
Income	Fiscal Year 26-27	Sep-26	Sep-26	Difference	Budgeted Amount	25%	
Late Fees/Charges	\$ 40,000	\$ 10,000	12,688	\$ 2,688	\$ 27,312	32%	Higher Than Budgeted
Water Service	\$ 1,585,534	\$ 396,384	437,366	\$ 40,982	\$ 1,148,168	28%	Higher Than Budgeted
Sewer Service	\$ 1,495,487	\$ 373,872	365,167	\$ (8,704)	\$ 1,130,320	24%	Slightly Lower Than Budgeted
Street Sweeping	\$ 17,978	\$ 4,495	4,506	\$ 12	\$ 13,472	25%	On Track with Budget
	\$ 3,138,999	\$ 784,750	819,727	\$ 34,977	\$ 2,319,272	26%	1% Higher Than Budgeted
Expense	Fiscal Year 26-27	Sep-26	Sep-26	Difference	Budgeted Amount		
Salaries & Wages	\$ 1,187,946	\$ 296,987	296,940	\$ (47)	\$ 891,006	25%	On Track with Budget
Employee Benefits	\$ 310,000	\$ 77,500	88,976	\$ 11,476	\$ 221,024	29%	Higher Than Budgeted
Director Fees	\$ 10,000	\$ 2,500	1,250	\$ (1,250)	\$ 8,750	13%	Lower Than Budgeted
WMA GSA Allocation	\$ -	\$ -	-	\$ -	\$ -	0%	No Expense Incurred
Election Expense	\$ 3,800	\$ 950	-	\$ (950)	\$ 3,800	0%	No Expense Incurred
Vehicle Expense	\$ 37,000	\$ 9,250	7,373	\$ (1,877)	\$ 29,627	20%	Lower Than Budgeted
Insurance	\$ 35,000	\$ 8,750	633	\$ (8,117)	\$ 34,367	2%	Lower Than Budgeted
Memberships	\$ 35,000	\$ 8,750	7,137	\$ (1,613)	\$ 27,863	20%	Includes ERC Membership Fee
Office Expenses	\$ 15,000	\$ 3,750	10,239	\$ 6,489	\$ 4,761	68%	Includes Payment of Bulk Postage
Operating Supplies	\$ 15,000	\$ 3,750	1,267	\$ (2,483)	\$ 13,733	8%	Lower Than Budgeted
Chemicals	\$ 55,000	\$ 13,750	9,753	\$ (3,997)	\$ 45,247	18%	Lower Than Budgeted
Safety	\$ 20,000	\$ 5,000	1,866	\$ (3,134)	\$ 18,134	9%	Lower Than Budgeted
Contractual Services	\$ 130,000	\$ 32,500	25,924	\$ (6,576)	\$ 104,076	20%	Lower Than Budgeted
Professional Services	\$ 60,000	\$ 15,000	4,412	\$ (10,588)	\$ 55,588	7%	Lower Than Budgeted
Printing & Publication	\$ 20,000	\$ 5,000	1,209	\$ (3,791)	\$ 18,791	6%	Lower Than Budgeted
Equipment Lease	\$ 6,000	\$ 1,500	1,371	\$ (129)	\$ 4,629	23%	Lower Than Budgeted
Monitoring	\$ 25,000	\$ 6,250	9,565	\$ 3,315	\$ 15,435	38%	Hach Water & Wastewater Quality Evaluation
Travel/Meetings/Meals	\$ 30,000	\$ 7,500	3,792	\$ (3,708)	\$ 26,208	13%	Lower Than Budgeted
Utilities	\$ 300,000	\$ 75,000	90,764	\$ 15,764	\$ 209,236	30%	Higher Than Budgeted
Government Fees	\$ 40,000	\$ 10,000	2,266	\$ (7,734)	\$ 37,734	6%	Lower Than Budgeted
Repairs & Maintenance	\$ 210,000	\$ 52,500	146,309	\$ 93,809	\$ 63,691	70%	Mission Paving Calle Quarta & Via Dona Repair
	\$ 2,544,746	\$ 636,187	711,045	\$ 74,858	\$ 1,833,701	28%	3% Higher Than Budgeted
Resolution 15-229 - Budget Preparation and Approval Process							
C.3. - Whenever a budgeted expense line item has circumstances where a projected expense exceeds a 5% variance of the total budget, the GM will be required to seek a super majority approval from the BoD before the expense is finalized, when possible.							
				5% =	\$ 127,237.30		



MISSION HILLS COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Mike Garner, General Manager
Carol Reynolds, Admin Services Manager

DATE: October 21, 2026

SUBJECT: Review, Receive and File the Audited Financial Statements for Fiscal Years Ended June 30, 2024 and June 30, 2025 Prepared by Moss, Levy & Hartzheim, LLP

Recommendation / Proposed Motion

- Recommendation: Discuss, receive and file the FY 2023-2024 and 2024-2025 Financial Audit Reports presented by Moss, Levy & Hartzheim, LLP.
- Proposed Motion(s): Move to receive and file the FY 2023-2024 and 2024-2025 Financial Audit Reports

Policy Reference

California Government Code §26909 requires Special Districts to prepare and submit an annual financial audit report to the County Auditor and the State Controller.

Alternatives Considered

None

Background

The objective of the annual audit is to gain a professional opinion as to whether the District's basic financial statements are fairly presented, in all material respects, in conformance with U.S. generally accepted accounting principles. California special districts are required to have their financial statements audited and reported annually by a certified public accountant and submitted to county and state agencies within twelve months of the end of the fiscal year.

Discussion

The District retained Moss Levy & Hartzheim LLP Corporation to perform an audit of the District's financial statements for the fiscal year ended June 30, 2024 and June 30, 2025. Mr. Adam V. Guise from Moss, Levy & Hartzheim LLP will summarize their findings and respond to any questions.

Attachment(s):

1. Fiscal Year Ended June 30, 2024 and June 30, 2025, Audited Financial Statements

**MISSION HILLS COMMUNITY
SERVICES DISTRICT**

BASIC FINANCIAL STATEMENTS
June 30, 2024

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MISSION HILLS COMMUNITY SERVICES DISTRICT
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June 30, 2024

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mission Hills Community Services District
Lompoc, California

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mission Hills Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mission Hills Community Services District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 May XX, 2026, on our consideration of the Mission Hills Community Services 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.

Santa Maria, California
May XX, 2026

MISSION HILLS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2024

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,010,530
Investments	2,542,374
Accounts receivable	52,125
Developer deposits	121,540
Prepaid expenses and deposits	-
Total current assets	<u>3,726,569</u>

Other assets:

Restricted cash	<u>13,032</u>
Total other assets	<u>13,032</u>

Capital assets:

Land	523,725
Construction in progress	189,918
Plant and facilities	<u>14,323,000</u>
Total capital assets	<u>15,036,643</u>

Less: Accumulated depreciation	<u>(8,107,033)</u>
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Total capital assets - net of accumulated depreciation	<u>6,929,610</u>
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Total assets	<u>10,669,211</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	78,882
Customer deposits and advances	41,403
Compensated absences	<u>20,295</u>

Total current liabilities	<u>140,580</u>
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Total liabilities	<u>140,580</u>
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NET POSITION

Net investment in capital assets	6,929,610
Restricted	13,032
Unrestricted	<u>3,585,989</u>
Total net position	<u>\$ 10,528,631</u>

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See accompanying notes to basic financial statements.

MISSION HILLS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2024

Operating Revenues:

Service charges	\$ 2,461,008
Late charges and other operating revenues	<u>36,565</u>
Total operating revenues	<u>2,497,573</u>

Operating Expenses:

Bad debt	26,404
Chemicals	61,753
Contractual services	85,728
Depreciation	411,386
Director's fees	12,875
Engineering services	26,950
Equipment rentals	2,903
Government charges	75,810
Insurance	59,814
Memberships and dues	22,249
Miscellaneous expense	3,410
Office expense	24,914
Operating supplies	31,455
Printing and publications	3,305
Professional services	67,895
Repairs and maintenance	208,112
Research and monitoring	14,428
Safety expense	9,197
Salaries, benefits, and payroll taxes	1,074,705
Travel and meetings	17,499
Utilities	216,632
Vehicle expense	<u>37,451</u>
Total operating expenses	<u>2,494,875</u>
Net operating income (loss)	<u>2,698</u>

Non-Operating Revenues (Expenses):

Investment income	<u>135,577</u>
Total non-operating revenues (expenses)	<u>135,577</u>
Change in net position	138,275
Total net position - beginning	<u>10,390,356</u>
Total net position - ending	<u>\$ 10,528,631</u>

See accompanying notes to basic financial statements.

MISSION HILLS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2024

Cash Flows From Operating Activities:

Receipts from customers and users	\$ 2,606,977
Payments to suppliers	(1,193,003)
Payments to employees	(1,085,027)
Net cash provided by operating activities	<u>328,947</u>

Cash Flows from Capital and Related

Financing Activities:

Purchase of capital assets	<u>(726,078)</u>
Net cash used by capital and related financing activities	<u>(726,078)</u>

Cash Flows from Investing Activities:

Investment income	135,577
Net sale (purchase) of investments	<u>(1,550,531)</u>
Net cash provided by investing activities	<u>(1,414,954)</u>
Net decrease in cash and cash equivalents	(1,812,085)

Cash and cash equivalents, beginning of fiscal year	<u>2,835,647</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 1,023,562</u></u>

Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 1,010,530
Restricted cash	13,032
	<u><u>\$ 1,023,562</u></u>

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Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating income	\$ 2,698
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	411,386
Bad debt	26,404

Change in Operating Assets and Liabilities:

(Increase) decrease in accounts receivable	83,000
(Increase) decrease in prepaid expenses and deposits	9,183
Increase (decrease) in accounts payable and accrued liabilities	(84,650)
Increase (decrease) in customer and developer deposits and advances	(121,627)
Increase (decrease) in compensated absences	<u>2,553</u>

Net cash provided by operating activities	<u><u>\$ 328,947</u></u>
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See accompanying notes to basic financial statements.

NOTE 1 - REPORTING ENTITY

The Mission Hills Community Services District (the District) began operations in November of 1979, under the authorization of Section 61000, et. Sew., of the Government Code of the State of California, for the purpose of providing water and wastewater disposal services. Prior to the formation of the District, these services were provided by Park Water Company. The District is a political subdivision of the State of California and operates under a Board of Directors – Manager form of government.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GASB Statement No. 34, defines major funds and requires that the District’s major business-type fund be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total. The District maintains one major proprietary fund.

Proprietary Fund Type

Enterprise Fund

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

The District reported its enterprise fund as a major fund in the accompanying basic financial statements. The enterprise fund’s principal operating revenues are sewer and water usage charges and other related income. Interest income is considered non-operating revenue. When both restricted and unrestricted revenues are available for expense, the District’s policy is to use restricted revenues first, and then unrestricted revenues as they are necessary.

