



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

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Telephone (805) 489-6666 FAX (805) 489-2765

www.sslocsd.org

AGENDA

BOARD OF DIRECTORS MEETING

City of Arroyo Grande, City Council Chambers

215 East Branch Street

Arroyo Grande, California 93420

Wednesday, October 21, 2015 at 6:00 P.M.

Board Members

Jim Hill, Chair

John Shoals, Vice Chair

Matthew Guerrero, Director

Agencies

City of Arroyo Grande

City of Grover Beach

Oceano Community Services District

Alternate Board Members

Mary Lucey, Director

Tim Brown, Director

Barbara Nicolls, Director

Oceano Community Services District

City of Arroyo Grande

City of Grover Beach

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON AGENDA

This public comment period is an invitation to members of the community to present comments, thoughts or suggestions on matters not scheduled on this agenda. Comments should be limited to those matters which are within the jurisdiction of the District. The Brown Act restricts the Board from taking formal action on matters not published on the agenda. In response to your comments, the Chair or presiding Board Member may:

- Direct Staff to assist or coordinate with you.
- It may be the desire of the Board to place your issue or matter on a future Board meeting agenda.

Please adhere to the following procedures when addressing the Board:

- Comments should be limited to three (3) minutes or less.
- Your comments should be directed to the Board as a whole and not directed to individual Board members.
- Slanderous, profane or personal remarks against any Board Member, Staff or member of the audience shall not be permitted.

Any writing or document pertaining to an open-session item on this agenda which is distributed to a majority of the Board after the posting of this agenda will be available for public inspection at the time the subject writing or document is distributed. The writing or document will be available for public review in the offices of the Oceano CSD, a member agency located at 1655 Front Street, Oceano, California. Consistent with the Americans with Disabilities Act (ADA) and

California Government Code §54954.2, requests for disability related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires modification or accommodation in order to participate at the above referenced public meeting by contacting the District Manager or Bookkeeper/Secretary at (805) 481-6903.

3. CONSENT AGENDA:

The following routine items listed below are scheduled for consideration as a group. Each item is recommended for approval unless noted. Any member of the public who wishes to comment on any Consent Agenda item may do so at this time. Any Board Member may request that any item be withdrawn from the Consent Agenda to permit discussion or to change the recommended course of action. The Board may approve the remainder of the Consent Agenda on one motion.

3A. Review and Approval of Minutes of Meeting of October 07, 2015

3B. Review and Approval of Warrants

4. PLANT SUPERINTENDENT'S REPORT

5. BOARD ACTION ON INDIVIDUAL ITEMS:

5A. Rate Study Report from Bartle Wells

Staff recommends that the Board of Directors review the attached Wastewater Financial Plan and Rate Study and to consider directing Staff to proceed with (1)scheduling a Public Hearing on proposed increases to service charges and (2)issuing the appropriate public notice for the hearing.

5B. Agency Billing Formula

Staff recommends that the Board direct Staff (1) to begin the process of joining the SLO County tax roll for long term billing services and (2) to seek temporary billing agreements with each Member Agency for the remainder of this fiscal year.

5C. Recommendation of Agendizing Discussion of settlement in the case of SSLOCSD vs. SWRCB

Chairman Hill recommends placing a discussion of possible settlement terms on a future agenda.

6. MISCELLANEOUS ITEMS

6A. Miscellaneous Oral Communications

6B. Miscellaneous Written Communications

7. PUBLIC COMMENT ON CLOSED SESSION

8. CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

Conference with legal counsel regarding existing litigation pursuant to paragraph (1) of subdivision (d) of section 54956.9 of the Government Code (two cases).

South San Luis Obispo County Sanitation District v. State Water Resources Control Board (Superior Court of Sacramento) Case Number 34-2012-80001209-CU-WM-GDS)

South San Luis Obispo County Sanitation District v. Special District Risk Management Authority (County of San Luis Obispo Superior Court) Case Number CV130473

PUBLIC EMPLOYEE APPOINTMENT (pursuant to Gov. Code section 54957(b)(1))

Title: District Legal Counsel

Conference with Legal Counsel regarding Potential Litigation Government Code section 54956.9 (2) Allen DFEH Number 444099-1398508;

9. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

10. ADJOURNMENT

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

City of Arroyo Grande, City Council Chambers
215 East Branch Street
Arroyo Grande, California 93420

Minutes of the Meeting of Wednesday October 07, 2015
6:00 P.M.

REPORT OUT OF SPECIAL MEETING CLOSED SESSION

Chairman Hill reported that the District Board entertained interviews with 3 candidates for District legal counsel. They heard the proposals and discussed various questions with the proposed candidates and are taking those interviews under advisement.

1. CALL TO ORDER AND ROLL CALL

Present: Chairman Jim Hill, City of Arroyo Grande; Director John Shoals, City of Grover Beach; Director Matthew Guerrero, Oceano Community Services District;

District Staff in Attendance: Interim District Administrator/Plant Superintendent, John Clemons; Jenna Shoaf, Interim District Counsel; District Bookkeeper/Secretary, Amy Simpson

2. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA

Patty Welsh is pleased with Grover Beach's City Manager advising Director Shoals to recuse himself from SLOCSD's billing formula discussion.

Sharon Brown asked about the Knudson Report, the status of the lawsuits, and billing services.

Chairman Hill responded that the finance directors have met and are discussing how to move forward.

Director Shoals let the public know that there has been discussion with finance directors and that this information needs to go to city managers and ultimately the SSLOCSD Board.

Julie Tacker gave a review of the billing formula.

Mary Lucey commented on OCSDs receiving of a check from SSLOCSD and the choice of OCSD to use it for current billing cycle.

3. CONSENT AGENDA

3A. Review and Approval of Minutes of Special Meeting August 13, 2015

3B. Review and Approval of Minutes of Meeting of September 2, 2015

3C. Review and Approval of Minutes of Meeting of September 16, 2015

3D. Review and Approval of Warrants

Julie Tacker and Sharon Brown gave comment regarding concerns over legal bills.

Action: The minutes were approved with one correction to the September 2, 2015 meeting.

Action: The Warrant Register was approved unanimously by roll call vote.

4. PLANT SUPERINTENDENT'S REPORT

Action: Received and filed.

5. BOARD ACTION ON INDIVIDUAL ITEMS:

5A. Review and Approve the Continuing Emergency Action to Repair the Influent Pipeline

The Board of Directors received and filed the information in the final Staff Report on the Emergency Action to Repair the Pipeline from the Headworks to the Primary Clarifier at the WWTP.

Action: Approved unanimously by roll call vote as recommended by staff.

5B. Preliminary Design Report Presentation

The Board reviewed the Preliminary Design Report and approved the development and issuance of a Request for Proposal for a Grit Removal System.

Julie Tacker suggested a public outreach to inform public what should and should not go down a drain.

Patty Welsh suggested contacting Hospice Partners to ask that they do not flush unused medications down the toilet.

Action: Approved unanimously by roll call vote as recommended by staff.

5C. Adoption of a Resolution pledging to follow best practices of civility and civil discourse in all meetings

Ron Holt has concerns that policies might inhibit freedom of speech.

Sharon Brown is in favor of the Resolution.

Patricia Price read a letter from Debbie Peterson.

Action: Approved unanimously by roll call vote.

6. MISCELLANEOUS ITEMS

A. Miscellaneous Oral Communications

Director Shoals would like staff to look into a Public Service Announcement.
Director Guerrero has some concerns with the website that need to be addressed.

B. Miscellaneous Written Communications.

7. PUBLIC COMMENT ON CLOSED SESSION

Julie Tacker would like to review the Proposals for District Legal Counsel.
She also gave comment on Phillips 66 and the ground water basin.

8. CLOSED SESSION

9. RETURN TO OPEN SESSION; REPORT ON CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

Conference with legal counsel regarding existing litigation pursuant to paragraph (1) of subdivision (d) of section 54956.9 of the Government Code (two cases).

*South San Luis Obispo County Sanitation District v. State Water Resources Control Board
(Superior Court of Sacramento) Case Number 34-2015-80002033*

*South San Luis Obispo County Sanitation District v. Special District Risk Management Authority
(County of San Luis Obispo Superior Court) Case Number CV130473*

- **Action:** The Board met and heard a report from Legal Counsel. Director Guerrero reported that there has been a tentative ruling filed in the State Water Board Regional Board Action filed on September 25. Overruling in part and sustained in Part, with Leave to Amend on a Demure that was filed by the state. It will be published on the District website. It is also available on the Sacramento Court website.

PUBLIC EMPLOYEE APPOINTMENT (pursuant to Gov. Code section 54957(b)(1))

Title: District Legal Counsel

- **Action:** The Board directed Staff to check references of legal firms that submitted proposals.

12. ADJOURNMENT

There being no further business to come before the Board, Director Hill adjourned the meeting at approximately 7:30p.m.

***THESE MINUTES ARE DRAFT AND NOT OFFICIAL UNTIL APPROVED BY THE
BOARD OF DIRECTORS AT A SUBSEQUENT MEETING.***

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
WARRANT REGISTER
10/21/2015 FY 2015/16

VENDOR	BUDGET LINE ITEM	REFERENCE	WARRANT NO.	ACCT	ACCT BRKDN	TOTAL
ABALONE COALS ANALYTICAL, INC	CHEMICAL ANALYSIS	2620	1021-9824	7078	1,450.00	1,450.00
ALICIA LARA	PROFESSIONAL SERVICES	HUMAN RESOURCES	25	7079	3,525.00	3,525.00
ALLIED ADMINISTRATORS	DENTAL	NOVEMBER	26	6025	913.86	913.86
ARAMARK	UNIFORMS	10/9/2015 10/16/15	27	7025	548.59	548.59
ARIAS, MICHAEL	CONFERENCES	ROCKWELL	61	7050	139.47	139.47
BANK OF THE WEST	CONFERENCES	SEPTEMBER	28	7050	775.54	951.91
	FUEL	SEPTEMBER		8020	88.51	
	OFFICE SUPPLIES	SEPTEMBER		8045	87.86	
BATTERIES PLUS	EQUIPMENT MAINTENANCE	464-306439	29	8030	151.58	151.58
CARR'S BOOTS	UNIFORMS	ROMHILD	30	7025	125.00	125.00
CCWT	HOUSEHOLD	3041 30564	31	8035	241.50	241.50
DOCTORS MED PLUS	SAFETY	DE LEON	32	8056	65.00	65.00
ENGEL & GRAY, INC.	SOLIDS HANDLING	76159	33	7085	3,350.34	3,350.34
FARM SUPPLY	EQUIPMENT MAINTENANCE	CAMLOCK	34	8030	63.43	63.43
FASTENAL	SAFETY SUPPLIES	CAS1414309	35	8056	135.64	135.64
FED EX	CHEMICAL ANALYSIS	5-186-13382	36	7078	29.75	29.75
FGL, INC.	CHEMICAL ANALYSIS	582248-A	37	7078	1,831.00	1,831.00
GARING TAYLOR & ASSOC.	ENGINEERING	INFLUENT PIPELINE	38	26-8070	580.00	1,655.00
		SEWER BRIDGE		26-8015	1,075.00	
GRAINGER	HOUSEHOLD	9855567872	39	8035	51.96	51.96
JB DEWAR	FUEL	98371, 125720	40	8020	2,281.22	2,281.22
KNUDSON AND ASSOC.	PAST MNGMT REVIEW	10/12/15	41	7090	12,977.86	12,977.86
MADLAND TOYOTA-LIFT	REPLACEMENT	ELECTRIC CART CAB	42	26-8065	1,543.75	1,543.75
MARC LEWIS	UNIFORMS	BOOTS	43	7025	125.00	125.00
MCR TECHNOLOGIES, INC.	CAPITAL EQUIPMENT	35037	44	8010	5,583.55	5,583.55
MINERS	HOUSEHOLD	SEPTEMBER	45	8035	296.95	296.95
MOSS, LEVY & HARTZHEIM	AUDIT	FY14/15	46	7072	3,000.00	3,000.00
OEC	CHEMICAL ANALYSIS	1503683, 1503972, 1503946	47	7078	491.00	491.00
PRP COMPANIES	OFFICE SUPPLIES	LEWIS BUSINESS CARDS	48	8045	108.12	108.12
R. BAKER	EMERGENCY EQUIPMENT REPAIR	INFLUENT PIPELINE	49	26-8070	20,293.39	26,867.21
	TRUNK SEWER MAINTENANCE	HEADWORKS		26-8015	6,449.04	
	CAPITAL EQUIPMENT	GRIT SEPERATOR		20-8010	124.78	
SAFETY KLEEN	EQUIPMENT MAINTENANCE	66393937	50	8030	57.00	57.00
SHIPSEY & SEITZ		GENERAL LEGAL SERVICES	51	7070	80.00	5,012.00
		LITIGATION		7070	4,932.00	
SLOCTC	PROPERTY TAX BILL	2015/16	52	7095	28,334.20	28,334.20
SOUTH COUNTY SANITARY	RUBBAGE	OCTOBER	53	7093	19.44	19.44
SPRINT	CELL PHONES	SEPTEMBER	54	7014	141.65	141.65
STANLEY	ALARMS	NOVEMBER	55	7011	62.20	62.20
SWRCB	PERMITS/FEEES/LICENSES	JONES GRADE III	56	7068	300.00	300.00
UNITED RENTALS	EQUIPMENT RENTAL	FORK EXTENSIONS	57	7032	284.31	284.31
USA BLUEBOOK	EQUIPMENT MAINTENANCE	766190	58	8030	131.20	131.20
VWR	LAB SUPPLIES	8042722343; 8042818226	59	8040	156.81	156.81
SUB TOTAL					\$ 103,002.50	\$ 103,002.50
SO. SLO CO. SANITATION DISTRICT	RABOBANK TRANSFER	PAYROLL	60		60,836.66	70,745.12
		CALPERS			1,700.00	
		CONFERENCES		7050	1,795.71	
		COMMUNICATIONS		7011/13	430.80	
		OFFICE SUPPLIES		8045	72.38	
		COMPUTER SUPPORT		7015	370.00	
		SAFETY		8056	623.87	
		OCSB BILLING		78074	3,666.00	
		REPLACEMENT EQUIPMENT		26-8010	1,114.00	
		PETTY CASH		1000	135.70	
SUB TOTAL					\$ 70,745.12	\$ 70,745.12
GRAND TOTAL					\$ 173,747.62	\$ 173,747.62

We hereby certify that the demands numbered serially from 102115-9823 to 102115-9861 together with the supporting evidence have been examined, and that they comply with the requirements of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT. The demands are hereby approved by motion of the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, together with warrants authorizing and ordering the issuance of checks numbered identically with the particular demands and warrants.

BOARD OF DIRECTORS:

DATE: _____

Chairman_____
Board Member_____
Board Member_____
Secretary



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

1600 Aloha Oceano, California 93445-9735
Telephone (805) 489-6666 FAX (805) 489-2765

Date: October 16, 2015

To: SSLOCSD Board of Directors

From: John Clemons, District Superintendent

Subject: **Superintendent's Report**

Operations

Chart 1 – Plant Data

August 2015*	INF Flow MGD	Peak Flow MGD	INF BOD mg/L	EFF BOD mg/L	INF TSS mg/L	EFF TSS mg/L	Fecal Coli	Cl2 lbs/day	BOD REM Eff. %
Average	2.07	3.30	366	26.5	502	44.8	40	205	92.8
High	2.26	3.80	399	27.8	530	57.2	130	523	
Limit	5.0			40/60/90		40/60/90	2000		80
CY 2014 Monthly									
Average	2.35	3.8	392	26	430	31	87	188	93.4
High	2.70	4.8	444	34	470	39	1600	250	

- * = Plant data through October 16th.

Limit – 40/60/90 represent NPDES Permit limits for the monthly average, weekly average, and instantaneous value for plant effluent BOD and TSS.

The average TSS is currently high due to a clogged sludge removal line at the secondary clarifier. The line has been cleared and subsequent TSS test results are in the normal range for this Plant.

Staff has received a number of odor complaints over the past few weeks. Staff has reviewed and investigated each complaint. The complaints are primarily from one area on the “Strand” near the beach. Staff has visited this location both in the day and at night. Staff has reviewed our processes at the Plant. We have asked OCSD’s sewer maintenance crew to flush sewer lines in the area of the complaints (they have done so). We have not been able to correlate any odors in that area to Plant processes. We will continue to respond to all complaints.

Maintenance

- Unclogged hydraulic sludge return line at secondary clarifier.
- Unplugged scum hopper at #1 primary clarifier.
- Ran emergency generators and emergency back-up pumps.
- Ran storm drain sump pumps.
- Cleaned surface of FFR and checked oil.
- Rewired sludge grinder.
- Replaced batteries in centrifuge UPS.
- Work Orders.

In-Progress

- Garing, Taylor, and Associates is working with staff to review and ensure the integrity of the District's **A.G. Sewer Bridge**. Staff is currently having a Biological Resources Assessment conducted for the CA. Dept. of Fish and Wildlife permit process.
- MKN Engineers is drafting an RFP for a new **Grit Removal System**.
- Staff has begun planning for installation of a **Mechanical Bar Screen** in the headworks. Meeting with MKN to discuss development of an RFP for the project.
- **Secondary Process Redundancy Project**. Have made contact with SLO County Permitting and Coastal Commission regarding project permitting. Also spoke with SWRCB, SRF division regarding the construction loans process.
- Staff is installing a pH sensor and a conductivity sensor at the headworks to monitor influent characteristics.

Training

- Staff attended a training session reviewing the District's NPDES Permit.
- Superintendent Clemons and Operator II Arias attended a S.A.M.A. meeting at the City of Santa Maria WWTP. Primary speaker was Howard Kolb of the Central Coast Water Quality Control Board.
- Bookkeeper Simpson attended the Annual CSDA Board Secretary Conference.

Best regards,

John Clemons
Superintendent



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Telephone (805) 489-6666 FAX (805) 489-2765

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To: Board of Directors

From: John Clemons, Interim District Administrator

Date: October 21, 2015

Subject: Staff Report – Wastewater Financial Plan and Rate Study

RECOMMENDATION

Staff recommends that the Board of Directors review the attached Wastewater Financial Plan and Rate Study and to consider directing Staff to proceed with (1)scheduling a Public Hearing on proposed increases to service charges and (2)issuing the appropriate public notice for the hearing.

BACKGROUND

The Sanitation District needs to fund a major upgrade to its wastewater treatment plant (WWTP) to meet anticipated changes in regulatory requirements by the Regional Water Quality Control Board (RWQCB). The District also needs to keep pace with material, equipment, maintenance, services and personnel cost. The RWQCB staff has met with Sanitation District staff and indicated that effluent quality requirements will be adjusted to more stringent levels by the end of the current permitting period. Also, the current secondary treatment process equipment (FFR and Secondary Clarifier) is at the end of its useful life expectancy of 30years. Since 1986 neither the FFR nor the Secondary Clarifier have been removed from service. There is no equipment at the WWTP to back-up the FFR ad Secondary clarifier in the case of failure or required periodic maintenance.

In the “Planned Changes” section of SSLOCSD’s NPDES permit, it is stated “Addition of a second Secondary Clarifier and an Aeration Tank is planned....These changes will also provide redundancy in the secondary equivalent biological treatment process in the event of an emergency shut down, mechanical failure, or routine maintenance.”

During an inspection of the WWTP in 2012 RWQCB Representative Katie DiSimone noted a serious concern with the lack of redundancy at the Plant.

The Sanitation District has not increased its service charges in over five years. SSLOCSD’s rates are among the lowest in the region.

DISCUSSION

The Sanitation District needs to provide redundant equipment for its secondary treatment process. The District should also consider the need to replace this aging equipment altogether.

In February 2015 Kennedy/Jenks Engineer submitted Plant Upgrade Plan, which was mainly focused on providing redundancy at the secondary treatment process, with a cost opinion. In September MKN Engineers reviewed the Plan and submitted a similar cost opinion. The opinion of cost was submitted to Bartle Wells Associates to be included in the Financial Plan and Rate Study.

Alex Handler of Bartle Wells Associates will be present at this Board meeting to conduct a presentation of the Rate Study.

OPTIONS

1. Review and accept Financial Plan and Rate Study and direct Staff to proceed with 218 proceedings (Schedule a public hearing. Issue a notice of public hearing on proposed increases).
2. Reject Financial Plan.
3. Review Plan and direct Staff to modify and return.

Best Regards,

John Clemons III
Superintendent/Interim District Administrator

Attachments

Attachments A – Wastewater Financial Plan and Rate Study

Attachments B – Draft of Notice of Public Hearing on Proposed Increases

South San Luis Obispo County Sanitation District



Wastewater Financial Plan & Rate Study

Revised 10/16/15



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

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South San Luis Obispo County Sanitation District

Wastewater Financial Plan & Rate Study

Key Findings & Recommendations

1 Background

- The South San Luis Obispo County Sanitation District (SSLOCSD or District) is a special district that provides wastewater treatment services to the communities of Arroyo Grande, Grover Beach, and Oceano. The District is located in southwestern San Luis Obispo County, California approximately 15 miles south of the City of San Luis Obispo. The District serves a population of roughly 38,000 as well as commercial, industrial, and institutional accounts within its service area.
- The District was formed in 1963 and is governed by a three-member Board of Directors who are appointed by the governing bodies of its three member agencies: the Cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District. Each Board Member has an equal vote.
- The District owns and operates a wastewater treatment plant with a permitted capacity of 5.0 million gallons per day (mgd) of average dry weather flow, an ocean outfall for disposal of treated effluent, and almost nine miles of wastewater trunk lines that convey sewage from its member agencies. The District also assists in providing wastewater source control programs and inspection services on behalf of its member agencies.
- The District needs to fund a major “redundancy project” to address requirements of the Regional Water Quality Control Board (RWQCB) and improve treatment plant reliability. Based on an updated engineering cost estimate from September 2015, the project cost is estimated at a little over \$19 million (current dollars) including design, permitting, construction, 30% construction cost contingency, and project management.

2 Financial Plan & Rate Study Objectives

- In 2014, Bartle Wells Associates (BWA) was retained to develop a sewer rate study to support the District’s long-term financial needs. A key objective of the rate study is to recommend service charges adequate to fund future operating and capital needs including construction of the required redundancy project. Key elements of the rate study include

1. Develop 10-year financial projections to determine annual revenue requirements
2. Incorporate the latest available financial information and estimates of future operating and capital funding needs
3. Evaluate financing alternatives for the District's capital improvement program including a major capital upgrade to the District's treatment plant needed to improve reliability and redundancy and comply with RWQCB requirements.
4. Develop sewer rates that:
 - a. Recover the District's costs of providing service and support long-term financial stability
 - b. Provide adequate funding for capital needs including the District's long-term infrastructure repairs and replacements
 - c. Comply with the legal requirements of Proposition 218
5. Aim for steady, gradual annual rate increases to help minimize the annual impact on customers
6. Pursue low-cost financing alternatives for required debt financing
7. Maintain a prudent level of fund reserves

3 District Finances & Rates

- SSLOCD is a financially self-supporting district that relies primarily on sewer service charges collected on a pass-through basis from sewer customers served by its three member agencies.
 - Sewer rates are the District's main source of revenue and account for approximately 95% of total District revenues.
 - The District's rates should be set at levels adequate to fund the District's cost of providing service, including long-term operating and capital needs, and support the District's long-term financial stability.
- The District has not adopted any rate increases in over five years. Current rates have been in effect since May 1, 2010. The District has implemented a number of cost reduction measures over the past few years that have enabled the District to defer rate increases.
- The District currently levies a flat monthly residential charge \$14.86 per dwelling unit. Non-residential customers pay fixed charges that vary by customer type and other factors such as number of employees, number of seats in a restaurant, and number of students.

