

IN THE BOARD OF SUPERVISORS
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Tues July 26
----- day -----, 19 94

PRESENT: Supervisors Harry L. Ovitt, Laurence L. Laurent, Ruth Brackett,
David Blakely, and Chairperson Evelyn Delany

ABSENT: None

In the matter of ORDINANCE NO. 2681:

This being the time set for hearing to consider an ordinance increasing water service and connection charges in County Service Area No. 16-1 (Shandon); 1st District. Mr. Paavo Ogren, Engineering, presents the staff report and recommendation based on various meetings that have been held in the community. Supervisor Laurent questions the charges with response. Ms. Cynthia Twisselman discusses the base charge set in 1987 versus current charges today; expresses her concern to the charges before the Board today. Matter is discussed and thereafter, on motion of Supervisor Ovitt, seconded by Supervisor Brackett and on the following roll call vote, to wit:

AYES: Supervisors Ovitt, Brackett, Laurent, Blakely, Chairperson Delany
NOES: None
ABSENT: None

the reading of the proposed ordinance is waived and said proposed ordinance is read by title only and ORDINANCE NO. 2681, ordinance establishing water service charges for County Service Area No. 16, Improvement Area No. 1, adopted. Further, the policies that provide guidance on the financing of costs within County Service Area No. 16-1 are approved as outlined in the staff report dated July 26, 1994.

cc: Engineer
Auditor
8/24/94 vms

STATE OF CALIFORNIA, }
County of San Luis Obispo, } ss.

I, FRANCIS M. COONEY, County Clerk and ex-officio Clerk of the Board of Supervisors, in and for the County of San Luis Obispo, State of California, do hereby certify the foregoing to be a full, true and correct copy of an order made by the Board of Supervisors, as the same appears spread upon their minute book.

WITNESS my hand and the seal of said Board of Supervisors, affixed this 24th
day of August, 19 94

(SEAL)

FRANCIS M. COONEY

County Clerk and Ex-Officio Clerk of the Board
of Supervisors

10 By *Vicki Manely*
C-5 Deputy Clerk.

July 26, 1994

The Honorable Board of Supervisors
County of San Luis Obispo
San Luis Obispo, CA

Subject: Public Hearing to Consider an Ordinance Increasing Service Charges
County Service Area No. 16-1; Shandon Water System
Supervisorial District No. 1

Honorable Board:

Summary

County Service Area No. 16-1 (CSA 16-1) provides water service to approximately 225 customers in the unincorporated community of Shandon. The last increase in service charges was adopted in 1989. Due to increasing costs, it is now necessary to revise the charges in order to adequately fund the increased revenue requirements.

Recommendation

That your Honorable Board:

1. Adopt the attached Ordinance increasing service charges in County Service Area No. 16-1.
2. Approve the attached policies that provide guidance on the financing of costs within County Service Area No. 16-1.

Discussion

In 1989, at the time of the last rate increase for CSA 16-1, your Board adopted a service charge formula that was phased in over a three-year period. It was intended that in 1992, the average monthly bill of water customers would be \$35.95. Average monthly bills have, however, actually been about 80% of target, or approximately \$29 per month.

The revenue shortfalls have resulted from significant reduction in water consumption by many customers. While water conservation is desirable, it can also create uncertainty in financial planning when a substantial portion of revenues is derived from the "variable", or "usage" component of water bills. Consequently, the new revenue formula necessitates a greater reliance on the "fixed" component of water bills, but also provides for a greater than 100% increase in the "variable" component for high water usage in order to maintain water conservation pricing and to discourage non-beneficial water use.

The recommended increase in service charges sets a new target of \$45.45 per month. This target represents the need to actually realize the previous target of \$35.95 plus an increment of \$9.50 to cover increased costs - primarily relating to the State Water project.

Other Agency Involvement

County Counsel has reviewed the attached ordinance and approved it as to legal form and effect. Staff has attended meetings of the Shandon Advisory Committee regarding the subject revenue requirements on April 6, June 8 & 16 and July 6, 1994. The rate formula included in the attached Ordinance reflects the advisory committee's "most preferred" alternative of four different scenarios that were provided to them.

