



COUNTY OF SAN LUIS OBISPO
Department of Public Works
John Diodati, *Interim Director*

Notice of Public Hearing on
Proposed Sewer Service Charge Increase for Los Osos Service Area

Date & Time of Hearing: April 21, 2020 – 9:00 A.M.
Hearing location: County of San Luis obispo, Board of Supervisors Chambers
1055 Monterey Street
San Luis Obispo, CA 93408

Why you are receiving this notice?

In compliance with California Constitution Article XIII D (Proposition 218), providers of utility services (such as wastewater service) are required to notify rate payers of proposed service charge increases. The County of San Luis Obispo, on behalf of San Luis Obispo County Wastewater Assessment District No. 1, is proposing a sewer service charge increase. You are receiving this notice because you are a property owner who receives or has the potential to receive sewer service.

This notice describes: 1) why the proposed sewer service charge increase is needed; 2) the basis of how the sewer service charge is calculated; 3) the proposed sewer service charge increase; and 4) how to file a protest regarding the proposed service charge increase.

Why is the proposed sewer service charge increase needed?

The wastewater system, commonly known as the Los Osos Water Recycling Facility (LOWRF), completed construction and began receiving flow in March 2016. There are 5,663 connections and the system treats on average 500,000 gallons of influent per day with 100% reuse. Sewer service charges approved in 2010 were calculated and based on projected operation and maintenance costs prior to the construction of the system and the 2010 approved rates have not escalated over the last decade to account for inflation.

Operation and maintenance costs have remained relatively stable over recent years, but current revenues have not been able to cover system needs. Part of the rate structure is a variable volume charge based on an estimate of indoor water use, and thereby sewer flow, for each property. The sewer service charges approved in 2010 were based on community level estimates of indoor use, because actual data did not exist. Revenues from the variable volume charge are less than anticipated and actual operation and maintenance costs exceed the projected costs. As a result, reserves are being exhausted as they are used to balance the budget.

What is the basis of the proposed sewer service charge?

The immediate need is to restructure the rates and charges to keep the wastewater system operating efficiently and within waste discharge regulations, while restoring needed reserves to pay for unanticipated repairs and expenses. Demonstration of adequate reserves are also required to show financial stability and qualify for low or no cost funding opportunities when major infrastructure projects are needed in the future. Figure 1 below shows the projected costs and reserves components over the next five years, based on the proposed rate increase.

Revenues are generated from sewer service charges and a small amount of interest on reserves. The additional revenue from increased sewer service charges will be used to implement projects and programs necessary to provide sewer service in a safe and efficient manner and cannot be accomplished without the service charge rate increase. The building of reserves is a necessary element to provide the financial resources for unanticipated emergency repairs and to prepare the fund for future improvements.

Since Los Osos is primarily residential, a fixed minimum service charge and a variable volume charge is considered to be the most equitable method of distributing the cost of service.

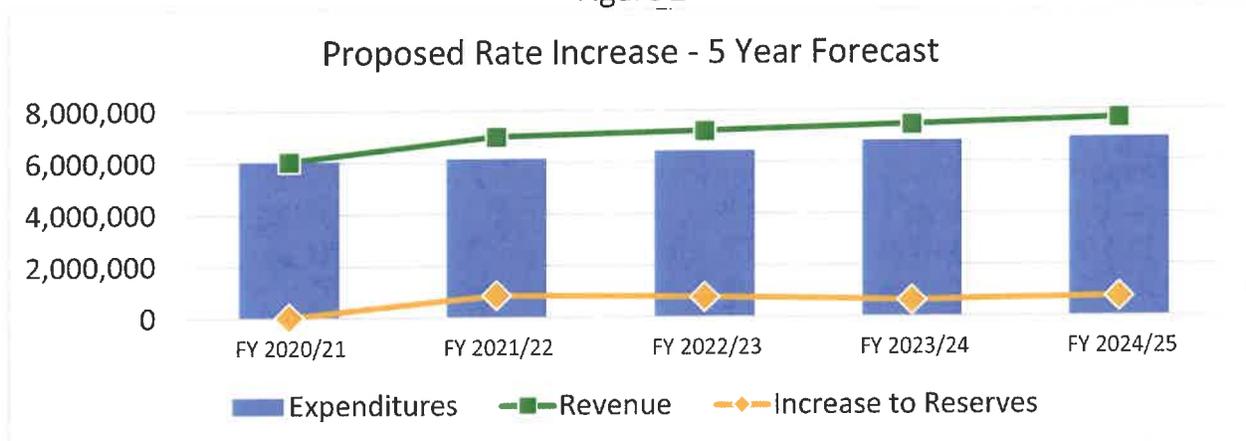
Figure 1 summarizes the projected revenues needed to provide sewer service to the Los Osos service area. The projected revenue amounts are based upon the projected costs for each component below (plus a reserves component). The new proposed service charges were calculated in a manner so that each parcel would not pay more than its proportional cost of the service attributable to that parcel using annual CCF averages (One CCF equals 748 gallons); Single Family 51.84 CCF, Multi Family 42.60 CCF, Mobile Home 28.20 CCF, Non-Residential 201.12 CCF. The proposed sewer service charge increase in FY 2020-21 was determined to generate revenues of approximately \$6,060,240 and provides a positive impact to reserves of approximately \$19,746.

