

Aerial view of Los Osos  
via Google Earth



# SAN LUIS OBISPO COUNTY MONARCH GROVE

## Wastewater Capacity Charge Study

February 2018

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## **SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY**

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The County of San Luis Obispo retained NBS to conduct a wastewater capacity charge study for the proposed connection of the Monarch Grove subdivision to the County's Los Osos wastewater system. The capacity charge developed in this study reflects the cost of capital infrastructure needed to serve this subdivision, and this report summarizes the results of our analysis.

Government Code section 66013 authorizes public agencies to impose capacity charges on new customers connecting to an existing utility. That section defines a "capacity charge" as "a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense relating to its use of existing or new public facilities." A "capacity charge" does not include a commodity charge. These charges were calculated according to industry standard set by the American Water Works Association.

## SECTION 2. CAPACITY CHARGE STUDY

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### A. INTRODUCTION

Consistent with Government Code section 66013, the analysis herein provides for a capacity charge that requires new customers in the Monarch Grove to pay their fair share of existing system assets needed to provide them with capacity in the County's wastewater system. As a result, new customers connecting to the County's wastewater system would enter as equal participants with regard to their financial commitment and obligations to the utility.

The replacement-cost-new-less-depreciation (RCNLD) value of existing system assets was used to calculate the capacity charge. The Engineering News Record Construction Cost Index, which is a construction index that tracks construction costs, was used to estimate the replacement value of the existing system assets.

The methodology for establishing the Capacity Charge for Monarch Grove follows the "Engineer's Report for the San Luis Obispo County Wastewater Assessment District No. 1" ("Engineer's Report") dated August 28, 2007. In 2007, the County of San Luis Obispo created an assessment district to pay for the new wastewater system in the unincorporated community of Los Osos. At the time, the community of Monarch Grove asked to be left out of this assessment and continued to utilize the on-site tertiary treatment facility that was under a separate permit with the Regional Water Quality Control Board. For a variety of reasons, Monarch Grove has recently sought to connect into the County's wastewater treatment plant. This report outlines how the capacity charge is derived using the Engineer's Report methodology as a basis for spreading benefit units to existing and future customers (including Monarch Grove).

### B. EXISTING AND FUTURE CONNECTIONS

In formation of the Assessment District, five Wastewater System Components were assigned Benefit Units: Lateral Line Facilities (Lateral), Collector Line Facilities (Collector), Trunk Line Facilities (Trunk), Treatment/Disposal Facilities, and Common Facilities. The parcels in Monarch Grove are assigned one (1) Benefit Unit for Trunk, Treatment/Disposal and Common. They are exempt from the Lateral and Collector cost components because lateral and collector facilities had been previously constructed when the Monarch Grove subdivision was developed in 1997. **Figure 1** shows the Benefit Units ("BU") for each system component that are allocated to each group of customers.

**Figure 1. Summary of Current and Future Benefit Units by System Component**

System Components	Build Out Benefit Units <sup>1</sup>	Confirmed Benefit Units <sup>2</sup>	Monarch Grove Benefit Units <sup>3</sup>	Remaining BU's Available for Future Customers <sup>4</sup>
<i>Formula:</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = a - b - c</i>
Lateral	4,769.00	4,281.00	-	488.00
Collector	5,745.47	4,878.69	-	866.78
Trunk	6,734.72	5,352.69	83.00	1,298.03
Treatment/Disposal	6,734.72	5,352.69	83.00	1,298.03
Common	6,734.72	5,352.69	83.00	1,298.03

1. From Table 2 in the August 28, 2007 San Luis Obispo County Wastewater Assessment District No. 1 Engineer's Report. Source: Engineers Report BOS 8-28-07.pdf.
2. From 2008 Assessment Roll. Source: 02-25-08 Assessment Roll.xlsx.
3. Per legal description for Monarch Grove; lots 1 - 39 inclusive of Tract 1589, Phase 1 (recorded April 24, 1997 in Book 18, Page 6 of Maps) and lots 43-86 inclusive of Tract 1589, Phase 2 (recorded October 31, 1997 in Book 18, Page 32 of Maps), all in the County of San Luis Obispo, State of California, in the Office of the Recorder.
4. Calculated by NBS.

As shown in Figure 1, Benefit Units are distributed to the customer groups as follows:

- Build Out – this represents the total benefit units the County planned for when constructing the wastewater system; this is the total number of connections expected.
- Confirmed – this represents the total benefit units that are currently connected to the wastewater system.
- Monarch Grove – these are benefit units for the parcels in the Monarch Grove subdivision that are connecting to the county's wastewater system.
- Future Customers – this represents capacity available for future users in the wastewater system.

**Figure 2** shows the proportion of Benefit Units distributed to each customer group, for each component in the system. These proportions are used in **Figure 3** and **Figure 4** to allocate system buy-in cost to each system component and customer group.

