



June 26, 2014

TO: LOCSO Board of Directors
FROM: Robert Miller, District Engineer
SUBJECT: **Agenda Item 12A – 7/3/2014 Board Meeting**
Intent to Serve Policy for New Development

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DESCRIPTION

The purpose of this agenda item is to provide policy direction to staff with respect to new development. Given the pending completion of the Los Osos Wastewater Project, the District is anticipating an increased number of Intent to Serve inquiries for new development. One Intent to Serve application is currently under review by staff. In addition, Golden State Water Company and S&T Mutual Water Company are currently processing Will Serves for new development.

BACKGROUND

Current District policy provides for the issuance of conditioned Intent to Serve (ITS) letters as a first step in the development process. The policy requires ITS letters to be based on specific findings that sufficient excess water exists to serve the proposed development. ITS letters expire after 2 years, but applicants may currently apply for an unlimited number of extensions.

The Los Osos Groundwater Basin (Basin), the sole source of potable water supply for the community, is currently experiencing active seawater intrusion. The geographic extent of seawater intrusion was last determined from samples taken in 2009. An additional seawater intrusion monitoring event is currently underway with the same 15 wells that were previously tested, and the results of this effort will be published by the end of August, 2014. With respect to new development, Title 19 of the San Luis Obispo County Code requires that all new development which results in an increase in water use must offset the increased demand through conservation retrofits at a ratio of 2:1. Proposed retrofits must be independent of the current County program for indoor fixtures within the wastewater collection area. Development that does not result in increased water use, often termed water neutral or exchange development, is not currently subject to the 2:1 retrofit requirement. The current Intent to Service policy is silent on the subjects of both offset and water neutral/exchange development.

The approved Coastal Development Permit (CDP) for the Los Osos Wastewater Project also restricts development through Special Condition No. 6 which states:

Wastewater service to undeveloped properties within the service area shall be prohibited unless and until the Estero Area Plan is amended to identify appropriate and sustainable buildout limits, and any appropriate mechanisms to

stay within such limits, based on conclusive evidence indicating that adequate water is available to support development of such properties without adverse impacts to ground and surface waters, including wetlands and all related habitats.

It should be noted that the above CDP limitations only impact undeveloped properties that must connect to the new wastewater system. Water neutral development that involves the exchange of existing sewer flows from one property to another, and that is approved by the Regional Water Quality Control Board, is currently unaffected by Special Condition No. 6.

Given that the District's customer base is located primarily within the wastewater moratorium area, a minimal number of Intent to Serve requests have been processed since the District's inception. While the District has clearly expressed concern over the extent and speed of sea water intrusion, a formal development moratorium related to water supply has not yet been considered. If desired, such a moratorium could be enacted under the provisions of Water Code Section 350. Alternatively, Water Code Section 375 could be used to modify the handling of Intent to Serve and Will Serve applications through increased regulation.

DISCUSSION

In order to assemble the appropriate documentation and legal framework, Staff is requesting Board input on the following key policy questions:

1. Shall the allowable duration and number of extensions for Intent to Serve letters be amended?
2. Similar to the other water purveyors, staff intends to process Intent to Serve letters for development that is either water neutral, or offset in accordance with County requirements. Does the Board wish to change this direction through a moratorium based on lack of water supply?
3. If a moratorium is pursued, policy will need to be established relative to offset development and water neutral/exchange development. If the Board does elect to move forward with a moratorium, consideration should be given to reviewing the results of the pending seawater intrusion monitoring event prior to making water supply findings.

FINANCIAL IMPACT

New development within the District, including offset and water neutral/exchange development, must pay the District's current connection fee at the time a new meter is requested. The District recently issued a Request for Qualifications for a rate study consultant, and the calculation of updated impact fees may be included in the consultant's scope of work.

STAFF RECOMMENDATION

Staff recommends that the Board provide further direction on the above discussion questions, and staff will then prepare the appropriate documentation for a subsequent meeting. With respect to discussion question No. 1 concerning ITS extensions, staff recommends the following action:

Amend the District's policy for water service to limit the duration of an Intent to Serve letter to an initial period of 2 years, and the number of allowable extensions for Intent to Serve letters to a single extension of one year, which may be granted upon payment of a non-refundable renewal fee as established by Ordinance and periodically amended.