

FEBRUARY
2007

BROCHURE 2

PROPOSITION 218
“The Right to Vote on
Taxes Act”



Los Osos Wastewater Project

SAN LUIS OBISPO COUNTY
DEPARTMENT OF PUBLIC WORKS

Noel King, Department Director
Paavo Ogren, Project Director



Proposition 218 Assessments With Multiple Project Alternatives

The County’s approach to developing a solution to the Los Osos wastewater issue is to provide options to the community. Developing those options will include several steps, including public review through the Project’s Technical Advisory Committee (TAC) and the preparation of a report to the Board of Supervisors on the “Viable Project Alternatives.”



We believe that identifying Viable Project Alternatives is an important “first step” for the County in providing the community with an understanding of what we believe we can deliver for the community. Once we have completed the report on Viable Project Alternatives, the current uncertainty that exists will be reduced, and community expectations can be better established. At that time, we believe it will be important to proceed with the Proposition 218 ballot process to determine whether property owners are willing to support assessments on their properties to help pay for “a project.”

In addition, complying with the California Environmental Quality Act (CEQA) will be important. Compliance will be different depending on whether a project is selected in advance of approving Prop 218 assessments or if a project is selected after approving Prop 218 assessments.

If a project is selected in advance, then full CEQA compliance will be needed in advance. We understand that some individuals believe that project selection should come first and that the Prop 218 election should be based on a specific project alternative, but two issues create problems with that approach. The first problem is that if a project is pre-selected, and later that project is defeated through community activism, legal challenges, or other unforeseen issues, then the Prop 218 assessments will be invalid for other projects and starting over, again, would be needed. History has shown false starts on projects in Los Osos and avoiding another false start at this time is critical. The second problem is that the full cost of CEQA compliance is not in the County’s \$2 million project budget, and would need to be paid from Countywide tax revenues. We believe that the current County commitment needs to balance the need to resolve the wastewater dilemma in Los Osos versus the costs paid by Countywide taxpayers.

Lastly, we believe that the process of developing multiple project alternatives, while not prejudicing against one or another, is the most valid approach. The Prop 218 assessments are purely a financing decision – will property owners support liens on their properties to build a community wastewater project? We understand that some individuals have a problem with this approach, but we also believe that the community advisory vote in 2008, including all property owners, residents and business owners, is the best way for the community to express its preferred project alternative prior to final project selection by the Board of Supervisors.

Sincerely,

Paavo Ogren
San Luis Obispo County
Deputy Director of Public Works
Project Director

Frequently Asked Questions Regarding Proposition 218

What is an Assessment?

An assessment becomes a lien on parcels of real property to pay for the “special benefits” the parcels receive from a project. The lien may be paid-off by property owners in lump-sum, or may be paid annually with property taxes.

What properties will be assessed?

Any property determined to have a “special benefit” from the collection, treatment and disposal of wastewater.

Who determines if my property receives “special benefit”?

All assessments shall be supported by a detailed engineer’s report prepared by a registered professional engineer certified in California. Cal. Const. art. XIIIID, § 4(b).

Where should a local agency document the distinction between general and special benefits?

In the engineer’s report discussed above.

How does Proposition 218 define “special benefit”?

Proposition 218 provides the following definition of “special benefit”: ‘Special benefit’ means a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large. General enhancement of property value does not constitute ‘special benefit.’ Cal. Const. art. XIIIID, § 2(i).

Will property owned by a public agency, State of California or the United States be assessed?

Yes, unless there is evidence that the publicly-owned parcels receive no special benefit.

What are the procedures and substantive requirements for assessments established by Proposition 218?

- Identify the parcels receiving special benefit
- Determine the proportionate special benefit to each property
- Give property owners a 45 day (minimum) notice of proposed assessment & ballot
- Obtain property owner ballots
- Conduct a public hearing
- Determine if a “majority protest” exists (if majority of ballots returned are in opposition of assessment)

Who gets to submit ballots?

Property Owners.

How are the ballots weighted?

This is **not** a “one ballot, one vote” election. The ballots are weighted according to the proposed assessments of the affected property.