**Figure 2. Proportionate Share of Benefit Units by System Component**

System Components	% Allocation of Benefit Units			
	%Confirmed Benefit Units	% Monarch Grove BU's	% Future Customer BU's	Total
<i>Formula<sup>1</sup>:</i>	<i>e = b / a</i>	<i>f = c / a</i>	<i>g = d / a</i>	<i>h = e + f + g</i>
Lateral	89.8%	0.0%	10.2%	<b>100%</b>
Collector	84.9%	0.0%	15.1%	<b>100%</b>
Trunk	79.5%	1.2%	19.3%	<b>100%</b>
Treatment/Disposal	79.5%	1.2%	19.3%	<b>100%</b>
Common	79.5%	1.2%	19.3%	<b>100%</b>

1. Components a,b, and c are from Figure 1.

### C. EXISTING ASSETS

The replacement-cost-new-less-depreciation (RCNLD) value of existing capital assets was used in this study, to provide an up to date asset value that reflects estimated cost inflation. The Engineering News Record (ENR) Construction Cost Index is a cost inflation index that tracks construction costs; this was used to estimate the replacement value of the existing system assets. The RCNLD is the calculated by taking the book value of existing assets and escalating them to current-day dollars using the ENR Construction Cost Index. The resulting value of existing assets is summarized in Figure 3 as the System Buy-In Cost Basis. The allocation of system costs to Monarch Grove customers is \$1,577,388.

**Figure 3. System Buy-in Cost Basis by System Component**

System Component	System Buy-in Cost Basis	Distribution of Cost Basis (\$) <sup>1</sup>			Total
		Existing Customers	Monarch Grove	Future Customers	
Lateral	\$ 12,452,779	\$ 11,178,517	\$ -	\$ 1,274,262	\$ 12,452,779
Collector	42,098,342	35,747,252	-	6,351,091	\$ 42,098,342
Trunk	31,179,444	24,781,119	384,262	6,014,064	\$ 31,179,444
Treatment/Disposal	93,548,145	74,351,157	1,152,906	18,044,083	\$ 93,548,145
Common	3,263,574	2,593,857	40,221	629,496	\$ 3,263,574
<b>Total Asset Value</b>	<b>\$ 182,542,285</b>	<b>\$ 148,651,901</b>	<b>\$ 1,577,388</b>	<b>\$ 32,312,996</b>	<b>\$ 182,542,285</b>
<i>Percentage of Total Asset Value</i>		<i>81.4%</i>	<i>0.9%</i>	<i>17.7%</i>	<i>100.0%</i>

1. The cost basis is allocated to each group of customers based on the percentage allocation of benefit units to each system component, from Figure 2. See Appendix Tables 3 and 4 for detailed calculations.

## D. ADJUSTMENTS TO THE COST BASIS

Before the capacity charges are developed, an adjustment is applied to the cost basis to account for existing cash reserves as well as credit for debts and loans. Existing cash is treated as an asset, since it was contributed by existing customers and is available to pay for capital and/or operating costs of the wastewater utility. The cash is in a sense, no different from any other system asset and therefore, allocated to each customer group as summarized in Figure 4. This calculation uses the Total Proportionate share of Benefit Units by System Component allocation factor from Figure 3. The allocation of cash reserves to Monarch Grove customers is \$26,506.

**Figure 4. Cash Allocated to Monarch Grove and other New Customers**

Cash Reserves	Amount	\$ - Allocation <sup>2</sup>			
		Existing Customers	Monarch Grove	Future Customers	Exclude From Fee Basis
Cash in Treasury <sup>1</sup>	\$ 3,067,369	\$ 2,497,888	\$ 26,506	\$ 542,975	\$ -
<b>Total</b>	<b>\$ 3,067,369</b>	<b>\$ 2,497,888</b>	<b>\$ 26,506</b>	<b>\$ 542,975</b>	<b>\$ -</b>
<i>Percentage Allocation (%)</i>	<i>100.0%</i>	<i>81.4%</i>	<i>0.9%</i>	<i>17.7%</i>	<i>0.0%</i>

1. Source: Trial Balance as of 6.13.2017.pdf

2. Cash reserves are allocated proportionately in the same manner as existing assets, from Figure 3.

Because outstanding debt is included as a cost in the wastewater rate<sup>1</sup>, a credit to the capacity charge must be applied to avoid a parcel being charged twice for debt service payments. The County has a total of seven outstanding loans for the wastewater system, including two State Revolving Fund (SRF) loans, one loan from the United States Department of Agriculture (USDA) and four loans from other County funds. Note that the two assessment-backed loans are excluded from the credit for outstanding debt because the parcels in Monarch Grove were not included in the original assessment district. This

<sup>1</sup> The “wastewater rate” refers to the monthly service charge new customers will pay once connected to the system.

calculation uses the Percentage of Total Asset Value from Figure 3 to allocate the applicable outstanding loans to each customer group. The total credit to Monarch Grove customers is \$313,042.

**Figure 5. Allocation of Outstanding Debt to Current and Future Users**

Description of Debt Issue	Amount Outstanding as of 7/1/2017	\$ - Allocation			
		Confirmed BU's	Monarch Grove BU's	Future Customer BU's	Exclude From Fee Basis
<i>External Loans, State Revolving Fund &amp; USDA:</i>					
Project No. 5230-110 (Assessment Backed) <sup>1,2</sup>	\$ 35,046,290	\$ -	\$ -	\$ -	\$ 35,046,290
Project No. 5230-120 (Rates, Fees & Charges) <sup>1,3</sup>	30,607,882	24,925,293	264,489	5,418,100	\$ -
USDA Loan (Assessment Backed) <sup>4</sup>	78,089,000	-	-	-	\$ 78,089,000
<i>County Interfund Loans<sup>5</sup>:</i>					
Flood Control Zone General (GL Acct #2100000)	1,405,699	1,144,720	12,147	248,832	\$ -
Flood Control Zone General (GL Acct #2201166)	1,063,022	865,664	9,186	188,172	\$ -
Cash Flow Loan 1	2,750,000	2,239,441	23,763	486,795	\$ -
Cash Flow Loan 2	400,000	325,737	3,456	70,807	\$ -
<b>Total</b>	<b>\$149,361,893</b>	<b>\$ 29,500,855</b>	<b>\$ 313,042</b>	<b>\$ 6,412,706</b>	<b>\$113,135,290</b>

