

TO: BOARD OF DIRECTORS
FROM: MARIO IGLESIAS
GENERAL MANAGER
DATE: JUNE 7, 2019

AGENDA ITEM
E-6
JUNE 12, 2019

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 AUGUST 14, 2019

ITEM

Approve final draft of the South County Sanitary Service rate study report and direct staff to initiate a Proposition 218 process, including approval of a public notice and setting the public hearing date for August 14, 2019 [RECOMMEND APPROVE REPORT, DIRECT STAFF TO INITIATE PROP 218 PROCESS, APPROVE PUBLIC NOTICE, AND SET AUGUST 14, 2019 FOR PUBLIC HEARING]

BACKGROUND

South County Sanitary Services (SCSS) provides solid waste collection services to homes throughout southern San Luis Obispo County. SCSS provides these services to District customers under a Franchise Agreement ("Agreement") with the Nipomo Community Services District ("District").

SCSS is requesting a 10.06% Base-Year Rate Adjustment for 2019 [Attachment A] for South County customers. However, there are three factors that lower the District's Base-Year Rate Adjustment request to as low as 8.69%.

- The District's Franchise Fee is currently less than all other South County Agencies (5.14% for the District v. 10% for other South County agencies),
- The District's Agreement limits SCSS's profits to 7% versus 8% applied to all other South County Agencies, and
- The District's Agreement requires SCSS to reduce the District's rates by 1% compared to all other South County Agencies.

The District receives a Franchise Fee to manage the solid waste collections enterprise. The District could adjust the Franchise Fees above the current 5.14% identified in the rate study, as allowed in the Agreement. If the District matched the Franchise Fee percentage that all other South County Agencies include in their fees and charges (10%), then the compound rate increase would be 15.08%.

The following table summarizes and compares the two rate increase Franchise Fee percentages, 5.14% versus 10%, and demonstrates the monthly difference between them.

Container Size	Current Charges	5.14% Franchise Fees		10% Franchise Fees		Difference 5.14% v 10%
		Proposed	Increase	Proposed	Increase	
32 Gallons	\$17.18	\$18.67	\$1.49	\$19.77	\$2.59	\$1.10/month
64 Gallons	\$24.61	\$26.75	\$2.14	\$28.32	\$3.71	\$1.57/month
96 Gallons	\$32.26	\$35.06	\$2.80	\$37.12	\$4.86	\$2.06/month

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 \$317,000 and collected \$6,800 per month in Franchise Fees for 2018. 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

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.

Should your Board accept the recommendations in the rate study and raise solid waste rates, your Board will need to approve the public notice that represents the Franchise Fee percentage your Board finds most appropriate [Attachment C (5.14% option), or Attachment D (10% option). Staff will mail the public notice to the District's solid waste customers, in accordance with Proposition 218. Issuance of the public notice commences a minimum 45-day protest period.

Staff is recommending setting the date for a Public Hearing on August 14, 2019. Rates for solid waste collections are addressed in District Ordinance. District Counsel is recommending amendments to the Ordinance to clarify that rates are adopted by Resolution and to modify the Consumer Price Index referenced in the ordinance to be consistent with the rate study and the index used by the other South County Agencies. If the amendments to the ordinance are adopted by July 15, 2019, the new rates may become effective immediately if no majority protest is made and if your Board approves the new rates on August 14, 2019.

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 August 14, 2019, if the Ordinance is amended.

FISCAL IMPACT

Depending on the rate option selected, it is estimated that the District would receive \$81,600 annually under the 5.14% option or \$158,755 under the 10% option in franchise fees annually.

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 chose 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. May 3, 2019 Solid Waste Rate Review Memorandum
- B. June 6, 2019 Revised Review of Solid Waste Rates and Impact of Increasing Franchise Fee to 10% Memorandum
- C. Draft Notice with Example Rate for 5.14% Franchise Fee Adjustment
- D. Draft Notice with Example Rate for 10% Franchise Fee Adjustment

JUNE 12, 2019

ITEM E-6

ATTACHMENT A

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William C. Statler

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

MEMORANDUM

May 3, 2019

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

FROM: Bill Statler *W.C. Statler*

SUBJECT: SOLID WASTE RATE REVIEW

RECOMMENDATION

Approve the requested rate increase from South County Sanitary Service (SCSS) for solid waste services of 8.89%.

DISCUSSION

Background

SCSS submitted a rate application on March 26, 2019 requesting an 8.89% rate increase for all customers. This 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 8.89% increase is provided in Attachment 1.

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

Solid Waste Rate Review

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

Provided in Attachment 2 is a rate review prepared for the communities of Arroyo Grande, Grover Beach, Oceano and Pismo Beach. As discussed in the report, joint agency review for these four agencies 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).
- All agencies have adopted franchise fees of 10%.

In general, all the findings set forth in the attached report are applicable to the District, with three key differences:

- The franchise fee is 7.3% (versus 10.0% in the other agencies).
- 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 than what other agencies are paying for similar services.

These factors are why the requested rate increase of 8.89% is less than the proposed rate increase of 10.06% in other south county communities; and as presented on page 7 of the rate application (Attachment 1), why rates are at least 1% less than what other communities are paying for similar services.

Findings

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

- **Complete Application.** With its latest application, SCSS has fully provided the supporting documentation required for rate requests under the District’s Franchise Agreement. The revised application (Attachment 1) has been correctly prepared and requests an across-the-board rate increase of 8.89%.
- **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 of 8.89%, rates in the District will be among the lowest of those surveyed. In short, the District has the best of both worlds: high quality services at a low cost (compared with other communities).

- **“Trigger Option.”** As discussed in greater detail in the report, the rate increase exceeds the cost of living threshold that “triggers” the option of terminating the Franchise Agreement within nine months after rate approval.
- **Need for Updated Rate-Setting Methodology.** Several complex issues have surfaced in this review (most notably corporate overhead, greenwaste and material recovery facility costs as well as rate structure concerns) that have not been encountered in the past in using the rate-setting methodology, which as noted above, is based on the *Rate Manual* adopted in 1994. In short, with very minor modifications, this approach has been in place for 25 years. Accordingly, given the passage of time and the emergence of issues not envisioned in 1994, it is timely to update this methodology.

Key Rate-Setting Factors

As discussed in the attached report, 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 (Operations and Maintenance)

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

Pass-Through Costs

- Landfill disposal (“tipping”) fees
- Franchise fees
- Payments to affiliated companies (such as facility rent, interest and trucking charges)

Excluded and Limited Costs

- 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 based on the following factors:

- The target is an 7% 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.

Rate Request Summary

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

	Requested
Allowable Costs	9,014,178
Allowable Profit (7% Operating Ratio)	678,486
Pass-Through Costs	
Tipping Fees: Landfill	1,821,241
Tipping Fees: MRF	852,390
Franchise Fees	1,385,290
Related Party Costs	309,151
Total Pass-Through Costs	4,368,072
Allowed Revenue Requirements	14,060,736
Revenue without Rate Increase	12,991,486
Revenue Requirement Shortfall	1,069,250
Rate Base Revenue	12,973,924
% Change in Revenue Requirement	8.24%
Allowed Revenue Increase *	8.89%

**Adjusted for franchise fee of 7.3%*

As noted above, all the factors discussed in the Attachment 2 that drive rate increases are the same for the District, with two key exceptions:

- The franchise fee is 7.3% (versus 10.0% in the other agencies).
- The “allowable profit” (which is described in the attached report) is 7% (versus 8% in the other communities).

These two factors are why the requested rate increase of 8.89% is less than the proposed rate increase of 10.06% in other south county communities;

For this reason, 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 two key differences notes above.

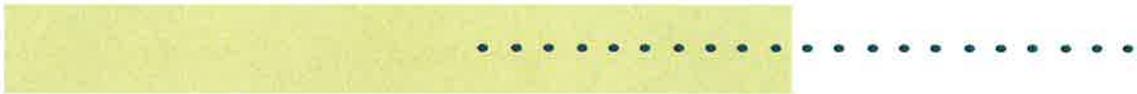
SUMMARY

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 8.89%.

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

2019 Base Year Rate Adjustment Application-4th Amended (Nipomo)

Summary

NIPOMO COMMUNITY SERVICE DISTRICT

Requested Increase

	CNG Trucks/Infrastructure	4.40%
	Organics	3.10%
	Recycle Processing	6.48%
	Other	-5.09%
1. Rate Increase Requested		8.89%

Rate Schedule

Rate Schedule	Current Rate	Increased Rate	Adjustment (a)	New Rate
Single Family Residential				
2. Economy Service (1 - can curb)	\$ 17.18	\$1.53		\$18.71
4. Standard Service (2- can curb)	\$ 24.61	\$2.19		\$26.80
5. Premium Service (3 - can curb)	\$ 32.26	\$2.87		\$35.13

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

6. Multiunit Residential and Non-residential	Rate increases of	8.89%
	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 Smith** Title: **District Manager**

Signature: _____ Date: **03/26/19**

South County Sanitary Service

2019 Base Year Rate Adjustment Application-4th Amended (Nipomo)

Financial Information

Historical		Current	Projected	
2016	2017	2018	Base Year	2020

(from Pg. 4)

Section I-Allowable Costs

6. Direct Labor	\$3,083,345	\$3,150,539	\$3,385,970	\$3,489,134	\$3,593,808
7. Corporate Overhead	\$332,113	\$153,045	\$340,461	\$350,334	\$363,647
8. Office Salaries	\$478,072	\$901,055	\$386,322	\$397,911	\$409,849
9. Other General and Admin Costs	\$3,820,842	\$4,026,894	\$4,098,450	\$4,776,799	\$4,958,317
10. Total Allowable Costs	\$7,714,372	\$8,231,533	\$8,211,202	\$9,014,178	\$9,325,620

Section II-Allowable Operating Profit

11. Operating Ratio	87.3%	91.1%	96.1%	93.0%	93.0%
12. Allowable Operating Profit	\$1,126,283	\$803,795	\$336,505	\$678,486	\$701,929

Section III-Pass Through Costs

13. Tipping Fees	\$1,891,183	\$1,886,262	\$2,680,988	\$2,673,630	\$2,673,630
14. Franchise Fees	\$1,318,502	\$1,357,533	\$1,368,864	\$1,385,290	\$1,401,894
15. AB939 Fees	\$0	\$0	\$0	\$0	\$0
16. Payments to Affiliated Companies*	\$137,595	\$208,272	\$243,980	\$309,151	\$320,899
17. Total Pass Through Costs	\$3,347,280	\$3,452,067	\$4,293,832	\$4,368,072	\$4,396,423

* Affiliate Payments include interest, lease payments, and transportation

Section III-Pass Through Costs

18. Revenue Requirement	\$12,187,936	\$12,487,395	\$12,841,539	\$14,060,736	\$14,423,972
19. Total Revenue Offsets (from Page 3)	\$12,187,936	\$12,487,395	\$12,841,539	\$12,991,486	\$13,147,193

Section III-Pass Through Costs

20. Net Shortfall (Surplus)	\$1,069,250
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21. Total Residential and Non-residential Revenue without increase in Base Year (pg.5, line 76)	Nipomo \$12,973,924
22. Percent Change in Residential and Non-residential Revenue Requirement	8.24%
23. Franchise Fee Adjustment Factor (1 - 6 percent)	92.700%
	8.89%
Limitation due to cumulative increases	
24. Percent Change in Existing Rates	8.89%

South County Sanitary Service

2019 Base Year Rate Adjustment Application-4th Amended (Nipomo)

Revenue Offset Summary

	Section VII - Revenue Offsets				
	Historical		Current	Projected	
	2016	2017	2018	Base Year 2019	2020
<i>Residential Revenue (without increase in Base Yr.)</i>					
28. Single Family Residential	\$7,163,810	\$7,341,537	\$7,541,246	\$7,631,741	\$7,723,322
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	\$7,163,810	\$7,341,537	\$7,541,246	\$7,631,741	\$7,723,322
<i>Non-residential Revenue (without increase in Base Yr.)</i>					
Account Type					
Non-residential Can					
33. Number of Accounts	8	8	8	8	8
34. Revenues			\$4,535	\$4,589	\$4,644
Non-residential Wastewheeler					
35. Number of Accounts	392	425	460	466	471
36. Revenues			\$477,469	\$483,199	\$488,997
Non-residential Dumpster					
37. Number of Accounts	1,738	1,684	1,629	1,649	1,668
38. Revenues	\$5,004,136	\$5,133,957	\$4,796,508	\$4,854,067	\$4,912,315
39. Less: Allowance for Uncollectible Non-resid	\$0	\$0	\$0	\$0	\$0
40. Total Non-residential Revenue	\$5,004,136	\$5,133,957	\$5,278,512	\$5,341,854	\$5,405,956
45. Interest on Investments	\$6,104	\$0	\$0	\$2,035	\$2,059
46. Other Income	\$13,885	\$11,901	\$21,780	\$15,856	\$15,856
47. Total Revenue Offsets	\$12,187,936	\$12,487,395	\$12,841,539	\$12,991,486	\$13,147,193

Fiscal Year: 1-1-2019 to 12-31-2019

Pg. 3 of 6

South County Sanitary Service

2019 Base Year Rate Adjustment Application-4th Amended (Nipomo)

Cost Summary for Base Year

Description of Cost	BASE YEAR			
	2016	2017	2018	2019
Labor	\$2,849,547	\$2,906,100	\$3,127,283	\$3,219,834
Payroll Taxes	\$233,798	\$244,439	\$258,686	\$269,300
48. Total Direct Labor	\$3,083,345	\$3,150,539	\$3,385,970	\$3,489,134
49. Corporate Overhead	\$332,113	\$153,045	\$436,899	\$453,501
Less limitation (enter as negative)			(\$96,438)	(\$103,167)
Total Corporate Overhead	\$332,113	\$153,045	\$340,461	\$350,334
Office Salary	\$442,804	\$864,061	\$350,384	\$360,895
Payroll Taxes	\$35,268	\$36,995	\$35,938	\$37,016
50. Total Office Salaries	\$478,072	\$901,055	\$386,322	\$397,911
Bad Debt	\$2,448	\$4,271	\$11,283	\$4,300
Allocated expenses	\$0	\$0	\$0	\$0
Bond expense	\$6,482	\$5,325	\$5,325	\$5,527
Depreciation on Bldg and Equip	\$0	\$16,598	\$6,297	\$27,275
Depreciation on Trucks/Containers	\$274,514	\$229,543	\$304,867	\$596,497
Drive Cam fees	\$28,997	\$28,680	\$22,949	\$23,821
Dues and Subscriptions	\$6,738	\$8,196	\$6,221	\$6,457
Facilities	\$0	\$50,977	\$0	\$0
Gas and oil	\$796,069	\$880,285	\$969,634	\$965,300
Laundry (Uniforms)	\$21,452	\$24,462	\$26,679	\$27,693
Legal and Accounting	\$29,459	\$30,952	\$31,145	\$37,328
Miscellaneous and Other	\$16,522	\$8,372	\$8,433	\$8,753
Office Expense	\$206,325	\$242,249	\$275,612	\$286,086
Operating Supplies	\$39,671	\$39,710	\$40,674	\$42,219
Other insurance - Medical	\$1,238,436	\$1,195,973	\$1,041,356	\$1,080,928
Other Taxes	\$35,985	\$35,080	\$34,854	\$36,179
Outside Services	\$431,794	\$518,013	\$541,595	\$867,435
Public Relations and Promotion	\$1,578	\$1,699	\$1	\$1
Postage	\$6,574	\$2,005	\$2,047	\$4,125
Permits	\$63,007	\$60,347	\$60,101	\$62,385
Relocation	\$22,576	\$3,186	\$9,302	\$9,656
Rent	\$3,000	\$3,000	\$0	\$0
Telephone	\$20,909	\$20,182	\$13,956	\$14,486
Tires	\$146,896	\$139,628	\$87,488	\$88,145
Travel	\$26,944	\$13,991	\$27,278	\$28,315
Truck Repairs	\$365,282	\$436,531	\$543,855	\$525,345
Utilities	\$29,184	\$27,637	\$27,497	\$28,542
51. Total Other Gen/Admin Costs	\$3,820,842	\$4,026,894	\$4,098,450	\$4,776,799
52. Total Tipping Fees	\$1,891,183	\$1,886,262	\$2,680,988	\$2,673,630
53. Total Franchise Fee	1,318,501.56	\$1,357,533	1,368,863.98	1,385,290
54. Total AB 939/Regulatory Fees	\$0	\$0	\$0	\$0
55. Total Lease Pmt to Affil Co.'s	\$89,051	\$91,703	\$145,337	\$150,860
55a. Interest Expense (to affiliate)	\$0	\$62,222	\$50,099	\$107,902
55b. Transportation costs (to affiliate)	\$48,544	\$54,347	\$48,545	\$50,389
56. Total Cost	\$11,061,652	\$11,683,600	\$12,505,034	\$13,382,249