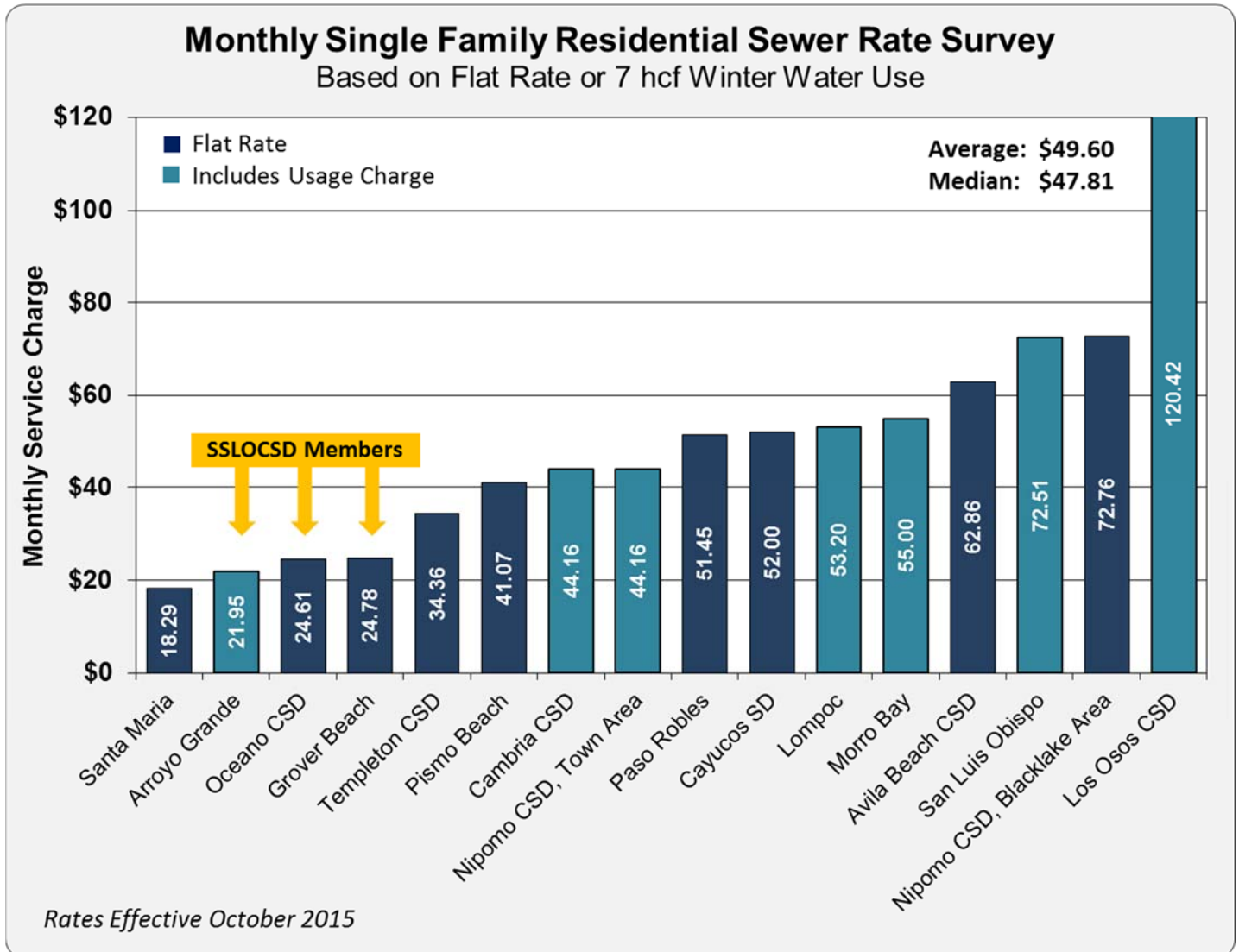
Historical SSLOCSD Rates

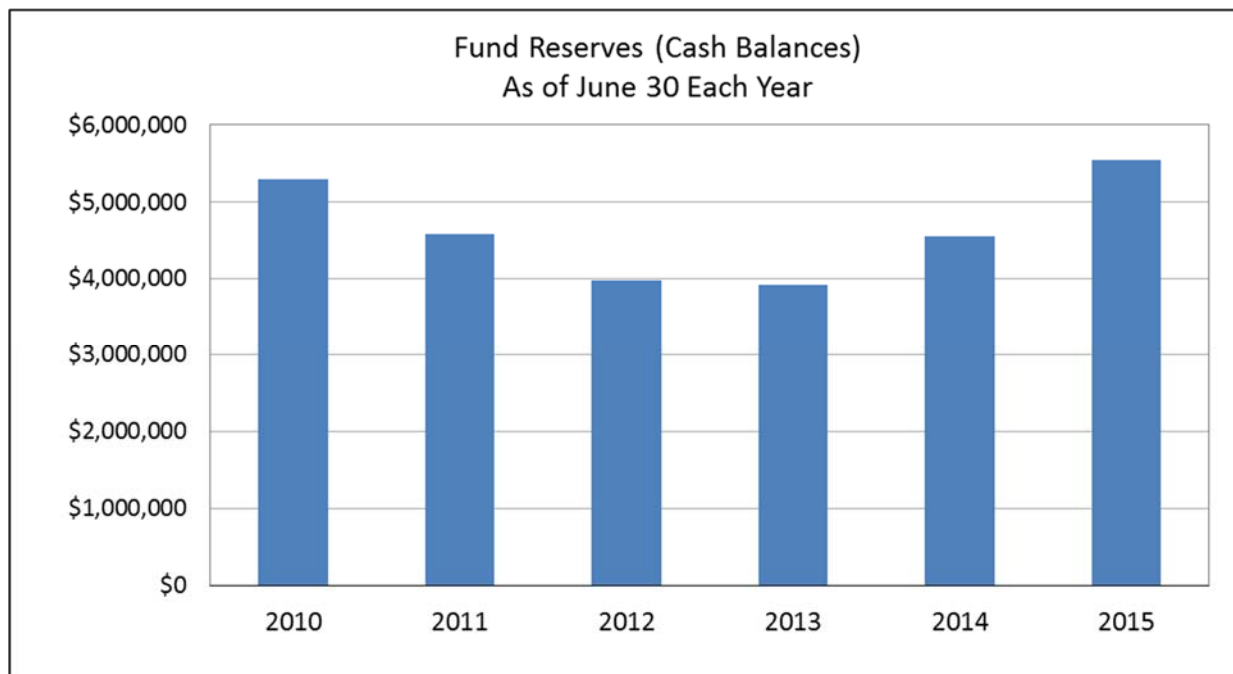
(Note: There have been no rate increases in over five years since May 1, 2010)

	Prior Rates	Jan 1 2007	May 1 2007	May 1 2008	May 1 2009	May 1 2010
a. Residences & Apartments	\$6.50	\$8.93	\$10.70	\$12.31	\$13.52	\$14.86
b. Hotel Units with Kitchens	5.20	9.41	11.29	12.98	14.28	15.71
c. Hotel Units without Kitchens	4.40	6.02	7.22	8.30	9.12	10.02
d. Hotel Room	4.55	6.22	7.46	8.58	9.42	10.36
e. Commercial Establishments	6.73	4.59	5.51	6.26	6.97	7.65
Each additional employee above 5	0.44	0.92	1.10	1.25	1.39	1.53
f. Beauty Shops	8.66	8.49	10.19	11.60	12.73	13.97
Each additional operator above 5	0.86	1.41	1.70	1.93	2.12	2.33
g. Eating Establishments w/o Grinders	9.31	9.11	10.92	12.56	13.79	15.16
Each additional 5 seats above 30	1.01	1.52	1.82	2.09	2.30	2.53
h. Restaurants (w/Grinders) less than 30 seats	14.78	17.30	20.67	24.31	28.12	31.07
Restaurants (w/Grinders) over 30 seats	18.29	22.18	26.51	31.17	36.06	39.84
i. Laundromats - per washing maching	2.96	5.83	7.01	7.98	8.85	9.71
Minimum Charge	8.71	17.50	21.03	23.93	26.54	29.14
j. Service Stations - no wash/rack	7.86	23.26	27.91	31.84	34.11	37.41
Service Stations - with wash/rack	12.47	34.18	41.06	46.56	49.65	54.40
k. Factories	12.47	13.34	16.02	18.30	20.08	22.05
Each additional employee above 20	0.38	0.66	0.80	0.91	1.00	1.10
l. Churches	6.71	7.57	9.10	10.34	11.44	12.56
Per ADA with elementary school	0.21	0.21	0.25	0.28	0.31	0.34
Per ADA with other school	0.30	0.30	0.36	0.42	0.46	0.51
m. Bottling Plants	12.47	13.34	16.02	18.30	20.08	22.05
n. Schools (Non-boarding)	3.25	4.27	5.13	5.83	6.44	7.07
Per ADA with elementary school	0.21	0.20	0.24	0.27	0.30	0.33
Per ADA with other school	0.30	0.31	0.36	0.43	0.47	0.52
o. Schools (Boarding)	3.25	4.27	5.13	5.83	6.44	7.07
Per ADA with elementary school	0.38	0.43	0.51	0.59	0.65	0.71
Per ADA with other school	0.48	0.57	0.68	0.78	0.86	0.95
p. Trailer/Mobile Home Space	6.50	2.52	3.02	3.47	3.81	4.19
q. RV Dump Stations - Less than 50 services	21.00	25.22	30.15	35.20	38.75	42.69
r. Brine (per gallon)	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125

- The District's member agencies currently collect both a) their own charges for sewer collection services, and b) the District's charges for wastewater treatment. Wastewater treatment charges collected on the District's behalf are subsequently passed-through to the District.

- Accounting for both District and local agency charges, the total sewer rates levied by each of the District's three member agencies are among the very lowest in the region based on a survey of 16 regional wastewater agencies.





- The District's fund reserves totaled approximately \$5.5 million as of June 30, 2015.
 - Approximately \$4.1 million of these reserves are held in the District's Expansion Fund, which is used primarily to fund expansion projects and debt service allocated to expansion. Due to restrictions on the use of reserves in the Expansion Fund, BWA recommends the District spend these reserves whenever justified with the goal of instead maintaining a higher level of unrestricted operating reserves. For example, a pipeline replacement that provides no new capacity for expansion can be partially funded from the Expansion Fund assuming the pipeline already has excess capacity available for expansion, even if it is not being expanded further. Additionally, the District's connection fees (one-time levied on new development to recover the cost of facilities benefiting growth) may include buy-in for previously-funded wastewater system assets. If so, a portion of the fee can be used to reimburse the operating fund for the prior infrastructure investments made on behalf of future growth.

4 Financial Challenges

The District faces a number of financial challenges in upcoming years that put upward pressure on sewer rates. Key challenges include:

4.1 Redundancy Project

- The District has been proactively working to complete reliability and redundancy upgrades to the wastewater treatment plant in order to address requirements of the RWQCB. The District has been working to evaluate project alternatives and identify the most cost-effective infrastructure improvements that will reliably address the RWQCB requirements. Based on an updated engineering cost estimate from September 2015, the project cost is estimated at a little over \$19 million (current dollars) including design, permitting, construction, 30% construction cost contingency, and project management. With 3% cost inflation, the project is estimated at \$20.4 million in future dollars.
- In order to meet RWQCB requirements, the redundancy project is scheduled to be completed and operational by end of 2019, with preliminary engineering/design and construction bidding to be completed by the end of June 2017 followed by construction spread over the subsequent two years and startup/commissioning by the end of 2019.
- Preliminary engineering estimates project the redundancy project will increase the District's annual operating costs by roughly \$425,000. With 4% operating cost inflation, additional annual operating costs associated with the project are projected at \$500,000 in future dollars beginning fiscal year 2019/20.

Redundancy Project Cost Estimates (Current \$)

Project Cost Estimates

Construction Cost		\$9,940,000
Deep Foundation Allowance		1,400,000
Floodproofing Allowance		500,000
Critical Pipe Repair/Replacement Allowance		<u>500,000</u>
Subtotal		12,340,000
Construction Cost Contingency	30%	<u>2,982,000</u>
Construction Cost with Contingency		15,322,000

Other Project Costs: *Estimated as a % of Base Construction Costs + Allowances*

Design	12%	1,490,000
Permitting	1%	120,000
Engineering During Construction	3%	380,000
Construction Management	10%	1,234,000
Project Management/Administration	<u>4%</u>	<u>494,000</u>
Subtotal	30%	3,718,000

Total Project Costs **19,040,000**

Annual O&M Cost Estimate **425,000**

Based on Technical Memorandum from Michael Nunley dated September 11, 2015;
SSLOCSD Work Plan for Redundancy Project.

4.2 Capital Needs and Repair & Replacement of Aging Facilities

- The District's treatment plant was originally constructed in 1966 and has subsequently been upgraded and expanded to its current configuration. Due to the age and condition of various components of the District's facilities, the District anticipates needing to fund roughly \$500,000 (current dollars) on average each year for ongoing upgrades, repairs and replacements to its facilities to address current deficiencies and deferred maintenance needs and help ensure continued service reliability. Additional capital needs include an additional \$320,000 budgeted in the current fiscal year for grit removal. The financial projections also assume an average annual funding level of \$200,000 (current dollars) per year from the Expansion Fund or for additional ongoing capital needs. Total capital improvement costs over the 10 years are projected at roughly \$7.4 million in current dollars, and roughly \$8.3 million accounting for 3% construction cost inflation.

4.3 Operating Cost Inflation

- Annual rate increases are needed to keep revenues in line with ongoing operating cost inflation. Cost inflation for water & wastewater utilities (whose costs are largely related to labor and capital) has historically been higher than CPI, which is more of a measure of urban goods and services. For planning purposes, the projections assume operating costs escalate at the annual rate of 4%.

10-Year Capital Improvement Program

	Budget	Projected										10-Year
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total	
CAPITAL IMPROVEMENT COST ESTIMATES (CURRENT \$)												
Redundancy Project												
Design & Permitting	-	610,000	1,000,000	-	-	-	-	-	-	-	1,610,000	
Construction (w/ allowances & contingency)	-	-	-	7,661,000	7,661,000	-	-	-	-	-	15,322,000	
Project & Construction Management	-	-	-	1,054,000	1,054,000	-	-	-	-	-	2,108,000	
Subtotal	-	610,000	1,000,000	8,715,000	8,715,000	-	-	-	-	-	19,040,000	
Ongoing Capital Improvement Program												
Improvements & Repairs/Replacements	622,000	820,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	5,442,000	
Expansion Fund/Other Projects	150,000	255,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,005,000	
Subtotal	772,000	1,075,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	7,447,000	
CAPITAL IMPROVEMENT COST ESTIMATES (FUTURE \$)												
Projected Construction Cost Escalation												
Annual Cost Escalation	1.000	1.000	1.030	3%	1.061	3%	1.093	3%	1.126	3%	1.159	3%
Cost Escalator												1.267
Redundancy Project												
Design & Permitting	-	610,000	1,030,000	-	-	-	-	-	-	-	-	1,640,000
Project Construction	-	-	-	8,128,000	8,371,000	-	-	-	-	-	-	16,499,000
Project/Construction Management	-	-	-	1,118,000	1,152,000	-	-	-	-	-	-	2,270,000
Subtotal	-	610,000	1,030,000	9,246,000	9,523,000	-	-	-	-	-	-	20,409,000
Ongoing Capital Improvement Program												
Repair/Rehab/Replacement Projects	622,000	820,000	515,000	530,000	546,000	563,000	580,000	597,000	615,000	633,000	6,021,000	
Expansion Fund/Other Projects	150,000	255,000	206,000	212,000	219,000	225,000	232,000	239,000	246,000	253,000	2,237,000	
Subtotal	772,000	1,075,000	721,000	742,000	765,000	788,000	812,000	836,000	861,000	886,000	8,258,000	

5 Financial Projections

- BWA developed 10-year financial projections to evaluate annual revenue requirements and project sewer rate increases. The projections were based on reasonable and slightly conservative assumptions listed below.

Key Assumptions

- Future operating cost projections are based on the 2015/16 Budget
- Operating cost inflation is projected at 4% per year for planning purposes
- The projections assume a relatively low growth scenario of 20 new single family homes or Equivalent Residential Units (ERUs) per year
- Salaries and Benefits include an additional combined \$225,000 in annual funding for a General Manager prorated to start January 2016. The cash flow projections also assume a corresponding reduction of \$80,000 of Administrative Costs starting 2016/17 that would have been needed without a General Manager.
- Assumes a redundancy project cost estimate of \$19.0 million (current \$) and \$20.4 million (future \$) based on the latest engineering cost estimates.
- Cash flow projections were developed under two financing scenarios:
 - SRF Financing: Projections were developed assuming the District funds the redundancy project with a Clean Water State Revolving Fund (SRF) loan. The SRF financing program currently offers 20 or 30-year loans with interest rates below 2%. For planning purposes, the projections assume a 30-year SRF loan with a 3% annual interest rate. The interest rate on SRF loan fluctuates based roughly on half of the State of California's General Obligation Bond Rate.
 - Revenue Bonds: Alternative cash flow and rate projections were developed based on funding the redundancy project with sewer revenue bonds assuming a 30-year bond with 5.5% average interest rate. Current interest rates are lower, however, it is difficult to predict future interest rates when project funding will be needed.
- Includes new operating costs for the redundancy project projected at \$425,000 (current dollars) plus 4% cost escalation through startup in 2019/20, at which point the escalated operating costs would total \$500,000 per year.
- Includes funding for the District's capital improvement program with 3% construction cost inflation

- Includes a \$1.1 million payment in 2015/16 to the RWQCB for fines related to a prior permit violation during an extreme storm event in December 2010
- Minimum fund reserve target for financial planning purposes: 50% of annual operating and maintenance expenses + \$1 million for emergency capital reserves

5.1 Projections with SRF Loan Financing

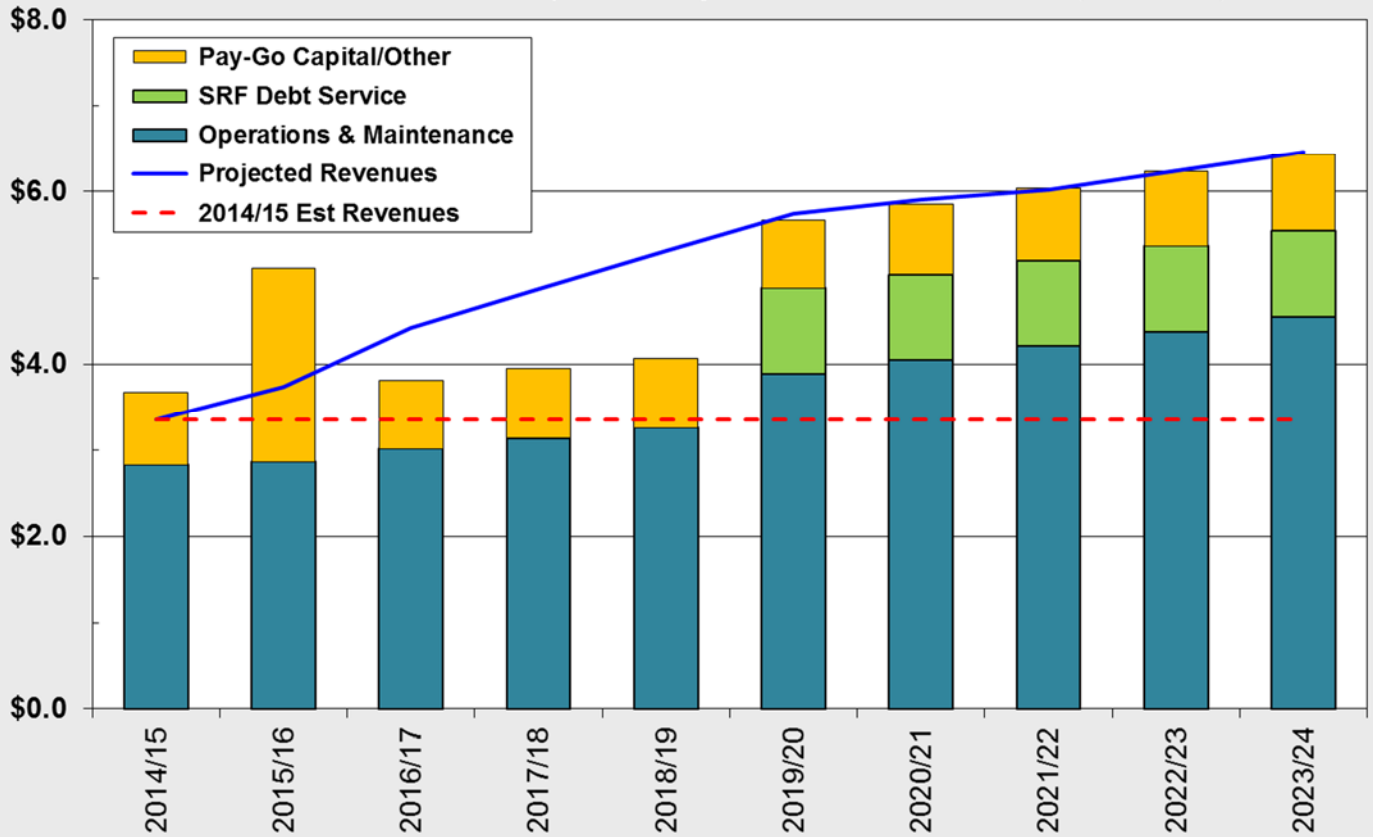
- The following table and chart show a summary of financial projections assuming the District obtains SRF Loan financing for the redundancy project. More-detailed cash flow projections are included in Appendix A.

Summary Financial Projections
With SRF Loan Financing for the Redundancy Project

Fiscal Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Monthly Residential Rate	\$14.86	\$18.00	\$20.00	\$22.00	\$24.00	\$26.00	\$26.50	\$27.00	\$28.00	\$29.00
Beginning Fund Reserves	\$5.5	\$5.2	\$3.2	\$4.3	\$5.2	\$5.5	\$5.6	\$5.6	\$5.6	\$5.6
REVENUES										
Sewer Service Charges	3.1	3.4	4.2	4.6	5.1	5.5	5.6	5.7	5.9	6.1
Other Revenues	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Subtotal	3.4	3.7	4.4	4.9	5.3	5.7	5.9	6.0	6.2	6.5
SRF Loan Proceeds	-	-	1.5	9.2	9.5	-	-	-	-	-
Total	3.4	3.7	5.9	14.1	14.8	5.7	5.9	6.0	6.2	6.5
EXPENSES										
Operating Expenses	2.8	2.9	3.0	3.1	3.3	3.4	3.5	3.7	3.8	4.0
New Redundancy O&M	-	-	-	-	-	0.5	0.5	0.5	0.6	0.6
Debt Service	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Redundancy Project	-	0.6	1.0	9.2	9.5	-	-	-	-	-
RWQCB Fine	-	1.1	-	-	-	-	-	-	-	-
Capital/Non-Operating	0.8	1.2	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9
Total	3.7	5.7	4.8	13.2	13.6	5.7	5.9	6.0	6.2	6.4
Transfer to SRF Reserve	-	-	-	-	1.0	-	-	-	-	-
Revenues Less Exps	(0.3)	(2.0)	1.1	0.9	0.3	0.1	0.1	(0.0)	0.0	0.0
Ending Fund Reserves	5.2	3.2	4.3	5.2	5.5	5.6	5.6	5.6	5.6	5.7
SRF Reserve Requirement	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Debt Service Coverage	-	-	-	-	-	1.86	1.87	1.83	1.88	1.92

South San Luis Obispo County Sanitation District

10-Year Revenue & Expense Projections with SRF Loans (\$ Millions)



Excludes capital improvements funded by debt, but includes the associated debt service.