1. Source: SKM\_C30817072408220.pdf

2. Assessment backed SRF loan is excluded from the fee basis, since it does not benefit Monarch Grove.

3. SRF Rates, Fees and Charges backed loan is allocated to each customer group (Confirmed, Monarch Grove and Future Customers) in the same manner as existing assets (in total), from Figure 3.

4. Source: LOWWP USDA ABs amort.xlsx. Loan is backed by the Assessment District, and excluded from the fee basis, since it does not benefit Monarch Grove.

5. Interfund loans are allocated to existing and future users in the same manner as existing assets (in total), from Figure 3.

## E. CALCULATED CAPACITY CHARGES

The sum of the existing asset values (that is, the system buy-in and system development charges), along with the adjustments for existing cash reserves and debt, defines the total cost basis allocated to new customers in Monarch Grove. The total adjusted cost basis is divided by the total number of Benefit Units in Monarch Grove, which is 83, for Trunk, Treatment/Disposal and Common. The resulting capacity charge for Monarch Grove is \$15,848 per parcel, and this calculation is shown in **Figure 6**.

**Figure 6. Summary of Costs Allocated to Monarch Grove and Calculated Capacity Charges**

System Asset Values Allocated to Monarch Grove Customers	Total Cost Basis	Monarch Grove BU's	Cost Per BU
<i>Formula:</i>	<i>a</i>	<i>b</i>	<i>c = a / b</i>
<b>Existing System Assets<sup>1</sup></b>			
Lateral	\$ -	0	\$ -
Collector	-	0	-
Trunk	384,262	83	4,630
Treatment/Disposal	1,152,906	83	13,890
Common	40,221	83	485
<b>Subtotal: Existing System Buy-In</b>	<b>\$ 1,577,388</b>	249	<b>\$ 19,005</b>
<b>Adjustments to Cost Basis</b>			
Cash Reserves <sup>2</sup>	\$ 26,506	83	\$ 319
Outstanding Long-Term Debt (Principal)	(313,042)	83	(3,772)
Cost of Capacity Fee Study	24,560	83	296
<b>Total: Adjustments to Cost Basis</b>	<b>\$ (261,976)</b>	249	<b>(3,156)</b>
<b>Total</b>	<b>\$ 1,315,412</b>	--	<b>\$ 15,848</b>

1. Refer to Figure 3 for existing asset values.

2. Refer to Figure 4 for cash reserves.

## F. PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this study and the recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, existing and future customers, conditions and events that may occur in the future. This information and assumptions, including the County's asset records, financial information and customer data (provided by County staff), were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein or may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

**APPENDIX: TABLES FROM THE WASTEWATER CAPACITY CHARGE STUDY**

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
Sewer Capacity Fee Analysis  
Demographic Data and Projections

**TABLE 1**  
**Buildout vs. Developed Benefit Units (derived from Table 2 in the Assessment District No. 1 Engineer's Report)**

System Components	Build Out BU's <sup>1</sup>	Confirmed Benefit Units <sup>2</sup>	Monarch Grove BU's <sup>3</sup>	Remaining BU's Available for Future Customers <sup>4</sup>
<i>Formula:</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = a - b - c</i>
Lateral	4,769.00	4,281.00	-	488.00
Collector	5,745.47	4,878.69	-	866.78
Trunk	6,734.72	5,352.69	83.00	1,299.03
Treatment/Disposal	6,734.72	5,352.69	83.00	1,299.03
Common	6,734.72	5,352.69	83.00	1,299.03

1. From Table 2 in the August 28, 2007 San Luis Obispo County Wastewater Assessment District No. 1 Engineer's Report. Source: *Engineers Report BOS 8-28-07.pdf*.
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3. Per legal description for Monarch Grove; lots 1 - 39 inclusive of Tract 1589, Phase 1 (recorded April 24, 1997 in Book 18, Page 6 of Maps) and lots 43-86 inclusive of Tract 1589, Phase 2 (recorded October 31, 1997 in Book 18, Page 32 of Maps), all in the County of San Luis Obispo, State of California, in the Office of the Recorder.
4. Calculated by NBS.