2019 Base Year Rate Adjustment Application-4th Amended (Nipomo)

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</i>							
<i>(without increase in Base Year)</i>							
57. Single Family Residential	\$7,631,741	\$7,631,741	\$1,293,703	\$852,859	\$868,551	\$4,616,628	
<i>Multunit Residential Dumpster</i>							
58. Number of Accounts	0	0					
59. Revenues	\$0	\$0					
60. Less Allowance for Uncollectable	\$0	\$0					
61. Total Residential Revenue	\$7,631,741	\$7,631,741	\$1,293,703	\$852,859	\$868,551	\$4,616,628	\$0
<i>Non-residential Revenue (without increase in Base Year)</i>							
<i>Account Type</i>							
<i>Non-residential Can</i>							
62. Number of Accounts	8	8	2	4	0	2	
63. Revenues	\$4,589	\$4,589	\$503	\$1,468	\$0	\$2,617	
<i>Non-residential Wastewheeler</i>							
64. Number of Accounts	466	466	131	132	95	108	
65. Revenues	\$483,199	\$483,199	\$134,345.31	\$180,384.79	\$64,852.36	\$103,616.13	
<i>Non-residential Dumpster</i>							
66. Number of Accounts	1,649	1,643	352	236	327	728	6
67. Revenues	\$4,854,067	\$4,777,761	\$1,059,880	\$1,004,808	\$688,810	\$2,024,263	\$76,305
68. Less: Allowance for Uncollectable Non-residential Accounts	\$0	\$0					
69. Total Non-residential Revenue	\$5,341,854	\$5,265,549	\$1,194,729	\$1,186,661	\$753,662	\$2,130,497	\$76,305
74. Interest on Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75. Other Income	\$328	\$0	\$0	\$0	\$0	\$0	\$328
76. Total Revenue Offsets	\$12,973,924	\$12,897,290	\$2,488,432	\$2,039,520	\$1,622,213	\$6,747,125	\$76,634

South County Sanitary Service

2019 Base Year Rate Adjustment Application-4th Amended (Nipomo)

Operating Information

Historical		Current		Projected			
	Percent		Percent		Percent	Base Year	Percent
2016	Change	2017	Change	2018	Change	2019	Change

Section IX-Operating Data

Residential

Accounts

77.	Arroyo Grande	5,742	0.5%	5,769	1.1%	5,833	1.0%	5,891	1.0%	5,950
	Grover Beach	4,198	0.3%	4,211	0.7%	4,239	1.0%	4,281	1.0%	4,324
	Pismo Beach	3,748	0.5%	3,768	-0.2%	3,762	1.0%	3,800	1.0%	3,838
	Oceano CSD	1,838	0.1%	1,840	-0.3%	1,834	1.0%	1,852	1.0%	1,871
	Nipomo CSD	4,001	0.8%	4,035	0.9%	4,070	1.0%	4,111	1.0%	4,152
	County	6,436	1.8%	6,551	1.4%	6,643	1.0%	6,709	1.0%	6,777
		25,963	0.8%	26,174	0.8%	26,381	1.0%	26,645	1.0%	26,911
78.	Routes-Garbage	7	0.0%	7	0.0%	7	0.0%	7	0.0%	7
79.	Routes-Recycling	7	0.0%	7	0.0%	7	0.0%	7	0.0%	7
80.	Direct Labor Hours	32,722	0.0%	32,722	0.0%	32,722	0.0%	32,722	0.0%	32,722

Non-residential Garbage

Accounts

80.	Arroyo Grande	486	-1.0%	481	-0.4%	479	1.0%	484	1.0%	489
	Grover Beach	442	-2.0%	433	-3.7%	417	1.0%	421	1.0%	425
	Pismo Beach	380	-1.1%	376	-2.4%	367	1.0%	371	1.0%	374
	Oceano CSD	190	0.5%	191	-12.0%	168	1.0%	170	1.0%	171
	Nipomo CSD	211	-0.9%	209	-16.3%	175	1.0%	177	1.0%	179
	County	475	2.3%	486	6.8%	519	1.0%	524	1.0%	529
		2,184	-0.4%	2,176	-2.3%	2,125	1.0%	2,146	1.0%	2,168
81.	Routes-garbage	5	0.0%	5	0.0%	5	0.0%	5	0.0%	5
	Routes-recycling	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3
82.	Direct Labor Hours	22,334	0.0%	22,334	0.0%	22,334	0.0%	22,334	0.0%	22,334

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

Accounts

83.	Tri-Cities	8,965	-3.1%	8,686	-1.1%	8,587	0.0%	8,587	0.0%	8,587
	Nipomo/Oceano CSD	3,296	-3.1%	3,193	-1.1%	3,157	0.0%	3,157	0.0%	3,157
84.	County	1,055	-3.1%	1,022	-1.1%	1,010	0.0%	1,010	0.0%	1,010
		13,316	-3.1%	12,901	-1.1%	12,754	0.0%	12,754	0.0%	12,754

Recyclable Materials - All areas-Greenwaste Recycling

	Routes	5	0.0%	5	0.0%	5	0.0%	5	0.0%	5
	Tons Collected	11,294	5.6%	11,931	5.3%	12,567	1.0%	12,693	1.0%	12,820
	Direct Labor Hours	7,271	0.0%	7,271	0.0%	7,271	0.0%	7,271	0.0%	7,271
	Garbage Tons Collected	40,552	1.5%	41,142	1.2%	41,621	1.0%	42,037	1.0%	42,457

Attachment 1

**South County Sanitary Service
Analysis of Differentiation of Operating Ratio Between Nipomo and the Remainder of South County Sanitation**

Description	Total		Comments
	Company	Nipomo Test	
Allowable Costs from Page 2 (2019)	\$9,014,178	\$9,014,178	
Operating Ratio	92%	93%	Nipomo's Operating Ratio is 93
Allowable Profit	\$ 783,842	\$ 678,487	
Allowable Costs	\$9,014,178	\$9,014,178	
Pass Through Costs	\$4,368,072	\$4,368,072	
Revenue Requirement	<u>\$ 14,166,091</u>	<u>\$ 14,060,736</u>	
Current Revenue Offset	\$12,991,486	\$12,991,486	
Additional Revenue Required	\$ 1,174,605	\$ 1,069,250	
Increase Required	9.04%	8.23%	
Franchise Fee Adjustment Factor	90%	92.70%	Nipomo's Franchise fee is 7.3%
Resulting Rate Adjustment	<u>10.05%</u>	<u>8.88%</u>	1.17%

Nipomo's increase is 1.17% less than the other South County agencies

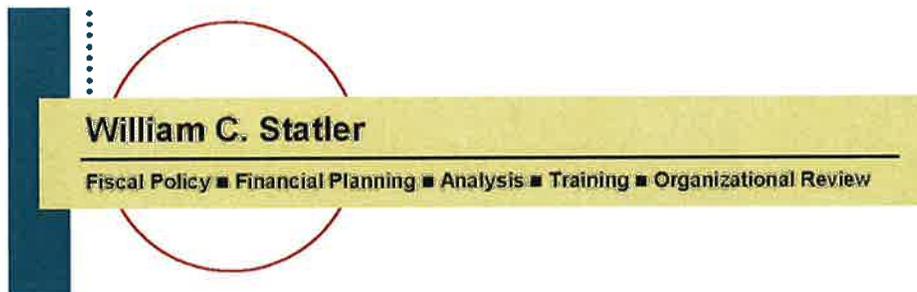
With this demonstration that an operating ratio of 93 is used to determine the revenue requirement and the resulting rates, Nipomo rate payers can be assured that in aggregate, their total cost before franchise fees is less than the other South County jurisdictions, which use a 92 operating ratio. Due to differences in rate design and distribution of customer count, this does not mean that all individual tarified rates are at one percent lower than other rates in the South County.

South County Sanitary Service
SOLID WASTE RATE REVIEW

For the Communities of

Arroyo Grande
Grover Beach
Oceano
Pismo Beach

April 2019



South County Sanitary Service
Solid Waste Rate Review
 April 2019

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APPENDIX

- A. Base Year Rate Request Application from South County Sanitary Service
- B. Boston Group Outlook on Recycling Costs
- C. Cold Canyon Processing Facility Background

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South County Sanitary Service SOLID WASTE RATE REVIEW

*For the Communities of Arroyo Grande, Grover Beach,
Oceano and Pismo Beach*

REPORT PURPOSE

On September 25, 2018, South County Sanitary Service (SCSS) submitted a *Base Year* rate increase application to be effective January 1, 2019 to the Cities of Arroyo Grande, Grover Beach and Pismo Beach and the Oceano Community Services District (CSD). However, due to the complexity and concerns with the rate application, four supplemental applications were submitted, with the most recent one received on March 28, 2019.

The last 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 latest application, SCSS is requesting a rate increase of 10.06%. This compares with its initial request of 13.36% in September 2018. 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 2019 have been resolved. However, the following highlights a key cost driver in this review:

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

Materials recovery facility (MRF) costs for “single stream” recycling (one container for all recyclables that must be sorted at a MRF) have increased from \$7.80 in 2017 per ton to \$67.50 per ton for 2019, an increase of 765%. This results in cost increases of \$760,000 from 2017 and accounts for about half of the requested 10.06% rate increase.

It is clear from market realities (higher costs to produce higher-quality recyclables and lower prices for the resulting product from MRF operations) and the supporting data provided by SCSS, that cost increases in this area are warranted. While the increase is significant, it is acceptable given market conditions and the higher cost of other alternatives.

It should be noted that SCSS requested a rate restructuring in their initial application in order to send “better cues” to residential customers about correctly sizing trash containers, since many customers are placing trash in their recycling (blue containers). However, due to other complex cost issues associated with its rate application, SCSS has rescinded this request.

Findings

- ***Complete Application.*** With its latest 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 and requests an across-the-board rate increase of 10.06%.
- ***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 of 10.06%, 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.*** Several complex issues have surfaced in this review (most notably corporate overhead, greenwaste and MRF costs as well as rate structure concerns) that have not been encountered in the past in using the rate-setting methodology, which 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 25 years. Accordingly, given the passage of time and the emergence of issues not envisioned in 1994, it is timely to update this methodology.

Undertaking this work is supported by Waste Connections (the parent company of SCSS) as well as by the staff of all agencies serviced by SCSS (which includes the County, Avila CSD and Nipomo CSD as well as the City of San Luis Obispo). Waste Connections has conceptually agreed to fund half of this cost; if the remaining cost is shared by the central

Solid Waste Rate Review

coast agencies serviced by Waste Connections, the consultant service cost for each agency should be very modest. There are several highly-respected consultant firms that could assist with this update, such as:

HF&H Consultants
<http://hfh-consultants.com>

FCS Group
<http://fcsgroup.com>

NBS
<https://www.nbsgov.com>

MSW Consultants
<https://MSW-Consultants.com>

R3 Consulting Group
<https://r3cgi.com>

Bell & Associates
Chris@bellassociatesinc.com

If the governing bodies are interested in pursuing an update, the next steps include developing a funding strategy; preparing and issuing a request for proposals (RFP); and selecting the vendor.

Rate Recommendations

It is recommended that the governing bodies of each agency adopt an across-the-board rate increase of 10.06%.

As discussed below, this rate increase 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 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 for an increase that would avoid triggering this option is 3.32% (in short, the requested rate increase is 6.74% above the trigger).

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.

It is important to note that the “trigger option” does not directly limit rate increase requests by SCSS to an amount that may be less than that allowed under the rate-setting methodology.

Solid Waste Rate Review

However, subjecting the Franchise Agreement to *possible* termination if the rate request is greater than the cost of living threshold provides an incentive for SCSS to do so if possible.

Rate Summary for Single Family Residential Customers

Table 1 summarizes the requested 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 \$1.57 on average for the four agencies.

BACKGROUND

On September 25, 2018, SCSS submitted a *Base Year* rate increase to be effective January 1, 2019. As noted above, due to the complexity and concerns with the rate application, four supplemental applications were submitted, with the most recent one received on March 28, 2019. 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 31, 2019 to evaluate SCSS's rate increase application.

This is the sixth *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; and the last one in September 2015. 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	\$17.26	\$22.44	\$27.63
Grover Beach	15.65	21.16	26.64
Oceano	14.00	20.13	39.40
Pismo Beach	15.36	30.73	46.09
Requested			
Arroyo Grande	19.00	24.70	30.41
Grover Beach	17.22	23.29	29.32
Oceano	15.41	22.16	43.36
Pismo Beach	16.91	33.82	50.73
Increase: Requested Rates			
Arroyo Grande	1.74	2.26	2.78
Grover Beach	1.57	2.13	2.68
Oceano	1.41	2.03	3.96
Pismo Beach	1.55	3.09	4.64

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:

- 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.
- All agencies have adopted franchise fees of 10%.

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
- Audited financial statements for SCSS for 2016 and 2017
- 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

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

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.

COST ACCOUNTING ISSUES

Who's Paying What?

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 by the fact that SCSS, as a subsidiary of Waste Connections Incorporated (which acquired the parent company in April 2002), 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

Solid Waste Rate Review

- Nipomo Community Services District
- Avila Beach Community Services District
- Other unincorporated areas in the South County such as Rural Arroyo Grande

Cost Accounting System

Between Companies. Separate “source” accounting systems are maintained for each company. Moreover, audited financial statements are prepared for each company by an independent certified public accountant; and SCSS’s auditors have consistently issued “clean opinions” on its financial operations. In short, appropriate systems appear to be in place to ensure that the financial results reported for SCSS do not include costs and revenues related to other companies. Additionally, virtually all of the financial operations of SCSS and its affiliated companies are regulated by elected governing bodies such as cities, special districts and the County.

Within the SCSS Service Area. Within the SCSS service area, a combination of direct and allocation methodologies are used in accounting for costs and revenues between communities. In general, revenues are directly accounted for each franchising agency, while costs are allocated using generally accepted accounting principles.

