



SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

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October 28, 2010

APN #
ADDRESS

Subject: Notice of Public Hearing On Ordinance To Impose Sewer Service Charges in the Service Area of the Los Osos Wastewater Project

Dear Property Owner within the Service Area of the Los Osos Wastewater Project:

The County of San Luis Obispo ("the County") is considering adopting an ordinance that would impose sewer service charges on property owners within the service area of the Los Osos Wastewater Project. In compliance with Article XIII D of the California Constitution, a part of what is commonly called Proposition 218, this notice letter provides important information for affected landowners. Specifically, this notice provides information on the sewer service charge proposal and the procedures for protesting the proposal.

Accordingly, a public hearing will be held on December 14, 2010, in the San Luis Obispo County Board of Supervisors Chambers, 1055 Monterey Street, San Luis Obispo, CA 93408, for the purpose of considering a proposed ordinance that would impose sewer service charges within the service area of the Los Osos Wastewater Project.

All hearing items are scheduled for 9:00 a.m. To determine the placement of this item on the agenda, the agenda can be viewed the Wednesday afternoon before the scheduled hearing date on the internet at www.slocounty.ca.gov or in paper form in Room D430 of the County Government Center.

At this hearing, landowners may submit written and oral protests and comments or questions to the Board regarding the proposed sewer service charges. County staff will be at the hearing and will be available to answer questions regarding the proposed sewer service charges. At the close of this hearing, any written protests will be tallied by the County Clerk. The discussion below is organized based on questions we anticipate you may have.

WHY AM I RECEIVING THIS NOTICE LETTER?

Proposition 218 requires that notices be mailed to the owners of property upon which the sewer service charge is proposed to be imposed. Our records indicate that you are an owner of land in the service area of the Los Osos Wastewater Project that will be subject to the proposed sewer service charge. As a result, the County is providing you notice about the proposed sewer service charge and the public hearing.

WHEN WILL THE SEWER SERVICE CHARGE BE IMPOSED?

No property owners will be required to pay the proposed sewer service charge until all of the following occur: (1) the sewer system has become operational, (2) the County has provided a sewer lateral that terminates adjacent to the property line, (3) the County has given written notice to the property owner to connect, and (4) the deadline for connection specified in that written notice has passed. Once these four conditions occur, then the proposed sewer service charge will be imposed on (a) property owners who

have connected to the sewer system; and (b) property owners who have not yet connected to the sewer system, but only if their property contains structures used for human occupancy or other purposes requiring sanitation facilities. The proposed sewer service charge described in this notice will not be imposed on owners whose property is undeveloped or whose property lacks structures used for human occupancy or other purposes requiring sanitation facilities.

WHAT IS THE AMOUNT OF THE PROPOSED SEWER SERVICE CHARGE?

The proposed sewer service charge includes two components: a minimum charge and a volume charge. Property owners who have connected to the sewer system will be subject to both the minimum charge and the volume charge. Property owners who have not yet connected to the sewer system will be subject to the minimum charge, but not the volume charge, if the property contains structures used for human occupancy or other purposes requiring sanitation facilities and the County has provided a sewer lateral that terminates adjacent to the property line and the sewer system is operational.

1. *Minimum Charge.* The amount of the annual minimum charge for the various customer classes is set out in the following table:

	<i>Proposed Annual Rate</i>	<i>Monthly Equivalent</i>
Single-family residential	\$586.20 per dwelling unit	\$48.85 per dwelling unit
Multi-family residential	\$439.68 per dwelling unit	\$36.64 per dwelling unit
Mobile home or trailer park	\$293.28 per dwelling unit	\$24.44 per dwelling unit
Non-residential	\$733.56 per account	\$61.13 per account

a. *Possible Automatic Reduction in the Minimum Charge.*

The proposed sewer service charge ordinance provides that, if the Board of Supervisors imposes and authorizes for collection an assessment and/or a connection fee on undeveloped or underdeveloped properties within the service area of the Los Osos Wastewater Project, the minimum charge shall be automatically reduced to the following amounts:

	<i>Proposed Annual Rate</i>	<i>Monthly Equivalent</i>
Single-family residential	\$206.28 per dwelling unit	\$17.19 per dwelling unit
Multi-family residential	\$154.80 per dwelling unit	\$12.90 per dwelling unit
Mobile home or trailer park	\$103.20 per dwelling unit	\$8.60 per dwelling unit
Non-residential	\$258.12 per account	\$21.51 per account

2. *Volume Charge.* The volume charge will be based on the customer's estimated indoor water usage. For all customers, the volume charge per unit (748 gallons) of annual indoor water usage is \$7.54. The customer's estimated indoor water usage is based on the lesser of the customer's total actual annual metered water use or the customer's January-February metered water use annualized.

3. *Total Charge.* The total charge is the sum of the appropriate minimum charge stated above and the volume charge, where applicable.

WHAT IS THE PURPOSE OF THE PROPOSED SEWER SERVICE CHARGE?

The purpose of these service charges is to generate sufficient revenues to pay for (a) all of the costs of the administration, operation and maintenance of the wastewater collection and treatment system, and (b) the portion of the interest, principal, and reserve requirements of the sewer system that is not backed by existing assessments, and (c) to provide for repairs and depreciation of the system, to provide for unforeseen emergencies, and to pay for other lawful obligations and expenses of the system.

HOW WAS THE PROPOSED SEWER SERVICE CHARGE CALCULATED?