**TABLE 2**  
**Buildout vs. Developed Benefit Units (derived from Table 2 in the Assessment District No. 1 Engineer's Report)**

System Components	Summary of Benefit Units (from Table 1)				% Allocation of Benefit Units			
	Existing Customers <sup>1</sup>	Monarch Grove <sup>2</sup>	Future Customers <sup>3</sup>	Total Build Out BU's	Existing Customers	Monarch Grove	Future Customers	Total
<i>Formula:</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = a + b + c</i>	<i>e = a / d</i>	<i>f = b / d</i>	<i>g = c / d</i>	<i>h = e + f + g</i>
Lateral	4,281.00	-	488.00	<b>4,769.00</b>	89.8%	0.0%	10.2%	<b>100%</b>
Collector	4,878.69	-	866.78	<b>5,745.47</b>	84.9%	0.0%	15.1%	<b>100%</b>
Trunk	5,352.69	83.00	1,299.03	<b>6,734.72</b>	79.5%	1.2%	19.3%	<b>100%</b>
Treatment/Disposal	5,352.69	83.00	1,299.03	<b>6,734.72</b>	79.5%	1.2%	19.3%	<b>100%</b>
Common	5,352.69	83.00	1,299.03	<b>6,734.72</b>	79.5%	1.2%	19.3%	<b>100%</b>
<b>Total</b>	<b>25,217.76</b>	<b>249.00</b>	<b>5,251.87</b>	<b>30,718.63</b>	<b>82.1%</b>	<b>0.8%</b>	<b>17.1%</b>	<b>100%</b>

1. From "Confirmed Benefit Units" in Table 1.
2. From "Monarch Grove BU's" in Table 1.
3. From "Remaining BU's Available for Future Customers" in Table 1.

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
Sewer Capacity Fee Analysis  
Existing Capital Facilities and Equipment for Consideration (System Buy-In)

TABLE 3  
Existing Assets, Original and Replacement Cost<sup>1</sup>:

Asset Category	Component <sup>2</sup>	Year	Construction/ Acquisition Year	Original Values		Asset Cost Less Depreciation	Cost Inflation <sup>3</sup>	System Buy-In Cost Basis	Note
				Asset Cost	Depreciation to Date				
TN El Moro BL 48 PTN LT 3	Trunk	2011	12/1/2011	\$ 20,000	\$ -	\$ 20,000	119%	\$ 23,881	4
TN El Moro BL 48 PTN LT 4	Trunk	2011	12/1/2011	20,000	-	20,000	119%	23,881	4
TN El Moro BL 48 PTN LT 5	Trunk	2011	12/1/2011	20,000	-	20,000	119%	23,881	4
TN El Moro BL 48 PTN LTS 1 & 2	Trunk	2011	12/1/2011	20,000	-	20,000	119%	23,881	4
T30S R10E PTN SEC 24	Treatment/Disposal	2011	12/1/2011	800,000	-	800,000	119%	955,242	4
T30S R10E PTN SEC 24	Treatment/Disposal	2011	12/1/2011	800,000	-	800,000	119%	955,242	4
RHO LS OSOS & LL PTN LT 79	Trunk	2011	12/1/2011	10,000	-	10,000	119%	11,941	4
PM 17/126 PAR 1	Common	2011	12/1/2011	700,000	-	700,000	119%	835,837	4
PM 53-18 PAR 1	Trunk	2011	12/1/2011	80,000	-	80,000	119%	95,524	4
KONICA MINOLTA	Common	2016	6/8/2016	7,422	(1,608)	5,814	103%	5,988	
KAF 400FFG, SE Sunbeam Red	Common	2016	6/13/2016	8,341	(1,291)	7,050	103%	7,261	
MITSUBISHI FORKLIFT	Common	2016	12/7/2016	27,000	(1,575)	25,425	103%	26,187	
Spectrophotometer with RFID Tech	Common	2016	5/4/2016	8,795	(968)	7,827	103%	8,062	
GODWIN POWER GENERATOR	Trunk	2016	6/21/2016	38,774	(3,877)	34,897	103%	35,944	
DRI-PRIME NC150 PORTABLE PUMP CRITICALLY SILENCED	Collector	2016	6/30/2016	59,294	(8,471)	50,823	103%	52,348	
MQ POWER SERIES WHISPERWATT GENERATOR	Treatment/Disposal	2017	3/27/2017	14,093	(352)	13,740	100%	13,740	
LOWWP-Right of Way	Treatment/Disposal	2016	4/1/2016	2,882,994	-	2,882,994	103%	2,969,484	
LOWWP-MidTown Improvements(Trails,Fencing&Grading)	Common	2016	4/1/2016	905,172	(45,259)	859,913	103%	885,710	
LOWWP-Infra-Sewer Treatment Plants	Treatment/Disposal	2016	4/1/2016	14,317,480	(357,937)	13,959,543	103%	14,378,329	
LOWWP-Infra-Sewer Treatment Plants-Federal Grant	Treatment/Disposal	2016	4/1/2016	4,061,000	(101,525)	3,959,475	103%	4,078,259	
LOWWP-Infra-Sewer Treatment Plants-State Grants	Treatment/Disposal	2016	4/1/2016	9,945,444	(248,636)	9,696,808	103%	9,987,712	
LOWWP-Forcemain Pipe	Trunk	2016	4/1/2016	7,328,280	(183,207)	7,145,073	103%	7,359,425	
LOWWP-Gravity Pipe- Trunk Portion	Trunk	2016	4/1/2016	6,524,532	(108,742)	6,415,790	103%	6,608,263	5
LOWWP-Gravity Pipe- Collector Portion	Collector	2016	4/1/2016	27,635,321	(460,589)	27,174,732	103%	27,989,974	5
LOWWP-Laterals	Lateral	2016	4/1/2016	12,294,993	(204,917)	12,090,077	103%	12,452,779	
LOWWP-Manholes- Trunk Portion	Trunk	2016	4/1/2016	1,493,859	(24,898)	1,468,962	103%	1,513,031	5
LOWWP-Manholes- Collector Portion	Collector	2016	4/1/2016	6,327,394	(105,457)	6,221,937	103%	6,408,595	5
LOWWP-Broderson Leach Field	Treatment/Disposal	2016	4/1/2016	4,061,095	(203,055)	3,858,041	103%	3,973,782	
LOWWP-Infra-Transmission & DistributionLines-Sewer	Treatment/Disposal	2016	4/1/2016	7,259,345	(120,989)	7,138,356	103%	7,352,506	
LOWWP-Distribution Pipe	Treatment/Disposal	2016	4/1/2016	6,203,399	(103,390)	6,100,009	103%	6,283,009	
LOWWP-Infra-Transmission & DistributionLines-Water	Treatment/Disposal	2016	4/1/2016	3,619,044	(60,317)	3,558,726	103%	3,665,488	
LOWWP-Power Lines	Common	2016	4/1/2016	1,388,836	(69,442)	1,319,394	103%	1,358,976	
LOWWP-Pocket Pump Station 04A SANTA LUCIA AT 4TH	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 05A PALISADES AVE.	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 07A NORTH END OF 7TH ST.	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 08A NORTH END OF 8TH ST.	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 09A NORTH END OF 9TH ST.	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 09B 9TH ST. AT SAN LUIS	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-PocketPumpStation09C 9TH ST NORTH END RAMONA	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 10A NORTH END OF 10TH ST	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 11A NORTH END OF 11TH ST	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 12A NORTH END OF 12TH ST	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 13A NORTH END OF 13TH ST	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	
LOWWP-Pocket Pump Station 15B NORTH END OF 15TH ST	Collector	2016	4/1/2016	650,431	(32,522)	617,910	103%	636,447	