Cost Accounting Findings. The accounting and financial reporting system used by SCSS is reasonable and consistent with generally accepted accounting principles and practices. It treats similar costs similarly (such as collection and disposal, where there are no significant differences in service levels and unit costs between the four agencies), while recognizing community differences (such as different franchise fee rates). Because the financial operations of SCSS are closely related for all of the communities it serves, there are significant advantages to performing concurrent reviews.

Area of Possible Concern. While the service characteristics and resulting per unit costs are very similar for Arroyo Grande, Grover Beach, Oceano and Pismo Beach, this is unlikely to be true for the more rural areas in the South County serviced by SCSS. Because of their lower densities, collection costs are probably higher in these areas but these are not accounted for separately by SCSS.

On the other hand, there are three mitigating factors that reduce this concern:

- **Higher rates.** Depending on service type, rates are up to 30% higher in these areas, recognizing the higher collection costs for similar services. In short, these rate differentials significantly mitigate “equity” and cost accounting concerns.
- **Smaller percentage of accounts.** The four agencies covered by this report account for about two-thirds of the accounts serviced by SCSS. Accordingly, while there may be “cost per account” differences in these other areas, they account for a smaller portion of SCSS operations.
- **About 40% of revenues are from non-SFR accounts.** 41% of SCSS revenues come from multi-family and non-residential accounts, which have the same rate structure and similar service-versus-cost characteristics throughout the SCSS service area.

Solid Waste Rate Review

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

The short answer is: 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 41% of SCSS revenues) are similar in all four agencies: it is only in *single family residential* rates that there are significant differences between communities.

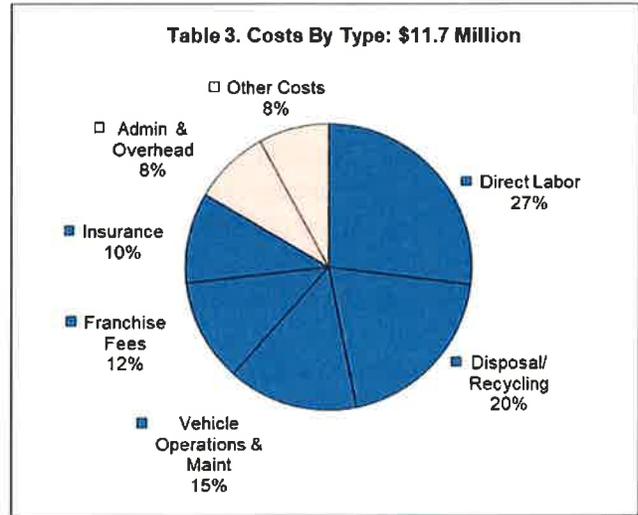
FINANCIAL OVERVIEW

While detailed financial and service information is provided in the SCSS rate request application (Appendix A), the following summarizes their actual costs, revenues and account information for 2017 (the last completed fiscal year for which there are audited financial statements) for all areas serviced by them.

Solid Waste Rate Review

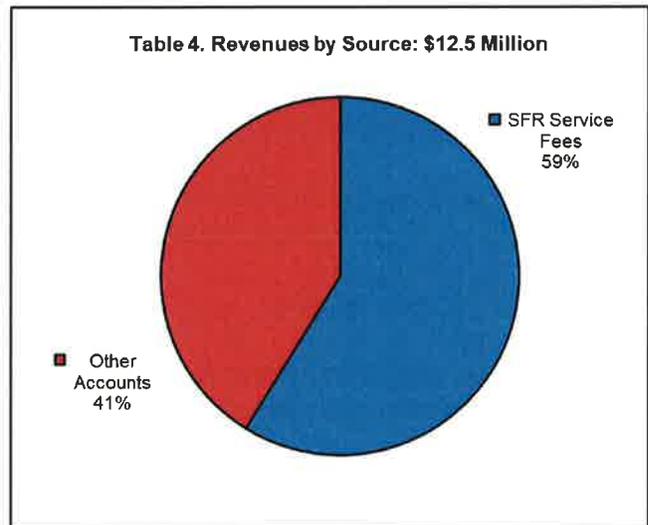
Costs by Type. Total expenses for 2017 (after deducting for non-allowable and limited costs as discussed later in this report) were \$11.7 million. As reflected in Table 3, five cost areas accounted for 84% of total costs:

- Direct labor for collection: 27%
- Disposal and recycling: 20%
- Vehicle operations and maintenance (including depreciation): 15%
- Franchise fees: 12%
- Insurance: 10%



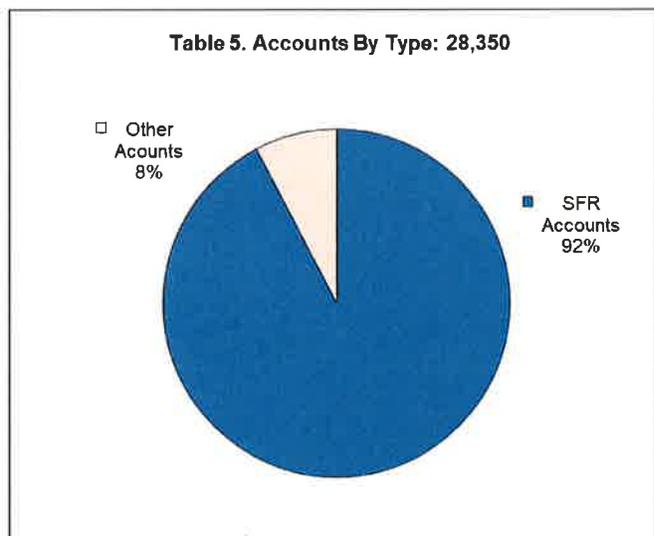
Revenues by Source. Total revenues in 2017 were \$12.5 million. As reflected in Table 4, 59% of SCSS’s revenues come from single-family residential (SFR) accounts.

Services to multi-family residential and non-residential customers account for 41% of their revenues, with less than 1% from other revenues.



Service Accounts by Type. While single-family residences account for 59% 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).



Solid Waste Rate Review

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 September 2015.
- **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 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 represent of total costs (excluding franchise fees). For example, in the current *Base Year* analysis for recommended 2019 rates, controllable costs account for 84% of total costs, with landfill disposal costs accounting for 16%.

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 since 2004 (last twelve years) based on the year of the application (rate increases took place the following year).

Solid Waste Rate Review

Table 6. Review History: 2005 to 2019 (Last 15 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 (3)	10.06%	10.06%	10.06%	10.06%

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 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. *Proposed rate increase.*

Assuming the proposed rate increase of 10.06% for 2019 is approved, this will result in an average annual rate increase of 2.75% over the last fifteen years, which 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:

Solid Waste Rate Review

- 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 (2016 and 2017).
- Estimated results for the current year (2018, which is still in progress).
- Projected costs for the Base Year (2019).
- Estimated costs for the following year (2020).

Additionally, for virtually all line items, SCSS provided supplemental detail upon request to support cost increases from 2017 to 2019.

Table 7 below provides actual costs for 2017 (most recent audit results) compared with requested and recommended cost projections for 2019.

While there are significant cost increases in several categories, they are reasonable given the cost drivers facing SCSS; and in the case of MRF costs, this is an acceptable increase due to higher processing costs and lower revenues combined with the lack of other viable alternatives.

The Short Story. The key drivers behind the proposed 10.06% rate increase for 2019 can be summarized by three cost factors over the past two years:

- 4.5% for recycling via MRF operations.
- 2.2% for truck depreciation.
- 1.6% for investments in food and green waste recycling.
- 1.8% for all other cost increases including labor, vehicle fuel, ongoing maintenance, labor and other pass-through costs.

Solid Waste Rate Review

Table 7. Detailed Cost Review: 2017 vs 2019

	2017	2019 Requested	
	Actual	Amount	Change
Direct Labor	\$3,150,539	\$3,489,134	\$338,595
Administrative Costs *	1,105,077	748,245	(356,832)
Other Expenses			
Depreciation: Bldgs & Equipment	16,598	27,275	10,677
Depreciation: Trucks & Containers	229,543	596,497	366,954
Gas and Oil	880,285	965,300	85,015
Insurance: Health Care	638,285	704,092	65,807
Insurance: Liability and Other	557,688	376,836	(180,852)
Outside Services: Food/Greenwaste	441,100	706,984	265,884
Outside Services: Truck Repairs	31,669	119,696	88,027
Truck Repairs	436,531	525,345	88,814
All Other Costs	744,216	754,773	10,557
Total Allowable Costs	8,231,531	9,014,177	782,646
Pass-Through Costs			
Tipping Fees: Landfill	1,794,208	1,821,241	27,033
Tipping Fees: MRF (Related Party)	92,054	852,390	760,336
Franchise Fees	1,357,533	1,385,290	27,757
Interest, Related Party	62,222	107,902	45,680
Transportation, Related Party	54,347	50,389	(3,958)
Facility Rent, Related Party	91,703	150,860	59,157
Total Pass-Through Costs	3,452,067	4,368,072	916,005
Total Costs	11,683,598	13,382,249	1,698,651

* Corporate overhead and office salaries

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

Allowable Costs

- Direct Labor.** This reflects a two-year increase of 10.7%, or about 5.2% per year. SCSS says this increase is due to cost of living increases of about 2% per year plus an across the board increase of 5% for retention and attraction. Given the tight labor market, this increase is reasonable.
- Administrative Costs.** This is a combination of corporate overhead (which is limited to increases in the consumer price index) and office salaries. SCSS's initial application and 2017 audit reassigned costs between corporate overhead and office salaries. While there may be merit in its revised approach, this is a change from its past practice that was not discussed with staff beforehand. In response to this concern, SCSS revised their application. As such, the best "apples to apples" comparison is to combine the two categories, which results in an overall reduction of \$356,000 in administrative expenses from 2007. This virtually offsets all of the increases in direct labor.

Solid Waste Rate Review

- **Depreciation: Buildings and Equipment.** This increase results from the SCSS share (31%) of yard repaving costs of \$482,000 in 2018, amortized over twenty-five years, offset by other reductions.
- **Depreciation: Trucks and Containers.** In the 2015 *Base Year* report, I noted there was a significant decrease in depreciation costs due to an aging fleet: as vehicles begin to remain in service after their useful lives, they become fully-depreciated and no further annual expenses are recorded. This lower cost is a good thing initially. However, I noted that these vehicles will need to be replaced at some point and higher depreciation costs will then be incurred.

This is reflected in projected costs for 2019, which reflects the replacement of six trucks at a cost of about \$432,000 per vehicle. In assessing the reasonableness of this cost, SCSS provided the invoice for its most recent purchase. Additionally, recent costs for similar vehicles by other agencies were also reviewed. Based on this review, the proposed cost base is reasonable. Amortized over seven years as set forth in the *Rate Manual*, this results in added depreciation costs of \$370,000, which fully accounts for the increase from 2017 of \$367,000.

It should be noted that with these additions, the overall fleet age will decrease from 12.8 years to 11.2 years, a reduction of about 10% with these replacements, compared with the *Rate Manual* target of seven years. According, when these remaining vehicles that have exceed their useful lives are replaced, additional increases in depreciation costs in future *Base Year* rate applications are likely.

- **Gas and Oil.** These costs are projected to increase by about 4.5% annually. Given the volatility (both up and down) of diesel and CNG costs, this is a reasonable assumption for 2019 costs.
- **Insurance: Health Care.** These costs are projected to increase from 2017 by about 5% annually. Given increases in health care costs, this is a reasonable assumption for 2019 costs.
- **Insurance: Liability and Other.** Projected costs have decreased significantly from 2017, which reflects favorably on SCSS's risk management efforts.
- **Outside Services: Food and Greenwaste.** These cost increases are driven by the 20-year investment in new equipment (on-site Digester) for food and green waste. This increased cost was envisioned in the 2016 Franchise Agreement amendments, where the term was correspondingly extended for 20 years.

The proposed rate is \$51.44 per ton, an increase from \$36.97 per ton in 2017. This increase is consistent with estimates discussed at the time. However, as reflected in Table 8, the key issue is allocating excess capacity. Currently about 25,000

Table 8. Food and Greenwaste: All Customers

Current Agency Use (Delivered Tons)	25,000
Reserve for Cold Canyon	3,000
Total	28,000
Capacity	34,000
Excess (Reserve) Capacity	
Tons	6,000
Percent	24.0%

Solid Waste Rate Review

tons are delivered to the Digester from all of Waste Connections' central coast customers; and another 3,000 tons have been reserved by Waste Connections for diversion from the landfill (plans to do so are in progress). However, the Digester is capable of processing 34,000 tons, an excess capacity of 6,000 tons (24%). It makes sense to reserve a reasonable capacity for the future: the question is: how much?

For rate-setting purposes, SCSS is proposing to share this capacity 67%/33%. This reserves about 18% growth for central coast agencies, allowing for about 1% growth over the 20-year franchise term. I concur that this is a reasonable basis for projecting this cost for 2019. This results in the following cost increase (roughly equal to the costs presented in Table 7):

Table 9. Increased Food and Greenwaste Costs

	2017	2019	Increase
Tonnage	11,931	13,727	1,796
Cost per ton	36.97	51.44	14.47
Annual Cost	\$441,089	\$706,097	265,008

It should be noted that an alternative of a "50/50" split of the excess capacity would reduce the cost allocated to SCSS by about \$36,000, for a lower increase of 9.72% versus the requested increase of 10.06% (difference of 0.34%). This would have a very minor impact on single family residential rates (about 5 cents per month for 32-gallon customers). Accordingly, reserving a larger capacity for future growth makes sense. That said, addressing the allocation of the Digester capacity is another area that would benefit from an update to the *Rate Manual*.

- **Truck Repairs: Outside Services and In-House.** As summarized below, the rate application requests an increase of \$353,682 (75.5%) in this cost category:

Table 10. Truck Repairs

	Actual 2017	Requested 2019	Increase	
			Amount	Percent
Outside Services	31,669	119,696	88,027	278.0%
In-House	436,531	525,345	88,814	20.3%
Total	\$468,200	\$645,041	\$176,841	37.8%

While significant, the proposed costs reflect a decrease from their initial application of \$821,882. Based on follow-up requests for more information and added review by SCSS of current trends, they have reduced the proposed amount by \$176,841. On one hand, this is disconcerting, since the average age of the fleet is going down by 10%, and as such, a modest decrease might otherwise be expected. However, SCSS's explanation for this increase is that it reflects a more proactive approach to vehicle maintenance, which it believes is necessary in meeting safety concerns. Along with other efforts, this focus on safety appears to be working, as reflected by the significant reduction in insurance costs.

- **All Other Allowable Costs.** While there are ups and downs in individual line items, in total these reflect modest annual increases of less than 1%.

Solid Waste Rate Review

Pass-Through Costs

- **Tipping Fees: Landfill.** No rate increases are reflected in the rate application. The modest two-year increase of 1.5% reflects increased tonnage.
- **Tipping Fees: MRF (Related Party).** This cost category reflects a significant cost increase from 2017. As summarized below, this is driven by a rate increase from \$7.80 per ton to \$67.50 per ton by a separate company that is controlled by Waste Connections (Cold Canyon Processing Facility):

Table 11. Recycling: MRF Operations

	Actual 2017	Requested 2019	Increase	
			Amount	Percent
Tonnage	12,773	12,628	(145)	-1.1%
Cost per ton	7.80	67.50	59.70	765.4%
Annual Cost	\$99,629	\$852,390	\$752,761	755.6%

Note: The net costs for 2017 in Table 7 reflect other offsetting costs of about \$7,000.

