

Los Osos Wastewater Project

San Luis Obispo County
Department of Public Works

October 5, 2010

Project Update

- **Status Report**
- **Recommended Action Items**
- **Rates and Charges Discussion**

Project Status Report

- Working status report document to be included in quarterly updates
- Discussion of multiple project issues, beyond today's recommendations

Recommended Actions

- Item #1: Review USDA Letter of Conditions and Ratify Letter of Intent to Meet Conditions
- Board authorized Director of Public Works to execute application document by Resolution in April 2010
- Formal Board recognition of USDA terms and conditions

Recommended Actions

- Item #3: Cancel collection system design-build process
- Item #4: Direct staff to request design proposals from engineering firms previously pre-qualified for collection system

Recommended Actions

- USDA requires design-bid-build contracting
- Qualifications based proposals for professional design services
- Short-listed three highly qualified design teams, with local participation
 - CDM with Fugro, Rick Engineering, Rincon, Applied Earthworks, Penfield & Smith, Above Grade
 - MWH with EDA, RRM, Fugro, Ground Up, Rick Engineering
 - URS with Triad/Holmes and Fugro

Recommended Actions

➤ Item #5: Consider Due-Diligence Resolution

➤ Pro

- Allows access to \$287,887 + in pre-paid assessments

➤ Con

- Financing and enforcement risks
- Rates and Charges Prop 218 protest
- Interim financing is not immediate

Recommended Actions

- Item #6: \$750,000 budget adjustment
- Continue efforts through February 2011 for planned construction in September 2011
- County staff and consultant support
 - Coastal permit compliance
 - USDA, and anticipated SRF, conditions
 - Right of Way clearance
 - Initiate collection system design

Recommended Actions

Pre-Construction Requirements	CDP	CC	USDA
Mid-Town Habitat Restoration Plan <ul style="list-style-type: none"> Grading and drainage Revegetation/Habitat Coastal, DFG & USFWS review/consultation Survey and final construction plans 	X	X	
Habitat Management Plan <ul style="list-style-type: none"> Upland habitat management program (Broderson, Giacomazzi, Mid-town, pump stations) Conservation deed restrictions (Broderson, Giacomazzi, Mid-town, pump stations) Wetland habitat—GW level monitoring program DFG and USFWS review 	X	X	
Recycled Water Management Plan <ul style="list-style-type: none"> Water conservation program Recycled water reuse program Groundwater basin monitoring program Water supply reporting program 	X	X	
Natural asbestos evaluation	X		
USFWS re-consultation	X		X
APCD mitigation notice and program	X		
Document ACOE, RWQCB, and DFG compliance	X		
Cultural resources treatment plan	X		
ESA worker education program	X		
Verify 75-foot wetlands setback from pump stations	X	X	
DFG creek crossing permits	X		
DFG K-rat “no take agreement”	X		
Walker (staging area) habitat restoration plan	X	X	
Preconstruction geo-archaeological testing	X		
Interim financing			
Rates and Charges Ordinance—Prop 218 protest hearing			X
SRF preliminary funding commitment			X
Create separate account for USDA funds			X
Notice property owners—no guarantees	X		
Mandatory hook-up ordinance			X
Recycled water use/purchase contracts			X
Secure Right of Way	X	X	X
Public Works encroachment permit	X		
Traffic Management Plan	X		
APCD odor control plan	X		
Spill response plan to EPA	X		
Develop final design/plans – Collection	X	X	X
Farmland conservation easement, 2:1 mitigation	X	X	
Ag easement on surplus TF land	X		
TF public lot	X		
TF access road & pipeline easement	X	X	
Roadway safety analysis—TF access road	X	X	
Develop final design-build RFP – Treatment Facility	X	X	X

Recommended Actions

- Item #7: Direction for Quarterly Project Updates
- Updates coincide with County budget updates
- Project approvals on agenda as Board Business or Consent, as appropriate

Recommended Actions

- Item #2: Rates and Charges Ordinance
- Proceed with formal introduction of an ordinance per Prop. 218
 - Establish basic rate schedule
 - Automatic rate reduction upon Board approval of collection from undeveloped properties
 - Variable component to rates based on indoor usage