Excludes interfund transfers that are not expenditures.

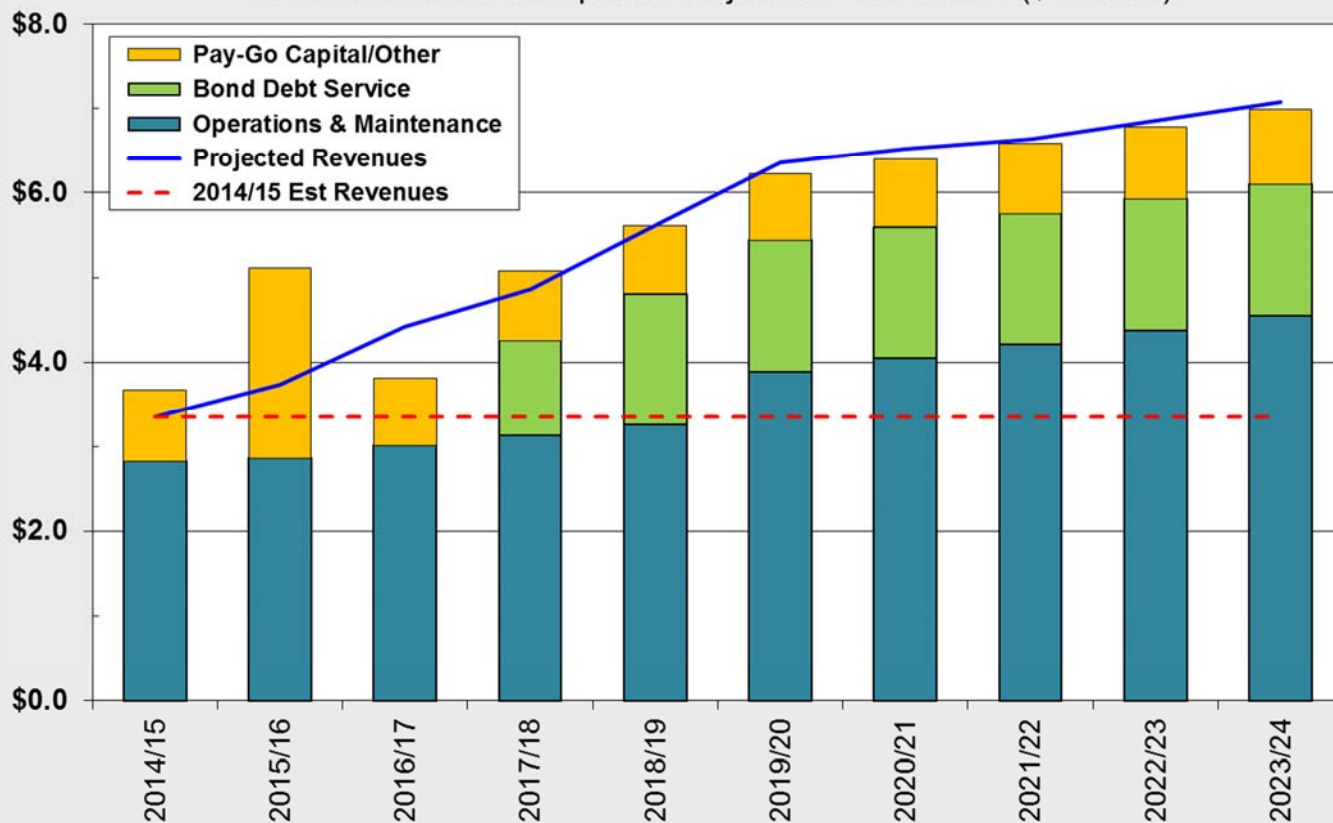
5.2 Projections with Bond Financing

- The following table and chart show a summary of financial projections assuming the District finances the redundancy project with sewer revenue bonds. More-detailed cash flow projections are included in Appendix A.

Summary Financial Projections
With Sewer Revenue Bond Financing for the Redundancy Project

Fiscal Year	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Monthly Residential Rate	\$14.86	\$18.00	\$20.00	\$22.00	\$25.50	\$29.00	\$29.50	\$30.00	\$31.00	\$32.00
Beginning Fund Reserves	\$5.5	\$5.2	\$3.2	\$2.8	\$4.2	\$4.2	\$4.4	\$4.5	\$4.5	\$4.6
REVENUES										
Sewer Service Charges	3.1	3.4	4.2	4.6	5.4	6.1	6.2	6.3	6.6	6.8
Other Revenues	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Subtotal	3.4	3.7	4.4	4.9	5.6	6.4	6.5	6.6	6.9	7.1
Bond Proceeds	-	-	-	10.8	9.5	-	-	-	-	-
Total	3.4	3.7	4.4	15.7	15.1	6.4	6.5	6.6	6.9	7.1
EXPENSES										
Operating Expenses	2.8	2.9	3.0	3.1	3.3	3.4	3.5	3.7	3.8	4.0
New Redundancy O&M	-	-	-	-	-	0.5	0.5	0.5	0.6	0.6
Debt Service	-	-	-	1.1	1.5	1.5	1.5	1.5	1.5	1.5
Redundancy Project	-	0.6	1.0	9.2	9.5	-	-	-	-	-
RWQCB Fine	-	1.1	-	-	-	-	-	-	-	-
Capital/Non-Operating	0.8	1.2	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9
Total	3.7	5.7	4.8	14.3	15.1	6.2	6.4	6.6	6.8	7.0
Revenues Less Exps	(0.3)	(2.0)	(0.4)	1.4	0.0	0.1	0.1	0.0	0.1	0.1
Ending Fund Reserves	5.2	3.2	2.8	4.2	4.2	4.4	4.5	4.5	4.6	4.7
Debt Service Coverage	-	-	-	1.54	1.52	1.60	1.60	1.57	1.60	1.63

South San Luis Obispo County Sanitation District 10-Year Revenue & Expense Projections with Bonds (\$ Millions)



Excludes capital improvements funded by debt, but includes the associated debt service.
 Excludes interfund transfers that are not expenditures.

6 Cost of Service Rate Realignment

- The District's rate structure was last reviewed and modified in 2007. In order to ensure the District's rates reasonably reflect the cost of service to each customer class, BWA developed new rates from the ground up, based on reasonable estimates of wastewater flow and strength for each of the District's customer classes.
- Revised sewer service charges were first calculated on a revenue-neutral basis with the District's current rates, as shown on table on the following page. The tables calculates new rates based on the number of Equivalent Residential Units (ERUs) assigned to each customer type. An ERU is unit of measurement based on the wastewater flow and strength loadings and wastewater system capacity needs of a typical single family home. Wastewater flow and strength loadings from different types of customers can be expressed in terms of ERUs in order to provide a standard unit of measurement representing the relative funding needs for serving each connection in relation to that of a single family home. The ERU assignments, in turn, are used to develop new rates aligned with the cost of providing service to each customer class.
- The proposed modifications result in a range of impacts on different customer classes with a revenue-neutral adjustment to the rate structure. A few key impacts include:
 - Residential: -Residential customers would face a 2%, or \$0.30 per month, rate reduction with the revenue-neutral modifications to the rate structure.
 - Trailer/Mobile Home Spaces: Prior to 2007, these accounts paid the same monthly rate as other residential dwelling units at \$6.50 per month. In 2007, the monthly charge for these accounts was decreased by over 60% to \$2.52 per month. The current rate is \$4.19 per unit. Under the proposed revenue-neutral rate structure modifications, the rate would be set at 60% of the standard residential charge, or \$8.74 per month.
 - Hotels and Motels: The various hotel and motel rate classes would face rate reductions of roughly \$2 to \$3 per room, equal to decrease in the range of 18% to 21%. Hotel Units with Kitchens are currently billed a monthly charge that is a little higher than the charge for a standard residential unit.
 - Eating Establishments & Restaurants: These accounts will face impacts ranging from 5% to 34% as shown on the following table. The revised rates are based on conservatively low estimates of wastewater flow and strength.
- **With the rate structure modifications, rates for all customer classes will remain low compared to other statewide and regional agencies.**

Revised Sewer Rates With Cost-of-Service Realignment

	CURRENT		REVISED					IMPACTS				
	Sewer Rates	ERUs	Wastewater Flow		Wastewater Strength		Proposed ERUs	Revised Rates	% Rate Change	\$ Rate Change		
			Flow (gpd)	Flow Factor	BOD mg/l	SS mg/l	Strength Factor	Flow Factor x Strength Factor			Revenue-Neutral Modifications	
a.	Residences & Apartments	\$14.86	1.00	200	1.00	200	200	1.0	1.00	\$14.56	-2%	(\$0.30)
b.	Hotel Units with Kitchens	15.71	1.06	175	0.88	200	200	1.0	0.88	12.74	-19%	(2.97)
c.	Motel Units without Kitchens	10.02	0.67	125	0.63	150	150	0.9	0.56	8.19	-18%	(1.83)
d.	Hotel Room	10.36	0.70	125	0.63	150	150	0.9	0.56	8.19	-21%	(2.17)
e.	Commercial Establishments Each additional employee above 5	7.65 1.53	0.51 0.10	100 20	0.50 0.10	150 150	150 150	0.9 0.9	0.45 0.09	6.55 1.31	-14% -14%	(1.10) (0.22)
f.	Beauty Shops Each additional operator above 5	13.97 2.33	0.94 0.16	200 30	1.00 0.15	150 150	150 150	0.9 0.9	0.90 0.14	13.10 1.97	-6% -15%	(0.87) (0.36)
g.	Eating Establishments w/o Grinders Each additional 5 seats above 30	15.16 2.53	1.02 0.17	200 30	1.00 0.15	400 400	400 400	1.4 1.4	1.40 0.21	20.38 3.06	34% 21%	5.22 0.53
h.	Restaurants (w/Grinders) less than 30 seats Restaurants (w/Grinders) over 30 seats	31.07 39.84	2.09 2.68	250 350	1.25 1.75	700 700	500 500	1.8 1.8	2.25 3.15	32.76 45.86	5% 15%	1.69 6.02
i.	Laundromats - per washing maching Minimum Charge	9.71 29.14	0.65 1.96	150 450	0.75 2.25	150 150	110 110	0.9 0.9	0.65 1.94	9.39 28.17	-3% -3%	(0.32) (0.97)
j.	Service Stations - no wash/rack Service Stations - with wash/rack	37.41 54.40	2.52 3.66	500 800	2.50 4.00	180 150	280 200	1.1 1.0	2.65 3.80	38.58 55.33	3% 2%	1.17 0.93
k.	Factories Each additional employee above 20	22.05 1.10	1.48 0.07	300 15	1.50 0.08	200 200	200 200	1.0 1.0	1.50 0.08	21.84 1.09	-1% -1%	(0.21) (0.01)
l.	Churches Per ADA with elementary school Per ADA with other school	12.56 0.34 0.51	0.85 0.02 0.03	200 6 9	1.00 0.03 0.05	130 130 130	100 100 100	0.8 0.8 0.8	0.83 0.02 0.04	12.08 0.36 0.54	-4% 6% 6%	(0.48) 0.02 0.03
m.	Bottling Plants	22.05	1.48	400	2.00	150	150	0.9	1.80	26.21	19%	4.16
n.	Schools (Non-boarding) Per ADA with elementary school Per ADA with other school	7.07 0.33 0.52	0.48 0.02 0.03	120 6 9	0.60 0.03 0.05	130 130 130	100 100 100	0.8 0.8 0.8	0.50 0.02 0.04	7.25 0.36 0.54	3% 9% 4%	0.18 0.03 0.02
o.	Schools (Boarding) Per ADA with elementary school Per ADA with other school	7.07 0.71 0.95	0.48 0.05 0.06	100 10 14	0.50 0.05 0.07	200 200 200	200 200 200	1.0 1.0 1.0	0.50 0.05 0.07	7.28 0.73 1.02	3% 3% 7%	0.21 0.02 0.07
p.	Trailer/Mobile Home Space	4.19	0.28	120	0.60	200	200	1.0	0.60	8.74	109%	4.55
q.	RV Dump Stations - Less than 50 services	42.69	2.87	100	0.50	2,700	6,000	9.3	4.65	67.70	59%	25.01

7 Rate Projections

- Rate projections were developed under two methods of financing for the redundancy project including a) SRF Loans, and b) sewer revenue bonds. While the projected rates are the same under both financing scenarios through fiscal year 2017/18, future rates in the last two years would need to be higher with bonds than with SRF Loans due to the higher level of annual debt service required for bond financing.
- BWA also develop rate projections with a) no changes to the rate structure, and b) with the proposed rate structure modifications designed to realign rates with the cost of service.
- Due to deferment of the rate study and requirement to go through the Proposition 218 process for increasing rates, the rate increase for the current fiscal year 2015/16 is being deferred until January 1, 2016. The District will not recoup rate increase revenues from the first half of fiscal year 2015/16. Future rate increases are projected to become effective on July 1 of each year.

7.1 Rate Projections with No Changes to Rate Structure

- These rates assume projected rate increases are applied on an across-the-board basis with the same percentage increase to all customer classes with *no changes to the District's existing rate structure*.

Projected Rates with No Changes to Rate Structure

	Current	Projected Monthly Sewer Rates				
	Monthly	2015/16	2016/17	2017/18	2018/19	2019/20
	Rate	Jan-1	July-1	July-1	July-1	July-1
With SRF Financing for the Redundancy Project						
Monthly Residential Charge	\$14.86	\$18.00	\$20.00	\$22.00	\$24.00	\$26.00
With Bond Financing for the Redundancy Project						
Monthly Residential Charge	\$14.86	\$18.00	\$20.00	\$22.00	\$25.50	\$29.00

- The tables on the following pages shows the full rate schedule with across-the-board rate increases projected for the next five years.

Projected Rates 1A
SRF Loan Financing for Redundancy Project
No Rate Structure Modifications

	Current Rates	Projected Rates with Across-the-Board Increases				
		2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a. Residences & Apartments	\$14.86	\$18.00	\$20.00	\$22.00	\$24.00	\$26.00
b. Hotel Units with Kitchens	15.71	19.03	21.14	23.25	25.36	27.47
c. Hotel Units without Kitchens	10.02	12.14	13.49	14.84	16.19	17.54
d. Hotel Room	10.36	12.55	13.94	15.33	16.72	18.11
e. Commercial Establishments	7.65	9.27	10.30	11.33	12.36	13.39
Each additional employee above 5	1.53	1.85	2.06	2.27	2.48	2.69
f. Beauty Shops	13.97	16.92	18.80	20.68	22.56	24.44
Each additional operator above 5	2.33	2.82	3.13	3.44	3.75	4.06
g. Eating Establishments w/o Grinders	15.16	18.36	20.40	22.44	24.48	26.52
Each additional 5 seats above 30	2.53	3.06	3.40	3.74	4.08	4.42
h. Restaurants (w/Grinders) <30 seats	31.07	37.64	41.82	46.00	50.18	54.36
Restaurants (w/Grinders) over 30 seats	39.84	48.26	53.62	58.98	64.34	69.70
i. Laundromats - per washing machine	9.71	11.76	13.07	14.38	15.69	17.00
Minimum Charge	29.14	35.30	39.22	43.14	47.06	50.98
j. Service Stations - no wash/rack	37.41	45.31	50.34	55.37	60.40	65.43
Service Stations - with wash/rack	54.40	65.90	73.22	80.54	87.86	95.18
k. Factories	22.05	26.71	29.68	32.65	35.62	38.59
Each additional employee above 20	1.10	1.33	1.48	1.63	1.78	1.93
l. Churches	12.56	15.21	16.90	18.59	20.28	21.97
Per ADA with elementary school	0.34	0.41	0.46	0.51	0.56	0.61
Per ADA with other school	0.51	0.62	0.69	0.76	0.83	0.90
m. Bottling Plants	22.05	26.71	29.68	32.65	35.62	38.59
n. Schools (Non-boarding)	7.07	8.56	9.51	10.46	11.41	12.36
Per ADA with elementary school	0.33	0.40	0.44	0.48	0.52	0.56
Per ADA with other school	0.52	0.63	0.70	0.77	0.84	0.91
o. Schools (Boarding)	7.07	8.56	9.51	10.46	11.41	12.36
Per ADA with elementary school	0.71	0.86	0.96	1.06	1.16	1.26
Per ADA with other school	0.95	1.15	1.28	1.41	1.54	1.67
p. Trailer/Mobile Home Space	4.19	5.08	5.64	6.20	6.76	7.32
q. RV Dump Stations - Less than 50 svcs	42.69	51.71	57.46	63.21	68.96	74.71

Projected Rates 1B
Revenue Bond Financing for Redundancy Project
No Rate Structure Modifications

	Current Rates	Projected Rates with Across-the-Board Increases				
		2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a. Residences & Apartments	\$14.86	\$18.00	\$20.00	\$22.00	\$25.50	\$29.00
b. Hotel Units with Kitchens	15.71	19.03	21.14	23.25	26.95	26.44
c. Hotel Units without Kitchens	10.02	12.14	13.49	14.84	17.20	16.88
d. Hotel Room	10.36	12.55	13.94	15.33	17.77	17.43
e. Commercial Establishments	7.65	9.27	10.30	11.33	13.13	12.89
Each additional employee above 5	1.53	1.85	2.06	2.27	2.63	2.58
f. Beauty Shops	13.97	16.92	18.80	20.68	23.97	23.52
Each additional operator above 5	2.33	2.82	3.13	3.44	3.99	3.91
g. Eating Establishments w/o Grinders	15.16	18.36	20.40	22.44	26.01	25.52
Each additional 5 seats above 30	2.53	3.06	3.40	3.74	4.34	4.25
h. Restaurants (w/Grinders) <30 seats	31.07	37.64	41.82	46.00	53.32	52.31
Restaurants (w/Grinders) over 30 seats	39.84	48.26	53.62	58.98	68.36	67.08
i. Laundromats - per washing maching	9.71	11.76	13.07	14.38	16.67	16.35
Minimum Charge	29.14	35.30	39.22	43.14	50.00	49.06
j. Service Stations - no wash/rack	37.41	45.31	50.34	55.37	64.18	62.97
Service Stations - with wash/rack	54.40	65.90	73.22	80.54	93.35	91.59
k. Factories	22.05	26.71	29.68	32.65	37.84	37.13
Each additional employee above 20	1.10	1.33	1.48	1.63	1.89	1.85
l. Churches	12.56	15.21	16.90	18.59	21.55	21.14
Per ADA with elementary school	0.34	0.41	0.46	0.51	0.59	0.58
Per ADA with other school	0.51	0.62	0.69	0.76	0.88	0.86
m. Bottling Plants	22.05	26.71	29.68	32.65	37.84	37.13
n. Schools (Non-boarding)	7.07	8.56	9.51	10.46	12.12	11.90
Per ADA with elementary school	0.33	0.40	0.44	0.48	0.56	0.55
Per ADA with other school	0.52	0.63	0.70	0.77	0.89	0.88
o. Schools (Boarding)	7.07	8.56	9.51	10.46	12.12	11.90
Per ADA with elementary school	0.71	0.86	0.96	1.06	1.23	1.21
Per ADA with other school	0.95	1.15	1.28	1.41	1.63	1.60
p. Trailer/Mobile Home Space	4.19	5.08	5.64	6.20	7.19	7.05
q. RV Dump Stations - Less than 50 svcs	42.69	51.71	57.46	63.21	73.27	71.89

7.2 Rate Projections with Modified Rate Structure

- These rates increases account for *both the overall level of rate increases needed to meet future revenue requirements as well as modifications to the sewer rate structure designed to realign rates with the cost of providing service.*

Projected Rates with Rate Structure Realignment

	Current	Projected Monthly Sewer Rates				
	Monthly	2015/16	2016/17	2017/18	2018/19	2019/20
	Rate	Jan-1	July-1	July-1	July-1	July-1
With SRF Financing for the Redundancy Project						
Monthly Residential Charge	\$14.86	\$17.64	\$19.60	\$21.56	\$23.52	\$25.48
With Bond Financing for the Redundancy Project						
Monthly Residential Charge	\$14.86	\$17.64	\$19.60	\$21.56	\$24.99	\$28.42

- The tables on the following pages shows the full rate schedule accounting for both the overall rate increases and the proposed rate structure modifications.

