

TO: BOARD OF DIRECTORS
 FROM: MARIO IGLESIAS
 GENERAL MANAGER 
 DATE: May 6, 2022

AGENDA ITEM
E-1
MAY 11, 2022

APPROVE FINAL DRAFT OF THE SOUTH COUNTY SANITARY SERVICES RATE STUDY REPORT AND DIRECT STAFF TO INITIATE A PROPOSITION 218 PROCESS, INCLUDING SETTING A PUBLIC HEARING DATE FOR JULY 13, 2022

ITEM

Approve final draft of the South County Sanitary Service rate study report and direct staff to initiate a Proposition 218 process and setting the public hearing date for July 13, 2022
 [RECOMMEND APPROVE REPORT, DIRECT STAFF TO INITIATE PROP 218 PROCESS AND SET JULY 13, 2022 FOR PUBLIC HEARING]

BACKGROUND

South County Sanitary Services (SCSS) provides solid waste collection, recycling, and green waste services within the Nipomo Community Services District (“District”) service area under a Franchise Agreement (“Agreement”). SCSS is seeking a rate increase to cover increased costs associated with the purchase and operation of collection vehicles, fuel costs, labor costs, and increased costs associated with the organics digester facility.

At your Boards April 27, 2022 Board Meeting, William Statler, Rate Consultant, presented his rate evaluation report. Mr. Statler reviewed SCSS’s rate request and presented his findings at the reference Board Meeting. SCSS initially requested a rate increase of 23.23%. After Mr. Statler’s review and through negotiations, SCSS lowered their Base-Year Rate Adjustment request to 21.27% for 2022. Table 1. below shows the monthly rate impact to single family residential customers in the Nipomo CSD service area with the 21.27% rate increase.

Table 1. Proposed Single Family Residential Monthly Rates

Container Size	Current Charges	Base-Year Rate	
		Proposed	Increase
32 Gallons	\$20.24	\$24.54	\$4.30
64 Gallons	\$29.00	\$35.17	\$6.17
96 Gallons	\$38.02	\$46.11	\$8.09

As explained by Mr. Statler, there are four key cost drivers, equaling 87% of the requested increases:

1. Depreciation of Equipment – 36%
 2. Greenwaste Management – 35%
 3. Insurance Costs – 11%
 4. Gas and Oil – 5%
- Total Impact – 87%

Under the Franchise Agreement, the District is required to administer annual lien process for the collection of delinquent solid waste payments and to administer Proposition 218 Rate proceedings

that are required to adopt solid waste rate adjustments. The District charges the solid waste fund 15% against franchise income for administering the solid waste franchise.

The District's solid waste fund reserve is approximately \$423,000, and collected \$15,000 per month in Franchise Fees for 2022. Current solid waste services paid from the reserve include:

- Providing collection and maintenance of public trash receptacles in Olde Towne
- Promote SCSS' bi-annual Clean Up Week
- Solid Waste Rate Holidays
- County Creek Clean-up Day
- District-wide Street Trash Reduction Programs (Nipomo Clean Streets)

In addition to supporting the above activities, from time to time the District uses these funds to buy-down rate increase requests from SCSS to reduce user rate spikes. The District has budgeted to pay the Delayed Rate costs SCSS is charging agencies during this rate review period. The Delayed Rate costs are due to the time and effort it takes to develop a rate and is outlined in time between when SCSS presented a complete rate application and the time rates go into effect. The District will be negotiating with SCSS to determine that period of time most appropriate and then pay, from the Solid Waste Fund, the negotiated cost. The current estimate is \$136,000.

Staff is recommending setting the date for a Public Hearing on July 13, 2022. Rates for solid waste collections are addressed in the District's Ordinance. The Public Hearing would be held concurrent with your Regular Board Meeting wherein staff would tally all protest votes received and determine whether a majority protest exists. If there is not a majority protest, the new rates could be implemented on September 1, 2022.

FISCAL IMPACT

Funding the time and materials needed for NCSD staff to compile and complete the information to provide staff reports associated with solid waste is included in the Solid Waste Fund #300 budget. The cost of the consultant's work is paid by SCSS. The fiscal impact on the District is accounted for.

STRATEGIC PLAN

Strategic Plan Goal 8.

A.1 SOLID WASTE. Seek to maximize solid waste services for community and build understanding of services like hazardous waste, recycling, etc. and District's role.

RECOMMENDATION

Staff recommends your Board consider the provided information and select a rate option. Should your Board choose to raise solid waste rates, it is further recommended that your Board direct staff to circulate the appropriate public notice (Attachment C or D), one that reflects your Board's rate option, and schedule a protest hearing for August 14, 2019.

ATTACHMENT

- A. April 18, 2022 Solid Waste Rate Review Memorandum
- B. NCSD Solid Waste Rate Schedule

MAY 11, 2022

ITEM E-1

ATTACHMENT A

William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

Draft

MEMORANDUM

April 18, 2022

TO: Mario Iglesias, General Manager, Nipomo Community Services District

FROM: Bill Statler *W.C. Statler*

SUBJECT: SOLID WASTE RATE REVIEW

RECOMMENDATION

Approve the proposed rate increase from South County Sanitary Service (SCSS) for solid waste services of 21.27%.

DISCUSSION

Background

SCSS submitted an initial rate application on October 20, 2021 requesting a 23.23% rate increase for all customers. However, due to complexity, concerns with pending rate increases by the Integrated Waste Management Authority (IWMA) and significant subsequent reviews and information exchanges, a revised application was submitted on February 18, 2022 proposing a rate increase of 21.27%.

The final application is the focus of this report in reviewing the SCSS rate increase request in accordance with adopted Franchise Agreement provisions regarding rate increase applications. This revised application was prepared in accordance with the District's Franchise Agreement with SCSS, which calls for rate requests to be prepared based on the "City of San Luis Obispo Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates" (*Rate Manual*).

The SCSS application supporting the proposed 21.27% increase is provided in Attachment 1; and provided in Attachment 2 is a comprehensive rate review prepared for the communities of Arroyo Grande, Grover Beach, Oceano and Pismo Beach, which provides the foundation for this report.

Summary of Findings and Recommendations

There are two key differences between the initial and revised application:

- Greenwaste processing costs have been reclassified as “pass-through” costs: while costs may be recovered, no profit is allowed on them.
- IWMA fees have been excluded from the fee analysis. These are approved by a separate agency and will be charged separately on customer bills.

As detailed in Attachment 2, key cost drivers in this review include the following, which account for almost 90% of the cost increases since 2020 (last audited financial statements):

2022 Cost Increase from 2020			
	Amount	% of Total	Rate Impact*
Depreciation	998,708	36%	7.72%
Greenwaste	956,783	35%	7.39%
Insurance	298,612	11%	2.31%
Gas and Oil	131,422	5%	1.02%
Total Key Drivers	2,385,525	87%	18.43%
Other Costs	367,275	13%	2.84%
Total	\$2,752,800	100%	21.27%

Rate Request Review

SCSS, a subsidiary of Waste Connections, provides service to all south county communities under formal Franchise Agreements, including the:

- City of Arroyo Grande
- City of Grover Beach
- City of Pismo Beach
- Oceano Community Services District
- Nipomo Community Services District
- Avila Beach Community Services District
- County of San Luis Obispo for other unincorporated areas in the south county such as Rural Arroyo Grande

As noted above, Attachment 2 provides a comprehensive rate review prepared for the communities of Arroyo Grande, Grover Beach, Oceano and Pismo Beach, which provides the foundation for this report. As discussed in Attachment 2, joint agency review for these four agencies – with the District “piggybacking” on this review – makes sense because:

- SCSS provides the same services to each of these agencies under formally approved Franchise Agreements.
- Each of these Franchise Agreements use the same methodology for regulating rates and establishing procedures for considering rate increases.

- Financial information for SCSS is closely related for these four agencies (as well as all other south county communities).
- Excerpt for Oceano CSD (where the rate is 5%), all agencies have adopted franchise fees of 10%.

In general, all the findings set forth in Attachment 2 are applicable to the District, with two key differences:

- The “allowable profit” (which is described in the attached report) is 7% (versus 8% in the other communities).
- Requirement that SCSS demonstrate that the requested rates are 1% less ~~that~~ than what other agencies are paying for similar services.

These factors are why the requested rate increase of 21.27% is less than the proposed rate increase of 22.19% in other south county communities (except for Oceano CSD: as noted above, the franchise fee there is 5%, resulting in a slightly lower rate increase of 21.03%). Compared with similar agencies as presented in the rate survey on page 15 of Attachment 2 (Table 8) as well as other south county communities, SCSS has met their “1%” requirement.

Findings

The key findings presented in the attached report also apply to the District:

- **Complete Application.** With its revised application, SCSS has fully provided the supporting documentation required for rate requests under the District’s Franchise Agreement.
- **High Level of Service at a Reasonable Cost.** SCSS provides a broad level of high-quality services to the District – including garbage, recycling and green waste collection and disposal as well as hauler-provided “waste wheeler” containers for all three services – at very competitive rates compared with many other communities. In fact, even with the recommended rate increase, rates in the District will be among the lowest of those surveyed. In short, south county communities have the best of both worlds: high quality services at a low cost (compared with other communities).
- **“Trigger Option.”** As discussed in greater detail in Attachment 2, the rate increase exceeds the cost of living threshold that “triggers” the option of terminating the Franchise Agreements within nine months after rate approval.
- **Need for Updated Rate-Setting Methodology.** The rate-setting process is based on the City of San Luis Obispo’s *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates* (Rate Manual) adopted in 1994. In short, with very minor modifications, this approach has been in place for almost 30 years. Because of several complex issues that surfaced in the 2019 rate review that had not been encountered in the past in using this rate-setting methodology (most notably corporate overhead, greenwaste and materials recovery facility (MRF) costs as well as rate structure concerns), I

recommended updating the Rate Manual before the next *Base Year* review. This has not occurred, and accordingly, this review is based on the current methodology. However, the need for an update is even greater now: along with the 2019 concerns, new issues have surfaced in this review. As discussed in greater detail in Attachment 2, these include depreciation amortization period, interim rate reviews, cost allocation methodologies, accounting for disposal costs, timeframe for submitting and reviewing applications and trigger option.

- **Delayed Rate Implementation.** In the past, there has been no consideration of delayed rate implementation. However, the Rate Manual does provide for this if there is a delay of more than 120 days after application if it is “no fault of the franchise hauler.” Given the initial October 20, 2021 submittal date, this would indicate rate approval by March 1. However, there are three factors that mitigate this 120-day period:

1. When the 120-day period was set, the understanding at the time was that Proposition 218 45-day notice and protest requirements did not apply to approval of private company solid waste rates. However, since then many agencies have determined that these provisions are applicable to approval of rates by companies like SCSS. This alone conceptually adds up to 75 days to the review process.
2. Review was delayed pending consideration of rate increases by the IWMA and their possible impact on SCSS rates. These new rates were not adopted by the IWMA until March 9, 2022. Moreover, it was subsequently determined that since these rates are set by the IWMA – and not the franchising agencies – that they did not affect agency rate-setting. (As noted above, this resulted in a revised application from SCSS on February 18, 2022).
3. While SCSS has been very responsive in following-up on requests for supporting data, the scope and complexity of the 2022 application has been significantly greater, and subsequently taken longer, than envisioned in the Rate Manual.

About Proposition 218 Notices

Not all agencies prepare and issue “Proposition 218” notices for private sector solid waste rate increases. However, for those that do, the notice sets the maximum amount that rates can be increased at the public hearing: rates can be approved at lesser amounts without re-noticing. However, agencies cannot adopt higher rates – even if they only apply to a few customers – without another 45-day re-noticing. As such, it is recommended that the notices reflect the rates requested by SCSS.

In accounting for these factors, I recommend that delayed rate implementation apply for any rates with a May 1, 2022 start date. In short, while these delays were “no fault” of SCSS, they were not the fault of the District, either. That said, SCSS believes the delayed rate implementation start period should be March 1, 2022.

Where delayed rate implementation is applicable, the following temporary rate increases would be required depending on whether the delayed rate implementation start period is March 1 or May 1. (Note: The added rate increase goes up for each month of delay to be

Solid Waste Rate Review

recovered while the amortization period is shortened.) Under either start date, rates would be reset in January 2023 to the “core rate” for the Interim Year adjustment.

*Temporary Delayed Implementation Rate Increase**

Effective Date	Start Period	
	March 1	May 1
May 1	5.55%	0.00%
June 1	9.51%	3.17%
July 1	14.80%	7.40%
August 1	22.19%	13.32%
September 1	33.29%	22.19%

* Ends December 31, 2022

The District has indicated an interest in absorbing the cost of delayed rate increases. In that case, the following presents the one-time costs depending on start and implementation rates:

Effective Date	Start Period			
	Months		Cost	
	March 1	May 1	March 1	May 1
May 1	2	-	\$68,035	\$0
June 1	3	1	102,053	34,018
July 1	4	2	136,071	68,035
August 1	5	3	170,088	102,053
September 1	6	4	204,106	136,071

It should be noted that while the report recommends a May 1 start date for delayed rate implementation, a reasonable case could be made for an even later start date (such as June 1 or July 1) based on the mitigation factors discussed above.

Lastly, several of these review timeframe factors are not unique to the 2022 review. Accordingly, the application submittal and review schedule should be considered in the Rate Manual update.

Proposed Single Family Residential Rates

Container Size	Current	Proposed	Increase
32 Gallons	\$20.24	\$24.54	\$4.30
64 Gallons	29.00	35.17	6.17
96 Gallons	38.02	46.11	8.09

Key Rate-Setting Factors

As discussed in Attachment 2, reviewing rates under the Franchise Agreement with SCSS is based on organizing costs into three main categories, which will be treated differently in determining a reasonable “operating profit ratio”.

Allowable Costs. Under the District’s Franchise Agreement, SCSS is allowed a profit of 7% on “allowable” costs, such as:

- Direct collection labor
- Vehicle maintenance and repairs
- Insurance
- Fuel
- Depreciation
- Billing and collection

Pass-Through Costs. SCSS can recover “pass-through” these costs but not earn a profit on them, such as:

- Disposal costs (landfill, recycling, food/greenwaste)
- Franchise fees
- Payments to affiliated companies (such as facility rent, interest and trucking charges)

Excluded and Limited Costs. No revenues are allowed for excluded or limited costs, such as:

- Charitable and political contributions
- Entertainment
- Income taxes
- Non-IRS approved profit-sharing plans
- Fines and penalties
- Limits on corporate overhead

Rate Request Summary

The following summarizes the calculations that support the requested and recommended rate increase compared with other south county agencies:

	Nipomo	Others*
Allowable Costs	10,751,370	10,751,371
Allowable Profit **	809,242	934,901
Pass-Through Costs		
Disposal		
Landfill	1,805,407	1,805,407
MRF (Recycling)	1,143,280	1,143,280
Greenwaste	1,781,655	1,781,655
Franchise Fees	1,454,123	1,454,123
Related Party Costs	438,303	438,303
Total Pass-Through Costs	6,622,768	6,622,768
Allowed Revenue Requirements	18,183,381	18,309,041
Revenue without Rate Increase	15,260,677	15,260,678
Revenue Requirement: Shortfall (Surplus)	2,922,704	3,048,363
Rate Base Revenue	18,183,381	18,309,041
Percent Change in Revenue Requirement	19.14%	19.98%
Allowed Revenue Increase ***	21.27%	22.19%

* Excludes Oceano CSD which has 5% franchise fee.

** 7% operating ratio for Nipomo CSD and 8% for all others.

*** Adjusted for 10% franchise fee.

As noted above, all the factors discussed in the Attachment 2 that drive rate increases are the same for the District, except its operating profit ratio is 7% compared with others at 8%.

This factor is why the requested rate increase of 21.27% is less than the proposed rate increase of 22.19% in other south county communities. Accordingly, the schedules supporting the rate increase on pages 2 to 6 of the application (Attachment 1) are the same as the rate review report (Attachment 2). It is only page 1 of the application that is different in reflecting the difference noted above and the current rates in Nipomo.

SUMMARY

Based on the rate-setting policies and procedures formally adopted by the District, this report concludes that:

- SCSS has submitted the required documentation required under its Franchise Agreement with the District.
- This results in a recommended rate increase of 21.27%.

ATTACHMENTS

1. Rate Application to the Nipomo Community Services District
2. Solid Waste Rate Review for the Communities of Arroyo Grande, Grover Beach, Oceano and Pismo Beach



South County Sanitary Service

2022 Base Year Rate Adjustment Application

Summary**NIPOMO COMMUNITY SERVICE DISTRICT**

Requested Increase

Digester Expense	6.2%		
Capital Purchases	5.9%	Market Rate Wage Adjustment	5.6%
Comingle Processing Fee	1.9%	Other	1.7%

1. Rate Increase Requested

21.27%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. Economy Service (1 - can curb)	\$ 20.24	\$4.30		\$24.54
4. Standard Service (2- can curb)	\$ 29.00	\$6.17		\$35.17
5. Premium Service (3 - can curb)	\$ 38.02	\$8.09		\$46.11

(a) Calculated rates are rounded up to the nearest \$0.01.

6. **Multiunit Residential and Non-residential**

Rate increases of

21.27%

will be applied to all rates in each structure

with each rate rounded to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: **Jeff Clarin**Title: **District Manager**

Signature:

Date:

10/20/21
Revised 2/18/22

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Financial Information

Historical		Current	Projected	
2019	2020	2021	Base Year 2022	2023

(from Pg. 4)

Section I-Allowable Costs

6. Direct Labor	\$3,258,214	\$3,614,140	\$3,638,218	\$3,922,681	\$4,040,361
7. Corporate Overhead	\$350,343	\$356,299	\$359,149	\$378,184	\$389,529
8. Office Salaries	\$688,788	\$768,706	\$758,312	\$835,736	\$859,332
9. Other General and Admin Costs	\$4,482,056	\$4,990,560	\$5,899,433	\$5,614,771	\$7,809,122
10. Total Allowable Costs	\$8,779,401	\$9,729,705	\$10,655,112	\$10,751,372	\$13,098,345

Section II-Allowable Operating Profit

11. Operating Ratio	97.3%	98.2%	103.6%	92.0%	92.0%
12. Allowable Operating Profit	\$245,196	\$179,075	(\$366,502)	\$934,902	\$1,138,986

Section III-Pass Through Costs

13. Tipping Fees	\$2,754,458	\$2,924,849	\$3,012,594	\$4,730,341	\$2,978,173
14. Franchise Fees	\$1,482,198	\$1,629,121	\$1,652,070	\$1,454,123	\$1,497,747
15. AB939 Fees	\$0	\$0	\$0	\$0	\$0
16. Payments to Affiliated Companies*	\$281,020	\$337,664	\$377,981	\$438,302	\$477,779
17. Total Pass Through Costs	\$4,517,676	\$4,891,634	\$5,042,645	\$6,622,767	\$4,953,699

* Affiliate Payments include interest, lease payments, and transportation

Section III-Pass Through Costs

18. Revenue Requirement	\$13,542,273	\$14,800,414	\$15,331,255	\$18,309,041	\$19,191,030
19. Total Revenue Offsets (from Page 3)	\$13,542,273	\$14,800,414	\$15,331,255	\$15,260,678	\$15,413,625

Section III-Pass Through Costs

20. Net Shortfall (Surplus)	\$3,048,363
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21. Total Residential and Non-residential Revenue without increase in Base Year (pg.5, line 76)		Oceano	Nipomo
	\$15,260,678	\$15,260,678	\$15,260,678
22. Percent Change in Residential and Non-residential Revenue Requirement	19.98%	19.98%	19.14%
23. Franchise Fee Adjustment Factor (1 - 6 percent)	90.000%	95.000%	90.000%
	22.19%	21.03%	21.27%
Limitation due to cumulative increases			
24. Percent Change in Existing Rates	22.19%	21.03%	21.27%

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Revenue Offset Summary

		Section VII - Revenue Offsets				
		Historical		Current	Projected	
					Base Year	
		2019	2020	2021	2022	2023
Residential Revenue (without increase in Base Yr.)						
28.	Single Family Residential	\$7,924,043	\$8,627,550	\$8,780,617	\$8,769,933	\$8,857,632
	Multiunit Residential Dumpster					
29.	Number of Accounts					
30.	Revenues					
31.	Less Allowance for Uncollectible Resi Accounts	\$0	\$0	\$0	\$0	\$0
32.	Total Residential Revenue	\$7,924,043	\$8,627,550	\$8,780,617	\$8,769,933	\$8,857,632
Non-residential Revenue (without increase in Base Yr.)						
Account Type						
Non-residential Can						
33.	Number of Accounts			11	11	12
34.	Revenues			\$5,513	\$5,568	\$5,624
Non-residential Wastewheeler						
35.	Number of Accounts			503	508	513
36.	Revenues			\$544,220	\$549,662	\$555,159
Non-residential Dumpster						
37.	Number of Accounts			1,576	1,592	1,608
38.	Revenues	\$5,613,237	\$6,171,381	\$5,983,795	\$5,917,531	\$5,976,706
39.	Less: Allowance for Uncollectible Non-resid	\$0	\$0	\$0	\$0	\$0
40.	Total Non-residential Revenue	\$5,613,237	\$6,171,381	\$6,533,528	\$6,472,761	\$6,537,488
45.	Interest on Investments	\$0	\$0	\$0	\$0	\$0
46.	Other Income	\$4,993	\$1,483	\$17,111	\$17,984	\$18,505
47.	Total Revenue Offsets	\$13,542,273	\$14,800,414	\$15,331,255	\$15,260,678	\$15,413,625

Fiscal Year: 1-1-2022 to 12-31-2022

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South County Sanitary Service

