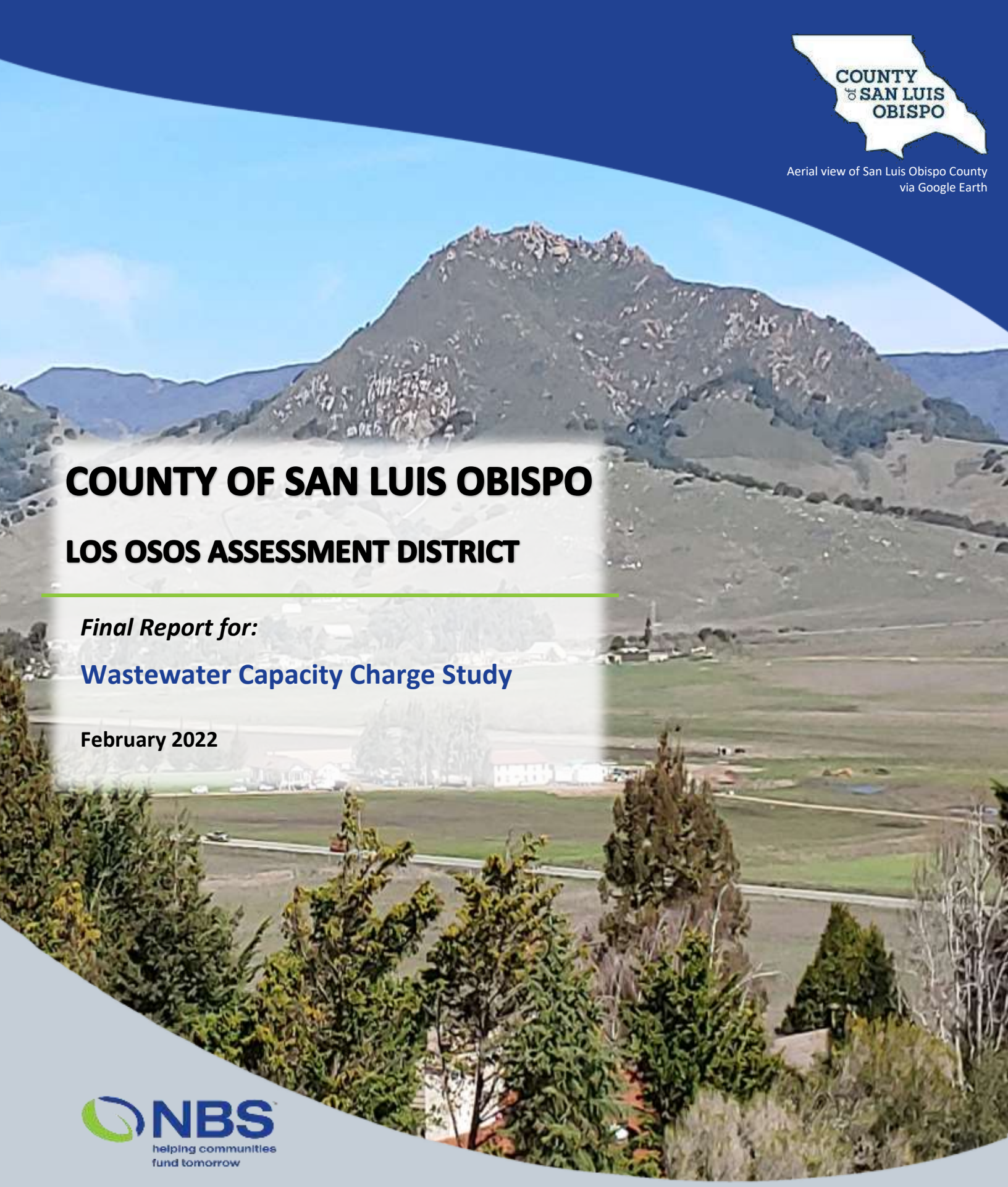

Aerial view of San Luis Obispo County
via Google Earth

COUNTY OF SAN LUIS OBISPO

LOS OSOS ASSESSMENT DISTRICT

Final Report for:

Wastewater Capacity Charge Study

February 2022

NBS
helping communities fund tomorrow

nbsgov.com

TABLE OF CONTENTS

TABLE OF FIGURES

This page left blank intentionally.

SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY

A. Background and Purpose

The County of San Luis Obispo (County) retained NBS to conduct a wastewater capacity charge study for future connections to the County's Los Osos wastewater system. The County requested the study to: (1) ensure that the capacity charge is updated to comply with legal requirements and industry standards, and (2) ensure that the capacity charge reflects the cost of capital infrastructure needed to serve future connections, or any person requesting additional capacity in the County's wastewater utility (referred to throughout as "future customers"). The capacity charge developed in this study reflects the cost of capital infrastructure needed to serve the Los Osos Assessment District (District), and this report summarizes the results of our analysis.

Government Code section 66013 authorizes public agencies to impose capacity charges on future customers connecting to an existing utility. This 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." It authorizes public agencies to impose capacity charges on customers connecting to or upsizing their connection to the wastewater system in order to ensure that they pay their fair share of the existing utility asset costs plus the costs of new facilities needed to serve them. A "capacity charge" does not include a commodity charge. This charge was calculated according to industry standards set by the American Water Works Association.[1]

Whereas wastewater rate increases imposed on existing customers require a protest ballot procedure (under Proposition 218), capacity charges do not because they are considered an appropriate funding mechanism for facilities that benefit new development district-wide. These charges may be imposed by a majority vote of the governing legislative body, which in this case is the County's Board of Supervisors. This report provides the documentation and findings necessary for the adoption of the proposed capacity charges.

B. Overview of Capacity Charge Methodology

In its simplest form, capacity charges (also referred to as capacity fees, system development charges, or development impact fees) are calculated by dividing the costs allocated to future development by the number of Benefit Units of new development anticipated. Further definition is provided below:

[1] The method of calculating Capacity Charges is set forth in the American Water Works Association's *Principles of Water Rates, Fees and Charges*, Seventh Edition (2017), pages 311 to 347.

- Costs Allocated to Future Development - These include the proportional share of costs of existing facilities available for future customers and the proportional share of planned future improvements required to serve new development.
- Benefit Units Available to New Development - The number of new units (i.e., growth) are those units projected to connect to the wastewater system.

Capacity charges are one-time fees intended to reflect the cost of existing infrastructure and planned improvements which are, or will be, available to the future utility customers and will place the future utility customers (or existing customers requesting an increase in service capacity) on equal basis from a financial perspective with existing customers. Once future customers are added to the system, they then incur the obligation to pay the same service charge or wastewater rates that existing customers pay. As a result, future customers connecting to the wastewater utility would enter as equal participants (compared to existing customers) regarding their financial commitment and obligations to the utilities. All wastewater utility asset values included in this study are in 2021 dollars.[2]

A capacity charge ensures that future customers pay their proportional share of costs to recover the following:

1. A system "buy-in" component that reflects future customers' proportional share of existing Utility asset costs.
2. An "incremental" component that reflects future customers' proportional share of planned (or "incremental") capital improvement costs that are required to provide them sufficient capacity in the Utility.

The County has chosen the "Combination Approach," which requires future customers to pay their fair share of existing system assets and planned future improvements. Currently, the County does not anticipate any planned future capital improvements in the District's wastewater system. However, in future updates, if future capital improvements are planned, they can then be included in the analysis. As a result of paying a capacity charge, future customers connecting to the wastewater utility would enter as equal participants with existing customers in terms of their financial commitment and obligations.

In developing the new capacity charge, NBS worked cooperatively with County staff. The capacity charge presented in this study reflects input provided by County staff regarding financial matters, available capacity in the wastewater system, and existing asset values.

Sections 2 discusses in more detail the development of the wastewater capacity charge, and presents the updated charge recommended for new and upsized connections.

[2] The System Buy-In Cost Basis is calculated by escalating the book value of the District's existing assets from service date to June 30, 2021, using historical cost inflation factors based on Engineering News Record estimates of construction cost inflation. (Website: *http://enr.construction.com*).