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
Sewer Capacity Fee Analysis  
Existing Capital Facilities and Equipment for Consideration (System Buy-In)

TABLE 3  
Existing Assets, Original and Replacement Cost<sup>1</sup>:

Asset Category	Component <sup>2</sup>	Year	Construction/ Acquisition Year	Original Values		Asset Cost Less Depreciation	Cost Inflation <sup>3</sup>	System Buy-In Cost Basis	Note
				Asset Cost	Depreciation to Date				
LOWWP-Baywood Pump Station 2ND ST. AT EL MORRO	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - Baywood & West Paso	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-East Paso Pump Station 1510 - 18TH ST.	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - East Paso PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-East Ysabel Pump Station 1441 SANTA YSABEL	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - East Ysabel PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-Lupine Pump Station LUPINE AT DORIS AVE.	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - Lupine PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-Mid-Town Pump Station LOVR AT RAVENNA	Trunk	2016	4/1/2016	1,272,423	(63,621)	1,208,802	103%	1,245,066	
LOWWP-Generator Building - Mid-Town PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-MountainViewPmpSt MOUNTAIN VIEW @ SANTA YNEZ	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - Mountain View PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-Sunny Oaks Pump Station 1695 LOVR	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - Sunny Oaks PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-Solano Pump Station 1930 SOLANO ST.	Trunk	2016	4/1/2016	794,411	(39,721)	754,690	103%	777,331	
LOWWP-Generator Building - Solano PS	Trunk	2016	4/1/2016	788,116	(39,406)	748,710	103%	771,171	
LOWWP-WestPasoPumpStation WEST PASO AT PASO ROBLES	Trunk	2016	4/1/2016	1,272,423	(63,621)	1,208,802	103%	1,245,066	
LOWWP-Infra-Structures/Buildings	Treatment/Disposal	2016	4/1/2016	28,920,480	(1,446,024)	27,474,456	103%	28,298,690	
LOWWP-Fiber Lines	Trunk	2016	4/1/2016	1,388,836	(69,442)	1,319,394	103%	1,358,976	
LOWWP-Small Tools	Common	2016	4/1/2016	166,237	(34,633)	131,605	103%	135,553	
LOWWP-Water Quality Lab	Treatment/Disposal	2016	4/1/2016	26,820	(3,352)	23,467	103%	24,171	
Los Osos Wastewater Project	Treatment/Disposal	2011	6/16/2011	9,026,530	(139,138)	8,887,392	119%	10,612,011	6
Right of Way Los Osos Wastewater Proj	Treatment/Disposal	2011	6/16/2011	401	-	401	119%	479	4
Bayridge Estates Ph2 Sewer MaintImpLOWWP	Collector	2017	3/17/2017	10,059	-	10,059	100%	10,059	
<b>Total Capital Facilities &amp; Equipment</b>				<b>\$ 180,637,091</b>	<b>\$ (5,219,880)</b>	<b>\$ 175,417,211</b>		<b>\$ 182,542,285</b>	

- The source of the original asset cost and depreciation to date is the District's fixed asset list (depreciation is as of June 30, 2016). Fixed asset data was provided in the following source file: *Fixed Assets 6\_30\_17.xlsx*
- Classification of Assets provided by City. Source file: *Copy of 430 Fixed Assets as of 06-13-2017\_w system component JG Comments.xlsx*
- Project costs are inflated by 3.0% per year, Engineering News Record estimates of construction cost inflation. Estimated Replacement Cost is used in the capacity fee calculation is known as the "System Buy-in Cost Basis."
- These assets have no depreciation because they are land.
- In Table A.1- Collection System Special Benefit and Component Allocation of the Engineer Report, Collector and Trunk Component are split by 80.90% and 19.10% respectively for Gravity Sewers/force mains and Manholes. Source: Engineers Report BOS 8-29-07.pdf
- Depreciation adjusted per Email from County sent August 31, 2017.