2022 Base Year Rate Adjustment Application

Cost Summary for Base Year

Description of Cost	BASE YEAR				
	2019	2020	2021	2022	2023
Labor	\$3,020,612	\$3,353,557	\$3,377,752	\$3,642,382	\$3,751,654
Payroll Taxes	\$237,602	\$260,583	\$260,466	\$280,299	\$288,708
48. Total Direct Labor	\$3,258,214	\$3,614,140	\$3,638,218	\$3,922,681	\$4,040,361
49. Corporate Overhead	\$370,263	\$387,844	\$460,472	\$484,877	\$499,423
Less limitation (enter as negative)	(\$19,920)	(\$31,545)	(\$101,323)	(\$106,693)	(\$109,894)
Total Corporate Overhead	\$350,343	\$356,299	\$359,149	\$378,184	\$389,529
Office Salaries	\$642,368	\$722,755	\$701,402	\$773,471	\$795,199
Payroll Taxes - Office	\$46,420	\$45,951	\$56,910	\$62,265	\$64,133
50. Total Office Salaries	\$688,788	\$768,706	\$758,312	\$835,736	\$859,332
Bad Debt	\$12,541	\$12,182	\$15,064	\$15,064	\$15,064
Allocated expenses	\$0	\$0	\$0	\$0	\$0
Bonds expense	\$6,877	\$5,221	\$5,153	\$5,426	\$5,589
Depreciation	\$406,756	\$535,997	\$1,129,264	\$1,534,705	\$1,827,206
Drive Cam fees	\$21,242	\$19,353	\$20,599	\$21,690	\$22,341
Dues and Subscriptions	\$20,483	\$5,793	\$19,974	\$21,033	\$21,664
Facilities	\$59,584	\$43,035	\$29,218	\$30,766	\$31,689
Gas and oil	\$914,400	\$821,425	\$947,541	\$952,847	\$980,712
Insurance	\$860,855	\$1,062,848	\$1,225,897	\$1,361,460	\$1,402,304
Laundry (Uniforms)	\$33,527	\$29,461	\$29,837	\$31,418	\$32,361
Legal and Accounting	\$43,392	\$46,291	\$51,310	\$53,890	\$55,428
Miscellaneous and Other	\$7,943	\$5,614	\$5,144	\$5,416	\$5,579
Office Expense	\$211,414	\$229,923	\$254,048	\$268,409	\$276,461
Operating Supplies	\$59,319	\$83,727	\$73,903	\$77,820	\$80,155
Other Taxes	\$37,649	\$40,287	\$39,285	\$41,236	\$42,399
Outside Services	\$1,128,991	\$1,244,791	\$1,231,253	\$328,750	\$2,120,266
Public Relations and Promotion	\$5,119	\$8,013	\$7,639	\$7,654	\$7,663
Postage	\$21,635	\$8,711	\$12,894	\$13,578	\$13,985
Permits	\$60,344	\$67,486	\$92,393	\$97,290	\$100,208
Relocation	\$18,530	\$30,701	\$22,040	\$22,040	\$22,040
Rent	\$3,000	\$2,250	\$11,023	\$12,497	\$12,872
Telephone	\$13,294	\$36,444	\$36,121	\$38,035	\$39,176
Tires	\$100,399	\$127,834	\$144,039	\$151,673	\$156,223
Travel	\$27,991	\$8,712	\$12,431	\$13,091	\$13,483
Truck Repairs	\$389,414	\$492,848	\$464,015	\$488,608	\$503,266
Utilities	\$17,357	\$21,613	\$19,349	\$20,375	\$20,986
51. Total Other Gen/Admin Costs	\$4,482,056	\$4,990,560	\$5,899,433	\$5,614,771	\$7,809,122
52. Total Tipping Fees	\$2,754,458	\$2,924,849	\$3,012,594	\$4,730,341	\$2,978,173
53. Total Franchise Fee	1,482,198.00	\$1,629,121	\$1,652,070	\$1,454,123	1,497,747.16
54. Total AB 939/Regulatory Fees	\$0	\$0	\$0	\$0	\$0
55. Total Lease Pmt to Affil Co.'s	\$142,332	\$170,111	\$172,663	\$181,814	\$187,268
55a. Interest Expense (to affiliate)	\$87,922	\$133,282	\$162,043	\$213,214	\$247,236
55b. Total Transportation to Affil Co.'s	\$50,766	\$34,271	\$43,275	\$43,275	\$43,275
56. Total Cost	\$13,297,077	\$14,621,339	\$15,697,757	\$17,374,139	\$18,052,043

2022 Base Year Rate Adjustment Application

Base Year Revenue Offset Summary

For Information Purposes Only

Description of Revenue	Section VII-Revenue Offsets						
	Overall	Franchise	Refuse Collection				Non-franchise
	Total	Total	Arroyo	Pismo	Grover	Unincorporated	Total
<i>Residential Revenue (without increase in Base Year)</i>							
57. Single Family Residential	\$8,769,933	\$8,769,933	\$1,826,861	\$1,185,972	\$1,173,008	\$4,584,092	
<i>Multifamily Residential Dumpster</i>							
58. Number of Accounts	0	0					
59. Revenues	\$0	\$0					
60. Less Allowance for Uncollectable	\$0	\$0					
61. Total Residential Revenue	\$8,769,933	\$8,769,933	\$1,826,861	\$1,185,972	\$1,173,008	\$4,584,092	\$0
<i>Non-residential Revenue (without increase in Base Year)</i>							
Account Type							
<i>Non-residential Can</i>							
62. Number of Accounts	11	11	5	1	4	2	
63. Revenues	\$5,568	\$5,568	\$1,416	\$280	\$1,033	\$2,840	
<i>Non-residential Wastewheeler</i>							
64. Number of Accounts	503	503	139	136	98	131	
65. Revenues	\$549,662	\$549,662	149,429	195,948	84,569	119,716	
<i>Non-residential Dumpster</i>							
66. Number of Accounts	1,576	1,576	402	229	321	625	0
67. Revenues	\$5,917,531	\$5,917,531	\$1,577,642	\$1,333,364	\$828,238	\$2,178,286	
68. Less: Allowance for Uncollectable Non-residential Accounts	\$0	\$0					
69. Total Non-residential Revenue	\$6,472,761	\$6,472,761	\$1,728,486	\$1,529,592	\$913,840	\$2,300,842	\$0
74. Interest on Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75. Other Income	\$17,984	\$0	\$0	\$0	\$0	\$0	\$17,984
76. Total Revenue Offsets	\$15,260,678	\$15,242,694	\$3,555,347	\$2,715,564	\$2,086,848	\$6,884,935	\$17,984

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Operating Information

Historical				Current		Projected		
	Percent		Percent		Percent	Base Year	Percent	
2019	Change	2020	Change	2021	Change	2022	Change	2023

Section IX-Operating Data

*Residential**Accounts*

77.	Arroyo Grande	5,827	1.1%	5,890	0.6%	5,924	1.0%	5,983	1.0%	6,043
	Grover Beach	4,216	0.4%	4,233	0.4%	4,249	1.0%	4,291	1.0%	4,334
	Pismo Beach	3,816	0.1%	3,819	0.2%	3,828	1.0%	3,866	1.0%	3,905
	Oceano CSD	1,863	0.4%	1,870	1.6%	1,899	1.0%	1,918	1.0%	1,937
	Nipomo CSD	4,066	0.8%	4,097	0.9%	4,135	1.0%	4,176	1.0%	4,218
	County	6,881	2.2%	7,034	1.4%	7,130	1.0%	7,201	1.0%	7,273
		26,669	1.0%	26,943	0.8%	27,165	1.0%	27,437	1.0%	27,711
78.	Routes-Garbage	7	26.5%	9	-13.9%	8	0.0%	8	0.0%	8
79.	Routes-Recycling	6	26.5%	8	-13.9%	7	0.0%	7	0.0%	7
80.	Direct Labor Hours	28,522	26.5%	36,082	-13.9%	31,059	0.0%	31,059	0.0%	31,059

*Non-residential Garbage**Accounts*

80.	Arroyo Grande	490	0.2%	491	0.6%	494	1.0%	499	1.0%	504
	Grover Beach	438	0.7%	441	0.5%	443	1.0%	447	1.0%	452
	Pismo Beach	386	1.8%	393	-0.5%	391	1.0%	395	1.0%	399
	Oceano CSD	190	0.5%	191	0.5%	192	1.0%	194	1.0%	196
	Nipomo CSD	214	-2.3%	209	0.0%	209	1.0%	211	1.0%	213
	County	508	-5.9%	478	2.5%	490	1.0%	495	1.0%	500
		2,226	-1.0%	2,203	0.7%	2,219	1.0%	2,241	1.0%	2,264
81.	Routes-garbage	8	26.5%	10	-13.9%	8	0.0%	8	0.0%	8
	Routes-recycling	3	26.5%	4	-13.9%	4	0.0%	4	0.0%	4
82.	Direct Labor Hours	22,871	26.5%	28,933	-13.9%	24,905	0.0%	24,905	0.0%	24,905

*Recyclable Materials - All areas-Commingled Recycling (in tons)**Accounts*

83.	Tons Collected	13,275	-4.0%	12,740	3.0%	13,123	3.0%	13,516	1.0%	13,651
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Recyclable Materials - All areas-Greenwaste Recycling

	Routes	5	26.5%	7	-13.9%	6	0.0%	6	0.0%	6
	Tons Collected	13,631	-0.9%	13,511	3.0%	13,916	3.0%	14,334	1.0%	14,477
	Direct Labor Hours	10,934	26.5%	13,833	-13.9%	11,907	0.0%	11,907	0.0%	11,907

	Garbage Tons Collected	43,020	-3.5%	41,507	3.0%	42,752	3.0%	44,034	1.0%	44,475
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South County Sanitary Service
SOLID WASTE RATE REVIEW

For the Communities of

Arroyo Grande
Grover Beach
Oceano
Pismo Beach

March 2022



William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

**South County Sanitary Service
Solid Waste Rate Review
March 2022**

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APPENDIX

- A. Base Year Rate Request Application from South County Sanitary Service
- B. HZI Greenwaste Digester Cost Analysis

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Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

South County Sanitary Service **SOLID WASTE RATE REVIEW** *For the Communities of Arroyo Grande, Grover Beach, Oceano and Pismo Beach*

REPORT PURPOSE

On October 20, 2021, South County Sanitary Service (SCSS) submitted a *Base Year* rate increase application to be effective January 1, 2022 to the Cities of Arroyo Grande, Grover Beach and Pismo Beach and the Oceano Community Services District (CSD). However, due to complexity, concerns with pending rate increases by the Integrated Waste Management Authority (IWMA) and significant subsequent reviews and information exchanges, a revised application was submitted on February 18, 2022.

The final application is the focus of this report in reviewing the SCSS rate increase request in accordance with adopted Franchise Agreement provisions regarding rate increase applications and to make rate recommendations to these four agencies as appropriate.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

In its final application, SCSS is requesting a rate increase of 22.19% in the cities of Cities of Arroyo Grande, Grover Beach and Pismo Beach; and 21.03% for the Oceano CSD (the difference is due to a 5% franchise fee rate in the Oceano CSD versus 10% in the other agencies). This compares with an initial rate request of 24.65% for three agencies (and 23.35% in the Oceano CSD). As discussed in greater detail below, all of the concerns that surfaced in the iterations and further analysis that followed in addressing issues with proposed costs for 2022 have been resolved.

There are two key differences between the initial and revised application:

Joint Agency Review

SCSS provides similar services to each of these agencies under formally approved franchise agreements that regulate rates and establish procedures for considering rate increases.

Because the financial information for SCSS is closely related for these four agencies, this report jointly reviews rate requests and provides recommendations for each of them.

Solid Waste Rate Review

- Greenwaste processing costs have been reclassified as “pass-through” costs: while costs may be recovered, no profit is allowed on them.
- IWMA fees have been excluded from the fee analysis. These are approved by a separate agency and will be charged separately on customer bills.

Key cost drivers in this review include the following, which account for almost 90% of the cost increases since 2020 (last audited financial statements):

2022 Cost Increase from 2020			
	Amount	% of Total	Rate Impact*
Depreciation	998,708	36%	8.05%
Greenwaste	956,783	35%	7.71%
Insurance	298,612	11%	2.41%
Gas and Oil	131,422	5%	1.06%
Total Key Drivers	2,385,525	87%	19.23%
Other Costs	367,275	13%	2.96%
Total	\$2,752,800	100%	22.19%

Findings

- **Complete Application.** With its revised application, SCSS has fully provided the supporting documentation required for rate requests under the Franchise Agreements in Arroyo Grande, Oceano, Pismo Beach and Grover Beach. The revised application (Appendix A) has been correctly prepared.
- **High Level of Service at a Reasonable Cost.** SCSS provides a broad level of high-quality services to these four agencies—including garbage, recycling and green waste collection and disposal as well as hauler-provided “waste wheeler” containers for all three services—at very competitive rates compared with many other communities. In fact, even with the recommended rate increase, rates in these four agencies will be among the lowest of those surveyed. In short, South County communities have the best of both worlds: high quality services at a low cost (compared with other communities).
- **“Trigger Option.”** As discussed in greater detail below, the rate increase exceeds the cost of living threshold that “triggers” the option of terminating the Franchise Agreements within nine months after rate approval.
- **Need for Updated Rate-Setting Methodology.** The rate-setting process is based on the City of San Luis Obispo’s *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates* (Rate Manual) adopted in 1994. In short, with very minor modifications, this approach has been in place for almost 30 years. Because of several complex issues that surfaced in the 2019 rate review that had not been encountered in the past in using this rate-setting methodology (most notably corporate overhead, greenwaste and materials recovery facility (MRF) costs as well as rate structure concerns), I recommended updating the Rate Manual before the next *Base Year* review. This has not occurred, and accordingly, this review is based on the current methodology.

Solid Waste Rate Review

However, the need for an update is even greater now: along with the 2019 concerns, new issues have surfaced in this review. As discussed in greater detail below, these include depreciation amortization period, interim rate reviews, cost allocation methodologies, accounting for disposal costs, timeframe for submitting and reviewing applications and trigger option.

- **Delayed Rate Implementation.** In the past, there has been no consideration of delayed rate implementation. However, the Rate Manual does provide for this if there is a delay of more than 120 days after application if it is “no fault of the franchise hauler.” Given the initial October 20, 2021 submittal date, this would indicate rate approval by March 1. However, there are three factors that mitigate this 120-day period:
 1. When the 120-day period was set, the understanding at the time was that Proposition 218 45-day notice and protest requirements did not apply to approval of private company solid waste rates. However, since then many agencies have determined that these provisions are applicable to approval of rates by companies like SCSS. This alone conceptually adds 45 days to the review process.
 2. Review was delayed pending consideration of rate increases by the IWMA and their possible impact on SCSS rates. These new rates were not adopted by the IWMA until March 9, 2022. Moreover, it was subsequently determined that since these rates are set by the IWMA – and not the franchising agencies – that they did not affect agency rate-setting. (As noted above, this resulted in a revised application from SCSS on February 18, 2022).
 3. While SCSS has been very responsive in following-up on requests for supporting data, the scope and complexity of the 2022 application has been significantly greater, and subsequently taken longer, than envisioned in the Rate Manual.

About Proposition 218 Notices

Not all agencies prepare and issue “Proposition 218” notices for private sector solid waste rate increases. However, for those that do, the notice sets the maximum amount that rates can be increased at the public hearing: rates can be approved at lesser amounts without re-noticing. However, agencies cannot adopt higher rates – even if they only apply to a few customers – without another 45-day re-noticing. As such, it is recommended that the notices reflect the rates requested by SCSS.

In accounting for these factors, I recommend that delayed rate implementation apply for any rates with a May 1, 2022 effective date. In short, while these delays were “no fault” of SCSS, they were not the fault of the agencies, either. That said, SCSS believes the delayed rate implementation start period should be March 1, 2022.

Where delayed rate implementation is applicable, the following temporary rate increases would be required depending on whether the delayed rate implementation start period is March 1 or May 1. (Note: The added rate increase goes up for each month of delay to be recovered while the amortization period is shortened.) Under either start date, rates would be reset in January 2023 to the “core rate” for the Interim Year adjustment.

Solid Waste Rate Review

*Temporary Delayed Implementation Rate Increase**

Effective Date	Start Period			
	Oceano CSD		Other Agencies	
	March 1	May 1	March 1	May 1
May 1	5.26%	0.00%	5.55%	0.00%
June 1	9.01%	2.63%	9.51%	3.17%
July 1	14.02%	7.01%	14.80%	7.40%
August 1	21.03%	12.62%	22.19%	13.32%
September 1	31.55%	21.03%	33.29%	22.19%

* Ends December 31, 2022

It should be noted that while the report recommends a May 1 start date for delayed rate implementation, a reasonable case could be made for an even later start date (such as June 1 or July 1) based on the mitigation factors discussed above.

Lastly, several of these review timeframe factors are not unique to the 2022 review. Accordingly, the application submittal and review schedule should be considered in the Rate Manual update.

Rate Recommendations

It is recommended that cities of Arroyo Grande, Grover Beach and Pismo Beach adopt rate increases of 22.19%; and 21.03% in the Oceano CSD.

As discussed below, this rate increase significantly exceeds the cost of living threshold that triggers the option of terminating the Franchise Agreements within nine months after rate approval. However, it is important to note that this “trigger” calculation does not limit the allowable rate increase that SCSS may request (or limit the amount that agencies may approve) under the methodology set forth in the Franchise Agreements.

Cost of Living “Trigger” Option. Along with establishing the rate review methodology, Section 8.3 of the Franchise Agreements provides that if the rate increase request compared with the rate in effect at the date of the agreement exceeds the cumulative cost of living increase from that same date, each agency has the *option* of terminating the agreement at any time within nine months following approval of the requested rate increase (assuming it was submitted in accordance with the rate-setting methodology).

This provision was subsequently amended in 2016 allowing for an added increase based on landfill rate increases (“weighted” for their proportion of total costs). It is important to note that other than a waiver for greenwaste cost increases in 2011, no other adjustments (including other pass-through costs) are allowed under the Franchise Agreements. As detailed later in this report, the calculated threshold limit is significantly less than the proposed rate increase.

Solid Waste Rate Review

Rate Summary for Single Family Residential Customers

Table 1 summarizes the proposed monthly rates for single family residential (SFR) customers. As reflected in this summary, given the significant cost drivers facing SCSS, the increases will be modest under the proposed rate increase. For example, for collection of a 32-gallon garbage container (the most common SFR service level) as well as separate waste wheelers for recycling and green waste, the proposed monthly rate will increase by about \$3.80 on average for the four agencies.

BACKGROUND

On October 20, 2021, SCSS submitted a *Base Year* rate increase to be effective January 1, 2022. As noted above, due to several complex issues, a revised application was submitted on February 18, 2022. This application was prepared in accordance with the rate review process and methodology formally set forth in its Franchise Agreements with Arroyo Grande, Grover Beach, Oceano and Pismo Beach.

In establishing a rate-setting process and methodology, each of these Franchise Agreements specifically reference the City of San Luis Obispo's *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates*. This comprehensive approach to rate reviews was adopted by San Luis Obispo in 1994 and establishes detailed procedures for requesting rate increases and the required supporting documentation to do so. It also sets cost accounting standards and allowable operating profit ratios.

As noted above, the financial information for Arroyo Grande, Grover Beach, Oceano and Pismo Beach is closely related. For this reason, these four agencies jointly contracted with William C. Statler (who has extensive experience in evaluating rate requests in accordance with the adopted methodology) on October 6, 2022 to evaluate SCSS's rate increase application.

This is the seventh *Base Year* analysis performed under this rate-setting methodology. The first was prepared in September 2001; second in August 2004; the third in August 2007; the fourth in December 2012; September 2015; and the last one in April 2019. As discussed below, several *Interim Year* rate reviews have prepared since then.

Table 1. Single Family Residential Rates

	Container Size (Gallons)		
	32	64	96
Current			
Arroyo Grande	\$19.46	\$25.29	\$31.13
Grover Beach	17.65	23.85	30.03
Oceano	14.98	21.56	42.19
Pismo Beach	17.31	34.63	51.94
Proposed			
Arroyo Grande	23.78	30.90	38.04
Grover Beach	21.57	29.14	36.69
Oceano	18.13	26.09	51.06
Pismo Beach	21.15	42.32	63.47
Increase: Proposed Rates			
Arroyo Grande	4.32	5.61	6.91
Grover Beach	3.92	5.29	6.66
Oceano	3.15	4.53	8.87
Pismo Beach	3.84	7.69	11.53

Solid Waste Rate Review

Franchise Agreement Summary

Historically, each agency has had its own approach to determining service levels and adopted differing Franchise Agreements accordingly. While these became similar beginning in 1999, in 2008 the Cities of Arroyo Grande, Grover

Beach and Pismo Beach adopted renewed franchise agreements, followed by the Oceano Community Service District in Summer 2010, which are the same in all key provisions:

Table 2. Franchise Agreement Effective Dates

Agency	Agreement	Amendments
Arroyo Grande	June 10, 2008	March 22, 2016 July 26, 2016
Grover Beach	July 7, 2008	June 20, 2016
Oceano	July 14, 2010	July 29, 2016
Pismo Beach	June 3, 2008	August 3, 2016

- Each agency contracts with SCSS for garbage, green/food waste and recycling; and SCSS provides the container (waste wheelers) for each service.
- As noted above, each agency has adopted the same rate-setting methodology, including the *option* of terminating the agreement within nine months following approval of the requested rate increase if it exceeds the cost of living threshold.
- Arroyo Grande, Grover Beach and Pismo Beach have adopted franchise fees of 10%; the Oceano CSD reduced its rate to 5% in February 2020.