Projected Rates 2A
SRF Loan Financing for Redundancy Project
With Rate Structure Realignment

		Revised Rates		Projected Rates with Rate Structure Modifications				
		Current	Rev-Neutral	2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a.	Residences & Apartments	\$14.86	14.56	\$17.64	\$19.60	\$21.56	\$23.52	\$25.48
b.	Hotel Units with Kitchens	15.71	12.74	15.43	17.14	18.85	20.56	22.27
c.	Hotel Units without Kitchens	10.02	8.19	9.92	11.02	12.12	13.22	14.32
d.	Hotel Room	10.36	8.19	9.92	11.02	12.12	13.22	14.32
e.	Commercial Establishments	7.65	6.55	7.93	8.81	9.69	10.57	11.45
	Each additional employee above 5	1.53	1.31	1.59	1.77	1.95	2.13	2.31
f.	Beauty Shops	13.97	13.10	15.87	17.63	19.39	21.15	22.91
	Each additional operator above 5	2.33	1.97	2.39	2.66	2.93	3.20	3.47
g.	Eating Establishments w/o Grinders	15.16	20.38	24.69	27.43	30.17	32.91	35.65
	Each additional 5 seats above 30	2.53	3.06	3.71	4.12	4.53	4.94	5.35
h.	Restaurants (w/Grinders) <30 seats	31.07	32.76	39.68	44.09	48.50	52.91	57.32
	Restaurants (w/Grinders) over 30 seats	39.84	45.86	55.55	61.72	67.89	74.06	80.23
i.	Laundromats - per washing maching	9.71	9.39	11.37	12.63	13.89	15.15	16.41
	Minimum Charge	29.14	28.17	34.12	37.91	41.70	45.49	49.28
j.	Service Stations - no wash/rack	37.41	38.58	46.73	51.92	57.11	62.30	67.49
	Service Stations - with wash/rack	54.40	55.33	67.02	74.47	81.92	89.37	96.82
k.	Factories	22.05	21.84	26.45	29.39	32.33	35.27	38.21
	Each additional employee above 20	1.10	1.09	1.32	1.47	1.62	1.77	1.92
l.	Churches	12.56	12.08	14.63	16.26	17.89	19.52	21.15
	Per ADA with elementary school	0.34	0.36	0.44	0.49	0.54	0.59	0.64
	Per ADA with other school	0.51	0.54	0.65	0.72	0.79	0.86	0.93
m.	Bottling Plants	22.05	26.21	31.75	35.28	38.81	42.34	45.87
n.	Schools (Non-boarding)	7.07	7.25	8.78	9.76	10.74	11.72	12.70
	Per ADA with elementary school	0.33	0.36	0.44	0.49	0.54	0.59	0.64
	Per ADA with other school	0.52	0.54	0.65	0.72	0.79	0.86	0.93
o.	Schools (Boarding)	7.07	7.28	8.82	9.80	10.78	11.76	12.74
	Per ADA with elementary school	0.71	0.73	0.88	0.98	1.08	1.18	1.28
	Per ADA with other school	0.95	1.02	1.24	1.38	1.52	1.66	1.80
p.	Trailer/Mobile Home Space	4.19	8.74	10.59	11.77	12.95	14.13	15.31
q.	RV Dump Stations - Less than 50 svcs	42.69	67.70	82.01	91.12	100.23	109.34	118.45

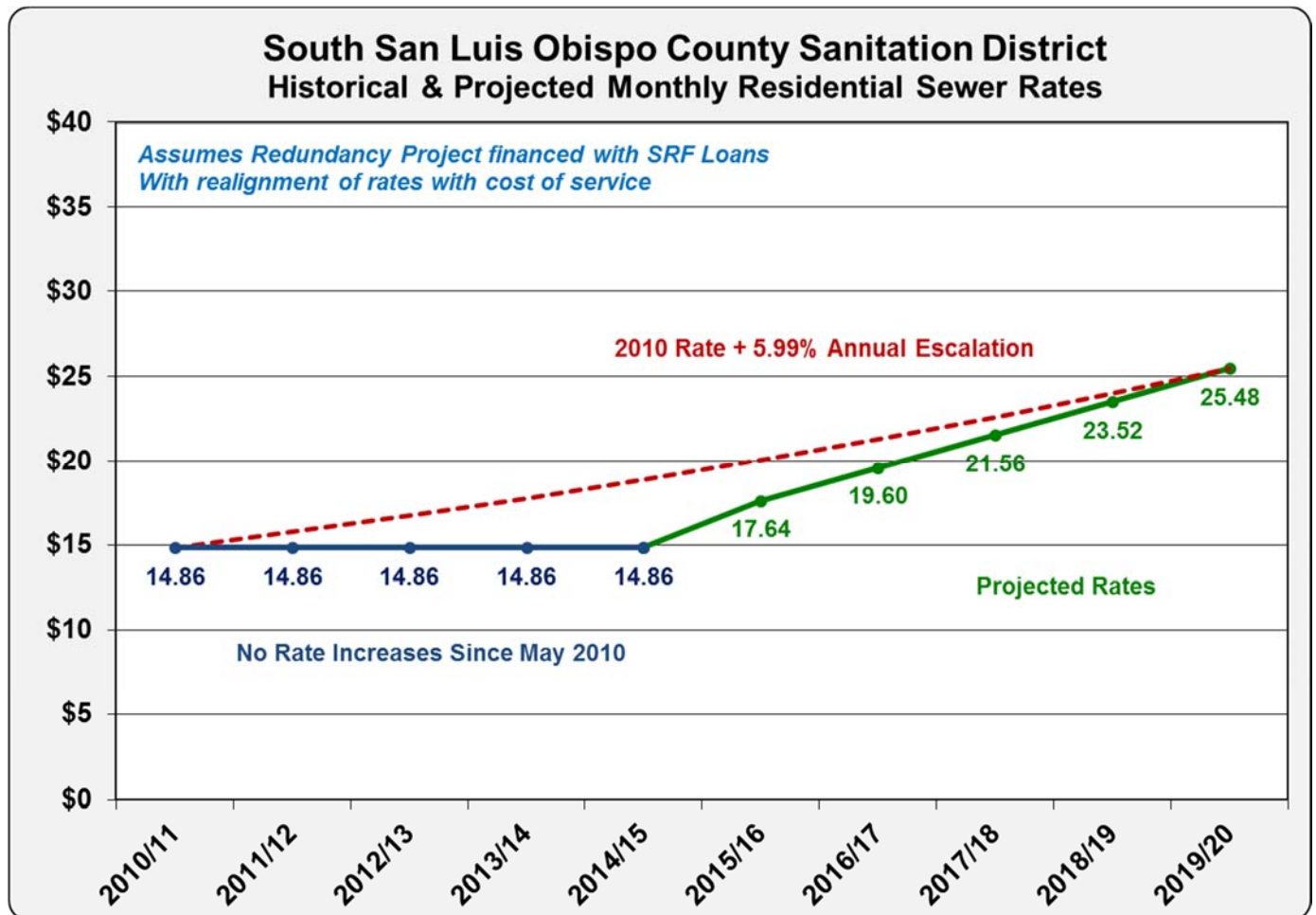
Projected Rates 2B
Revenue Bond Financing for Redundancy Project
With Rate Structure Realignment

	Revised Rates		Projected Rates with Rate Structure Modifications				
	Current	Rev-Neutral	2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a. Residences & Apartments	\$14.86	14.56	\$17.64	\$19.60	\$21.56	\$24.99	\$28.42
b. Hotel Units with Kitchens	15.71	12.74	15.43	17.14	18.85	21.85	24.85
c. Hotel Units without Kitchens	10.02	8.19	9.92	11.02	12.12	14.05	15.98
d. Hotel Room	10.36	8.19	9.92	11.02	12.12	14.05	15.98
e. Commercial Establishments	7.65	6.55	7.93	8.81	9.69	11.23	12.77
Each additional employee above 5	1.53	1.31	1.59	1.77	1.95	2.26	2.57
f. Beauty Shops	13.97	13.10	15.87	17.63	19.39	22.47	25.55
Each additional operator above 5	2.33	1.97	2.39	2.66	2.93	3.40	3.87
g. Eating Establishments w/o Grinders	15.16	20.38	24.69	27.43	30.17	34.97	39.77
Each additional 5 seats above 30	2.53	3.06	3.71	4.12	4.53	5.25	5.97
h. Restaurants (w/Grinders) <30 seats	31.07	32.76	39.68	44.09	48.50	56.22	63.94
Restaurants (w/Grinders) over 30 seats	39.84	45.86	55.55	61.72	67.89	78.69	89.49
i. Laundromats - per washing maching	9.71	9.39	11.37	12.63	13.89	16.10	18.31
Minimum Charge	29.14	28.17	34.12	37.91	41.70	48.33	54.96
j. Service Stations - no wash/rack	37.41	38.58	46.73	51.92	57.11	66.20	75.29
Service Stations - with wash/rack	54.40	55.33	67.02	74.47	81.92	94.95	107.98
k. Factories	22.05	21.84	26.45	29.39	32.33	37.47	42.61
Each additional employee above 20	1.10	1.09	1.32	1.47	1.62	1.88	2.14
l. Churches	12.56	12.08	14.63	16.26	17.89	20.74	23.59
Per ADA with elementary school	0.34	0.36	0.44	0.49	0.54	0.63	0.72
Per ADA with other school	0.51	0.54	0.65	0.72	0.79	0.92	1.05
m. Bottling Plants	22.05	26.21	31.75	35.28	38.81	44.98	51.15
n. Schools (Non-boarding)	7.07	7.25	8.78	9.76	10.74	12.45	14.16
Per ADA with elementary school	0.33	0.36	0.44	0.49	0.54	0.63	0.72
Per ADA with other school	0.52	0.54	0.65	0.72	0.79	0.92	1.05
o. Schools (Boarding)	7.07	7.28	8.82	9.80	10.78	12.50	14.22
Per ADA with elementary school	0.71	0.73	0.88	0.98	1.08	1.25	1.42
Per ADA with other school	0.95	1.02	1.24	1.38	1.52	1.76	2.00
p. Trailer/Mobile Home Space	4.19	8.74	10.59	11.77	12.95	15.01	17.07
q. RV Dump Stations - Less than 50 svcs	42.69	67.70	82.01	91.12	100.23	116.18	132.13

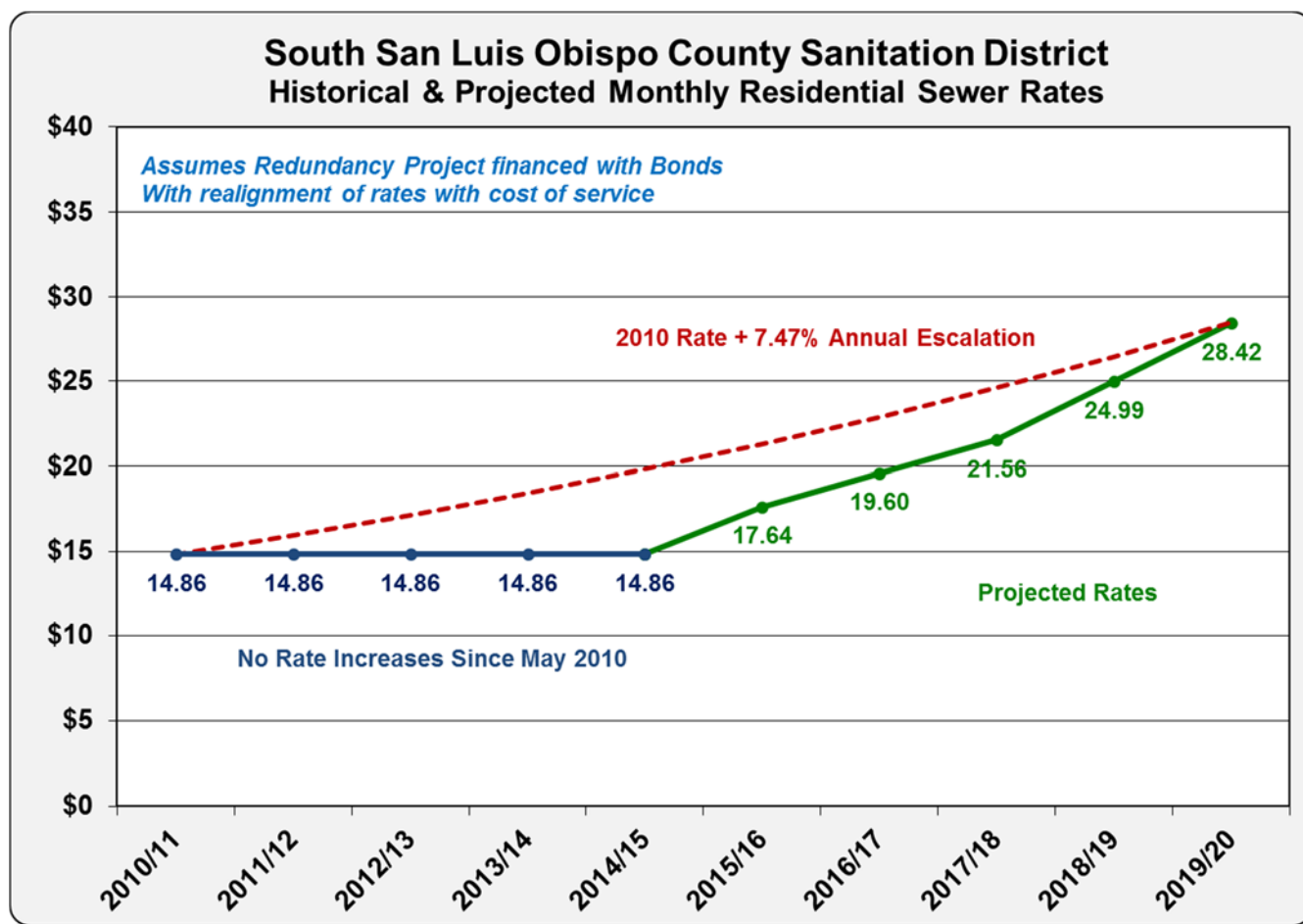
7.3 Other Rate Observations

- Deferring or reducing rate increases in the near-term would result in the need for higher rate increases in future years (and vice versa)
- Each \$1 increase in the monthly residential rate generates a little over \$200,000 of additional revenues.
- The financial projections also indicate the need for small annual rate increases in subsequent years, after the initial 5-year rate increase, to keep revenues in line with operating cost inflation and help minimize the potential for future rate spikes. The District can re-evaluate its finances and rates in the future to ensure future rates continue to recover the cost of providing service.
- **With the proposed rate increases, SSLOCSD member agency rates are projected to remain low compared to other regional and statewide agencies.** A number of other regional agencies are also anticipating or have adopted sewer rate increases for upcoming years.

- Assuming the District obtains SRF financing for the redundancy project and implements the proposed modified rate structure, the District's residential monthly rate in five years will be equal to the District's 2010 rate escalated by slightly below 6.0% per year, as shown on the following chart.



- If the District obtains bond financing for the redundancy project and implements the proposed modified rate structure, the District's residential monthly rate in five years will be equal to the District's 2010 rate escalated by slightly below 7.5% per year, as shown on the following chart.



8 Debt Financing Recommendations

- BWA strongly recommends the District pursue funding from the Clean Water State Revolving Fund Financing Program to finance the redundancy project and any other future debt financing needs.
 - The SRF financing program offers low-rate loans with 30 year repayment terms and interest rates currently below 2%. Interest rates are based on approximately half the average interest rate of the most recent California state general obligation bond issuance.
 - Debt service on SRF loans is not due until one year following the project's certified completion date.

- In recent years, the SRF program has been requiring agencies to establish a debt service reserve fund equal to annual debt service.
- The SRF program also typically requires agencies to maintain annual net revenues (gross revenues less operating expenses) equal to at least 1.10x of annual debt service, although some agencies may be required to maintain a 1.20x debt service coverage ratio.
- Prior to award of funding, the SRF program requires agencies to adopt rates adequate to support debt repayment and achieve the required debt service coverage ratio.
- The SRF financing program does not provide a final funding commitment until after the project has been designed and bid out in compliance with SRF specifications. Agencies can subsequently seek reimbursement for preliminary design and other soft costs incurred prior to construction award. Due to the need for approximately \$1.6 million of funding for preliminary engineering, design, and other soft costs in 2015/16 - 2016/17, BWA recommends the District consider pursuing an SRF Planning Loan to help fund these costs. If awarded, repayment of the SRF Planning Loans could be rolled into the long-term SRF project loan.
- During construction, agencies fund ongoing construction invoices and can subsequently seek monthly reimbursement from SRF. However, the District needs to be prepared to fund a few months of project expenditures due to the lag in reimbursements. BWA has assisted agencies in competitively bidding out a line of credit in cases where an agency does not have adequate fund reserves to meet the cash flow needs for funding SRF projects.
- BWA also recommends the District submit an inquiry form to the California Financing Coordinating Committee to identify if the District is eligible for subsidized funding from other various state and federal financing programs.
- If the District ends up pursuing bond financing, BWA recommends the District issue any bonds via a competitive sale process to help ensure the lowest-cost financing. BWA is a registered Municipal Advisor and charter member of the National Association of Independent Public Finance Advisors.

9 Proposition 218 Rate Increase Process

- In order to increase rates, the District must comply with the procedural requirements of Article 13D, Section 6 of the California Constitution, which was established by Proposition 218. These requirements require the District to:
 - Mail a notice to all affected property-owners informing them of a) the proposed rate increases, b) the basis for increases, and c) the date, time, and location of a Public Hearing at which the proposed rates will be considered for adoption.

- There are differing legal opinions regarding who agencies must mail the required notice too. Many agencies mail notices to all affected property owners only, some mail to both property owners and tenant ratepayers responsible for paying the bill, and a few agencies only send the notice to ratepayers. However, in case of delinquency, agencies are only allowed to place a lien on the property if the notice was mailed to the property owner.
- BWA recommends the notice go beyond the minimum legal requirements and present a clear and concise explanation why the proposed rate increases are needed as well as what the District has been doing to first control costs. We have found that property owners and ratepayers are more accepting of rate increases when they understand why the increases are needed.
- Hold a Public Hearing on the proposed rate increases not less than 45 days after the notice is mailed. Most agencies schedule the Public Hearing during a regularly-scheduled meeting of their governing body.
 - BWA recommends that the District establish a clear structure for the Board Meeting and Public Hearing in advance to help ensure the process is understandable to the Board and public and goes as smoothly as possible.
- At the Public Hearing, the proposed rate increases are subject to “majority protest” and cannot be adopted if written protests are received from more than 50% of affected parcels, with one protest counted per parcel. Assuming the District does not receive enough protests to constitute a “majority protest”, the District would be able to adopt rates at or below the levels shown in the notice.
 - BWA generally recommends agencies take a lenient approach to counting written protests at the Public Hearing to demonstrate a good-faith effort to account for every protest, even if some protests do not include all of the legally-required information.
- In future years, the District can always opt to implement rates below the levels initially adopted. For example, if the District adopts rates assuming bond financing for the redundancy project and subsequently is awarded a lower-rate SRF Loan, then the District could implement the lower rates associated with SRF Loan financing.

Appendix A

Complete Set of Tables & Charts

Table 1

South San Luis Obispo County Sanitation District

Wastewater Rate Study

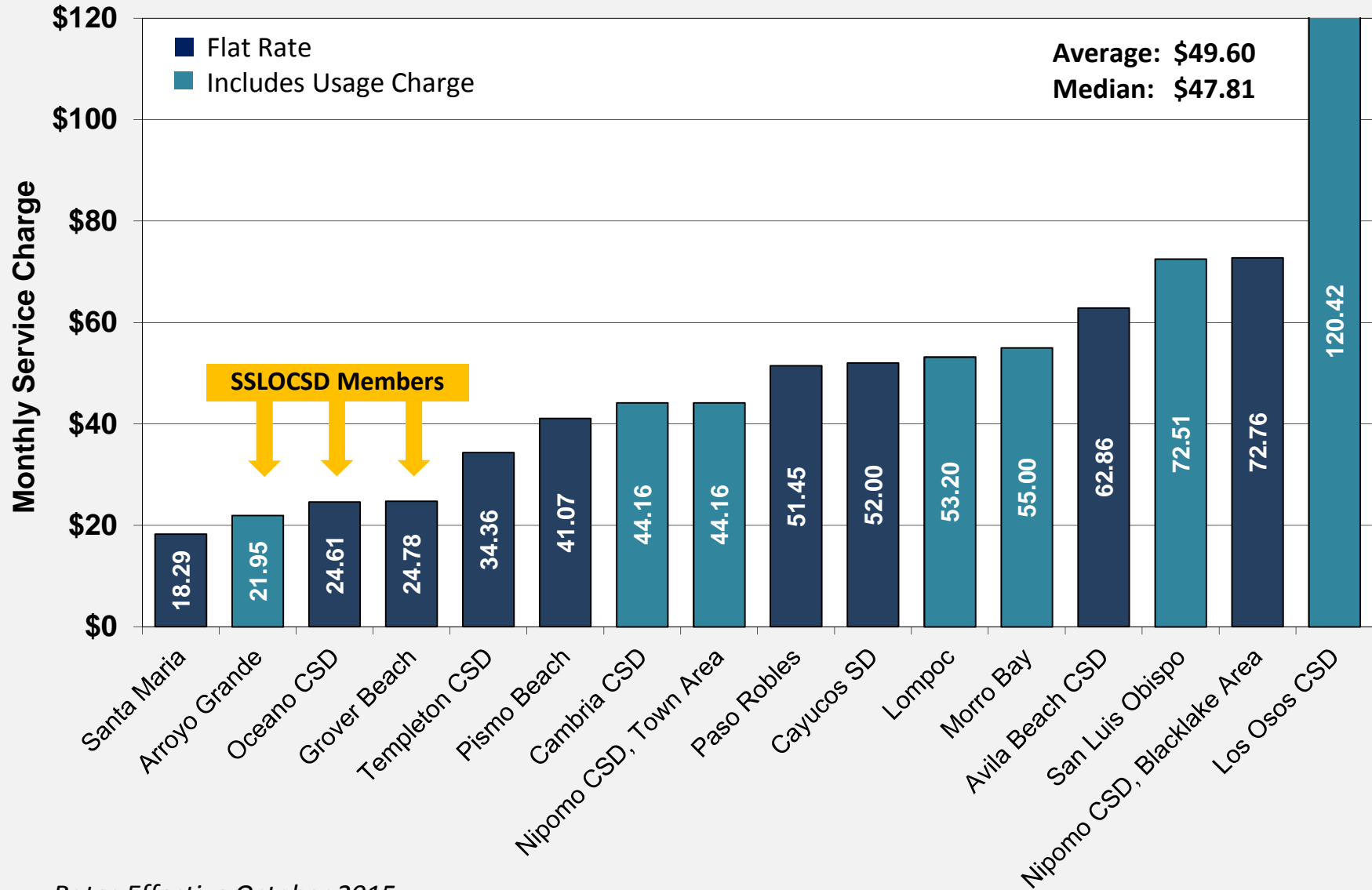
Historical Wastewater Rates

No rate increases since May 2010

	Prior Rates	Jan 1 2007	May 1 2007	May 1 2008	May 1 2009	May 1 2010
a. Residences & Apartments	\$6.50	\$8.93	\$10.70	\$12.31	\$13.52	\$14.86
b. Hotel Units with Kitchens	5.20	9.41	11.29	12.98	14.28	15.71
c. Hotel Units without Kitchens	4.40	6.02	7.22	8.30	9.12	10.02
d. Hotel Room	4.55	6.22	7.46	8.58	9.42	10.36
e. Commercial Establishments	6.73	4.59	5.51	6.26	6.97	7.65
Each additional employee above 5	0.44	0.92	1.10	1.25	1.39	1.53
f. Beauty Shops	8.66	8.49	10.19	11.60	12.73	13.97
Each additional operator above 5	0.86	1.41	1.70	1.93	2.12	2.33
g. Eating Establishments w/o Grinders	9.31	9.11	10.92	12.56	13.79	15.16
Each additional 5 seats above 30	1.01	1.52	1.82	2.09	2.30	2.53
h. Restaurants (w/Grinders) less than 30 seats	14.78	17.30	20.67	24.31	28.12	31.07
Restaurants (w/Grinders) over 30 seats	18.29	22.18	26.51	31.17	36.06	39.84
i. Laundromats - per washing machine	2.96	5.83	7.01	7.98	8.85	9.71
Minimum Charge	8.71	17.50	21.03	23.93	26.54	29.14
j. Service Stations - no wash/rack	7.86	23.26	27.91	31.84	34.11	37.41
Service Stations - with wash/rack	12.47	34.18	41.06	46.56	49.65	54.40
k. Factories	12.47	13.34	16.02	18.30	20.08	22.05
Each additional employee above 20	0.38	0.66	0.80	0.91	1.00	1.10
l. Churches	6.71	7.57	9.10	10.34	11.44	12.56
Per ADA with elementary school	0.21	0.21	0.25	0.28	0.31	0.34
Per ADA with other school	0.30	0.30	0.36	0.42	0.46	0.51
m. Bottling Plants	12.47	13.34	16.02	18.30	20.08	22.05
n. Schools (Non-boarding)	3.25	4.27	5.13	5.83	6.44	7.07
Per ADA with elementary school	0.21	0.20	0.24	0.27	0.30	0.33
Per ADA with other school	0.30	0.31	0.36	0.43	0.47	0.52
o. Schools (Boarding)	3.25	4.27	5.13	5.83	6.44	7.07
Per ADA with elementary school	0.38	0.43	0.51	0.59	0.65	0.71
Per ADA with other school	0.48	0.57	0.68	0.78	0.86	0.95
p. Trailer/Mobile Home Space	6.50	2.52	3.02	3.47	3.81	4.19
q. RV Dump Stations - Less than 50 services	21.00	25.22	30.15	35.20	38.75	42.69
r. Brine (per gallon)	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125

Monthly Single Family Residential Sewer Rate Survey

Based on Flat Rate or 7 hcf Winter Water Use



Rates Effective October 2015

Table 2
 South San Luis Obispo County Sanitation District
 Wastewater Rate Study
 Current Connection Fees

Category	Prior Fees	Fees Effective 01/28/07	Ratio to Single Family
Single Family Dwelling Unit	\$2,000	\$2,475	1.00
Apartment Complex (Bachelor, 1 or 2 bedrooms)	1,500	1,856	0.75
Apartment Complex (3 or more bedrooms)	2,000	2,475	1.00
Motel/Hotel (per room)	1,000	1,237	0.50
Hybrid Use	1,500	1,856	0.75
Condominium (per unit)	2,000	2,475	1.00
Mobile Home Park (per space)	2,000	2,475	1.00
Travel Trailer (per space)	1,000	1,237	0.50
5/8 inch meter	2,000	2,475	1.00
3/4 inch meter	2,800	3,712	1.50
1 inch meter	4,900	6,187	2.50
1 1/2 inch meter	11,000	13,612	5.50
2 inch meter	19,500	24,131	9.75
3 inch meter	44,000	54,450	22.00

Table 3
 South San Luis Obispo County Sanitation District
 Wastewater Rate Study
 Fund Reserve Balances (All Funds Combined)

	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15
Fund Balances (Cash in Reserves)	\$5,287,869	\$4,583,236	\$3,977,525	\$3,918,083	\$4,560,030	\$5,545,655

Source: SSLOCSD Balance Sheets as of July 1 each year.