May property owners submit ballots at the public hearing?

Yes. An assessment ballot may be submitted, changed, or withdrawn prior to the conclusion of the public testimony on the proposed assessment at the hearing. (Target date: November 20, 2007)

How will I know the results of the vote/who counts the ballots?

The Clerk of the Board is authorized to count the ballots and will report the results at a public hearing. (Target Date: December 11, 2007)

How will the county collect assessments?

Lump-sum assessments may be paid. Alternatively, annual payments will be collected on your property tax bill.

Paavo Ogren
Deputy Director
San Luis Obispo County
Department of Public Works
2001– current

LOCSO Interim General
Manager (1999)

Public Works Liaison to Los
Osos/County Service Area
No. 9 Advisory Committee
(1990’s)

Eight years professional
experience with private
industry firms as a consultant
and Chief Financial Officer

14 years professional
experience with the County
of San Luis Obispo

Past Water/Wastewater Experience

- Lopez water
- Nacimiento Water
- State Water
- Cayucos Water
- Santa Margarita Water
- Shandon Water
- San Miguel Water
- Los Osos Water
- Santa Maria
Groundwater Litigation
- Santa Ynez Water I.D./
Solvang Water
- Oak Shores Wastewater
- SLO County Club
Wastewater
- Nipomo Wastewater

Email Project Comments:
<http://www.slocounty.ca.gov/PW/LOWWP.htm>

Proposition 218

Understanding Special vs. General Benefits

California Constitution, Article XIII D, Section 4, (a) An agency which proposes to levy an assessment shall identify all parcels which will have a *special benefit* conferred upon them and upon which an assessment will be imposed. The proportionate *special benefit* derived by each identified parcel shall be determined in relationship to the entirety of the capital cost of a public improvement, the maintenance and operation expenses of a public improvement, or the cost of the property related service being provided. No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional *special benefit* conferred on that parcel. Only *special benefits* are assessable, and an agency shall separate the *general benefits* from the *special benefits* conferred on a parcel. Parcels within a district that are owned or used by any agency, the State of California or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. (b) All assessments shall be supported by a detailed engineer's report prepared by a registered professional engineer certified by the State of California.

Technical Issues

- Treatment Processes*
- Collection Systems*
- Disposal* and Reuse†
- Site Selection*
- Construction Management
- Contracting Methods and Options

Water Management

- Conservation Needs
- Agricultural Exchange Options
- Water Quality*
- Sea Water Intrusion†
- Water Rights
- Groundwater Evaluations†
- Water Reuse†
- Imported Water†
- Water System Infrastructure†
- Water Purveyor Involvement
- Cost Sharing

* Example of Special Benefits for a Wastewater Project

† Example of General Benefits

Note: Some costs will include both Special and General Benefits

Fiscal

- Affordability
- Grants
- SRF Loans
- Assessments
- Special Benefits vs. General Benefits
- Private Funding
- Rates and Changes
- Connection Fees
- Monthly Cost
- Objective Comparison of Alternatives
- Vacant Lots