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
Sewer Capacity Fee Analysis  
Existing Capital Facilities and Equipment for Consideration (System Buy-In)

TABLE 4  
Existing Assets, Allocation to Existing and New Customers:

Asset Category	Component	System Buy-In Cost Basis	Allocation Basis (%) <sup>1</sup>			Distribution of Cost Basis (\$)		
			Existing Customers	Monarch Grove	Future Customers	Existing Customers	Monarch Grove	Future Customers
TN El Moro BL 48 PTN LT 3	Trunk	\$ 23,881	79.5%	1.2%	19.3%	\$ 18,980	\$ 294	\$ 4,606
TN El Moro BL 48 PTN LT 4	Trunk	23,881	79.5%	1.2%	19.3%	18,980	294	4,606
TN El Moro BL 48 PTN LT 5	Trunk	23,881	79.5%	1.2%	19.3%	18,980	294	4,606
TN El Moro BL 48 PTN LTS 1 & 2	Trunk	23,881	79.5%	1.2%	19.3%	18,980	294	4,606
T30S R10E PTN SEC 24	Treatment/Disposal	955,242	79.5%	1.2%	19.3%	759,217	11,773	184,252
T30S R10E PTN SEC 24	Treatment/Disposal	955,242	79.5%	1.2%	19.3%	759,217	11,773	184,252
RHO LS OSOS & LL PTN LT 79	Trunk	11,941	79.5%	1.2%	19.3%	9,490	147	2,303
PM 17/126 PAR 1	Common	835,837	79.5%	1.2%	19.3%	664,315	10,301	161,221
PM 53-18 PAR 1	Trunk	95,524	79.5%	1.2%	19.3%	75,922	1,177	18,425
KONICA MINOLTA	Common	5,988	79.5%	1.2%	19.3%	4,759	74	1,155
KAF 400FFG, SE Sunbeam Red	Common	7,261	79.5%	1.2%	19.3%	5,771	89	1,401
MITSUBISHI FORKLIFT	Common	26,187	79.5%	1.2%	19.3%	20,814	323	5,051
Spectrophotometer with RFID Tech	Common	8,062	79.5%	1.2%	19.3%	6,408	99	1,555
GODWIN POWER GENERATOR	Trunk	35,944	79.5%	1.2%	19.3%	28,568	443	6,933
DRI-PRIME NC150 PORTABLE PUMP CRITICALLY SILENCED	Collector	52,348	84.9%	0.0%	15.1%	44,451	-	7,897
MQ POWER SERIES WHISPERWATT GENERATOR	Treatment/Disposal	13,740	79.5%	1.2%	19.3%	10,921	169	2,650
LOWWP-Right of Way	Treatment/Disposal	2,969,484	79.5%	1.2%	19.3%	2,360,117	36,597	572,771
LOWWP-MidTown Improvements(Trails,Fencing&Grading)	Common	885,710	79.5%	1.2%	19.3%	703,954	10,916	170,841
LOWWP-Infra-Sewer Treatment Plants	Treatment/Disposal	14,378,329	79.5%	1.2%	19.3%	11,427,756	177,201	2,773,372
LOWWP-Infra-Sewer Treatment Plants-Federal Grant	Treatment/Disposal	4,078,259	79.5%	1.2%	19.3%	3,241,361	50,261	786,637
LOWWP-Infra-Sewer Treatment Plants-State Grants	Treatment/Disposal	9,987,712	79.5%	1.2%	19.3%	7,938,137	123,091	1,926,485
LOWWP-Forcemain Pipe	Trunk	7,359,425	79.5%	1.2%	19.3%	5,849,199	90,699	1,419,527
LOWWP-Gravity Pipe- Trunk Portion	Trunk	6,608,263	79.5%	1.2%	19.3%	5,252,184	81,442	1,274,638
LOWWP-Gravity Pipe- Collector Portion	Collector	27,989,974	84.9%	0.0%	15.1%	23,767,317	-	4,222,657
LOWWP-Laterals	Lateral	12,452,779	89.8%	0.0%	10.2%	11,178,517	-	1,274,262
LOWWP-Manholes- Trunk Portion	Trunk	1,513,031	79.5%	1.2%	19.3%	1,202,542	18,647	291,842
LOWWP-Manholes- Collector Portion	Collector	6,408,595	84.9%	0.0%	15.1%	5,441,774	-	966,821
LOWWP-Broderson Leach Field	Treatment/Disposal	3,973,782	79.5%	1.2%	19.3%	3,158,323	48,974	766,485
LOWWP-Infra-Transmission & DistributionLines-Sewer	Treatment/Disposal	7,352,506	79.5%	1.2%	19.3%	5,843,701	90,614	1,418,192
LOWWP-Distribution Pipe	Treatment/Disposal	6,283,009	79.5%	1.2%	19.3%	4,993,675	77,433	1,211,902
LOWWP-Infra-Transmission & DistributionLines-Water	Treatment/Disposal	3,665,488	79.5%	1.2%	19.3%	2,913,294	45,174	707,020
LOWWP-Power Lines	Common	1,358,976	79.5%	1.2%	19.3%	1,080,101	16,748	262,127
LOWWP-Pocket Pump Station 04A SANTA LUCIA AT 4TH	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 05A PALISADES AVE.	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 07A NORTH END OF 7TH ST.	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 08A NORTH END OF 8TH ST.	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 09A NORTH END OF 9TH ST.	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 09B 9TH ST. AT SAN LUIS	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-PocketPumpStation09C 9TH ST NORTH END RAMONA	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 10A NORTH END OF 10TH ST	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 11A NORTH END OF 11TH ST	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 12A NORTH END OF 12TH ST	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 13A NORTH END OF 13TH ST	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016
LOWWP-Pocket Pump Station 15B NORTH END OF 15TH ST	Collector	636,447	84.9%	0.0%	15.1%	540,431	-	96,016