SECTION 2. WASTEWATER CAPACITY CHARGE STUDY

A. Introduction

Consistent with Government Code section 66013, the analysis herein provides for a capacity charge that requires future customers in the District to pay their fair share of existing system assets needed to provide them with capacity in the County's wastewater system. As a result, future 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)[3] value of existing system assets was used to calculate the capacity charge. The Engineering News Record Construction Cost Index,[4] 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 is based on several factors including the value of existing system assets mentioned above as well as the District's cash reserves and current debt, to be distributed among the remaining Benefit Units (BUs).[5] The future growth and development of the District is outlined in detail in the *Los Osos Community Plan*[6] adopted by the Board of Supervisors on December 15, 2020. This report outlines the calculation of the capacity charge based on the methodology of spreading benefit units to existing and future customers.[7]

B. Existing and Future Connections

In formation of the District, the following five (5) Wastewater System Components were assigned BUs: (1) Lateral Line Facilities (Lateral); (2) Collector Line Facilities (Collector); (3) Trunk Line Facilities (Trunk); (4) Treatment/Disposal Facilities; and (5) Common Facilities. **Figure 1** shows the BUs for each system component that are allocated to each group of customers.[8]

[3] American Water Works Association's *Principles of Water Rates, Fees and Charges*, Seventh Edition (2017), page 332.
[4] Website: *www.enr.com/economics*.
[5] One Benefit Unit (BU) is equivalent to one single family residence, often termed a dwelling unit equivalent or DUE.
[6] Website: *https://www.slocounty.ca.gov/Departments/Planning-Building/Forms-Documents/Plans-and-Elements/Community-Plans/Los-Osos-Community-Plan-Update-Files/Board-Adopted-Plan/Complete-BOS-Adopted-LOCP.pdf*
[7] The capacity charge calculation includes the BUs previously allocated to Monarch Grove and the Sea Pines Golf Course as part of the "Confirmed BUs." The designated BUs for Monarch Grove and the Sea Pines Golf Course have been deducted from the total undeveloped BUs remaining in the Los Osos Assessment District.
[8] Refer to *Appendix A* for the complete Wastewater Capacity Charge Study with additional tables.

Figure 1. Summary of Existing and Future Benefit Units by System Component[1]

	(1)	*(2)*	*(3)*
System Components	**Build Out BUs**	**Confirmed BUs**	**Remaining BUs Available for Future Customers**
Lateral	4,769	4,283	**486**
Collector	5,745	4,889	**856**
Trunk	6,735	5,447	**1,288**
Treatment/Disposal	6,735	5,447	**1,288**
Common	6,735	5,447	**1,288**

1. Source files: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* and *EDU Analysis.xlsx*. This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study*.

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

- *Column (1) - Build Out BUs*: This represents the total BUs the County planned for when constructing the wastewater system; this is the total number of connections expected.
- *Column (2) – Confirmed BUs*: This represents the total number of BUs that are currently connected to the wastewater system.
- *Column (3) - Remaining BUs*: This represents the remaining capacity available for future customers in the wastewater system.

Figure 2 shows the proportion of BUs 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 costs to each system component and customer group.

Figure 2. Proportionate Share of Benefit Units by System Component

System Components	Summary of Benefit Units			% Allocation of Benefit Units		
	Existing Customers[1]	Future Customers[2]	Total Build Out BUs	Existing Customers	Future Customers	Total
Lateral	4,283	486	**4,769**	89.8%	10.2%	**100%**
Collector	4,889	856	**5,745**	85.1%	14.9%	**100%**
Trunk	5,447	1,288	**6,735**	80.9%	19.1%	**100%**
Treatment/Disposal	5,447	1,288	**6,735**	80.9%	19.1%	**100%**
Common	5,447	1,288	**6,735**	80.9%	19.1%	**100%**

1. From "Confirmed BUs" in Figure 1.
2. From "Remaining BUs Available for Future Customers" in 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, which tracks construction costs, was used to estimate the replacement value of the existing system assets. The RCNLD is calculated by taking the book value of existing assets

and escalating them to current-day dollars[9] 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 future customers is $34,841,882.

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

System Component	System Buy-in Cost Basis	Distribution of Cost Basis ($)		
		Existing Customers	Future Customers	Total
Lateral	$ 13,255,538	$ 11,904,691	$ 1,350,847	**$ 13,255,538**
Collector	43,786,163	37,259,319	6,526,843	**43,786,163**
Trunk	30,910,345	25,000,280	5,910,065	**30,910,345**
Treatment/Disposal	107,265,761	86,756,523	20,509,238	**107,265,761**
Common	2,849,831	2,304,943	544,888	**2,849,831**
Total Asset Value	**$ 198,067,637**	**$ 163,225,755**	**$ 34,841,882**	**$ 198,067,637**
Percentage of Total Asset Value		*82.4%*	*17.6%*	*100.0%*

D. Adjustments to the Cost Basis

Before the capacity charge is 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 BUs by the System Component allocation factor from Figure 3. The allocation of cash reserves to future customers is $586,346.

Figure 4. Cash Allocated to Future Customers

Cash Reserves	Amount[1]	$ - Allocation[2]		
		Existing Customers	Future Customers	Exclude From Fee Basis
Cash in Treasury	$ 3,333,234	$ 2,746,888	$ 586,346	$ -
Percentage of Total Asset Value	*100.0%*	*82.4%*	*17.6%*	*0.0%*

1. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx, Trial Balance* tab. This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .
2. Cash reserves are allocated proportionately in the same manner as existing assets (in total) in Figure 3.

Because outstanding debt is included as a cost in the wastewater rate,[10] 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), three loans from other County funds, and

[9] All wastewater utility asset values in this study are in 2021 dollars.
[10] The "wastewater rate" refers to the service charge future customers will pay once connected to the system.

one external loan. This calculation uses the Percentage of Total Asset Value from Figure 3 to allocate the applicable outstanding loans and grants to each customer group as shown in **Figure 5** and **Figure 6**. The total credit for outstanding loans and grants to future customers is $10,229,836.

Figure 5. Allocation of Outstanding Debt to Existing and Future Customers

Description of Debt Issue[1]	Amount Outstanding as of 7/1/2021	$ - Allocation		
		Existing Customers	Future Customers	Exclude From Fee Basis
Loan Receivable (Bayridge)[2]	$ (221,650)	$ (182,660)	$ (38,990)	$ -
Loan Receivable (Monarch Grove)	(238,959)	(196,924)	(42,035)	-
Loan Receivable (Sea Pines)	(1,196,441)	(985,976)	(210,465)	-
External Loans:				
SRF Assessment Loan[3]	$ 31,485,681	$ -	$ -	$ 31,485,681
SRF Rates & Charges Loan[4]	43,325,024	35,703,762	7,621,262	-
USDA Loan	72,483,000	-	-	72,483,000
County Interfund Loans:[5,6]				
Cash Flow Loan 1	$ 832,503	$ 686,058	$ 146,445	$ -
Cash Flow Loan 2	365,041	300,827	64,214	-
Debt Service Loan	1,095,064	902,432	192,632	-
Payables/Accrued Interest:	-			
NBS Study	$ (37,780)	$ -	$ (37,780)	$ -
Accrued Interest	529,615	436,451	93,164	-
Trust Deposit Interest	4,810	3,964	846	-
Accounts Payable	73,805	60,822	12,983	-
Total	**$ 148,499,715**	**$ 36,728,758**	**$ 7,802,276**	**$ 103,968,681**

1. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* . This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .
2. This loan is for the Bayridge Estates and is debited to both existing and future customers as it will be paid off using revenue generated by future rates.
3. The SRF Assessment Loan is currently being paid off by existing customers only.
4. SRF Rates, Fees and Charges backed loan is allocated to each customer group (Existing and Future Customers) in the same manner as existing assets (in total) in Figure 3.
5. Amount of interfund loans is the original loan amount (excludes interest payments and principal payments made on June 30, 2021).
6. Interfund loans are allocated to existing and future customers in the same manner as existing assets (in total) in Figure 3.