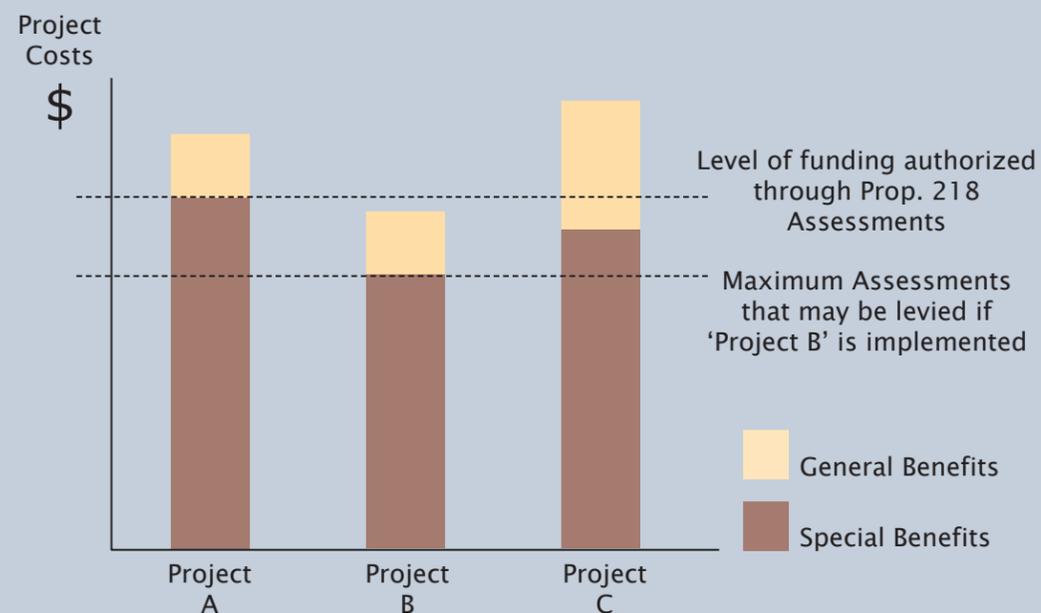
Community

- Prop. 218
- Technical Advisory Committee (TAC)
- Acceptability Issues
- Land Use and Growth
- Development of Individual Lots

Environmental

- California Environmental Quality Act (CEQA)
- National Environmental Policy Act (NEPA)

Evaluating Project Alternatives



Example Calculation of Special Benefits vs. General Benefits

Costs	Special Benefits*	General Benefits	Total Costs
Collection System	\$?	\$?	\$?
Treatment Facilities	\$?	\$?	\$?
Disposal Facilities	\$?	\$?	\$?
Water Reclamation Facilities	\$?	\$?	\$?
Environmental Mitigation	\$?	\$?	\$?
Other Regulatory Requirements	\$?	\$?	\$?
Other Permit Conditions	\$?	\$?	\$?
Other Required Costs	\$?	\$?	\$?
Totals	Assessment Funding*	Other Funding	Total

Examples of "Other Funding" include:

- grants
- fiscal participation by community water purveyors
- bonds that would be repaid from wastewater customer rates and charges

*Note: Assessments can only be used to pay "Special Benefits" and not "General Benefits," but "Special Benefits" can also be paid by some of the "Other Funding" sources.

Preliminary Project Timeline *Alternatives Analysis*



June 19, 2006
Board Approved Legislative Elements and Project Strategies

October 3, 2006
Board Approved Project Budget



January 1, 2007
Effective Date of AB 2701



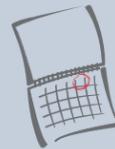
February 23, 2007
Report on Potentially Viable Project Alternatives (PVP's)



March 20, 2007
Board Meeting for Technical Advisory Committee (TAC) Appointments



April 26, 2007
Draft Report of Viable Project Alternatives (VPA's)



May 3, 2007
TAC – Review of Viable Project Alternatives



July 16, 2007
• Final Report of Viable Project Alternatives
• TAC – Pro/Con Report

Anticipated Timeline *Prop. 218*



August 14, 2007
BOS hearing on Viable Project Alternatives



August 28, 2007

- BOS considers Engineer's assessment report, assessment amounts per parcel, and the form/content of assessment ballots and official notice
- BOS instructs Clerk to mail ballots to listed property owners



September 21, 2007

- Ballots will begin arriving to property owners
- Required 45 day notification period begins



November 20, 2007

- Public hearing at the BOS chambers
- Last day to submit an assessment ballot (at the hearing)



November 26-30, 2007
At an announced time and place, Clerk will open ballots and count



December 11, 2007

- Clerk announces election results in a public hearing at the BOS chambers
- Assessment either passes or fails

AB 2701 – The Governor's Signing Message

The Governor has provided direction to the State Water Board establishing a specific condition covering the County of San Luis Obispo's eligibility for project financing from low-interest State Revolving Funds (SRF). That condition was established in his signing message for Assembly Bill 2701 (Blakeslee – 2006) and reads as follows:



"I (Governor Arnold Schwarzenegger) am directing the State Water Resources Control Board (SWB) to withhold any subsequent State Revolving Fund loan to San Luis Obispo County for this project unless the existing \$6.5 million loan has been repaid or the payment plan incorporates its full recovery."

