



UTILITIES ADVISORY COMMITTEE MEETING

Wednesday, April 19, 2017 at 5:30 p.m.
Los Osos Community Services District Office
2122 9th Street, Suite 106, Los Osos, CA

COMMITTEE MEMBERS

Chuck Cesena, Chairperson
Vicki Milledge, Alternate Chairperson
Jan Harper, Member
Lee Harry, Member
Gene Heyer, Member
Leonard Moothart, Member
Ron Munds, Member

STAFF

Renee Osborne, General Manager
Ann Kudart, Administrative Services Manager

AGENDA

1. **Opening – 5:30 p.m.**
 - A. Call to Order
 - B. Flag Salute
 - C. Roll Call
2. **Approval of UAC Minutes of February 16, 2017**
Presented By: Administrative Services Manager Kudart
3. **Status Report Regarding Water Rate Study**
Presented By: Chairperson Cesena
4. **Update of Capital Improvement Projects**
Presented By: General Manager Osborne
5. **Initial Review of Projected Utilities and Drainage FY 2017/18 Budgets**
Presented By: Chairperson Cesena
6. **Public Comments on Items NOT on this Agenda:** At this time, the public may comment on items not on this agenda. Each commenter is limited to 3 minutes and shall address the Chairperson.
7. **Schedule UAC Meeting** – Unless otherwise noted, the next UAC meeting will be Wednesday, May 17, 2017.
8. **Closing Comments by UAC Committee Members**
9. **Adjournment**

ITEM 2

**APPROVAL OF UAC MINUTES
OF
FEBRUARY 16, 2017**

**This report will be posted
as soon as it is available**

ITEM 3

**STATUS REPORT REGARDING
WATER RATE STUDY**

**LOCSD Water Rate Analysis
Rate Study Working Group**

Rate Analysis Process

- Volunteer working group: Ron Munds, Richard Margetson, and Rob Miller
- Update to 2014 Rate Study, prepared by Bartle Wells Associates
- Detailed discussions at Utilities Advisory and Financial Advisory Committees
- Rate model available for alternative rate scenarios this evening

Understanding LOCSD Water Revenue

- For FY 16/17, fixed bimonthly charge of \$59.32 raises \$986,000 per year
- Water charge on 194,000 CCF is expected to raise \$1,000,000 per year in FY 16/17
- Each \$10 raise in bi-monthly fixed charge raises \$166,000 per year

Understanding LOCSD Water Revenue

- Each \$1 raise in water charge per CCF raises approximately \$194,000 per year
- Water sales are down approximately 40,000 CCF for FY 16/17, compared to 2014 study

District Reserve Policy Recommendations

- Account for water conservation as an annual budget item, as opposed to a reserve fund
- Increase annual contribution to General Contingency Reserve to \$57,000 year, up to 60% of annual O&M
- Annual O&M is \$1.4 M, so 60% would be \$840,000
- Current reserve amount: \$208,000

District Reserve Policy Recommendations

- Continue Rate Stabilization Reserve Funding at \$32,000/year, up to 10% of O&M budget
- Once Rate Stabilization Reserve is fully funded, allocate additional \$32,000/year to General Contingency Reserve
- Continue current policy for Capital Reserve, allocating net revenues to Capital Reserve, Pay-As-You-Go projects, and additional debt as needed

Administrative Allocation Recommendations

- Allocate 80% of the District's administrative cost to the Water Fund
- Increases cost to Water Fund from \$365,000/year to approximately \$470,000/year
- Amended policy included in rate calculations

Property Tax Allocation Recommendations

- Detailed discussion at committee level (UAC/FAC)
- Reallocate property tax revenue from the Water Fund to funds with a District-wide benefit
- Phased plan over 3 years to reach 50% reduction, included in draft rate plan
- Establish the policy that the long-term goal of the District is to reallocate 100% of property tax revenue