Each of these agreements were similarly amended in 2016 to:

- Extend the term of the agreement for 20 years in recognizing the amortization of extensive investments in food and green waste processing.
- Revise the cost of living threshold “trigger” to include prorated landfill cost increases.

RATE REVIEW WORKSCOPE

This report addresses four basic questions:

- Should SCSS be granted a rate increase? And if so, how much?
- How much does it cost to provide required service levels?
- Are these costs reasonable?
- And if so, what is a reasonable level of return on these costs?

The following documents were closely reviewed in answering these questions:

- Franchise Agreements and any Amendments for each agency
- Independently audited financial statements for SCSS for 2019 and 2020.
- City of San Luis Obispo’s *Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates (Rate Manual)*
- SCSS rate increase application and supporting documentation
- Follow-up interviews, correspondence and briefings with agency and SCSS staff
- Rate surveys of Central Coast communities

Solid Waste Rate Review

REVENUE AND RATE SETTING OBJECTIVES

In considering SCSS's rate increase request, it is important to note the revenue and rate setting objectives for solid waste services as set forth in the Franchise Agreements via the Rate Manual.

Revenues. These should be set at levels that:

- Are fair to customers and the hauler.
- Are justifiable and supportable.
- Ensure revenue adequacy.
- Provide for ongoing review and rate stability.
- Are clear and straightforward for the agency and hauler to administer.

Rate Structure. Almost any rate structure can meet the revenue principles outlined above and generate the same amount of total revenue. Moreover, almost all rate structures will result in similar costs for the *average* customer: what different rate structures tell us is how costs will be distributed among *non-average* customers. The following summarizes adopted *rate structure* principles for solid waste services:

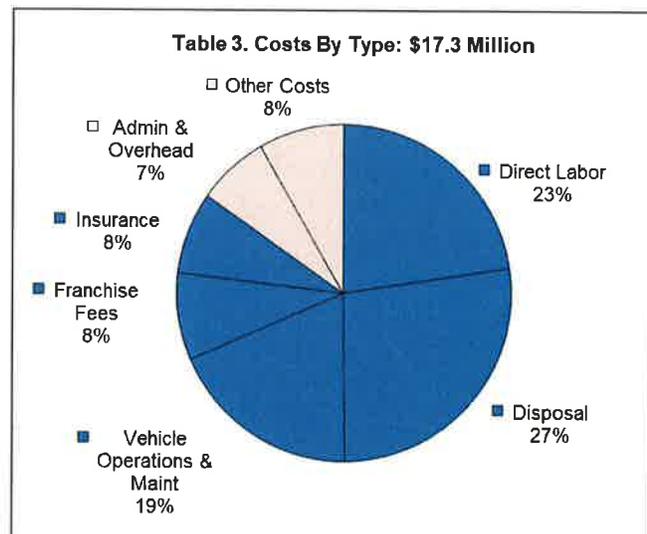
- Promote source reduction, maximum diversion and recycling.
- Provide equity and fairness within classes of customers (similar customers should be treated similarly).
- Be environmentally sound.
- Be easy for customers to understand.

FINANCIAL OVERVIEW

While detailed financial and service information is provided in the SCSS rate request application (Appendix A), the following summarizes costs, revenues and account information based its proposal for 2022 for all areas serviced by SCSS.

Costs by Type. Total proposed costs for 2022 (after deducting for non-allowable and limited costs as discussed later in this report) are 17.3 million. As reflected in Table 3, five cost areas accounted for 85% of total costs:

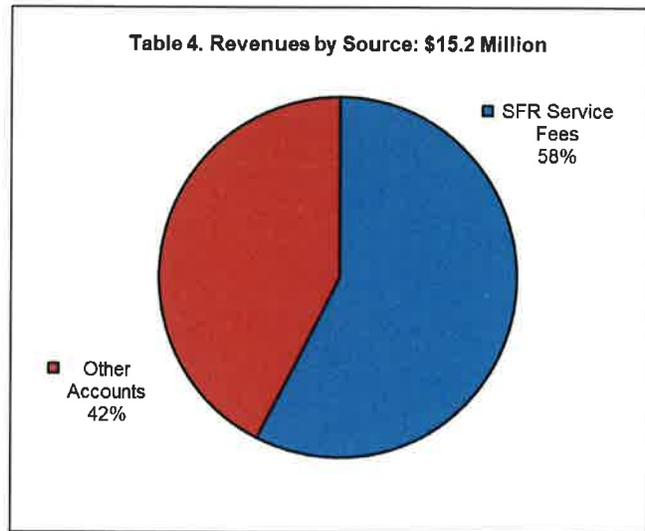
- Direct labor for collection: 23%
- Disposal: landfill, recycling and greenwaste: 27%
- Vehicle operations and maintenance (including depreciation): 19%
- Franchise fees: 8%
- Insurance: 8%



Solid Waste Rate Review

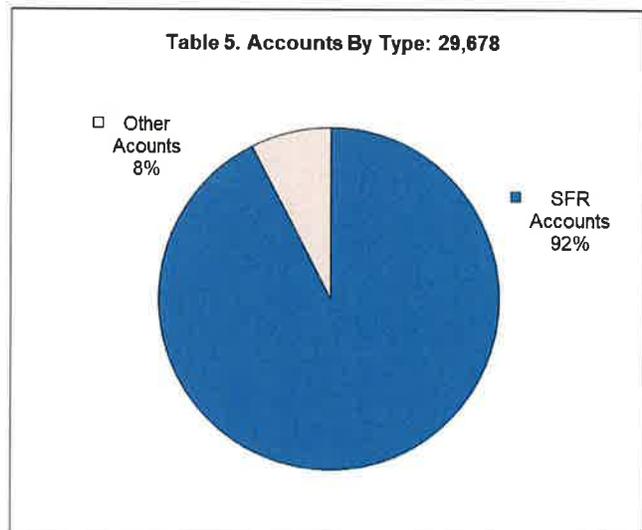
Revenues by Source. Total revenues (without proposed rate increases) are \$15.2 million. As reflected in Table 4, 58% of SCSS’s revenues come from single-family residential (SFR) accounts. Services to multi-family residential and non-residential customers account for 42% of their revenues, with less than 1% from other revenues.

This significant gap between revenues and expenses (plus allowable profit) drives the proposed rate increase.



Service Accounts by Type. While single-family residences account for 58% of revenues, they represent 92% of total accounts (Table 5).

This reflects the fact that per account, multi-family and non-residential customers generate more solid waste than single-family residential customers (and thus more revenue per account).



RATE-SETTING PROCESS

Under the Rate Manual, the rate-setting process follows a three-year cycle:

- **Base Year.** The first year of the cycle—the *Base Year*—requires a comprehensive, detailed analysis of revenues, expenses and operating data. This information is evaluated in the context of agreed upon factors in the franchise agreements in determining fair and reasonable rates. As noted above, the last *Base Year* analysis for SCSS under this approach was prepared in April 2019.
- **Two Interim Years.** In both the second and third years, SCSS is eligible for *Interim Year* rate adjustments that address three key change factors: changes in the consumer price index (CPI-U) for “controllable” operating costs; changes in “pass-through costs” (primarily landfill tipping fees, which SCSS does not control: they are set by the County Board of Supervisors); and an adjustment to cover increased franchise fees.

The first two adjustment factors are “weighted” by the proportionate share that these costs

Solid Waste Rate Review

represent of total costs (excluding franchise fees). For example, in the current *Base Year* analysis for recommended 2019 rates, controllable costs account for about 75% of total costs, with landfill disposal costs accounting for about 25%.

The rate review for the two *Interim Years* requires less information and preparation time than the *Base Year* review, while still providing fair and reasonable rate adjustments.

Rate Increase History

The following summarizes the SCSS rate review history beginning with 2005 (last eighteen years) based on the year of the application (which is typically the implementation year).

Proposed Interim Year Rates

Consistent with past practice, SCSS has proposed an interim year approach that is slightly different from the Rate Manual methodology. In the interest of a more straightforward, streamlined process, SCSS proposes simply adjusting rates by changes in the CPI-U in 2023 and 2024. As noted in the past, the concept is consistent with the Rate Manual approach, but is simpler and allows for multi-year rate setting. Accordingly, it is recommended that four agencies continue using this approach.

Given the that interim review methodology set forth in the Rate Manual has not been used for several years, this is another area the update should consider.

Table 6. SFR Rate History: 2005 to 2022 (Last 18 Years)

Year	Review Type	Arroyo Grande	Grover Beach	Oceano	Pismo Beach (1)
2005	Base Year	5.60%	5.60%	5.60%	5.30%
2006	Interim Year	3.09%	3.09%	3.09%	2.95%
2007	Interim Year	3.76%	3.76%	3.76%	3.60%
2008	Base Year	3.00%	3.00%	3.00%	2.90%
2009	Interim Year	0.00%	0.00%	0.00%	0.00%
2010	Interim Year (2)	0.00%	0.00%	0.00%	0.00%
2011	Interim Year	0.00%	0.00%	0.00%	0.00%
2012	Interim Year (2)	5.15%	5.15%	5.15%	5.15%
2013	Base Year	3.20%	3.20%	3.20%	3.20%
2014	Interim Year	2.05%	2.05%	2.05%	2.05%
2015	Interim Year	0.00%	0.00%	0.00%	0.00%
2016	Base Year	3.25%	3.25%	3.25%	3.25%
2017	Interim Year	1.10%	1.10%	1.10%	1.10%
2018	Interim Year	1.60%	1.60%	1.60%	1.60%
2019	Base Year	10.06%	10.06%	10.06%	10.06%
2020	Interim Year	1.70%	1.70%	1.70%	1.70%
2020	Franchise Fee Rdctn (3)			-5.00%	
2021	Interim Year	0.70%	0.70%	0.70%	0.70%
2022	Base Year (4)	22.19%	22.19%	21.03%	22.19%

1. From 2004 to 2011, the franchise fee rate in Pismo Beach was 6% compared with 10% in the other three agencies, and as such, its rate increase was slightly less. In July 2011, Pismo Beach adopted a

Solid Waste Rate Review

10% franchise fee, bringing it in alignment with the other three agencies (as well as most other agencies in San Luis Obispo County). In implementing the 10% rate in 2011, Pismo Beach adopted an added 3.9% increase beyond the interim year rate increase of 5.15% requested by SCSS.

- 2. SCSS did not request a rate increase in 2010 (which would have been the "normal" cycle to do so), and accordingly, did not submit a Base Year rate application. However, SCSS did submit a rate request in 2011 using an Interim Year methodology. The reasonableness of using the resulting "hybrid" approach was discussed in detail in the 2011 Interim Year report, which concluded that this approach was reasonable given the circumstances.*
- 3. In February 2020, the Oceano CSD reduced its franchise fee from 10% to 5%, reducing rates by 5%.*
- 4. Proposed rate increase.*
- 5. As noted above, this chart reflects SFR rate increases. SCSS began charging for commercial recycle containers. These rates were set at 50% of the garbage rates at that time.*

Assuming the proposed rate increases are approved, this will result in an average annual rate increase of 3.6% over the last eighteen years. While there have been notable peaks in 2019 and 2022, largely due to regulatory and external market changes for recyclables, this reflects a high level of rate stability and price containment for SCSS customers.

RATE SETTING METHODOLOGY

Are the Costs Reasonable?

The first step in the rate review process is to determine if costs are reasonable. There are three analytical techniques that can be used in assessing this:

- Detailed review of costs and service responsibilities over time.
- Evaluation of external cost factors, such as general increases in the cost of living (as measured by the consumer price index).
- Comparisons of rates with other communities.

Each of these was considered in preparing this report, summarized as follows.

Detailed Cost Review

In its rate application (Appendix A), SCSS provides detailed financial data for five years:

- Audited results for the two prior years (2019 and 2020).
- Estimated results for 2021.
- Projected costs for the Base Year (2022).
- Estimated costs for the following year (2023).

Solid Waste Rate Review

Additionally, for virtually all line items, SCSS provided supplemental detail upon request to support cost increases from 2020 to 2022.

Table 7 below provides actual costs for 2020 (most recent audit results) compared with requested and recommended cost projections for 2022. While there are significant cost increases in several categories, they are reasonable given the cost drivers facing SCSS.

The Short Story. The key drivers behind the proposed rate increases for 2022 can be summarized by four cost factors over the past two years:

- Truck depreciation.
- Food and green waste recycling.
- Insurance
- Gas and oil

All other cost increases including labor, ongoing maintenance, disposal costs at the landfill and MRF, account for less than 3% of the rate increase.

Table 7. Detail Cost Review: 2020 Compared with 2022

	2020	2022 Proposed	
	Actual	Amount	Change
Direct Labor	3,614,140	3,922,681	308,541
Administrative Costs			
Corporate Overhead	356,299	378,184	21,885
Office Salaries	768,706	835,736	67,030
Other Expenses			-
Depreciation	535,997	1,534,705	998,708
Gas and Oil	821,425	952,847	131,422
Insurance			
Medical	674,318	779,174	104,856
General Liability	388,530	582,286	193,756
Office Expense	229,923	268,409	38,486
Operating Supplies	83,727	77,820	(5,907)
Outside Services	270,687	211,251	(59,436)
Permits	67,486	97,290	29,804
Tires	127,834	151,673	23,839
Truck Repairs	642,080	606,106	(35,974)
Other Costs	323,681	353,209	29,528
Total Allowable Costs	8,904,833	10,751,371	1,846,538
Pass-Through Costs			
Disposal Costs			
Landfill	1,701,768	1,805,407	103,639
MRF	1,223,081	1,143,280	(79,801)
Greenwaste	824,872	1,781,655	956,783
Franchise Fees	1,629,121	1,454,123	(174,998)
Facility Rent, Related Party	170,111	181,814	11,703
Interest, Related Party	133,282	213,214	79,932
Transportation, Related Party	34,271	43,275	9,004
Total Pass-Through Costs	5,716,506	6,622,768	906,262
Total Costs	\$14,621,339	\$17,374,139	\$2,752,800

Solid Waste Rate Review

These costs are organized by costs where SCSS is allowed a profit (“Allowable”) and those where it can recover the cost but not earn a profit on them (“Pass-Through”).

The following describes the basis for each for the significant changes.

Allowable Costs

- **Direct Labor.** This reflects a two-year increase of 8.5%, or about 4.2% per year. Given the tight labor market and current increases in CPI, this increase for retention and attraction is reasonable.
- **Office Salaries.** This also reflect annual increases of about 4% per year. Again, given the tight labor market and current increases in CPI, this increase for retention and attraction is reasonable.
- **Depreciation.** The 2019 *Base Year* report noted that as fully depreciated trucks were replaced, significant continuing higher depreciation costs were expected in the future due to two factors: annual depreciation costs on fully depreciated trucks would go from zero to about \$60,000 each; and the cost basis for new trucks would be significantly higher than in the past. Given replacements during 2021 and those proposed in 2022, the increased cost is reasonable. Combined with a possible change in amortization schedule as noted in the sidebar, planned replacements should result in stabilized costs in the future.

Truck Amortization
The Rate Manual calls for depreciating trucks over seven years. While this made sense in 1994, manufacturing improvements since then have resulted in longer lives, with ten years becoming the industry standard. As noted above, this change should be considered as part of the Rate Manual update.

- **Gas and Oil.** These costs are projected to increase by about 7.5% annually. Given the volatility (both up and down) of diesel and CNG costs (especially recent cost spikes), this is a reasonable assumption for 2022 costs.
- **Insurance: Health Care and Liability.** These costs are projected to increase significantly by about 12.5% annually (7.5% for health care and 22.5% for liability insurance). Given increases in health care costs and current liability insurance market, these are reasonable assumptions for 2022 costs.
- **All Other Allowable Costs.** While there are ups and downs in the other individual line items, in total these reflect modest annual increases of about 2%.

Pass-Through Costs

- **Disposal Costs: Landfill.** No rate increases are reflected in the rate application (\$41.00 per ton). The modest two-year increase reflects increased tonnage.

Solid Waste Rate Review

- **Disposal Costs: Recycling (Related Party).** This cost category reflects a decrease in the tonnage rate from \$96.00 to \$84.59.
- **Disposal Costs: Greenwaste.** After depreciation, this is the largest cost increase from 2020. These costs are incurred under an on-site agreement with HZI and reflect costs to build (via depreciation), operate and maintain the anaerobic digestion plant. The purpose of this plant is to process local food and greenwaste in meeting California regulation SB 1383. Key drivers include higher costs than initially projected for construction; ongoing operations and maintenance due to feedstock challenges; and local outbound material. The following further describes these challenges; and a cost summary is provided in Appendix B.

Construction and startup The construction of the anaerobic digester plan in San Luis Obispo was one of the first high solids digesters in the United States and the 99th overall renewable gas anaerobic plant built globally by HZI. The construction of the anaerobic digester in California posed unique challenges but was constructed safely and without any environmental incidents. Given the “first-of-the-kind” nature of the project in California, the actual cost to construct the anaerobic digestion plant exceeded the original budget originally set in 2014. The cost increases were mainly driven by labor availability, prevailing wage, civil and underground cost increases, and equipment and material escalations.

Operation and maintenance. The anaerobic digestion plant exceeds 95% availability (uptime) to process waste while producing renewable green electricity. To ensure the plant is reliably available to process local community waste, the operations and maintenance cost of the anaerobic digestion exceeds the original annual budget due to several factors:

1. The quantity of entrained inorganic material (such as sand and metal) entrained in the waste increases the wear and tear on the mechanical components of the plant, which inherently increases the number of staff required to operate and maintain the facility.
2. The lower than anticipated quantity of food was also increases the wear and tear on the equipment, which has mainly been driven need to continue to educate the community on organics recycling and the impacts of COVID on commercial businesses (most notably restaurants).
3. Plant labor costs have increased due to the requirements of processing the waste, maintaining the equipment, competitive labor market and inflationary costs in San Luis Obispo County and more broadly in California. Plant administrative costs such as insurance, legal and taxes continue to increase greater than was historically budgeted.

Local Benefits

It should be noted that that while costs have increased, HZI and SCSS believe there are substantial local benefits to the greenwaste operation, including:

- Powering over 600 homes with 6.2 million kWh per year of renewable electricity.
- Diverting 72 million pounds of organics from landfills per year
- Reducing greenhouse gas emissions by 5,300 metric tons per year.

Solid Waste Rate Review

In summary, key operation and maintenance cost increases reflect continual sand removal; increased equipment replacement and maintenance; increased labor hours and rates; and management of backend compost.

Depreciation. Plant depreciation expenses reflect the higher construction costs discussed above in addressing waste profile challenges such as sand and low food waste content.

Lower Natural Gas Production (Revenue). Due to the amount of inorganic material (like sand) and the lower than anticipated food waste content, the overall natural gas production is lower than planned. This directly limits the amount of overall natural gas production potential of the digester and ultimately electricity sales.

In the past, greenwaste contract costs have been considered “allowable” costs. However, as disposal costs, they are more like landfill and recycling costs, which are treated as “pass-through” costs that can be recovered but profit is not allowed on them. Accordingly, this is considered a pass-through cost in this rate review. However, this another area that should be reviewed as part of the rate manual update.

- **Franchise Fees.** This reflects the removal of IWMA fees from the cost base.
- **Interest (Related Party).** Interest is an allowable cost under the Rate Manual. In this case, interest costs are assessed internally by Waste Connections based on a methodology that takes into account its corporate costs of borrowing and financed assets. Accordingly, this is treated as a “pass-through” cost. SCSS’s auditors have previously provided a written opinion on the reasonableness of the cost methodology; and I have reviewed the calculations underlying the projected costs in accordance with this methodology. Given the increase in financed assets as reflected in depreciation costs, I believe the projected interest costs for 2022 are reasonable.

Trends in External Cost Drivers

The most common external “benchmark” for evaluating cost trends is the consumer price index. Over the past two calendar years (2020 and 2021), the U.S. CPI-U increased by 8.5% (about 4.2% annually). Excluding the cost drivers discussed above, all other costs over the past two years increased by 4.1% (about 2% annually).

Rates in Comparable Communities

Lastly, reasonableness of rates (and underlying costs) can also be evaluated by comparing rates with comparable communities. However, survey results between “comparable” communities need to be carefully weighed because every community is different.

Nonetheless, surveys are useful assessment tools—but they are not perfect and they should not drive rate increases. Typical reasons why solid waste rates may be different include:

- Franchise fees and AB 939 fee surcharges
- Landfill costs (tipping fees)

Solid Waste Rate Review

- Service levels (frequency, quality)
- Labor market
- Operator efficiency and effectiveness
- Voluntary versus mandatory service
- Direct services provided to the franchising agency at no cost, such as free trash container pick-up at city facilities, on streets and in parks
- Percentage of non-residential customers, and how costs and rates are allocated between customer types
- Revenue collection procedures: Does the hauler or the franchising agency bill for service? And what are the procedures for collecting delinquent accounts?
- Services included in the base fee (recycling, green waste, containers, pick-up away from curb)
- Different rates structures
- Land use and density (lower densities will typically result in higher service costs)
- Mix of residential and non-residential accounts

With these caveats, the following summarizes single family residential rates for other cities in the Central Coast area compared with the proposed rates for SCSS. As reflected below, even with the recommended or proposed rate increases, Arroyo Grande, Grover Beach, Oceano and Pismo Beach will have among the lowest rates of the agencies surveyed.