- D. Cash and Cash Equivalents – For the purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.
- E. Investments – Investments are reported at fair value. Marketable securities’ fair values are based on quoted market prices from independent sources. Short-term investments may consist of equity securities, open-ended mutual funds, certificates of deposit, and U.S. government and municipal obligations. Investment income consists of interest and dividends net of investment management and custodian fees.
- F. Accounts Receivable – The District’s accounts receivables are primarily comprised of water, wastewater, and street sweeping fees billed on a monthly basis. Customer receivables are written off in full when the receivable is deemed uncollectible. The allowance for uncollectible receivables is based on prior experience and management’s analysis of possible bad debts. At June 30, 2024, the allowance for uncollectible receivables is \$0.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Expenses and Deposits – Payments made to vendors for services that will benefit any period beyond June 30, 2024 are recorded as prepaid expenses or deposits.

H. Property, Plant, and Equipment – Capital assets over \$5,000 in value purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired. Capital assets purchased by the District are depreciated over their estimated useful lives under the straight-line method of depreciation.

Office furniture and fixtures	5-15 years
Machinery and equipment	2-25 years
Supply distribution system	10-75 years
Building and improvements	10-40 years
Treatment collection system	10-100 years
Vehicles	7 years

I. Accrued Compensation – Accumulated unpaid employee vacation is recognized as a liability of the District. The amounts are included in current liabilities under compensated absences.

J. Customer and Developer Deposits – The District requires customers to pay an advance deposit for utility services or provide a letter of credit from another utility. It is the District's current policy to hold all deposits for a period of two years. Deposits are then refunded in full and no accrued interest is paid.

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

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. As of June 30, 2024, \$13,032 of the District's net position represents developer fees paid to the District restricted for use on water and sewer capital improvement projects. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

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

M. Future Accounting Pronouncements

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

Statement No. 101 "Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.
Statement No. 102 "Certain Risk Disclosures"	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No. 103 "Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104 "Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 105 "Subsequent Events"	The provisions of this statement are effective for fiscal years beginning after June 15, 2026.

NOTE 3 - CASH AND INVESTMENTS

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

Cash in bank	\$ 1,010,530
Restricted cash in bank	13,032
Cash and investments in Local Agency Investment Fund (LAIF)	316,960
Investments	<u>2,225,414</u>
Cash and investments	<u>\$ 3,565,936</u>

Cash and investments listed above are presented on the accompanying statement of net position, as follows:

Cash and cash equivalents	\$ 1,010,530
Restricted cash	13,032
Investments	<u>2,542,374</u>
Total	<u>\$ 3,565,936</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has investments in corporate bonds and U.S. Treasury Notes measured under level 1. The District had cash equivalents invested in the Local Agency Investment Fund. This external pool is measured under amortized cost and not under levels 1, 2, or 3.

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Quoted Prices in Unobservable Inputs (Level 3)
Investments by Fair Value	Total			
California CLASS	\$ 2,060,015	\$ 2,060,015	\$ -	\$ -
U.S. Agency Securities	90,357	90,357		
U.S. Treasury Notes	<u>75,042</u>	<u>75,042</u>		
Total investments measured at fair value	<u>2,225,414</u>	<u>\$ 2,225,414</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at amortized cost:

LAIF	<u>316,960</u>
Total investments	<u>\$ 2,542,374</u>

Investments Authorized by the California Government Code

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code (Continued)

Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
California CLASS	\$ 2,060,015	\$ 2,060,015	\$ -	\$ -	\$ -
U.S. Agency Securities	90,357		90,357		
U.S. Treasury Notes	75,042	75,042			
LAIF	316,960	316,960			
Total	<u>\$ 2,542,374</u>	<u>\$ 2,452,017</u>	<u>\$ 90,357</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
California CLASS	\$2,060,015	N/A	\$ -	\$2,060,015	\$ -	\$ -
U.S. Agency Securities	90,357	N/A		90,357		
U.S. Treasury Notes	75,042	N/A	75,042			
LAIF	316,960	N/A				316,960
Total	<u>\$2,542,374</u>		<u>\$ 75,042</u>	<u>\$2,150,372</u>	<u>\$ -</u>	<u>\$ 316,960</u>

Concentration of Credit Risk

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy 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 (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Santa Barbara County Investment Pool).

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

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

Investment in State Investment Pool

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

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Transfers	Deletions	Balance June 30, 2024
Capital assets, not being depreciated:					
Land	\$ 523,725	\$ -	\$ -	\$ -	\$ 523,725
Construction in progress	288,970	659,380	(756,867)	(1,565)	189,918
Total capital assets, not being depreciated	<u>\$ 812,695</u>	<u>\$ 659,380</u>	<u>\$ (756,867)</u>	<u>\$ (1,565)</u>	<u>\$ 713,643</u>
Capital assets, being depreciated:					
Plant and facilities	\$ 13,499,435	\$ 66,698	\$ 756,867	\$ -	\$ 14,323,000
Total capital assets, being depreciated	13,499,435		756,867		14,323,000
Less accumulated depreciation	<u>(7,695,647)</u>	<u>(411,386)</u>			<u>(8,107,033)</u>
Total capital assets, being depreciated, net	<u>\$ 5,803,788</u>	<u>\$ (411,386)</u>	<u>\$ 756,867</u>	<u>\$ -</u>	<u>\$ 6,215,967</u>
Capital assets, net	<u>\$ 6,616,483</u>	<u>\$ 247,994</u>	<u>\$ -</u>	<u>\$ (1,565)</u>	<u>\$ 6,929,610</u>

NOTE 5 – SERVICE REVENUES

The operations of the District are primarily funded through the collection of service fees for connection fees, water, wastewater, and street sweeping services provided by the District. Revenues earned by type during the fiscal year ended June 30, 2024 were as follows:

Water charges	\$ 1,264,210
Wastewater charges	1,178,504
Street sweeping charges	<u>18,294</u>
Total	<u>\$ 2,461,008</u>

NOTE 6 – DEFERRED COMPENSATION PLAN

The District is currently participating in an FTJ FundChoice governmental eligible 457 Plan administered by Bayhill Advisors, Inc. effective starting January 1, 2007. The Mission Hills CSD 457 Plan is a deferred compensation plan and covers all employees of the District. Employees may elect to contribute a portion of their salary to the plan with no limitations other than those legally imposed. An employee can also elect to contribute their social security taxes in lieu of paying into social security and the District contributes an employer portion to the plan as well. All other District contributions are discretionary and all contributions are vested 100% immediately. Assets are held separately from the District's funds. Total District contributions were \$21,324 for the fiscal year ended June 30, 2024.

NOTE 7 – RISK MANAGEMENT

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), which was organized for the purpose of providing general liability, automobile, errors and omission, and property loss insurance coverage to water agencies. The ACWA/JPIA is financed through premium charges to each member. The ACWA/JPIA does not meet the reporting entity criteria and is therefore not included in the accompanying financial statements.

The ACWA/JPIA is administered by a board of directors, consisting of one member of each participating water agency. In addition, the water agencies' board members and staff are eligible to participate on the various committees and subcommittees of the ACWA/JPIA. The board is responsible for establishing premium rates and making budgeting decisions.

Coverage under current policies provide for the District to pay for the first \$2,500 of property loss for buildings, personal property, fixed equipment, and mobile equipment and the agency to pay for the next \$497,500. There is a \$1,000 deductible for licensed vehicles. The auto and general liability program has no deductible. Property losses are limited to the value of the property as assessed by the ACWA/JPIA. The ACWA/JPIA is self-insured for the first \$500,000. Claims over the self-insured amounts are covered by a group purchased commercial insurance policy. Each member district is assessed a premium in accordance with the JPIA agreement, creating the ACWA/JPIA. Financial information on the ACWA/JPIA is publicly available on its website.

NOTE 8 - CONTINGENCIES

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

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**MISSION HILLS COMMUNITY
SERVICES DISTRICT**

BASIC FINANCIAL STATEMENTS
June 30, 2025

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MISSION HILLS COMMUNITY SERVICES DISTRICT
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June 30, 2025

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mission Hills Community Services District
Lompoc, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the major fund of the Mission Hills Community Services District, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Mission Hills Community Services District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Mission Hills Community Services District, as of June 30, 2025, and the respective changes in financial position and cash flows, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mission Hills Community Services District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mission Hills Community Services District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 August 12, 2026, on our consideration of the Mission Hills Community Services 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.

Santa Maria, California
August 12, 2026

Mission Hills Community Services District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2025

Our Management's Discussion and Analysis of the Mission Hills Community Services District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be considered in conjunction with the information within the body of the audited financial statements,

Mission Statement

The Mission Hills Community Services District is committed to providing the residents within the District reliable, high-quality water and wastewater services in an efficient, cost-effective and environmentally safe manner.

Basic Financial Statements

The basic financial statements provide readers with a broad overview of the District's finances, combining the water, sewer, and street sweeping enterprise fund data.

The District's financial statements include four components:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements

The Statement of Net Position includes all of the District's assets and liabilities, with the difference between the two reported as net position. The Statement of Net Position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

The Statement of Revenue, Expenses, and Changes in Net Position present information which shows how the District's position changed during the year. All the year's revenues and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The Statement of Revenue, Expenses, and Changes in Net Position measures the success of the District's operations during the year and determine whether the District has recovered its costs through user fees and other charges.

The basic financial statements can be found on pages 7 to 9.

The Notes to the Financial Statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

The notes to the financial statements can be found on pages 10 to 15.

Financial Highlights

- Total assets were \$11,559,008 on June 30, 2025.
- Operating revenues were \$2,768,175, which consisted of Water Charges, Wastewater Charges, Street Sweeping Charges, and Service Charges.
- Operating expenses were \$2,725,120, which consisted primarily of Salaries, Benefits, Depreciation, Government Charges, Contractual Services, Engineering Services, Operating Expenses, Utilities, and Repairs and Maintenance.

Basic Financial Analysis

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,135,702 as of June 30, 2025.

The largest portion of net position reflects investment in capital assets (i.e. land, easements, wells and pumping, mains and distribution systems, buildings and improvements, vehicles, furniture, and equipment). The District uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

The next largest portion of net position is reserved for future spending. This portion includes cash and investments.

Please see Table A below for the 2024 to 2025 comparison of the District's assets and liabilities.