Potential Reductions in Revenue

- Baywood and Los Osos Middle School Conversion to recycled water: \$15,000 to \$20,000 annual revenue reduction due to 10% discount
- Future reductions in water sales after additional conservation

Potential Revenue Impacts from Policies and Reductions

- Recycled water: \$20,000
- Property taxes at 50%: \$112,000 impact phased in over 3 years, more in future years
- Admin allocation: \$104,000 impact
- Potential total impact pending Board direction: \$236,000 per year
- Add to this reduced water sales valued at \$250,000 to \$300,000
- Total impact compared to 2014 rate study: approximately \$500,000 per year

Capital Improvement Needs

- Adopted Capital Improvement Plan still valid with minor refinements
- Debt service necessary next FY in order to accomplish Program C well and pipeline (Approx. \$1.6M), which includes South Bay Upper and Lower Wells connection to main zone
- Net revenue required in 2014 rate study still applicable, approximately \$500,000/year for pay as you go + new debt service

Rate Analysis

- UAC/FAC recommended three year rate increase to ensure adequate capital funds
- Prepare for further volume reductions and unknown phasing of further property tax reductions
- If adopted, rates would supersede planned increases for FY 17/18 and FY 18/19
- Planned increases would have increased rates by approximately 7.5% in each of the next two years

Rate Analysis

- UAC/FAC Recommended net revenues after O&M, debt, and reserves as follows:
 - FY 17/18: \$500,000
 - FY 18/19: \$700,000
 - FY 19/20: \$900,000
- Proposed rate design emphasizes revenue stability

Table 1: Summary of Previously Adopted Water Rates by Fiscal Year

	Adopted Water Rates by Fiscal Year				
	FY 15/16	FY 16/17 (current)	FY 17/18	FY 18/19	
Fixed Bi-Monthly Service Charge	\$52.36	\$59.32	\$64.64	\$70.42	
Water Consumption Charges					
Rate per hundred cubic feet (ccf) per bi-monthly billing period					
Tier 1	0 - 5 ccf	\$2.00	\$2.35	\$2.50	\$2.60
Tier 2	6 - 10 ccf	3.75	4.40	4.80	5.20
Tier 3	11 - 20 ccf	6.00	6.75	7.25	7.80
Tier 4	>20 ccf	8.20	9.20	9.80	10.40
Expected revenue from service charge and water sales from 2014 Rate Study		\$2.1 M	\$2.3 M	\$2.4 M	\$2.5 M

Table 2: Summary of Recommended Water Rates by Fiscal Year

	Current Rates	Proposed Rates			
		FY 17/18	FY 18/19	FY 19/20	
Fixed Bi-Monthly Service Charge	\$59.32	\$65.00	\$70.00	\$76.00	
Water Consumption Charges					
Rate per hundred cubic feet (ccf) per bi-monthly billing period					
Tier 1	0 - 5 ccf	\$2.35	\$5.00	\$6.00	\$7.00
Tier 2	6 - 10 ccf	4.40	6.75	7.75	8.75
Tier 3	11 - 20 ccf	6.75	8.50	9.50	10.50
Tier 4	>20 ccf	9.20	10.25	11.25	12.25
Expected net revenues available for capital projects (capital reserve, pay-as-you-go, additional debt service)		N/A	\$500,000	\$700,000	\$900,000

Table 3: Bi-monthly Water Bill Comparison Assuming 12 ccf of Consumption

Purveyor	Current Amount	Proposed Bi-Monthly Bill Amount (12 ccf)		
		FY 17/18	FY 18/19	FY 19/20
LOCSD based on rates in Table 2	\$107	\$141	\$158	\$176
Golden State Water Company (April 2017 rates)	\$164			
City of Morro Bay (July, 2017 rates)	\$144			
Cambria CSD (with Supplemental Water Facility operating)	\$167 (\$137 without SWF)			
City of San Luis Obispo	\$124			

Discussion and Next Steps

- Working group available to show different rate scenarios
- Proposition 218 process will require 45 days of notice before rates can be adopted
- For adoption prior to end of fiscal year, action needed in early April
- Staff will send out notices following Board action, with public hearing in June