Waste Connections believes that its MRF rates are not subject to regulatory review and that its basis for setting these rates is proprietary and not subject to disclosure under the Franchise Agreements. That said, SCSS offers the following explanation for this cost increase:

Competitive Rates. The following information was provided by SCSS is comparing their proposed rate with other communities:

Table 12. MRF Rates Survey

Facility	Location	Distance (Miles)	Per Ton Pricing				
			Processing	Reload (If SLO)	Transport from SLO	Revenue Sharing	All-In Cost
Cold Canyon Processing Facility	San Luis Obispo	0	\$67.50	\$0.00	\$0.00	No	\$67.50
Monterey Regional Waste Facility (1)	Monterey	144	50.00	10.00	45.00	No	105.00
Burtec (2)	West Valley	215	57.50	10.00	45.00	No	112.50
Mid Valley Disposal	Fresno	140	67.50	10.00	40.00	No	117.50
Gold Coast Recycling	Ventura	162	77.44	10.00	40.00	No	127.44
Mid-State (3)	Templeton	23	78.00	10.00	25.00	No	113.00
Tajiguas Landfill	Santa Barbara	112	160.00	10.00	30.00	No	200.00
Recology	Pier 96 (Bay Area)	214	190.00	10.00	45.00	Unknown	245.00

1. Expected rate in 90 days.

2. Eliminated revenue share

3. Unable to handle SLO County volume

In short, SCSS believes its pricing is far lower than that otherwise available to South County communities; and even if loading and transportation costs are excluded, Waste Connections' MRF costs are very competitive.

In reviewing these costs, it is important to note that while SCSS is responsible under the Franchise Agreements for separately collecting co-mingled recyclables and delivering them to a recycling facility that will accept them for processing, it is not required to operate such a

Solid Waste Rate Review

facility. As such, the \$67.50 rate, while a significant increase, is more cost-effective for SCSS than other alternatives.

Given increased costs and lower market prices, the increased rate for 2019 reflects the same operating margin as 2017. Subject to several key caveats, this may be true.

1. It is clear that market realities have significantly impacted the net cost of recycling. As discussed by the President of the Boston Group in Appendix B, this is largely due to the collapse of markets in China, which affects both costs and revenues: the quality of the recycled product needs to be higher (resulting in higher costs); and the price of recycled products is significantly lower.
2. It is reasonable for operating margins for recycling to be higher than they are for collection services like those provided under the Franchise Agreements. As discussed below under Rate-Setting Methodology, SCSS is allowed an operating profit margin of 8% for “non-pass through costs.” In essence, this recognizes that while there are risks in effectively managing costs, there are minimal revenue risks, since rates are guaranteed and service is required. However, with recycling costs, revenues are highly volatile depending on the market. Thus, there is both cost and revenue risk.

A complex econometric model developed by the firm of Sound Resource Economics (located in Tacoma Washington: Neal Johnson, PhD, Principal) indicates that 16% is an appropriate operating profit margin for utilities where costs and revenues are at risk. Setting aside the math and assumptions behind this conclusion, it intuitively makes sense that operating margins should be higher where both costs and revenues are at risk, versus where just costs are. Placed in context for SCSS collection services, which have an 8% operating margin for cost risks, an added margin for revenue risks (especially in a volatile market) makes sense.

3. Based on a non-disclosure agreement, SCSS shared with me very high-level data showing that based on projected higher costs and lower revenues from 2017, that the operating margin between 2017 and 2019 remained the same.
4. While I was not provided with the underlying detail for the high-level cost and revenue data provided to me, I can conclude that based on market forces that are driving higher costs and lower revenues, and a reasonable operating margin in excess of 8%, that a significant increase in recycling costs is reasonable. The question is: how much?

Answering this question clearly is made difficult by the fact that the *Rate Manual* did not foresee this situation (in fact, it thought there would be net revenues offsetting rate requirements). More appropriately addressing this cost issue is a key factor in my recommendation to update the *Rate Manual*.

That said, given the higher costs and lower revenues undoubtedly faced by the MRF combined with the lack of more cost-effective options, the proposed rate of \$67.50 is acceptable.

Solid Waste Rate Review

Provided in Appendix C is additional information from Waste Connections about its MRF operations.

- **Franchise Fees.** This reflects a modest two-year increase of 2% based on customer growth.
- **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 provided a written opinion on the reasonableness of the methodology; and I have reviewed the calculations underlying the projected costs in accordance with this methodology. Based on this, I believe the projected interest costs for 2019 are reasonable.
- **Transportation (Related Party).** These costs have decreased modestly.
- **Facility Rent (Related Party).** This increase is based on an updated assessment of the market value of SCSS’s share of the yard and office facilities. Based on reviewing a recent independent market value assessment and Waste Connections methodology for allocating SCSS’s share of these costs, I believe that the cost increase is reasonable.

Trends in External Cost Drivers

The most common external “benchmark” for evaluating cost trends is the consumer price index. Over the past two years, the U.S. CPI-U increased by 4.4%. Excluding the cost drivers discussed above, all other costs increased by 1.4%.

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. For example, even in the South County where service levels and costs are very similar, there are rate differences. In short, making a true “apples-to-apples” comparison is easier said than done.

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)
- Service levels (frequency, quality)
- Labor market
- Operator efficiency and effectiveness
- Voluntary versus mandatory service

Solid Waste Rate Review

- 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 13. Single-Family Residential Rate Survey

Single Family Residential Monthly Trash Rates			
	Container Size (Gallons)		
	30-40	60-70	90-101
Atascadero	\$26.49	\$41.56	\$52.18
Morro Bay	17.91	35.81	53.72
Paso Robles	32.33	42.41	46.81
San Luis Obispo*	14.49	28.99	43.48
Santa Maria	na	30.69	34.81
San Miguel	28.23	44.48	61.06
Templeton	28.72	41.15	45.67
Requested: South County Sanitation Service Area			
Arroyo Grande	19.00	24.70	30.41
Grover Beach	17.22	23.29	29.32
Oceano	15.41	22.16	43.36
Pismo Beach	16.91	33.82	50.73

* Currently under review

Summary: Are the costs reasonable? Based on the results of the three separate cost-review techniques—trend review, external factor review and rate comparisons—the proposed cost assumptions for 2019 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

Solid Waste Rate Review

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)

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

Pass-Through Costs

- Tipping fees
- Franchise fees
- Payments to affiliated companies (such as facility rent, interest and trucking charges)

Excluded and Limited Costs

- 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 70% of their costs are subject to the 8% operating profit ratio; and 30% are pass-through costs that may be fully recovered from rates but no profit is allowed. No recovery is allowed for excluded costs.

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 2016 and 2017 ties to its audited financial statements.

Rate Request Summary

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

Solid Waste Rate Review

Table 15. Rate Increase Summary

	Requested
Allowable Costs	9,014,178
Allowable Profit (8% Operating Ratio)	783,841
Pass-Through Costs	
Tipping Fees: Landfill	1,821,241
Tipping Fees: MRF	852,390
Franchise Fees	1,385,290
Related Party Costs	309,151
Total Pass-Through Costs	4,368,072
Allowed Revenue Requirements	14,166,091
Revenue without Rate Increase	12,991,486
Revenue Requirement: Shortfall (Surplus)	1,174,605
Rate Base Revenue	12,973,924
Percent Change in Revenue Requirement	9.05%
Allowed Revenue Increase *	10.06%

* Adjusted for 10% Franchise Fee

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%.
- There is no provision for retroactivity: requested rate increases are “prospective” for the year to come; there is no provision for looking back. This means that any past shortfalls from the target operating profit cannot be recaptured.
- 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.
- As discussed above, detailed *Base Year* reviews are prepared every three years; *Interim Year* reviews to account for focused changes in the consumer price and tipping fees are prepared in the two “in-between” years.
- Special rate increases for extraordinary circumstances *may* be considered. This has never occurred in any of the agencies that use this rate-setting methodology.

The result of this process is a proposed rate increase of 10.06%.

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

Solid Waste Rate Review

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 Costs 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 16% based on long-term trends).

Table 16(a) provides the threshold calculation compared with actual rate increases and those recommended for 2019; and Table 16(b) provides landfill rates since 2008.

As reflected in Table 16(a), the cumulative changes in the cost of living (with adjustments for greenwaste and landfill cost increases) is 22.53%. This compares with cumulative rate increases, including those recommended of 10.06% for 2019, of 29.27%. This would result in exceeding the “trigger” by 6.74%. Correspondingly, the rate increase would be limited to 3.32% to remain under the “trigger.”

Table 16(a). Trigger Threshold Calculation

US CPI-U Increase				Allowed Adjustments		Threshold	Rate Year (2)	Rate Increase *
June	Index	Amount	Percent	Greenwaste	Landfill (1)			
2009	215.693							
2010	217.965	2.272	1.05%		2.74%	3.79%	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%		1.05%	2.81%	2014	2.05%
2014	238.343	4.839	2.07%		0.99%	3.06%	2015	0.00%
2015	238.638	0.295	0.12%		0.93%	1.05%	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%
Cumulative Total		36.296	16.83%	1.70%	5.70%	22.53%		29.27%

1. Landfill rate increases prorated at 16% of total costs
2. Recommended rate for 2019

Above Trigger Threshold; Requested Rate Increase	6.74%
Available Rate Increase to Avoid Trigger	3.32%

Solid Waste Rate Review

Table 16(b). Landfill Rates Per Ton

Year	Actual	Increase		Prorated @ 16%
		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%	2.74%
2012	34.25	-	0.00%	0.00%
2013	34.25	-	0.00%	0.00%
2014	36.50	2.25	6.57%	1.05%
2015	38.75	2.25	6.16%	0.99%
2016	41.00	2.25	5.81%	0.93%
2017	41.00	-	0.00%	0.00%
2018	41.00	-	0.00%	0.00%
2019	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 in 2017, 2018 and 2019, with a resulting rate of \$47.75 by 2019, However, it chose not to do so.

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.

Accordingly, the agencies may want to consider (as they did in as part of the 2016 *Base Year* review and *Interim Year* increases for 2017 and 2018), if the recommended or requested rate increases are approved, making findings that they will not pursue the “trigger” option.

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, which has also undergone several amendments. Based on similar rate increase drivers as those provided for SCSS, the most recent version requests an increase of 13.72%.

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:

Solid Waste Rate Review

- SCSS has submitted the required documentation required under its Franchise Agreements with the four agencies.
- This results in a recommended rate increase of 10.06%.

ATTACHMENTS

Appendix A: Base Year Rate Request Application from South County Sanitary Service

Appendix B: Boston Group Outlook on Recycling Costs

Appendix C: Cold Canyon Processing Facility Background

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

2019 Base Year Rate Adjustment Application-4th Amended

Summary

CITY OF ARROYO GRANDE

Requested Increase

Recycle Processing	6.5%	CNG Trucks/Infrastructure	4.40%
		Organics	3.1%
		Other	-3.9%

1. Rate Increase Requested

10.06%

Rate Schedule

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

Single Family Residential

2. Economy Service (1 - can curb)	\$ 17.26	\$1.74		\$19.00
4. Standard Service (2- can curb)	\$ 22.44	\$2.26		\$24.70
5. Premium Service (3 - can curb)	\$ 27.63	\$2.78		\$30.41

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

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

Rate increases of

10.06%

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 Smith

Title: District Manager

Signature:

Date: 03/18/19

Fiscal Year: 1-1-2019 to 12-31-2019

2019 Base Year Rate Adjustment Application-4th Amended

Summary

CITY OF GROVER BEACH

Requested Increase

Recycle Processing	6.5%	CNG Trucks/Infrastructure	4.40%
		Organics	3.1%
		Other	-3.9%

1. Rate Increase Requested

10.06%

Rate Schedule

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

Single Family Residential

2. Economy Service (1 - can curb)	\$ 15.65	\$1.57		\$17.22
4. Standard Service (2- can curb)	\$ 21.16	\$2.13		\$23.29
5. Premium Service (3 - can curb)	\$ 26.64	\$2.68		\$29.32

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

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

Rate increases of **10.06%**
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 Smith**

Title: **District Manager**

Signature:

Date: **03/18/19**

Fiscal Year: 1-1-2019 to 12-31-2019

2019 Base Year Rate Adjustment Application-4th Amended

Summary**OCEANO COMMUNITY SERVICE DISTRICT****Requested Increase**

Recycle Processing	6.5%	CNG Trucks/Infrastructure	4.40%
		Organics	3.1%
		Other	-3.9%

1. Rate Increase Requested

10.06%**Rate Schedule**

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

Single Family Residential

2. Economy Service (1 - can curb)	\$ 14.00	\$1.41		\$15.41
4. Standard Service (2- can curb)	\$ 20.13	\$2.03		\$22.16
5. Premium Service (3 - can curb)	\$ 39.40	\$3.96		\$43.36

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

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

Rate increases of

10.06%

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 Smith**Title: **District Manager**

Signature:

Date: **03/18/19**

Fiscal Year: 1-1-2019 to 12-31-2019

2019 Base Year Rate Adjustment Application-4th Amended

Summary

CITY OF PISMO BEACH

Requested Increase			
Recycle Processing	6.5%	CNG Trucks/Infrastructure	4.40%
		Organics	3.1%
		Other	-3.9%
1. Rate Increase Requested			10.06%

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

Single Family Residential

2. Economy Service (1 - can curb)	\$15.36	\$1.55		\$16.91
4. Standard Service (2- can curb)	\$30.73	\$3.09		\$33.82
5. Premium Service (3 - can curb)	\$46.09	\$4.64		\$50.73

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

6. Multiunit Residential and Non-residential	Rate increases of	10.06%
	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 Smith Title: District Manager

Signature: Date: 03/18/19

Fiscal Year: 1-1-2019 to 12-31-2019

South County Sanitary Service

2019 Base Year Rate Adjustment Application

Financial Information	Historical		Current	Projected	
				Base Year	
	2016	2017	2018	2019	2020

(from Pg. 4)

Section I-Allowable Costs

6. Direct Labor	\$3,083,345	\$3,150,539	\$3,385,970	\$3,489,134	\$3,593,808
7. Corporate Overhead	\$332,113	\$153,045	\$340,461	\$350,334	\$363,647
8. Office Salaries	\$478,072	\$901,055	\$386,322	\$397,911	\$409,849
9. Other General and Admin Costs	\$3,820,842	\$4,026,894	\$4,098,450	\$4,776,799	\$4,958,317
10. Total Allowable Costs	\$7,714,372	\$8,231,533	\$8,211,202	\$9,014,178	\$9,325,620

Section II-Allowable Operating Profit

11. Operating Ratio	87.3%	91.1%	96.1%	92.0%	92.0%
12. Allowable Operating Profit	\$1,126,283	\$803,795	\$336,505	\$783,841	\$810,924