The following are significant current fiscal year transactions that have an impact on the Statement of Net Position:

Table A
Statement of Net Position
June 30, 2025

	2025	2024	% Change
<u>Assets:</u>			
Current assets	\$3,463,473	\$3,726,569	-7.1%
Restricted cash	13,046	13,032	0.1%
Capital assets	8,082,489	6,929,610	16.6%
Total assets	11,559,008	10,669,211	8.3%
<u>Liabilities:</u>			
Current liabilities	423,306	140,580	201.1%
<u>Net Position:</u>			
Invested in capital assets	8,082,489	6,929,610	16.6%
Restricted	13,046	13,032	0.1%
Unrestricted	3,040,167	3,585,989	-15.2%
Total net position	\$11,135,702	\$10,528,631	5.8%

- Current assets have slightly decreased due to less returns on the District's investments
- Capital assets include District funded projects of \$763,402 and Developer project contributions of \$392,477.
- Current Liabilities are greater than the previous year due to the timing of accounts payable & accrued liabilities on June 30, 2025.
- Regular straight-line depreciation for the fiscal year ending June 30, 2025 decreased capital assets by \$481,813.

Revenues, Expenses, and Changes in Net Position

The District's financial position results from operating activities, investment activities, the acquisition and disposal of capital assets and the depreciation of capital assets.

Please see Table B below for the current fiscal year to previous fiscal year comparison of the District's revenues, expenses, and changes in net position.

Table B
Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2025

	2025	2024	% Change
Operating revenues	\$2,768,175	\$2,497,573	10.8%
Non-operating revenues	154,343	135,577	13.8%
Capital contributions & transfers	392,477	-	100.0%
Total revenues	3,314,995	2,633,150	25.9%
Depreciation expense	481,813	411,386	17.1%
Operating expenses	2,243,307	2,083,489	7.7%
Total operating expenses	2,725,120	2,494,875	9.2%
Net operating income	43,055	2,698	1495.8%
Change in net position	589,875	138,275	326.6%
Total ending net position	\$11,135,702	\$10,528,631	5.8%

District Outlook

In 2018, Mission Hills CSD updated our water and wastewater capacity charges (connection fees) to reflect the cost of infrastructure needed to serve future customers. The Study was approved by the Board in February of 2019 and the updated fees went into effect in March 2019. In August, 2022, the Board approved a five-year updated water and sewer rate schedule. The updated rate schedule went into effect on October 1, 2022. The Board will review the approved annual rate increase as part of the annual budget approval process. The updated 5-year rate schedule is designed to fund the Board approved capital projects and maintain the Board established Reserve Policy Goals.

This financial report is designed to provide the District's customers and other interested parties with an overview of the District's financial operations and financial condition. Questions concerning any of the information in this report or requests for additional information should be addressed to the General Manager, Mission Hills Community Services District, 1550 Burton Mesa Boulevard, Lompoc, CA 93436.

MISSION HILLS COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 707,504
Investments	2,586,228
Accounts receivable	64,952
Developer deposits	68,062
Prepaid expenses and deposits	<u>36,727</u>
Total current assets	<u>3,463,473</u>

Other assets:

Restricted cash	<u>13,046</u>
Total other assets	<u>13,046</u>

Capital assets:

Land	523,725
Construction in progress	781,360
Plant and facilities	<u>15,308,685</u>
Total capital assets	<u>16,613,770</u>

Less: Accumulated depreciation	<u>(8,531,281)</u>
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Total capital assets - net of accumulated depreciation	<u>8,082,489</u>
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Total assets	<u>11,559,008</u>
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LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	348,790
Customer deposits and advances	36,797
Compensated absences	<u>37,719</u>

Total current liabilities	<u>423,306</u>
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Total liabilities	<u>423,306</u>
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NET POSITION

Net investment in capital assets	8,082,489
Restricted	13,046
Unrestricted	<u>3,040,167</u>
Total net position	<u>\$ 11,135,702</u>

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See accompanying notes to basic financial statements.

MISSION HILLS COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

Operating Revenues:

Service charges	\$ 2,720,308
Late charges and other operating revenues	<u>47,867</u>
Total operating revenues	<u>2,768,175</u>

Operating Expenses:

Chemicals	48,473
Contractual services	87,266
Depreciation	481,813
Director's fees	7,750
Equipment rentals	4,695
Government charges	75,464
Insurance	69,123
Memberships and dues	31,048
Miscellaneous expense	1,027
Office expense	21,000
Operating supplies	13,830
Printing and publications	4,289
Professional services	56,582
Repairs and maintenance	259,833
Research and monitoring	17,599
Safety expense	20,680
Salaries, benefits, and payroll taxes	1,156,718
Travel and meetings	35,857
Utilities	285,640
Vehicle expense	<u>46,433</u>
Total operating expenses	<u>2,725,120</u>
Net operating income (loss)	<u>43,055</u>

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Non-Operating Revenues (Expenses):

Investment income	128,075
Reimbursements	9,198
Net gain on disposal of capital assets	<u>17,070</u>
Total non-operating revenues (expenses)	<u>154,343</u>

Capital Contributions and Transfers:

Developer capital contributions	<u>392,477</u>
Total capital contributions	<u>392,477</u>
Change in net position	<u>589,875</u>
Total net position - beginning	10,528,631
Prior-period adjustments	<u>17,196</u>
Total net position - beginning (restated)	<u>10,545,827</u>
Total net position - ending	<u>\$ 11,135,702</u>

See accompanying notes to basic financial statements.

MISSION HILLS COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

Cash Flows From Operating Activities:

Receipts from customers and users	\$ 2,755,348
Payments to suppliers	(779,590)
Payments to employees	(1,147,044)
Net cash provided by operating activities	<u>828,714</u>

Cash Flows from Capital and Related

Financing Activities:

Sale of capital assets	17,070
Purchase of capital assets	(1,242,215)
Net cash used by capital and related financing activities	<u>(1,225,145)</u>

Cash Flows from Investing Activities:

Investment income	128,075
Reimbursements	9,198
Net sale (purchase) of investments	(43,854)
Net cash provided by investing activities	<u>93,419</u>
Net decrease in cash and cash equivalents	(303,012)

Cash and cash equivalents, beginning of fiscal year	1,023,562
Cash and cash equivalents, end of fiscal year	<u><u>\$ 720,550</u></u>

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Reconciliation to Statement of Net Position:

Cash and cash equivalents	\$ 707,504
Restricted cash	13,046
	<u><u>\$ 720,550</u></u>

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating income	\$ 43,055
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	481,813

Change in Operating Assets and Liabilities:

(Increase) decrease in accounts receivable	(12,827)
(Increase) decrease in prepaid expenses and deposits	(19,531)
Increase (decrease) in accounts payable and accrued liabilities	269,908
Increase (decrease) in customer and developer deposits and advances	48,872
Increase (decrease) in compensated absences	17,424

Net cash provided by operating activities	<u><u>\$ 828,714</u></u>
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See accompanying notes to basic financial statements.

NOTE 1 - REPORTING ENTITY

The Mission Hills Community Services District (the District) began operations in November of 1979, under the authorization of Section 61000, et. Seq., of the Government Code of the State of California, for the purpose of providing water and wastewater disposal services. Prior to the formation of the District, these services were provided by Park Water Company. The District is a political subdivision of the State of California and operates under a Board of Directors – Manager form of government.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GASB Statement No. 34, defines major funds and requires that the District’s major business-type fund be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total. The District maintains one major proprietary fund.

Proprietary Fund Type

Enterprise Fund

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

The District reported its enterprise fund as a major fund in the accompanying basic financial statements. The enterprise fund’s principal operating revenues are sewer and water usage charges and other related income. Interest income is considered non-operating revenue. When both restricted and unrestricted revenues are available for expense, the District’s policy is to use restricted revenues first, and then unrestricted revenues as they are necessary.

- D. Cash and Cash Equivalents – For the purpose of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.
- E. Investments – Investments are reported at fair value. Marketable securities’ fair values are based on quoted market prices from independent sources. Short-term investments may consist of equity securities, open-ended mutual funds, certificates of deposit, and U.S. government and municipal obligations. Investment income consists of interest and dividends net of investment management and custodian fees.
- F. Accounts Receivable – The District’s accounts receivables are primarily comprised of water, wastewater, and street sweeping fees billed on a monthly basis. Customer receivables are written off in full when the receivable is deemed uncollectible. The allowance for uncollectible receivables is based on prior experience and management’s analysis of possible bad debts. At June 30, 2025, the allowance for uncollectible receivables is \$0.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Prepaid Expenses and Deposits – Payments made to vendors for services that will benefit any period beyond June 30, 2025 are recorded as prepaid expenses or deposits.
- H. Property, Plant, and Equipment – Capital assets over \$5,000 in value purchased by the District are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired. Capital assets purchased by the District are depreciated over their estimated useful lives under the straight-line method of depreciation.

Office furniture and fixtures	5-15 years
Machinery and equipment	2-25 years
Supply distribution system	10-75 years
Building and improvements	10-40 years
Treatment collection system	10-100 years
Vehicles	7 years

- I. Accrued Compensation – Accumulated unpaid employee vacation is recognized as a liability of the District. The amounts are included in current liabilities under compensated absences.
- J. Customer and Developer Deposits – The District requires customers to pay an advance deposit for utility services or provide a letter of credit from another utility. It is the District's current policy to hold all deposits for a period of two years. Deposits are then refunded in full and no accrued interest is paid.
- K. Net Position – GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. As of June 30, 2025, \$13,046 of the District's net position represents developer fees paid to the District restricted for use on water and sewer capital improvement projects. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

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

- M. Future Accounting Pronouncements

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

Statement No. 102 "Certain Risk Disclosures"	The provisions of this statement are effective for fiscal years beginning after June 15, 2024.
Statement No. 103 "Financial Reporting Model Improvements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 104 "Disclosure of Certain Capital Assets"	The provisions of this statement are effective for fiscal years beginning after June 15, 2025.
Statement No. 105 "Subsequent Events"	The provisions of this statement are effective for fiscal years beginning after June 15, 2026.

MISSION HILLS COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - CASH AND INVESTMENTS

Investments are carried at fair value in accordance with GASB Statement No. 72. On June 30, 2025, the District had the following cash and investments on hand:

Cash in bank	\$ 707,504
Restricted cash in bank	13,046
Cash and investments in Local Agency Investment Fund (LAIF)	331,725
Investments	<u>2,254,503</u>
Cash and investments	<u>\$ 3,306,778</u>

Cash and investments listed above are presented on the accompanying statement of net position, as follows:

Cash and cash equivalents	\$ 707,504
Restricted cash	13,046
Investments	<u>2,586,228</u>
Total	<u>\$ 3,306,778</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has investments in U.S. Agency Securities measured under level 1. The District had cash equivalents invested in the Local Agency Investment Fund. This external pool is measured under amortized cost and not under levels 1, 2, or 3.