ITEM 4

**UPDATE OF
CAPITAL IMPROVEMENTS PROJECTS**

LOS OSOS COMMUNITY SERVICES DISTRICT
2017-2018 FISCAL YEAR
DRAFT BUDGET AMMENDMENT REQUEST

Water Project Name	Estimated Project Cost	Purpose
8th Street Upper Aquifer Well, Phase 1	\$ 30,000	Program C
8th Street Upper Aquifer Well, Phase 2	\$ 250,000	Project BP-2 construction including appropriate treatment facilities, site work and connection to existing system
3rd Street	\$ 2,000	Electrical issues with pump
TOTAL CIP WATER	\$ 282,000	

Drainage Project Name	Estimated Project Cost	Purpose
Pump Purchase	\$ 50,000	8th Street Purchase and install replacement pump
Control Panel	\$ 25,000	8th Street
TOTAL CIP DRAINAGE	\$ 75,000	

LOCSD Water Capital Improvement Projects Listing

Title	Description	Amount in 2014 \$ (unless specified)	Status	Priority
Supplemental Water Wells	Program C Eastern Wells	\$30,000 (17/18)	In progress	current
LOCSD/GSWC Intertie	Emergency connection	\$55,000 (\$103,550) split with GSWC	Completed March 2017	
8 th St Upper Aquifer Well	Supplemental Well Blend with existing lower aquifer well water – possible nitrate removal	(\$250,000 – Phase 2 for FY 17/18)	In progress	current
Water Operation Facility Improvements	Maintenance and Repairs for Water Operations Facility (Improve work shop by destroying sea trains, put in modular building)	\$75,000 (17/18)	Incomplete	1
SCADA System Upgrade	Design/Construction of SCADA System	\$210,00	Incomplete	2
18 th St/Paso Robles Loop	Distribution system loop in boosted zone – pipe project	\$39,270	Not started	4
Santa Maria Loop Upgrade	Distribution system loop in boosted zone – pipe project	\$150,150	Not Started	5
18 th St/Ramona Loop Upgrade	Distribution system loop in boosted zone – pipe project	\$86,800	Not Started	6
Ferrell Avenue Loop Upgrade	Distribution system loop in main gravity zone – pipe project	\$167,475	Not Started	7
Ferrell Well Loop Upgrade	Distribution system loop in main gravity zone – pipe project	\$11,550	Not Started	8
12 th St/El Moro Upgrade	Distribution loop in main zone/Fire Flow upgrade – new pipe	\$214,830	Not Started	9

Title	Description	Amount in 2014 \$ (unless specified)	Status	Priority
South Bay Wells Distribution Project	New project – Connect existing wells at South Bay to gravity Zone	\$Unknown	Not Started	10
10 th St & Santa Maria Valve replacement	Replace gate valve	\$50,000	Not Started	11
South of Santa Ysabel	Replace gate valve	\$2,100	Not Started	12
14 th St Dead-end upgrade	Upgrade pipe – improve Fire Flow to Residential zone	\$98,000	Not Started	13
7 th St Dead-end upgrade	Dead-end upgrade from Santa Ysabel going north	\$34,720	Not Started	14
El Moro Upgrade	New pipe – Distribution loop in main zone	\$307,230	Not Started	15
10 th St Tank Repair	Prolong life of 10 th St tank for another 10 years	\$140,000	Completed FY11/12 \$120,878	
16 th St North & South Tank Spot Repair Project	Coating project and spot repair to prolong life another 10 years	\$50,000	Completed FY15/16 \$32,463	
South Bay Upper Aquifer Well Project	Supplemental well on Eastern side	\$10,000	Completed FY13/14 \$620,000 funding through Prop 84 grant	

ITEM 5

INITIAL REVIEW OF PROJECTED UTILITIES AND DRAINAGE FISCAL YEAR 2017/2018 BUDGETS

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