Table 8. Single Family Residential Rate Survey

Single Family Residential Monthly Trash Rates			
	Container Size (Gallons)		
	30-40	60-70	90-101
Atascadero	\$28.55	\$44.50	\$55.77
Morro Bay	22.88	45.76	68.64
Paso Robles	30.90	51.12	57.25
San Luis Obispo*	22.51	45.03	67.56
Santa Maria	na	30.69	34.81
San Miguel	28.23	44.48	61.06
Templeton	31.40	45.01	44.48
Proposed: South County Sanitation Service Area			
Arroyo Grande	23.78	30.90	38.04
Grover Beach	21.57	29.14	36.69
Oceano CSD	18.13	26.09	51.06
Pismo Beach	21.15	42.32	63.47

* Proposed 2022 rates scheduled for review in April 2022

Solid Waste Rate Review

Summary: Are the costs reasonable? Based on the results of the three separate cost-review techniques—trend review, external factor analysis and rate comparisons—the proposed cost assumptions for 2022 are reasonable.

What Is a Reasonable Return on these Costs?

After assessing if costs are reasonable, the next step is to determine a reasonable rate of return on these costs. The rate-setting method formally adopted by Arroyo Grande, Grover Beach, Oceano and Pismo Beach in their Franchise Agreements with SCSS includes clear criteria for making this assessment. It begins by organizing costs into three main categories, which will be treated differently in determining a reasonable “operating profit ratio:”

Allowable Costs (Operations and Maintenance): Reasonable Operating Profit Allowed

- Direct collection labor
- Vehicle maintenance and repairs
- Insurance
- Fuel
- Depreciation
- Billing and collection

Pass-Through Costs: Can be Recovered but No Profit Allowed

- Disposal costs (landfill, recycling, greenwaste)
- Franchise fees
- Payments to affiliated companies (such as facility rent, interest and trucking charges)

Excluded and Limited Costs: No Revenues Allowed

- Charitable and political contributions
- Entertainment
- Income taxes
- Non-IRS approved profit-sharing plans
- Fines and penalties
- Limits on corporate overhead

After organizing costs into these three categories, determining “operating profit ratios” and overall revenue requirements is straightforward:

- The target is an 8% operating profit ratio on “allowable costs.”
- Pass-through costs may be fully recovered through rates but no profit is allowed on these costs.
- No revenues are allowed for any excluded or limited costs.

In the case of SCSS, about 60% of their costs are subject to the 8% operating profit ratio; and 40% are pass-through costs that may be fully recovered from rates but no profit is allowed. No recovery is allowed for excluded costs. The overall operating profit ratio after allowable and pass-through costs is 5%.

Solid Waste Rate Review

Preparing the Rate Request Application

Detailed “spreadsheet” templates for preparing the rate request application—including assembling the required information and making the needed calculations—are provided in the Rate Manual. SCSS has prepared their rate increase application in accordance with these requirements (Appendix A); and the financial information provided in the application for 2019 and 2020 ties to its audited financial statements.

Proposed Rate Summary

The following summarizes the calculations that support the requested and recommended rate increases:

Table 9. Proposed Rate Increase Summary

	Oceano	Others
Allowable Costs	10,751,371	10,751,371
Allowable Profit (8% Operating Ratio)	934,901	934,901
Pass-Through Costs		
Disposal		
Landfill	1,805,407	1,805,407
MRF (Recycling)	1,143,280	1,143,280
Greenwaste	1,781,655	1,781,655
Franchise Fees	1,454,123	1,454,123
Related Party Costs	438,303	438,303
Total Pass-Through Costs	6,622,768	6,622,768
Allowed Revenue Requirements	18,309,041	18,309,041
Revenue without Rate Increase	15,260,678	15,260,678
Revenue Requirement: Shortfall (Surplus)	3,048,363	3,048,363
Rate Base Revenue	18,309,041	18,309,041
Percent Change in Revenue Requirement	19.98%	19.98%
Allowed Revenue Increase *	21.03%	22.19%

* Adjusted for 5% franchise fee in Oceano and 10% in others

As reflected in this summary, all the rate-setting factors are the same for all four agencies are the same except for the franchise fee adjustment (which reflects that higher franchise fees will be required with the rate increase): 5% for the Oceano CSD and 10% for the other three agencies.

Implementation

The following summarizes key implementation concepts in the adopted rate-setting model:

- The “8%” operating profit ratio is a target; in the interest of rate stability, adjustments are only made if the calculated operating profit ratio falls outside of 10% to 6%.
- On the other hand, if past ratios have been stronger than this target, then the revenue base is re-set in the *Base Year* review.

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- Special rate increases for extraordinary circumstances *may* be considered.

The result of this process is a proposed rate increase of 22.19% (21.03% in the Oceano CSD).

RATE DIFFERENCES BETWEEN COMMUNITIES

If costs for Arroyo Grande, Grover Beach, Oceano and Pismo Beach are so similar, why are the residential rates so different?

The short answer: history and different approaches to rate structure philosophies.

History

Until 1999, service levels under the Franchise Agreements with SCSS between these four agencies were significantly different. The rates in place at that time became the basis for subsequent rate reviews.

Rate Structure Principles

Most significantly, each agency has adopted different rate structure principles to recover similar costs. For example, Pismo Beach has adopted a rate structure for its residential customers that more closely reflects a “pay-as-you-throw” philosophy under which the “per gallon” costs for 32, 64 and 96 gallon containers are the same (for example, a 64-gallon container costs twice as much as a 32-gallon one.) This results in lower monthly costs for 32-gallon customers and relatively higher rates for 64 and 96-gallon customers.

On the other hand, Arroyo Grande has adopted rates that do not have as much difference between container sizes (but still offer an incentive for smaller containers over larger ones), recognizing collection economies of scale for larger versus smaller containers. In this case, 32-gallon containers in Arroyo Grande are more expensive than in Pismo Beach, but 64-gallon containers are less.

Both rate structures have their strong points: in the case of Pismo Beach, rates are more reflective of disposal costs, whereas in Arroyo Grande they are more reflective of collection costs. But the important point is that the revenue generating capability is the same even though the rates are different.

Multi-Family and Non-Residential Rates

Lastly, multi-family and non-residential rates (which account for about 40% of SCSS revenues) are similar in all four agencies: it is only in *single family residential* rates that there are significant differences between communities.

COST ACCOUNTING ISSUES

As noted above, SCSS’s financial operations for Arroyo Grande, Grover Beach, Oceano and Pismo Beach are closely related. Keeping costs and revenues segregated is further complicated

Solid Waste Rate Review

by the fact that SCSS is a subsidiary of Waste Connections US (which acquired the parent company in April 2002), which shares ownership with the following local companies:

- San Luis Garbage Company
- Mission Country Disposal
- Morro Bay Garbage Service
- Coastal Roll-Off Service
- Cold Canyon Land Fill
- Cold Canyon Processing Facility

Additionally, within the South County, SCSS's service area includes:

- City of Arroyo Grande
- City of Grover Beach
- City of Pismo Beach
- Oceano Community Services District
- Nipomo Community Services District
- Avila Beach Community Services District
- Other unincorporated areas in the South County such as rural Arroyo Grande

Cost Accounting System

Audited financial statements are prepared for each company within Waste Connections' central coast operations by an independent certified public accountant; and SCSS's auditors have consistently issued "clean opinions" on its financial operations. However, only direct labor hours for collection (and related compensation), liability insurance, franchise fees and revenues are directly accounted for each company (like SCSS); and then within each agency serviced by it. As summarized below for major cost categories, all other costs are allocated between companies based on apportionments using generally accepted accounting principles:

Table 10. Cost Allocation Bases

Allocation Basis	Major Cost Categories
Customer counts	<ul style="list-style-type: none"> • Region and division overhead • Office salaries • Office expense • Legal and accounting
Direct labor hours	<ul style="list-style-type: none"> • Truck depreciation • Truck repairs and tires • Mechanic labor • Gas and oil
Tonnage	Disposal costs <ul style="list-style-type: none"> • Landfill • MRF/recycling • Greenwaste

Solid Waste Rate Review

Revenue	<ul style="list-style-type: none"> • Corporate overhead (adjusted for Rate Manual limitations) • Bad debt expense • Other taxes
Containers	<ul style="list-style-type: none"> • Container depreciation • Container labor • Container repairs
Gallons	<ul style="list-style-type: none"> • Diesel fuel

These allocation bases seem reasonable. However, they are subject to periodic change as determined by Waste Connections. Since these apportionments are a key basis for rate setting, the bases of allocation for each cost category (including allocations of regional and district overhead and accounting for direct costs) should be established in an updated Rate Manual.

COST OF LIVING “TRIGGER OPTION”

As noted above, Section 8.3 of the Franchise Agreements provides that if the rate increase request compared with the rate in effect at the date of the agreement exceeds the cumulative cost of living increase from that same date, each agency has the *option* of terminating the agreement at any time within nine months following approval of the requested rate increase. While this provision does not directly limit rate increase requests by SCSS to an amount that may be less than that allowed under the rate-setting methodology, subjecting the Franchise Agreement to *possible* termination if the rate request is greater than the cost of living threshold provides a strong incentive for SCSS to do so, if possible.

Calculation of the Cost of Living Threshold

As recommended in the 2013 *Interim Year* rate review for consistency and clarity, the CPI-U rate increases used in calculating *Interim Year* increases and the “trigger” threshold are based on changes from June to June (given application submittal targets, this was the most recent date that would consistently be available).

Along with the adjustment for the “weighted” greenwaste rate increase in 2012 of 1.7% previously approved, the 2016 Franchise Agreement amendments provided for adjustments to the threshold “trigger” of landfill rate increases, weighted by the ratio of landfill costs to total costs (assumed at 25% based on recent trends).

- Table 11(a) provides the threshold calculation compared with actual rate increases and those recommended for 2022.
- Table 11(b) provides landfill rates since 2008.

As reflected in Table 11(a), the cumulative changes in the cost of living (with adjustments for greenwaste and landfill cost increases) is 34.87%. This compares with cumulative rate increases, including those recommended of 22.19% for 2022 (21.03% for Oceano CSD) of 61.76%. This would result in exceeding the “trigger” by 26.89%.

Solid Waste Rate Review

Table 11(a). Trigger Threshold Calculation

US CPI-U Increase				Allowed Adjustments		Threshold	Rate Year	Rate Increase (2)
June	Index	Amount	Percent	Greenwaste	Landfill (1)			
2009	215.693							
2010	217.965	2.272	1.05%		4.27%	5.33%	2011	0.00%
2011	225.722	7.757	3.56%	1.70%	0.00%	5.26%	2012	5.15%
2012	229.478	3.756	1.66%		0.00%	1.66%	2013	3.20%
2013	233.504	4.026	1.75%		1.64%	3.40%	2014	2.05%
2014	238.343	4.839	2.07%		1.54%	3.61%	2015	0.00%
2015	238.638	0.295	0.12%		1.45%	1.58%	2016	3.25%
2016	241.018	2.380	1.00%		0.00%	1.00%	2017	1.10%
2017	244.955	3.937	1.61%		0.00%	1.61%	2018	1.61%
2018	251.989	7.034	2.79%		0.00%	2.79%	2019	10.06%
2019	256.143	4.154	1.62%		0.00%	1.62%	2020	1.70%
2020	257.797	1.654	0.64%		0.00%	0.64%	2021	0.70%
2021	271.696	13.899	5.12%		0.00%	5.12%	2022	22.19%
Cumulative Total		56.003	25.96%	1.70%	8.91%	34.87%		61.76%
Requested Rate Increase Above Trigger Threshold								26.89%

1. Landfill rate increases prorated at 25% of total costs
2. Recommended rate for 2022, except for Oceano (21.03%)

Table 11(b). Landfill Rates Per Ton

Year	Actual	Increase		Prorated @ 25%
		Amount	Percent	
2008	29.25	-	0.00%	0.00%
2009	29.25	-	0.00%	0.00%
2010	29.25	-	0.00%	0.00%
2011	34.25	5.00	17.09%	4.27%
2012	34.25	-	0.00%	0.00%
2013	34.25	-	0.00%	0.00%
2014	36.50	2.25	6.57%	1.64%
2015	38.75	2.25	6.16%	1.54%
2016	41.00	2.25	5.81%	1.45%
2017	41.00	-	0.00%	0.00%
2018	41.00	-	0.00%	0.00%
2019	41.00	-	0.00%	0.00%
2020	41.00	-	0.00%	0.00%
2021	41.00	-	0.00%	0.00%
2022	41.00	-	0.00%	0.00%

Note: Under long-term rate increases approved by the County, Cold Canyon Landfill was eligible for annual rate increases of \$2.25 per ton from 2017 to 2022, with a resulting rate of \$54.50 by 2022, However, it chose not to do so.

Solid Waste Rate Review

However, it is important to note that this “trigger” calculation does not limit the allowable rate increase that may be requested under the methodology set forth in the Franchise Agreements or approved by the agencies.

Accordingly, if the proposed rate increases are approved, I recommend that the agencies consider (as they did in as part of the 2019 *Base Year* review) adopting findings that they will not pursue the “trigger” option.

Rate Manual Update. The merit of continuing with the “trigger option” is another area that should be considered with the Rate Manual update.

COORDINATION WITH OTHER AGENCIES

SCSS has submitted similar rate requests to the three other agencies that regulate rates and services in the other South County areas that it serves: County of San Luis Obispo, Avila Beach Community Services District and the Nipomo Community Services District. These agencies are likely to act on the requested rate increases within the same time frame as the four agencies covered in this report.

Waste Connections (as San Luis Garbage Company) has also submitted a rate increase application to the City of San Luis Obispo of 17.75%, which is scheduled for Council review on April 19, 2022. As Mission County Disposal, it has also submitted initial rate applications for Los Osos and the north coastal areas of about 40%.

SUMMARY

Based on the rate-setting policies and procedures formally adopted by Arroyo Grande, Grover Beach, Oceano and Pismo Beach in their Franchise Agreements, this report concludes that:

- SCSS has submitted the required documentation required under its Franchise Agreements with the four agencies.
- This results in a recommended rate increase of 22.19% in the cities of Arroyo Grande, Grover Beach and Pismo Beach; and 21.03% in the Oceano CSD.

ATTACHMENTS

Appendix A: Base Year Rate Request Application from South County Sanitary Service
Appendix B: HZI Greenwaste Digester Cost Analysis

Appendix A

BASE YEAR RATE REQUEST APPLICATION

1. Base Year Application Summary

- City of Pismo Beach
- City of Arroyo Grande
- City of Grover Beach
- Oceano Community Services District

2. Supporting Schedules

- Financial Information: Cost and Revenue Requirements Summary
- Revenue Offset Summary
- Cost Summary for Base Year
- Base Year Revenue Offset Summary
- Operating Information
- Rate Survey

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Summary

CITY OF PISMO BEACH

Requested Increase

Digester Expense	6.2%		
Capital Purchases	5.9%	Market Rate Wage Adjustment	5.6%
Commingle Processing Fee	1.9%	Other	2.6%

1. Rate Increase Requested

22.19%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
---------------	--------------	----------------	----------------	----------

Single Family Residential

2. Economy Service (1 - can curb)	\$17.31	\$3.84		\$21.15
4. Standard Service (2- can curb)	\$34.63	\$7.69		\$42.32
5. Premium Service (3 - can curb)	\$51.94	\$11.53		\$63.47

(a) Calculated rates are rounded up to the nearest \$0.01.

6. **Multiunit Residential and Non-residential**

Rate increases of

22.19%

will be applied to all rates in each structure

with each rate rounded to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: Jeff Clarin

Title: District Manager

Signature:

Date:

10/20/21
Revised 2/18/22

South County Sanitary Service Attachment 2

2022 Base Year Rate Adjustment Application

Summary

CITY OF ARROYO GRANDE

Requested Increase			
Digester Expense	6.2%		
Capital Purchases	5.9%	Market Rate Wage Adjustment	5.6%
Commingle Processing Fee	1.9%	Other	2.6%

1. Rate Increase Requested **22.19%**

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. Economy Service (1 - can curb)	\$ 19.46	\$4.32		\$23.78
4. Standard Service (2- can curb)	\$ 25.29	\$5.61		\$30.90
5. Premium Service (3 - can curb)	\$ 31.13	\$6.91		\$38.04

(a) Calculated rates are rounded up to the nearest \$0.01.

6. **Multiunit Residential and Non-residential** **22.19%**
 Rate increases of _____ will be applied to all rates in each structure with each rate rounded to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: **Jeff Clarin** Title: **District Manager**
 Signature: _____ Date: **10/20/21**
 Revised 2/18/22

South County Sanitary Service Attachment 2

2022 Base Year Rate Adjustment Application

Summary

CITY OF GROVER BEACH

Requested Increase

Digester Expense	6.2%		
Capital Purchases	5.9%	Market Rate Wage Adjustment	5.6%
Comingle Processing Fee	1.9%	Other	2.6%

1. Rate Increase Requested **22.19%**

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. Economy Service (1 - can curb)	\$ 17.65	\$3.92		\$21.57
4. Standard Service (2- can curb)	\$ 23.85	\$5.29		\$29.14
5. Premium Service (3 - can curb)	\$ 30.03	\$6.66		\$36.69

(a) Calculated rates are rounded up to the nearest \$0.01.

6. **Multiunit Residential and Non-residential** **22.19%**
 Rate increases of _____
 will be applied to all rates in each structure
 with each rate rounded to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: **Jeff Clarin** Title: **District Manager**

Signature: _____ Date: **10/20/21**
Revised 2/18/22

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Summary

OCEANO COMMUNITY SERVICE DISTRICT

Requested Increase

Digester Expense	6.2%		
Capital Purchases	5.9%	Market Rate Wage Adjustment	5.6%
Commingle Processing Fee	1.9%	Other	1.4%

1. Rate Increase Requested **21.03%**

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
---------------	-----------------	-------------------	-------------------	-------------

Single Family Residential

2. Economy Service (1 - can curb)	\$ 14.98	\$3.15		\$18.13
4. Standard Service (2- can curb)	\$ 21.56	\$4.53		\$26.09
5. Premium Service (3 - can curb)	\$ 42.19	\$8.87		\$51.06

(a) Calculated rates are rounded up to the nearest \$0.01.

6. **Multiunit Residential and Non-residential** **21.03%**
 Rate increases of _____
 will be applied to all rates in each structure
 with each rate rounded to the nearest \$0.01

Certification

To the best of my knowledge, the data and information in this application is complete, accurate, and consistent with the instructions provided by the Rate Setting Manual.

Name: **Jeff Clarin** Title: **District Manager**

Signature: _____ Date: **10/20/21**
Revised 2/18/22

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Financial Information

Historical		Current	Projected	
2019	2020	2021	Base Year 2022	2023

(from Pg. 4)

Section I-Allowable Costs

6. Direct Labor	\$3,258,214	\$3,614,140	\$3,638,218	\$3,922,681	\$4,040,361
7. Corporate Overhead	\$350,343	\$356,299	\$359,149	\$378,184	\$389,529
8. Office Salaries	\$688,788	\$768,706	\$758,312	\$835,736	\$859,332
9. Other General and Admin Costs	\$4,482,056	\$4,990,560	\$5,899,433	\$5,614,771	\$7,809,122
10. Total Allowable Costs	\$8,779,401	\$9,729,705	\$10,655,112	\$10,751,372	\$13,098,345

Section II-Allowable Operating Profit

11. Operating Ratio	97.3%	98.2%	103.6%	92.0%	92.0%
12. Allowable Operating Profit	\$245,196	\$179,075	(\$366,502)	\$934,902	\$1,138,986

Section III-Pass Through Costs

13. Tipping Fees	\$2,754,458	\$2,924,849	\$3,012,594	\$4,730,341	\$2,978,173
14. Franchise Fees	\$1,482,198	\$1,629,121	\$1,652,070	\$1,454,123	\$1,497,747
15. AB939 Fees	\$0	\$0	\$0	\$0	\$0
16. Payments to Affiliated Companies*	\$281,020	\$337,664	\$377,981	\$438,302	\$477,779
17. Total Pass Through Costs	\$4,517,676	\$4,891,634	\$5,042,645	\$6,622,767	\$4,953,699

* Affiliate Payments include interest, lease payments, and transportation

Section III-Pass Through Costs

18. Revenue Requirement	\$13,542,273	\$14,800,414	\$15,331,255	\$18,309,041	\$19,191,030
19. Total Revenue Offsets (from Page 3)	\$13,542,273	\$14,800,414	\$15,331,255	\$15,260,678	\$15,413,625

Section III-Pass Through Costs

20. Net Shortfall (Surplus)	\$3,048,363
-----------------------------	-------------

21. Total Residential and Non-residential Revenue without increase in Base Year (pg.5, line 76)		Oceano	Nipomo
	\$15,260,678	\$15,260,678	\$15,260,678
22. Percent Change in Residential and Non-residential Revenue Requirement	19.98%	19.98%	19.14%
23. Franchise Fee Adjustment Factor (1 - 6 percent)	90.000%	95.000%	90.000%
	22.19%	21.03%	21.27%
Limitation due to cumulative increases			
24. Percent Change in Existing Rates	22.19%	21.03%	21.27%