Section III-Pass Through Costs

13. Tipping Fees	\$1,891,183	\$1,886,262	\$2,680,988	\$2,673,630	\$2,673,630
14. Franchise Fees	\$1,318,502	\$1,357,533	\$1,368,864	\$1,385,290	\$1,401,894
15. AB939 Fees	\$0	\$0	\$0	\$0	\$0
16. Payments to Affiliated Companies*	\$137,595	\$208,272	\$243,980	\$309,151	\$320,899
17. Total Pass Through Costs	\$3,347,280	\$3,452,067	\$4,293,832	\$4,368,072	\$4,396,423

* Affiliate Payments include interest, lease payments, and transportation

Section III-Pass Through Costs

18. Revenue Requirement	\$12,187,936	\$12,487,395	\$12,841,539	\$14,166,091	\$14,532,967
19. Total Revenue Offsets (from Page 3)	\$12,187,936	\$12,487,395	\$12,841,539	\$12,991,486	\$13,147,193

Section III-Pass Through Costs

20. Net Shortfall (Surplus)	\$1,174,605
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21. Total Residential and Non-residential Revenue without increase in Base Year (pg.5, line 76)	\$12,973,924	Nipomo	\$12,973,924
22. Percent Change in Residential and Non-residential Revenue Requirement	9.05%		8.2%
23. Franchise Fee Adjustment Factor (1 - 6 percent)	90.000%		92.700%
	10.06%		8.89%
Limitation due to cumulative increases			
24. Percent Change in Existing Rates	10.06%		8.89%

South County Sanitary Service

2019 Base Year Rate Adjustment Application

Revenue Offset Summary

	Section VII - Revenue Offsets				
	Historical		Current	Projected	
	2016	2017	2018	Base Year 2019	2020
Residential Revenue (without increase in Base Yr.)					
28. Single Family Residential	\$7,163,810	\$7,341,537	\$7,541,246	\$7,631,741	\$7,723,322
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	\$7,163,810	\$7,341,537	\$7,541,246	\$7,631,741	\$7,723,322
Non-residential Revenue (without increase in Base Yr.)					
Account Type					
Non-residential Can					
33. Number of Accounts	8	8	8	8	8
34. Revenues			\$4,535	\$4,589	\$4,644
Non-residential Wastewheeler					
35. Number of Accounts	392	425	460	466	471
36. Revenues			\$477,469	\$483,199	\$488,997
Non-residential Dumpster					
37. Number of Accounts	1,738	1,684	1,629	1,649	1,668
38. Revenues	\$5,004,136	\$5,133,957	\$4,796,508	\$4,854,067	\$4,912,315
39. Less: Allowance for Uncollectible Non-resid	\$0	\$0	\$0	\$0	\$0
40. Total Non-residential Revenue	\$5,004,136	\$5,133,957	\$5,278,512	\$5,341,854	\$5,405,956
45. Interest on Investments	\$6,104	\$0	\$0	\$2,035	\$2,059
46. Other Income	\$13,885	\$11,901	\$21,780	\$15,856	\$15,856
47. Total Revenue Offsets	\$12,187,936	\$12,487,395	\$12,841,539	\$12,991,486	\$13,147,193

Fiscal Year: 1-1-2019 to 12-31-2019

Pg. 3 of 6

South County Sanitary Service

2019 Base Year Rate Adjustment Application

Cost Summary for Base Year

Description of Cost	BASE YEAR			
	2016	2017	2018	2019
Labor	\$2,849,547	\$2,906,100	\$3,127,283	\$3,219,834
Payroll Taxes	\$233,798	\$244,439	\$258,686	\$269,300
48. Total Direct Labor	\$3,083,345	\$3,150,539	\$3,385,970	\$3,489,134
49. Corporate Overhead	\$332,113	\$153,045	\$436,899	\$453,501
Less limitation (enter as negative)			(\$96,438)	(\$103,167)
Total Corporate Overhead	\$332,113	\$153,045	\$340,461	\$350,334
Office Salary	\$442,804	\$864,061	\$350,384	\$360,895
Payroll Taxes	\$35,268	\$36,995	\$35,938	\$37,016
50. Total Office Salaries	\$478,072	\$901,055	\$386,322	\$397,911
Bad Debt	\$2,448	\$4,271	\$11,283	\$4,300
Allocated expenses	\$0	\$0	\$0	\$0
Bond expense	\$6,482	\$5,325	\$5,325	\$5,527
Depreciation on Bldg and Equip	\$0	\$16,598	\$6,297	\$27,275
Depreciation on Trucks/Containers	\$274,514	\$229,543	\$304,867	\$596,497
Drive Cam fees	\$28,997	\$28,680	\$22,949	\$23,821
Dues and Subscriptions	\$6,738	\$8,196	\$6,221	\$6,457
Facilities	\$0	\$50,977	\$0	\$0
Gas and oil	\$796,069	\$880,285	\$969,634	\$965,300
Laundry (Uniforms)	\$21,452	\$24,462	\$26,679	\$27,693
Legal and Accounting	\$29,459	\$30,952	\$31,145	\$37,328
Miscellaneous and Other	\$16,522	\$8,372	\$8,433	\$8,753
Office Expense	\$206,325	\$242,249	\$275,612	\$286,086
Operating Supplies	\$39,671	\$39,710	\$40,674	\$42,219
Other insurance - Medical	\$1,238,436	\$1,195,973	\$1,041,356	\$1,080,928
Other Taxes	\$35,985	\$35,080	\$34,854	\$36,179
Outside Services	\$431,794	\$518,013	\$541,595	\$867,435
Public Relations and Promotion	\$1,578	\$1,699	\$1	\$1
Postage	\$6,574	\$2,005	\$2,047	\$4,125
Permits	\$63,007	\$60,347	\$60,101	\$62,385
Relocation	\$22,576	\$3,186	\$9,302	\$9,656
Rent	\$3,000	\$3,000	\$0	\$0
Telephone	\$20,909	\$20,182	\$13,956	\$14,486
Tires	\$146,896	\$139,628	\$87,488	\$88,145
Travel	\$26,944	\$13,991	\$27,278	\$28,315
Truck Repairs	\$365,282	\$436,531	\$543,855	\$525,345
Utilities	\$29,184	\$27,637	\$27,497	\$28,542
51. Total Other Gen/Admin Costs	\$3,820,842	\$4,026,894	\$4,098,450	\$4,776,799
52. Total Tipping Fees	\$1,891,183	\$1,886,262	\$2,680,988	\$2,673,630
53. Total Franchise Fee	1,318,501.56	\$1,357,533	1,368,863.98	1,385,290
54. Total AB 939/Regulatory Fees	\$0	\$0	\$0	\$0
55. Total Lease Pmt to Affil Co.'s	\$89,051	\$91,703	\$145,337	\$150,860
55a. Interest Expense (to affiliate)	\$0	\$62,222	\$50,099	\$107,902
55b. Transportation costs (to affiliate)	\$48,544	\$54,347	\$48,545	\$50,389
56. Total Cost	\$11,013,108	\$11,567,031	\$12,406,390	\$13,223,958

2019 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	\$7,631,741	\$7,631,741	\$1,293,703	\$852,859	\$868,551	\$4,616,628	
<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	\$7,631,741	\$7,631,741	\$1,293,703	\$852,859	\$868,551	\$4,616,628	\$0
<i>Non-residential Revenue (without increase in Base Year)</i>							
<i>Account Type</i>							
<i>Non-residential Can</i>							
62. Number of Accounts	8	8	2	4	0	2	
63. Revenues	\$4,589	\$4,589	\$503	\$1,468	\$0	\$2,617	
<i>Non-residential Wastewheeler</i>							
64. Number of Accounts	466	466	131	132	95	108	
65. Revenues	\$483,199	\$483,199	\$134,345.31	\$180,384.79	\$64,852.36	\$103,616.13	
<i>Non-residential Dumpster</i>							
66. Number of Accounts	1,649	1,643	352	236	327	728	6
67. Revenues	\$4,854,067	\$4,777,761	\$1,059,880	\$1,004,808	\$688,810	\$2,024,263	\$76,305
68. Less: Allowance for Uncollectable Non-residential Accounts	\$0	\$0					
69. Total Non-residential Revenue	\$5,341,854	\$5,265,549	\$1,194,729	\$1,186,661	\$753,662	\$2,130,497	\$76,305
74. Interest on Investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
75. Other Income	\$328	\$0	\$0	\$0	\$0	\$0	\$328
76. Total Revenue Offsets	\$12,973,924	\$12,897,290	\$2,488,432	\$2,039,520	\$1,622,213	\$6,747,125	\$76,634

South County Sanitary Service

2019 Base Year Rate Adjustment Application

Operating Information

Historical		Current		Projected			
	Percent		Percent		Percent	Base Year	Percent
2016	Change	2017	Change	2018	Change	2019	Change

Section IX-Operating Data

Residential

Accounts

77.	Arroyo Grande	5,742	0.5%	5,769	1.1%	5,833	1.0%	5,891	1.0%	5,950
	Grover Beach	4,198	0.3%	4,211	0.7%	4,239	1.0%	4,281	1.0%	4,324
	Pismo Beach	3,748	0.5%	3,768	-0.2%	3,762	1.0%	3,800	1.0%	3,838
	Oceano CSD	1,838	0.1%	1,840	-0.3%	1,834	1.0%	1,852	1.0%	1,871
	Nipomo CSD	4,001	0.8%	4,035	0.9%	4,070	1.0%	4,111	1.0%	4,152
	County	6,436	1.8%	6,551	1.4%	6,643	1.0%	6,709	1.0%	6,777
		25,963	0.8%	26,174	0.8%	26,381	1.0%	26,645	1.0%	26,911
78.	Routes-Garbage	7	0.0%	7	0.0%	7	0.0%	7	0.0%	7
79.	Routes-Recycling	7	0.0%	7	0.0%	7	0.0%	7	0.0%	7
80.	Direct Labor Hours	32,722	0.0%	32,722	0.0%	32,722	0.0%	32,722	0.0%	32,722

Non-residential Garbage

Accounts

80.	Arroyo Grande	486	-1.0%	481	-0.4%	479	1.0%	484	1.0%	489
	Grover Beach	442	-2.0%	433	-3.7%	417	1.0%	421	1.0%	425
	Pismo Beach	380	-1.1%	376	-2.4%	367	1.0%	371	1.0%	374
	Oceano CSD	190	0.5%	191	-12.0%	168	1.0%	170	1.0%	171
	Nipomo CSD	211	-0.9%	209	-16.3%	175	1.0%	177	1.0%	179
	County	475	2.3%	486	6.8%	519	1.0%	524	1.0%	529
		2,184	-0.4%	2,176	-2.3%	2,125	1.0%	2,146	1.0%	2,168
81.	Routes-garbage	5	0.0%	5	0.0%	5	0.0%	5	0.0%	5
	Routes-recycling	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3
82.	Direct Labor Hours	22,334	0.0%	22,334	0.0%	22,334	0.0%	22,334	0.0%	22,334

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

Accounts

83.	Tri-Cities	8,965	-3.1%	8,686	-1.1%	8,587	0.0%	8,587	0.0%	8,587
	Nipomo/Oceano CSD	3,296	-3.1%	3,193	-1.1%	3,157	0.0%	3,157	0.0%	3,157
84.	County	1,055	-3.1%	1,022	-1.1%	1,010	0.0%	1,010	0.0%	1,010
		13,316	-3.1%	12,901	-1.1%	12,754	0.0%	12,754	0.0%	12,754

Recyclable Materials - All areas-Greenwaste Recycling

Routes	5	0.0%	5	0.0%	5	0.0%	5	0.0%	5
Tons Collected	11,294	5.6%	11,931	5.3%	12,567	1.0%	12,693	1.0%	12,820
Direct Labor Hours	7,271	0.0%	7,271	0.0%	7,271	0.0%	7,271	0.0%	7,271

Garbage Tons Collected	40,552	1.5%	41,142	1.2%	41,621	1.0%	42,037	1.0%	42,457
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GLOBAL OUT LOOK

CHINA NOT IN THE FUTURE

It seems odd that in the middle of the Amazon craze we are looking at a decrease in the demand of waste paper from China. In fact, it's hard to understand why China is not on board with the recent growth of the packaging sector. International Paper, Georgia Pacific etc. are having record years.

This is a complex issue. First, we have to look at the government which is the polar opposite of the United States. I know this sounds simple but it really is not. We are a free capitalistic republic and China is, well a Communist country. We continue to say, this just does not make sense, and it truly does not. Communist Countries do not look for sense but control. This control is in the form of new regulations that come down from the leaders without understanding the economic impact to their own country. What is truly amazing is all the paper mills in China feel the same way but if they were to say anything against the Chinese Government they would literally be thrown in jail or removed from their position. China is really not about a "Team approach".

Here is a little history on how we all got to 2018 and the new laws and regulations currently being enforced by the Chinese Government. 20 years ago, China began building infrastructure, buildings and equipment to help propel them to an industrial power. Included in this was papermills, to be able to make packaging for all the products that were going to be produced in China. Previous to 2000, very little waste paper was consumed in China. Other countries such as European countries, Taiwan, Korea, Indonesia and Japan were the largest consumers. Interestingly enough the quality standards in these countries was very high. You either needed to make this quality or you would not be able to sell your product to these mills. This was also indeed the practice in the USA. Part of this was because the technology of cleaning equipment was very expensive and cost prohibitive. It was actually more cost effective to pay more for cleaner paper than to pay less for lesser quality paper.

In the 1990's sorting lines were being built to help separate office paper produced from large office buildings to help the growing demand of pulp substitutes. Sorted white ledger and sorted office paper arrived as a very good alternative to expensive pulp. The unfortunate remaining product of this process was mixed paper, such as groundwood grades, file folders, OCC and other unbleachables. Concurrently, China was building state of the art paper mills. They were looking for low cost fiber to make their products. That low cost contaminated mixed paper combined with OCC was a viable raw material for them and they started purchasing machines that could clean this fiber from contamination and make paper. Still USA mills were not going to entertain this because they new it was not sustainable with costs.

By 2000 China had begun its journey as the largest mixed paper consumer in the world. Growing Chinese mill groups were able to convince all of the major waste haulers in the United States that they could make paper out of this mixed paper. Even lowering the grade and consolidating it as single stream in their recycling programs. When the waste haulers figured out the money they could save by using one truck instead of multiple trucks, sorting lines started being purchased. These sorting technologies came from the basics of mining equipment to efficiently separate grades of paper, OCC, news and mixed paper. However, this material would be comingled with glass, plastic, tin, aluminum cans, plastic bags,

dog poop, kitty litter and garbage. That's right garbage, if you're garbage can overflowed, toss it in the recycling bin who will say anything there is no quality control. (wishful recycling) In fact, the City of Los Angeles in the late 1990's had residual garbage at 40% from their single stream. However, China kept buying this material. You would see quality claims on a consistent basis but you knew this was part of the business and you paid the claim and moved on.

During this industrial boom China was recognizing that there was a cost to all of this growth to China's Environment. In 2012, President Jinping Xi was elected by the Communist party and started to enforce new reforms and initiatives including new Environmental policies. The first which was made very public was the computer recycling business in many documentaries.

In 2014, Green Fence policy was put into place after China realized that the wastepaper stream developed was a majorly flawed system. Mixed paper and curbside news were containing approximately 5 to 10 percent prohibitive and the yield from this grade is approximately 70 percent. Simple math tells us if China is importing 6 million tons of mixed paper they are also importing 1.8 million tons of material that will go to the landfill. Part of this however is the papermaking process, but with lower grades you get lower yield. As mentioned earlier, the US papermills were very aware this was going to happen this is why we don't buy much mixed paper domestically.