Figure 6. Allocation of Grants to Existing and Future Customers

Description of Grant[1]	Amount of Funding	$ - Allocation		
		Existing Customers	Future Customers	Exclude From Fee Basis
Grants				
USDA	$ 4,061,000	$ 3,346,634	$ 714,366	$ -
SRF	3,757,684	3,096,674	661,010	-
IWRM	5,945,444	4,899,587	1,045,857	-
Other State	35,963	29,637	6,326	-
Total	**$ 13,800,091**	**$ 11,372,531**	**$ 2,427,560**	**$ -**

1. List of grants issued for the LOWWS Project. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* , *Project Funding* tab. This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .

E. Calculated Capacity Charge

The sum of the existing asset values (that is, the system buy-in and system development charge), along with the adjustments for existing cash reserves and debt, defines the total cost basis allocated to future customers in the District. The total adjusted cost basis is divided by the total number of Benefit Units in the District as follows:

Figure 7. Summary of Benefit Units By System Component

System Components	Summary of Benefit Units		
	Existing Customers[1]	Future Customers[2]	Total Build Out BUs
Lateral	4,283	486	**4,769**
Collector	4,889	856	**5,745**
Trunk	5,447	1,288	**6,735**
Treatment/Disposal	5,447	1,288	**6,735**
Common	5,447	1,288	**6,735**

1. From "Confirmed BUs" in Figure 1.
2. From "Remaining BUs Available for Future Customers" in Figure 1.

The resulting capacity charge for the District is $23,852 per BU, and this calculation is shown in **Figure 8** and **Figure 9**.

Figure 8. Development of Wastewater Capacity Charge

System Asset Values Allocated to Future Customers	Total Cost Basis	Remaining BUs	Cost Per BU
Formula:	*a*	*b*	*c = a / b*
Existing System Assets[1]			
Lateral	$ 1,350,847	486	$ 2,780
Collector	6,526,843	856	7,621
Trunk	5,910,065	1,288	4,590
Treatment/Disposal	20,509,238	1,288	15,927
Common	544,888	1,288	423
Subtotal: Existing System Buy-In	**$ 34,841,882**		**$ 31,341**
Adjustments to Cost Basis			
Cash Reserves[2]	$ 586,346	1,288	$ 455
Outstanding Long-Term Debt (Principal)[3]	(7,802,276)	1,288	(6,059)
Grant Funding[4]	(2,427,560)	1,288	(1,885)
Planned Assets[5]	-	1,288	-
Total: Adjustments to Cost Basis	**$ (9,643,490)**		**$ (7,489)**
Total	**$ 25,198,392**	**--**	**$ 23,852**

1. Refer to Figure 3 for detail related to existing assets.
2. Refer to Figure 4 for detail related to cash reserves.
3. Refer to Figure 5 for detail related to long-term debt.
4. Refer to Figure 6 for detail related to grants.
5. Placeholder for future capital improvement projects.

Figure 9. Summary of Wastewater Capacity Charge Calculation

System Asset Values Allocated to Future Customers	Total Cost Basis	Cost Basis for Existing Customers	Costs Excluded	Cost Basis for Future Customers	Build Out BUs	Confirmed BUs	Remaining BUs Available for Future Customers	Cost Per BU
Formula:	*a*	*b*	*c*	*d = a - b - c*	*e*	*f*	*g = e - f*	*h = d / g*
Existing System Assets								
Lateral	$ 13,255,538	$ 11,904,691	$ -	$ 1,350,847	4,769	4,283	486	$ 2,780
Collector	43,786,163	37,259,319	-	6,526,843	5,745	4,889	856	7,621
Trunk	30,910,345	25,000,280	-	5,910,065	6,735	5,447	1,288	4,590
Treatment/Disposal	107,265,761	86,756,523	-	20,509,238	6,735	5,447	1,288	15,927
Common	2,849,831	2,304,943	-	544,888	6,735	5,447	1,288	423
Subtotal: Existing System Buy-In	**$ 198,067,637**	**$ 163,225,755**	**$ -**	**$ 34,841,882**				**$ 31,341**
Adjustments to Cost Basis								
Cash Reserves	$ 3,333,234	$ 2,746,888	$ -	$ 586,346	6,735	5,447	1,288	$ 455
Outstanding Long-Term Debt (Principal)	(148,499,715)	(36,728,758)	(103,968,681)	(7,802,276)	6,735	5,447	1,288	(6,059)
Grant Funding	(13,800,091)	(11,372,531)	-	(2,427,560)	6,735	5,447	1,288	(1,885)
Planned Assets	-	-	-	-	6,735	5,447	1,288	-
Total: Adjustments to Cost Basis	**$ (158,966,572)**	**$ (45,354,400)**	**$(103,968,681)**	**$ (9,643,490)**				**$ (7,489)**
Total	**$ 39,101,066**	**$ 117,871,355**	**$(103,968,681)**	**$ 25,198,392**	--	--	--	**$ 23,852**

F. Accessory Dwelling Units

At the request of the County, NBS also examined the District's current policy for addressing new Accessory Dwelling Units (ADUs), as well as Junior Accessory Dwelling Units (JADUs), in order to determine the best means to calculate capacity fees for these structures. Based on state law and the guidelines set forth in the County's *ADU Development Guide*,[11] the District may charge a portion of the calculated capacity charge for these new dwellings based on the square footage in proportion to that of the primary dwelling unit. Moreover, the County may not charge any portion of the capacity charge for JADUs, as these dwelling units must not be more than 500 square feet, and ADUs less than 750 square feet.[12] **Figure 10** provides examples on how to calculate the capacity charge for ADUs based on the square footage rather than fixtures as this is the metric historically used by the County. It is important to note that capacity charges for future customers will be based on the average size of a single family residence in San Luis Obispo County, which is approximately 1,600 sq. ft.[13]

[11] Source: *https://www.slocounty.ca.gov/Departments/Planning-Building/Forms-Documents/Housing-Forms-and-Documents/Informational-Documents/ADU-Guide-State-Regs.pdf*.

[12] According to state law (e.g., SB 13 and AB 68), the County may not impose impact fees (or capacity charges in the County's case) upon accessory dwelling units less than 750 square feet.

[13] See *Appendix B* for additional information related to the County's definition of land use categories (e.g., single family, multi-family, non-residential, etc.).

Figure 10. Examples for Calculating Capacity Fees for ADUs

ADU Examples	ADU Sq. Ft.	Average Primary Dwelling Sq. Ft.[1]	Cost per BU	Cost Per ADU
Formula:	*a*	*b*	*c*	*d = [c * (a / b)]*
ADU Example 1	< 750	1,600	$ 23,852	$ -
ADU Example 2[2]	750	1,600	23,852	11,181
ADU Example 3[2]	1,000	1,600	23,852	14,908
ADU Example 4[3]	1,200	1,600	23,852	17,889

1. The average size of a single family dwelling in San Luis Obispo County is approximately 1,600 square feet. Website: *San Luis Obispo, CA Home Values _ Homes.pdf* .
2. This example assumes the ADU is built within a proposed Single Family Dwelling (SFD), an existing SFD, or an existing accessory structure, such as a garage.
3. This example is for a detached ADU with the maximum allowable size of 1,200 square feet.

G. 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 A. TABLES FROM THE WASTEWATER CAPACITY CHARGE STUDY

County of San Luis Obispo - Los Osos Assessment District
Wastewater Capacity Charge Analysis
Demographic Data and Projections

TABLE 1 : Buildout vs. Developed Benefit Units[1]

	(1)	*(2)*	*(3)*
System Components	**Build Out BUs**	**Confirmed BUs**	**Remaining BUs Available for Future Customers**
Lateral	4,769	4,283	**486**
Collector	5,745	4,889	**856**
Trunk	6,735	5,447	**1,288**
Treatment/Disposal	6,735	5,447	**1,288**
Common	6,735	5,447	**1,288**

1. Source files: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* and *EDU Analysis.xlsx* . These documents can be requested from Public Works and are located here: *S:\Produced Study Backup\ LOWWS Studies\2021 Capacity Study* .