Financial Considerations

The adopted 1994-95 CSA 16-1 budget is predicated on increased revenues. The new revenue formula is targeted to generate about \$122,000 in annual revenues. Approximately \$11,000 in existing reserves were received for State Water from a recent annexation and will be used for that purpose this year in accordance with the proposed financing policies.

Attachment "A" proposes financing policies that would be specific for CSA 16-1. In addition to increased costs relating to State Water, the community is also in need of improved water storage facilities - primarily to comply with requirements of the Uniform Fire Code. The following table provides a summary of how various costs would be financed under the proposed policies.

<u>Expenditure</u>	<u>Financing Source</u>
New Developments' Share of State Water Capital Costs	Connection Charges
New Storage Facilities	Standby Charges
Operations, Maintenance and shortfalls in other funding sources	Service Charges (Water Bills)

Attachment "B" provides a summary of multiple year cost projections, which has been reviewed with the Advisory Committee, and which illustrates the magnitude of increases expected over the next couple years.

Respectfully,

CLINTON MILNE
County Engineer

Attachments

File: CSA 16-1
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SAN LUIS OBISPO COUNTY SERVICE AREA NO. 16
IMPROVEMENT AREA NO. 1 (CSA 16-1)
FINANCING POLICIES
JULY 1994

GENERAL

CSA 16-1 provides water service to about 225 customers in the unincorporated community of Shandon. County procedures relating to rate adjustments are typically based on multiple year financial planning in order to provide adequate financial resources for operations, maintenance and capital improvements.

A target average monthly bill of \$35.95 was approved by the San Luis Obispo County Board of Supervisors in 1989. Due to significantly increasing financial requirements over the current and next few fiscal years, and the desire to minimize the impact on existing water customers, the following policies have been developed. These policies are intended to be used to determine the annual revenues to be collected from water customers for the current and each subsequent fiscal year, dependent on reserve levels and other revenues received by CSA 16-1. The policies shall be followed to determine annual rate adjustments until a return to a policy of less frequent water rate adjustments is feasible.

This policy does not direct the discontinuance of multiple year financial planning, which shall be continued. Rather, it establishes how targeted water revenues will be determined for any specific year.

STANDBY CHARGES

Standby Charges shall be set in accordance with the Government Code Sections 54984-94984.9, or 25210.77b. Standby charges shall be calculated to solely finance capital costs of storage facilities (including related debt service), and shall not be used to finance contractual obligations associated with the State Water Project.

If standby revenues in any given year exceed the capital costs of storage facilities, then the excess revenues shall be designated in reserves for subsequent year(s) applicable costs.

If standby revenues in any given year are insufficient to fund capital costs of storage facilities, then the shortfall shall first be financed by designations in reserves for storage facilities. If insufficient designations in reserves exist to fund the shortfall, then the remaining shortfall shall be incorporated in the annual water rate revenue requirement.

CONNECTION CHARGES

Connection charges shall include various components, shall be set by Ordinance, and annually adjusted as necessary, in order to charge new development with the following costs.

A. Service Connection

All costs of the actual water service connection to CSA 16-1 transmission and distribution lines.

B. State Water Capital Facilities

A proportional share of capital costs associated with the State Water Project.

The annual revenues received from the connection charge relating to the "Service Connection" component shall be expended in the year received in order to offset associated costs.

Upon receipt, the annual revenues received from the connection charge relating to the "State Water Capital Facilities" component shall be designated in reserves for State Water. The amount of designations in reserves for State Water at the end of every year shall be expended in the subsequent year on State Water Capital Facilities costs. If the amount designated in reserves for State Water is greater than the amount to be expended in the subsequent year, then the excess shall remain in designations for State Water. If the amount designated in reserves for State Water is insufficient to fund the subsequent year's State Water Capital Facilities costs, then the shortfall shall be incorporated in the annual water rate revenue requirement.

ANNUAL WATER RATE REVENUE REQUIREMENT

For any given year, service charges to CSA 16-1 water customers shall be adjusted annually in order to collect an amount targeted to fund all costs, subject to certain adjustments, as follows:

- less: Storage Facilities Capital costs that are either funded through standby charges or funded through designations in reserves for Storage Facilities;
- less: State Water Capital Costs that are funded through designations in reserves for State Water;
- less: any positive "fund balance available" at the beginning of any given year;
- plus: any negative "fund balance available" at the beginning of any given year.