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Quoted Prices in Unobservable Inputs (Level 3)
Investments by Fair Value	Total			
California CLASS	\$ 2,159,721	\$ 2,159,721	\$ -	\$ -
U.S. Agency Securities	94,782	94,782		
Total investments measured at fair value	<u>2,254,503</u>	<u>\$ 2,254,503</u>	<u>\$ -</u>	<u>\$ -</u>

Investments measured at amortized cost:

LAIF	331,725
Total investments	<u>\$ 2,586,228</u>

Investments Authorized by the California Government Code

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%

MISSION HILLS COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code (Continued)

Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
JPA Pools (other investment pools)	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13-24 Months</u>	<u>25-60 Months</u>	<u>More than 60 Months</u>
California CLASS	\$ 2,159,721	\$ 2,159,721	\$ -	\$ -	\$ -
U.S. Agency Securities	94,782		94,782		
LAIF	331,725	331,725			
Total	<u>\$ 2,586,228</u>	<u>\$ 2,491,446</u>	<u>\$ 94,782</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Fiscal Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
California CLASS	\$2,159,721	N/A	\$ -	\$2,159,721	\$ -	\$ -
U.S. Agency Securities	94,782	N/A		94,782		
LAIF	331,725	N/A				331,725
Total	<u>\$2,586,228</u>		<u>\$ -</u>	<u>\$2,254,503</u>	<u>\$ -</u>	<u>\$ 331,725</u>

Concentration of Credit Risk

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy 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 (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF and the Santa Barbara County Investment Pool).

As of June 30, 2025, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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

Investment in State Investment Pool

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

NOTE 4 - SCHEDULE OF CAPITAL ASSETS

A schedule of changes in capital assets and depreciation for the fiscal year ended June 30, 2025, is shown below:

	Balance July 1, 2024	Additions	Transfers	Deletions	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	\$ 523,725	\$ -	\$ -	\$ -	\$ 523,725
Construction in progress	189,918	1,167,576	(576,134)		781,360
Total capital assets, not being depreciated	<u>\$ 713,643</u>	<u>\$ 1,167,576</u>	<u>\$ (576,134)</u>	<u>\$ -</u>	<u>\$ 1,305,085</u>
Capital assets, being depreciated:					
Plant and facilities	\$ 14,323,000	\$ 467,116	\$ 576,134	\$ (57,565)	\$ 15,308,685
Total capital assets, being depreciated	14,323,000	467,116	576,134	(57,565)	15,308,685
Less accumulated depreciation	(8,107,033)	(481,813)		57,565	(8,531,281)
Total capital assets, being depreciated, net	<u>\$ 6,215,967</u>	<u>\$ (14,697)</u>	<u>\$ 576,134</u>	<u>\$ -</u>	<u>\$ 6,777,404</u>
Capital assets, net	<u>\$ 6,929,610</u>	<u>\$ 1,152,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,082,489</u>

NOTE 5 – SERVICE REVENUES

The operations of the District are primarily funded through the collection of service fees for connection fees, water, wastewater, and street sweeping services provided by the District. Revenues earned by type during the fiscal year ended June 30, 2025 were as follows:

Water charges	\$ 1,434,156
Wastewater charges	1,268,088
Street sweeping charges	<u>18,064</u>
Total	<u>\$ 2,720,308</u>

NOTE 6 – DEFERRED COMPENSATION PLAN

The District is currently participating in an FTJ FundChoice governmental eligible 457 Plan administered by Bayhill Advisors, Inc. effective starting January 1, 2007. The Mission Hills CSD 457 Plan is a deferred compensation plan and covers all employees of the District. Employees may elect to contribute a portion of their salary to the plan with no limitations other than those legally imposed. An employee can also elect to contribute their social security taxes in lieu of paying into social security and the District contributes an employer portion to the plan as well. All other District contributions are discretionary and all contributions are vested 100% immediately. Assets are held separately from the District's funds. Total District contributions were \$25,108 for the fiscal year ended June 30, 2025.

NOTE 7 – RISK MANAGEMENT

The District is a member of the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA), which was organized for the purpose of providing general liability, automobile, errors and omission, and property loss insurance coverage to water agencies. The ACWA/JPIA is financed through premium charges to each member. The ACWA/JPIA does not meet the reporting entity criteria and is therefore not included in the accompanying financial statements.

The ACWA/JPIA is administered by a board of directors, consisting of one member of each participating water agency. In addition, the water agencies' board members and staff are eligible to participate on the various committees and subcommittees of the ACWA/JPIA. The board is responsible for establishing premium rates and making budgeting decisions.

Coverage under current policies provide for the District to pay for the first \$2,500 of property loss for buildings, personal property, fixed equipment, and mobile equipment and the agency to pay for the next \$497,500. There is a \$1,000 deductible for licensed vehicles. The auto and general liability program has no deductible. Property losses are limited to the value of the property as assessed by the ACWA/JPIA. The ACWA/JPIA is self-insured for the first \$500,000. Claims over the self-insured amounts are covered by a group purchased commercial insurance policy. Each member district is assessed a premium in accordance with the JPIA agreement, creating the ACWA/JPIA. Financial information on the ACWA/JPIA is publicly available on its website.

NOTE 8 - CONTINGENCIES

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

NOTE 9 – PRIOR-PERIOD ADJUSTMENT

The District had a prior-period adjustment of \$17,196 to account for July 2024 expenditures that were incorrectly included in expenditures for the prior fiscal year ended June 30, 2024.



MISSION HILLS COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Mike Garner, General Manager
Carol Reynolds, Admin Services Manager

DATE: October 21, 2026

SUBJECT: Discussion and Consideration of Approval of an Agreement for Consultant services with Tuckfield and Associates for Preparation of a Water, Wastewater and Street Sweeping Rate Study

Recommendation / Proposed Motion

- Staff Recommendation: Approve the Agreement for consultant Services with Tuckfield and Associates to prepare a Water, Wastewater and Street Sweeping Rate Study.

- **Alternatives Considered**

Do not approve the Agreement for Consultant Services and have utility rates remain the same.

Budget Resource

The District's approved Budget includes adequate funding for the Rate Study.

Discussion

Review a proposal from Tuckfield & Associates to prepare a Water, Wastewater and Street Sweeping Rate Study with an eye towards implementing new rates as part of next year's budget process. Tuckfield provided the attached proposal with an estimated cost of \$34,600. Staff recommends the Board approve the attached Agreement for Consultant Services with Tuckfield & Associates to prepare a Water, Wastewater and Street Sweeping Rate Study.

AGREEMENT FOR CONSULTANT SERVICES

This AGREEMENT FOR CONSULTANT SERVICES (“Agreement”) is made and effective as of October 21, 2026, between **TUCKFIELD & ASSOCIATES** (“Consultant”), and the **MISSION HILLS COMMUNITY SERVICES DISTRICT**, a political subdivision of the State of California (“District”). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. TERM

This Agreement shall commence on October 21, 2026 and shall remain and continue in effect until October 20, 2027, unless sooner terminated pursuant to the provisions of this Agreement.

2. SERVICES

Consultant shall perform the tasks described and comply with all terms and provisions set forth in Consultant’s proposal dated September 28, 2026 (the “Proposal”), attached hereto as Exhibit “A” and incorporated herein by this reference.

3. PERFORMANCE

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

4. AGREEMENT ADMINISTRATION

District’s General Manager shall represent District in all matters pertaining to the administration of this Agreement. Consultant’s Principal Consultant, G. Clayton Tuckfield, shall represent Consultant in all matters pertaining to the administration of this Agreement.

5. PAYMENT

The District agrees to pay the Consultant in accordance with the payment rates and terms set forth in Exhibit A, in monthly progress payments based on time spent on each task.

6. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE

(a) The District may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon the Consultant at least ten (10) days prior written notice. Upon receipt of said notice, the Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If the District suspends or terminates a portion of this Agreement such suspension or termination shall not make void or invalidate the remainder of this Agreement.

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

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

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

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

8. **DEFAULT OF CONSULTANT**

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

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

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

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

(b) Keep itself fully informed of all existing and proposed federal, state and local laws, ordinances, regulations, orders, and decrees which may affect those engaged or employed under

this Agreement, any materials used in Consultant's performance under this Agreement, or the conduct of the services under this Agreement;

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

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

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

10. **OWNERSHIP OF DOCUMENTS**

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

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

11. **INDEMNIFICATION**

(a) Indemnification for Professional Liability. When the law establishes a professional standard of care for Consultant's Services, to the fullest extent permitted by law, Consultant shall indemnify, protect, defend and hold harmless District and any and all of its officials, employees and agents ("Indemnified Parties") from and against any and all losses, liabilities, damages, costs and expenses, including attorney's fees and costs to the extent same are caused in whole or in part by any negligent or wrongful act, error or omission of Consultant, its officers, agents, employees or subcontractors (or any entity or individual that Consultant shall bear the legal liability thereof) in the performance of professional services under this agreement.

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

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

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

12. INSURANCE

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

13. INDEPENDENT CONSULTANT

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

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

14. **UNDUE INFLUENCE**

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

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

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

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

(a) All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without District's prior written authorization. Consultant, its officers, employees, agents, or subcontractors, shall not without written authorization from the District Manager or unless requested by the District Counsel, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this Agreement or relating to any project or property located within the District. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives District notice of such court order or subpoena.

(b) Consultant shall promptly notify District should Consultant, its officers, employees, agents, or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request, court order, or subpoena from any person or party regarding this Agreement and the work performed thereunder or with respect to any project or property located within the District. District retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing, or similar proceeding. Consultant agrees to cooperate fully with District and to provide the

opportunity to review any response to discovery requests provided by Consultant. However, District's right to review any such response does not imply or mean the right by District to control, direct, or rewrite said response.

17. **NOTICES**

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

To District: Mike Garner, General Manager
Mission Hills Community Services District
1550 E Burton Mesa Blvd.
Lompoc, CA 93436

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

To Consultant: Tuckfield & Associates
G. Clayton Tuckfield
2549 Eastbluff Drive, #450B
Newport Beach, CA 92660

18. **ASSIGNMENT**

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

19. **GOVERNING LAW**

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

20. **ENTIRE AGREEMENT**

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations, and statements, or written, are merged into this Agreement and

shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

21. **TIME**

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

22. **CONTENTS OF PROPOSAL**

Consultant is bound by the contents of the Proposal submitted by the Consultant, Exhibit "A," attached hereto and previously incorporated herein. Should the terms of the Proposal conflict with this Agreement, the terms of this Agreement shall prevail.