TABLE 2 : Buildout vs. Developed Benefit Units

System Components	**Summary of Benefit Units**			**% Allocation of Benefit Units**		
	Existing Customers[1]	**Future Customers[2]**	**Total Build Out BUs**	**Existing Customers**	**Future Customers**	**Total**
Lateral	4,283	486	**4,769**	89.8%	10.2%	**100%**
Collector	4,889	856	**5,745**	85.1%	14.9%	**100%**
Trunk	5,447	1,288	**6,735**	80.9%	19.1%	**100%**
Treatment/Disposal	5,447	1,288	**6,735**	80.9%	19.1%	**100%**
Common	5,447	1,288	**6,735**	80.9%	19.1%	**100%**

1. From "Confirmed BUs" in Table 1.
2. From "Remaining BUs Available for Future Customers" in Table 1.

TABLE 3 : Existing Assets - Original and Replacement Cost[1]

Asset Category	Component[2]	Year	Construction/ Acquisition Year	Original Values		Asset Cost Less Depreciation	Cost Inflation[3]	System Buy-In Cost Basis
				Asset Cost	Depreciation to Date			
TN El Moro BL 48 PTN LT 3[4]	Trunk	2011	12/1/2011	$ 20,000	$ -	$ 20,000	100%	$ 20,000
TN El Moro BL 48 PTN LT 4[4]	Trunk	2011	12/1/2011	20,000	-	20,000	100%	20,000
TN El Moro BL 48 PTN LT 5[4]	Trunk	2011	12/1/2011	20,000	-	20,000	100%	20,000
TN El Moro BL 48 PTN LTS 1 & 2[4]	Trunk	2011	12/1/2011	20,000	-	20,000	100%	20,000
T30S R10E PTN SEC 24[4]	Treatment/Disposal	2011	12/1/2011	800,000	-	800,000	100%	800,000
T30S R10E PTN SEC 24[4]	Treatment/Disposal	2011	12/1/2011	800,000	-	800,000	100%	800,000
RHO LS OSOS & LL PTN LT 79[4]	Trunk	2011	12/1/2011	10,000	-	10,000	100%	10,000
PM 17/126 PAR 1[4]	Common	2011	12/1/2011	700,000	-	700,000	100%	700,000
PM 53-18 PAR 1[4]	Trunk	2011	12/1/2011	80,000	-	80,000	100%	80,000
LOWWP-Right of Way[4]	Treatment/Disposal	2016	4/1/2016	2,934,077	-	2,934,077	100%	2,934,077
LOWWP-Right of Way Bayridge[4]	Collector	2018	6/30/2018	2,287	-	2,287	100%	2,287
LOWWP-Mid-Town Improvements(Trails, Fencing & Grading)	Common	2016	4/1/2016	905,172	(190,086)	715,085	116%	828,980
LOWWP-Fiber Lines	Trunk	2016	4/1/2016	1,388,836	(291,655)	1,097,180	116%	1,271,932
LOWWP-Forcemain Pipe	Trunk	2016	4/1/2016	7,328,280	(769,469)	6,558,810	116%	7,603,459
LOWWP-Gravity Pipe- Trunk Portion	Trunk	2016	4/1/2016	6,524,532	(456,717)	6,067,815	116%	7,034,261
LOWWP-Gravity Pipe- Collector Portion	Collector	2016	4/1/2016	27,635,321	(1,934,472)	25,700,848	116%	29,794,327
LOWWP-Laterals	Lateral	2016	4/1/2016	12,294,993	(860,650)	11,434,344	116%	13,255,538
LOWWP-Manholes- Trunk Portion	Trunk	2016	4/1/2016	1,493,859	(104,570)	1,389,289	116%	1,610,566
LOWWP-Manholes- Collector Portion	Collector	2016	4/1/2016	6,327,394	(442,918)	5,884,477	116%	6,821,721
LOWWP-Power Lines	Common	2016	4/1/2016	1,388,836	(291,655)	1,097,180	116%	1,271,932
LOWWP-Distribution Pipe	Treatment/Disposal	2016	4/1/2016	6,203,399	(434,238)	5,769,161	116%	6,688,039
LOWWP-Broderson Leach Field	Treatment/Disposal	2016	4/1/2016	4,061,095	(852,830)	3,208,265	116%	3,719,259
LOWWP-Pocket Pump Station 04A SANTA LUCIA AT 4TH	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 05A PALISADES AVE.	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 07A NORTH END OF 7TH ST.	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 08A NORTH END OF 8TH ST.	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 09A NORTH END OF 9TH ST.	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 09B 9TH ST. AT SAN LUIS	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 09C 9TH ST NORTH END RAMONA	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 10A NORTH END OF 10TH ST	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 11A NORTH END OF 11TH ST	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 12A NORTH END OF 12TH ST	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 13A NORTH END OF 13TH ST	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Pocket Pump Station 15B NORTH END OF 15TH ST	Collector	2016	4/1/2016	650,431	(136,591)	513,841	116%	595,682
LOWWP-Baywood Pump Station 2ND ST. AT EL MORRO	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - Baywood & West Paso	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-East Paso Pump Station 1510 - 18TH ST.	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - East Paso PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-East Ysabel Pump Station 1441 SANTA YSABEL	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - East Ysabel PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-Lupine Pump Station LUPINE AT DORIS AVE.	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - Lupine PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-Mid-Town Pump Station LOVR AT RAVENNA	Trunk	2016	4/1/2016	1,272,423	(267,209)	1,005,214	116%	1,165,319
LOWWP-Generator Building - Mid-Town PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777

TABLE 3 : Existing Assets - Original and Replacement Cost[1]

Asset Category	Component[2]	Year	Construction/ Acquisition Year	Original Values		Asset Cost Less Depreciation	Cost Inflation[3]	System Buy-In Cost Basis
				Asset Cost	Depreciation to Date			
LOWWP-Mountain View Pmp St MOUNTAIN VIEW @ SANTA YNEZ	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - Mountain View PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-Sunny Oaks Pump Station 1695 LOVR	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - Sunny Oaks PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-Solano Pump Station 1930 SOLANO ST.	Trunk	2016	4/1/2016	794,411	(166,826)	627,584	116%	727,542
LOWWP-Generator Building - Solano PS	Trunk	2016	4/1/2016	788,116	(165,504)	622,611	116%	721,777
LOWWP-West Paso Pump Station WEST PASO AT PASO ROBLES	Trunk	2016	4/1/2016	1,272,423	(267,209)	1,005,214	116%	1,165,319
LOWWP-Infra-Sewer Treatment Plants	Treatment/Disposal	2016	4/1/2016	15,963,987	(1,634,423)	14,329,564	116%	16,611,892
LOWWP-Infra-Transmission & Distribution Lines-Sewer	Treatment/Disposal	2016	4/1/2016	25,438,233	(1,344,441)	24,093,792	116%	27,931,308
LOWWP-Infra-Transmission & Distribution Lines-Water	Treatment/Disposal	2016	4/1/2016	3,619,044	(253,333)	3,365,711	116%	3,901,781
LOWWP-Infra-Structures/Buildings	Treatment/Disposal	2016	4/1/2016	29,118,716	(6,106,107)	23,012,609	116%	26,677,921
LOWWP-Infra-Sewer Treatment Plants-Federal Grant	Treatment/Disposal	2016	4/1/2016	4,061,000	(426,405)	3,634,595	116%	4,213,492
LOWWP-Infra-Sewer Treatment Plants-State Grants	Treatment/Disposal	2016	4/1/2016	9,945,444	(1,044,272)	8,901,172	116%	10,318,898
LOWWP-Infra-Trans & Dist Lines-Sewer Bayridge	Treatment/Disposal	2018	6/30/2018	228,507	(9,140)	219,366	109%	239,708
LOWWP-Infra-Trans & Dist Lines-Sewer Monarch Grove	Treatment/Disposal	2019	7/1/2019	2,270,000	(2,588)	2,267,412	106%	2,405,497
LOWWP-Small Tools	Common	2016	4/1/2016	166,237	(145,458)	20,780	116%	24,089
Konica Minolta	Common	2016	6/8/2016	7,422	(7,422)	-	116%	-
Spectrophotometer with RFID Tech	Common	2016	5/4/2016	8,795	(4,286)	4,509	116%	5,227
Godwin Power Generator	Trunk	2016	6/21/2016	38,774	(19,387)	19,387	116%	22,475
Dri-Prime NC150 Portable Pump Critically Silenced	Collector	2016	6/30/2016	59,294	(42,353)	16,941	116%	19,639
KAF 400FFG, SE Sunbeam Red	Common	2016	6/13/2016	8,341	(6,057)	2,284	116%	2,647
Mitsubishi Forklift	Common	2016	12/7/2016	27,000	(12,375)	14,625	116%	16,954
LOWWP-Water Quality Lab	Treatment/Disposal	2016	4/1/2016	26,820	(14,080)	12,739	116%	14,768
MQ Power Series Whisperwatt Generator	Treatment/Disposal	2017	3/27/2017	14,093	(5,989)	8,103	113%	9,120
Total Capital Facilities & Equipment:				**$ 194,175,609**	**$ (22,372,701)**	**$ 171,802,908**		**$ 198,067,637**