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Revenue Offset Summary

	Section VII - Revenue Offsets				
	Historical		Current	Projected	
	2019	2020	2021	Base Year 2022	2023
Residential Revenue (without increase in Base Yr.)					
28. Single Family Residential	\$7,924,043	\$8,627,550	\$8,780,617	\$8,769,933	\$8,857,632
Multiunit Residential Dumpster					
29. Number of Accounts					
30. Revenues					
31. Less Allowance for Uncollectible Resi Accounts	\$0	\$0	\$0	\$0	\$0
32. Total Residential Revenue	\$7,924,043	\$8,627,550	\$8,780,617	\$8,769,933	\$8,857,632
Non-residential Revenue (without increase in Base Yr.)					
Account Type					
Non-residential Can					
33. Number of Accounts			11	11	12
34. Revenues			\$5,513	\$5,568	\$5,624
Non-residential Wastewheeler					
35. Number of Accounts			503	508	513
36. Revenues			\$544,220	\$549,662	\$555,159
Non-residential Dumpster					
37. Number of Accounts			1,576	1,592	1,608
38. Revenues	\$5,613,237	\$6,171,381	\$5,983,795	\$5,917,531	\$5,976,706
39. Less: Allowance for Uncollectible Non-resid	\$0	\$0	\$0	\$0	\$0
40. Total Non-residential Revenue	\$5,613,237	\$6,171,381	\$6,533,528	\$6,472,761	\$6,537,488
45. Interest on Investments	\$0	\$0	\$0	\$0	\$0
46. Other Income	\$4,993	\$1,483	\$17,111	\$17,984	\$18,505
47. Total Revenue Offsets	\$13,542,273	\$14,800,414	\$15,331,255	\$15,260,678	\$15,413,625

Fiscal Year: 1-1-2022 to 12-31-2022

Pg. 3 of 6

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Cost Summary for Base Year

Description of Cost	BASE YEAR				
	2019	2020	2021	2022	2023
Labor	\$3,020,612	\$3,353,557	\$3,377,752	\$3,642,382	\$3,751,654
Payroll Taxes	\$237,602	\$260,583	\$260,466	\$280,299	\$288,708
48. Total Direct Labor	\$3,258,214	\$3,614,140	\$3,638,218	\$3,922,681	\$4,040,361
49. Corporate Overhead	\$370,263	\$387,844	\$460,472	\$484,877	\$499,423
Less limitation (enter as negative)	(\$19,920)	(\$31,545)	(\$101,323)	(\$106,693)	(\$109,894)
Total Corporate Overhead	\$350,343	\$356,299	\$359,149	\$378,184	\$389,529
Office Salaries	\$642,368	\$722,755	\$701,402	\$773,471	\$795,199
Payroll Taxes - Office	\$46,420	\$45,951	\$56,910	\$62,265	\$64,133
50. Total Office Salaries	\$688,788	\$768,706	\$758,312	\$835,736	\$859,332
Bad Debt	\$12,541	\$12,182	\$15,064	\$15,064	\$15,064
Allocated expenses	\$0	\$0	\$0	\$0	\$0
Bonds expense	\$6,877	\$5,221	\$5,153	\$5,426	\$5,589
Depreciation	\$406,756	\$535,997	\$1,129,264	\$1,534,705	\$1,827,206
Drive Cam fees	\$21,242	\$19,353	\$20,599	\$21,690	\$22,341
Dues and Subscriptions	\$20,483	\$5,793	\$19,974	\$21,033	\$21,664
Facilities	\$59,584	\$43,035	\$29,218	\$30,766	\$31,689
Gas and oil	\$914,400	\$821,425	\$947,541	\$952,847	\$980,712
Insurance	\$860,855	\$1,062,848	\$1,225,897	\$1,361,460	\$1,402,304
Laundry (Uniforms)	\$33,527	\$29,461	\$29,837	\$31,418	\$32,361
Legal and Accounting	\$43,392	\$46,291	\$51,310	\$53,890	\$55,428
Miscellaneous and Other	\$7,943	\$5,614	\$5,144	\$5,416	\$5,579
Office Expense	\$211,414	\$229,923	\$254,048	\$268,409	\$276,461
Operating Supplies	\$59,319	\$83,727	\$73,903	\$77,820	\$80,155
Other Taxes	\$37,649	\$40,287	\$39,285	\$41,236	\$42,399
Outside Services	\$1,128,991	\$1,244,791	\$1,231,253	\$328,750	\$2,120,266
Public Relations and Promotion	\$5,119	\$8,013	\$7,639	\$7,654	\$7,663
Postage	\$21,635	\$8,711	\$12,894	\$13,578	\$13,985
Permits	\$60,344	\$67,486	\$92,393	\$97,290	\$100,208
Relocation	\$18,530	\$30,701	\$22,040	\$22,040	\$22,040
Rent	\$3,000	\$2,250	\$11,023	\$12,497	\$12,872
Telephone	\$13,294	\$36,444	\$36,121	\$38,035	\$39,176
Tires	\$100,399	\$127,834	\$144,039	\$151,673	\$156,223
Travel	\$27,991	\$8,712	\$12,431	\$13,091	\$13,483
Truck Repairs	\$389,414	\$492,848	\$464,015	\$488,608	\$503,266
Utilities	\$17,357	\$21,613	\$19,349	\$20,375	\$20,986
51. Total Other Gen/Admin Costs	\$4,482,056	\$4,990,560	\$5,899,433	\$5,614,771	\$7,809,122
52. Total Tipping Fees	\$2,754,458	\$2,924,849	\$3,012,594	\$4,730,341	\$2,978,173
53. Total Franchise Fee	1,482,198.00	\$1,629,121	\$1,652,070	\$1,454,123	1,497,747.16
54. Total AB 939/Regulatory Fees	\$0	\$0	\$0	\$0	\$0
55. Total Lease Pmt to Affil Co.'s	\$142,332	\$170,111	\$172,663	\$181,814	\$187,268
55a. Interest Expense (to affiliate)	\$87,922	\$133,282	\$162,043	\$213,214	\$247,236
55b. Total Transportation to Affil Co.'s	\$50,766	\$34,271	\$43,275	\$43,275	\$43,275
56. Total Cost	\$13,297,077	\$14,621,339	\$15,697,757	\$17,374,139	\$18,052,043

2022 Base Year Rate Adjustment Application

Base Year Revenue Offset Summary

For Information Purposes Only

Description of Revenue	Section VII-Revenue Offsets						
	Overall	Franchise	Refuse Collection				Non-franchise
	Total	Total	Arroyo	Pismo	Grover	Unincorporated	Total
<i>Residential Revenue (without increase in Base Year)</i>							
57. Single Family Residential	\$8,769,933	\$8,769,933	\$1,826,861	\$1,185,972	\$1,173,008	\$4,584,092	
<i>Multiunit Residential Dumpster</i>							
58. Number of Accounts	0	0					
59. Revenues	\$0	\$0					
60. Less Allowance for Uncollectable	\$0	\$0					
61. Total Residential Revenue	\$8,769,933	\$8,769,933	\$1,826,861	\$1,185,972	\$1,173,008	\$4,584,092	\$0
<i>Non-residential Revenue (without increase in Base Year)</i>							
Account Type							
<i>Non-residential Can</i>							
62. Number of Accounts	11	11	5	1	4	2	
63. Revenues	\$5,568	\$5,568	\$1,416	\$280	\$1,033	\$2,840	
<i>Non-residential Wastewheeler</i>							
64. Number of Accounts	503	503	139	136	98	131	
65. Revenues	\$549,662	\$549,662	149,429	195,948	84,569	119,716	
<i>Non-residential Dumpster</i>							
66. Number of Accounts	1,576	1,576	402	229	321	625	0
67. Revenues	\$5,917,531	\$5,917,531	\$1,577,642	\$1,333,364	\$828,238	\$2,178,286	
68. Less: Allowance for Uncollectible Non-residential Accounts	\$0	\$0					
69. Total Non-residential Revenue	\$6,472,761	\$6,472,761	\$1,728,486	\$1,529,592	\$913,840	\$2,300,842	\$0
74. Interest on Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75. Other Income	\$17,984	\$0	\$0	\$0	\$0	\$0	\$17,984
76. Total Revenue Offsets	\$15,260,678	\$15,242,694	\$3,555,347	\$2,715,564	\$2,086,848	\$6,884,935	\$17,984

South County Sanitary Service

2022 Base Year Rate Adjustment Application

Operating Information

	Historical		Current		Projected		2023
	Percent		Percent		Base Year	Percent	
2019	Change	2020	Change	2021	Change	2022	Change

Section IX-Operating Data

*Residential**Accounts*

77.	Arroyo Grande	5,827	1.1%	5,890	0.6%	5,924	1.0%	5,983	1.0%	6,043
	Grover Beach	4,216	0.4%	4,233	0.4%	4,249	1.0%	4,291	1.0%	4,334
	Pismo Beach	3,816	0.1%	3,819	0.2%	3,828	1.0%	3,866	1.0%	3,905
	Oceano CSD	1,863	0.4%	1,870	1.6%	1,899	1.0%	1,918	1.0%	1,937
	Nipomo CSD	4,066	0.8%	4,097	0.9%	4,135	1.0%	4,176	1.0%	4,218
	County	6,881	2.2%	7,034	1.4%	7,130	1.0%	7,201	1.0%	7,273
		26,669	1.0%	26,943	0.8%	27,165	1.0%	27,437	1.0%	27,711
78.	Routes-Garbage	7	26.5%	9	-13.9%	8	0.0%	8	0.0%	8
79.	Routes-Recycling	6	26.5%	8	-13.9%	7	0.0%	7	0.0%	7
80.	Direct Labor Hours	28,522	26.5%	36,082	-13.9%	31,059	0.0%	31,059	0.0%	31,059

*Non-residential Garbage**Accounts*

80.	Arroyo Grande	490	0.2%	491	0.6%	494	1.0%	499	1.0%	504
	Grover Beach	438	0.7%	441	0.5%	443	1.0%	447	1.0%	452
	Pismo Beach	386	1.8%	393	-0.5%	391	1.0%	395	1.0%	399
	Oceano CSD	190	0.5%	191	0.5%	192	1.0%	194	1.0%	196
	Nipomo CSD	214	-2.3%	209	0.0%	209	1.0%	211	1.0%	213
	County	508	-5.9%	478	2.5%	490	1.0%	495	1.0%	500
		2,226	-1.0%	2,203	0.7%	2,219	1.0%	2,241	1.0%	2,264
81.	Routes-garbage	8	26.5%	10	-13.9%	8	0.0%	8	0.0%	8
	Routes-recycling	3	26.5%	4	-13.9%	4	0.0%	4	0.0%	4
82.	Direct Labor Hours	22,871	26.5%	28,933	-13.9%	24,905	0.0%	24,905	0.0%	24,905

*Recyclable Materials - All areas-Commingled Recycling (in tons)**Accounts*

83.	Tons Collected	13,275	-4.0%	12,740	3.0%	13,123	3.0%	13,516	1.0%	13,651
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Recyclable Materials - All areas-Greenwaste Recycling

	Routes	5	26.5%	7	-13.9%	6	0.0%	6	0.0%	6
	Tons Collected	13,631	-0.9%	13,511	3.0%	13,916	3.0%	14,334	1.0%	14,477
	Direct Labor Hours	10,934	26.5%	13,833	-13.9%	11,907	0.0%	11,907	0.0%	11,907

	Garbage Tons Collected	43,020	-3.5%	41,507	3.0%	42,752	3.0%	44,034	1.0%	44,475
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Attachment 2

Rate Comparisons for Garbage Service

Service Size	Pismo Beach ¹	South County Urban ¹	Arroyo Grande ¹	Atascadero	Templeton	San Miguel	Paso Robles ²	City of Santa Maria ^{3,4}	Santa Barbara County (Northern) ⁴	City of Santa Barbara
20 Gallon										
35 Gallon	\$ 17.31	\$ 25.60	\$ 19.46	\$ 28.55	\$ 31.40	\$ 28.33	\$ 30.90		\$ 25.84	\$ 45.30
65 Gallon	\$ 34.63	\$ 34.04	\$ 25.29	\$ 44.50	\$ 45.01	\$ 44.48	\$ 51.12	30.69	\$ 27.89	\$ 56.15
95 Gallon	\$ 51.94	\$ 47.46	\$ 31.13	\$ 55.77	\$ 45.95	\$ 61.06	\$ 57.25	34.81	\$ 29.86	\$ 67.00
2 yard (1X WK)	\$ 120.91	\$ 129.25	\$ 122.10	\$ 146.79	\$ 129.54	\$ 103.98	\$ 168.68	166.72	\$ 167.72	\$ 248.79

Notes:

¹ Scheduled increases in 1/1/2022

² Paso Robles does 40 gallon cart pricing

³ 65 gallon Scheduled to increase to \$32.70 in 1/1/22 and \$34.71 in 7/1/22, and 95 gallon Scheduled to increase to \$38.07 in 1/1/22 and \$41.34 in 7/1/22

⁴ Weekly Trash pick-up but every other week recycling and green waste pick-up.

HZI Cost Increase Summary

Cost Category	Original Plan	2021	2022	Variance		Comment
				Amount	%	
Staffing and Administrative Cost	\$ 1,090	\$ 1,592	\$ 1,706	\$ 616	57%	Staff operation requirements increased from 3 to 6 team members due to feedstock profile, increased maintenance, equipment change out and operational demands. Additionally salary increases have been necessary to meet CA labor market demands. Administratively pollution insurance was added and audit and legal fees were increased to meet reporting requirements.
O&M Expense	\$ 495	\$ 1,747	\$ 1,439	\$ 944	191%	Increased cost due to CHP maintenance increases related to gas cycling, dosing feeder erosion, screw feeder premature erosion, shredder blade erosion and damage due to contamination, digestate pump rebuild frequency due to sand, premature wear and replacement of the decanter, and continued vacuum truck clean out of the sand build-up. Added +250K/year for management of backend products and front end peak loading;
Capital Expense	\$ 1,487	\$ 1,945	\$ 1,946	\$ 459	31%	Added Capital cost includes Feed Bunker Wall extension, Speed Screen, Fat, Oils, and Grease system, and redundant pumps related to decreased food waste and sand issues in the CA environment
Total Cost	\$ 3,072	\$ 5,284	\$ 5,091	\$ 2,019		-
Total Service Fee	\$ 1,749	\$ 1,779	\$ 3,861	\$ 2,082	119%	Increase requested equates closely to cost increase seen since original plan of monthly service fees
Change	\$ (1,323)	\$ (3,505)	\$ (1,230)	\$ 63		

MAY 11, 2022

ITEM E-1

ATTACHMENT B

NCSD Solid Waste Rate Schedule

2021

SEPTEMBER							OCTOBER							NOVEMBER							DECEMBER							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
			1	2	3	4						1	2			1	2	3	4	5	6				1	2	3	4
5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11	
12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18	
19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25	
26	27	28	29	30			24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31		
							31																					

2022

January 2022							February 2022							March 2022							April 2022							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
						1			1	2	3	4	5			1	2	3	4	5							1	2
2	3	4	5	6	7	8	6	7	8	9	10	11	12	6	7	8	9	10	11	12	3	4	5	6	7	8	9	
9	10	11	12	13	14	15	13	14	15	16	17	18	19	13	14	15	16	17	18	19	10	11	12	13	14	15	16	
16	17	18	19	20	21	22	20	21	22	23	24	25	26	20	21	22	23	24	25	26	17	18	19	20	21	22	23	
23	24	25	26	27	28	29	27	28						27	28	29	30	31	24	25	26	27	28	29	30			
30	31																											

May 2022							June 2022							July 2022							August 2022								
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S		
1	2	3	4	5	6	7				1	2	3	4							1	2			1	2	3	4	5	6
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13		
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20		
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27		
29	30	31					26	27	28	29	30	24	25	26	27	28	29	30	28	29	30	31							
														31															

Date	Description
October 13, 2021	Award contract for Solid Waste Rate Study
October 27, 2021	Staff Presentation to Board – Impact of SB 1383 on Community
November 10, 2021	Introduce Ordinance Addressing SB 1383 – First Reading
December 8, 2021	Adopt Ordinance Addressing SB 1383 – Second Reading
December 8, 2021	Adopt MOA between IWMA and NCSD
April 27, 2022	Board Meeting: Receives Rate Study Presentation*
May 11, 2022	Board Meeting: Approves Rate Study, Initiate Prop. 218 Process*
May 20, 2022	Mail 45-Day Prop 218 Notice (Drop Dead Date)
May 25, 2022	Adopt Amended Franchise Fee Agreement – SCSS (No Later Than)
July 13, 2022	Board Meeting: Public Hearing - Board Adopts New Rates
Sept 1, 2022	Rates Go into Effect (minimum 30 days after rates adopted)

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER

DATE: May 6, 2022

AGENDA ITEM

E-2

MAY 11, 2022

INTRODUCE ORDINANCE 2022-135 AMENDING CHAPTER 4.12, ORDINANCE 2020-132 OF THE NIPOMO COMMUNITY SERVICES DISTRICT CODE TO ADDRESS PROVISIONS RELATING TO SEWER SERVICE FEES FOR ACCESSORY DWELLING UNITS

ITEM

Introduce ordinance amending CHAPTER 4.12 of THE NIPOMO COMMUNITY SERVICES DISTRICT CODE to address provisions relating to sewer service fees for Accessory Dwelling Units ("ADU") [RECOMMEND REVIEW AND DISCUSS REVISIONS, INTRODUCE ORDINANCE, READ BY TITLE ONLY AND WAIVE FURTHER READING OF ORDINANCE]

BACKGROUND

At your Board's regular Board Meeting of October 14, 2020, your Board adopted Ordinance 2020-132 ("Ordinance") relating to sewer service fees for Accessory Dwelling Units ("ADU"). The Ordinance, among other actions, set the sewer fees for an ADU constructed on a Single Family Residential ("SFR") parcel to be charged at the SFR sewer rate.

After further consideration by staff, staff is recommending ADUs built on SFR should be charged the same sewer fees as ADUs built on Multi Family Residential ("MFR") parcels for consistency. It would be consistent for a MFR parcel next to a SFR parcel, both of which construct an ADU and both ADUs are equal, that the parcels each be charged a MFR sewer fee. Under Ordinance 2020-132, the SFR parcel constructs an ADU equal to that of the MFR, but the SFR parcel is being charged an additional SFR sewer connection. Both ADUs are impacting the Nipomo Community Services District's ("District") sewer system equally.

The current monthly sewer charge for a MFR dwelling unit is \$43.58 versus the SFR dwelling sewer charge of \$52.27 – a difference of \$8.69 per month. To date, there are approximately 188 SFR parcels with ADUs. Of these SFR parcels, 75 are connected to the District's sewer system and would be affected should the Board take action to adopt the amendment to the current Ordinance. The majority of the SFR parcels with ADUs are not connected to the District's sewer system mainly because these parcels are located on larger lots in areas of the District where there is no sewer services available. There are 2 MFR parcels with ADUs, both are connected to the District's sewer system, but these parcels would not be affected by an amendment to Ordinance 2020-132.

FINANCIAL IMPACT

There is a difference of \$8.69 between the monthly sewer rate of a MFR and a SFR parcel. Going forward, should your Board vote to amend Ordinance 2020-132 as provided, the District would be receiving \$650 less per month from ADUs constructed on SFR parcels.

STRATEGIC PLAN

Goal 6. GOVERNANCE AND ADMINISTRATION. Conduct District activities in an efficient, equitable and cost-effective manner.

- A.1. Periodically review, update and reaffirm District policies and procedures.

RECOMMENDATION

It is recommended that your Board introduce the Ordinance, read the full title, waive further reading of the Ordinance, and direct District Counsel and staff to prepare and publish a summary of the ordinance, utilizing the following language in the motion: "I move that we introduce and read by title only ORDINANCE NUMBER 2022-135, AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT SECTION 4.12 AMENDING PROVISIONS RELATED TO SEWER SERVICE FEES FOR ACCESSORY DWELLING UNITS, waive further reading of the ordinance, and direct District Counsel and staff to prepare and publish a summary of the Ordinance in accordance with Government Code section 25124."

ATTACHMENTS

- A. Draft Ordinance No. 2022-135
- B. Ordinance No 2020-132

MAY 11, 2022

ITEM E-2

ATTACHMENT A

ORDINANCE NO. 2022-135

AN ORDINANCE OF BOARD OF THE DIRECTORS OF
THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING CHAPTER 4.12 OF THE
NIPOMO COMMUNITY SERVICES DISTRICT CODE TO ADD
PROVISIONS RELATING TO SEWER SERVICE FEES
FOR ACCESSORY DWELLING UNITS

The Board of Directors of the Nipomo Community Services District ordains as follows:

SECTION 1. The California State Legislature has adopted laws that generally permit the construction of "Accessory Dwelling Units" by right on residential properties. The County of San Luis Obispo is charged with reviewing and issuing building permits and certificates of occupancy for "Accessory Dwelling Units," and the District must provide services to such residential units.

SECTION 2. The District does not regularly receive notice of final approval and occupancy of "Accessory Dwelling Units," and it is the intent of this Ordinance to provide a fair and efficient way for the District to start to bill for sewer service on "Accessory Dwelling Units."

SECTION 3. The Board of Directors of the Nipomo Community Services District hereby ordains as follows:

Section 4.12.160(D) of the Nipomo Community Services District Code ("District Code") is hereby amended to read as follows (text added is underlined, text deleted is ~~struck through~~):

“

D. The District shall charge normally applicable sewer service rates, as specified in this Code and any applicable appendix, for the ADU. For purposes of collecting monthly sewer service rates, an ADU shall be ~~is~~ considered an equivalent dwelling unit to a multi-family residence and shall be charged the then-current multi-family unit sewer service rate accordingly. The District shall begin to charge the active sewer service rate on the first billing statement immediately following the date that is six (6) calendar months following the issuance of the District's Will-Serve Letter for the ADU. If the ADU has not been certified for occupancy by the County of San Luis Obispo as of that date, the property owner or customer shall receive a credit for the ADU sewer service charges between the first billing and the date a certificate of occupancy is issued by making application to the District and providing documentation of the date the certificate of occupancy was issued. The General Manager shall have the authority to make other adjustments in the date billing begins for an ADU based on unique circumstances.”

SECTION 4. Any sections, portions of sections, or subsections of the District Code not specifically amended or repealed herein shall remain in full force and effect. This ordinance is declarative of existing law.