23. **CONSTRUCTION**

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

24. **AMENDMENTS**

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

25. **AUTHORITY TO EXECUTE THIS AGREEMENT**

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

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

**MISSION HILLS COMMUNITY
SERVICES DISTRICT**

TUCKFIELD & ASSOCIATES

Mike Garner, General Manager

By:_____
G. Clayton Tuckfield, Principal Consultant

ATTEST:

Arleen Block, Board Secretary

Approved As To Form:

Timothy J. Carmel, District Counsel

EXHIBIT A
CONSULTANT'S PROPOSAL

Proposal To:

Mission Hills

Community Services District

1550 Burton Mesa Boulevard

Lompoc, CA 93436

(805) 588-2833

Proposal For

Water, Wastewater, and Street Sweeping Rate Study



Submitted By:

Tuckfield & Associates

Contact: Mr. Clayton Tuckfield

2549 Eastbluff Dr, #450B

Newport Beach, CA 92660

(949) 760-9454

www.tuckfieldassociates.com

FINANCIAL CONSULTING
**TUCKFIELD &
ASSOCIATES**
MANAGEMENT CONSULTING

September 2026

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Tuckfield & Associates

2549 Eastbluff Drive, Suite 450B, Newport Beach, CA 92660
Phone (949) 760-9454 Fax (949) 760-2725
Email ctuckfield@tuckfieldassociates.com

September 28, 2026

Mr. Mike Garner
General Manager
Mission Hills Community Services District
1550 Burton Mesa Boulevard
Lompoc, CA 93436

Dear Mr. Garner:

I am pleased to submit this proposal to provide consulting services for a Water, Wastewater, and Street Sweeping Rate Study (Study) for the Mission Hills Community Services District (District). Over the last 40 years, I have conducted numerous water and wastewater rate studies in California as well as previous experience conducting studies nationally. This depth of experience will benefit the District throughout the performance of this study and lead to rate structures and rates that are specifically suited to the District.

Our rate study for the District will determine the appropriate water, wastewater, and street sweeping rates that are equitable and defensible; meet the requirements of Proposition 218; and funds annual operating expense, capital spending, and debt service.

The scope of work provided herein addresses the District's request for a water and wastewater rate study. The study will accomplish the following objectives.

- Revenue sufficiency to fund operating and capital needs
- Appropriate levels of operating, capital, and emergency reserves
- Cost of service following appropriate standards, regulations, and guidelines
- Rates that are consistent with industry practice
- Ease of understanding and administration

Tuckfield & Associates consulting is a local firm with extensive experience in California, specializing in rate studies and capacity charge studies. Mr. Tuckfield is the President and Principal Consultant for Tuckfield & Associates and routinely conducts rate and capacity charge studies as the sole consultant, having completed such studies in this manner for many clients, including those whose populations have exceeded 100,000. Recent clients in this regard include the City of Buena Park, City of Loma Linda, City of Pismo Beach, and Avila Beach CSD, Nipomo CSD, and Mission Hills CSD. Additional experience is provided in the Representative Engagement section of this proposal.

I will be professionally responsible for conducting the study and will provide hands-on work effort. This will allow me to develop an intimate knowledge of the District's water and wastewater system which will be beneficial when attending meetings and presenting results and findings. All rates and fees will be developed in accordance with the American Water Works Association (AWWA) for water utilities and Water Environment Federation (WEF) for wastewater utilities as well as California State law.

I have the qualifications, experience, and capabilities to provide the services desired by the District. I have conducted successful studies for large agencies in California with a focus on smaller cities and special districts.

I look forward to working with District on this project. Should the District need any additional information, please contact me at 949-760-9454, at my email address ctuckfield@tuckfieldassociates.com, or at the address below.

Very Truly Yours,

TUCKFIELD & ASSOCIATES

A handwritten signature in black ink, appearing to read "G. Clayton Tuckfield". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

G. Clayton Tuckfield
Principal Consultant
2549 Eastbluff Dr, #450B
Newport Beach, CA 92660

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Appendix A..... Resume

Proposal for Water and Wastewater Rate Study

Mission Hills Community Services District

Project Understanding

The Mission Hills Community Services District (District) desires to engage the services of a rate consultant to design water and wastewater rates that generate the necessary revenue to fund operations and capital requirements of its water and wastewater funds. The rates would be designed for adoption for a five-year planning period.

The primary focus will be to assist the District’s utilities to attain a high degree of financial sustainability through understanding the District’s goals and objectives, accurate data analysis, and designing fair and equitable rates that provide cost recovery. Tasks include (1) assess the revenue sufficiency of the current revenue stream, (2) evaluate the current structures and rates in relation to the true cost of service, (3) assess the equity of the recommended rates in relation to the types of property ownership and service requirements, and (4) recommend operating, capital replacement, and capital improvement fund reserve balances.

The approach, more fully discussed below, is to acquire, model, and analyze source data to understand customer water consumption, wastewater flows, operating and financial activities, along with District policy and direction provided by District staff and the District Board.

Current Rates

The District’s current water rate structure consists of a monthly fixed charge by meter size and a uniform volume charge for all water consumed by each customer classification of the District. This structure is easy to understand by the customers and administered by the District.

The District’s current wastewater rate structure consists of monthly fixed charges and volume charges based on water consumption. Residential customers are charged a flat rate without consumption charges whereas Commercial customers are charged the same fixed charge as residential, however also are charged a volume charge that recovers all other costs that were not recovered in the Commercial fixed charge. School customers are charged by the Average Daily Attendance (ADA).

The cost of service analysis will compare the revenue received by customer class using the current rates to the cost of service by class for both utilities. This will illustrate where the rates over or under recover the cost of service. The rates designed in this Study will also be compared with the overall cost of service to demonstrate that 100 percent cost recovery is achieved.

Current Street Sweeping services are budgeted in the District’s General Fund. The current street sweeping rate is charged as a fixed charge per account..

Project Approach

The rates and charges for the District will be designed recognizing the American Water Works Association (AWWA) methodology provided in their Manual M1 and the Water Environment Federation (WEF) methodology from their Manual of Practice No. 27. These methodologies represent industry practice for the development of cost-of-service rates and charges, based upon the demands placed on the facilities by various users. The basic method includes identifying or creating different types of user classifications, allocating annual utility costs to cost-causative components, distributing costs to customer groups based on customer class use characteristics, and design of a rate structure and charges that will recover allocated costs from each customer group. The methods proposed for this study are briefly described below.

Water Rate Structure and Rates

Following AWWA Manual M1, annual costs of the water system will be summarized into functional cost categories to the extent possible based on the District's cost accounting structure. Such functional cost categories may consist of source of supply, pumping, treatment, storage, transmission, distribution, meters and services, customer billing and collecting, and fire protection. These costs are then allocated to water cost components based on the design of facilities or may be directly assigned to cost components because of its function. Such cost components include Base, Peaking, Meters and Services, Customer Billing and Collecting, and Fire Protection. Base costs are further separated into costs by each water supply source.

An example cost-of-service rate structure strategy may include recovering Peaking costs, Meters and Services Costs, and Customer Billing and Collecting costs from a schedule of fixed charges designed based on the size of the meter installed at the customer's premises. Base costs, including various water supply costs, would be recovered through a variable rate structure.

The design of the variable rate structure and rates may be established as rate tiers that recover Base costs, water supply costs, and possibly Peaking costs. For a residential rate structure, the tier break points may be established as water use targets for indoor and outdoor water efficient use following guidelines of the state of California "Making Conservation a California Way of Life" final report dated April 2017. This has been followed by recent legislation including SB 606, AB 1668, and AB 2180 as well as statutes supporting tiered rates (Gov Code 53750.6 and Water Code 366(b)(1)). However, tiered rates continue to be challenged in the courts and proper documentation is required for tiered rates to be defensible.

An example residential first tier may be established as 4 persons per household (a default number) multiplied by 55 gpcd multiplied by the number of days in the billing cycle (30 days for monthly billing). Outdoor use is intended to reflect efficient water use for landscaped area square footage of various customer types. It is unlikely that the District has matched actual landscaped square footage to each customer account. Therefore, for residential

customers, all use above indoor use may be considered outdoor use. A third tier may be established to reflect a higher water supply cost that serves customers in this tier.

The figure below provides a method for how the water supply variable rates may be calculated in this example. The rate calculated in each tier reflects the cost of the water supplied to customers in each tier. In the example, the least expensive source would be supplied in the first tier, usually groundwater. The second would be a combination of groundwater and the cost of the second or third water supply source. The third tier would reflect the highest cost and the third water supply source.

Water Source	Tier 1	Tier 2	Tier 3
Source 1	✓	✓	
Source 2		✓	
Source 3		✓	✓
Volume	xxx	xxx	xxx
Rate	\$/HCF	\$/HCF	\$/HCF

Note that in the "Making Conservation a California Way of Life" final report that it acknowledges the framework does not contain a requirement on rate structures, and water suppliers are encouraged to consider drought effects and incorporate measures for rate stabilization. In addition to the tiered rate structure discussed above, a uniform volume rate structure would also be proposed for the District.

Tiered water rates continue to be publicly scrutinized and any tiered rate structure proposed will be documented in the rate study report to comply with Proposition 218 proportionality requirements.

Wastewater Rate Structure and Rates

The approach to wastewater rate design follows a similar process as described for the water system but following WEF Manual of Practice No. 27 for wastewater systems. Annual costs of the wastewater system are summarized into functional cost categories based on the City's accounting structure. Such functional cost categories may consist of collection, pumping, treatment, and disposal. These costs are then allocated to wastewater cost components based on the design of wastewater facilities. Cost components commonly include Volume (wastewater flow), Bio-chemical Oxygen Demand (BOD), Suspended Solids (SS), and Customer costs. If some facilities are identified and designed based on capacity, a Capacity cost component may be included.

Allocated costs by cost component are distributed to customer classification based on how each group uses the wastewater system. The use, or units of service, consist of flow (mgd), BOD (lbs), SS (lbs), and Customer (bills). Wastewater rates are then established to recover the costs distributed to each customer classification.

For the residential classification, costs may be recovered through a few well-known structures. These include (1) fixed charges applicable to all residential customers, (2) an Equivalent Dwelling Unit (EDU) fixed charge designed for

SFR, MFR, Condo, MHP, etc. and (3) a fixed charge that recovers Customer and possibly Capacity costs, and a variable charge that recovers flow, BOD, and SS costs based on water consumption read through the meter. A variant of the variable charge is to cap the residential water consumption at a certain use level which assumes that any consumption over that is being used for outdoor purposes. Commercial wastewater rates commonly have a fixed charge and a variable charge as most of the water use of this class returns to the sewer. The structure could be improved by having all non-residential customers install irrigation meters to separate indoor uses from outdoor uses.

Street Sweeping Rate Structure and Rates

Street sweeping rates are charged to each customer account and are direct costs and an allocation of District indirect costs for administration. The District's revenue and expenses will be analyzed and projected for a five year period. Any deficiency will be cured through increasing the charge per account, keeping the current rate structure.

Firm Qualifications

Tuckfield & Associates was founded in 1999 to provide quality consulting services to publicly-owned utilities to sustain their systems on sound rate-making principles.