1. The source of the original asset cost and depreciation to date is the District's fixed asset list. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* . This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .
2. Classification of assets provided by the County.
3. Project costs are inflated by 3.0% per year based on Engineering News Record estimates of construction cost inflation. Website: *http://enr.construction.com* .
4. These assets have no depreciation because they are land.

TABLE 4 : Existing Assets - Allocation to Existing and Future Customers

Asset Category	Component	System Buy-In Cost Basis	Allocation Basis (%)[1]		Distribution of Cost Basis ($)	
			Existing Customers	Future Customers	Existing Customers	Future Customers
TN El Moro BL 48 PTN LT 34	Trunk	$ 20,000	80.9%	19.1%	$ 16,176	$ 3,824
TN El Moro BL 48 PTN LT 44	Trunk	20,000	80.9%	19.1%	16,176	3,824
TN El Moro BL 48 PTN LT 54	Trunk	20,000	80.9%	19.1%	16,176	3,824
TN El Moro BL 48 PTN LTS 1 & 24	Trunk	20,000	80.9%	19.1%	16,176	3,824
T30S R10E PTN SEC 244	Treatment/Disposal	800,000	80.9%	19.1%	647,040	152,960
T30S R10E PTN SEC 244	Treatment/Disposal	800,000	80.9%	19.1%	647,040	152,960
RHO LS OSOS & LL PTN LT 794	Trunk	10,000	80.9%	19.1%	8,088	1,912
PM 17/126 PAR 14	Common	700,000	80.9%	19.1%	566,160	133,840
PM 53-18 PAR 14	Trunk	80,000	80.9%	19.1%	64,704	15,296
LOWWP-Right of Way4	Treatment/Disposal	2,934,077	80.9%	19.1%	2,373,081	560,996
LOWWP-Right of Way Bayridge4	Collector	2,287	85.1%	14.9%	1,946	341
LOWWP-Mid-Town Improvements(Trails, Fencing & Grading)	Common	828,980	80.9%	19.1%	670,479	158,501
LOWWP-Fiber Lines	Trunk	1,271,932	80.9%	19.1%	1,028,739	243,194
LOWWP-Forcemain Pipe	Trunk	7,603,459	80.9%	19.1%	6,149,676	1,453,783
LOWWP-Gravity Pipe- Trunk Portion	Trunk	7,034,261	80.9%	19.1%	5,689,308	1,344,952
LOWWP-Gravity Pipe- Collector Portion	Collector	29,794,327	85.1%	14.9%	25,353,132	4,441,196
LOWWP-Laterals	Lateral	13,255,538	89.8%	10.2%	11,904,691	1,350,847
LOWWP-Manholes- Trunk Portion	Trunk	1,610,566	80.9%	19.1%	1,302,626	307,941
LOWWP-Manholes- Collector Portion	Collector	6,821,721	85.1%	14.9%	5,804,863	1,016,858
LOWWP-Power Lines	Common	1,271,932	80.9%	19.1%	1,028,739	243,194
LOWWP-Distribution Pipe	Treatment/Disposal	6,688,039	80.9%	19.1%	5,409,284	1,278,755
LOWWP-Broderson Leach Field	Treatment/Disposal	3,719,259	80.9%	19.1%	3,008,136	711,123
LOWWP-Pocket Pump Station 04A SANTA LUCIA AT 4TH	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 05A PALISADES AVE.	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 07A NORTH END OF 7TH ST.	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 08A NORTH END OF 8TH ST.	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 09A NORTH END OF 9TH ST.	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 09B 9TH ST. AT SAN LUIS	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 09C 9TH ST NORTH END RAMONA	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 10A NORTH END OF 10TH ST	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 11A NORTH END OF 11TH ST	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 12A NORTH END OF 12TH ST	Collector	595,682	85.1%	14.9%	506,889	88,793

TABLE 4 : Existing Assets - Allocation to Existing and Future Customers

Asset Category	Component	System Buy-In Cost Basis	Allocation Basis (%)[1]		Distribution of Cost Basis ($)	
			Existing Customers	Future Customers	Existing Customers	Future Customers
LOWWP-Pocket Pump Station 13A NORTH END OF 13TH ST	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Pocket Pump Station 15B NORTH END OF 15TH ST	Collector	595,682	85.1%	14.9%	506,889	88,793
LOWWP-Baywood Pump Station 2ND ST. AT EL MORRO	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - Baywood & West Paso	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-East Paso Pump Station 1510 - 18TH ST.	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - East Paso PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-East Ysabel Pump Station 1441 SANTA YSABEL	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - East Ysabel PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-Lupine Pump Station LUPINE AT DORIS AVE.	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - Lupine PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-Mid-Town Pump Station LOVR AT RAVENNA	Trunk	1,165,319	80.9%	19.1%	942,510	222,809
LOWWP-Generator Building - Mid-Town PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-Mountain View Pmp St MOUNTAIN VIEW @ SANTA YNEZ	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - Mountain View PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-Sunny Oaks Pump Station 1695 LOVR	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - Sunny Oaks PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-Solano Pump Station 1930 SOLANO ST.	Trunk	727,542	80.9%	19.1%	588,436	139,106
LOWWP-Generator Building - Solano PS	Trunk	721,777	80.9%	19.1%	583,773	138,004
LOWWP-West Paso Pump Station WEST PASO AT PASO ROBLES	Trunk	1,165,319	80.9%	19.1%	942,510	222,809
LOWWP-Infra-Sewer Treatment Plants	Treatment/Disposal	16,611,892	80.9%	19.1%	13,435,695	3,176,198
LOWWP-Infra-Transmission & Distribution Lines-Sewer	Treatment/Disposal	27,931,308	80.9%	19.1%	22,590,836	5,340,473
LOWWP-Infra-Transmission & Distribution Lines-Water	Treatment/Disposal	3,901,781	80.9%	19.1%	3,155,760	746,021
LOWWP-Infra-Structures/Buildings	Treatment/Disposal	26,677,921	80.9%	19.1%	21,577,096	5,100,824
LOWWP-Infra-Sewer Treatment Plants-Federal Grant	Treatment/Disposal	4,213,492	80.9%	19.1%	3,407,871	805,621
LOWWP-Infra-Sewer Treatment Plants-State Grants	Treatment/Disposal	10,318,898	80.9%	19.1%	8,345,923	1,972,976
LOWWP-Infra-Trans & Dist Lines-Sewer Bayridge	Treatment/Disposal	239,708	80.9%	19.1%	193,875	45,832
LOWWP-Infra-Trans & Dist Lines-Sewer Monarch Grove	Treatment/Disposal	2,405,497	80.9%	19.1%	1,945,565	459,932
LOWWP-Small Tools	Common	24,089	80.9%	19.1%	19,483	4,606
Konica Minolta	Common	-	80.9%	19.1%	-	-
Spectrophotometer with RFID Tech	Common	5,227	80.9%	19.1%	4,228	999
Godwin Power Generator	Trunk	22,475	80.9%	19.1%	18,178	4,297
Dri-Prime NC150 Portable Pump Critically Silenced	Collector	19,639	85.1%	14.9%	16,712	2,927
KAF 400FFG, SE Sunbeam Red	Common	2,647	80.9%	19.1%	2,141	506
Mitsubishi Forklift	Common	16,954	80.9%	19.1%	13,713	3,242