RESERVES

The following three reserves shall be maintained:

General - To be used for cashflow and minor contingency items. During the term of these policies, General Reserves shall not be reduced below the amount of fund balance of CSA 16-1 pertaining to working capital, as it exists upon final closing of books and records for fiscal year 1993-94, excluding the portion of fund balance pertaining to previous payments by developers for State Water (which shall be used for 1994-95 State Water obligations).

Storage Facilities - To account for standby charges to the extent that standby revenues exceed storage facilities costs.

State Water - To account for the State Water component of connection charge revenues not yet expended on State Water Capital costs.

July 18, 1994

MEMORANDUM

TO: Wayne Hall, Administrative Analyst

FROM: Clinton Milne, County Engineer

SUBJECT: Corrigenda Change - Item B-3, July 19, 1994

Attached is a modified Exhibit "A" to the Ordinance included in Item B-3, which is an introduction of an Ordinance to increase service charges in County Service Area No. 16-1, set for hearing on July 26, 1994. The new Exhibit modifies provision 1.a), which stipulates the formula for calculating the Basic Bi-Monthly Service Charge, and adds provisions 9 and 10 which update the current service charges for insufficient check charges and meter testing.

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EXHIBIT "A"
 SCHEDULE OF RATES FOR
 SAN LUIS OBISPO COUNTY SERVICE AREA NO. 16
 IMPROVEMENT AREA NO. 1

1. Service Charges Per Water Service Connection:

a) Basic Bi-Monthly Service Charge

\$50.00 per bi-monthly period for use of water up to and including 1,000 cubic feet;
 plus, \$ 3.00 per 100 cubic feet of water, or fraction thereof, for the bi-monthly use of water over 1,000 cubic feet, up to and including 6,300 cubic feet;
 plus, \$ 4.00 per 100 cubic of water, or fraction thereof, for the bi-monthly use of water over 6,300 cubic feet.

b) Additional Bi-Monthly Service Charges for Water Service Connections having 1-Inch and Larger Water Meters

1-inch meter	\$ 10.00 bi-monthly
1½-inch meter	30.00 bi-monthly
2-inch meter	50.00 bi-monthly
3-inch meter	110.00 bi-monthly
4-inch meter	210.00 bi-monthly

2. Service Charges for Establishing a Water Service Connection:

a) Basic Service Charge for Establishing Water Service Connection

To help defray the capital costs of obtaining supplemental water from the California Department of Water Resources, State Water Project, and capital cost of the treatment of that water by the Central Coast Water Authority, for each water service connection to the water supply system the property owner shall pay a service charge of \$2,800.00 for establishing such water service connection.

b) Service Charge for Water Service Connection Meter

<u>Size of Water Meter</u>	<u>Charge</u>
5/8" or 3/4" meter	\$325.00
1-inch meter	395.00

The above charges are for one water service connection where the service connection, appurtenant facilities, curb stop, and meter box have been

installed at owner's/developer's expense. Where this is not the case, and for meters larger than 1-inch, the cost of the water service connection shall be the actual cost of the meter, plus the labor and materials inclusive.

3. Service Charge Deposit by Non-owner: \$60.00
4. Service Charge for Restoration of Service: \$60.00
5. Service Charge for Violation of Controls During Emergencies: \$60.00 per violation
6. Service Charge for Repairs to District Facilities Damaged by Others:

Any person or entity (i.e., individual, construction or utility companies, etc.) causing damage to district facilities will be charged for the full replacement cost including material, labor, equipment and operating overhead.

7. Service Charge for Violation of Maximum Usage Limits During Emergency:
\$5.00 per one hundred cubic feet of water used over maximum usage limits specified during an emergency.
8. Service Charges for Furnishing Water Through Fire Hydrant:
\$10.00 per tank truck for a load up to and including 1,000 gallons.
\$ 5.00 for each 500 gallons or fraction thereof above 1,000 gallons.
9. Service Charge for Non-Sufficient Fund Checks: Actual Costs
10. Service Charge for Meter Testing: Actual Costs