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
Sewer Capacity Fee Analysis  
Existing Capital Facilities and Equipment for Consideration (System Buy-In)

TABLE 4  
Existing Assets, Allocation to Existing and New Customers:

Asset Category	Component	System Buy-In Cost Basis	Allocation Basis (%) <sup>1</sup>			Distribution of Cost Basis (\$)		
			Existing Customers	Monarch Grove	Future Customers	Existing Customers	Monarch Grove	Future Customers
LOWWP-Baywood Pump Station 2ND ST. AT EL MORRO	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - Baywood & West Paso	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-East Paso Pump Station 1510 - 18TH ST.	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - East Paso PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-East Ysabel Pump Station 1441 SANTA YSABEL	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - East Ysabel PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-Lupine Pump Station LUPINE AT DORIS AVE.	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - Lupine PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-Mid-Town Pump Station LOVR AT RAVENNA	Trunk	1,245,066	79.5%	1.2%	19.3%	989,566	15,344	240,155
LOWWP-Generator Building - Mid-Town PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-MountainViewPmpSt MOUNTAIN VIEW @ SANTA YNEZ	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - Mountain View PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-Sunny Oaks Pump Station 1695 LOVR	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - Sunny Oaks PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-Solano Pump Station 1930 SOLANO ST.	Trunk	777,331	79.5%	1.2%	19.3%	617,815	9,580	149,936
LOWWP-Generator Building - Solano PS	Trunk	771,171	79.5%	1.2%	19.3%	612,919	9,504	148,748
LOWWP-WestPasoPumpStation WEST PASO AT PASO ROBLES	Trunk	1,245,066	79.5%	1.2%	19.3%	989,566	15,344	240,155
LOWWP-Infra-Structures/Buildings	Treatment/Disposal	28,298,690	79.5%	1.2%	19.3%	22,491,524	348,759	5,458,408
LOWWP-Fiber Lines	Trunk	1,358,976	79.5%	1.2%	19.3%	1,080,101	16,748	262,127
LOWWP-Small Tools	Common	135,553	79.5%	1.2%	19.3%	107,736	1,671	26,146
LOWWP-Water Quality Lab	Treatment/Disposal	24,171	79.5%	1.2%	19.3%	19,211	298	4,662
Los Osos Wastewater Project	Treatment/Disposal	10,612,011	79.5%	1.2%	19.3%	8,434,323	130,784	2,046,903
Right of Way Los Osos Wastewater Proj	Treatment/Disposal	479	79.5%	1.2%	19.3%	381	6	92
Bayridge Estates Ph2 Sewer MaintImpLOWWP	Collector	10,059	84.9%	0.0%	15.1%	8,541	-	1,517
<b>Total Capital Facilities &amp; Equipment</b>		<b>\$ 182,542,285</b>	<b>81.4%</b>	<b>0.9%</b>	<b>17.7%</b>	<b>\$ 148,651,901</b>	<b>\$ 1,577,388</b>	<b>\$ 32,312,996</b>

1. The allocation %'s used here are per the allocations for each system component as shown in Table 2.

TABLE 5  
Summary of Existing Assets, Allocation to Existing and New Customers:

System Component	System Buy-in Cost Basis	Distribution of Cost Basis (\$)			
		Existing Customers	Monarch Grove	Future Customers	Total
Lateral	\$ 12,452,779	\$ 11,178,517	\$ -	\$ 1,274,262	\$ 12,452,779
Collector	42,098,342	35,747,252	-	6,351,091	\$ 42,098,342
Trunk	31,179,444	24,781,119	384,262	6,014,064	\$ 31,179,444
Treatment/Disposal	93,548,145	74,351,157	1,152,906	18,044,083	\$ 93,548,145
Common	3,263,574	2,593,857	40,221	629,496	\$ 3,263,574
<b>Total Asset Value</b>	<b>\$ 182,542,285</b>	<b>\$ 148,651,901</b>	<b>\$ 1,577,388</b>	<b>\$ 32,312,996</b>	<b>\$ 182,542,285</b>
<i>Percentage of Total Asset Value</i>		<i>81.4%</i>	<i>0.9%</i>	<i>17.7%</i>	<i>100.0%</i>

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
Sewer Capacity Fee Analysis  
Allocation of Cash Reserves and Outstandign Debt to Existing and Future Services

**TABLE 6**  
**Allocation of Cash Reserves to Current and Future Users**

Cash Reserves	Amount <sup>1</sup>	% Allocation <sup>2</sup>				\$ - Allocation			
		Existing Customers	Monarch Grove	Future Customers	Exclude From Fee Basis	Existing Customers	Monarch Grove	Future Customers	Exclude From Fee Basis
Cash in Treasury	\$ 3,067,369	81.4%	0.9%	17.7%	0.0%	\$ 2,497,888	\$ 26,506	\$ 542,975	\$ -
<b>Total</b>	<b>\$ 3,067,369</b>	<b>81.4%</b>	<b>0.9%</b>	<b>17.7%</b>	<b>0.0%</b>	<b>\$ 2,497,888</b>	<b>\$ 26,506</b>	<b>\$ 542,975</b>	<b>\$ -</b>

1. Source: Trial Balance as of 6.13.2017.pdf
2. Cash reserves are allocated proportionately in the same manner as existing assets (in total), from Table 5.