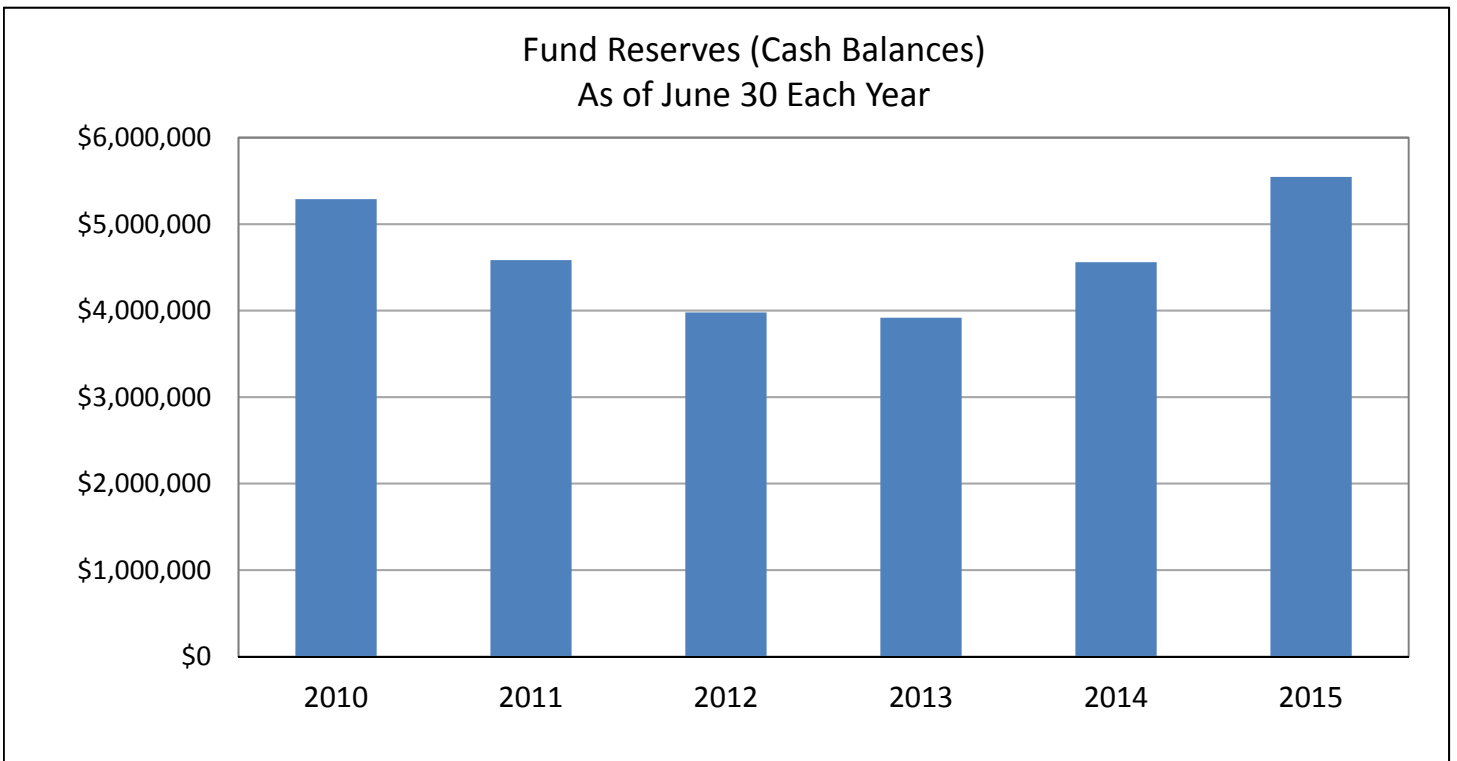


Table 4
South San Luis Obispo County Sanitation District
Wastewater Rate Study
Historical & Budgeted Revenues

	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Budget 2014/15	Budget 2015/16
SERVICE CHARGES & FEES					
Arroyo Grande	\$1,456,784	\$1,473,586	\$1,440,500	\$1,440,500	\$1,440,500
Grover Beach	1,064,832	1,048,549	1,050,000	1,050,000	1,050,000
OCSD	484,431	502,939	500,000	500,000	500,000
Schools	25,479	28,711	23,000	23,000	23,000
Subtotal	3,031,526	3,053,785	3,013,500	3,013,500	3,013,500
OTHER REVENUES					
Interest: Fund 19 Operating Fund	1,270	1,017	2,000	500	7,600
Pismo Beach Reimbursement	0	0	18,600	0	0
Brine Disposal Service	7,630	17,504	79,000	80,000	190,000
Lease (AT&T)	22,571	23,558	22,525	22,525	22,525
Other Reimbursements	300	3,365	0	0	0
FEMA Funding	73,504	35,777	0	0	0
WDR Reimbursments (MAs)	7,342	3,579	10,498	10,300	0
FOG Reimbursement	24,810	29,356	11,823	30,900	0
Other Sales					4,788
IRWM Funding					1,400
Subtotal	137,427	114,156	144,446	144,225	226,313
CONNECTION FEES					
Arroyo Grande	29,700	149,727	43,874	45,000	80,000
Grover Beach	9,900	2,475	28,349	30,000	30,000
OCSD	4,950	0	10,800	10,000	10,000
Subtotal	44,550	152,202	83,023	85,000	120,000
OTHER REVENUES					
Interest Earnings: Fund 20	10,333	6,994	5,325	5,200	5,200
Interest Earnings: Fund 26	3,799	2,571	0	0	0
SGIP Rebate: Fund 20	150,000	0	0	0	0
Subtotal	164,132	9,565	5,325	5,200	5,200
TOTAL REVENUES	3,377,635	3,329,708	3,246,294	3,247,925	3,365,013

Source: South San Luis Obispo County Sanitation District Budgets.

Note: Excludes interfund transfers.

Table 5
South San Luis Obispo County Sanitation District
Wastewater Rate Study
Historical & Budgeted Expenses

	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Budget 2014/15	Budget 2015/16
OPERATING EXPENSES					
Salaries & Wages	500,520	499,952	547,426	650,276	658,752
Benefits & Other Personnel Costs	360,461	557,039	393,377	509,728	575,300
Permits, Fees, & Licenses	40,841	30,932	35,991	45,100	42,700
Communications	10,682	8,038	10,257	10,700	12,300
Computer Support	9,699	11,788	11,000	11,330	5,000
Administrative Costs	863,277	954,477	553,992	692,600	624,800
Disposal Services	50,177	69,237	40,441	95,000	65,000
Utilities	140,833	183,332	194,830	196,300	193,300
Maintenance, Tools, & Replacements	248,775	281,132	213,363	241,400	281,000
Materials, Services, & Supplies	458,419	438,638	255,912	289,500	250,500
Training, Education, & Memberships	24,585	7,971	20,000	25,000	25,000
Other Charges	125,269	53,215	24,655	46,200	0
Capital Outlay	24,259	0	15,000	15,000	15,000
Subtotal	2,857,797	3,095,751	2,316,244	2,828,134	2,748,652
CAPITAL & DEBT SERVICE EXPENSES					
Fund 20: Expansion Fund Capital	140,008	0	76,707	150,000	255,000
Fund 20: Expansion Fund Debt Service	0	0	76,000	76,000	76,000
Fund 26: Replacement Fund Capital	409,429	443,171	70,150	621,879	500,000
Subtotal	549,437	443,171	222,857	847,879	831,000
TOTAL EXPENSES	3,407,234	3,538,922	2,539,101	3,676,013	3,579,652

Source: South San Luis Obispo County Sanitation District Budgets.

Note: Excludes interfund transfers.

Table 6
 South San Luis Obispo County Sanitation District
 Wastewater Rate Study
 Redundancy Project Cost Estimates

Project Cost Estimates		
Construction Cost		\$9,940,000
Deep Foundation Allowance		1,400,000
Floodproofing Allowance		500,000
Critical Pipe Repair/Replacement Allowance		<u>500,000</u>
Subtotal		12,340,000
Construction Cost Contingency	30%	<u>2,982,000</u>
Construction Cost with Contingency		15,322,000
Other Project Costs: <i>Estimated as a % of Base Construction Costs + Allowances</i>		
Design	12%	1,490,000
Permitting	1%	120,000
Engineering During Construction	3%	380,000
Construction Management	10%	1,234,000
Project Management/Administration	<u>4%</u>	<u>494,000</u>
Subtotal	30%	3,718,000
Total Project Costs		19,040,000
Annual O&M Cost Estimate		425,000

Based on Technical Memorandum from Michael Nunley dated September 11, 2015;
 SSLOCSD Work Plan for Redundancy Project.

Table 7
South San Luis Obispo County Sanitation District
Wastewater Rate Study
Capital Improvement Program

	Budget	Projected									10-Year
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
CAPITAL IMPROVEMENT COST ESTIMATES (CURRENT \$)											
Redundancy Project											
Design & Permitting	-	610,000	1,000,000	-	-	-	-	-	-	-	1,610,000
Construction (w/ allowances & contingency)	-	-	-	7,661,000	7,661,000	-	-	-	-	-	15,322,000
Project & Construction Management	-	-	-	1,054,000	1,054,000	-	-	-	-	-	2,108,000
Subtotal	-	610,000	1,000,000	8,715,000	8,715,000	-	-	-	-	-	19,040,000
Ongoing Capital Improvement Program											
Improvements & Repairs/Replacements	622,000	820,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	5,442,000
Expansion Fund Projects	150,000	255,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,005,000
Subtotal	772,000	1,075,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	7,447,000
CAPITAL IMPROVEMENT COST ESTIMATES (FUTURE \$)											
Projected Construction Cost Escalation											
Annual Cost Escalation			3%	3%	3%	3%	3%	3%	3%	3%	
Cost Escalator	1.000	1.000	1.030	1.061	1.093	1.126	1.159	1.194	1.230	1.267	
Redundancy Project											
Design & Permitting	-	610,000	1,030,000	-	-	-	-	-	-	-	1,640,000
Project Construction	-	-	-	8,128,000	8,371,000	-	-	-	-	-	16,499,000
Project/Construction Management	-	-	-	1,118,000	1,152,000	-	-	-	-	-	2,270,000
Subtotal	-	610,000	1,030,000	9,246,000	9,523,000	-	-	-	-	-	20,409,000
Ongoing Capital Improvement Program											
Repair/Rehab/Replacement Projects	622,000	820,000	515,000	530,000	546,000	563,000	580,000	597,000	615,000	633,000	6,021,000
Expansion Fund Projects	150,000	255,000	206,000	212,000	219,000	225,000	232,000	239,000	246,000	253,000	2,237,000
Subtotal	772,000	1,075,000	721,000	742,000	765,000	788,000	812,000	836,000	861,000	886,000	8,258,000

Table 8
 South San Luis Obispo County Sanitation District
 Wastewater Rate Study
 SRF Loan Debt Service Estimates

Per \$10 Million of Project Funding

	Future SRF Est. at 3.0%
Funding Target	\$10,000,000
SRF Loan Amount	
Eligible Project Costs ¹	10,000,000
Accrued Interest During Construction ²	<u>300,000</u>
Total Loan Amount	10,300,000
Loan Terms	
Term (years)	30
Interest Rate ³	3.00%
Annual Loan Payment⁴	525,000
Reserve Fund Requirement⁵	
Equal to Annual Debt Service	525,000

1 Some costs may not be eligible for SRF Loan funding & would require another funding source.

2 Assumes steady gradual drawdown of loan funds over two years.

3 Total net interest rate estimated for financial planning purposes; actual rate may vary.

4 First debt service payment due one year following completion of project.

5 Agencies must set aside funds to meet the SRF Reserve Requirement at least 90 days prior to project completion date.

Table 9
 South San Luis Obispo County Sanitation District
 Wastewater Rate Study
 Bond Debt Service Estimates

Per \$10 Million of Project Funding

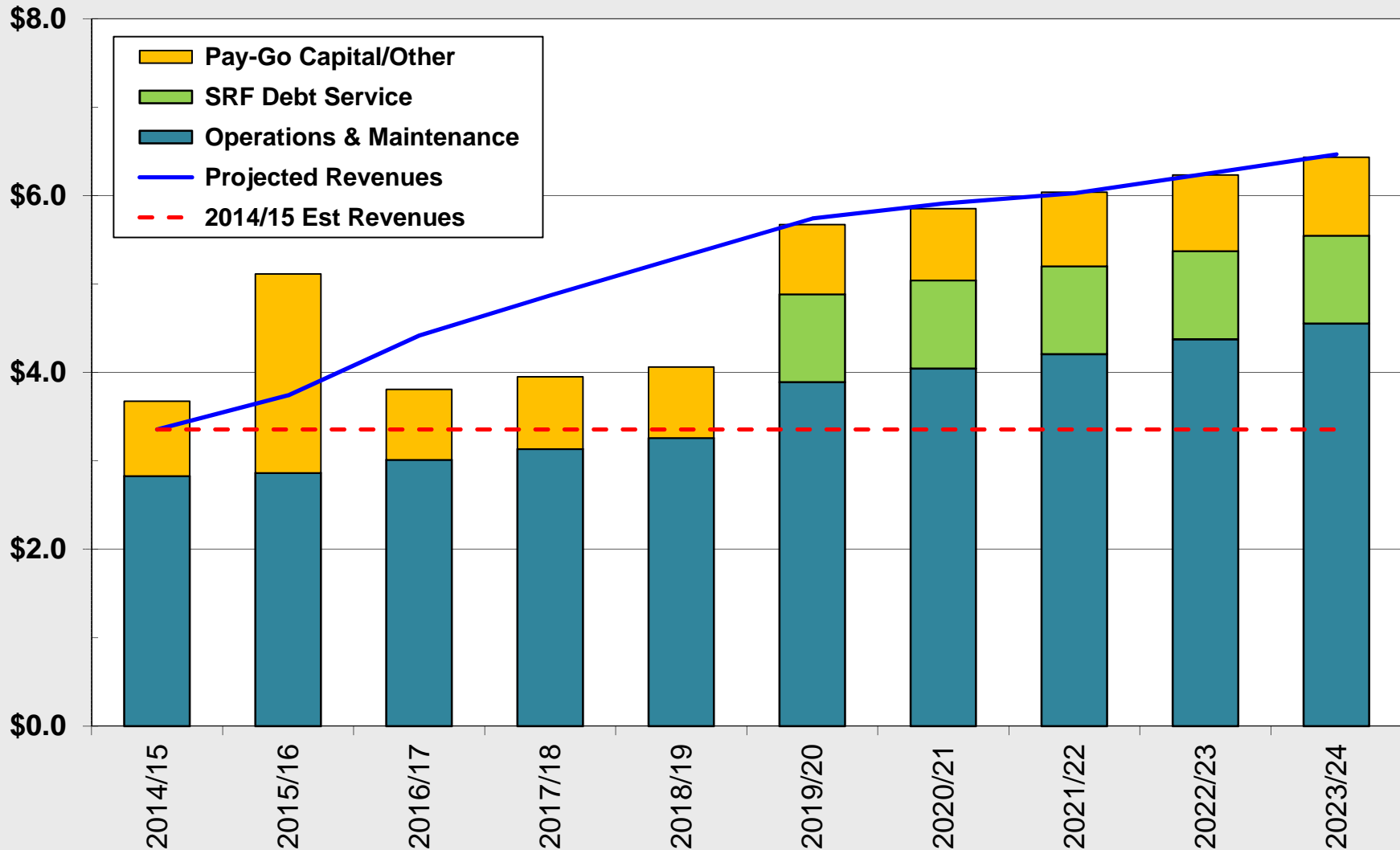
	Assumptions	25-Year Bonds	30-Year Bonds
Funding Target		\$10,000,000	\$10,000,000
Total Debt Issue		\$11,050,000	\$11,025,000
Proceeds		\$10,000,000	\$10,000,000
Issuance Costs & Reserve Requirement			
Underwriter Discount	1.00%	\$110,500	\$110,300
Issuance Costs		150,000	150,000
Debt Service Reserve Fund		784,000	758,600
Bond Insurance	none	0	0
Reserve Surety Bond <i>optional</i>	none	0	0
Contingency/Rounding		<u>5,500</u>	<u>6,100</u>
Total		1,050,000	1,025,000
Financing Terms			
Term (Years)		25	30
Est. Future Interest Rate		5.00%	5.50%
DEBT SERVICE			
Annual Debt Service		784,000	758,600
Less Interest on Reserve Fund	2.50%	<u>(19,600)</u>	<u>(19,000)</u>
Net Annual Debt Service		764,400	739,600

Table 10 - South San Luis Obispo CSD Wastewater Cash Flow Projections (SRF)					Years 1 - 5
	2014/15	2015/16	2016/17	2017/18	2018/19
Effective Date		Jan-1	July-1	July-1	July-1
Monthly Residential Sewer Charge	\$14.86	\$18.00	\$20.00	\$22.00	\$24.00
Monthly Increase		\$3.14	\$2.00	\$2.00	\$2.00
Residential Connection Fee (+3%)	\$2,475	\$2,549	\$2,625	\$2,704	\$2,785
Beginning ERUs	17,315	17,315	17,335	17,355	17,375
Growth (ERUs)	-	20	20	20	20
District Cost Escalation	-	4%	4%	4%	4%
SRF Debt Svc per \$1M	-	-	\$53,000	\$53,000	\$53,000
Bond Debt Svc per \$1M	-	-	\$76,000	\$76,000	\$76,000
Interest Earnings Rate	0.25%	0.30%	0.5%	1.0%	1.0%
Beginning Fund Reserves	\$5,546,000	\$5,227,000	\$3,243,000	\$4,324,000	\$5,246,000
REVENUES	<u>BWA est</u>				
Arroyo Grande (8,340 ERUs est.)	1,487,000	1,647,000	2,007,000	2,210,000	2,414,000
Grover Beach (6,200 ERUs)	1,106,000	1,224,000	1,492,000	1,643,000	1,794,000
Oceano CSD Services (2,775 ERUs)	495,000	548,000	668,000	736,000	803,000
School Services	25,000	28,000	34,000	37,000	40,000
Subtotal Service Charges	3,113,000	3,447,000	4,201,000	4,626,000	5,051,000
Connection Fees	85,000	51,000	53,000	54,000	56,000
Investment Earnings (All Funds)	14,000	16,000	16,000	43,000	52,000
Other Revenues	144,000	226,000	150,000	150,000	150,000
Total Revenues	3,356,000	3,740,000	4,420,000	4,873,000	5,309,000
Debt Proceeds: SRF Loan				9,246,000	9,523,000
SRF Reimbursement for Design/Permitting			1,500,000		
EXPENSES					
Operating & Maintenance		add a gm full time starting jan-1,2016			
Salaries & Wages	650,000	734,000	841,000	875,000	910,000
Benefits & Other Personnel Costs	510,000	615,000	676,000	703,000	731,000
Administrative Costs	693,000	625,000	570,000	593,000	617,000
Utilities	196,000	193,000	201,000	209,000	217,000
Maintenance, Tools & Replacements	241,000	281,000	292,000	304,000	316,000
Materials, Services & Supplies	290,000	251,000	261,000	271,000	282,000
Other Operating Expenses	248,000	165,000	172,000	179,000	186,000
New Redundancy Project Operations	-	-	-	-	-
Subtotal	2,828,000	2,864,000	3,013,000	3,134,000	3,259,000
Debt Service					
Projected Debt Service, SRF Loan	-	-	-	-	-
Capital & Other Non-Operating					
Redundancy Project:					
Design & Permitting	-	610,000	1,030,000	-	-
Construction & Management	-	-	-	9,246,000	9,523,000
Ongoing CIP/Repairs/Rehab/Repl	772,000	1,075,000	721,000	742,000	765,000
RWQCB Fine Repayment	-	1,100,000	-	-	-
2009 Equip Lease (Muni Finance Loan)	75,000	75,000	75,000	75,000	37,000
Subtotal	847,000	2,860,000	1,826,000	10,063,000	10,325,000
Total Expenses	3,675,000	5,724,000	4,839,000	13,197,000	13,584,000
Revenues Less Expenses	(319,000)	(1,984,000)	1,081,000	922,000	1,248,000
Transfer for SRF Reserve Requirement	-	-	-	-	(995,000)
Ending Fund Reserves	5,227,000	3,243,000	4,324,000	5,246,000	5,499,000
SRF Reserve Fund	-	-	-	0	995,000
Min Fund Rsrv Target: 50% O&M + \$1M	2,414,000	2,432,000	2,507,000	2,567,000	2,630,000
Debt Service Coverage	-	-	-	-	-

Table 10 - South San Luis Obispo CSD Wastewater Cash Flow Projections (SRF)					Years 6 - 10
	2019/20	2020/21	2021/22	2022/23	2023/24
Effective Date	July-1	July-1	July-1	July-1	July-1
Residential Sewer Charge	\$26.00	\$26.50	\$27.00	\$28.00	\$29.00
Monthly Increase	\$2.00	\$0.50	\$0.50	\$1.00	\$1.00
Residential Connection Fee (+3%)	\$2,869	\$2,955	\$3,044	\$3,135	\$3,229
Beginning ERUs	17,395	17,415	17,435	17,455	17,475
Growth (ERUs)	20	20	20	20	20
City Cost Escalation	4%	4%	4%	4%	4%
SRF Debt Svc per \$1M	\$53,000	\$53,000	\$53,000	\$53,000	\$53,000
Bond Debt Svc per \$1M	\$76,000	\$76,000	\$76,000	\$76,000	\$76,000
Interest Earnings Rate	1.0%	2.0%	2.0%	2.0%	2.0%
Beginning Fund Reserves	\$5,499,000	\$5,567,000	\$5,625,000	\$5,613,000	\$5,626,000
REVENUES					
Arroyo Grande Services	2,618,000	2,672,000	2,725,000	2,830,000	2,934,000
Grover Beach Services	1,946,000	1,985,000	2,025,000	2,102,000	2,180,000
OCSD Services	871,000	889,000	907,000	941,000	976,000
School Services	43,000	44,000	45,000	47,000	49,000
<i>Subtotal Service Charges & Fees</i>	<i>5,478,000</i>	<i>5,590,000</i>	<i>5,702,000</i>	<i>5,920,000</i>	<i>6,139,000</i>
Connection Fees	57,000	59,000	61,000	63,000	65,000
Investment Earnings	55,000	111,000	113,000	112,000	113,000
Other Revenues	150,000	150,000	150,000	150,000	150,000
Total Revenues	5,740,000	5,910,000	6,026,000	6,245,000	6,467,000
Debt Proceeds					
EXPENSES					
<u>Operating & Maintenance</u>					
Salaries & Wages	946,000	984,000	1,023,000	1,064,000	1,107,000
Benefits & Other Personnel Costs	760,000	790,000	822,000	855,000	889,000
Administrative Costs	642,000	668,000	695,000	723,000	752,000
Utilities	226,000	235,000	244,000	254,000	264,000
Maintenance, Tools & Replacements	329,000	342,000	356,000	370,000	385,000
Materials, Services & Supplies	293,000	305,000	317,000	330,000	343,000
Other Operating Expenses	193,000	201,000	209,000	217,000	226,000
New Redundancy Project Operations	500,000	520,000	541,000	563,000	586,000
Subtotal	3,889,000	4,045,000	4,207,000	4,376,000	4,552,000
<u>Debt Service</u>					
Projected Debt Service, SRF Loan	995,000	995,000	995,000	995,000	995,000
<u>Capital & Other Non-Operating</u>					
Redundancy Project:					
Design & Preliminary Costs	-	-	-	-	-
Construction & Const Mgmt	-	-	-	-	-
Ongoing CIP/Repairs/Rehab/Repl	788,000	812,000	836,000	861,000	886,000
RWQCB Fine Repayment	-	-	-	-	-
2009 Equip Lease (Muni Finance Loan)	-	-	-	-	-
Subtotal	788,000	812,000	836,000	861,000	886,000
Total Expenses	5,672,000	5,852,000	6,038,000	6,232,000	6,433,000
Revenues Less Expenses	68,000	58,000	(12,000)	13,000	34,000
Transfer for SRF Reserve Requirement	-	-	-	-	-
Ending Fund Reserves	5,567,000	5,625,000	5,613,000	5,626,000	5,660,000
SRF Reserve Fund	995,000	995,000	995,000	995,000	995,000
Min Fund Rsrv Target: 50% O&M + \$1M	2,945,000	3,023,000	3,104,000	3,188,000	3,276,000
Debt Service Coverage	1.86	1.87	1.83	1.88	1.92

South San Luis Obispo County Sanitation District

10-Year Revenue & Expense Projections with SRF Loans (\$ Millions)



Excludes capital improvements funded by debt, but includes the associated debt service.