The firm was founded by Mr. Clayton Tuckfield PE MBA who has over 40 years of experience conducting rate studies and capacity charge studies. Now in its 26th year, the firm has provided innovative and time-tested strategies founded on industry practice for implementing rates and charges. Tuckfield & Associates is a local firm located in Newport Beach and the performance of this project will be completed at this site.

Prior to the firm's founding, Mr. Tuckfield served Black & Veatch Corporation for 15 years in their Management Consulting Division. Mr. Tuckfield has worked with numerous cities and special districts in California and has authored papers and articles for AWWA (American Water Works Association) and California Special Districts Association (CSDA) and has conducted a webinar for CSDA regarding financing projects with USDA funding.

Advantages

Tuckfield & Associates offers several unique advantages that will satisfy the District's expectations for the successful implementation of proposed rate structures and rates. These include the following:



Experience. Having performed numerous rate and capacity charge studies concentrated in California, with additional studies conducted nationally, the firm is able to provide a depth of experience to draw upon for this study, using knowledge of methods and alternative rate structures that will be of benefit to the District. The District can be assured that quality services will be provided through our extensive experience and from our client references themselves.



California Regulatory Requirements. Tuckfield & Associates has experience with the California regulatory environment which will be beneficial to the District for the best outcome. Recent State legislation includes SB 606 and AB 1668, Proposition 218, AB3030, the state's 20x2020 plan and these have been addressed in previous studies.



Communication. A critical aspect of this study is the need to communicate results to the public. Communicating the reasons for the rate increases and the impact to customers is imperative to acceptance by the public and a successful rate implementation.



Personalized Service. Mr. Tuckfield works in a collaborative manner with his clients, providing consulting services in a professional and transparent manner with easy explanation of study results. **Our collaborative service creates professional relationships that have spanned a decade for some clients.**

Project Personnel

Clayton Tuckfield, PE MBA– Project Consultant

Mr. Tuckfield will serve as the project consultant for the study and will be the primary contact with District. He will be responsible for project administration, daily performance of the project, providing all deliverables, attending and/or presenting at all meetings, and will produce key elements of the study.

Mr. Tuckfield routinely conducts rate and capacity charge studies as the sole consultant and has completed such studies in this manner for many clients, even for those whose populations have exceeded 100,000. Mr. Tuckfield is an expert in utility financial planning, cost of service, rate structures, and utility management and is a professional dedicated to maintaining high financial and engineering standards.



Clayton Tuckfield, Principal

Summary

- 40 years of experience
- Over 100 rate studies
- Public Agency Specialization
- Tested Strategies
- Project Management

Project Responsibilities

- Project Consultant
- Financial Plan, Cost of Service, and Rate Design
- Public Meeting Presentations

Mr. Tuckfield has over 40 years of experience and has professionally performed over 100 utility cost of service and rate studies and many other financial feasibility studies. He has performed studies for numerous communities in California ranging from the cities of Long Beach, Buena Park, Ventura, Santa Barbara, Fullerton, Loma Linda, Arroyo Grande, Grover Beach, Pismo Beach, Oakdale, and Firebaugh to special districts including Santa Ynez CSD, Nipomo CSD, Mission Hills CSD, Keyes CSD, Hilmar CWD, Delhi CSD, Seeley CWD, and many others.

Mr. Tuckfield has an engineering degree and a master’s degree in business administration. He has prepared presentations and technical papers for trade organizations that include the American Water Works Association’s annual meeting, American Society of Civil Engineers, Arizona Finance Officers Association, and has authored a section of a webinar for the California Special Districts Association (CSDA) as well as a professional submission for CSDA’s bi-monthly magazine. A resume for Mr. Tuckfield is provided in **Appendix A** of this proposal.

Visit www.tuckfieldassociates.com to learn more about Tuckfield & Associates.

Experience

Mr. Tuckfield has been providing rate consulting services for over 40 years with about 15 years working with an international consulting firm and about 25 years with Tuckfield & Associates. Listed below are representative engagements and references for studies delivered by Tuckfield & Associates. These recent and successful municipal utility financial plans and rate studies are a sample of the work provided to California communities. The studies have been prepared in conformance with Proposition 218 and all studies use the cost of service and allocation methods described in the AWWA Manual M1 for water utilities and WEF Manual of Practice No. 27 for wastewater utilities.

Avila Beach CSD, California

Water and Wastewater Rate Study

Reference: Mr. Brad Hagemann, District Manager, 909-799-2811, avilacsd@gmail.com

Tuckfield & Associates completed a water and wastewater rate study for Avila Beach CSD in 2020. The study reviewed the District's financial status, accounting cost structure, and available billing information. Rates were developed to provide for maintenance of appropriate reserve levels based on District policy, meet O&M escalation, pay for future debt service for a wastewater plant expansion, and fund annual repair and replacement expenditures. A two-tier water rate structure was designed that applied to all water customers. Water and wastewater rate structures were discussed with staff and District Board of Directors at several meetings which included explanations of tier break points and possible rate scenarios. Water and wastewater rates were adopted by the Board of Directors.

Santa Ynez CSD, California

Wastewater Rate Study

Reference: Jose Acosta (retired), General Manager, 805-688-3008, Jose@sycsd.com

Tuckfield & Associates completed a wastewater rate study for the Santa Ynez CSD in March of 2016 and in March of 2021. Each study developed financial plans and rates for several CIP alternatives requested by the District while also developing new rate categories for customers not listed in the existing rate classifications. A review of the District's reserves and their consistency with District policy was performed and integrated into the financial plans. Rates are based on Equivalent Residential Units (ERU's) and were projected recognizing the District's plan for growth. The District engaged Tuckfield & Associates again in January 2020 to perform a capacity charge analysis for a new dedicated sewer line.

City of Atascadero, California

Wastewater Rate Study

Reference: Nick DeBar, Manager, 805-473-5000, ndebar@atascadero.org

Tuckfield & Associates completed a wastewater rate study for the City of Atascadero in 2019 and in 2025. The studies scope of work included preparing several financial plan scenarios to demonstrate the impact of the newly developed CIP list on revenues by showing revenues necessary to meet O&M, O&M with replacement, and O&M with replacement and debt financing of the CIP. Discussions with staff indicated that some of the CIP may need to be delayed to future years. Alternatives were provided for the financial plan that maintained cash balances at policy target levels while meeting O&M escalation, future debt service, and annual repair and replacement expenditures. The study reviewed billing system customer classifications and developed charges for service based on EDUs for existing and several new types of wastewater service. The wastewater rates were adopted by City Council.

Nipomo Community Services District, California

Water and Wastewater Rate Study

Reference: Raymond Dienzo, General Manager, 805-929-1133, rdienzo@ncsd.ca.gov

Mr. Tuckfield completed water rate studies for the District in 2011, 2014, 2017, 2020, and 2025. The initial study addressed the District's need to acquire supplemental water from the City of Santa Maria. Because of recent legal actions to adjudicate the greater Santa Maria groundwater basin, the District entered into an MOU to contract for 3,000 ac-ft of supplemental water from Santa Maria. In the 2010 study, Mr. Tuckfield assisted the District with evaluating several financial planning scenarios and rates regarding the financing and implementation of the supplemental water project. Rates were ultimately established to cover O&M and capital, without the project, to allow the District to meet its on-going obligations while the District pursued establishing an assessment district to finance the project. Rates from the 2010, 2014, 2017, 2020, and 2025 studies were adopted by the Board of Directors.

Tuckfield & Associates conducted a Wastewater Rate Study for the District in 2021 and again in 2025. The study included preparing a long-range financial plan that included reserve targets, debt coverage ratios, and funding of CIP. Wastewater rates were developed following cost of service principles from the WEF manual of practice. Wastewater rates were passed in a Proposition 218 public hearing in November 2015 and updated with a wastewater rate study in April 2021.

City of Pismo Beach, California

Water and Wastewater Rate Study

Reference: Ms. Nadia Feeser, Admin Services Director, 805-773-7010, nfeeser@pismobeach.org

Tuckfield & Associates completed a comprehensive water and wastewater rate study for the City of Pismo Beach in August 2023 and was engaged again in 2026. Mr. Tuckfield also completed rate studies for the City in 2007, 2013, and in 2019. The current study reviewed and updated the water rate structure to comply with recent legislation and court decisions regarding tiered water rate structures. The study also updated the wastewater rates.

The 2007 study accounted for all financial aspects of the water and wastewater rates, including each water supply source, utility debt and assessment debt, and various sub-funds of the utilities. The study included financial planning, cost of service, and rate structures for both water and wastewater. The 2007 study results were adopted by city council.

The 2013 study addressed the city's 2010 Urban Water Management Plan finding that the city needed to reduce its per capita water consumption annually to comply with SB x7-7 as well as plan for significant replacement of infrastructure. One of the water rate structures proposed included a four-block rate structure to promote conservation. Wastewater rates were developed following the WEF and SWRCB guidelines as the City has several loans through the SRF program. Both the water and wastewater proposed rates were adopted by the City Council.

City of Arroyo Grande, California

Water, Wastewater, and Storm Water Rate Study

Reference: Hailie Hix, Utilities Manager, 805-473-5464, hhix@arroyogrande.org

Tuckfield & Associates completed a water and wastewater rate study for the City of Arroyo Grande which was presented to City Council in January of 2022 and engaged again in 2026. The 2022 study initially included water, wastewater, and storm water enterprises, however, was reduced to water and wastewater based on legal issues related to storm water rate implementation.

Tuckfield & Associates developed financial plans, cost of service, and rates for water and wastewater service. The water

enterprise analyses included developing rates with and without the Central Coast Blue Project. A tiered water rate structure was developed for residential customers while accounting for commercial and irrigation customers as separate classes. Wastewater rates were developed that included a volumetric rate that accounted for wastewater contributed volume of single-family residential, multifamily, and commercial classifications. Wastewater treatment service is provided by the South San Luis Obispo County Sanitation District as fixed charges to the city's customers.

City of Buena Park, California

Water and Wastewater Rate Study

Reference: Mina Mikhael, Operations Manager, 714-562-3705, MMikhael@buenapark.com

Tuckfield & Associates completed a water financial plan and rate study for the City of Buena Park in 2016 and performed the City's first wastewater rate study in 2021. The scope of work for the 2021 study included separating the water fund into two separate Water and Wastewater Funds, collaborating with staff to identify water and wastewater capital projects separately, developing reserve policies, and designing individual water and wastewater rates which were presented to City staff during multiple meetings.

The 2016 water rate study included (1) preparing a long-range financial plan that includes assessment of current revenues to meet the current and future obligations of the water fund, establishing operating and capital reserve policies, and incorporating financing of the proposed capital improvement program (CIP) spending plan and (2) design of an appropriate rate structure that complies with Proposition 218. Three financial plan alternatives were prepared and discussed with City Staff that funded the same CIP but with various combinations of cash, bond financing, and annual revenue increases. The cost of service and rate portion of the study included a review and justification of the City's current rate structure and rates and preparing two tiered rate structure alternatives. The rate structures addressed the recent San Juan Capistrano court decision regarding conservation rates by preparing a new tiered rate structure to replace the current conservation rate structure while also developing a uniform volume rate structure for all customers.