Funding Update

- **USDA commitment for \$83.1 M loan and \$4.06 M grant**
- **Applied to SRF for the balance**
- **Eliminated need to sell Municipal Bonds**

USDA vs SRF Funding

<u>Funding Source</u>	<u>Grant/Loan</u>	<u>Total Funding</u>	<u>Term</u>	<u>Int. Rate</u>	<u>Monthly Pmt SFR</u>
USDA	\$4M/\$83M	\$87 M	40 Yr	3.25 %	\$57.51
SRF	\$0M/\$87M	\$87 M	20 Yr	2.70 %	\$87.50
SRF	\$0M/\$87M	\$87 M	30 Yr	2.70 %	\$65.70
SRF	\$0M/\$87M	\$87 M	20 Yr	0.00 %	\$67.25
Muni Bonds		\$87 M	30 Yr	5.00 %	\$87.04

Why Adopt Rates Now?

- **Due diligence considerations**
- **Funding agencies require it**
- **Required for interim funding**
- **Although rates need to be adopted now, rates not effective until system is operational (2014)**

Rates and Charges Process

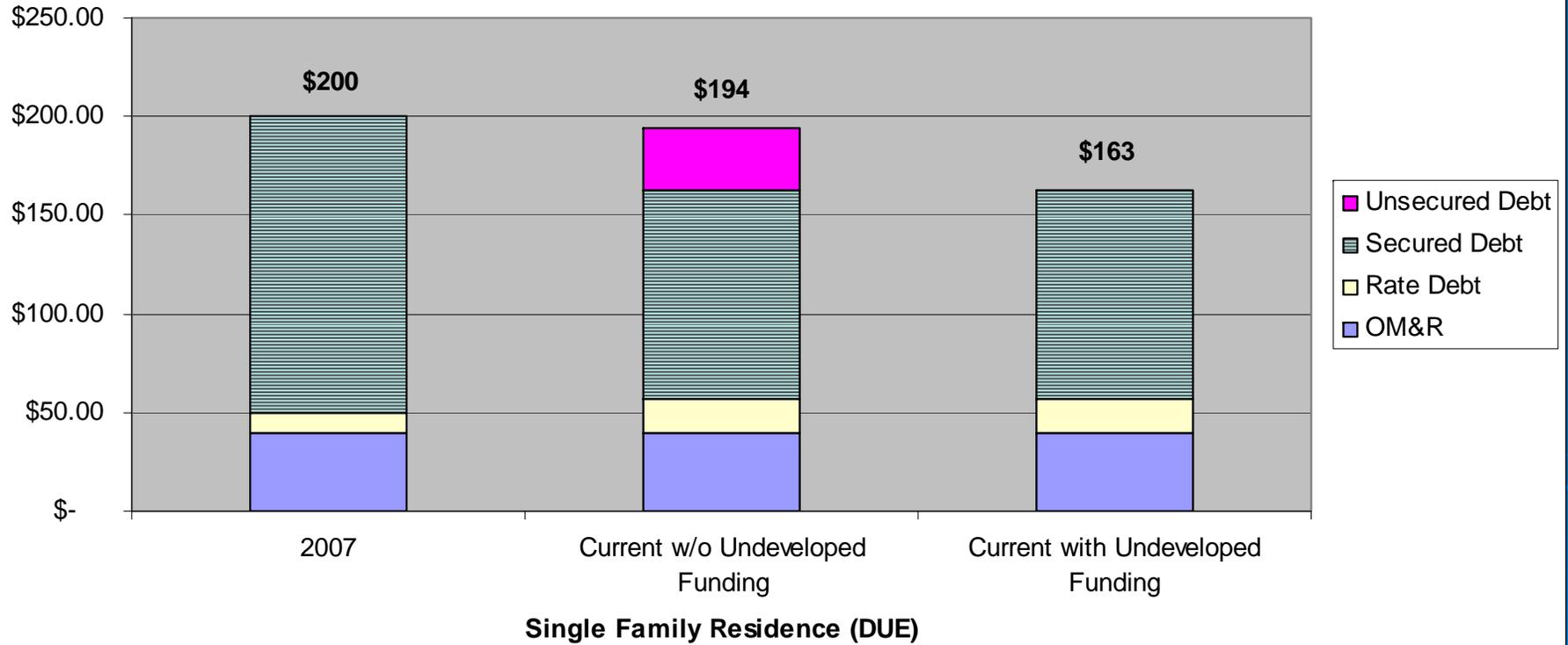
- **Draft ordinance**
- **Board study session on rate options**
- **Introduce final ordinance at Board**
- **45 day protest period**
- **Hold town-hall meeting**
- **Protest hearing/adopt ordinance**