SECTION 5. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the remaining portions of this Ordinance. The Board of Directors hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, and phrase thereof, irrespective of the fact that any one or more sections, subsection, sentence, clause, or phrase be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

ORDINANCE NO. 2022-135

**AN ORDINANCE OF BOARD OF THE DIRECTORS OF
THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING CHAPTER 4.12 OF THE
NIPOMO COMMUNITY SERVICES DISTRICT CODE TO ADD
PROVISIONS RELATING TO SEWER SERVICE FEES
FOR ACCESSORY DWELLING UNITS**

SECTION 6. The Board of Directors of the District finds, to the best of their knowledge, that this Ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) because it constitutes general policy and procedure making and government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The Board of Directors further finds, to the best of their knowledge, that the adoption of this Ordinance is not a project as defined in CEQA Guidelines Section 15378 because it can be seen with certainty that it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. The District General Manager is directed to prepare and file an appropriate notice of exemption.

SECTION 7. This Ordinance shall take effect and be in full force and effect thirty (30) days after its passage. Before the expiration of the fifteenth (15th) day after passage, this Ordinance shall be published, in accordance with Government Code section 25124(b)(2), with the names of the members of the Board of Directors voting for or against the Ordinance in a newspaper of general circulation within the District.

INTRODUCED at its regular meeting of the Board of Directors held on May 11, 2022, and PASSED and ADOPTED by the Board of Directors of the Nipomo Community Services District at its regular meeting on May 25, 2022, by the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
CONFLICTS:

ATTEST:

APPROVED AS TO FORM:

MARIO IGLESIAS
General Manager and
Secretary to the Board

CRAIG A. STEELE
District Legal Counsel

MAY 11, 2022

ITEM E-2

ATTACHMENT B

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER

DATE: OCTOBER 9, 2020

AGENDA ITEM

E-2

OCTOBER 14, 2020

**ADOPT ORDINANCE AMENDING CHAPTER 4.12
OF THE NIPOMO COMMUNITY SERVICES DISTRICT CODE
TO ADD PROVISIONS RELATING TO SEWER SERVICE FEES
FOR ACCESSORY DWELLING UNITS**

ITEM

Adopt ordinance amending CHAPTER 4.12 OF THE NIPOMO COMMUNITY SERVICES DISTRICT CODE to add provisions relating to sewer service fees for Accessory Dwelling Units ("ADU") [RECOMMEND CONDUCT SECOND READING OF THE ORDINANCE, READ BY TITLE ONLY, WAIVE FURTHER READING OF THE ORDINANCE, AND DIRECT DISTRICT COUNSEL AND STAFF TO PREPARE AND PUBLISH SUMMARY OF ORDINANCE PER GOVERNMENT CODE SECTION 25124].

BACKGROUND

At your Board's September 23, 2020 Board Meeting, an Ordinance amending Chapter 4.12 of the Nipomo Community Services District Code to add provisions relating to sewer service fees for Accessory Dwelling Units was introduced. Your Board is required to have a second reading of the proposed ordinance amendment per Government Code Section 25131. This staff report addresses the Government Code requirement.

Review from September 23, 2020 Board Meeting:

The State of California ("State") has an interest in reducing rules and regulations governing the permitting and construction of accessory dwelling units ("ADU") as a means of increasing the State's housing stock. On October 9, 2019, California Governor Gavin Newsom signed several bills to further facilitate the development of accessory dwelling units (ADUs). Specifically, the signing of SB 13, AB 68, and AB 881 made significant changes to State ADU Law. The County of San Luis Obispo implemented the provisions of the new State ADU Law when the three (3) bills became effective on January 1, 2020.

District staff has reviewed its Ordinance relative to sewer service fees and charges and is proposing to amend Chapter 4.12 of the District Code ("Chapter"). Staff is proposing to add language to the Chapter that addresses ADU fees and charges in accordance with State and County changes. The amendments have been reviewed by District General Counsel and do comply with State and County laws and regulations. The changes address how and when the District sets and collects appropriate fees and charges from District customers who add ADUs to their property.

Specifically, the Ordinance amendments as proposed would define:

- the term "Accessory Dwelling Unit",
- how the District would calculate capacity charges and fees for an ADU,
- how sewer connections for ADUs will be managed,
- when the District would begin billing for sewer services of a newly constructed ADU.

FINANCIAL IMPACT

With the recent changes in State law, the District cannot treat most new ADUs as a new residential use, and cannot collect capacity fees and charges from a property owner who adds an ADU to their property. With the current fee schedule, this equates to a loss of approximately \$22,000 per ADU (sewer and water capacity charges). These fees and charges pay for the added infrastructure needs to support new users. These costs, normally paid for by those who benefit from the added infrastructure, instead will be absorbed by all customers in the District based on the State's decision to facilitate as many ADUs as possible. The ongoing financial impact on the community these changes bring will depend on the number of customers who choose to build an ADU. The District will charge normal service rates to an ADU.

STRATEGIC PLAN

Goal 6. GOVERNANCE AND ADMINISTRATION. Conduct District activities in an efficient, equitable and cost-effective manner.

- 6.A.1. Periodically review, update and reaffirm District policies and procedures.

RECOMMENDATION

It is recommended that your Board conduct the second reading of the Ordinance, read the full title, waive further reading of the Ordinance, and direct District Counsel and staff to prepare and publish a summary of the ordinance, utilizing the following language in the motion: "I move that we adopt and read by title only ORDINANCE NUMBER 132, AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AMENDING NIPOMO COMMUNITY SERVICES DISTRICT CODE SECTION 4.12 ADDING PROVISIONS RELATED TO SEWER SERVICE FEES FOR ACCESSORY DWELLING UNITS, waive further reading of the ordinance, and direct District Counsel and staff to prepare and publish a summary of the ordinance in accordance with Government Code section 25124."

ATTACHMENTS

- A. Draft Ordinance, Amend Chapter 4.12 of District Code to Add Provisions Relating to Sewer Service Fees for Accessory Dwelling Units

OCTOBER 14, 2020

ITEM E-2

ATTACHMENT A

ORDINANCE NO. 2020-132

**AN ORDINANCE OF BOARD OF THE DIRECTORS OF
THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING CHAPTER 4.12 OF THE
NIPOMO COMMUNITY SERVICES DISTRICT CODE TO ADD
PROVISIONS RELATING TO SEWER SERVICE FEES
FOR ACCESSORY DWELLING UNITS**

remaining portions of this Ordinance. The Board of Directors hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, and phrase thereof, irrespective of the fact that any one or more sections, subsection, sentence, clause, or phrase be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

SECTION 6. The Board of Directors of the District finds, to the best of their knowledge, that this Ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) because it constitutes general policy and procedure making and government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The Board of Directors further finds, to the best of their knowledge, that the adoption of this Ordinance is not a project as defined in CEQA Guidelines Section 15378 because it can be seen with certainty that it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. The District General Manager is directed to prepare and file an appropriate notice of exemption.

SECTION 7. This Ordinance shall take effect and be in full force and effect thirty (30) days after its passage. Before the expiration of the fifteenth (15th) day after passage, this Ordinance shall be published, in accordance with Government Code section 25124(b)(2), with the names of the members of the Board of Directors voting for or against the Ordinance in a newspaper of general circulation within the District.

INTRODUCED at its regular meeting of the Board of Directors held on September 23, 2020, and PASSED and ADOPTED by the Board of Directors of the Nipomo Community Services District at its regular meeting on October 14, 2020, by the following roll call vote, to wit:

AYES: Director Blair, Eby, Woodson and Armstrong

NOES: None

ABSENT: Director Gaddis

CONFLICTS: None


CRAIG ARMSTRONG
Vice President, Board of Directors

ATTEST:


MARIO IGLESIAS
General Manager and
Secretary to the Board

APPROVED AS TO FORM:


CRAIG A. STEELE
District Legal Counsel

ORDINANCE NO. 2020-132

**AN ORDINANCE OF BOARD OF THE DIRECTORS OF
THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING CHAPTER 4.12 OF THE
NIPOMO COMMUNITY SERVICES DISTRICT CODE TO ADD
PROVISIONS RELATING TO SEWER SERVICE FEES
FOR ACCESSORY DWELLING UNITS**

The Board of Directors of the Nipomo Community Services District ordains as follows:

SECTION 1. The California State Legislature has adopted laws that generally permit the construction of "Accessory Dwelling Units" by right on residential properties. The County of San Luis Obispo is charged with reviewing and issuing building permits and certificates of occupancy for "Accessory Dwelling Units," and the District must provide services to such residential units.

SECTION 2. The District does not regularly receive notice of final approval and occupancy of "Accessory Dwelling Units," and it is the intent of this Ordinance to provide a fair and efficient way for the District to start to bill for sewer service on "Accessory Dwelling Units."

SECTION 3. Section 4.12.160 is hereby added to the Nipomo Community Services District Code ("District Code") to read as follows:

"4.12.160 - Accessory Dwelling Units.

- A. For the purposes of this Section, the term "Accessory Dwelling Unit ('ADU')" has the meaning set forth in Government Code Section 65852.2(j)(1), as the same may be amended from time to time.
- B. The District shall not consider an ADU to be a new residential use for the purpose of calculating capacity fees or capacity charges for sewer service, unless the ADU is detached and built with the construction of a new residential dwelling.
- C. For ADUs constructed within the space of an existing home or existing accessory structure, or for new attached ADUs built concurrently with a new single family home, the District shall not require a new or separate sewer connection and shall not impose capacity charges or capacity fees for the new ADU.
- D. The District shall charge normally applicable sewer service rates, as specified in this Code and any applicable appendix, for the ADU. For purposes of collecting monthly sewer service rates, an ADU is considered an equivalent dwelling unit to a single family residence and charged accordingly. The District shall begin to charge the active sewer service rate on the first billing statement immediately following the date that is six (6) calendar months following the issuance of the District's Will-Serve Letter for the ADU. If the ADU has not been certified for occupancy by the County of San Luis Obispo as of that date, the property owner or customer shall receive a credit for the ADU sewer service charges between the first billing and the date a certificate of occupancy is issued by making application to the District and providing documentation of the date the certificate of occupancy was issued. The General Manager shall have the authority to make other adjustments in the date billing begins for an ADU based on unique circumstances."

SECTION 4. Any sections, portions of sections, or subsections of the District Code not specifically amended and replaced herein shall remain in full force and effect.

SECTION 5. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER



DATE: May 6, 2022

AGENDA ITEM

E-3

MAY 11, 2022

AMEND SUPPLEMENTAL WATER ACCOUNTING POLICY

ITEM

Consider supplemental water accounting policy amendments and adopt resolution [RECOMMEND YOUR BOARD CONSIDER THE AMENDED POLICY AND ADOPT RESOLUTION].

BACKGROUND

On April 8, 2015, your Board adopted Resolution 2015-1372, adopting a Supplemental Water Accounting ("SWA") policy. The purpose of the SWA policy was to monitor and account for the 500 acre-feet (AF) of new development water capacity Nipomo Community Services District ("District") built into the Nipomo Supplemental Water Project ("NSWP"). The amendment being proposed to the existing SWA policy is intended to define in greater detail how staff is to calculate the meter equivalents assignment, to recognize that the NSWP has been completed, and the boundaries in which the new development water will be used.

The District constructed the NSWP to increase its available water supply and meet the District's share of the court ordered commitment to bring a minimum of 2,500 AFY of supplemental water to the Nipomo Mesa Management Area (NMMA). In addition, the NSWP includes a 500 AFY capacity reservation for new development within the District's existing service and sphere of influence boundaries consistent with the court order requirements that all new urban water demand within the NMMA be met with new developed water.

A policy to account for water reserved for all new development within the District against the 500 AFY supplemental water project capacity is required to ensure that the District does not over reserve or under reserve water for future development. In addition, the District needs to track when it is getting close to fully accounting for and reserving the 500 AFY of supplemental water so that the District can plan for acquiring additional supplies.

District monthly water charges, as well as one-time connection charges, are developed on the basis of meter size, i.e., meter capacity. Staff accounts for and reserve water for new development based on meter size. Meter capacity ratios, which are based on physical meter capacity, would be used to account for and reserve water for other size meters. Supplemental water for all new water connections, residential and commercial, would be accounted for based on meter size.

On February 18, 2015, the District's Facilities & Water Resources Committee directed staff to use equivalent meters and total production on a five-year running average as the basis for assigning a volume of supplemental water to new water connections. Staff is recommending that the District shift to using the Urban Water Management Plan to compute the equivalent meter volume and assign that computation to new water connections.

Staff reports supplemental water accounting totals monthly to the Board in the General Managers Report. A review of supplemental water annually provided to the Board when remaining new development water is reduced to a particular level is also recommended. This exercise will help the Board prepare of acquiring additional supplies well in advance of the need since water projects can take many years to develop. The comprehensive review frequency could be set when 400 AF of new development water has been permanently allocated. At that time, the Board could consider ramping down new connections until 450 AFY of the 500 AFY is permanently assigned. With 50 AF unassigned new development water available, the Board could consider possibly discontinuing allocation until additional sources of supply for new development could be secured.

FISCAL IMPACT

The proposed accounting approach based on meter size would support the continued development of the District's supplemental water project, provide water for new development, and maintain fairness and equity among existing and future rate payers within the District.

STRATEGIC PLAN

Goal 1. WATER SUPPLIES. Actively plan to provide reliable water supply of sufficient quality and quantity to serve both current customers and those in the long-term future.

RECOMMENDATION

Staff recommends your Board consider the amendments to the Supplemental Water Accounting Policy, and if appropriate, adopt Resolution 2022-136 Amended Supplemental Water Accounting Policy.

ATTACHMENTS

- A. Resolution 2022-XXXX, Amended Supplemental Water Accounting Policy, w/ Exhibit A
- B. Resolution 2015-1372, Adopting a Supplemental Water Accounting Policy, w/Exhibit A

MAY 11, 2022

ITEM E-3

ATTACHMENT A

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2022-XXXX
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING SUPPLEMENTAL WATER ACCOUNTING POLICY

WHEREAS, the Nipomo Community Services District (“District”) is a party to a groundwater adjudication, Santa Maria Valley Water Conservation District v. City of Santa Maria, etc. et al., Case No. CV 770214 (“Groundwater Litigation”); and

WHEREAS, the District’s current water supply is groundwater extracted from the Nipomo Mesa Management Area (NMMA) as established by the court in the Santa Maria Groundwater Litigation (also referred to as the Nipomo Mesa Water Conservation Area (NMWCA) by the County of San Luis Obispo, pursuant to County Ordinance 3090), of the Santa Maria Groundwater Basin; and

WHEREAS, pursuant to Section VI D(1) of the June 2005 Stipulation as incorporated into the January 25, 2008, Final Judgment in the Groundwater Litigation, the Nipomo Mesa Management Area Technical Group has declared that a “Potentially Severe Water Shortage Condition” exists within the Nipomo Mesa Management Area; and

WHEREAS, the San Luis Obispo County Department of Planning and Building’s 2004 Resource Capacity Study for the Water Supply in the Nipomo Mesa Area recommended a Level of Severity III (existing demand equals or exceeds dependable supply) be certified for the Nipomo Mesa Area and that measures be implemented to lessen adverse impacts of future development (said Study and referenced documents are incorporated herein by reference); and

WHEREAS, the San Luis Obispo County Board of Supervisors (“County”) in June 2007, certified the Nipomo Mesa Water Conservation Area as a Severity Level III, meaning that existing water demand equals or exceeds the dependable supply; and

WHEREAS, the resource protection goals of the San Luis Obispo County South County Area Plan includes the following:

- Balance the capacity for growth allowed by the Land Use Element with the sustained availability of resources.
- Avoid the use of public resources, services and facilities beyond their renewable capacities, and monitor new development to ensure that its resource demands will not exceed existing and planned capacities or service levels; and

WHEREAS, the District has constructed a supplemental water project to increase its available water supply and meet the District’s share of the court ordered commitment to bring a minimum of 2,500 AFY of supplemental water to the Nipomo Mesa Management Area (NMMA); and

WHEREAS, the District’s supplemental water project includes a 500 AFY capacity reservation for new development within the District’s existing service and sphere of influence boundaries consistent with the court order requirements that all new urban water demand within the NMMA be met with new developed water; and

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2022-XXXX
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING SUPPLEMENTAL WATER ACCOUNTING POLICY**

WHEREAS, the purpose of the Supplemental Water Accounting Policy is to account for water reserved for all new development within the District against the 500 AFY supplemental water project capacity to ensure that the District does not over reserve or under reserve water for future development; and

WHEREAS, the Supplemental Water Accounting Policy will allow the District to track when it is getting close to fully accounting for and reserving the 500 AFY of supplemental water so that the District can plan for acquiring additional supplies; and

WHEREAS, the policy shall apply to all new development applications initiated or renewed after January 25, 2008; and

WHEREAS, the Supplemental Water Accounting Policy shall be reviewed upon the completion and filing of the most current Urban Water Management Plan with the regulatory agency having jurisdiction; and

WHEREAS, based on the Staff Report, Staff presentation, and public comment, the District Board of Directors finds:

- A. That the purpose and intent of this Resolution is consistent with the purposes found in the Judgment and Stipulation in the Ground Water Litigation imposing a physical solution to assure long term sustainability of the groundwater basin and the San Luis Obispo County's certification of a Severity Level III for the waters underlying the NMWCA and;
- B. That adopting this Resolution will ensure the water supply for the greater public benefit, with particular regards to domestic use, sanitation and fire protection by ensuring that all new urban demand within the District's service and sphere of influence boundaries are satisfied with new developed water and;

WHEREAS, based on the Staff Report, Staff presentation, and public comment, the District Board of Directors further finds this Resolution is adopted for the protection of the health, safety and welfare of District water customers who depend on the underlying ground water basin as their source of water supply.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Nipomo Community Services District that :

- 1. Resolution 2015-1372 is repealed in its entirety
- 2. Exhibit "A", attached hereto, is hereby incorporated by this reference as the District's revised Supplemental Water Accounting Policy
- 3. The above Recitals are true and correct and incorporated herein by reference.

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2022-XXXX
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING SUPPLEMENTAL WATER ACCOUNTING POLICY

Upon a motion by Director _____, seconded by Director _____,
on the following roll call vote, to wit:

AYES:
NOES:
ABSTAIN:
ABSENT:

the foregoing resolution is hereby passed and adopted on this _____ day of
_____, 2022.

ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND
LEGAL EFFECT:

MARIO IGLESIAS
General Manager and Secretary to the Board

CRAG A. STEELE
District Legal Counsel

EXHIBIT A

NIPOMO COMMUNITY SERVICES DISTRICT SUPPLEMENTAL WATER ACCOUNTING POLICY

Background

The District has constructed a supplemental water project to increase its available water supply and meet the District's share of the court ordered commitment to bring a minimum of 2,500 AFY of supplemental water to the Nipomo Mesa Management Area (NMMA). In addition, the District's supplemental water project includes a 500 AFY capacity reservation for new development within the District's existing service and sphere of influence boundaries consistent with the court order requirements that all new urban water demand within the NMMA be met with new developed water.

Purpose

The purpose of the Supplemental Water Accounting Policy is to account for water reserved for all new development within the District against the 500 AFY supplemental water project capacity to ensure that the District does not over reserve or under reserve water for future development. In addition, the District needs to track when it is getting close to fully accounting for and reserving the 500 AFY of supplemental water so that the District can plan for acquiring additional supplies. The policy applies to all new development applications initiated or renewed after January 25, 2008.

Supplemental Water Accounting

The policy is based on the use of equivalent meters and five-year average total production for assigning a volume of supplemental water to new water connections. A 1-inch equivalent meter will be assigned a volume based on data in the most current Urban Water Management Plan as submitted to the regulatory agency having jurisdiction.

Supplemental water for all new water connections, residential and commercial, will be accounted for based on meter size. Meter capacity ratios, which are based on physical meter capacity, will be used to account for and reserve water for other size meters as calculated by the District's Engineer or designee with comparable credentials and in accordance with this policy.

Water will be assigned to new development when Intent-to-Serve letters, that are subject to expiration, are issued and reserved for new development when Will-Serve letters are issued.

Supplemental water accounting totals shall be reported to the Board monthly in the General Manager's report.

The Supplemental Water Accounting Policy shall be reviewed upon the completion and filing of the District's most current Urban Water Management Plan with the regulatory agency having jurisdiction.