Scope of Work

Based on our understanding of the District's needs, the following tasks describe our proposed scope of work to complete the Water and Wastewater Rate Study. While the tasks listed below are consecutive, elements of certain tasks may be conducted concurrently with other tasks.

Task 1 – Initial Meeting/Data Collection

The focus of this initial meeting with District Staff will be to define goals and objectives for the study and explore the issues generated by District Staff. The meeting serves as an important first step in assuring that all key members develop a clear understanding of the study elements and data required. Prior to the meeting, a request will be submitted to the District for information to be gathered by District Staff.

Task 2 – Long Range Financial Planning

The objective of this task is to develop ten-year financial plans for the water and wastewater enterprises that project the revenue and revenue requirements for the study period. This task requires an assessment of the sufficiency of revenues based on the existing rates and fee schedules, the District's ability to meet projected revenue requirements, and the determination of the level of any revenue adjustments required with any additional financing requirements.

Task 3 – Cost of Service Analyses

The cost of service phase of the study will focus on allocation of costs (revenue requirements) to customer classifications based on cost causative methodologies. The cost allocations will be developed using standards and methodologies from the AWWA, WEF, and best management practices. The cost of service analysis part of the study provides the defensibility for the selected rate structures and rates, providing compliance with Proposition 218.

Task 3.1: Analyze Customer Usage Patterns and Recommend Customer Classifications

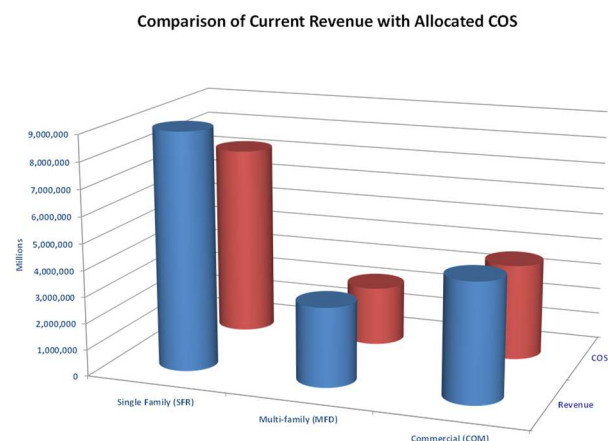
Historical billing summaries that were summarized in Task 2 will be reviewed and analyzed by customer classification to determine water consumption, estimate wastewater discharge volumes, and establish user characteristics.

Task 3.2: Allocate Costs to Functional Cost Components

The annual revenue requirements will be allocated to functional cost components following standards in the AWWA and WEF manuals of practice. Allocations of operation and maintenance expenses will be allocated separately from capital requirements of the system.

Task 3.3: Distribute Functional Costs to Customer Classifications

Costs that have been allocated to functional cost components are distributed to the various customer classifications based on their responsibility for the service provided. Responsibility is established from the units of service (such as HCF, HCF/day, and number of customers) applicable to each functional cost component. Unit costs are developed which are then applied back to the units of service by customer class, which determines each customer classification's cost responsibility.



The equity of the current rate structure and rates is assessed through a comparison of current revenue with the allocated Cost of Service.

Task 4 – Rate Structure Analysis and Rate Design

The rate structures that are selected for each utility should be responsive to the needs and philosophy of both the utility and its customers. The selected rate structures are a blend of what may be several competing objectives to accomplish the overall goals desired by the utility and general public. Through discussion with District staff, our evaluations of the existing rate structures and design of new rate structures will meet the expectations of the utility and public.

The current rate schedules will be evaluated to validate their applicability for District's cost structure and customer base. Alternative rate structures will be analyzed to meet the goals and objectives of the District while enhancing the fairness and equitability among the users. It is intended that the recommended rate structure will result in revenue stability, will be easy to administer and understand, and comply with industry practices such as the AWWA, WEF, and federal, state, and local regulations for rate setting in California.

The impact to customer bills is an important aspect of any rate change. The financial impacts to customers that results between the existing and alternative rate structure will be determined and a series of tables and figures will be created that show projected rate impacts on different types of customers at various levels of usage.

Rate schedules will be gathered from other local communities for the purpose of calculating typical bills at various levels of water and wastewater volume. The number of communities chosen for analysis will be agreed upon with the District. Example bills will be developed using the proposed rate structure and compared with typical bills of the other communities at the same volumes.

Task 5 – Board of Directors Workshop

The preliminary results of the Study's findings and recommendations will be presented to Board of Directors in a PowerPoint presentation format. The presentation is for review, discussion, and comment of the assumptions, financial plan, the selected rate structure, and bill impacts.

Meeting: One (1) on-site meeting
Deliverables: Presentation materials for Staff Meeting

Task 6 – Draft Report Preparation

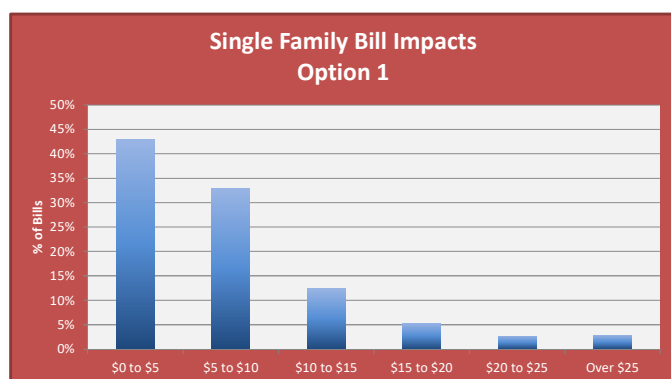
A Draft Report will be prepared that includes forward looking financial plans, cost allocations, and proposed rates. The Draft Report will include an executive summary highlighting the key issues, assumptions, and findings and recommendations. Sections will be included that discuss the financial plans, cost allocation methodologies, design of the proposed rate structures and rates, and rate comparisons.

Comments received will be incorporated into a Draft Final Report for submission to the District. The Draft Final Report will discuss the financial plan, the alternatives reviewed, the cost of service analyses, the rate structures analyzed, the selected rate structure, and bill impacts.

Task 7 – Final Report

Comments received from the District Staff workshop will be incorporated into a Final Report for submission to the District. The Final Report will be submitted for adoption at

Single Family (SFR) (with 5/8 inch and 3/4 inch meters)				
Description	Use (Kgal)	Current Bill	Proposed Bill	Percent Change
Very Low	10	\$42.76	\$44.88	5.0%
Low	20	\$62.36	\$65.45	5.0%
Median	16	\$54.52	\$57.23	5.0%
Average	22	\$67.58	\$69.57	2.9%
High	40	\$126.26	\$131.16	3.9%
Very High	50	\$158.86	\$165.38	4.1%



The impacts to customer bills can be identified for each rate structure alternative prior to implementation.

a regular District Board meeting. At this meeting, it is expected that District Board will adopt the rate study and rates and direct District Staff to prepare Proposition 218 Notices.

Task 8 – Public Workshop

The Final Report’s findings and recommendations will be presented in a PowerPoint presentation format at one evening public workshop. The presentation will discuss the financial plan, the selected rate structure, and bill impacts.

Meeting: One (1) on-site evening Public Workshop meeting
Deliverables: Presentation materials for Public Workshop

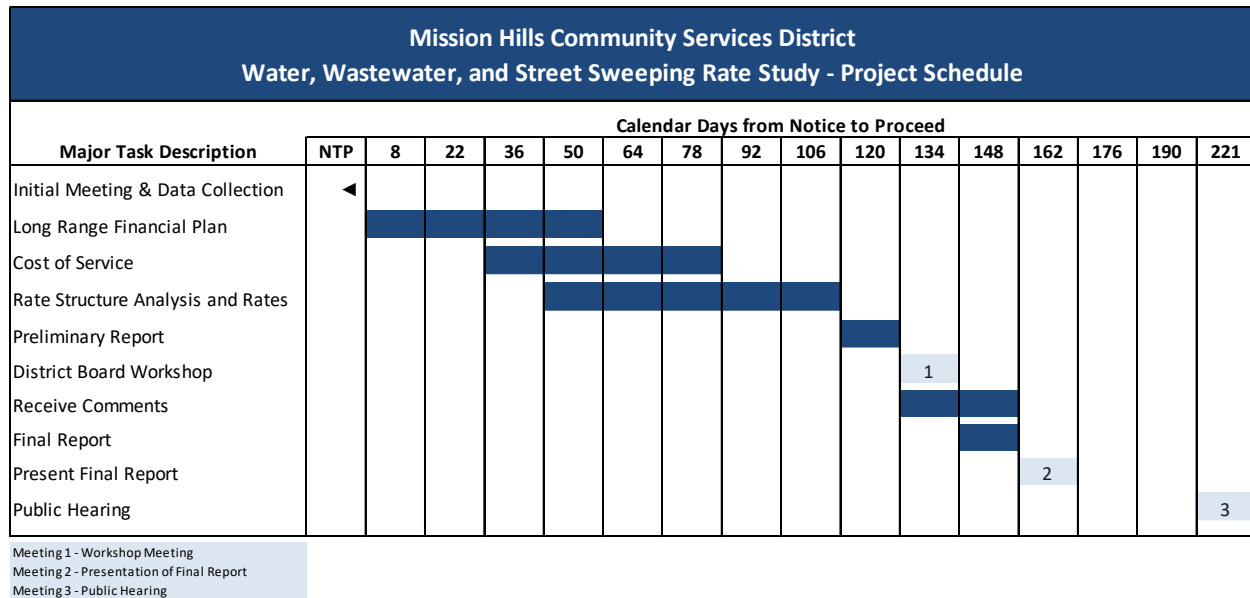
Task 9 – Proposition 218 Public Hearing

Tuckfield & Associates will assist in drafting the Proposition 218 notice and attend and present the Final Report at the Proposition 218 Public Hearing for the adoption of the new rates. To comply with Proposition 218, the notices must be sent to all property owners/customers at least 45 days prior to the Public Hearing.

Meeting: One (1) on-site Public Hearing meeting

Schedule

Tuckfield & Associates has a strong track record of meeting client schedules. Our experience in performing rate studies enables us to meet the District's goals in a timely and efficient manner. A suggested time-line schedule is presented below in a graphical format showing key milestone and target dates.



The schedule is approximate based on timely receipt of information and acceptance of the study by the District and public. The study schedule begins with Notice to Proceed (NTP) shown in the graphic and is the same date as the initial meeting and data collection. The timeline can be adjusted to meet the District's specific needs.