Figure 1

Projected Revenue	FY 2019/20 (Current)	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Revenue	\$5,217,917.00	\$6,060,240.49	\$7,000,436.49	\$7,214,573.49	\$7,438,954.59	\$7,674,767.13
Rate Component	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Operation & Maintenance	\$3,269,424.00	\$3,568,180.64	\$3,671,521.77	\$3,777,963.13	\$3,887,597.74	\$4,000,521.38
Capital Outlay	\$206,300.00	\$268,550.00	\$272,999.30	\$472,440.00	\$735,425.00	\$735,425.00
Debt Service	\$1,651,168.31	\$2,203,763.80	\$2,192,763.80	\$2,181,763.80	\$2,181,763.80	\$2,181,763.80
Increase to Reserves	\$91,024.69	\$19,746.05	\$863,151.62	\$782,406.56	\$634,168.05	\$757,056.95

The reserve goal is 50% (six (6) months) of the Operations and Maintenance budget. Figure 2 shows how the proposed sewer service charge increase will build the revenue stream to accomplish the objectives.

Figure 2



The proposed sewer service charge increase:

The Department of Public Works provides wastewater services within a designated service area in the community of Los Osos. Current charges were based on estimates over 10 years ago before the system was built and did not include an annual cost adjustment necessary for increasing costs. The average single-family home will pay about 6% more for the first two years, then a 3% inflation factor to the service charges through year five.

The proposed rate increase will enable the County to remain compliant with current water quality standards and to provide a reserve balance to fund unplanned repairs or future capital improvements. The "Service Charge" has two parts – (Minimum Charge and Volume Charge) described below.

“Minimum Charge”: The Minimum Charge is a flat rate charge set for each type of property – single family, multi-family, mobile home, or non-residential.

“Volume Charge”: The Volume Charge is a variable that estimates your sewer usage based on indoor water use, which approximates your wastewater flows into the plant. The proposed rate for the Volume Charge in FY 2020-21 is about 1¢ per gallon, or \$7.88 per CCF (One CCF equals 748 gallons). The CCF used to calculate the Volume Charge is recalculated each year based on the most current January and February data Public Works receives from your water company. If you are not connected to the sewer as of the time you received your property tax bill, the Minimum Charge is still due, and no Volume Charge is assessed.

Rates and charges in Figure 3 and 4 would go into effect on July 1 of each Fiscal Year (FY). The FY 2024/25 rates and charges in Figure 3 would remain in effect thereafter unless adjusted or increased by another Board action. The charges in Figure 4 would end after FY 2029/30. The new rates align revenue with costs as follows:

- Provide for a phased service charge increase, beginning July 1, 2020, as shown in Figure 3.
- Establish additional charges for Bayridge Estates tract as shown in Figure 4. Bayridge Estates had a pre-existing sewer collection system which was constructed in the 1970's. This system needed repairs to return it to an acceptable working condition before being brought into the maintenance program for the community wide collection system. The repairs were funded by a loan from the County, and the additional charges are for debt service on that 10-year loan.
- Adjust the minimum service charge for properties without a water meter from an assumed 25 gallons per day (12 units per year) to 100 gallons per day (48 units per year). This adjustment is necessary to encourage properties without a meter to have one installed so that their service charges will better reflect their actual usage.