TABLE 4 : Existing Assets - Allocation to Existing and Future Customers

Asset Category	Component	System Buy-In Cost Basis	Allocation Basis (%)[1]		Distribution of Cost Basis ($)	
			Existing Customers	Future Customers	Existing Customers	Future Customers
LOWWP-Water Quality Lab	Treatment/Disposal	14,768	80.9%	19.1%	11,945	2,824
MQ Power Series Whisperwatt Generator	Treatment/Disposal	9,120	80.9%	19.1%	7,376	1,744
Total Capital Facilities & Equipment		**$ 198,067,637**	**82.4%**	**17.6%**	**$ 163,225,755**	**$ 34,841,882**

1. The allocation percentages 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 Future Customers

System Component	System Buy-in Cost Basis	Distribution of Cost Basis ($)		
		Existing Customers	Future Customers	Total
Lateral	$ 13,255,538	$ 11,904,691	$ 1,350,847	**$ 13,255,538**
Collector	43,786,163	37,259,319	6,526,843	**43,786,163**
Trunk	30,910,345	25,000,280	5,910,065	**30,910,345**
Treatment/Disposal	107,265,761	86,756,523	20,509,238	**107,265,761**
Common	2,849,831	2,304,943	544,888	**2,849,831**
Total Asset Value	**$ 198,067,637**	**$ 163,225,755**	**$ 34,841,882**	**$ 198,067,637**
Percentage of Total Asset Value		*82.4%*	*17.6%*	*100.0%*

TABLE 6 : Allocation of Cash Reserves to Existing and Future Customers

Cash Reserves	Amount[1]	% Allocation[2]			$ - Allocation		
		Existing Customers	Future Customers	Exclude From Fee Basis	Existing Customers	Future Customers	Exclude From Fee Basis
Cash in Treasury	$ 3,333,234	82.4%	17.6%	0.0%	$ 2,746,888	$ 586,346	$ -
Total	**$ 3,333,234**				**$ 2,746,888**	**$ 586,346**	**$ -**

1. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx, Trial Balance* tab. This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .
2. Cash reserves are allocated proportionately in the same manner as existing assets (in total) in Table 5.

TABLE 7 : Allocation of Outstanding Debt to Existing and Future Customers

Description of Debt Issue[1]	Amount Outstanding as of 7/1/2021	% Allocation			$ - Allocation		
		Existing Customers	Future Customers	Exclude From Fee Basis	Existing Customers	Future Customers	Exclude From Fee Basis
Loan Receivable (Bayridge)[2]	$ (221,650)	82.4%	17.6%	0.0%	$ (182,660)	$ (38,990)	$ -
Loan Receivable (Monarch Grove)	(238,959)	82.4%	17.6%	0.0%	(196,924)	(42,035)	-
Loan Receivable (Sea Pines)	(1,196,441)	82.4%	17.6%	0.0%	(985,976)	(210,465)	-
External Loans:							
SRF Assessment Loan[3]	$ 31,485,681	0.0%	0.0%	100.0%	$ -	$ -	$ 31,485,681
SRF Rates & Charges Loan[4]	43,325,024	82.4%	17.6%	0.0%	35,703,762	7,621,262	-
USDA Loan	72,483,000	0.0%	0.0%	100.0%	-	-	72,483,000
County Interfund Loans: [5,6]							
Cash Flow Loan 1	$ 832,503	82.4%	17.6%	0.0%	$ 686,058	$ 146,445	$ -
Cash Flow Loan 2	365,041	82.4%	17.6%	0.0%	300,827	64,214	-
Debt Service Loan	1,095,064	82.4%	17.6%	0.0%	902,432	192,632	-
Payables/Accrued Interest:							
NBS Study	$ (37,780)	0.0%	100.0%	0.0%	$ -	$ (37,780)	$ -
Accrued Interest	529,615	82.4%	17.6%	0.0%	436,451	93,164	-
Trust Deposit Interest	4,810	82.4%	17.6%	0.0%	3,964	846	-
Accounts Payable	73,805	82.4%	17.6%	0.0%	60,822	12,983	-
Total	**$ 148,499,715**				**$ 36,728,758**	**$ 7,802,276**	**$ 103,968,681**

1. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* . This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .
2. This loan is for the Bayridge Estates and is debited to both existing and future customers as it will be paid off using revenue generated by future rates.
3. The SRF Assessment Loan is currently being paid off by existing customers only.
4. SRF Rates, Fees and Charges backed loan is allocated to each customer group (Existing and Future Customers) in the same manner as existing assets (in total) in Table 5.
5. Amount of interfund loans is the original loan amount (excludes interest payments and principal payments made on June 30, 2021).
6. Interfund loans are allocated to existing and future customers in the same manner as existing assets (in total) in Table 5.

TABLE 8 : Summary of Grants *(informational purposes only)*

Description of Grant[1]	Amount of Funding	% Allocation			$ - Allocation		
		Existing Customers	Future Customers	Exclude From Fee Basis	Existing Customers	Future Customers	Exclude From Fee Basis
Grants							
USDA	$ 4,061,000	82.4%	17.6%	0.0%	$ 3,346,634	$ 714,366	$ -
SRF	3,757,684	82.4%	17.6%	0.0%	3,096,674	661,010	-
IWRM	5,945,444	82.4%	17.6%	0.0%	4,899,587	1,045,857	-
Other State	35,963	82.4%	17.6%	0.0%	29,637	6,326	-
Total	**$ 13,800,091**				**$ 11,372,531**	**$ 2,427,560**	**$ -**

1. List of grants issued for the LOWWS Project. Source file: *Financial Docs Sent to NBS - Adjusted for Year End.xlsx* , *Project Funding* tab. This document can be requested from Public Works and is located here: *S:\Produced Study Backup\LOWWS Studies\2021 Capacity Study* .

TABLE 9 : Summary of Funding Sources for All Project Costs

Funding Sources for Total Project Costs	Amount
Loan Receivable (Bayridge)	(221,650)
Loan Receivable (Monarch Grove)	(238,959)
Loan Receivable (Sea Pines)	(1,196,441)
SRF Assessment Loan	31,485,681
SRF Rates and Charges Loan	43,325,024
USDA Assessment Loan	72,483,000
Cash Flow Loan 1	832,503
Cash Flow Loan 2	365,041
Debt Service Loan	1,095,064
Payables/Accrued Interest	570,451
Grants	13,800,091
Total Project Funding	**$ 162,299,806**

TABLE 10 : Planned Capital Projects

Facility / Equipment[1]	Current Cost Estimate[1]	External Funding	System Development Cost Basis	% Allocation[2]			Distribution of Cost Basis ($)		
				Existing Customers	Future Customers	Exclude from Fee Basis	Existing Customers	Future Customers	Exclude from Fee Basis
Wastewater Systems									
TBD	$ -	$ -	$ -	82.4%	17.6%	0.0%	$ -	$ -	$ -
TBD	-	-	-	82.4%	17.6%	0.0%	-	-	-
TBD	-	-	-	82.4%	17.6%	0.0%	-	-	-
TBD	-	-	-	82.4%	17.6%	0.0%	-	-	-
TBD	-	-	-	82.4%	17.6%	0.0%	-	-	-
TBD	-	-	-	82.4%	17.6%	0.0%	-	-	-
TBD	-	-	-	82.4%	17.6%	0.0%	-	-	-
Total	**$ -**	**$ -**	**$ -**	**82.4%**	**17.6%**	**0.0%**	**$ -**	**$ -**	**$ -**

1. Per Staff, the County of San Luis Obispo does not anticipate any new capital projects at this time. This table serves as a placeholder in the event that the situation changes in the near future.
2. Capital projects are allocated proportionately in the same manner as existing assets (in total) in Table 5.