MAY 11, 2022

ITEM E-3

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2015-1372
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING A SUPPLEMENTAL WATER ACCOUNTING POLICY**

WHEREAS, the Nipomo Community Services District ("District") is a party to a groundwater adjudication, Santa Maria Valley Water Conservation District v. City of Santa Maria, etc. et al., Case No. CV 770214 ("Groundwater Litigation"); and

WHEREAS, the District's current water supply is groundwater extracted from the Nipomo Mesa Management Area (NMMA) as established by the court in the Santa Maria Groundwater Litigation (also referred to as the Nipomo Mesa Water Conservation Area (NMWCA) by the County of San Luis Obispo, pursuant to County Ordinance 3090), of the Santa Maria Groundwater Basin; and

WHEREAS, pursuant to Section VI D(1) of the June 2005 Stipulation as incorporated into the January 25, 2008, Final Judgment in the Groundwater Litigation, the Nipomo Mesa Management Area Technical Group has declared that a "Potentially Severe Water Shortage Condition" exists within the Nipomo Mesa Management Area; and

WHEREAS, the San Luis Obispo County Department of Planning and Building's 2004 Resource Capacity Study for the Water Supply in the Nipomo Mesa Area recommended a Level of Severity III (existing demand equals or exceeds dependable supply) be certified for the Nipomo Mesa Area and that measures be implemented to lessen adverse impacts of future development (said Study and referenced documents are incorporated herein by reference); and

WHEREAS, the San Luis Obispo County Board of Supervisors ("County") in June 2007, certified the Nipomo Mesa Water Conservation Area as a Severity Level III, meaning that existing water demand equals or exceeds the dependable supply; and

WHEREAS, the resource protection goals of the San Luis Obispo County South County Area Plan includes the following:

- Balance the capacity for growth allowed by the Land Use Element with the sustained availability of resources.
- Avoid the use of public resources, services and facilities beyond their renewable capacities, and monitor new development to ensure that its resource demands will not exceed existing and planned capacities or service levels; and

WHEREAS, the District is constructing a supplemental water project to increase its available water supply and meet the District's share of the court ordered commitment to bring a minimum of 2,500 AFY of supplemental water to the Nipomo Mesa Management Area (NMMA); and

WHEREAS, the District's supplemental water project includes a 500 AFY capacity reservation for new development within the District's existing boundaries consistent with the court order requirements that all new urban water demand within the NMMA be met with new developed water; and

WHEREAS, the purpose of the Supplemental Water Accounting Policy is to account for water reserved for all new development within the District against the 500 AFY supplemental water project capacity to ensure that the District does not over reserve or under reserve water for future development; and

WHEREAS, the Supplemental Water Accounting Policy will allow the District to track when it is getting close to fully accounting for and reserving the 500 AFY of supplemental water so that the District can plan for acquiring additional supplies; and

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2015-1372
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING A SUPPLEMENTAL WATER ACCOUNTING POLICY**

WHEREAS, the policy shall apply to all new development applications initiated or renewed after January 25, 2008; and

WHEREAS, based on the Staff Report, Staff presentation, and public comment, the District Board of Directors finds:

- A. That the purpose and intent of this Resolution is consistent with the purposes found in the Judgment and Stipulation in the Ground Water Litigation imposing a physical solution to assure long term sustainability of the groundwater basin and the San Luis Obispo County's certification of a Severity Level III for the waters underlying the NMWCA and;
- B. That adopting this Resolution will ensure the water supply for the greater public benefit, with particular regards to domestic use, sanitation and fire protection by ensuring that all new urban demand within the District is satisfied with new developed water and;

WHEREAS, based on the Staff Report, Staff presentation, and public comment, the District Board of Directors further finds this Resolution is adopted for the protection of the health, safety and welfare of District water customers who depend on the underlying ground water basin as their source of water supply.

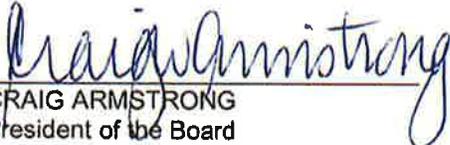
NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT THAT:

- 1. Exhibit "A", attached hereto, is hereby incorporated by this reference as the District's Supplemental Water Accounting Policy
- 2. The above Recitals are true and correct and incorporated herein by reference.

Upon the motion of Director Armstrong, seconded by Director Gaddis, and on the following roll call vote, to wit:

AYES: Directors Armstrong, Gaddis, Eby, Woodson and Blair
NOES: None
ABSENT: None
CONFLICTS: None

the foregoing resolution is hereby adopted this 8th day of April 2015.


CRAIG ARMSTRONG
President of the Board

ATTEST:


MICHAEL S. LEBRUN
General Manager and Secretary to the Board

APPROVED AS TO FORM:


MICHAEL W. SEITZ
District Legal Counsel

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2015-1372
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING A SUPPLEMENTAL WATER ACCOUNTING POLICY**

EXHIBIT A

**NIPOMO COMMUNITY SERVICES DISTRICT
SUPPLEMENTAL WATER ACCOUNTING POLICY**

Background

The District is constructing a supplemental water project to increase its available water supply and meet the District's share of the court ordered commitment to bring a minimum of 2,500 AFY of supplemental water to the Nipomo Mesa Management Area (NMMA). In addition, the District's supplemental water project includes a 500 AFY capacity reservation for new development within the District's existing boundaries consistent with the court order requirements that all new urban water demand within the NMMA be met with new developed water.

Purpose

The purpose of the Supplemental Water Accounting Policy is to account for water reserved for all new development within the District against the 500 AFY supplemental water project capacity to ensure that the District does not over reserve or under reserve water for future development. In addition, the District needs to track when it is getting close to fully accounting for and reserving the 500 AFY of supplemental water so that the District can plan for acquiring additional supplies. The policy shall apply to all new development applications initiated or renewed after January 25, 2008.

Supplemental Water Accounting

The policy is based on the use of equivalent meters and five-year average total production for assigning a volume of supplemental water to new water connections. Based on the data from FY 09-10 to FY 13-14, a 1-inch equivalent meter will be assigned a volume of .53 AFY.

Supplemental water for all new water connections, residential and commercial, will be accounted for based on meter size. Meter capacity ratios, which are based on physical meter capacity, will be used to account for and reserve water for other size meters as follows:

METER SIZE	CAPACITY RATIO	ASSIGNED VOLUME
1 inch and Less	1.0	0.53 acre feet
1 and ½ inch	3.0	1.59 acre feet
2 inch	4.8	2.54 acre feet
3 inch	9.0	4.77 acre feet
4 inch	15.0	7.95 acre feet

Connections larger than 4-inch will be calculated as needed on a case by case basis.

Water will be assigned to new development when Intent-to-Serve letters, that are subject to expiration, are issued and reserved for new development when Will-Serve letters are issued.

Supplemental water accounting totals shall be reported to the Board monthly in the General Manager's report.

The Supplemental Water Accounting Policy shall be reviewed annually in January.

TO: BOARD OF DIRECTOR
REVIEWED: MARIO IGLESIAS
GENERAL MANAGER 
FROM: PETER V. SEVCIK, P.E.
DIRECTOR OF
ENGINEERING & OPERATIONS
DATE: MAY 5, 2022

AGENDA ITEM
E-4
MAY 11, 2022

**APPROVAL OF THE ENGINEER'S LEVY REPORT AND
DECLARATION OF INTENTION TO LEVY ANNUAL ASSESSMENTS
FOR STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1 FOR
FISCAL YEAR 2022-2023**

ITEM

Consider adoption of resolution approving the engineer's levy report and declaration of intention to levy annual assessments for Street Landscape Maintenance District No. 1 for Fiscal Year 2022-2023. [RECOMMEND ADOPT RESOLUTION]

BACKGROUND

On April 13, 2022, the Board of Directors adopted Resolution 2022-1617 entitled:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT INITIATING PROCEEDINGS FOR ANNUAL LEVY OF ASSESSMENTS FOR THE STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1 FOR FISCAL YEAR 2022-2023 PURSUANT TO THE PROVISIONS OF PART 2 OF THE DIVISION 15 OF THE CALIFORNIA STREETS AND HIGHWAYS CODE

Peter Sevcik, P.E., Director of Engineering and Operations, was directed to prepare the annual levy report (attached). Pursuant to Proposition 218 and the Petition Requesting Formation of the Street Landscape Maintenance District, the annual levy may be increased by a percentage equal to or less than the Consumer Price Index (CPI) without conducting a Protest Vote. The actual amount to be assessed is based on the annual budget and may be less or more than the CPI. Property owners within the Maintenance District must approve any proposed assessment that exceeds the adjusted maximum rate based on the CPI (via a Proposition 218 Protest Vote).

While no improvements are planned in FY 2022-2023, the reserve balance has decreased over the last several years due to landscaping improvement expenses. The projected reserve balance as of July 1, 2022 is expected to be approximately \$11,800. It is recommended that the assessment increase to \$500 for FY 2022-2023 (See Page 4 of Engineer's Levy Report). The County of San Luis Obispo adds a \$2.00 per parcel handling fee for processing special district benefit assessments on the tax roll. The total amount of \$502 per parcel will be billed on the tax roll. The computed Maximum Assessment Allowable is \$573.10.

With the proposed assessment amount, the Maintenance District is projected to have an approximate surplus of \$880 in 2022-2023 and reserve balance at the end of FY 2022-2023 of \$12,680 (See Page 5 of Engineer's Levy Report). The Cash Reserve Goal is \$20,000. As the history of the Maintenance District's annual levy and maximum allowable levy shows, the levy can be lowered in the future when reserves are adequate.

History of Annual Levy and Maximum Allowable Levy

Period Covered	Amount Assessed per Parcel	Maximum Assessment Allowable
Fiscal Year 2003-2004 (first year)	\$345.00	\$345.00
Fiscal Year 2004-2005	\$346.96	\$346.96
Fiscal Year 2005-2006	\$354.94	\$354.94
Fiscal Year 2006-2007	\$365.34	\$365.34
Fiscal Year 2007-2008	\$365.34	\$376.75
Fiscal Year 2008-2009	\$387.74	\$387.74
Fiscal Year 2009-2010	\$301.78	\$391.14
Fiscal Year 2010-2011	\$303.57	\$400.60
Fiscal Year 2011-2012	\$303.57	\$408.85
Fiscal Year 2012-2013	\$315.00	\$423.29
Fiscal Year 2013-2014	\$330.00	\$433.40
Fiscal Year 2014-2015	\$330.00	\$442.19
Fiscal Year 2015-2016	\$360.00	\$450.59
Fiscal Year 2016-2017	\$380.00	\$463.84
Fiscal Year 2017-2018	\$380.00	\$479.05
Fiscal Year 2018-2019	\$435.00	\$497.30
Fiscal Year 2019-2020	\$435.00	\$513.71
Fiscal Year 2020-2021	\$435.00	\$528.61
Fiscal Year 2021-2022	\$490.00	\$538.12

Proposed Annual Levy and Maximum Allowable Levy for FY 2022-2023

Proposed FY 2022-2023	\$500.00	\$573.10
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FISCAL IMPACT

Budgeted staff time was used to prepare this staff report.

RECOMMENDATION

Staff recommends that the Board, by motion and roll call vote, approve Resolution 2022-XXXX Approving the Engineer's Report and Declaring the Intention to Levy the Annual Assessment.

ATTACHMENTS

- A. Resolution 2022-XXXX Approving Engineer's Report and Declaring Intention to Levy
- B. FY 2022-2023 LMD No 1. Engineer's Report

MAY 11, 2022

ITEM E-4

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2022-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
APPROVING THE ANNUAL ENGINEER'S LEVY REPORT,
DECLARING ITS INTENTION TO LEVY ANNUAL ASSESSMENTS
FOR STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FOR FISCAL YEAR 2022-2023,
AND SETTING A PUBLIC HEARING THEREON**

WHEREAS, the Board of Directors of the Nipomo Community Services District ("NCSD") has, by previous Petition and Resolutions, formed the Nipomo Community Services District Street Landscape Maintenance District No. 1 (hereinafter referred to as "Street Landscape Maintenance District No. 1") and initiated proceedings for the annual assessments for Fiscal Year 2022-2023 pursuant to the provisions of the Landscaping and Lighting Act of 1972, Streets and Highways Code of California, beginning with Section 22500 (hereinafter referred to as "Act"), which provides for the levy and collection of assessments by the County of San Luis Obispo for the NCSD to pay for the maintenance and services of all improvements and facilities related thereto; and

WHEREAS, the Street Landscape Maintenance District No. 1 and the associated assessments are in compliance with the provisions of California Constitution Article XIII D; and

WHEREAS, by previous Resolution, the Board of Directors initiated proceedings for the annual levy of assessments for Street Landscape Maintenance District No. 1 for fiscal year 2022-2023 and appointed Peter Sevcik, P.E., Director of Engineering and Operations, as assessment engineer for the purpose of assisting with the annual levy and to prepare and file a Report in accordance with Chapter 1, Article 4 of the Act, and

WHEREAS, said Report has been prepared, filed, and presented to the Board of Directors, as required by Chapters 1 and 3 of said Act; and

WHEREAS, the Board of Directors has carefully examined and reviewed the Report as presented, is satisfied with the budget items and documents as set forth therein, and is satisfied that the proposed assessments have been spread in accordance with the Petition for Street Landscape Maintenance District No. 1 and with benefits received from the improvements, operation, maintenance, and services to be performed within Street Landscape Maintenance District No. 1 as set forth in said Report, and

WHEREAS, the NCSD intends to levy and collect the annual assessments for Street Landscape Maintenance District No. 1 as set forth in said Report, pursuant to the Act.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED BY THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT, NIPOMO, AS FOLLOWS:

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2022-XXXX

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
APPROVING THE ANNUAL ENGINEER'S LEVY REPORT,
DECLARING ITS INTENTION TO LEVY ANNUAL ASSESSMENTS
FOR STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FOR FISCAL YEAR 2022-2023,
AND SETTING A PUBLIC HEARING THEREON

SECTION 1: That the above recitals are all true and correct and incorporated herein by reference.

SECTION 2: That the presented Report consists of the following:

- a. A Description of the Improvements
- b. The Annual Budget (Costs and Expenses of Services, Operation, and Maintenance)
- c. The Method of Apportionment that details the method of calculating each parcel's proportional special benefits and annual assessment.
- d. The District Roll containing the proposed assessment for each parcel within the District for fiscal year 2022-2023.

SECTION 3: That the Report (Attached as Exhibit "A") is hereby approved and ordered to be filed in the NCSO Offices as a permanent record and remain open to public inspection.

SECTION 4: That the NCSO General Manager shall certify to the passage and adoption of this Resolution, and the minutes of this meeting shall so reflect the presentation of the Engineer's Annual Levy Report.

BE IT FURTHER RESOLVED, DETERMINED, AND ORDERED BY THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT, PURSUANT TO SECTION 22624 OF THE ACT, AS FOLLOWS:

SECTION 5: Intention: The NCSO hereby declares that it intends to levy and collect annual assessments pursuant to the Act over and including the land within the Street Landscape Maintenance District No. 1 boundary, and to levy and collect the assessments on all such land to pay the costs of the operation, maintenance, and servicing of landscaping and all appurtenant facilities and operations related thereto.

SECTION 6: Description of Improvements and Any Substantial Changes Proposed: The improvements within the Street Landscape Maintenance District No. 1 include: the maintenance and operation of and the furnishing of services and materials for landscaping which includes trees, shrubs, grass, and other ornamental vegetation, and appurtenant facilities, including irrigation systems within the Street Landscape Maintenance District No. 1. The Engineer's Annual Levy Report describes any new improvements or substantial changes in existing improvements.

SECTION 7: Boundaries and Designation: The boundaries of the Street Landscape Maintenance District No. 1 are generally described as Lots 1 through 29 of Tract 2409 located in the County of San Luis Obispo and more particularly described in the Report.

SECTION 8: Increase in Assessments: The assessment is proposed to increase to \$500.00.

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2022-XXXX

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
APPROVING THE ANNUAL ENGINEER'S LEVY REPORT,
DECLARING ITS INTENTION TO LEVY ANNUAL ASSESSMENTS
FOR STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FOR FISCAL YEAR 2022-2023,
AND SETTING A PUBLIC HEARING THEREON

SECTION 9: Engineer's Report: The Report is attached hereto as Exhibit "A" and is on file with the Secretary of NCS D Board of Directors. The Report contains a full and detailed description of the improvements, the boundaries of Street Landscape Maintenance District No. 1, and the proposed assessments upon assessable lots and parcels of land within Street Landscape Maintenance District No. 1.

SECTION 10: Time of Public Hearing: Notice is hereby given that a public hearing will be held by the Board of Directors of the Nipomo Community Services District on June 8, 2022, at 9:00 a.m. in the Regular Meeting Room located within the District Offices located at 148 South Wilson Street, Nipomo. California 93444.

SECTION 11: Notice: Pursuant to Sections 22552, 22553, and 22626 of the Act, notice of the Public Hearing shall be provided in accordance with Section 6061 of the Government Code, including publication of this Resolution once in the Santa Maria Times not less than ten (10) days before the date of the public hearing and by posting a copy of this Resolution on the official bulletin board customarily used by the NCS D for the posting of notices.

SECTION 12: Incorporation of Recitals: The above Recitals are true and correct and incorporated herein by reference.

SECTION 13: Other Actions: The Board of Directors and such employees of the NCS D as are appropriate are authorized and directed to execute such other documents and take such further action as shall be consistent with the intent and purpose of this Resolution.

PASSED AND ADOPTED by the Board of Directors of the Nipomo Community Services District this 11th day of May, 2022.

AYES:
NOES:
ABSTAIN:
ABSENT:

ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND LEGAL
EFFECT:

MARIO IGLESIAS
General Manager and Secretary to the Board

CRAIG A. STEELE
District Legal Counsel

MAY 11, 2022

ITEM E-4

ATTACHMENT B

NIPOMO COMMUNITY SERVICES DISTRICT
ENGINEER'S ANNUAL LEVY REPORT
STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FISCAL YEAR 2022-2023

=====

Introduction

Nipomo Community Services District (“NCSD”) annually levies and collects special assessments to maintain improvements within Street Landscape Maintenance District No. 1 (“District”). The District was formed and annual assessments are established pursuant to the Landscape and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the “1972 Act”).

This Engineer’s Annual Report (“Report”) describes the District and the proposed assessments for the fiscal year 2022-2023. The assessments are based on the historical and estimated future costs to maintain the improvements that provide a direct and special benefit to properties within the District.

For the purposes of this Report, the word “parcel” refers to an individual property assigned its own Assessor Parcel Number by the San Luis Obispo County Assessor’s Office. The San Luis Obispo County Auditor/Controller uses Assessor Parcel Numbers and specific Fund Numbers to identify properties assessed for special district benefit assessments on the tax roll.

Effect of Proposition 218

In November 1996, California voters approved Proposition 218 that established specific requirements for the on-going imposition of taxes, assessments and fees. The provisions of the Proposition are now contained in the California Constitutional Articles XIIC and XIID.

All assessments described in this Report and approved by the Board of Directors are prepared in accordance with the 1972 Act and are in compliance with the provisions of the California Constitution Article XIID.

The assessments adopted include the District’s annual inflationary adjustment to the maximum assessment rate. This annual inflationary adjustment to the maximum assessment rate is provided in this Report.

Description of the District and Services

The District (formed on April 9, 2003) provides and ensures the continued maintenance, servicing, administration and operation of landscaping located within a portion of the public rights-of-way and dedicated landscape easements in Tract 2409, a 28 lot subdivision commonly known as Vista Verde Estates, located off of West Tefft across from Dana Elementary School.

NIPOMO COMMUNITY SERVICES DISTRICT
ENGINEER'S ANNUAL LEVY REPORT
STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FISCAL YEAR 2022-2023

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Improvements within the District include the maintenance and operation and the furnishing of services and materials for landscaping which include trees, shrubs, grasses and other ornamental vegetation, and appurtenant facilities, including irrigation systems.

The landscape maintenance obligation is limited to the following:

- Landscaping bordering the frontage of lots 1 through 6 on Tefft Street
- Landscaping bordering the frontage of lots 1, 15, 16, and 28 on Tejas Place
- Landscaping bordering the southwest and northwest sides of lot 29 (drainage basin) on Tejas Place
- The pathway between lots 4 and 5 between Tefft Street and Vista Verde

No changes to the improvements are planned in FY 2022-2023.

Method of Apportionment

General

The 1972 Act permits the establishment of assessment districts by agencies for the purpose of providing certain public improvements which include the construction, maintenance and servicing of landscaping and appurtenant facilities. The 1972 Act further requires that the cost of these improvements be levied according to benefit rather than assessed value:

“The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements.”

The formula used for calculating assessments of the District therefore reflect the composition of the parcels, and the improvements and services provided, to fairly apportion the costs based on the benefits to each parcel.

Benefit Analysis

The associated costs and assessments have been carefully reviewed, identified and allocated based on special benefit pursuant to the provisions of the California Constitution and 1972 Act. The improvements associated with the District have been identified as necessary, required and/or desired for the orderly development of the properties within the District to their full potential, consistent with the proposed development plans. As such, these improvements would be necessary and required of individual property owners for the development of such properties, and the ongoing operation, servicing and maintenance of these

NIPOMO COMMUNITY SERVICES DISTRICT
ENGINEER'S ANNUAL LEVY REPORT
STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FISCAL YEAR 2022-2023

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improvements would be the financial obligation of those properties. Therefore, the improvements and the annual costs of ensuring the maintenance and operation of the improvements are of direct and special benefit to the properties.

The method of apportionment (method of assessment) is based on the premise that each assessed parcel within the District receives special benefit from the improvements provided by the District. The desirability of properties is enhanced by the presence of local improvements in close proximity to those properties.

The special benefits associated with landscaped improvements are specifically:

- Enhanced desirability of properties through association with the improvements.
- Improved aesthetic appeal of properties providing a positive representation of the area.
- Enhanced adaptation of the urban environment within the natural environment from adequate green space and landscaping.
- Environmental enhancement through improved erosion resistance, dust and debris control.
- Increased sense of pride in ownership of property within the District resulting in well-maintained improvements associated with the properties.
- Reduced criminal activity and property-related crimes (especially vandalism) against properties in the District through well-maintained surroundings.

Based on the preceding special benefits, it has been determined that the improvements provided through the District and for which parcels are assessed, contribute to aesthetic value and desirability of those properties. It has further been determined that these improvements, either individually or collectively are provided for the special benefit and enhancement of properties within the District and provide no measurable general benefit to properties outside the District or to the public at large.