Figure 3

Sewer Service Charges For San Luis Obispo County Wastewater Assessment District No. 1		
Account Type	Fiscal Year	Volume Charge Per Unit (1 unit = 748 gallons)
Volume Charge		
All Accounts	2019/20 (Current Charge)	\$7.54
	2020/21	\$7.88
	2021/22	\$8.24
	2022/23	\$8.49
	2023/24	\$8.74
	2024/25	\$9.00

Account Type	Fiscal Year	Annual Charge	Monthly Equivalent Charge
Sewer Rates: Residential Customers			
Single family	2019/20 (Current Charge)	\$586.20 per dwelling unit	\$48.85 per dwelling unit
	2020/21	\$693.60 per dwelling unit	\$57.80 per dwelling unit
	2021/22	\$820.80 per dwelling unit	\$68.40 per dwelling unit
	2022/23	\$845.42 per dwelling unit	\$70.45 per dwelling unit
	2023/24	\$870.79 per dwelling unit	\$72.57 per dwelling unit
	2024/25	\$896.91 per dwelling unit	\$74.74 per dwelling unit
Multi-family	2019/20 (Current Charge)	\$439.68 per dwelling unit	\$36.64 per dwelling unit
	2020/21	\$532.80 per dwelling unit	\$44.40 per dwelling unit
	2021/22	\$645.60 per dwelling unit	\$53.80 per dwelling unit
	2022/23	\$664.97 per dwelling unit	\$55.41 per dwelling unit
	2023/24	\$684.92 per dwelling unit	\$57.08 per dwelling unit
	2024/25	\$705.46 per dwelling unit	\$58.79 per dwelling unit
Mobile home or trailer park	2019/20 (Current Charge)	\$293.28 per dwelling unit	\$24.44 per dwelling unit
	2020/21	\$373.92 per dwelling unit	\$31.16 per dwelling unit
	2021/22	\$476.76 per dwelling unit	\$39.73 per dwelling unit
	2022/23	\$491.06 per dwelling unit	\$40.92 per dwelling unit
	2023/24	\$505.79 per dwelling unit	\$42.15 per dwelling unit
	2024/25	\$520.97 per dwelling unit	\$43.41 per dwelling unit
Sewer Rates: Non-residential Customers			
All non-residential accounts	2019/20 (Current Charge)	\$733.56 per account	\$61.13 per account
	2020/21	\$1,529.64 per account	\$127.47 per account
	2021/22	\$3,189.60 per account	\$265.80 per account
	2022/23	\$3,285.29 per account	\$273.77 per account
	2023/24	\$3,383.85 per account	\$281.99 per account
	2024/25	\$3,485.36 per account	\$290.45 per account

Figure 4

Additional Charges for Bayridge Estates (Tract Map No. 527)			
Account Type	Fiscal Year	Annual Charge	Monthly Equivalent Charge
Debt Service			
	2020/21	\$179.04	\$14.92
	2021/22	\$179.04	\$14.92
	2022/23	\$179.04	\$14.92
	2023/24	\$179.04	\$14.92
	2024/25	\$179.04	\$14.92
	2025/26	\$179.04	\$14.92
	2026/27	\$179.04	\$14.92
	2027/28	\$179.04	\$14.92
	2028/29	\$179.04	\$14.92
	2029/30	\$179.04	\$14.92

How to protest the proposed service charge increase:

Under Proposition 218, if you are the owner of record of a parcel directly liable for payment of a wastewater service bill, you may submit a written protest to the proposed change to the sewer service charge presented in this notice. Only one written protest per affected property will be counted towards the majority protest. If written protests are filed by a majority of the affected parcel owners, the proposed charge increase will not be imposed. Oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest. The Board of Supervisors welcomes input from the community during the public hearing.

In order for your protest to be valid, it is important that you follow the instructions below..

1. The written protest must be received by the County Clerk of the Board of Supervisors at or before the end of the public hearing on April 21, 2020.
2. Protests must contain:
 - a. The printed name and signature of the protester;
 - b. the service address (or the Assessor’s Parcel Number) of the affected property; and
 - c. a statement that the sewer service charge increase is being protested.

Written protests may be mailed or personally delivered to the County Clerk of the Board of Supervisors at 1055 Monterey Street, Suite D430, San Luis Obispo, CA 93408. Email and fax protests are not valid.

File: CF 320.600.01

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PROPOSED SEWER SERVICE CHARGE PROTEST FORM FOR LOS OSOS

DATE: _____
(Please Print)

NAME: _____
(Please Print)

SERVICE ADDRESS OR APN: _____
(Please Print)

I AM PROTESTING THE PROPOSED SEWER SERVICE CHARGE (CHECK BOX TO CONFIRM PROTEST)

SIGNATURE: _____

COUNTY CLERK OF THE BOARD OF SUPERVISORS
1055 MONTEREY STREET, SUITE D430
SAN LUIS OBISPO, CA 93408

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