TABLE 11 : Development of Wastewater Capacity Fee

System Asset Values Allocated to Future Customers	Total Cost Basis	Remaining BUs	Cost Per BU
Formula:	*a*	*b*	*c = a / b*
Existing System Assets[1]			
Lateral	$ 1,350,847	486	$ 2,780
Collector	6,526,843	856	7,621
Trunk	5,910,065	1,288	4,590
Treatment/Disposal	20,509,238	1,288	15,927
Common	544,888	1,288	423
Subtotal: Existing System Buy-In	**$ 34,841,882**		**$ 31,341**
Adjustments to Cost Basis			
Cash Reserves[2]	$ 586,346	1,288	$ 455
Outstanding Long-Term Debt (Principal)[3]	(7,802,276)	1,288	(6,059)
Grant Funding[4]	(2,427,560)	1,288	(1,885)
Planned Assets[5]	-	1,288	-
Total: Adjustments to Cost Basis	**$ (9,643,490)**		**$ (7,489)**
Total	**$ 25,198,392**	--	**$ 23,852**

1. Refer to Tables 3 and 4 for detail related to existing assets.
2. Refer to Table 6 for detail related to cash reserves.
3. Refer to Table 7 for detail related to long-term debt.
4. Refer to Table 8 for detail related to grants.
5. Placeholder for future capital improvement projects.

TABLE 12 : Summary of Wastewater Capacity Charge Calculation

System Asset Values Allocated to Future Customers	Total Cost Basis	Cost Basis for Existing Customers	Costs Excluded	Cost Basis for Future Customers	Build Out BUs	Confirmed BUs	Remaining BUs Available for Future Customers	Cost Per BU
Formula:	*a*	*b*	*c*	*d = a - b - c*	*e*	*f*	*g = e - f*	*h = d / g*
Existing System Assets								
Lateral	$ 13,255,538	$ 11,904,691	$ -	$ 1,350,847	4,769	4,283	486	$ 2,780
Collector	43,786,163	37,259,319	-	6,526,843	5,745	4,889	856	7,621
Trunk	30,910,345	25,000,280	-	5,910,065	6,735	5,447	1,288	4,590
Treatment/Disposal	107,265,761	86,756,523	-	20,509,238	6,735	5,447	1,288	15,927
Common	2,849,831	2,304,943	-	544,888	6,735	5,447	1,288	423
Subtotal: Existing System Buy-In	**$ 198,067,637**	**$ 163,225,755**	**$ -**	**$ 34,841,882**				**$ 31,341**
Adjustments to Cost Basis								
Cash Reserves	$ 3,333,234	$ 2,746,888	$ -	$ 586,346	6,735	5,447	1,288	$ 455
Outstanding Long-Term Debt (Principal)	(148,499,715)	(36,728,758)	(103,968,681)	(7,802,276)	6,735	5,447	1,288	(6,059)
Grant Funding	(13,800,091)	(11,372,531)	-	(2,427,560)	6,735	5,447	1,288	(1,885)
Planned Assets	-	-	-	-	6,735	5,447	1,288	-
Total: Adjustments to Cost Basis	**$ (158,966,572)**	**$ (45,354,400)**	**$ (103,968,681)**	**$ (9,643,490)**				**$ (7,489)**
Total	**$ 39,101,066**	**$ 117,871,355**	**$ (103,968,681)**	**$ 25,198,392**	**--**	**--**	**--**	**$ 23,852**

TABLE 13 : Formula to Calculate Wastewater Capacity Fees for ADUs

ADU Examples	ADU Sq. Ft.	Average Primary Dwelling Sq. Ft.[1]	Cost per BU	Cost Per ADU
Formula:	*a*	*b*	*c*	*d = [c * (a / b)]*
ADU Example 1	< 750	1,600	$ 23,852	$ -
ADU Example 2[2]	750	1,600	23,852	11,181
ADU Example 3[2]	1,000	1,600	23,852	14,908
ADU Example 4[3]	1,200	1,600	23,852	17,889

1. The average size of a single family dwelling in San Luis Obispo County is approximately 1,600 square feet. Website: *San Luis Obispo, CA Home Values _ Homes.pdf* .
2. This example assumes the ADU is built within a proposed Single Family Dwelling (SFD), an existing SFD, or an existing accessory structure, such as a garage.
3. This example is for a detached ADU with the maximum allowable size of 1,200 square feet.

APPENDIX B. COUNTY LAND USE CATEGORIES[14]

Within the District, there are various land uses such as single-family residence, multiple family residences, non-residential, mobile homes, open space, etc. The method of assigning BUs to each of these land uses is shown in **Table 1** below. Table 1 lists each type of land use in the District and the BUs assigned to each land use category. The current category's BU charge is based on the original assessment study. It may be necessary to create additional categories or change these category BU percentages in the future based on usage analysis.

Residential Single Family and Residential Suburban (RSF & RS)

A parcel with a residence will be charged one (1) BU or one share in each of the project components. Additional residences will be charged one (1) BU.

Residential Multi-Family (RMF)

Parcels designated as Residential Multi-Family will be charged one (1) lateral component per property plus 0.77 of one BU per multi-family unit for collector, trunk, treatment and disposal, and common facilities. Less wastewater flow is expected from RMF parcels, thus the reduction in BUs from Single Family Residences.

Non-Residential (CR, CS, OP)

The County Land Use Ordinance permits a wide range of uses within these zones in particular, rendering an assessment based on land use impractical. For example, a non-residential parcel may house a relatively low wastewater generating activity, such as warehousing, or a more intense user, such as a restaurant or car wash.

To avoid conjecture regarding ultimate land use, commercial parcels being used as non-residential will be charged according to parcel size. Parcels up to 10,000 square feet will be charged the same as a single family residence. Larger parcels will be charged at increasing increments of benefit units for each 10,000 square foot increment of land. For example, a 25,000 square foot lot is charged at a full 2.50 BUs. In circumstances where the County Land Use Ordinance would permit the addition of a residential unit to the non-residential use, the parcel size will still be used as the basis for the assignment of benefit.

Improved non-residential parcels used for residential purposes are charged the same as RSF or RMF parcels, based on use.

[14] Definitions of Land Use are based on the Engineer's Report prepared by the Wallace Group for the San Luis Obispo County Wastewater Assessment District No. 1 in 2007. Source file: *20071218 Engineer's Report Wallace Group.pdf*.

Open Space (OS)

These parcels are not developable by definition. However, upon change in category, the parcel would be charged based on the new designation.

Table 1. Benefit Unit (BU) Assignment Based on Use

Land Use Category	Benefit Units (BUs)				
	Lateral Component (BU)	Collector Component (BU)	Trunk Component (BU)	Treatment and Disposal Component (BU)	Common Facility Component (BU)
Residential Single Family and Residential Suburban (RSF & RS)					
Vacant Parcel	0	0	0	0	0
Improved Property with Single Residence	1	1	1	1	1
Each Additional Existing Residence	1	1	1	1	1
Residential Multi-Family (RMF)					
Vacant Parcel	0	0	0	0	0
Improved Property with Single Residence	1	1	1	1	1
Improved Property with Two or More Units	1	0.77/Unit	0.77/Unit	0.77/Unit	0.77/Unit
Condominiums					
Vacant Parcel	0	0	0	0	0
Existing Common Area	1	0	0	0	0
Each Unit	0	0.77/Unit	0.77/Unit	0.77/Unit	0.77/Unit
Mobile Home Parks					
Vacant Parcel	0	0	0	0	0
Existing Park Common Area	1	0	0	0	0
Each Space	0	0.62/Unit	0.62/Unit	0.62/Unit	0.62/Unit
Vista del Oro and Bayridge Estates Tracts					
Vacant Parcel	0	0	0	0	0
Improved Property with Single Residence	0	1	1	1	1
Each Additional Existing Residence	0	1	1	1	1
Commercial (CS, CR, OP)					
Vacant Parcel	0	0	0	0	0
Occupied Business	1	1/10,000-sf	1/10,000-sf	1/10,000-sf	1/10,000-sf
Existing Residential Single Family Use	1	1	1	1	1
Existing Residential Multi-Family Use	1	0.77/Unit	0.77/Unit	0.77/Unit	0.77/Unit
Open Space (OS)					
Not Developable by Definition	0	0	0	0	0
Special Cases					
See Following Text					

Special Cases

Condominiums

Condominiums, although many times under separate ownership, represent special cases. Each unit will be charged 0.77 BU per unit in the same manner as apartments with the exception of the lateral component. In the case of condominiums, the common area will be charged for a single lateral BU.

