

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 10/27/2015	(3) CONTACT/PHONE Will Clemens, Department Administrator (805) 781-5299	
(4) SUBJECT Introduction of an Ordinance amending water service charges in San Luis Obispo County Service Area No. 23, Santa Margarita Water System, Santa Margarita. Hearing date set for December 15, 2015. District 5.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Introduce the attached Ordinance, which amends the Water Service Charges in County Service Area No. 23; and 2. Schedule a Public Hearing for December 15, 2015, to consider the attached Ordinance and consider all valid protests to the proposed increase in water service charges; and 3. Direct the Director of Public Works, or his designee, to mail notice of the public hearing in accordance with Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code). 			
(6) FUNDING SOURCE(S) County Service Area 23 Water Rates	(7) CURRENT YEAR FINANCIAL IMPACT \$33,000 Revenue	(8) ANNUAL FINANCIAL IMPACT \$100,000 Revenue	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input type="checkbox"/> Board Business (Time Est. ___)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input checked="" type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date: 9/15/15 #19	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) District 5			

Reference: 15OCT27-C-2

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works
Will Clemens, Department Administrator

VIA: Dave Flynn, Deputy Director of Public Works

DATE: 10/27/2015

SUBJECT: Introduction of an Ordinance amending water service charges in San Luis Obispo County Service Area No. 23, Santa Margarita Water System, Santa Margarita. Hearing date set for December 15, 2015. District 5.

RECOMMENDATION

It is recommended that the Board:

1. Introduce the attached Ordinance, which amends the Water Service Charges in County Service Area No. 23; and
2. Schedule a Public Hearing for December 15, 2015, to consider the attached Ordinance and consider all valid protests to the proposed increase in water service charges; and
3. Direct the Director of Public Works, or his designee, to mail notice of the public hearing in accordance with Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code).

DISCUSSION

It is necessary to amend service charges for the County Service Area No. 23 (CSA 23), the Santa Margarita water system, to provide adequate funding for capital replacement, debt service, operations and maintenance expenditures. This adjustment is necessary given the reduced water consumption in the community due to the drought and water conservation efforts to meet the Governor's statewide reduction target of 25%. Consumption in fiscal year 2006/07 was 76,018 CCF and has been decreasing steadily since then. Consumption in fiscal year 2014/2015 was 52,336 CCF and must decrease even further in order to meet the Governor's target reduction level. The Governor's conservation target of 51,310 CCF for Santa Margarita is assumed for the purpose of developing the new rate structure.

The result of this reduction in consumption is that the revenue generated by the current rate structure is insufficient to cover the expenses of the system. This revenue shortfall has been slowly reducing the reserve balances in CSA 23 which are now critically low at less than \$50,000.

A rate increase process was initiated in July with a Protest Hearing held on September 15, 2015. There was a successful protest of the proposed increase, and as a result, this second rate increase

process is necessary to generate sufficient revenue to cover system costs. On October 20, 2015, your Board approved a \$60,000 loan from the General Fund to CSA 23 to cover the expected revenue shortfall this year. This rate increase proposal includes repayment of that loan over ten years to minimize the impact to water rates.

The last non-inflationary water rate increase in Santa Margarita was seven years ago in 2008. That increase was needed for increased debt service costs related to capital improvements for a new water tank and waterline upgrades throughout the community. The attached “County Service Area 23 – Santa Margarita Water Rate Analysis” provides a more detailed analysis of the need for the increase.

Water bills are computed on a bi-monthly basis (every other month). The charge for water is based on the amount of water used, measured in hundred cubic feet. This is abbreviated as CCF. One CCF equals 748 gallons. The following table illustrates the proposed rate change to the Basic Bi-Monthly Charge for Water Service:

Basic Bi-Monthly Charge for Water Service:	
Allowable Quantity	Present Rate
0 CCF to 10 CCF *	\$61.41 Minimum Charge
11 CCF to 16 CCF	\$2.93 Per CCF
Greater than 16 CCF	\$3.76 Per CCF
Allowable Quantity	New Rate
0 CCF	\$69.74 Minimum Charge
Greater than 0 CCF	\$3.10 Per CCF
* (CCF is Hundred Cubic Feet or 748 gallons)	

As indicated in Table 1 of the attached Water Rate Analysis, revenues derived from the water rates and charges will not exceed the funds required to provide water service, or be used for any other purpose. In addition, the rates will not exceed the proportional cost of providing water to each customer. These charges will not be imposed unless water service is actually used by, or immediately available to, the property.

This action will initiate the Proposition 218 process to increase water rates. The attached notice will be mailed to all property owners and customers in CSA 23 which will explain the need for the rate increase and provide direction on how to protest the proposed increase. It also provides notice of the Protest Hearing that will be held on December 15, 2015. In addition, it provides notice of a community meeting to be held on November 18, 2015 to provide information and answer questions regarding the proposed increase.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel has reviewed the subject Ordinance and approved as to legal form and effect. The County Clerk receives written protests and tallies them at the Public Hearing.

The CSA 23 Advisory Committee has participated in discussions on the need for the rate increase and recommended adjustments to minimize the total rate increase which have been incorporated into the proposal. The Committee was given a choice of three different rate structures to generate the necessary revenue. At the October 1, 2015 meeting the Committee chose the preferred rate structure which is being proposed.

FINANCIAL CONSIDERATIONS

The current average bi-monthly basic water rate for CSA 23 is \$88.36 (\$44.18 per month). The proposed rate increase would raise the average bi-monthly basic water rate by \$30.58 (\$15.29 per month) to \$118.94 (\$59.47 per month). The adjustment will generate additional revenues of approximately \$100,000 per year. This adjustment is required to cover the cost of ongoing capital replacement, debt service, and operations and maintenance expenditures given the reduced water consumption in the community due to the drought and conservation efforts.

The rate structure is being changed to eliminate the tiered water rates currently used. The new rate structure will consist of a minimum charge to cover debt service costs and fixed operating costs in addition to a uniform volumetric usage charge on each unit of water used to cover the cost of variable operations and maintenance. Calculations of the new water rates are detailed in the attached "County Service Area 23 – Santa Margarita Water Rate Analysis." In response to community concerns, language is included in the Ordinance that will authorize a rate reduction if annual water sales increase in the future and the existing annual Consumer Price Index adjustment is being eliminated.

Staff is in the process of managing the construction of an emergency intertie pipeline with Atascadero Mutual Water Company (AMWC) and Garden Farms Mutual Water Company to provide the infrastructure needed for additional water supply in an emergency. These improvements are completely grant funded and not dependent on this rate increase. If the intertie is put into service for emergency water supply, cost of water supplied by AMWC will need to be addressed and may warrant review of rates at that time.

RESULTS

Adjusting water rates in CSA 23 will ensure sufficient revenue needed to cover the costs of the system, which will contribute to a safe, healthy, livable, and well-governed community in Santa Margarita.

ATTACHMENTS

1. Vicinity Map
2. County Service Area 23 – Santa Margarita Water Rate Analysis
3. Ordinance Amending Water Service Charges for San Luis Obispo County Service Area No. 23 - Santa Margarita
4. Notice of Public Hearing on Ordinance to Increase Water Service Charges in County Service Area No. 23 in Santa Margarita

File: CF 320.580.03

Reference: 15OCT27-C-2

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