Cost Proposal

Tuckfield & Associates provides studies with competitive pricing and billing rates. We propose to accomplish the tasks described in our scope of work section for a cost not-to-exceed estimate of \$34,600. The cost estimate is based on the standard hourly billing rates above and the number of hours estimated to complete each task. Direct expenses will be billed at cost and will include expenses related to travel, lodging, mileage, meals, long distance telephone, printing and binding, and other direct costs. Additional meetings can be provided as requested by the District at our standard hourly billing rates including direct expenses related to the meetings as shown below. A cost proposal is provided below.

Mission Hills Community Services District
Water, Wastewater, and Street Sweeping Rate Study
Detailed Cost Breakdown

Major Task Description	Hours		Total Budget
	On-site Meeting	Clayton Tuckfield	
Hourly Rate		\$195	
Task 1: Initial Meeting & Data Collection		2	\$390
Task 2: Long Range Financial Plans			
Task 2.1: Review Financial Info, Policy & Practice		3	\$585
Task 2.2: Review and Summarize Billing Info		20	\$3,900
Task 2.3: Develop Long Range Financial Plans		32	\$6,240
Task 3: Cost of Service Analyses			
Task 3.1: Analyze Customer Usage Patterns & Classes		12	\$2,340
Task 3.2: Allocate Costs to Cost Components		16	\$3,120
Task 3.3: Distribute Costs to Customer Class		12	\$2,340
Task 4: Rate Analysis and Design			
Task 4.1: Evaluate Rate Structures & Calc Rates		25	\$4,875
Task 4.2: Determine Bill Impacts		8	\$1,560
Task 4.3: Bill Comparison with Other Communities		6	\$1,170
Task 5: Report Preparation		16	\$3,120
Task 6: District Board Workshop	1	6	\$1,170
Task 7: Final Report	2	12	\$2,340
Total	3	170	\$33,150
Other Direct Costs (ODCs): Travel, Mileage & Printing:			\$1,450
Total Study Cost:			\$34,600

Appendix A

Resume

A resume for Mr. Clayton Tuckfield is provided in Appendix A.

Clayton Tuckfield, PE MBA

Principal, Tuckfield & Associates Consulting

Education

M.B.A. – Finance,
University of Kansas,
Lawrence, KS, 1985

B.S. – Mechanical
Engineering, Kansas State
University, 1980

Registration

Professional Engineer:
Kansas

Years of Experience

37

Presentations

CSDA 2011 Nov/Dec
Magazine

CSDA 2011 Rate Webinar

AWWA Annual Conference
and Exposition
Toronto, Canada

ASCE, Phoenix, AZ

AFOA, Phoenix, AZ

Mr. Tuckfield is the Principal of Tuckfield & Associates consulting. He has over 40 years of experience serving in various capacities on work performed for publicly owned water and wastewater utilities. Mr. Tuckfield has performed a variety of financial feasibility and economic analyses studies including utility cost of service and rate design studies, impact fee studies, development of pro forma statements of revenue and operating expense, cash flow analyses, preparation of engineer's reports for revenue bond official statements, valuations of facilities use plans, preparation of alternative financing plans for capital improvement programs, and development of training material for presentation to international interest groups.

Mr. Tuckfield has conducted or managed over 100 water and wastewater rate studies for various cities and special districts in California and nationwide. Clients have included the cities of Long Beach, Ventura, Buena Park, Fullerton, and Loma Linda and special districts including Nipomo CSD, Heritage Ranch CSD, Templeton CSD, Keyes CSD, Hilmar CWD, and many other clients.

Water and Wastewater Utility Rate Studies, City of San Buenaventura, Ventura, California. Mr. Tuckfield has performed rate study updates almost on an annual basis for the City from 1990 through 2010. In the most recent study, Mr. Tuckfield worked with City Staff to expand the study period to 10 years, develop various cash flow scenarios for alternative CIP plans, expand water customer classifications to reflect actual operations, developed analyses regarding the City's outside rate differential, and presented draft results to City Staff. He has also prepared information for City Staff's use for conducting internal meetings on an as needed basis.

Water and Wastewater Cost of Service and Rate Study, Long Beach, California. Mr. Tuckfield was responsible for cost of service and rates for the water and wastewater utilities for the City. The project work included development of utility rates to promote water conservation and to allow easy implementation and acceptance. The work effort also included development of computer models to enable the Department to annually review utility rates. The project included working closely with a departmental task force to develop alternative rate structure for eventual implementation.

Wastewater Rate Study, City of Santa Barbara, California. Working as a sub consultant to a large regional consulting firm, Mr. Tuckfield performed a wastewater rate study for the City that involved developing a revenue plan, allocating costs, and designing several rate structures that included fixed and variable components. The revenue plan review noted a low cash reserve level because the City had included other assets into its beginning fund balance. The study identified necessary rate increases that were adopted by City Council. Justification of the current cost allocations was also performed.

Clayton Tuckfield, PE MBA

Principal, Tuckfield & Associates Consulting

Water Utility Rate Study, City of Fullerton, California. Working with a City organized task force, this study included a detailed analysis of the City's Water Fund. Mr. Tuckfield developed pro forma revenue, revenue requirements, and cash flows including review of the water utility program costs for reasonableness, which resulted in a recommendation to reallocate some of the utility overheads. Costs were compared to other local cities including various operational ratios and franchise fees. The task force accepted the recommendations including cash flow, cost of service allocations and rate design. The proposed utility rates were adopted by the City Council.

Representative Water and Wastewater Rate Studies

- City of Avondale, AZ
- City of Arroyo Grande, CA
- City of Battle Creek, MI
- City of Brawley, CA
- City of Buena Park, CA
- City of Charleston, SC
- City of Chesapeake, VA
- City of El Monte, CA
- City of Fayetteville, AR
- City of Firebaugh, CA
- City of Flagstaff, AZ
- City of Florence, AZ
- City of Fullerton, CA
- City of Georgetown, TX
- City of Grover Beach, CA
- City of Homestead, FL
- City of Imperial Beach, CA
- City of Imperial, CA
- City of Kalamazoo, MI
- City of Loma Linda, CA
- City of Long Beach, CA
- City of Modesto, CA
- City of Oakdale, CA
- City of Orange Cove, AZ
- City of Peoria, AZ
- City of Phoenix, AZ
- City of Pismo Beach, CA
- City of Santa Cruz, CA
- Santa Barbara, CA
- City of Sioux City, IA
- City of Sioux Falls, SD
- City of Westmorland, CA
- DuPage County, IL
- Hilmar County WD, CA
- Mission Springs WD, CA
- Nipomo CSD, CA
- San Miguel CSD, CA
- Templeton CSD, CA
- Town of Cave Creek, AZ

Representative Municipal Bond Feasibility Studies

- City of Alexandria, LA
- City of Kansas City, MO
- City of Owensboro, KY
- City of Firebaugh, CA
- City of Salem, OR
- City of Tacoma, WA
- Eugene Water & Elec, OR
- City of Livingston, CA
- Litchfield Park, AZ
- Memphis Gas, Water, TN
- San Dieguito WD, CA
- City of Buena Park, CA

Other Feasibility Studies

- City of Brownsville, TX - Electric Utility Rate Study
- City of Detroit, MI - Organizational Study
- City of Phoenix, AZ - Impact Fee Review
- County of Maui, HI - Pretreatment Program
- Imperial Irrigation District, CA - Financial Feasibility Study

Clayton Tuckfield, PE MBA

Principal, Tuckfield & Associates Consulting

Imperial Valley Task Force, CA	-	Financial Alternatives Study
MWD of Southern California, CA	-	Review of New Demand Charges
Saudi Consolidated Electric Co.	-	Electric Generation Dispatch Model
Texas A&M University, TX	-	Power Supply Alternatives Study
United Water Conservation District	-	Water Supply Pricing Model

Publications/Presentations

"Value of Rate Study in Project Finance", CSDA November/December 2011 Magazine, Sacramento, California

"Role of Rate Study with USDA Financing", CSDA Webinar, September 22, 2011, Sacramento, California

"Committee Involvement Facilitates Rate Implementation", AWWA Annual Conference and Expo, Toronto, Canada 1996

"Arizona Utility Rates", ASCE Arizona Fall Conference, Phoenix, Arizona 1997

"Utility Rate Seminar", Arizona Finance Officers Association, Spring Meeting, Flagstaff, Arizona 1998

EXHIBIT B

INSURANCE REQUIREMENTS

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

Consultant shall provide the following types and amounts of insurance:

Commercial General Liability Insurance using Insurance Services Office “Commercial General Liability” policy from CG 00 01 or the equivalent. Defense costs must be paid in addition to limits. There shall be no cross liability exclusion for claims or suits by one insured against another. Limits are subject to review but in no event less than \$2,000,000 per occurrence.

Business Auto Coverage on ISO Business Auto Coverage from CA 00 01 including symbol 1 (Any Auto) or the equivalent. Limits are subject to review, but in no event to be less than \$2,000,000 per accident. If Consultant owns no vehicles, this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Consultant or Consultant’s employees will use personal autos in any way on this project, Consultant shall provide evidence of personal auto liability coverage for each such person.

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

Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designated to protect against acts, errors or omissions of the Consultant and “Covered Professional Services” as designated in the policy must specifically include work performed under this agreement. The policy limit shall be no less than \$2,000,000 per claim and in the aggregate. The policy must “pay on behalf of” the insured and must include a provision establishing the insurer’s duty to defend the insured. The policy retroactive date shall be on or before the effective date of this agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Consultant will renew the required coverage annually as long as District, or its employees or agents face an exposure from operations of any type pursuant to this agreement. This obligation applies whether or not the agreement is canceled or terminated for any reason. Termination of this obligation is not effective until District executes a written statement to that effect.

16. Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Consultant's insurance agent to this effect is

acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to District within five days of the expiration of the coverages.

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

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

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

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

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

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



MISSION HILLS COMMUNITY SERVICES DISTRICT

- 6. COMMUNICATIONS-** The Board of Directors may ask a question for clarification, make an announcement, or report briefly on recent activities or conferences. Also, Directors may provide a reference to staff or other resources for information and request the Board President consider placing an item on a future committee meeting or regular meeting.

A. General Manager Comments

MHCSD COMMITTEE MEETING UPDATES

October 21, 2026, Board Meeting

Committee	Summary Discussion	Completed Meeting Date
Finance/Budget Dotzler/Keeling Alt. Magana		
Legal/Personal Magana/Keeling Alt. Dotzler	Talked about making 2 employees exempt and financial aid to employee to pursue master's in water management.	09-23-26
Water/Wastewater McLeod/Starbuck Alt. Dotzler	Continue discussion on new CIP program.	10-08-26
SGMA/WMA Keeling Alt. GM		

B. Director's Comments

C. Public Comments

THE LAST PAGE OF THE BOARD PACKET