What do Rates Cover?

- **Fixed and Variable Operation, Maintenance and Replacement**
- **Debt Service on costs not secured through assessments/grants**
- **Current estimate of annual revenue requirements: \$5.74 million**

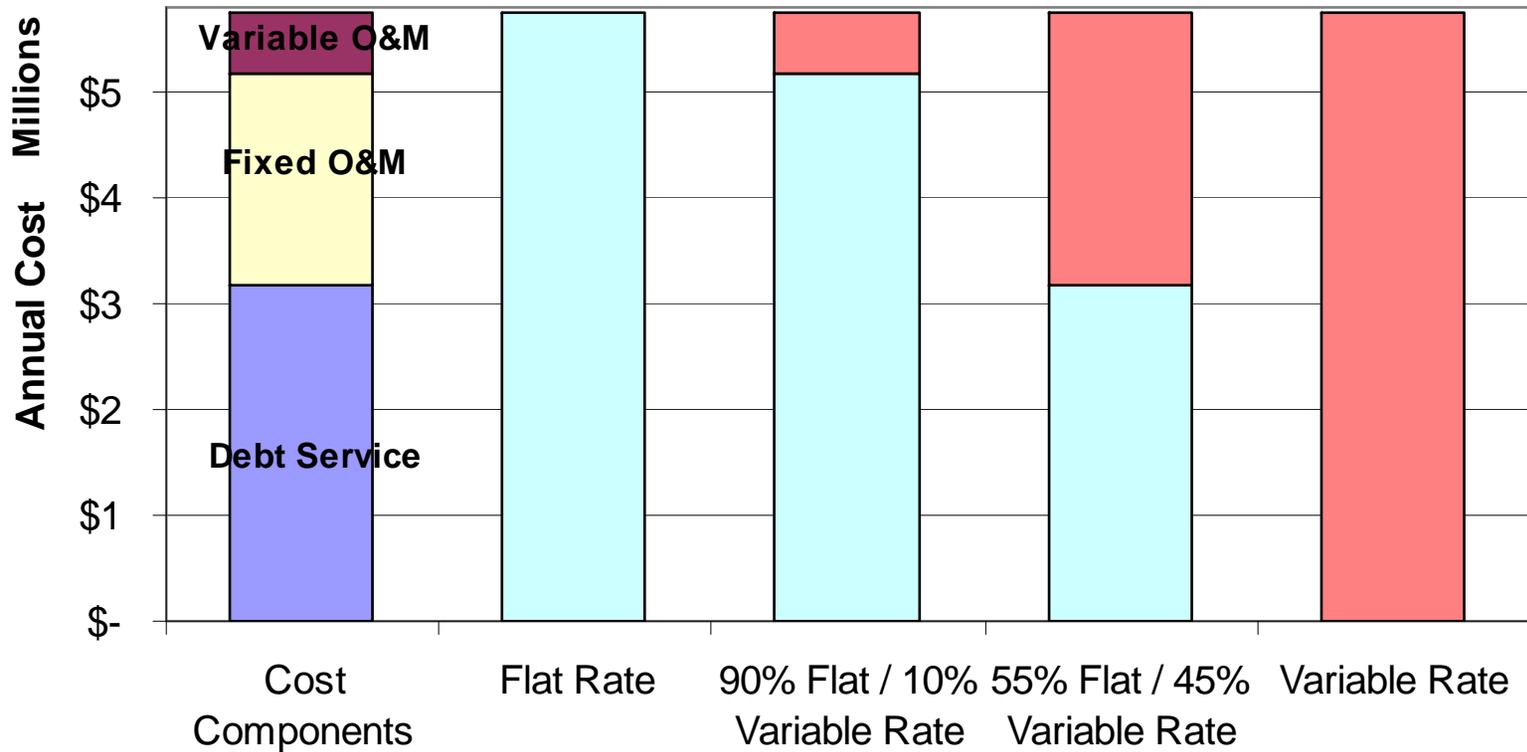
SFR Average Cost

Average Monthly Cost Estimates



Rate Options

Rates and Charges Cost Components
Rate Structure Options



Rate Option Impacts

Typical Occupants	Monthly Usage	FLAT Monthly Charge		90%FLAT/10%VAR Monthly Charge		55%FLAT/45%VAR Monthly Charge		VARIABLE Monthly Charge	
		SFR	MH	SFR	MH	SFR	MH	SFR	MH
	0	\$ 88.61	\$ 44.33	\$ 79.90	\$ 39.97	\$ 48.85	\$ 24.44	\$ -	\$ -
	1	\$ 88.61	\$ 44.33	\$ 81.55	\$ 41.62	\$ 56.39	\$ 31.98	\$ 16.80	\$ 16.80
1	2	\$ 88.61	\$ 44.33	\$ 83.20	\$ 43.28	\$ 63.93	\$ 39.52	\$ 33.61	\$ 33.61
	3	\$ 88.61	\$ 44.33	\$ 84.86	\$ 44.93	\$ 71.47	\$ 47.06	\$ 50.41	\$ 50.41
2	4	\$ 88.61	\$ 44.33	\$ 86.51	\$ 46.58	\$ 79.01	\$ 54.60	\$ 67.22	\$ 67.22
	5	\$ 88.61	\$ 44.33	\$ 88.16	\$ 48.24	\$ 86.55	\$ 62.14	\$ 84.02	\$ 84.02
3	6	\$ 88.61	\$ 44.33	\$ 89.82	\$ 49.89	\$ 94.09	\$ 69.68	\$ 100.82	\$ 100.82
	7	\$ 88.61	\$ 44.33	\$ 91.47	\$ 51.54	\$ 101.63	\$ 77.22	\$ 117.63	\$ 117.63