This new influx of landfill bound material caused China's government to have a knee jerk reaction. China decided to hold strict inspections and they started rejecting material and sending shipments back to their origin. Green fence policy was created to get control of the waste that was being shipped. Since 2014, China noticed that mills were still disposing the same amount of waste and instead of telling the government that this is part of the paper making process the mills kept quiet as new regulations became stricter. Once again, in a communist country you don't have the freedom to find a reasonable solution, you just hit the brakes.

In 2017, China flat out made a decision to no longer accept recycled plastic in any form. Before this, they were the largest consumer of HDPE, PET, plastic bags and a grade called MRF film. Once again China developed this market by accepting low quality plastic that in some cases like MRF film was filled with terrible contamination. Previous to this there was no market for MRF grade. So instead of coming to a reasonable standard, the Chinese government just banned plastic all together and all the factories that were recycling plastic just went under.

Currently we are watching the same scenario play out with metals. It could be partially related to the trade talks but we are unsure. We do know that China has said it will ban importing metals by the end of 2018.

So where does this leave waste paper. Currently as of January 1st 2018 mixed paper is banned from China. That is 6 million tons of paper. Who will buy this, for now it is limited, India is a far second to China and everyone is running to shove 6 million tons into a market that will consume 1 million tons.

The next question is what has happened to our waste stream at our homes in just 10 years. There is a simple answer, look at your recycling bin at your house. You have lots of OCC, lots of junk mail with little to no newsprint. The newsprint market is limited and there are only a couple of mills in the world now that produce recycled newsprint. This leaves only a couple of answers for diversion from the landfill for

mixed paper, use it for fuel for a waste to energy plant or anaerobic digesting. Both of these options are the same, they will cost landfill rates if not higher.

Under the current China Leadership, they want to move away from importing paper and have an initiative to be self sufficient by 2020. It is hard for us to believe this is possible with billions of dollars of investments in paper mills. If China follows what they are currently doing with computers, plastic and metal recycling then, they can do this with wastepaper as well. Our belief at the Boston Group is that the market for grades like OCC and office paper will continue to be in demand globally. Mixed paper by pure recycled stream at the house hold will continue to be an item that will be in to much supply for the demand. As mentioned earlier, it will have to be used in other manners that will divert it from the land fill but will be costly. It is also important to note that garbage at the curbside is not sorted but mixed paper that is destine for more expensive tip fees will be sorted.

The conclusion of our cost of recycling is no longer a shared profit but pure cost. Adding labor to sort mixed paper is at a minimum doubling you're costs. In California, my estimate at profitable recycling and diversion will be \$75 per ton charge at the door of recycling facilities.

I am more than welcome to always talk about different markets and how they will change in the future. Always feel free to call me.

Regards,

Kevin Kodzis
President
The Boston Group Inc.



COLD CANYON PROCESSING FACILITY

A Waste Connections Company

March 19, 2019

Aaron Floyd
Deputy Public Works Director
City of San Luis Obispo
Public Utilities
879 Morro Street.
San Luis Obispo, CA 93401

Subject: MRF Recycling Background

Dear Mr. Floyd,

It is my pleasure to continue with the partnership created many years ago between the City of San Luis Obispo, San Luis Garbage Company and the Cold Canyon Processing Facility.

As the local service provider, the Cold Canyon Processing Facility has always tried to stay a few steps ahead of the trends affecting the processing of recyclables. Global commodity markets are volatile. As of 2012, we stopped sending material to China as we began to see that with China, there was too much unpredictability in the market. We also started seeing price manipulation that was actually hurting the local market. We knew then that, as a local service provider, we needed to manage volatility and build stronger relationships within our own community. We started building those relationships with our local partners like George Kardashian at San Miguel Garbage and Faron Bento in Cayucos. We did this by securing reasonably priced transportation when and where we needed it for our local community, as we are approximately five hours from any port or mill. These moves allowed us to keep recycling costs as low as possible for our customers.

We also continued to build relationships along the West Coast with mills and manufacturers that use our recyclable materials. We moved materials within California as much as possible with an eye on cost predictability and control. Mixed paper is approximately 30% of our recycle stream, so we had to find a way to recycle this material type. While others in the County were disposing of mixed paper in landfills, we continued to maintain relationships in places such as Malaysia, Vietnam and South Korea, which allowed us to continue processing mixed paper, although often at a significant loss.

In late 2013 and early 2014, China rolled out a program called the "Green Fence," through which China began restricting the recycling materials the country was willing to accept. Luckily, our relationships with our other partners were well established by this point, minimizing the initial impact of this



program. Then in 2017, China instituted what amounted to a ban on foreign recyclables. Called the “National Sword” campaign, this action created a new norm—going forward, China would only accept materials with no more than 0.5% of what the Chinese now deemed ‘trash.’ In 2018, China banned 24 materials from being imported at all.

These changes meant that a typical MRF in the U.S., like the Cold Canyon Processing Facility, had to alter its operations drastically. The first step was to slow the line down from processing 20 to 22 tons of materials per hour, to 12 to 14 tons per hour. This has greatly increased costs at our facility by requiring the doubling of our workforce and increasing overtime by over 100% in order to process the materials.

Since the inception of the “National Sword” campaign, commodity values have continued to drop. In the past three months, we have seen another 60% decrease in commodity values. Many markets have completely shut down and no longer accept recyclable materials. However, we have still been able to move all materials types to our end market processors because of our trusted relationships and ability to navigate challenging market conditions.

As the local service provider, we chose to do the right thing, at the right time, for the right reason. During the beginning of this crisis in 2017 and 2018, many other processors began disposing of recyclable materials in landfills because they couldn’t sell them, didn’t want to pay for acceptable disposal, or couldn’t create a product that anyone could take even at cost. The Cold Canyon Processing Facility is one of the few MRFs in the region that chose to continue to process materials even if it cost us more money through additional processing costs, increased transportation fees, and final destination fees.

Between the additional headcount to process the materials correctly and produce a product that is marketable, coupled with a decrease in the overall average commodity price of 35% to 65% depending on the material type, we have no choice but to increase our per-ton processing fee. The per-ton processing fee increase allows us to continue operations as the lowest cost service provider to our customers, and it is our intent to continue to operate in a manner that will allow us to be the lowest cost service provider going forward.

You have our commitment that we will continue to work to find the best value for the materials generated. We will continue to focus on outreach and education to eliminate non-recyclable materials from our recycle stream. We will look for opportunities to update our equipment to meet future recycling needs as California marches on toward a 75% diversion goal.

For the reasons outlined above, and as we’ve discussed with you over the past several months, the purpose of this notice is to inform you that the Cold Canyon Processing Facility will be increasing its per-ton recyclable materials processing fee it charges San Luis Garbage Company for the City’s recyclable materials from \$7.80 to \$67.50, effective June 1, 2019.

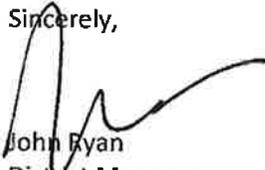
For your reference, I have included below links to a couple of articles that may further help the City understand how the recycling market has changed.

<https://www.npr.org/sections/goatsandsoda/2019/03/13/702501726/where-will-your-plastic-trash-go-now-that-china-doesnt-want-it>

<https://www.theatlantic.com/technology/archive/2019/03/china-has-stopped-accepting-our-trash/584131/>

We thank you for your long-term partnership and look forward to many more years of working together toward common goals with regard to recycling.

Sincerely,



John Ryan
District Manager
Cold Canyon Processing Facility
a Waste Connections company

cc: Mychal Boerman, Peter Cron, Ron Munds, Bill Statler, Jeff Smith, Sue VanDelinder

JUNE 12, 2019

ITEM E-6

ATTACHMENT B

William C. Statler

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

MEMORANDUM

June 6, 2019

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

FROM: Bill Statler *W.C. Statler*

SUBJECT: REVISED REVIEW OF SOLID WASTE RATES AND IMPACT OF INCREASING THE FRANCHISE FEE TO 10%

RECOMMENDATION

- If the District retains its current Franchise Fee at 5.14%: approve a rate increase for South County Sanitary Service (SCSS) for solid waste services of 8.69%.
- If the District approves increasing its Franchise Fee from 5.14% to 10%: approve a rate increase by SCSS for solid waste services of 15.08%.

DISCUSSION

Overview

- **Revised SCSS Rate Increase.** In a previous report to the District dated May 1, 2019, which was presented to the Board on May 8, 2019, I recommended that the District approve the 8.89% solid waste rate increase requested by SCSS. This request from SCSS was based on a Franchise Fee of 7.3%. I confirmed this amount in my report based on my review of the District's most recent Franchise Agreement dated August 27, 2008.

However, based on further research by the District's staff, independent of the current Franchise Agreement and one subsequent amendment (which did not affect Franchise Fees), the District set the Franchise Fee at 5.14% via Resolution No. 2015-1393 in November 2015. (As discussed below, the District has a history of varying its Franchise Fee several times, ranging from 10% to 5.14%, since at least 2007.)

Accordingly, the rate increase for SCSS should be approved at 8.69% rather than 8.89% based on the lower Franchise Fee of 5.14%.

- **Consideration of Increasing the Franchise Fee to 10%.** At the May 8, 2019 meeting, the Board expressed interest in considering an increase in the Franchise Fee to 10.0% (which is the prevailing Franchise Fee throughout the County). In that case, the District should adopt a rate increase of 15.08% to account for both SCSS’s requested rate increase and the impact of increasing the Franchise Fee from 5.14% to 10.0%.

Background

On May 8, 2019, I presented a report to the Board regarding the 8.89% solid waste rate increase requested by SCSS. Based on the comprehensive rate review report dated April 2019 that I prepared for the communities of Arroyo Grande, Grover Beach, Oceano and Pismo Beach, which have adopted the same rate-setting methodology as the District, I recommended that the District approve this requested rate increase.

The findings set forth in my April 2019 report are applicable to the District, with three key differences:

- The Franchise Fee is 5.14% versus 10.0% in the other agencies. (As noted above, my original report was based on a Franchise Fee of 7.3%.)
- The “allowable profit” under the Franchise Agreement (which is comprehensively discussed in the April 2019 report) is 7% (versus 8% in the other communities).
- Requirement that SCSS demonstrate that the requested rates are 1% less than what other agencies are paying for similar services.

These factors are why the recommend rate increase of 8.69% (based on the current Franchise Fee of 5.14%) is less than the proposed rate increase of 10.06% in other south county communities; and why rates are at least 1% less than what other communities are paying for similar services.

Franchise Fee History

The following summarizes Franchise Fee changes since 2007.

Date	Resolution No.	Franchise Fee Impact
September 12, 2007	2007-1045	Reduced rate from 10.0% to 7.3%
February 13, 2013	2013-1288	Increased rate from 7.3% to 10.0%
May 28, 2014	2014-1343	Reduced rate from 10.0% to 8.13%
November 12, 2015	2015-1393	Reduced rate from 8.13% to 5.14%

As reflected above, setting the Franchise Fee at 10.% would mean returning to rates that were in effect prior to September 2007; and those in effect for most of 2013 and part of 2014.

Impact of Increasing Franchise Fee from 5.14% to 10%

At its May 8, 2019 meeting, the Board expressed interest in considering an increase in the Franchise Fee to 10.0% (which is the prevailing Franchise Fee throughout the County).

Revised Review of Solid Waste Rates and Impact of Increasing the Franchise Fee to 10%

There would be two rate impacts resulting from this change:

- Even if no rate increase from SCSS was being considered, an increase of 5.42% would be needed to increase the Franchise Fee from 5.14% to 10.0%. (The increase is slightly more than the 4.86% rate difference to account for the additional Franchise Fees that will be required from the added revenues.)
- With a Franchise Fee of 10.0%, the allowable rate increase for 2019 would also be higher: 9.16% rather than 8.69%.

The following chart summarizes the different rate impacts of the: 1) initial recommendation based on a Franchise Fee of 7.3%; 2) revised recommendation based on the current rate of 5.14%; and 3) rate impact if the Franchise Fee is increased to 10.0%.

Allowable Rate Increase: 7.3%, 5.14% or 10.0% Franchise Fee

Rate Setting Factors	Franchise Fees		
	Initial at 7.3%	Actual at 5.14%	Consider At 10.0%
Allowable Costs	9,014,178	9,014,178	9,014,178
Allowable Profit (7% Operating Ratio)	678,486	678,486	678,486
Pass-Through Costs			
Tipping Fees: Landfill	1,821,241	1,821,241	1,821,241
Tipping Fees: MRF	852,390	852,390	852,390
Franchise Fees	1,385,290	1,385,290	1,385,290
Related Party Costs	309,151	309,151	309,151
Total Pass-Through Costs	4,368,072	4,368,072	4,368,072
Allowed Revenue Requirements	14,060,736	14,060,736	14,060,736
Revenue without Rate Increase	12,991,486	12,991,486	12,991,487
Revenue Requirement Shortfall	1,069,250	1,069,250	1,069,249
Rate Base Revenue	12,973,924	12,973,924	12,973,925
% Change in Revenue Requirement	8.24%	8.24%	8.24%
Allowed Revenue Increase *	8.89%	8.69%	9.16%

**Adjusted for franchise fees of 7.3%. 5.14% or 10.0%*

As reflected above, the increase in revenue requirements of 8.24% for SCSS operations are the same regardless of the Franchise Fee rate.

However, the allowed revenue increase needs to be adjusted further to account for the fact that Franchise Fees will need to be paid on the added revenues. This results in a modest rate increase differences depending on the amount of the Franchise Fee.

Since these two percentage rate increase factors are compounded rather than additive, the allowed rate increase at a 10.0% Franchise Fee is 15.08%: $(1.0542 \times 1.0916) - 1$.

The following is an example of this compounding for a current 32-gallon waste container for a 5.42% rate increase for the Franchise Fee at 10.0% and the 9.16% rate increase for SCSS:

Sample Rate Increase with Franchise Fee at 10%

Current Rate: 32-Gallon Container	\$17.18
Revised Rate: Franchise Fee Increase (5.42%)	18.11
Revised Rate: SCSS Rate Increase (9.16%)	19.77
Difference	\$2.59
Percent Increase	15.08%

The following summarizes this rate increase for single family residential customers:

Single Family Residential Rates: 5.14% vs 10.0% Franchise Fee

Container Size	Current Charge	5.14% Franchise Fee 8.69% Rate Increase		10.0% Franchise Fee 15.08% Rate Increase	
		Proposed	Increase	Proposed	Increase
32 Gallons	\$17.18	\$18.67	\$1.49	\$19.77	\$2.59
64 Gallons	24.61	26.75	2.14	28.32	3.71
96 Gallons	32.26	35.06	2.80	37.12	4.86

Other Possible Impacts

As noted above, the current Franchise Agreement with SCSS requires rates to be 1% lower than in comparable communities. While the operating profit margin on allowable costs is 7% rather than 8% in other communities, it may not be possible for SCSS to reasonably guarantee that the District’s rates are 1% less than comparable communities if its franchise fee is the same.

SUMMARY

Based on the rate-setting policies and procedures formally adopted by the District, this report provides a revised recommendation that solid waste fees should be increased by 8.69% if the current Franchise Fee of 5.14% is retained.