Excludes interfund transfers that are not expenditures.

South San Luis Obispo County Sanitation District Historical & Projected Monthly Residential Sewer Rates

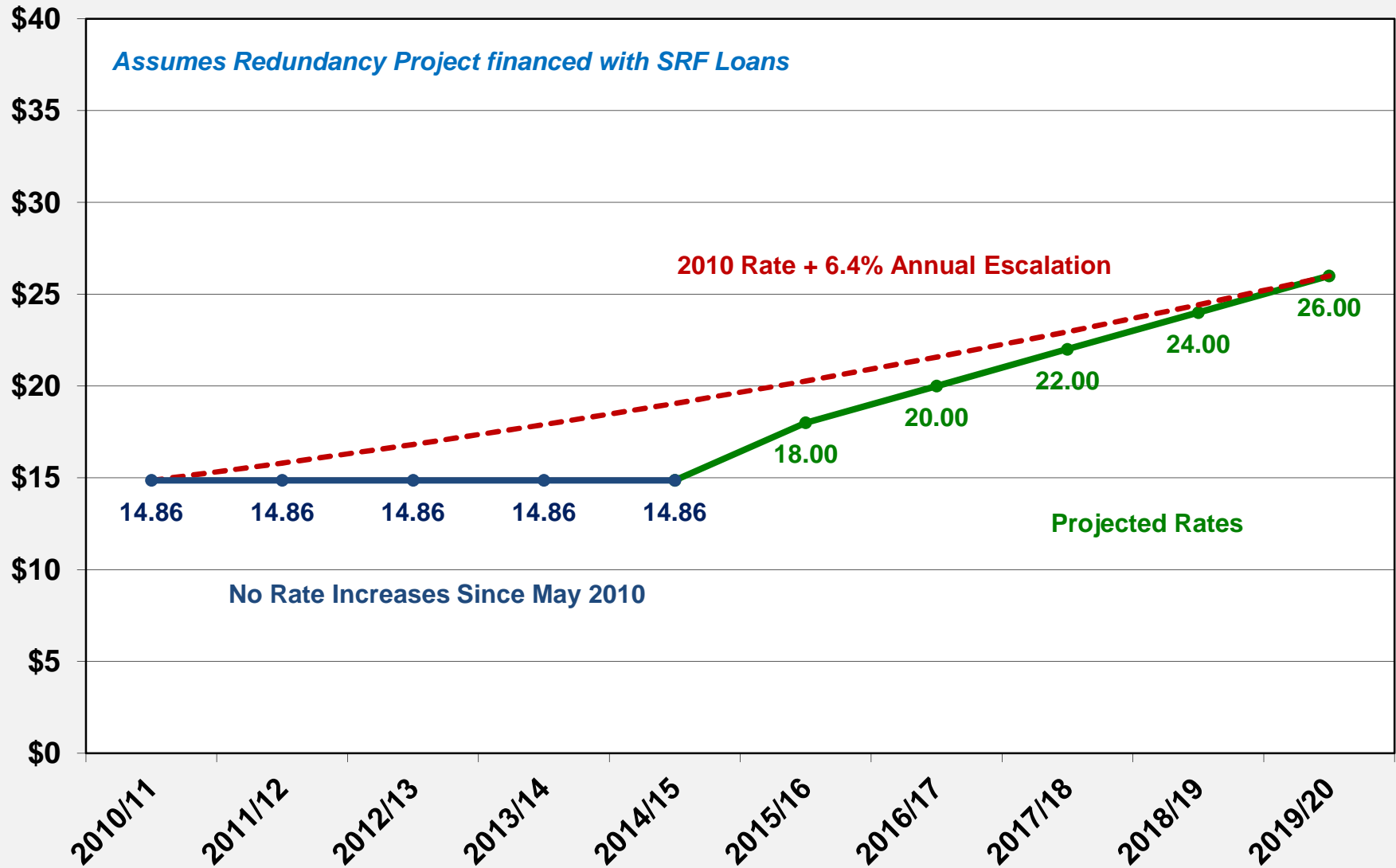


Table 11
South San Luis Obispo County Sanitation District
Wastewater Rate Study
Projected Rates with Across-the-Board Increases

Assumes no rate structure modifications
With SRF Financing

	Current Rates	Projected Rates with Across-the-Board Increases				
		2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a. Residences & Apartments	\$14.86	\$18.00	\$20.00	\$22.00	\$24.00	\$26.00
b. Hotel Units with Kitchens	15.71	19.03	21.14	23.25	25.36	27.47
c. Hotel Units without Kitchens	10.02	12.14	13.49	14.84	16.19	17.54
d. Hotel Room	10.36	12.55	13.94	15.33	16.72	18.11
e. Commercial Establishments	7.65	9.27	10.30	11.33	12.36	13.39
Each additional employee above 5	1.53	1.85	2.06	2.27	2.48	2.69
f. Beauty Shops	13.97	16.92	18.80	20.68	22.56	24.44
Each additional operator above 5	2.33	2.82	3.13	3.44	3.75	4.06
g. Eating Establishments w/o Grinders	15.16	18.36	20.40	22.44	24.48	26.52
Each additional 5 seats above 30	2.53	3.06	3.40	3.74	4.08	4.42
h. Restaurants (w/Grinders) <30 seats	31.07	37.64	41.82	46.00	50.18	54.36
Restaurants (w/Grinders) over 30 seats	39.84	48.26	53.62	58.98	64.34	69.70
i. Laundromats - per washing maching	9.71	11.76	13.07	14.38	15.69	17.00
Minimum Charge	29.14	35.30	39.22	43.14	47.06	50.98
j. Service Stations - no wash/rack	37.41	45.31	50.34	55.37	60.40	65.43
Service Stations - with wash/rack	54.40	65.90	73.22	80.54	87.86	95.18
k. Factories	22.05	26.71	29.68	32.65	35.62	38.59
Each additional employee above 20	1.10	1.33	1.48	1.63	1.78	1.93
l. Churches	12.56	15.21	16.90	18.59	20.28	21.97
Per ADA with elementary school	0.34	0.41	0.46	0.51	0.56	0.61
Per ADA with other school	0.51	0.62	0.69	0.76	0.83	0.90
m. Bottling Plants	22.05	26.71	29.68	32.65	35.62	38.59
n. Schools (Non-boarding)	7.07	8.56	9.51	10.46	11.41	12.36
Per ADA with elementary school	0.33	0.40	0.44	0.48	0.52	0.56
Per ADA with other school	0.52	0.63	0.70	0.77	0.84	0.91
o. Schools (Boarding)	7.07	8.56	9.51	10.46	11.41	12.36
Per ADA with elementary school	0.71	0.86	0.96	1.06	1.16	1.26
Per ADA with other school	0.95	1.15	1.28	1.41	1.54	1.67
p. Trailer/Mobile Home Space	4.19	5.08	5.64	6.20	6.76	7.32
q. RV Dump Stations - Less than 50 svcs	42.69	51.71	57.46	63.21	68.96	74.71

Table 10B - South San Luis Obispo CSD Wastewater Cash Flow Projections (Bonds)					Years 1 - 5
	2014/15	2015/16	2016/17	2017/18	2018/19
Effective Date		Jan-1	July-1	July-1	July-1
Monthly Residential Sewer Charge	\$14.86	\$18.00	\$20.00	\$22.00	\$25.50
Monthly Increase		\$3.14	\$2.00	\$2.00	\$3.50
Residential Connection Fee (+3%)	\$2,475	\$2,549	\$2,625	\$2,704	\$2,785
Beginning ERUs	17,315	17,315	17,335	17,355	17,375
Growth (ERUs)	-	20	20	20	20
District Cost Escalation	-	4%	4%	4%	4%
SRF Debt Svc per \$1M	-	-	\$53,000	\$53,000	\$53,000
Bond Debt Svc per \$1M	-	-	\$76,000	\$76,000	\$76,000
Interest Earnings Rate	0.25%	0.30%	0.5%	1.0%	1.0%
Beginning Fund Reserves	\$5,546,000	\$5,227,000	\$3,243,000	\$2,824,000	\$4,211,000
REVENUES	<u>BWA est</u>				
Arroyo Grande (8,340 ERUs est.)	1,487,000	1,647,000	2,007,000	2,210,000	2,565,000
Grover Beach (6,200 ERUs)	1,106,000	1,224,000	1,492,000	1,643,000	1,906,000
Oceano CSD Services (2,775 ERUs)	495,000	548,000	668,000	736,000	853,000
School Services	25,000	28,000	34,000	37,000	43,000
Subtotal Service Charges	3,113,000	3,447,000	4,201,000	4,626,000	5,367,000
Connection Fees	85,000	51,000	53,000	54,000	56,000
Investment Earnings (All Funds)	14,000	16,000	16,000	28,000	42,000
Other Revenues	144,000	226,000	150,000	150,000	150,000
Total Revenues	3,356,000	3,740,000	4,420,000	4,858,000	5,615,000
Bond Proceeds				10,846,000	9,523,000
				Issuance Year	
EXPENSES					
Operating & Maintenance					
Salaries & Wages	650,000	734,000	841,000	875,000	910,000
Benefits & Other Personnel Costs	510,000	615,000	676,000	703,000	731,000
Administrative Costs	693,000	625,000	570,000	593,000	617,000
Utilities	196,000	193,000	201,000	209,000	217,000
Maintenance, Tools & Replacements	241,000	281,000	292,000	304,000	316,000
Materials, Services & Supplies	290,000	251,000	261,000	271,000	282,000
Other Operating Expenses	248,000	165,000	172,000	179,000	186,000
New Redundancy Project Operations	-	-	-	-	-
Subtotal	2,828,000	2,864,000	3,013,000	3,134,000	3,259,000
Debt Service					
Projected Debt Service, Bonds	-	-	-	1,120,000	1,548,000
				Interest Only 1st Year	
Capital & Other Non-Operating					
Redundancy Project:					
Design & Permitting	-	610,000	1,030,000	-	-
Construction & Management	-	-	-	9,246,000	9,523,000
Ongoing CIP/Repairs/Rehab/Repl	772,000	1,075,000	721,000	742,000	765,000
RWQCB Fine Repayment	-	1,100,000	-	-	-
2009 Equip Lease (Muni Finance Loan)	75,000	75,000	75,000	75,000	37,000
Subtotal	847,000	2,860,000	1,826,000	10,063,000	10,325,000
Total Expenses	3,675,000	5,724,000	4,839,000	14,317,000	15,132,000
Revenues Less Expenses	(319,000)	(1,984,000)	(419,000)	1,387,000	6,000
Ending Fund Reserves	5,227,000	3,243,000	2,824,000	4,211,000	4,217,000
Min Fund Rsrv Target: 50% O&M + \$1M	2,414,000	2,432,000	2,507,000	2,567,000	2,630,000
Debt Service Coverage	-	-	-	1.54	1.52

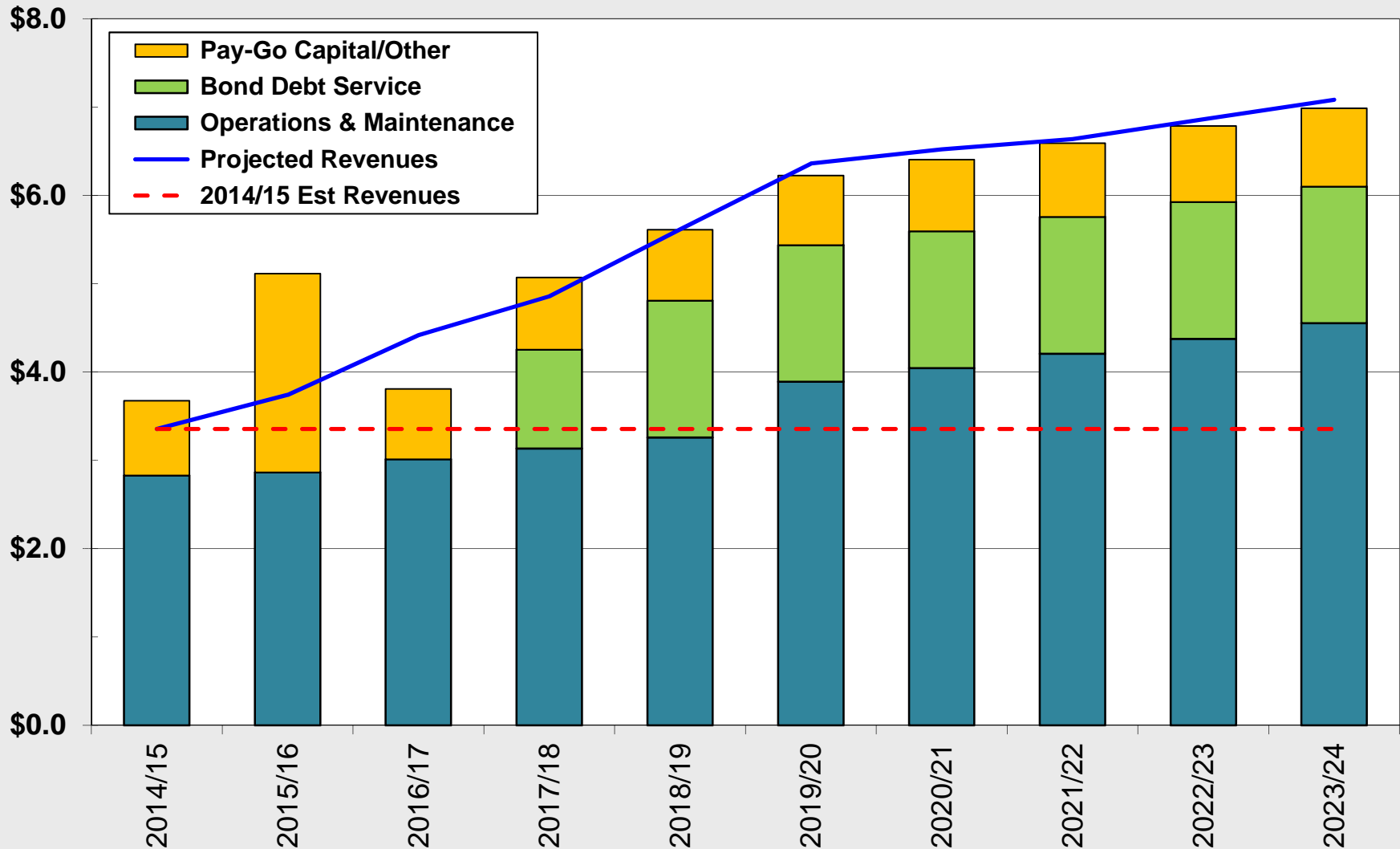
Table 10B - South San Luis Obispo CSD Wastewater Cash Flow Projections (Bonds)

Years 6 - 10

	2019/20	2020/21	2021/22	2022/23	2023/24
Effective Date	July-1	July-1	July-1	July-1	July-1
Residential Sewer Charge	\$29.00	\$29.50	\$30.00	\$31.00	\$32.00
Monthly Increase	\$3.50	\$0.50	\$0.50	\$1.00	\$1.00
Residential Connection Fee (+3%)	\$2,869	\$2,955	\$3,044	\$3,135	\$3,229
Beginning ERUs	17,395	17,415	17,435	17,455	17,475
Growth (ERUs)	20	20	20	20	20
City Cost Escalation	4%	4%	4%	4%	4%
SRF Debt Svc per \$1M	\$53,000	\$53,000	\$53,000	\$53,000	\$53,000
Bond Debt Svc per \$1M	\$76,000	\$76,000	\$76,000	\$76,000	\$76,000
Interest Earnings Rate	1.0%	2.0%	2.0%	2.0%	2.0%
Beginning Fund Reserves	\$4,217,000	\$4,352,000	\$4,466,000	\$4,511,000	\$4,585,000
REVENUES					
Arroyo Grande Services	2,920,000	2,974,000	3,028,000	3,133,000	3,238,000
Grover Beach Services	2,170,000	2,210,000	2,250,000	2,328,000	2,405,000
OCSO Services	972,000	989,000	1,007,000	1,042,000	1,077,000
School Services	49,000	50,000	51,000	53,000	55,000
Subtotal Service Charges & Fees	6,111,000	6,223,000	6,336,000	6,556,000	6,775,000
Connection Fees	57,000	59,000	61,000	63,000	65,000
Investment Earnings	42,000	87,000	89,000	90,000	92,000
Other Revenues	150,000	150,000	150,000	150,000	150,000
Total Revenues	6,360,000	6,519,000	6,636,000	6,859,000	7,082,000
Debt Proceeds					
EXPENSES					
<u>Operating & Maintenance</u>					
Salaries & Wages	946,000	984,000	1,023,000	1,064,000	1,107,000
Benefits & Other Personnel Costs	760,000	790,000	822,000	855,000	889,000
Administrative Costs	642,000	668,000	695,000	723,000	752,000
Utilities	226,000	235,000	244,000	254,000	264,000
Maintenance, Tools & Replacements	329,000	342,000	356,000	370,000	385,000
Materials, Services & Supplies	293,000	305,000	317,000	330,000	343,000
Other Operating Expenses	193,000	201,000	209,000	217,000	226,000
New Redundancy Project Operations	500,000	520,000	541,000	563,000	586,000
Subtotal	3,889,000	4,045,000	4,207,000	4,376,000	4,552,000
<u>Debt Service</u>					
Projected Debt Service, Bonds	1,548,000	1,548,000	1,548,000	1,548,000	1,548,000
<u>Capital & Other Non-Operating</u>					
Redundancy Project:					
Design & Preliminary Costs	-	-	-	-	-
Construction & Const Mgmt	-	-	-	-	-
Ongoing CIP/Repairs/Rehab/Repl	788,000	812,000	836,000	861,000	886,000
RWQCB Fine Repayment	-	-	-	-	-
2009 Equip Lease (Muni Finance Loan)	-	-	-	-	-
Subtotal	788,000	812,000	836,000	861,000	886,000
Total Expenses	6,225,000	6,405,000	6,591,000	6,785,000	6,986,000
Revenues Less Expenses	135,000	114,000	45,000	74,000	96,000
Ending Fund Reserves	4,352,000	4,466,000	4,511,000	4,585,000	4,681,000
Min Fund Rsrv Target: 50% O&M + \$1M	2,945,000	3,023,000	3,104,000	3,188,000	3,276,000
Debt Service Coverage	1.60	1.60	1.57	1.60	1.63

South San Luis Obispo County Sanitation District

10-Year Revenue & Expense Projections with Bonds (\$ Millions)



Excludes capital improvements funded by debt, but includes the associated debt service.

Excludes interfund transfers that are not expenditures.