**TABLE 7**  
**Allocation of Outstanding Debt to Current and Future Users**

Description of Debt Issue	Amount Outstanding as of 7/1/2017	% Allocation				\$ - Allocation			
		Existing Customers	Monarch Grove	Future Customers	Exclude From Fee Basis	Existing Customers	Monarch Grove	Future Customers	Exclude From Fee Basis
<i>External Loans, State Revolving Fund &amp; USDA:</i>									
Project No. 5230-110 (Assessment Backed) <sup>1,2</sup>	\$ 35,046,290	0.0%	0.0%	0.0%	100.0%	\$ -	\$ -	\$ -	\$ 35,046,290
Project No. 5230-120 (Rates, Fees & Charges) <sup>1,3</sup>	30,607,882	81.4%	0.9%	17.7%	0.0%	24,925,293	264,489.44	5,418,100	\$ -
USDA Loan (Assessment Backed) <sup>4</sup>	78,089,000	0.0%	0.0%	0.0%	100.0%	-	-	-	\$ 78,089,000
<i>County Interfund Loans<sup>5</sup>:</i>									
Flood Control Zone General (GL Acct #2100000)	1,405,699	81.4%	0.9%	17.7%	0.0%	1,144,720	12,147	248,832	\$ -
Flood Control Zone General (GL Acct #2201166)	1,063,022	81.4%	0.9%	17.7%	0.0%	865,664	9,186	188,172	\$ -
Cash Flow Loan 1	2,750,000	81.4%	0.9%	17.7%	0.0%	2,239,441	23,763	486,795	\$ -
Cash Flow Loan 2	400,000	81.4%	0.9%	17.7%	0.0%	325,737	3,456	70,807	\$ -
<b>Total</b>	<b>\$149,361,893</b>	<b>19.8%</b>	<b>0.2%</b>	<b>4.3%</b>	<b>75.7%</b>	<b>\$ 29,500,855</b>	<b>\$ 313,042</b>	<b>\$ 6,412,706</b>	<b>\$113,135,290</b>

1. Source: SKM\_C30817072408220.pdf
2. Assessment backed SRF loan is excluded from the fee basis, since it does not benefit Monarch Grove.
3. SRF Rates, Fees and Charges backed loan is allocated to each customer group (Confirmed, Monarch Grove and Future Customers) in the same manner as existing assets (in total), from Table 5.
4. Source: LOWWP USDA ABs amort.xlsx. Loan is backed by the Assessment District, and excluded from the fee basis, since it does not benefit Monarch Grove.
5. Interfund loans are allocated to existing and future users in the same manner as existing assets (in total), from Table 5.

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
 Sewer Capacity Fee Analysis  
 Allocation of Cash Reserves and Outstandign Debt to Existing and Future Services

**TABLE 8**  
**Summary of Funding Sources for All Project Costs**

Funding Sources for Total Project Costs	Amount
USDA Assessment Loan	\$ 83,129,000
SRF Assessment Loan	35,046,290
SRF Rates and Charges Loan	30,607,882
Rates and Charges Debt Forgiveness	7,500,000
Federal and State Grants	13,120,182
Prepaid Assessments	11,233,738
<b>Total Project Funding</b>	<b>\$180,637,091</b>

COUNTY OF SAN LUIS OBISPO- LOS OSOS/MONARCH GROVE  
 Sewer Capacity Fee Analysis  
 Unit Cost Calculation

TABLE 9  
 Development of Sewer Capacity Fee for Monarch Grove

System Asset Values Allocated to Monarch Grove Customers	Total Cost Basis	Monarch Grove BU's	Cost Per BU
<i>Formula:</i>	<i>a</i>	<i>b</i>	<i>c = a / b</i>
<b>Existing System Assets<sup>1</sup></b>			
Lateral	\$ -	0	\$ -
Collector	-	0	-
Trunk	384,262	83	4,630
Treatment/Disposal	1,152,906	83	13,890
Common	40,221	83	485
<b>Subtotal: Existing System Buy-In</b>	<b>\$ 1,577,388</b>	249	<b>\$ 19,005</b>
<b>Adjustments to Cost Basis</b>			
Cash Reserves <sup>2</sup>	\$ 26,506	83	\$ 319
Outstanding Long-Term Debt (Principal)	(313,042)	83	(3,772)
Cost of Capacity Fee Study	24,560	83	296
<b>Total: Adjustments to Cost Basis</b>	<b>\$ (261,976)</b>	249	<b>(3,156)</b>
<b>Total</b>	<b>\$ 1,315,412</b>	--	<b>\$ 15,848</b>

1. Refer to Tables 3 and 4 for detail of existing assets.
2. Refer to Table 6 for detail related to cash reserves.