If the Franchise Fee for solid waste services is increased from 5.14% to 10.0%:

- The rate would need to increase by 5.42% solely to reflect the increased Franchise Fee.
- Rather than an allowable SCSS rate increase of 8.69%, an increase of 9.16% would be warranted to reflect the higher Franchise Fee.
- This results in a compound across-the-board rate increase of 15.08%.

Please call or email me if you have any questions concerning this report.



JUNE 12, 2019

ITEM E-6

ATTACHMENT C

Notice of Public Hearing Regarding Proposed Solid Waste Rate Increase

DRAFT

Property Owners and Tenants - Customers:

This notice is intended to inform you that the Nipomo Community Services District (the “Nipomo CSD” or “District”) will hold a public hearing regarding rate increases (the “Proposed Rate Increase”) proposed by South County Sanitary Service (the “Garbage Company”) for properties and customers receiving solid waste, recycling, and green waste services within the Nipomo CSD’s service area. The Proposed Rate Increase will be considered for adoption by the Nipomo CSD Board of Directors at the date, time, and location specified below. Consistent with the requirements of Proposition 218, this notice also provides you with the following information:

- The Date, Time, and Place of the Public Hearing;
- The Reason for the Proposed Rate Increase; and
- The Basis for the Proposed Rate Increase; and
- The Majority Protest Procedures.

NOTICE OF PUBLIC HEARING

The Public Hearing for the Proposed Rate Increase within the Nipomo CSD limits will be held on:

Date: August 14, 2019

Time: 9:00 am

Place: JON S. SEITZ BOARD ROOM, 148 SOUTH WILSON STREET, NIPOMO, CA

At the Public Hearing, the Nipomo CSD will consider all public comment in support of and in opposition to the Proposed Rate Increase and whether or not a Majority Protest exists pursuant to the California Constitution (as described below). If approved, the Proposed Rate Increase would become effective on August 15, 2019.

Reason for the Proposed Rate Increase

The Proposed Rate Increase (amounting to an increase of 8.69 percent for solid waste, recycling, and green waste services) is necessary for the Garbage Company to continue to provide safe, environmentally sound, and reliable solid waste, recycling, and green waste collection, transportation and disposal or processing services to the citizens of the District. Several factors have contributed to these increased costs, including, but not limited to: the rising costs associated with the processing of recycling material, increased costs associated with purchase, operation and fuel for vehicles, increased labor costs, and costs associated with the implementation of an Organics Program mandated by California Assembly Bill 1826 (AB 1826). AB 1826 requires local jurisdictions to develop a program to divert organic waste from landfills to an authorized composting facility. Organic waste is food waste, green waste, landscape and pruning waste, and nonhazardous wood waste.

Basis of the Proposed Rate Increase

The total Proposed Rate Increase of 8.69 percent is based on the following cost increases incurred by the Garbage Company:

1. 4.4 percent of the Proposed Rate Increase is based on increased vehicle costs that include costs for new equipment, maintenance of vehicle fleets to stay current with the California Air Resources Board rules and regulations, fuel, and increased labor costs.
2. -5.09 percent of the Proposed Rate is savings based on the net result of improvements in the cost of operations.
3. 3.1 percent of the Proposed Rate Increase is based on the implementation of an Organics Program mandated by the State of California.
4. 6.28 percent of the Proposed Rate Increase is related to the cost to process recyclable materials.

In addition, commencing on January 1, 2020, and January 1, 2021, rates will be increased based on the following:

1. Increases, if any, in the Consumer Price Index (CPI) for Bureau of Labor Statistics' Consumer Price Index for Urban Consumers based on the All U.S. City Average, Bureau of Labor Statistics for the month of June 2019 for January 1, 2020 and June 2020 for January 1, 2021.
2. In addition to any CPI increase, increases of 0.85 percent on January 1, 2020 and 0.82 percent for January 1, 2021 for increases in the cost of landfill disposal.

A copy of the 2019 Base Year Rate Adjustment Application, which provides additional information on the proposed rate increases, is available at the Nipomo CSD office located at 148 South Wilson Street, Nipomo, CA 93444, and on the Nipomo CSD website: ncsd.ca.gov.

How Do I Protest the Proposed Rate Increase?

Pursuant to Section 6 of Article XIII D of the California Constitution, the following persons may submit a written protest against the Proposed Rate Increase to the Clerk of the Board before the close of the Public Hearing referenced above.

- An owner(s) of property ("owner of record") within the District's boundaries. If the person(s) signing the protest is not shown on the last equalized assessment roll as the owner of the parcel(s) then the protest must contain or be accompanied by written evidence that such person signing the protest is the owner of the parcel(s) receiving solid waste, recycling, or green waste service from the Garbage Company; OR
- "Customer of record" (tenant(s)) whose name appears on the Garbage Company's records as the customer of record for the corresponding parcel receiving solid waste, recycling, or green waste service from the Garbage Company within the District's boundaries.

A written protest must:

- 1) State that the identified property owner or customer of record is in opposition to the proposed solid waste, recycling, or green waste rate change;
- 2) Provide the identity of the affected parcel by assessor's parcel number or street address;
- 3) Include the name and original signature of the property owner or customer submitting the protest;
- 4) An original signature (not a photocopy, email or fax copy) of the record owner or customer of record of the identified parcel: **AND**
- 5) Include the date that the protest was signed.

One written protest per parcel will be counted in calculating a majority protest to the Proposed Rate Increase subject to the requirements of Section 6 of Article XIII D of the California Constitution. Written protests will not be accepted by e-mail or by facsimile. Verbal protests will not be counted in determining the existence of a majority protest. To be counted, a protest must be received in writing by the Clerk of the Board before the close of the Public Hearing referenced above.

Written protests may be mailed to:

**Nipomo CSD
P.O. Box 326
Nipomo, CA 93444-0326**

Written protests may be personally delivered to:

The Nipomo CSD administrative office ("Office") is located at 148 S. Wilson Street, Nipomo CA. Persons interested in delivering a protest vote in-person can present their vote during normal business hours at the Office or place their protest vote in the drop box located in the parking lot of the Office. Protest votes are counted so long as they are **received** prior to the conclusion of the public hearing set for August 14, 2019, beginning at 9:00 am. Post-marked mailed protests received after conclusion of the public hearing are not counted. Protest votes submitted via e-mail or other electronic means will not be accepted; only protests with original signatures will be counted.

If valid written protests are presented by a majority of owners and/or tenants-customers of parcels receiving solid waste, recycling, and green waste services within the District limits, then the District will not adjust/increase the rates for the services.

DRAFT

**SOUTH COUNTY SANITARY SERVICE
EFFECTIVE August 15, 2019
NIPOMO CSD**

Service Description	Pickups Per Week	Current Monthly Rate Effective 1/1/2019	Proposed Rate Adjustment %	Proposed Monthly Rate Effective 9/15/2019
RESIDENTIAL:				
32 Gallon Waste Wheeler	1	\$17.18	8.69%	\$18.67
64 Gallon Waste Wheeler	1	\$24.61	8.69%	\$26.75
96 Gallon Waste Wheeler	1	\$32.25	8.69%	\$35.05
TWO-64 Gallon Waste Wheelers	1	\$38.39	8.69%	\$41.73
ONE 64 & ONE 96 Gallon	1	\$44.55	8.69%	\$48.42
TWO-96 Gallon Waste Wheelers	1	\$50.71	8.69%	\$55.12
Residential customers must use the waste wheelers provided by the garbage company.				
APARTMENTS, TRIPLEX, DUPLEX				
Rates are the same as commercial rates (below).				
COMMERCIAL DUMPSTERS - ALL AREAS:				
1 yd dumpster	1	\$65.85	8.69%	\$71.57
1 yd dumpster	2	\$94.74	8.69%	\$102.97
1 yd dumpster	3	\$125.19	8.69%	\$136.07
1 yd dumpster	4	\$154.10	8.69%	\$167.49
1 yd dumpster	5	\$186.17	8.69%	\$202.35
1 yd dumpster	6	\$216.68	8.69%	\$235.51
1 yd dumpster	7	\$288.90	8.69%	\$314.01
1.5 yd dumpster	1	\$78.63	8.69%	\$85.46
1.5 yd dumpster	2	\$120.31	8.69%	\$130.76
1.5 yd dumpster	3	\$162.14	8.69%	\$176.23
1.5 yd dumpster	4	\$226.29	8.69%	\$245.95
1.5 yd dumpster	5	\$276.03	8.69%	\$300.02
1.5 yd dumpster	6	\$329.03	8.69%	\$357.62
1.5 yd dumpster	7	\$435.01	8.69%	\$472.81
2 yd dumpster	1	\$85.07	8.69%	\$92.46
2 yd dumpster	2	\$139.61	8.69%	\$151.74
2 yd dumpster	3	\$198.94	8.69%	\$216.23
2 yd dumpster	4	\$290.53	8.69%	\$315.78
2 yd dumpster	5	\$356.38	8.69%	\$387.35
2 yd dumpster	6	\$425.32	8.69%	\$462.28
2 yd dumpster	7	\$582.59	8.69%	\$633.22

DRAFT

3 yd dumpster	1	\$101.11	8.69%	\$109.90
3 yd dumpster	2	\$189.34	8.69%	\$205.79
3 yd dumpster	3	\$264.81	8.69%	\$287.82
3 yd dumpster	4	\$471.81	8.69%	\$512.81
3 yd dumpster	5	\$560.14	8.69%	\$608.82
3 yd dumpster	6	\$654.81	8.69%	\$711.71
3 yd dumpster	7	\$901.93	8.69%	\$980.31
4 yd dumpster	1	\$146.03	8.69%	\$158.72
4 yd dumpster	2	\$219.94	8.69%	\$239.05
4 yd dumpster	3	\$316.15	8.69%	\$343.62
4 yd dumpster	4	\$495.98	8.69%	\$539.08
4 yd dumpster	5	\$614.66	8.69%	\$668.07
4 yd dumpster	6	\$698.17	8.69%	\$758.84
4 yd dumpster	7	\$1,084.92	8.69%	\$1,179.20
6 yd dumpster	1	\$219.05	8.69%	\$238.09

The rates shown above include the monthly container rental fee and a semi-annual dumpster cleaning.

The rates are the same for bins and garwoods, when volume is identical. Bins and garwoods are types of containers used for recycling.

COMMERCIAL GARBAGE CANS - ALL AREAS:

1 Can *	1	\$18.99	8.69%	\$20.64
1 Can *	2	\$31.77	8.69%	\$34.53
2 Cans *	1	\$37.97	8.69%	\$41.27
2 Cans *	2	\$63.54	8.69%	\$69.06
3 Cans *	1	\$58.22	8.69%	\$63.28
3 Cans *	2	\$95.30	8.69%	\$103.58

* Maximum volume and weight per garbage can : 33 gallons / 80 pounds

COMMERCIAL - OTHER CHARGES:

All commercial customers are eligible for one standard 96-gallon recycling and one 64-gallon food waste cart serviced one time a week with no additional service charge. **If you need more frequent recycling service, it can be provided at a 50% discount from the garbage service rates for the specified level of service required.**

MISCELLANEOUS CHARGES - ALL CUSTOMERS:

Overstacked Garbage & extra bags Minimum/unit	each	\$4.64	8.69%	\$5.04
Overstacked Green waste & extra bags Minimum/unit	each	\$2.32	8.69%	\$2.52
Overstacked Recycle & extra bags Minimum/unit	each	\$2.32	8.69%	\$2.52
In yard service (per can or commodity) IN ADDITION TO STANDARD GARBAGE RATES	per month	\$11.59	8.69%	\$12.60
Extended Vacation Service	per month	\$10.80	8.69%	\$11.74
Vacant Rate	per month	\$10.80	8.69%	\$11.74

DRAFT

Waste wheeler cleaning	each time	\$17.27	8.69%	\$18.77
Trip charge	each time	\$11.58	8.69%	\$12.59
Non-payment downsize service	each time	\$27.84	8.69%	\$30.26
Non-payment redeliver waste wheeler	each time	\$11.58	8.69%	\$12.59
Non-payment reconnect service	each time	\$27.84	8.69%	\$30.26
Small item pickup (TV, toilet)	each	\$27.17	8.69%	\$29.53
Appliance pickup-residential	each	\$38.30	8.69%	\$41.63
Larger than residential appliance or glass, glass doors, or plate glass	by quote only			
Garbage extras on your scheduled pickup day	per yard	\$9.78	8.69%	\$10.63
Garbage extras -NOT ON YOUR SCHEDULED PICKUP DAY	per yard	\$26.98	8.69%	\$29.32
Commercial Waste Wheeler rent	per month	\$2.45	8.69%	\$2.66
Re-deliver bin on stopped acct	each time	\$33.22	8.69%	\$36.11
Compactor	per ton	\$43.07	8.69%	\$46.81
Sunday Service (in additional to garbage service level)	per month	\$57.99	8.69%	\$63.03
Tax Lien Cert. Mail Fee		\$3.87	8.69%	\$4.21
Recycle bin rental	per month	\$6.44	8.69%	\$7.00
Stand by time	per hour	\$58.20	8.69%	\$63.26
Extra bin cleaning		\$51.83	8.69%	\$56.33
Damage/Destruction of bins or waste wheelers	replacement/repair at market price			
Lock Charge	per month	\$6.43	8.69%	\$6.99
City Clean Up	per item	\$10.00	8.69%	\$10.87
Extra 32, 64, 96 Gal Waste Wheeler - Recycle	per month	\$2.41	8.69%	\$2.62
Extra 32, 64, 96 Gal Waste Wheeler - Green Waste	per month	\$3.21	8.69%	\$3.49
Short Term Dumpsters:				
Delivery & Pickup-Bin		\$33.22	8.69%	\$36.11
Delivery & Pickup-Waste Wheeler		\$11.58	8.69%	\$12.59
Rental	Per Day	\$2.45	8.69%	\$2.66
Empties	Per Yard	\$26.98	8.69%	\$29.32
Mattress:				
Twin	Each	\$15.39	8.69%	\$16.73
Double	Each	\$15.39	8.69%	\$16.73
Queen	Each	\$15.39	8.69%	\$16.73
King	Each	\$15.39	8.69%	\$16.73

ADDITIONAL INFORMATION ALL CUSTOMERS:
 Late Fees are imposed for residential customers over 30 days delinquent and commercial customers over 30 days delinquent. The fee is 1.5% per month of the outstanding charge, with a minimum fee of \$5.00. No prior notice is required, as this late fee policy is stated at the bottom of every bill.
Any additional recycling services are charged at 50% of the garbage rate.

JUNE 12, 2019

ITEM E-6

ATTACHMENT D

Notice of Public Hearing Regarding Proposed Solid Waste Rate Increase

DRAFT

Property Owners and Tenants - Customers:

This notice is intended to inform you that the Nipomo Community Services District (the “Nipomo CSD” or “District”) will hold a public hearing regarding rate increases (the “Proposed Rate Increase”) proposed by South County Sanitary Service (the “Garbage Company”) for properties and customers receiving solid waste, recycling, and green waste services within the Nipomo CSD’s service area. The Proposed Rate Increase will be considered for adoption by the Nipomo CSD Board of Directors at the date, time, and location specified below. Consistent with the requirements of Proposition 218, this notice also provides you with the following information:

- The Date, Time, and Place of the Public Hearing;
- The Reason for the Proposed Rate Increase; and
- The Basis for the Proposed Rate Increase; and
- The Majority Protest Procedures.