South San Luis Obispo County Sanitation District Historical & Projected Monthly Residential Sewer Rates

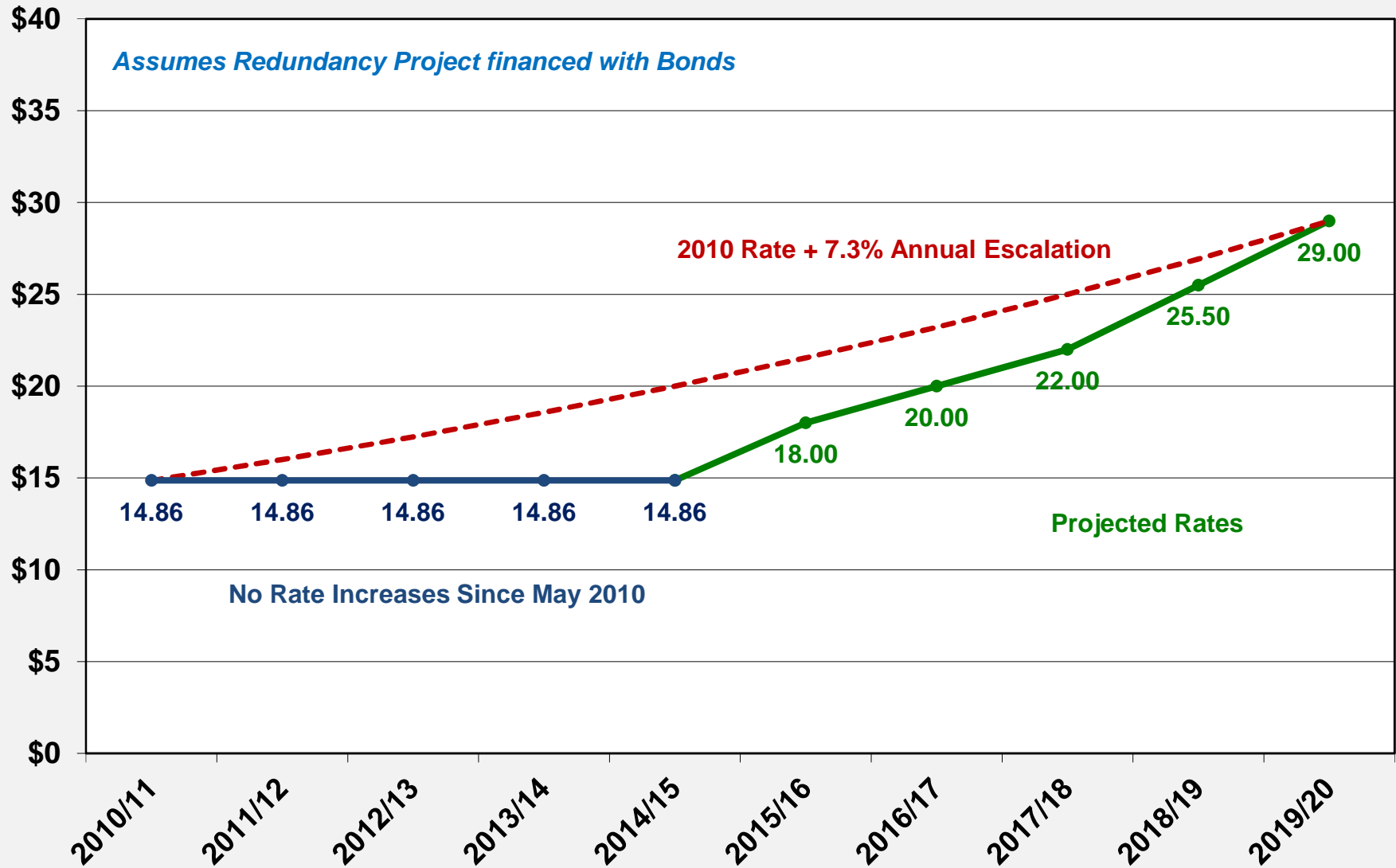


Table 11B
South San Luis Obispo County Sanitation District
Wastewater Rate Study
Projected Rates with Across-the-Board Increases

Assumes no rate structure modifications
With Bond Financing

		Projected Rates with Across-the-Board Increases					
		Current Rates	2015/16	2016/17	2017/18	2018/19	2019/20
			Jan-1	July-1	July-1	July-1	July-1
a.	Residences & Apartments	\$14.86	\$18.00	\$20.00	\$22.00	\$25.50	\$29.00
b.	Hotel Units with Kitchens	15.71	19.03	21.14	23.25	26.95	26.44
c.	Hotel Units without Kitchens	10.02	12.14	13.49	14.84	17.20	16.88
d.	Hotel Room	10.36	12.55	13.94	15.33	17.77	17.43
e.	Commercial Establishments	7.65	9.27	10.30	11.33	13.13	12.89
	Each additional employee above 5	1.53	1.85	2.06	2.27	2.63	2.58
f.	Beauty Shops	13.97	16.92	18.80	20.68	23.97	23.52
	Each additional operator above 5	2.33	2.82	3.13	3.44	3.99	3.91
g.	Eating Establishments w/o Grinders	15.16	18.36	20.40	22.44	26.01	25.52
	Each additional 5 seats above 30	2.53	3.06	3.40	3.74	4.34	4.25
h.	Restaurants (w/Grinders) <30 seats	31.07	37.64	41.82	46.00	53.32	52.31
	Restaurants (w/Grinders) over 30 seats	39.84	48.26	53.62	58.98	68.36	67.08
i.	Laundromats - per washing maching	9.71	11.76	13.07	14.38	16.67	16.35
	Minimum Charge	29.14	35.30	39.22	43.14	50.00	49.06
j.	Service Stations - no wash/rack	37.41	45.31	50.34	55.37	64.18	62.97
	Service Stations - with wash/rack	54.40	65.90	73.22	80.54	93.35	91.59
k.	Factories	22.05	26.71	29.68	32.65	37.84	37.13
	Each additional employee above 20	1.10	1.33	1.48	1.63	1.89	1.85
l.	Churches	12.56	15.21	16.90	18.59	21.55	21.14
	Per ADA with elementary school	0.34	0.41	0.46	0.51	0.59	0.58
	Per ADA with other school	0.51	0.62	0.69	0.76	0.88	0.86
m.	Bottling Plants	22.05	26.71	29.68	32.65	37.84	37.13
n.	Schools (Non-boarding)	7.07	8.56	9.51	10.46	12.12	11.90
	Per ADA with elementary school	0.33	0.40	0.44	0.48	0.56	0.55
	Per ADA with other school	0.52	0.63	0.70	0.77	0.89	0.88
o.	Schools (Boarding)	7.07	8.56	9.51	10.46	12.12	11.90
	Per ADA with elementary school	0.71	0.86	0.96	1.06	1.23	1.21
	Per ADA with other school	0.95	1.15	1.28	1.41	1.63	1.60
p.	Trailer/Mobile Home Space	4.19	5.08	5.64	6.20	7.19	7.05
q.	RV Dump Stations - Less than 50 svcs	42.69	51.71	57.46	63.21	73.27	71.89

Table 12
South San Luis Obispo County Sanitation District
Wastewater Rate Study
Total Member Agency Billing Units & ERUs

SSLOCS Customer Class	Current Monthly Rate	Monthly Billing Units				Estimated Gross Revenues				Estimated ERUs			
		Oceano CSD	Grover Beach	Arroyo Grande	Total	Oceano CSD	Grover Beach	Arroyo Grande	Total	Oceano CSD	Grover Beach	Arroyo Grande	Total
a. Residences & Apartments	\$14.86	2,373.8	5,631.0	7,090.0	15,094.8	423,287	1,004,126	1,264,289	2,691,702	2,373.8	5,631.0	7,090.00	15,094.8
b. Hotel Units with Kitchens	15.71	56.0	-	-	56.0	10,557	-	-	10,557	59.2	-	-	59.2
c. Hotel Units without Kitchens	10.02	19.0	128.0	418.0	565.0	2,285	15,391	50,260	67,936	12.8	86.3	281.85	381.0
d. Hotel Room	10.36	-	-	-	-	-	-	-	-	-	-	-	-
e. Commercial Establishments	7.65	66.8	368.1	745.0	1,179.9	6,132	33,791	68,391	108,314	34.4	189.5	383.53	607.4
Each additional employee above 5	1.53	-	512.8	2,599.0	3,111.8	-	9,415	47,718	57,133	-	52.8	267.60	320.4
f. Beauty Shops	13.97	-	18.5	10.0	28.5	-	3,099	1,676	4,775	-	17.4	9.40	26.8
Each additional operator above 5	2.33	-	5.0	-	5.0	-	140	-	140	-	0.8	-	0.8
g. Eating Establishments w/o Grinders	15.16	19.7	33.0	25.0	77.7	3,581	6,003	4,548	14,132	20.1	33.7	25.50	79.3
Each additional 5 seats above 30	2.53	-	24.0	168.0	192.0	-	729	5,100	5,829	-	4.1	28.60	32.7
h. Restaurants (w/Grinders) <30 seats	31.07	2.6	1.0	-	3.6	956	373	-	1,329	5.4	2.1	-	7.5
Restaurants (w/Grinders) over 30 seats	39.84	-	3.0	4.0	7.0	-	1,434	1,912	3,347	-	8.0	10.72	18.8
i. Laundromats - per washing machine	9.71	29.0	116.0	34.0	179.0	3,379	13,516	3,962	20,857	19.0	75.8	22.22	117.0
Minimum Charge	29.14	-	-	-	-	-	-	-	-	-	-	-	-
j. Service Stations - no wash/rack	37.41	-	-	8.0	8.0	-	-	3,591	3,591	-	-	20.14	20.1
Service Stations - with wash/rack	54.40	0.7	2.9	3.0	6.6	449	1,899	1,958	4,306	2.5	10.6	10.98	24.1
k. Factories	22.05	10.0	23.0	-	33.0	2,645	6,092	-	8,737	14.8	34.2	-	49.0
Each additional employee above 20	1.10	-	5.5	-	5.5	-	73	-	73	-	0.4	-	0.4
l. Churches	12.56	6.0	9.0	16.0	31.0	910	1,356	2,412	4,678	5.1	7.6	13.52	26.2
Per ADA with elementary school	0.34	-	-	-	-	-	-	-	-	-	-	-	-
Per ADA with other school	0.51	-	-	-	-	-	-	-	-	-	-	-	-
m. Bottling Plants	22.05	-	-	-	-	-	-	-	-	-	-	-	-
n. Schools (Non-boarding)	7.07	-	-	13.0	-	-	-	1,103	1,103	-	-	6.19	6.2
Per ADA with elementary school	0.33	-	-	84.0	-	-	-	333	333	-	-	1.87	1.9
Per ADA with other school	0.52	-	-	-	-	-	-	-	-	-	-	-	-
o. Schools (Boarding)	7.07	-	-	-	-	-	-	-	-	-	-	-	-
Per ADA with elementary school	0.71	-	-	-	-	-	-	-	-	-	-	-	-
Per ADA with other school	0.95	-	-	-	-	-	-	-	-	-	-	-	-
p. Trailer/Mobile Home Space	4.19	808.3	158.7	628.0	1,595.0	40,639	7,982	31,576	80,196	227.9	44.8	177.07	449.7
q. RV Dump Stations - Less than 50 svcs	42.69	-	2.0	-	2.0	-	85	-	85	-	5.7	-	5.7
Total						494,820	1,105,503	1,488,829	3,089,153	2,774.9	6,204.8	8,349.2	17,328.9

Table 13
South San Luis Obispo County Sanitation District
Customer Categories & ERU/Rate Assignments

Cost Recovery Allocation		
Flow	BOD	SS
60%	20%	20%

	CURRENT		REVISED							IMPACTS	
	Sewer Rates	ERUs	Wastewater Flow		Wastewater Strength			Proposed ERUs	Revised Rates	% Rate Change	\$ Rate Change
			Flow (gpd)	Flow Factor	BOD mg/l	SS mg/l	Strength Factor	Flow Factor x Strength Factor	Revenue-Neutral Modifications		
a. Residences & Apartments	\$14.86	1.00	200	1.00	200	200	1.0	1.00	\$14.56	-2%	(\$0.30)
b. Hotel Units with Kitchens	15.71	1.06	175	0.88	200	200	1.0	0.88	12.74	-19%	(2.97)
c. Motel Units without Kitchens	10.02	0.67	125	0.63	150	150	0.9	0.56	8.19	-18%	(1.83)
d. Hotel Room	10.36	0.70	125	0.63	150	150	0.9	0.56	8.19	-21%	(2.17)
e. Commercial Establishments	7.65	0.51	100	0.50	150	150	0.9	0.45	6.55	-14%	(1.10)
Each additional employee above 5	1.53	0.10	20	0.10	150	150	0.9	0.09	1.31	-14%	(0.22)
f. Beauty Shops	13.97	0.94	200	1.00	150	150	0.9	0.90	13.10	-6%	(0.87)
Each additional operator above 5	2.33	0.16	30	0.15	150	150	0.9	0.14	1.97	-15%	(0.36)
g. Eating Establishments w/o Grinders	15.16	1.02	200	1.00	400	400	1.4	1.40	20.38	34%	5.22
Each additional 5 seats above 30	2.53	0.17	30	0.15	400	400	1.4	0.21	3.06	21%	0.53
h. Restaurants (w/Grinders) less than 30 seats	31.07	2.09	250	1.25	700	500	1.8	2.25	32.76	5%	1.69
Restaurants (w/Grinders) over 30 seats	39.84	2.68	350	1.75	700	500	1.8	3.15	45.86	15%	6.02
i. Laundromats - per washing machine	9.71	0.65	150	0.75	150	110	0.9	0.65	9.39	-3%	(0.32)
Minimum Charge	29.14	1.96	450	2.25	150	110	0.9	1.94	28.17	-3%	(0.97)
j. Service Stations - no wash/rack	37.41	2.52	500	2.50	180	280	1.1	2.65	38.58	3%	1.17
Service Stations - with wash/rack	54.40	3.66	800	4.00	150	200	1.0	3.80	55.33	2%	0.93
k. Factories	22.05	1.48	300	1.50	200	200	1.0	1.50	21.84	-1%	(0.21)
Each additional employee above 20	1.10	0.07	15	0.08	200	200	1.0	0.08	1.09	-1%	(0.01)
l. Churches	12.56	0.85	200	1.00	130	100	0.8	0.83	12.08	-4%	(0.48)
Per ADA with elementary school	0.34	0.02	6	0.03	130	100	0.8	0.02	0.36	6%	0.02
Per ADA with other school	0.51	0.03	9	0.05	130	100	0.8	0.04	0.54	6%	0.03
m. Bottling Plants	22.05	1.48	400	2.00	150	150	0.9	1.80	26.21	19%	4.16
n. Schools (Non-boarding)	7.07	0.48	120	0.60	130	100	0.8	0.50	7.25	3%	0.18
Per ADA with elementary school	0.33	0.02	6	0.03	130	100	0.8	0.02	0.36	9%	0.03
Per ADA with other school	0.52	0.03	9	0.05	130	100	0.8	0.04	0.54	4%	0.02
o. Schools (Boarding)	7.07	0.48	100	0.50	200	200	1.0	0.50	7.28	3%	0.21
Per ADA with elementary school	0.71	0.05	10	0.05	200	200	1.0	0.05	0.73	3%	0.02
Per ADA with other school	0.95	0.06	14	0.07	200	200	1.0	0.07	1.02	7%	0.07
p. Trailer/Mobile Home Space	4.19	0.28	120	0.60	200	200	1.0	0.60	8.74	109%	4.55
q. RV Dump Stations - Less than 50 services	42.69	2.87	100	0.50	2,700	6,000	9.3	4.65	67.70	59%	25.01

Table 14

South San Luis Obispo County Sanitation District

Rates & Revenue-Neutral Impacts with Updated Flow & Strength Assignments

Sewer Customer Class	Billing Units	Current ERUs	Current Rates	Current ERU Factor	Revised ERU Factor	Revised ERUs	Rates with Revised ERUs	Revenue Neutral Impact	
								\$ Change	% Change
a. Residences & Apartments	15,094.8	15,094.8	\$14.86	1.00	1.00	15,094.8	\$14.56	(\$0.30)	-2.0%
b. Hotel Units with Kitchens	56.0	59.2	15.71	1.06	0.88	49.0	12.74	(2.97)	-18.9%
c. Motel Units without Kitchens	565.0	381.0	10.02	0.67	0.56	317.8	8.19	(1.83)	-18.3%
d. Hotel Room	-	-	10.36	0.70	0.56	-	8.19	(2.17)	-20.9%
e. Commercial Establishments	1,179.9	607.4	7.65	0.51	0.45	531.0	6.55	(1.10)	-14.4%
Each additional employee above 5	3,111.8	320.4	1.53	0.10	0.09	280.1	1.31	(0.22)	-14.4%
f. Beauty Shops	28.5	26.8	13.97	0.94	0.90	25.6	13.10	(0.87)	-6.2%
Each additional operator above 5	5.0	0.8	2.33	0.16	0.14	0.7	1.97	(0.36)	-15.5%
g. Eating Establishments w/o Grinders	77.7	79.3	15.16	1.02	1.40	108.8	20.38	5.22	34.4%
Each additional 5 seats above 30	192.0	32.7	2.53	0.17	0.21	40.3	3.06	0.53	20.9%
h. Restaurants (w/Grinders) less than 30 seats	3.6	7.5	31.07	2.09	2.25	8.0	32.76	1.69	5.4%
Restaurants (w/Grinders) over 30 seats	7.0	18.8	39.84	2.68	3.15	22.1	45.86	6.02	15.1%
i. Laundromats - per washing machine	179.0	117.0	9.71	0.65	0.65	115.5	9.39	(0.32)	-3.3%
Minimum Charge	-	-	29.14	1.96	1.94	-	28.17	(0.97)	-3.3%
j. Service Stations - no wash/rack	8.0	20.1	37.41	2.52	2.65	21.2	38.58	1.17	3.1%
Service Stations - with wash/rack	6.6	24.1	54.40	3.66	3.80	25.1	55.33	0.93	1.7%
k. Factories	33.0	49.0	22.05	1.48	1.50	49.5	21.84	(0.21)	-1.0%
Each additional employee above 20	5.5	0.4	1.10	0.07	0.08	0.4	1.09	(0.01)	-0.9%
l. Churches	31.0	26.2	12.56	0.85	0.83	25.8	12.08	(0.48)	-3.8%
Per ADA with elementary school	-	-	0.34	0.02	0.02	-	0.36	0.02	5.9%
Per ADA with other school	-	-	0.51	0.03	0.04	-	0.54	0.03	5.9%
m. Bottling Plants	-	-	22.05	1.48	1.80	-	26.21	4.16	18.9%
n. Schools (Non-boarding)	-	6.2	7.07	0.48	0.50	-	7.25	0.18	2.5%
Per ADA with elementary school	-	1.9	0.33	0.02	0.02	-	0.36	0.03	9.1%
Per ADA with other school	-	-	0.52	0.03	0.04	-	0.54	0.02	3.8%
o. Schools (Boarding)	-	-	7.07	0.48	0.50	-	7.28	0.21	3.0%
Per ADA with elementary school	-	-	0.71	0.05	0.05	-	0.73	0.02	2.8%
Per ADA with other school	-	-	0.95	0.06	0.07	-	1.02	0.07	7.4%
p. Trailer/Mobile Home Space	1,595.0	449.7	4.19	0.28	0.60	957.0	8.74	4.55	108.6%
q. RV Dump Stations - Less than 50 services	2.0	5.7	42.69	2.87	4.65	9.3	67.70	25.01	58.6%
Total		17,328.9				17,681.8			
Rate per ERU		\$14.86				\$14.56			
Est. Annual Revenues		\$3,090,092				\$3,089,362		(730)	-0.02%

Table 15

South San Luis Obispo County Sanitation District
Wastewater Rate Study
Projected Rates with Rate Structure Modifications

With Rate Structure Modifications
With SRF Financing

	Current	Revised Rates	Projected Rates with Rate Structure Modifications				
		Rev-Neutral	2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a. Residences & Apartments	\$14.86	14.56	\$17.64	\$19.60	\$21.56	\$23.52	\$25.48
b. Hotel Units with Kitchens	15.71	12.74	15.43	17.14	18.85	20.56	22.27
c. Hotel Units without Kitchens	10.02	8.19	9.92	11.02	12.12	13.22	14.32
d. Hotel Room	10.36	8.19	9.92	11.02	12.12	13.22	14.32
e. Commercial Establishments	7.65	6.55	7.93	8.81	9.69	10.57	11.45
Each additional employee above 5	1.53	1.31	1.59	1.77	1.95	2.13	2.31
f. Beauty Shops	13.97	13.10	15.87	17.63	19.39	21.15	22.91
Each additional operator above 5	2.33	1.97	2.39	2.66	2.93	3.20	3.47
g. Eating Establishments w/o Grinders	15.16	20.38	24.69	27.43	30.17	32.91	35.65
Each additional 5 seats above 30	2.53	3.06	3.71	4.12	4.53	4.94	5.35
h. Restaurants (w/Grinders) <30 seats	31.07	32.76	39.68	44.09	48.50	52.91	57.32
Restaurants (w/Grinders) over 30 seats	39.84	45.86	55.55	61.72	67.89	74.06	80.23
i. Laundromats - per washing maching	9.71	9.39	11.37	12.63	13.89	15.15	16.41
Minimum Charge	29.14	28.17	34.12	37.91	41.70	45.49	49.28
j. Service Stations - no wash/rack	37.41	38.58	46.73	51.92	57.11	62.30	67.49
Service Stations - with wash/rack	54.40	55.33	67.02	74.47	81.92	89.37	96.82
k. Factories	22.05	21.84	26.45	29.39	32.33	35.27	38.21
Each additional employee above 20	1.10	1.09	1.32	1.47	1.62	1.77	1.92
l. Churches	12.56	12.08	14.63	16.26	17.89	19.52	21.15
Per ADA with elementary school	0.34	0.36	0.44	0.49	0.54	0.59	0.64
Per ADA with other school	0.51	0.54	0.65	0.72	0.79	0.86	0.93
m. Bottling Plants	22.05	26.21	31.75	35.28	38.81	42.34	45.87
n. Schools (Non-boarding)	7.07	7.25	8.78	9.76	10.74	11.72	12.70
Per ADA with elementary school	0.33	0.36	0.44	0.49	0.54	0.59	0.64
Per ADA with other school	0.52	0.54	0.65	0.72	0.79	0.86	0.93
o. Schools (Boarding)	7.07	7.28	8.82	9.80	10.78	11.76	12.74
Per ADA with elementary school	0.71	0.73	0.88	0.98	1.08	1.18	1.28
Per ADA with other school	0.95	1.02	1.24	1.38	1.52	1.66	1.80
p. Trailer/Mobile Home Space	4.19	8.74	10.59	11.77	12.95	14.13	15.31
q. RV Dump Stations - Less than 50 svcs	42.69	67.70	82.01	91.12	100.23	109.34	118.45

South San Luis Obispo County Sanitation District Historical & Projected Monthly Residential Sewer Rates