The Governor's direction to the SWB could potentially affect funding of the project's construction through State of California low interest loans. His direction provides two (2) options to satisfy the condition that the \$6.5 million advanced to the Los Osos Community Services District is repaid to the SRF program.

The feasibility of obtaining project construction funding through the private bond markets should not be affected.

In general, when compared to traditional construction funding from bonds issued at normal private market rates of interest, the low (discounted) interest cost represents a project grant of approximately 18-24%. In other words, the long term debt service payments on an SRF funded project will be approximately 18-24% less than market rate financing with similar repayment periods, which is usually 20 years on SRF loans. Some states provide a 30 year repayment option, and County staff is investigating that possibility for the Los Osos wastewater project.

Our initial evaluation of the Governor's signing message leads us to believe that the requirement to repay the \$6.5 million would be, if imposed by the State Water Board, a unique condition that is unprecedented. Nevertheless, because the SRF program has very low interest costs, we do believe that we still need to consider the SRF program even with the unique condition articulated in the Governor's signing message. We believe that it will only be economically justified if the State Water Board is willing to lend substantial SRF funds for the project (i.e. not capped at the \$25 million per year annual allocation), and if the State Water Board is willing to agree to other needed provisions in the SRF loan contract to address the unique nature of the requirement.

In addition to the Governor's signing message, staff of the State Water Board have also indicated that the project will not be eligible for grant funds until the \$6.5 million is repaid. Our correspondence on grant funds with the State Water Board can be viewed on the project website. We believe that affordability concerns of the project have driven many of the historical controversies, and that it is important to work with the State in developing conditions under which they can provide positive recommendations for grant funds. We believe it is in the mutual interest of the State of California, the County of San Luis Obispo, and the Community of Los Osos to reestablish grant opportunities for the project and increase the likelihood of project success.

A Community Question

Who's producing the Los Osos Project Brochures?

Answer

It's not consultants, or "PR" Firms...

It's Katherine Hamby Student Intern



- Cal Poly Senior 2003-2007
- Major: Graphic Communication
- Minor: Spanish
- Graduated from Soquel High School 2003 (Santa Cruz County)

Costs

The cost of paying for the design intern, materials, printing and mailing this brochure to you is less than \$0.70.

Questions & Answers

Who's Applying for the Technical Advisory Committee?

Applicants as of
February 8, 2007:

- Charles R. Ashley Jr.
- Don Asquith
- Craig Baltimore
- Dan Bearden
- William Bianchi
- George A. Call
- Mitch Cooney
- Paul De Mello
- James E. Furman
- William Garfinkel
- Martha Goldin
- Maria M. Kelly
- Eric Michielssen
- Tina Peterson
- Thomas A. Ruehr
- Patrick Ryan
- Bob Semonsen
- George Sheffield
- Rob R. Shipe
- Everett A. Shong
- Gordon Taylor
- Karen J. Venditti
- Ben Wells
- Russell A. Westmann
- Bill Woodson

The application period for the TAC has been extended to:
March 2, 2007

The Board of Supervisors meeting for TAC appointments:
March 20, 2007

Email Project Comments: <http://www.slocounty.ca.gov/PW/LOWWP.htm>

Office Hours

Bruce Gibson
Supervisor, District 2
San Luis Obispo County
Board of Supervisors



Los Osos Office Hours:
2nd & 4th Thursdays
4-5 pm
Washington Mutual Meeting Room
(Subject to change)

Legislative Assistant
Contact: Cherie Aispuro
(805) 781-5450

Technical Advisory Committee

Applications are due to Public Works by:
March 2, 2007

Submit to website or:
Room 207
County Government Center
San Luis Obispo, CA 93408

Website Access to Board Items

Tuesday Meetings of the
Board of Supervisors:
2:05 Public Comment on the project

www.slocounty.ca.gov