4	8	\$ 88.61	\$ 44.33	\$ 93.12	\$ 53.20	\$ 109.17	\$ 84.76	\$ 134.43	\$ 134.43
	9	\$ 88.61	\$ 44.33	\$ 94.78	\$ 54.85	\$ 116.71	\$ 92.30	\$ 151.24	\$ 151.24
5	10	\$ 88.61	\$ 44.33	\$ 96.43	\$ 56.50	\$ 124.25	\$ 99.84	\$ 168.04	\$ 168.04
	11	\$ 88.61	\$ 44.33	\$ 98.08	\$ 58.16	\$ 131.79	\$ 107.38	\$ 184.84	\$ 184.84
6	12	\$ 88.61	\$ 44.33	\$ 99.74	\$ 59.81	\$ 139.33	\$ 114.92	\$ 201.65	\$ 201.65

90% Flat/10% Variable Rate Structure

<u>Monthly</u>	<u>Single</u> <u>Family</u>	<u>Multi</u> <u>Family</u>	<u>Mobile</u> <u>Homes</u>	<u>Non</u> <u>Residential</u>
Flat Rate	\$79.90	\$59.93	\$39.97	\$99.98

Plus \$1.65 per unit (748 gallons)

With additional funding from undeveloped properties
rates drop to:

Flat Rate	\$48.17	\$36.13	\$24.10	\$60.27
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Plus \$1.65 per unit (748 gallons)

Summary

- Rates not effective until operational (2014)
- Undeveloped properties will pay fair share of capital costs through assessments or connection fees
- Rates will drop when assessment/fees on undeveloped properties are approved for collection
- Recommended rate structure includes a variable component to cover variable O&M