NIPOMO COMMUNITY SERVICES DISTRICT
 ENGINEER'S ANNUAL LEVY REPORT
 STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
 FISCAL YEAR 2022-2023

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Assessment Methodology

The maximum annual assessment that may be levied each fiscal year includes an annual inflationary adjustment to the maximum assessment rate based on the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers in San Francisco/San Jose for February 28 of the current year over the previous year's index on the same date. Although the maximum rate for the District may increase each year, the actual amount to be assessed is based on the annual budget and may be less than the maximum rate. The property owners must approve any proposed assessment that exceeds the adjusted maximum rate before it can be imposed.

The maximum assessment that may be levied in a fiscal year is increased annually by the following formula

$$\left. \begin{array}{l}
 \text{(Prior Year's Annual Maximum Assessment x CPI)} \\
 \text{Plus} \\
 \text{Prior Year's Annual Maximum Assessment}
 \end{array} \right\} = \begin{array}{l}
 \text{Current Year's} \\
 \text{Annual} \\
 \text{Maximum} \\
 \text{Assessment}
 \end{array}$$

The percentage change used is the annual change for the preceding 12 months. The annual inflation factor applied for the fiscal year 2022-2023 is based on the percentage change from February 2021 to February 2022 and has been identified as 6.5% (annual percentage change currently available).

MAXIMUM ALLOWABLE ASSESSMENT PER PARCEL (APPLYING INFLATIONARY ADJUSTMENT)	
2021-2022 Maximum Assessment	(A) \$538.12
X CPI (6.5%)	(B) \$34.98

Maximum Assessment Allowable 2022-2023	(A) + (B) \$573.10 =====
Proposed 2022-2023 Annual Assessment	\$500.00 =====

The County of San Luis Obispo adds a \$2.00 per parcel handling fee for processing special district benefit assessments on the tax roll. Total amount of \$502.00 per parcel will be billed on tax roll.

NIPOMO COMMUNITY SERVICES DISTRICT
ENGINEER'S ANNUAL LEVY REPORT
STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FISCAL YEAR 2022-2023

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Fiscal Year 2022-2023 District Budget

DESCRIPTION		2022-2023 BUDGET
Beginning Estimated Fund Balance (July 1, 2022)		\$11,800
Proposed Assessment Levy		\$14,000
Estimated Interest Income		\$30
Estimated Expenditures		
Contract Landscape Maintenance	(\$5000)	
Water	(\$6000)	
Electricity	(\$150)	
Public Notifications	(\$500)	
Administration	(\$1,500)	
Total Estimated Expenditures		(\$13,150)
Estimated Ending Fund Balance (1) (June 30, 2022)		\$12,680

(1) In accordance with the Reserve Policy adopted by the Nipomo Community Services District Board in 2012, the target fund balance reserve for Street Landscape Maintenance District No. 1 is \$20,000. Reserve is operating reserve as well as for capital expenditures for unplanned landscaping repair/replacement and irrigation system repair/replacement.

NIPOMO COMMUNITY SERVICES DISTRICT
ENGINEER'S ANNUAL LEVY REPORT
STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FISCAL YEAR 2022-2023

Lot Number	Assessor Parcel Number	Annual Assessment
1	092-512-001	\$500.00
2	092-512-002	\$500.00
3	092-512-003	\$500.00
4	092-512-004	\$500.00
5	092-512-005	\$500.00
6	092-512-006	\$500.00
7	092-512-007	\$500.00
8	092-512-008	\$500.00
9	092-512-009	\$500.00
10	092-512-010	\$500.00
11	092-512-011	\$500.00
12	092-512-012	\$500.00
13	092-512-013	\$500.00
14	092-512-014	\$500.00
15	092-512-015	\$500.00
16	092-512-016	\$500.00
17	092-512-017	\$500.00
18	092-512-018	\$500.00
19	092-512-019	\$500.00
20	092-512-020	\$500.00
21	092-512-021	\$500.00
22	092-512-022	\$500.00
23	092-512-023	\$500.00
24	092-512-024	\$500.00
25	092-512-025	\$500.00
26	092-512-026	\$500.00
27	092-512-027	\$500.00
28	092-512-028	\$500.00
	TOTAL	\$14,000.00

Annual assessment amount does not include the County of San Luis Obispo \$2.00 per parcel handling fee for processing special district benefit assessments on the tax roll.

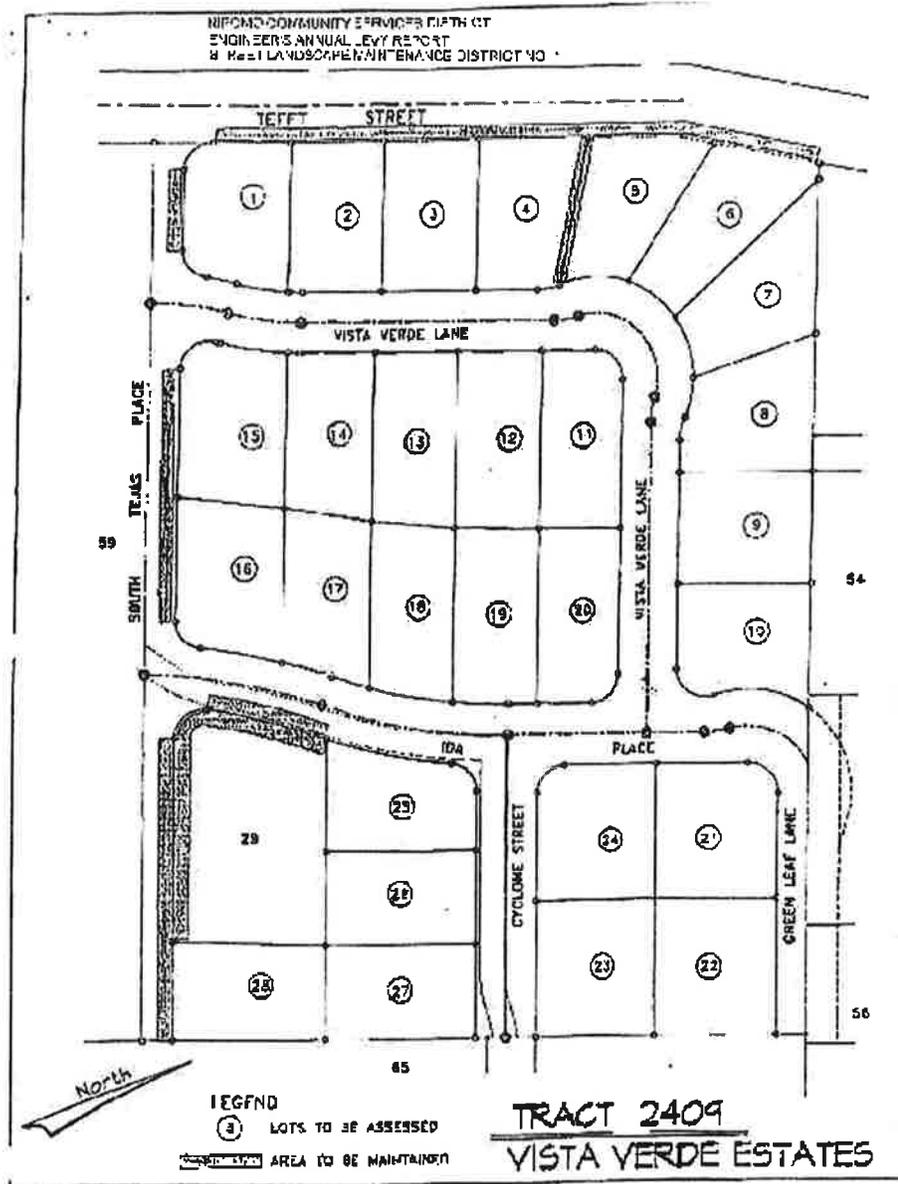


Peter V. Sevcik

PETER V. SEVCIK, P.E.
DISTRICT ENGINEER

May 4, 2022
DATE

NIPOMO COMMUNITY SERVICES DISTRICT
ENGINEER'S ANNUAL LEVY REPORT
STREET LANDSCAPE MAINTENANCE DISTRICT NO. 1
FISCAL YEAR 2022-2023



TO: BOARD OF DIRECTORS
 FROM: MARIO IGLESIAS
 GENERAL MANAGER
 DATE: May 6, 2022



**AGENDA ITEM
 F
 MAY 11, 2022**

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is April 24, 2022 through May 7, 2022.*

DISTRICT BUSINESS

Administrative

The District encourages residents to provide reports of any observed water waste. The District also keeps an accounting of leak adjustments as a measure of non-revenue water lost to leaks as well as tracking late fee waivers. The table below provides April and Calendar Year-to-date data for these items.

OFFICE ACTIVITIES

	Apr 22	Jan 22 - Apr 22
Reports of Water Waste	0	0
Leak Adjustments	3	12
Leak Adjustment Amount	\$713	\$4,581
Late Fee Waivers	0	22
Late Fee Waiver Adjustment Amount	\$0	\$758

On January 1, 2022, the District shifted to a monthly billing cycle from a bi-monthly billing cycle. During the first several months of 2022, the District did not assess late fees. The District will begin normal billing operations in June of this year, to include assessing late fees, providing customer payment arrangements, and discontinuance of water services for delinquent accounts.

Water Resources

Table 1. Total Production Acre Feet (AF)

	Apr - 22	Jul 21 - Mar 22
Groundwater Production	58.8	698.5
Supplemental Water Imported	<u>95.1</u>	<u>905.6</u>
Total Production	153.9	1,604.1

The District's total combined production, including groundwater production wells and supplemental water imported through the Joshua Road Pump Station, registered 153.9 AF for the month of April 2022. Imported water through the Joshua Road Pump Station once again exceeded the groundwater production and will continue to do so through the next several months as the District strives to maintain the 50% groundwater reduction goal.

NCSD GW Reduction

The District's purveyor customers, Golden State Water Company and Woodlands Mutual Water Company, each are responsible for 16.66% (cumulatively 33.33%) of the imported water NCSD brings onto the basin through the NSW. Of the 1,000 AF minimum imported water from the City of Santa Maria, 333 AF or 33.33% of the total imported water – whichever is greater – will be credited to these two purveyor customers. The credited amount must be added to the District's groundwater pumping total every month to reflect the groundwater pumped by these customers in-lieu of taking imported water from the District. Table 2 below demonstrates the calculus for determining the District's adjusted groundwater pumping reduction.

Table 2. NCSD GW Production (NCSD GW Well Production plus Purveyor Credit)

	Apr-22	Jul 21 – Apr 22
NCSD GW Well Production	58.8	698.5
Purveyor Customer Credit (33.3% of Import Water)	31.7	301.8
NCSD Total Calculated GW Production	90.5	1,000.3
Average GW Production for 2009-2013	199.0	2,008.1
NCSD Percentage of GW Reduction	55%	50%

2022 Fiscal Year Groundwater Pumping Forecast

Table 3 projects the District's groundwater pumping reduction for the 2022 Fiscal Year. Under the current Stage 4 of the NMMA Water Shortage Response Stages, the targeted groundwater pumping reduction goal is to pump a total of 1,266 AFY (50% of 2009-2013 average District GW Pumping). July 2021 through April 2022 actual production and May 2021 and June 2021 historic production are combined in this table to provide a projected estimate year end status.

Table 3. Projected Groundwater Pumping

	Year-to-Date		Target	Over/(Under)	
	Apr-22	Jul-Jun 2022			
NCSD GW Well Production	58.8	897.1			
Purveyor Customer Credit (33.3% of Import Water)	31.7	366.5			
NCSD Total Calculated GW Production	90.5	1,263.6	1,266.0	2	AcFt
Average GW Production for 2009-2013	199.0	2,533.4	2,533.4		
NCSD Percentage of GW Reduction	55%	50.1%	50.0%		

Table 4. FY 20201 vs. FY 2020 Groundwater Pumping

	Apr-22	Jul 21 - Apr 22	Apr-21	Jul 20- Apr 21
NCSD GW Well Production	58.8	698.5	77.2	818.0
Purveyor Customer Credit (33.3% of Import Water)	31.7	301.8	31.4	294.0
NCSD Total Calculated GW Production	90.5	1,000.3	108.6	1,112.1
Average GW Production for 2009-2013	199.0	2,008.1	199.0	2,008.1
NCSD Percentage of GW Reduction	55%	50%	45%	45%

Table 4 compares groundwater pumping for the same periods in 2021 and 2022. This view of the data provides operations with insight into year-end water production values and assists operational personnel in their efforts to balance import and groundwater production with the purpose of reducing groundwater pumping to meet the stated objective of 50% pumping groundwater reduction.

Rainfall Gauge

(Reported in inches)	Nipomo East (Dana Hills Reservoirs)	Nipomo South (Southland Plant)
April 2022 Total	.55	0.39
July-2021 through June-2022 (Season Total)	9.88	7.96
May 1, 2022 – May 6, 2022	0.00	0.00
Total Rainfall to date	10.43	8.35
County Reported Avg. Ann. Year Rainfall	18.00	14.00
2006 - 2020 Avg. Ann. Year Rainfall*	15.39	13.30
2006 - 2020 Median Ann. Rainfall*	12.64	11.30

*Data from County website

Connection Report

Nipomo Community Services District
Water and Sewer Connections

END OF MONTH REPORT

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Water Connections (Total)	4500	4500	4500	4501								
Sewer Town connections	2726	2726	2726	2727								
Sewer Blacklake connections	559	559	559	559								
Subtotal	3285	3285	3285	3286								
Galaxy and PSSH at Orchard and Division Sewer connections billed to the County	480	481	481	481								
Sewer Connections (Total)	3765	3766	3766	3767								
New Water Connections	4	0	0	1								
New Sewer Connection	4	0	0	1								

The Connection Report as of May 5, 2022

Safety Program

No Safety Incidents to Report

Supplemental Water Capacity Accounting

Summary Since January 25, 2008

	Number of Equivalent Meters	AFY
Supplemental Water Available for Allocation	947	500.0
Supplemental Water Reserved (Will Serve Letter Issued)	132	-69.7
Subtotal Net Supplemental Water Available for Allocation	815	430.3
Supplemental Water Assigned (Intent-to-Serve Issued)	179	-94.5
Total Remaining Supplemental Water Available for Allocation	636	335.8

As of May 6, 2022

Other Items

- COVID19 NCSD Response Plan Update [Attachment A]
- Dana Reserve – Schedule [Attachment B]

Meetings (April 24 through May 7)

Meetings Attended (telephonically or in person):

- Apr 24, Staff Mtg. - Admin Supervisor Mtg.
- Apr 24, NMMA Purveyor Manager's Meeting
- Apr 24, NMMA-TG Meeting
- Apr 24, SLO County Solid Waste Meeting
- Apr 25, Dana Reserve Rate Evaluation – Tuckfield
- Apr 25, Eng/Admin Coordination Meeting
- Apr 27, Rotary
- Apr 27, NCSD Regular Board Meeting
- Apr 27, After-Board Exec. Team Meeting
- Apr 28, SWRCB Compliance – CII Mapping Regulations
- Apr 29, Staff Mtg. - Cust. Service Specialist
- Apr 29, NCSD Board Officer Meeting
- May 2, Staff Mtg. - Admin Supervisor Mtg.
- May 2, RWG Legal Counsel Conf. Call
- May 3, Nipomo/Sedaru Planning Call
- May 3, BLMA Monthly Meeting
- May 4, Rotary
- May 4, IRWM In-person Meeting SLO Cnty Library
- May 4, CSDA Manager's Meeting
- May 6, Staff Mtg. - Cust. Service Specialist
- May 6, Rotary – Work Golf Tournament

Meetings Scheduled (May 8 through May 14):

Upcoming Meetings (telephonically or in person):

- May 9, Staff Mtg. - Admin Supervisor Mtg.
- May 9, Developer Meeting – Dana Reserve
- May 10, Webinar – SB 606 & 1668 Managing Demand
- May 10, Eng/Admin Coordination Meeting
- May 10, CSDA Quarterly Meeting
- May 11, Rotary
- May 11, NCSD Regular Board Meeting
- May 11, After-Board Exec. Team Meeting
- May 12, NCSD Fin&Audit Com. Meeting
- May 13, Staff Mtg. - Cust. Service Specialist
- May 13, NCSD Board Officer Meeting

Upcoming Water Resource and Other Meetings

Upcoming Standing Meetings:

- NMMA-TG: May 24 (Tuesday) @ 10:00 AM, Zoom Meeting
- RWMG: June 1st (Wednesday)
- WRAC: June 1st (Wednesday) @ 1:30 PM, Zoom Meeting

- *NMMA Manager's Meeting: May 23rd (Monday) @ 10:00 AM, Zoom Meeting*
- *NCSD Board Officer Meeting: May 13th (Friday) @ 10:00 am, NCSD Conf. Rm.*

RECOMMENDATION

Staff seeks direction and input from your Board

ATTACHMENTS

- A. COVID19 - NCSD Response Plan
- B. Dana Reserve Schedule

MAY 11, 2022

ITEM F

ATTACHMENT A

Date: May 11, 2022 Board Meeting
Response Activities to COVID19 Health Emergency
Prepared by: Mario Iglesias, General Manager

DISTRICT RESPONSE TO COVID-19, Updated May 7, 2022

New Actions

No New Actions

Personnel on Quarantine

Office Personnel: 0
Operational Personnel: 0
Vaccine Update: (No Change)

Ongoing Actions

1. Testing available for Employees to test (Voluntary)
2. Following SLO Co. Masking guidelines (Voluntary)
3. Following Cal/OSHA guidelines
4. Review SLO County EOC Status Reports
5. Office Rules for Safe Customer Management – CDC Guidance & Recommendations

Previous Actions

1. For the Month of September, District Staff Tested 44 times (all negative results)
2. Mask Mandate Requirement Update – As of September 1, 2021, masks must be worn indoors at public facilities.
3. COVID19 Rapid Test Kits secured from SLO County at no cost to provide weekly work-place testing.
4. NCSO Board Passes Resolution Declaring Emergency in District [Res. 2020-1550, Mar. 24, 2020]
5. Admin Office Closed to the Public
 - a. Meetings are virtual – Conference Calls
6. Discontinued: Split staff into two teams
 - a. See schedule on Response Plan
7. Received directions for FEMA Public Assistance – Cost Tracking Guidance
8. Governor's Executive Order – No Water Turn-offs
 - a. District instituted this policy as well as a No Late Fee – No Penalty Fees
9. Wipe-down between shifts
10. Each operator in separate designated vehicle.
11. Received additional PPE. Administration Staff will be on normal schedule 8-4:30 starting Monday May 18th
12. Operations Staff are on normal 7:00 am to 3:30 pm work schedule as of Monday, May 4th. County opened up construction sites.
13. Expanded Customer Service Work to include site visits for investigations (high bills, meter issues) week of May 11
14. Trailers for quarantine have been returned – May 1
15. District to begin wastewater sampling in conjunction with County effort to determine presence of COVID19 in communities – May 11
16. Temporary Admin Support Workers brought back to Office (Provider incentivized due to PPP Funds) – June 1

Date: May 11, 2022 Board Meeting
Response Activities to COVID19 Health Emergency
Prepared by: Mario Iglesias, General Manager

17. Lobby Modifications: Glass is equipped with speaker plates to allow the communication between customer and clerk without opening the sliding window.
18. Board Meetings open to the public.
19. County Offices Continued Closed with Appointments provided to some departments as needed.
20. June 18, 2020, Governor Order issued requiring face masks be worn in public places. District management purchased disposable face masks for staff, Board Members, and any public that attends District Board Meetings and lack a face mask.
21. The customer counter window modifications at the office are completed.
22. Capital Improvement Projects continue to be impacted and schedules for completion continue to be pushed back due to material delivery delays.
23. Administrative Office open to public – April 19, 2021
24. Mask Mandate in SLO County (reinstated on September 1st) will be lifted when:
 - a. The county reaches the yellow, “moderate” level of COVID-19 community transmission, as defined by the Centers for Disease Control and Prevention (CDC), and stay there for at least 10 days, and
 - b. Public Health Officer Dr. Penny Borenstein determines that COVID-19 hospitalizations are low and stable and area hospitals are able to meet the needs of patients.
25. County Health provided COVID19 Rapid Test that will get us through January 2022. NCSO requesting additional tests for February and March. The District has sufficient tests to sustain routine testing practices through January 2022.
26. February 16, 2022, Indoor Mask Mandate Lifted in San Luis Obispo County for vaccinated individuals.

Mask Mandate Status:

- Effective March 1, 2022, the requirement that unvaccinated individuals mask in indoor public settings will move to a strong recommendation that all persons, regardless of vaccine status, continue indoor masking.
- Universal masking shall remain required in specified high-risk settings.
- After March 11, 2022, the universal masking requirement for K-12 and Childcare settings will terminate. CDPH strongly recommends that individuals in these settings continue to mask in indoor settings when the universal masking requirement lifts.

Masks in California are still Required:

- On public transit
- In Emergency[8] shelters and cooling and heating centers
- In Healthcare settings (applies to all healthcare settings, including those that are not covered by the State Health Officer Order issued on July 26, 2021)
- At State and local correctional facilities and detention centers
- In Homeless shelters
- At Long Term Care Settings & Adult and Senior Care Facilities

MAY 11, 2022

ITEM F

ATTACHMENT B

DANA RESERVE REVIEW SCHEDULE (AS OF 5/11/2022)

Date	Description	Comment
April 24	NCSD Review "Utility" Section of EIR	
May 16	Release of EIR	Extended from May 9
June 9	SLO County Planning Comm. Study Session	
June 16	LAFCO Study Session	County Lead
June 20	Close Public Comment - EIR	
Q-1 2023	County Board of Supervisors	Accept EIR
Q-2 2023	NCSD Board	Annexation Application
Q-2 2023	LAFCO Review	

The above schedule is suggested and drawn from conversations from the County, LAFCO, and the Developer. This schedule is a rough outline and will most likely change over time.