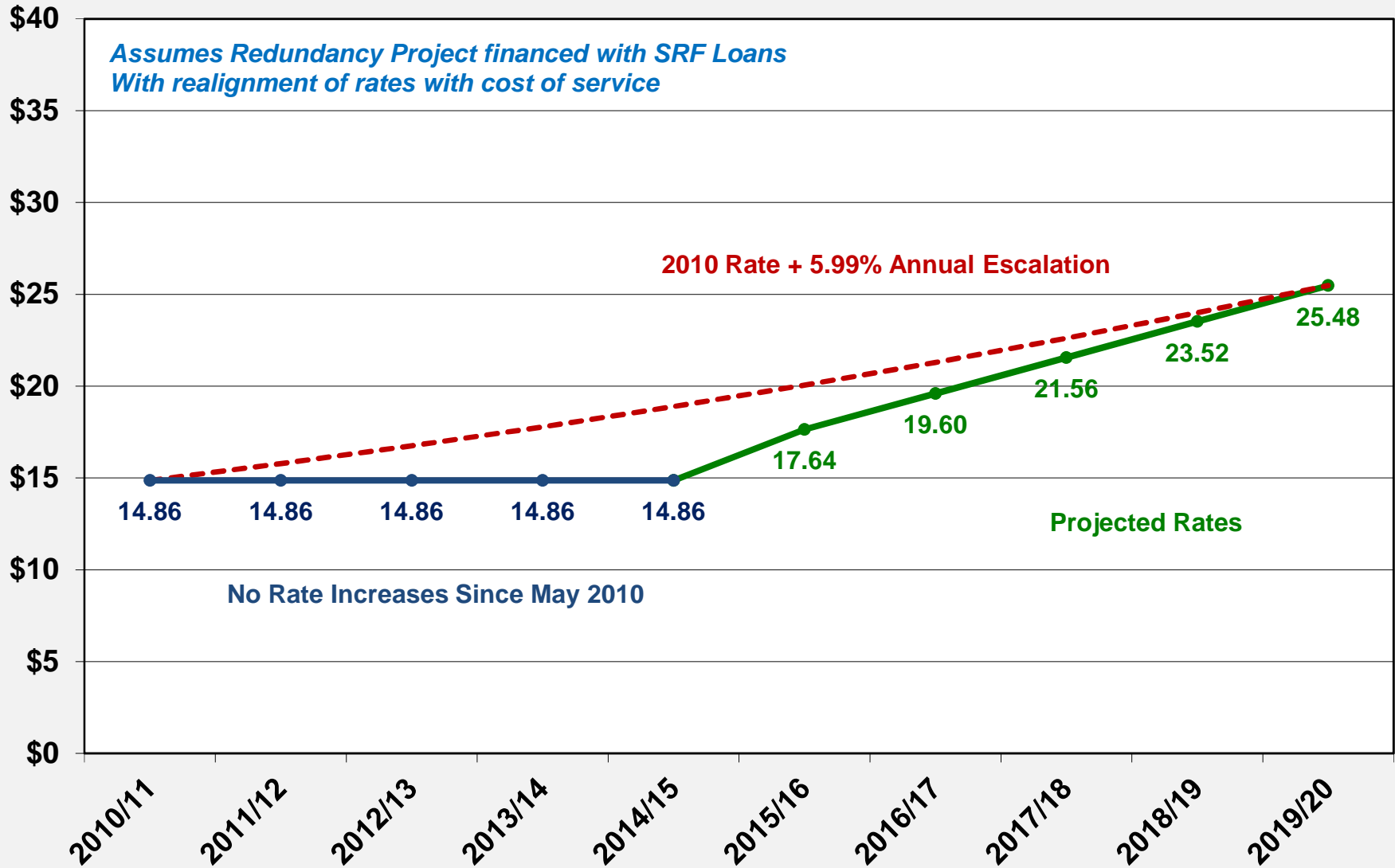


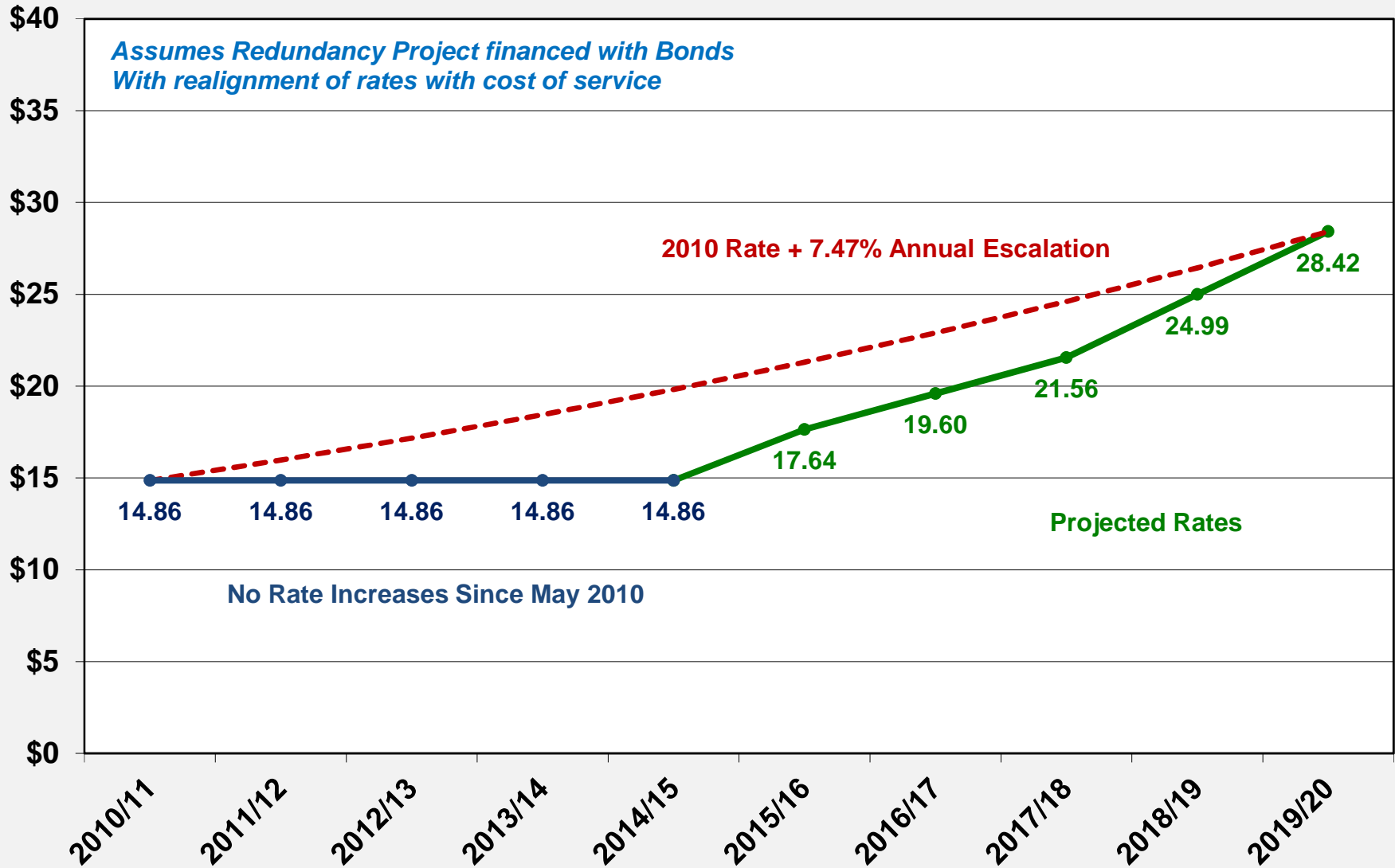
Table 15B

South San Luis Obispo County Sanitation District
Wastewater Rate Study
Projected Rates with Rate Structure Modifications

With Rate Structure Modifications
With Bond Financing

	Current	Revised Rates	Projected Rates with Rate Structure Modifications				
		Rev-Neutral	2015/16 Jan-1	2016/17 July-1	2017/18 July-1	2018/19 July-1	2019/20 July-1
a. Residences & Apartments	\$14.86	14.56	\$17.64	\$19.60	\$21.56	\$24.99	\$28.42
b. Hotel Units with Kitchens	15.71	12.74	15.43	17.14	18.85	21.85	24.85
c. Hotel Units without Kitchens	10.02	8.19	9.92	11.02	12.12	14.05	15.98
d. Hotel Room	10.36	8.19	9.92	11.02	12.12	14.05	15.98
e. Commercial Establishments	7.65	6.55	7.93	8.81	9.69	11.23	12.77
Each additional employee above 5	1.53	1.31	1.59	1.77	1.95	2.26	2.57
f. Beauty Shops	13.97	13.10	15.87	17.63	19.39	22.47	25.55
Each additional operator above 5	2.33	1.97	2.39	2.66	2.93	3.40	3.87
g. Eating Establishments w/o Grinders	15.16	20.38	24.69	27.43	30.17	34.97	39.77
Each additional 5 seats above 30	2.53	3.06	3.71	4.12	4.53	5.25	5.97
h. Restaurants (w/Grinders) <30 seats	31.07	32.76	39.68	44.09	48.50	56.22	63.94
Restaurants (w/Grinders) over 30 seats	39.84	45.86	55.55	61.72	67.89	78.69	89.49
i. Laundromats - per washing maching	9.71	9.39	11.37	12.63	13.89	16.10	18.31
Minimum Charge	29.14	28.17	34.12	37.91	41.70	48.33	54.96
j. Service Stations - no wash/rack	37.41	38.58	46.73	51.92	57.11	66.20	75.29
Service Stations - with wash/rack	54.40	55.33	67.02	74.47	81.92	94.95	107.98
k. Factories	22.05	21.84	26.45	29.39	32.33	37.47	42.61
Each additional employee above 20	1.10	1.09	1.32	1.47	1.62	1.88	2.14
l. Churches	12.56	12.08	14.63	16.26	17.89	20.74	23.59
Per ADA with elementary school	0.34	0.36	0.44	0.49	0.54	0.63	0.72
Per ADA with other school	0.51	0.54	0.65	0.72	0.79	0.92	1.05
m. Bottling Plants	22.05	26.21	31.75	35.28	38.81	44.98	51.15
n. Schools (Non-boarding)	7.07	7.25	8.78	9.76	10.74	12.45	14.16
Per ADA with elementary school	0.33	0.36	0.44	0.49	0.54	0.63	0.72
Per ADA with other school	0.52	0.54	0.65	0.72	0.79	0.92	1.05
o. Schools (Boarding)	7.07	7.28	8.82	9.80	10.78	12.50	14.22
Per ADA with elementary school	0.71	0.73	0.88	0.98	1.08	1.25	1.42
Per ADA with other school	0.95	1.02	1.24	1.38	1.52	1.76	2.00
p. Trailer/Mobile Home Space	4.19	8.74	10.59	11.77	12.95	15.01	17.07
q. RV Dump Stations - Less than 50 svcs	42.69	67.70	82.01	91.12	100.23	116.18	132.13

South San Luis Obispo County Sanitation District Historical & Projected Monthly Residential Sewer Rates



[SSLOCSD letterhead or logo]

**Notice of Public Hearing on Proposed Increases to
Service Charges for Wastewater Treatment**

The South San Luis Obispo County Sanitation District (SSLOCSD) is a community-governed public agency that provides wastewater treatment services to the Cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District. Each of the member agencies provides its own wastewater collection services. Wastewater from each agency is conveyed to SSLOCSD's regional wastewater treatment plant where it is treated to stringent environmental standards.

SSLOCSD has not increased its wastewater treatment service charges in over five years and remains committed to operating as cost-effectively as possible while meeting its regulatory requirements. This notice is being sent to inform you that SSLOCSD is proposing to gradually increase its wastewater treatment charges over the next five years in order to fund the cost of providing service and provide funding for major, state-mandated upgrades to its wastewater treatment facilities. SSLOCSD does not currently bill customers directly. The District's service charges are currently included on the utility bills that are sent from each of its member agencies.

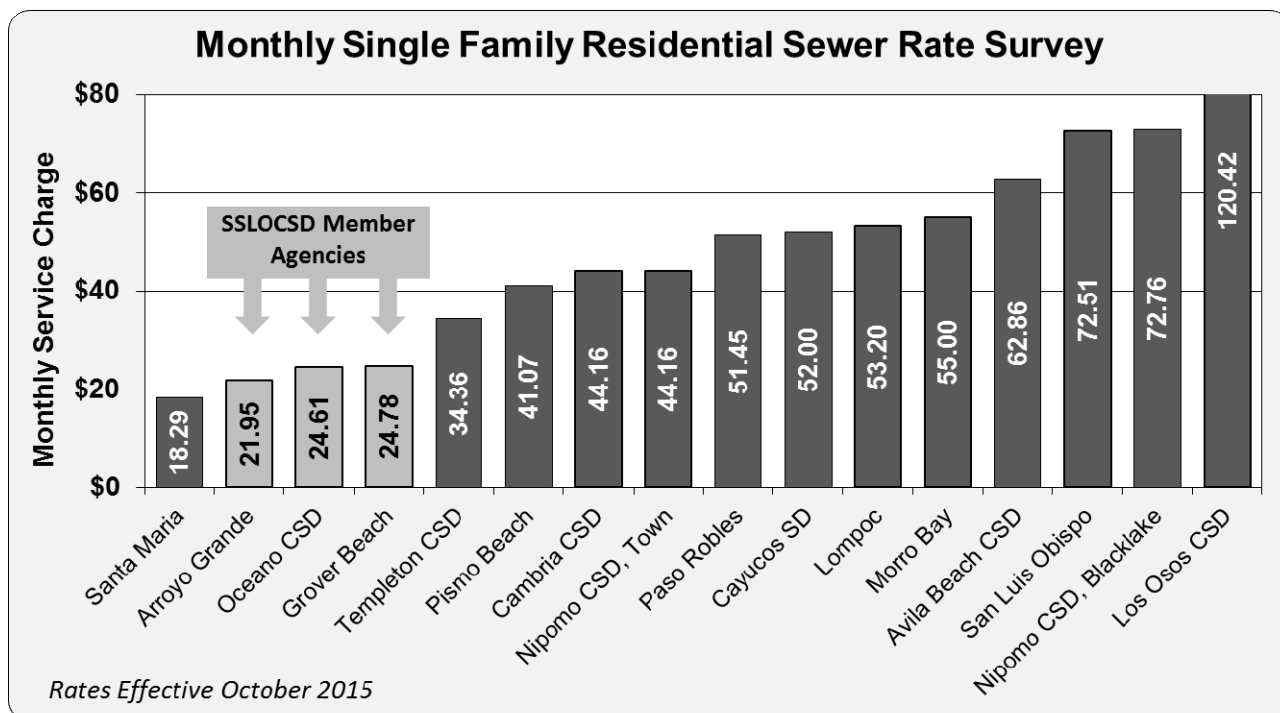
SSLOCSD will hold a public hearing on the proposed rates as follows:

Date: _____
Time: _____
Place: _____

SSLOCSD relies primarily on revenues from its wastewater treatment charges to fund its costs of providing service. As such, rates must be set at levels adequate to fund the costs of operating and maintaining the regional wastewater conveyance system and treatment plant.

SSLOCSD RATES PROJECTED TO REMAIN LOW COMPARED TO OTHER REGIONAL AGENCIES

SSLOCSD's rates are very low compared to other statewide and regional agencies. The total monthly sewer bill paid by residents of Arroyo Grande, Grover Beach, and Oceano – for both wastewater collection and treatment – are among the lowest in the region. With the proposed wastewater treatment rate increases, sewer bills are projected to remain low compared to other regional agencies.



WHY ARE RATE INCREASES NEEDED?

The proposed rate adjustments are needed to fund a major upgrade to the District's regional wastewater treatment plant and keep revenues aligned with the cost of providing service. Key factors driving the need for the rate increases include:

- **State-Mandated Wastewater Treatment Plant Upgrades** – SSLOCSD needs to fund a major upgrade to the regional wastewater treatment plant in order to meet regulatory requirements mandated by the Regional Water Quality Control Board (RWQCB) and improve reliability of service. Based on an updated engineering estimates, the project cost is estimated to cost approximately \$19 million. The upgrade will also result in over \$400,000 of new operating costs. SSLOCSD anticipates pursuing low-interest-rate financing from California's State Revolving Fund Financing Program to help minimize annual debt service for the project.
- **Repair & Replacement of Aging Wastewater Treatment Facilities** – SSLOCSD's regional treatment plant was originally constructed almost 50 years ago in 1966 and has subsequently been upgraded and expanded to its current configuration. Due to the age and condition of various components of the District's facilities, SSLOCSD will need to make ongoing investments to keep its aging facilities in good operating condition and ensure the District continues to meet its regulatory requirements.
- **Ongoing Cost Inflation** – Small annual rate increases are also needed to keep revenues in line with ongoing operating cost inflation. The District anticipates facing annual increases in costs for staffing, electricity, chemicals, insurance, and other operating expenses.

SSLOCSD has implemented a number of cost-cutting measures over the years and remains committed to providing high-quality service as cost-efficiently as possible.

PROPOSED WASTEWATER TREATMENT SERVICE CHARGES

SSLOCS D is proposing to phase in a series of rate adjustments over the next five years as shown on the table below. The proposed rates include both overall rate increases as well as rate structure modifications designed to better align rates with the cost of providing service to each customer class. The District levies a flat monthly residential charge per dwelling unit. Non-residential customers pay fixed monthly charges that vary by customer type and other factors such as number of employees, number of seats in a restaurant, and number of students, and other factors.

	Current Monthly Charges	Proposed Monthly Service Charges Effective On or After:				
		Jan-1 2016	July-1 2016	July-1 2017	July-1 2018	July-1 2019
a. Residences & Apartments	\$14.86	\$17.64	\$19.60	\$21.56	\$24.99	\$28.42
b. Hotel Units with Kitchens	15.71	15.43	17.14	18.85	21.85	24.85
c. Hotel Units without Kitchens	10.02	9.92	11.02	12.12	14.05	15.98
d. Hotel Room	10.36	9.92	11.02	12.12	14.05	15.98
e. Commercial Establishments	7.65	7.93	8.81	9.69	11.23	12.77
Each additional employee above 5	1.53	1.59	1.77	1.95	2.26	2.57
f. Beauty Shops	13.97	15.87	17.63	19.39	22.47	25.55
Each additional operator above 5	2.33	2.39	2.66	2.93	3.40	3.87
g. Eating Establishments w/o Grinders	15.16	24.69	27.43	30.17	34.97	39.77
Each additional 5 seats above 30	2.53	3.71	4.12	4.53	5.25	5.97
h. Restaurants (w/Grinders) <30 seats	31.07	39.68	44.09	48.50	56.22	63.94
Restaurants (w/Grinders) over 30 seats	39.84	55.55	61.72	67.89	78.69	89.49
i. Laundromats - per washing machine	9.71	11.37	12.63	13.89	16.10	18.31
Minimum Charge	29.14	34.12	37.91	41.70	48.33	54.96
j. Service Stations - no wash/rack	37.41	46.73	51.92	57.11	66.20	75.29
Service Stations - with wash/rack	54.40	67.02	74.47	81.92	94.95	107.98
k. Factories	22.05	26.45	29.39	32.33	37.47	42.61
Each additional employee above 20	1.10	1.32	1.47	1.62	1.88	2.14
l. Churches	12.56	14.63	16.26	17.89	20.74	23.59
Per ADA with elementary school	0.34	0.44	0.49	0.54	0.63	0.72
Per ADA with other school	0.51	0.65	0.72	0.79	0.92	1.05
m. Bottling Plants	22.05	31.75	35.28	38.81	44.98	51.15
n. Schools (Non-boarding)	7.07	8.78	9.76	10.74	12.45	14.16
Per ADA with elementary school	0.33	0.44	0.49	0.54	0.63	0.72
Per ADA with other school	0.52	0.65	0.72	0.79	0.92	1.05
o. Schools (Boarding)	7.07	8.82	9.80	10.78	12.50	14.22
Per ADA with elementary school	0.71	0.88	0.98	1.08	1.25	1.42
Per ADA with other school	0.95	1.24	1.38	1.52	1.76	2.00
p. Trailer/Mobile Home Space	4.19	10.59	11.77	12.95	15.01	17.07
q. RV Dump Stations - Less than 50 svcs	42.69	82.01	91.12	100.23	116.18	132.13

HOW TO SUBMIT A WRITTEN PROTEST

Property owners and customers may file written protests against the proposed rate increases. Pursuant to California law, protests must be submitted in writing and must a) identify the affected property or properties, such as by address or Assessor's Parcel Number, b) include the name and signature of the customer or property owner submitting the protest and c) indicate opposition to the proposed increases rate. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels with one written protest counted per parcel. Written protests can be mailed to: South San Luis Obispo County Sanitation District, P.O. Box 339, Oceano, CA 93475, or can be submitted at the Public Hearing. All written protests must be submitted prior to the close of the Public Hearing.

For more information, please contact SSLOCS D at (805) 489-6666.



SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Post Office Box 339 Oceano, California 93475-0339

1600 Aloha Oceano, California 93445-9735

Telephone (805) 489-6666 FAX (805) 489-2765

www.sslocsd.org

To: Board of Directors

From: John Clemons

Date: September 21, 2015

Subject: Agency Billing Options

Recommendation

Staff recommends that the Board direct Staff (1) to begin the process of joining the SLO County tax roll for long term billing services and (2) to seek temporary billing agreements with each Member Agency for the remainder of this fiscal year.

BACKGROUND

During May of 2015 District Staff noted that there were no contracts for billing services with either of the Members Agencies. Another issue that was brought up at the time was the apparent inequity in the amount being charged by the different Agencies. The Agency with the largest number of connections was charging the Sanitation District much less than the other two Agencies. By contrast, the Member Agency with the least connections was charging the Sanitation District more for billing services than the other two agencies were charging. As a result, the Sanitation District Board of Directors directed Staff to work with the Member Agencies to develop a fair and equitable billing formula that all agencies could agree upon. The Board also directed staff to investigate other billing options. These other billing options were to include private commercial billing services, internal billing options, and the possibility of joining the SLO County tax roll.

Staff did investigate the requirements to join the County tax roll (Attachment A). Staff has also considered the benefits and challenges of being on the tax roll. Staff has learned that joining the tax roll would cost the District around \$10,000 initially and about \$10,000 per year after the initial year. The County will not charge the Sanitation District for billing services. The County will charge the property owners \$2 per parcel per year for billing services. The cost to the Sanitation District is for the gathering and administration of parcel information to be given to the County for billing purposes. This option also guarantees that the Sanitation District is paid on schedule for all parcels. There will be no need for delinquent billing collections services. This option also saves Staff time when compared to the current system of processing payments from

three different agencies six times per year each. The Sanitation District would need to develop a separate arrangement for collecting fees for new connections.

Staff has also worked with the three Member Agencies on developing a mutually agreed upon, fair and equitable formula for billing services. A formula was developed with the interactive efforts of representatives from each agency. As currently written, the Sanitation District would pay an annual amount of \$15,000 to each MA, 57 cents per connection per billing period for each connection. The cost to the Sanitation District if this formula agreement is implemented is around \$90,000 (\$23,550 to OCSD, \$31,400 to the city of Grover Beach, and \$37,200 to the city of Arroyo Grande). This arrangement would include collection of delinquent payments and new connection fees. This agreement would need to be renewed annually. This arrangement is much more costly to the District than the tax roll option and there is a potential for this cost to rise at any future negotiation. The \$15,000 service charge has not been defined. The City of Grover Beach has rejected the most recent formula.

Staff has also investigated the possibility of engaging outside billing agencies. This seems to be the most costly option. Also there are no local companies who provide all of the necessary elements of service. This is by far the least common method used by other sanitation/sanitary Districts for billing based on our research. We have received a proposal from one billing service which exceeds \$100,000 for services for all three agencies. We are awaiting another proposal from a different private billing agency. None of the private billing agencies we have contacted provide collection services for delinquent, unpaid bills.

DISCUSSION

There are four long term billing options for the District. They are the County Tax Roll Option, the Member Agency mutually agreed upon formula option, the private billing agency option, and the internal billing option.

If District financial efficiency is the major consideration, then joining the County Tax Roll would be in the best interest of the Sanitation District. The predicted annual cost to the District of \$10,000 per year would be, by far, the least costly of all options. Currently the Sanitation District budgets \$66,000 per year to pay for billing services. All other billing options appear to be in excess of \$90,000 in costs. Another advantage of the County Tax Roll option is that this would also eliminate any perceptions of inequity with regard to Member Agency billing. This option would also alleviate any possibility of future billing services rate increases since the District is not charged for billing services.

With regard to connection fees, the Sanitation District could continue to pay per new connection as is currently done with the cities of Arroyo Grande and Grover Beach. The Sanitation District could attempt to make a similar arrangement with OCSD.

Another billing services option to consider is a mutually agreed upon formula for billing services developed by the MAs. The advantage to the Sanitation District is that the billing system would remain the same. Delinquent payments would continue to be handled by the Member Agencies. The obvious disadvantage when compared to the County Tax roll option is the expense to the Sanitation District. Also the future rising cost is an issue to consider. Negotiation of billing fees with Member Agencies in the past have required at least five months to resolve. The current negotiation began over five months ago. When

looking forward to possible future contract renegotiations, this challenging history should be considered.

The private billing option and the internal billing options share the same major disadvantages. They are both very expensive when compared to the tax roll option, and both options do not include a way to collect unpaid delinquent fees without using a tax lien.

Staff polled twenty other sanitation/sanitary districts in California. Of the twenty districts polled, 13 use their respective county tax rolls for billing services, six districts billed using internal resources, and only one district used a private billing option. The districts who billed using internal resources used the county tax roll to collect delinquent unpaid fees.

OPTIONS

1. Direct staff to proceed with process of joining the County Tax Roll and to seek short term agreements with the Member Agencies in the interim.
2. Direct Staff to draft a contract agreement based on the mutually agreed upon formula.
3. Direct Staff to seek an agreement with a private billing agency.
4. Direct Staff to continue investigate other options.