

TO: Board of Supervisors

FROM: Straith Smith Zanartu, Finance Division Manager

VIA: John Diodati, Interim Director of Public Works

DATE: February 6, 2018

SUBJECT: Setting of public hearings to establish Capacity Charges for parcels within the Monarch Grove subdivision for connection to the Los Osos Wastewater System, and to collect those charges on property tax bills. Hearing date set for April 3, 2018. District 2.

Recommendation

It is recommended that the Board:

1. Schedule a public hearing for the April 3, 2018 Board of Supervisors meeting to establish Capacity Charges for the parcels within the Monarch Grove subdivision pursuant to Government Code 66013;
2. Schedule a second public hearing for the April 3, 2018 Board of Supervisors meeting to establish payment of the Capacity Charges for the parcels within the Monarch Grove subdivision in installments to be collected on property tax bills pursuant to Health and Safety Code 5470;
3. Authorize the Director of Public Works or designee (s) to mail notice of said hearings to the owners of the parcels Monarch Grove in a manner consistent with applicable law; and
4. Direct the Clerk to publish notice of said hearings in a newspaper of general circulation printed and published in the County of San Luis Obispo once a week for two successive weeks prior to the date of the hearing in accordance with Section 6066 of the Government Code.

Discussion

The Los Osos Wastewater System (LOWWS) began construction in May 2012, and is now fully operational.

The Monarch Grove subdivision (also known as Tract Number 1589) is within the LOWWS service area, but has not been required to connect to the LOWWS because it has its own wastewater system under a permit issued by the Regional Water Quality Control Board. The Monarch Grove Homeowners Association (MGHOA) recently approached the County of San Luis Obispo Department of Public Works and requested to connect to the LOWWS on behalf of the 83 homeowners.

Government Code section 66013 authorizes the County of San Luis Obispo (County) to impose a Capacity Charge for the privilege of connecting to the LOWWS. This is the first public hearing of two,

being set for April 3, 2018, which will permit the County to impose a Capacity Charge. Capacity Charges are one-time costs intended to reflect the cost of existing infrastructure made available to new customers. The charges can also be referred to as a "system buy-in" charge. A Wastewater Capacity Charge Study, was prepared by NBS Consultants and it was determined that the Capacity Charge for the affected properties was \$15,848 per house to connect to LOWWS.

Health & Safety Code section 5470 et seq. authorizes the County to provide for payment of the Capacity Charge in installments to be collected on the property tax bills. The second public hearing of two is being set for April 3, 2018 and will address the payment of the Monarch Grove Capacity Charge by the Monarch Grove parcel owners in installments to be collected on the property tax bills, if in the event the property owner chooses not to pay the entire Capacity Charge in one lump sum. The Capacity Charge will be amortized into 30 annual installments with an interest rate of 2.75%, commencing with the 2018-19 Fiscal Year. The annual payment including principal and interest is \$782.64. An amount to pay for the collection costs may be added to the property tax bill, not to exceed 1% of the annual installment Tax Roll amount.

The Capacity Charge cannot exceed the estimated reasonable cost of the existing sewer plant, and can be paid as one lump sum until 45 days after the encroachment permit has been issued. Due to Tax Roll deadlines, Public Works may opt to bill the first year on manual billings.

The MGHOA property owners will also be required to pay the annual service charges as per County Ordinance 3209 in addition to the Capacity Charges. The sewer service charges will be included as part of the annual sewer service charge tax roll process for the LOWWS which is presented to the Board each year.

Once the MGHOA community sewer has been connected to the LOWWS, the ownership and operation responsibility of the Monarch Grove's collection system will be transferred to the County. MGHOA will maintain ownership and responsibility for their sewer lines upstream of the connection to the County sewer and for their existing treatment plant. These facilities will no longer be used after the connection and will be decommissioned.

Additionally, after the public hearings have been approved by the Board, the MGHOA will be responsible to enter into an inspection agreement with the County and also for obtaining an encroachment permit immediately after the public hearing has been held and approved.

The Capacity Charges and ability to levy these charges will be effective and contingent upon encroachment permit being issued.

The public hearing to establish the Capacity Charge will afford the property owners an opportunity to present objections to their proposed Capacity Charges, and be given due consideration.

Other Agency Involvement/Impact

The Auditor-Controller-Treasurer-Tax Collector places and collects the charges on the property tax bills, and County Clerk publishes the Notice of Hearing. County Counsel assisted on legal and procedural matters.

Financial Considerations

The revenues generated from the Capacity Charge will be deposited into a separate fund designated specifically as the Monarch Grove Capacity Fund, and may be used for costs associated with Government Code 66013 (c) and (i). The revenues may also be transferred into the LOWWS Operating Fund to reimburse costs in accordance with Government Code 68013(f)2.

The MGHOA connecting to the LOWWS will not result in any additional costs to the existing sewer rate payers in Los Osos.

Results

The recommended action will result in the setting of two hearing dates for the Board to consider the adoption of capacity charges for the lot owners within the Monarch Grove subdivision, and the amortization of the capacity charges in installments to be collected on the property tax bills.

Attachments: Vicinity Map

c: Los Osos Wastewater Accounting District files

File: Los Osos Wastewater System-Monarch Grove

Reference: 18FEB06-C-6

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