Mobile Home Parks

Since mobile home spaces generate less wastewater than single family residences, they will be charged 0.62 the rate of RSF housing. Each park will be charged one lateral unit plus 0.62 BUs per space for each collector, trunk, treatment and disposal, and common facility components.

Schools

Schools will be charged as special cases. A total of 20.25 students per equivalent benefit unit (BU) was assigned. Therefore, each school will be charged for one lateral component plus the number of equivalent BUs for each of the collector, trunk, treatment and disposal, and common facilities components based on the school's student population.

Other Special Cases

This information is taken from the engineer's report and is provided as background for determination of future special case capacity charges.

Special Case	Assessment Number	Means of Assessing
Library	2520	Since the library is a special public facility that is not an intensive wastewater generator, it has been assessed on the same basis as a single family residence.
Fire Station	6061	This public facility has been assessed at 1.5 BUs to account for a more intensive use than a single family residence.
South Bay Community Center	6008	This meeting hall was confirmed to be active 7 days per week and was previously assessed based on EPA flow factors at 2.33 equivalent benefit units. A subsequent parcel merge revised the equivalent benefit unit assignment to 2.98.
Churches and Other Meeting Halls	Misc.	Churches and other known meeting halls are assessed as meeting halls in a similar manner to the Community Center, with an adjustment made for a reduced number of meeting days: 2.33 BUs x (2 mtg days)/7 days per week = 0.67 equivalent BUs. There are two parcels with single family residences which are assessed one (1) BU.
Morro Shores	2518	This unsubdivided, 58 acre parcel represented a special case in the previous assessment proceedings in Los Osos, and was assessed an equivalent BU of 273.25. However, this parcel is currently vacant and will, therefore, receive an assessment of zero.
Monarch Grove	Misc.	Although Monarch Grove is within the Assessment District, the properties within this subdivision will not be assigned any special benefit. The subdivision currently utilizes an on-site tertiary treatment facility under a separate permit with the Regional Water Quality Control Board.
Vista del Oro and Bayridge Estates Tracts	Misc.	The individual parcels do not have septic tanks. Wastewater flows through a gravity system to large septic tanks and community leach fields that are centralized for the two developments. The individual parcels have been included in prior assessment proceedings for the trunk, treatment/disposal and common components. This method will again be used for the current proceedings. The developments will utilize existing lateral and collection facilities.
Golf Course	2792	According to the Regional Water Quality Control Board, the property is connected to the Monarch Grove treatment facility and, therefore, will receive an assessment of zero.
Morro Palisades	5224	The Morro Palisades property will be used for disposal and will therefore receive no assessment.
Properties Outside the Urban Services Line (USL)		Sewer service to parcels outside of the Urban Services Line (USL) is not planned to be extended at this time. Therefore, such parcels have not been assessed.

APPENDIX C. UPDATING THE CAPACITY FEE MODEL

NBS built the wastewater capacity fee model specifically for the District so that it can be easily updated with new data to test out various scenarios based on the most recent data available. Since changes are inevitable, it is reasonable to review the capacity fee model annually as some assumptions used in the analysis may never materialize or vary greatly from the original data. The capacity fee model is comprised of the following six (6) exhibits which can be updated with new data at any given time, here are some simple steps on how to update each exhibit in the model to calculate the estimated capacity fee:

1. *Exhibit 1 – Demographics*:
   - As new developments arise, it may be meaningful, and even necessary, to update the number of total Benefit Units (BUs) to include the number of new anticipated BUs. Also, the Remaining BUs will inevitably decrease as more customers connect to the system. To update the table below (Table 1 in the model), simply input the number of total BUs in Column (1) and the number of BUs already connected to the wastewater system in Column (2) to calculate the number of remaining BUs:

	(1)	*(2)*	*(3)*
System Components	**Build Out BUs**	**Confirmed BUs**	**Remaining BUs Available for Future Customers**
Lateral	4,769	4,283	**486**
Collector	5,745	4,889	**856**
Trunk	6,735	5,447	**1,288**
Treatment/Disposal	6,735	5,447	**1,288**
Common	6,735	5,447	**1,288**

   - These numbers will then be carried over to Table 2 to calculate the new allocation between existing and future Customers. This allocation will be used to redistribute the system assets calculated in *Exhibit 2 – Existing Asset Values*.

2. *Exhibit 2 – Existing Asset Values*:
   - There are basically three (3) reasons why the District may decide to update this exhibit: (1) if the District wants to update the Depreciation to Date which will decrease the System Buy-in Basis and, therefore, decrease the asset costs allocated to both existing and future customers; (2) if the District would like to add additional assets to the list which would increase the asset costs allocated to both existing and future customers; and, (3) if the District would like to change the inflation factor applied to the Asset Cost Less Depreciation which is currently set at 3% and may increase or decrease in the future.
   - If the District decides to make the changes described above, the Depreciation to Date and/or the inflation factor would need to be updated or additional rows would need to be added to Table 3.

3. *Exhibit 3 – Exist Asset Allocations*:
   - This exhibit will automatically update based on the values input in Exhibit 2. The result will provide the new Distribution of Cost Basis used to allocate cash reserves, outstanding debt, grants, and planned capital assets between existing and future customers (see Exhibits 4 and 5).

System Component	System Buy-in Cost Basis	Distribution of Cost Basis ($)		
		Existing Customers	Future Customers	Total
Lateral	$ 13,255,538	$ 11,904,691	$ 1,350,847	**$ 13,255,538**
Collector	43,786,163	37,259,319	6,526,843	**43,786,163**
Trunk	30,910,345	25,000,280	5,910,065	**30,910,345**
Treatment/Disposal	107,265,761	86,756,523	20,509,238	**107,265,761**
Common	2,849,831	2,304,943	544,888	**2,849,831**
Total Asset Value	**$ 198,067,637**	**$ 163,225,755**	**$ 34,841,882**	**$ 198,067,637**
Percentage of Total Asset Value		*82.4%*	*17.6%*	*100.0%*

4. *Exhibit 4 – Cash Reserves and Debt*:
   - Cash Reserves – The amount of cash the District has in reserves will inevitably change over time. This will change the allocation of cash between existing and future customers due to the updated Distribution of Cost Basis calculated in Exhibit 3.
   - Outstanding Debt – Total outstanding debt will decrease over time as the District continues to repay the existing loans, and the Distribution of Cost Basis will also vary depending on the allocation in Exhibit 3. This means that the amount of credit applied to the proposed capacity fee per BU will decrease. In addition, the District may also decide to acquire additional debt to fund expansion projects.

5. *Exhibit 5 – Planned Assets*:
   - At this time, the District does not anticipate any new capital projects; however, this may change in the future as expansion in existing infrastructure or even the building of new facilities may be required to meet the demands of future customers. This means that the existing infrastructure may not be sufficient to meet these increasing demands and may require additional capacity in the wastewater system.
   - If this happens, the addition of new capital projects will affect the capacity fee as the current fee does not include any planned capital costs for future customers. Regardless of the additional costs, NBS believes the projected cost per BU should be sufficient to cover the cost of future capital assets.
   - For example, with all other data remaining the same, an additional $5 million in planned capital assets would increase the current BU cost by less than $700.

6. *Exhibit 6 – Cost Per Benefit Unit*
   - Table 11 in the capacity fee model will automatically update based on the new data input in the preceding exhibits.

In addition to the situations referenced above, there may be other factors that could trigger a new study or a re-evaluation of the current study. As previously stated, NBS does recommend a review of the data presented in the study on an annual basis to ensure that assumptions are close to what was anticipated.