The proposed sewer service charges were calculated so as to yield sufficient revenue to pay all of the costs identified above, using the following estimates:

- Annual debt service costs (interest, principal, and reserve requirements) were estimated for two scenarios. In the first scenario, the principal amount to be financed is approximately \$42.8 million, which represents total capital and financing costs less the amount of assessments approved in 2007 and grants received. The first scenario was used to calculate the initial minimum charge. In the second scenario, the principal amount to be financed is approximately \$15.1 million, which represents total capital and financing costs less the amount of the 2007 assessments and less the estimated amount of assessments or connection charges that may in the future be imposed on owners of presently undeveloped or underdeveloped parcels within the Service Area. The second scenario was used to calculate the reduced minimum charge that will automatically apply if assessments or connection fees are imposed on presently undeveloped or underdeveloped parcels within the Service Area. Based on these principal amounts, the annual debt service costs were calculated to be \$3,165,507 and \$1,116,476 for the first and second scenarios, respectively.
- The annual expense of operation, maintenance, repair, and a capital replacement fund were estimated to be \$2,576,300 based on engineering and financial analyses of the proposed system.

The above amounts were then allocated among four categories of uses (single family residential, multi-family residential, mobile homes, and non-residential) in proportion to the estimated total flows per category, which were derived from an engineering analysis, taking into account the water conservation requirements of the Coastal Development Permit. The allocation is shown in the table below:

	Single Family Residential	Multi-Family Residential	Mobile Homes	Non-Residential	Aggregate Amounts
1. No. of Accts per category	4289	809	542	169	5809
2. Estimated Flows (MegaGallons)	203.018	28.723	12.834	10.010	254.585
3. % of Total Flow	79.74%	11.28%	5.04%	3.93%	100%
4. Op, Maint, Rep, & Repl Cost Alloc, using Ln 3 %	\$2,054,456	\$290,667	\$129,877	\$101,300	\$2,576,300
5. Volume Charge Per Unit (748 x Ln4* ÷ Ln 2 ÷ 1,000,000)	\$7.54 per Unit	\$7.54 per Unit	\$7.54 per Unit	\$7.54 per Unit	\$7.54 per Unit
6. Annual Debt Service (scenario 1) Alloc per Ln 3 %	\$2,524,316	\$357,144	\$159,580	\$124,467	\$3,165,507
7. Min Annual Charge (scenario 1) is Ln 6* ÷ Ln 1	\$586.20	\$439.68	\$293.28	733.56	
8. Annual Debt Service (scenario 2) Alloc per Ln 3 %	\$890,327	\$125,965	\$56,284	\$43,900	\$1,116,476
9. Min Annual Charge (scenario 2) is Ln 8* ÷ Ln 1	\$206.28	\$154.80	\$103.20	\$258.12	

* In the table above, when doing the calculations in lines 5, 7, and 9, the respective amounts from lines 4, 6, and 8 were reduced proportionately to reflect receipt of estimated revenue of \$22,500 per year received from septic tank services that are allowed to discharge into the sewer system. In addition, numbers may not calculate exactly due to rounding of supporting data.

A detailed revenue analysis has been prepared which sets out all of the system's estimated costs of providing sewer service. The revenue analysis will be available for public review in the office of County Public Works (see the end of this notice for contact information). As specified in the revenue analysis, the costs are spread among the system's customer classes based on the estimated amount of wastewater contributed to the system. The County deems this to be a fair and equitable manner to spread these costs so that property owners pay in proportion to their estimated wastewater contributions to the system.

HOW DO I PROTEST?

Submit a Written Protest. If you oppose the proposed sewer service charge, your protest must be submitted in writing to be considered, even if you plan to attend the public hearing. If written protests are submitted by landowners of a majority of the affected parcels, the proposed sewer service charges cannot be imposed. Electronic mail protests will not be formally considered in calculating a majority protest. Protests must contain a description of the property, including the parcel number. Please indicate that it is the sewer service charge that you are protesting. Landowners may mail or deliver their written protests to the County at County Clerk/Recorder's Office, Attn: Clerk of the Board, 1055 Monterey St. Suite D120, San Luis Obispo, CA 93408 in a manner that ensures receipt by the County no later than the close of the public hearing on December 14, 2010. Landowners may also present or withdraw written protests at the hearing on December 14, 2010. Only those written protests that are actually received by the County prior to the close of the December 14, 2010 hearing will be considered. If you agree with the need for the proposed sewer service charges, no action on your part is required.

WHAT WILL HAPPEN IF THERE IS MAJORITY PROTEST?

If landowners of a majority of the parcels upon which the sewer service charges are proposed for imposition submit written protests on a timely basis, then the Board of Supervisors will not be able impose the proposed sewer service charge ordinance.

HOW CAN I GET MORE INFORMATION?

A public town-hall meeting will be held beginning at 7 pm (doors open at 6 pm) on Monday, November 29, 2010 in the multi-purpose room of the Los Osos Middle School at 1555 El Moro, Los Osos, CA. The purpose of the meeting will be to discuss the sewer service charges and answer questions from the public. In addition, the Public Works website for the Los Osos Wastewater Project (www.slocounty.ca.gov/pw/LOWWP) will have answers to Frequently Asked Questions about the proposed sewer service charge. If you are unable to attend, you may also contact me at (805) 788-6633 or wclemens@co.slo.ca.us.

Sincerely,

WILL CLEMENS
Public Works Department Administrator