NOTICE OF PUBLIC HEARING

The Public Hearing for the Proposed Rate Increase within the Nipomo CSD limits will be held on:

Date: August 14, 2019

Time: 9:00 am

Place: JON S. SEITZ BOARD ROOM, 148 SOUTH WILSON STREET, NIPOMO, CA

At the Public Hearing, the Nipomo CSD will consider all public comment in support of and in opposition to the Proposed Rate Increase and whether or not a Majority Protest exists pursuant to the California Constitution (as described below). If approved, the Proposed Rate Increase would become effective on August 15, 2019.

Reason for the Proposed Rate Increase

The Proposed Rate Increase (amounting to an increase of 8.69 percent for solid waste, recycling, and green waste services) is necessary for the Garbage Company to continue to provide safe, environmentally sound, and reliable solid waste, recycling, and green waste collection, transportation and disposal or processing services to the citizens of the District. Several factors have contributed to these increased costs, including, but not limited to: the rising costs associated with the processing of recycling material, increased costs associated with purchase, operation and fuel for vehicles, increased labor costs, and costs associated with the implementation of an Organics Program mandated by California Assembly Bill 1826 (AB 1826). AB 1826 requires local jurisdictions to develop a program to divert organic waste from landfills to an authorized composting facility. Organic waste is food waste, green waste, landscape and pruning waste, and nonhazardous wood waste.

Basis of the Proposed Rate Increase

The total Proposed Rate Increase of 15.08 percent is based on the following cost increases incurred by the Garbage Company:

1. 4.4 percent of the Proposed Rate Increase is based on increased vehicle costs that include costs for new equipment, maintenance of vehicle fleets to stay current with the California Air Resources Board rules and regulations, fuel, and increased labor costs.

2. 5.09 percent of the Proposed Rate is savings based on the net result of improvements in the cost of operations.
3. 3.1 percent of the Proposed Rate Increase is based on the implementation of an Organics Program mandated by the State of California.
4. 6.28 percent of the Proposed Rate Increase is related to the cost to process recyclable materials.
5. 6.19 percent of the Proposed Rate Increase is related to restoring the District's Franchise Fees to 10% as allowed by the Franchise Agreement

In addition, commencing on January 1, 2020, and January 1, 2021, rates will be increased based on the following:

1. Increases, if any, in the Consumer Price Index (CPI) for Bureau of Labor Statistics' Consumer Price Index for Urban Consumers based on the All U.S. City Average, Bureau of Labor Statistics for the month of June 2019 for January 1, 2020 and June 2020 for January 1, 2021.
2. In addition to any CPI increase, increases of 0.85 percent on January 1, 2020 and 0.82 percent for January 1, 2021 for increases in the cost of landfill disposal.

A copy of the 2019 Base Year Rate Adjustment Application, which provides additional information on the proposed rate increases, is available at the Nipomo CSD office located at 148 South Wilson Street, Nipomo, CA 93444, and on the Nipomo CSD website: ncsd.ca.gov.

How Do I Protest the Proposed Rate Increase?

Pursuant to Section 6 of Article XIII D of the California Constitution, the following persons may submit a written protest against the Proposed Rate Increase to the Clerk of the Board before the close of the Public Hearing referenced above.

- An owner(s) of property ("owner of record") within the District's boundaries. If the person(s) signing the protest is not shown on the last equalized assessment roll as the owner of the parcel(s) then the protest must contain or be accompanied by written evidence that such person signing the protest is the owner of the parcel(s) receiving solid waste, recycling, or green waste service from the Garbage Company; OR
- "Customer of record" (tenant(s)) whose name appears on the Garbage Company's records as the customer of record for the corresponding parcel receiving solid waste, recycling, or green waste service from the Garbage Company within the District's boundaries.

A written protest must:

- 1) State that the identified property owner or customer of record is in opposition to the proposed solid waste, recycling, or green waste rate change;
- 2) Provide the identity of the affected parcel by assessor's parcel number or street address;
- 3) Include the name and original signature of the property owner or customer submitting the protest;
- 4) An original signature (not a photocopy, email or fax copy) of the record owner or customer of record of the identified parcel: **AND**
- 5) Include the date that the protest was signed.

One written protest per parcel will be counted in calculating a majority protest to the Proposed Rate Increase subject to the requirements of Section 6 of Article XIII D of the California Constitution. Written protests will not be accepted by e-mail or by facsimile. Verbal protests will not be counted in determining the existence of a majority protest. To be counted, a protest must be received in writing by the Clerk of the Board before the close of the Public Hearing referenced above.

Written protests may be mailed to:

**Nipomo CSD
P.O. Box 326
Nipomo, CA 93444-0326**

Written protests may be personally delivered to:

The Nipomo CSD administrative office (“Office”) is located at 148 S. Wilson Street, Nipomo CA. Persons interested in delivering a protest vote in-person can present their vote during normal business hours at the Office or place their protest vote in the drop box located in the parking lot of the Office. Protest votes are counted so long as they are **received** prior to the conclusion of the public hearing set for August 14, 2019, beginning at 9:00 am. Post-marked mailed protests received after conclusion of the public hearing are not counted. Protest votes submitted via e-mail or other electronic means will not be accepted; only protests with original signatures will be counted.

If valid written protests are presented by a majority of owners and/or tenants-customers of parcels receiving solid waste, recycling, and green waste services within the District limits, then the District will not adjust/increase the rates for the services.

SOUTH COUNTY SANITARY SERVICE
EFFECTIVE August 15, 2019
NIPOMO CSD

Service Description	Pickups Per Week	Current Monthly Rate Effective 1/1/2019	Proposed Rate Adjustment %	Proposed Monthly Rate Effective 9/15/2019
RESIDENTIAL:				
32 Gallon Waste Wheeler	1	\$17.18	15.08%	\$19.77
64 Gallon Waste Wheeler	1	\$24.61	15.08%	\$28.32
96 Gallon Waste Wheeler	1	\$32.25	15.08%	\$37.11
TWO-64 Gallon Waste Wheelers	1	\$38.39	15.08%	\$44.18
ONE 64 & ONE 96 Gallon	1	\$44.55	15.08%	\$51.27
TWO-96 Gallon Waste Wheelers	1	\$50.71	15.08%	\$58.36
Residential customers must use the waste wheelers provided by the garbage company.				
APARTMENTS, TRIPLEX, DUPLEX				
Rates are the same as commercial rates (below).				
COMMERCIAL DUMPSTERS - ALL AREAS:				
1 yd dumpster	1	\$65.85	15.08%	\$75.78
1 yd dumpster	2	\$94.74	15.08%	\$109.03
1 yd dumpster	3	\$125.19	15.08%	\$144.07
1 yd dumpster	4	\$154.10	15.08%	\$177.34
1 yd dumpster	5	\$186.17	15.08%	\$214.24
1 yd dumpster	6	\$216.68	15.08%	\$249.36
1 yd dumpster	7	\$288.90	15.08%	\$332.47
1.5 yd dumpster	1	\$78.63	15.08%	\$90.49
1.5 yd dumpster	2	\$120.31	15.08%	\$138.45
1.5 yd dumpster	3	\$162.14	15.08%	\$186.59
1.5 yd dumpster	4	\$226.29	15.08%	\$260.41
1.5 yd dumpster	5	\$276.03	15.08%	\$317.66
1.5 yd dumpster	6	\$329.03	15.08%	\$378.65
1.5 yd dumpster	7	\$435.01	15.08%	\$500.61
2 yd dumpster	1	\$85.07	15.08%	\$97.90
2 yd dumpster	2	\$139.61	15.08%	\$160.66
2 yd dumpster	3	\$198.94	15.08%	\$228.94
2 yd dumpster	4	\$290.53	15.08%	\$334.34
2 yd dumpster	5	\$356.38	15.08%	\$410.12
2 yd dumpster	6	\$425.32	15.08%	\$489.46
2 yd dumpster	7	\$582.59	15.08%	\$670.44

3 yd dumpster	1	\$101.11	15.08%	\$116.36
3 yd dumpster	2	\$189.34	15.08%	\$217.89
3 yd dumpster	3	\$264.81	15.08%	\$304.74
3 yd dumpster	4	\$471.81	15.08%	\$542.96
3 yd dumpster	5	\$560.14	15.08%	\$644.61
3 yd dumpster	6	\$654.81	15.08%	\$753.56
3 yd dumpster	7	\$901.93	15.08%	\$1,037.94
4 yd dumpster	1	\$146.03	15.08%	\$168.05
4 yd dumpster	2	\$219.94	15.08%	\$253.11
4 yd dumpster	3	\$316.15	15.08%	\$363.83
4 yd dumpster	4	\$495.98	15.08%	\$570.77
4 yd dumpster	5	\$614.66	15.08%	\$707.35
4 yd dumpster	6	\$698.17	15.08%	\$803.45
4 yd dumpster	7	\$1,084.92	15.08%	\$1,248.53
6 yd dumpster	1	\$219.05	15.08%	\$252.08

The rates shown above include the monthly container rental fee and a semi-annual dumpster cleaning.
 The rates are the same for bins and garwoods, when volume is identical. Bins and garwoods are types of containers used for recycling.

COMMERCIAL GARBAGE CANS - ALL AREAS:

1 Can *	1	\$18.99	15.08%	\$21.85
1 Can *	2	\$31.77	15.08%	\$36.56
2 Cans *	1	\$37.97	15.08%	\$43.70
2 Cans *	2	\$63.54	15.08%	\$73.12
3 Cans *	1	\$58.22	15.08%	\$67.00
3 Cans *	2	\$95.30	15.08%	\$109.67

* Maximum volume and weight per garbage can : 33 gallons / 80 pounds

COMMERCIAL - OTHER CHARGES:

All commercial customers are eligible for one standard 96-gallon recycling and one 64-gallon food waste cart serviced one time a week with no additional service charge. **If you need more frequent recycling service, it can be provided at a 50% discount from the garbage service rates for the specified level of service required.**

MISCELLANEOUS CHARGES - ALL CUSTOMERS:

Overstacked Garbage & extra bags Minimum/unit	each	\$4.64	15.08%	\$5.34
Overstacked Green waste & extra bags Minimum/unit	each	\$2.32	15.08%	\$2.67
Overstacked Recycle & extra bags Minimum/unit	each	\$2.32	15.08%	\$2.67
In yard service (per can or commodity) IN ADDITION TO STANDARD GARBAGE RATES	per month	\$11.59	15.08%	\$13.34
Extended Vacation Service	per month	\$10.80	15.08%	\$12.43
Vacant Rate	per month	\$10.80	15.08%	\$12.43

Waste wheeler cleaning	each time	\$17.27	15.08%	\$19.87
Trip charge	each time	\$11.58	15.08%	\$13.33
Non-payment downsize service	each time	\$27.84	15.08%	\$32.04
Non-payment redeliver waste wheeler	each time	\$11.58	15.08%	\$13.33
Non-payment reconnect service	each time	\$27.84	15.08%	\$32.04
Small item pickup (TV, toilet)	each	\$27.17	15.08%	\$31.27
Appliance pickup-residential	each	\$38.30	15.08%	\$44.08
Larger than residential appliance or glass, glass doors, or plate glass	by quote only			
Garbage extras on your scheduled pickup day	per yard	\$9.78	15.08%	\$11.25
Garbage extras -NOT ON YOUR SCHEDULED PICKUP DAY	per yard	\$26.98	15.08%	\$31.05
Commercial Waste Wheeler rent	per month	\$2.45	15.08%	\$2.82
Re-deliver bin on stopped acct	each time	\$33.22	15.08%	\$38.23
Compactor	per ton	\$43.07	15.08%	\$49.56
Sunday Service (in additional to garbage service level)	per month	\$57.99	15.08%	\$66.73
Tax Lien Cert. Mail Fee		\$3.87	15.08%	\$4.45
Recycle bin rental	per month	\$6.44	15.08%	\$7.41
Stand by time	per hour	\$58.20	15.08%	\$66.98
Extra bin cleaning		\$51.83	15.08%	\$59.65
Damage/Destruction of bins or waste wheelers		replacement/repair at market price		
Lock Charge	per month	\$6.43	15.08%	\$7.40
City Clean Up	per item	\$10.00	15.08%	\$11.51
Extra 32, 64, 96 Gal Waste Wheeler - Recycle	per month	\$2.41	15.08%	\$2.77
Extra 32, 64, 96 Gal Waste Wheeler - Green Waste	per month	\$3.21	15.08%	\$3.69
Short Term Dumpsters:				
Delivery & Pickup-Bin		\$33.22	15.08%	\$38.23
Delivery & Pickup-Waste Wheeler		\$11.58	15.08%	\$13.33
Rental	Per Day	\$2.45	15.08%	\$2.82
Empties	Per Yard	\$26.98	15.08%	\$31.05
Mattress:				
Twin	Each	\$15.39	15.08%	\$17.71
Double	Each	\$15.39	15.08%	\$17.71
Queen	Each	\$15.39	15.08%	\$17.71
King	Each	\$15.39	15.08%	\$17.71

ADDITIONAL INFORMATION ALL CUSTOMERS:

Late Fees are imposed for residential customers over 30 days delinquent and commercial customers over 30 days delinquent. The fee is 1.5% per month of the outstanding charge, with a minimum fee of \$5.00. No prior notice is required, as this late fee policy is stated at the bottom of every bill.

Any additional recycling services are charged at 50% of the garbage rate.

TO: BOARD OF DIRECTORS

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER



FROM: LISA BOGNUDA
FINANCE DIRECTOR

DATE: JUNE 7, 2019

AGENDA ITEM
E-7 (A)
JUNE 12, 2019

ADOPT 2019-2020 FISCAL YEAR BUDGET

ITEM

Public Hearing to adopt 2019-2020 Fiscal Year Budget [RECOMMEND CONDUCT PUBLIC HEARING, CONSIDER TESTIMONY, ORDER EDITS IF ANY AND BY MOTION AND ROLL CALL VOTE ADOPT RESOLUTION APPROVING 2019-2020 FISCAL YEAR BUDGET AND APPROPRIATION LIMITATION]

BUDGET BACKGROUND

The Finance and Audit Committee met on March 6, 2019, for a Kick Off meeting for the FY 19-20 Budget preparation. The Committee met again on April 29, 2019 to review the first draft and make recommendations. The Committee's recommendations and comments were incorporated into the draft Budget. The Board of Directors reviewed the draft Budget on May 8, 2019 and recommended minor edits which are included in the budget presented for adoption.

In 2018, the Board of Directors adopted a change to the computation for employee cost of living adjustment (COLA). The Board approved the use of the California Cost of Living Index. Utilizing this index, the 2019-2020 COLA is computed to be 3.87% and is included in the Budget. The COLA equates to an increase in the budget of \$3,900 per month. The California Department of Finance *Finance Bulletin* dated February 2109, Economic Update states the following:

“Consumer inflation for the U.S. and California rose 2.4 percent and 3.7 percent, respectively, in 2018 following 2.1 percent and 2.9 percent increases, respectively, in 2017. For California, housing inflation was 4.1 percent in 2018.”

The Budget is projecting a net surplus of \$1,333,620 (Pages 16-17). Each Fund has its own impact on the net surplus – whether positive or negative, and therefore, each Fund must be looked at individually. Pages 18 and 19 of the Budget have been placed as Attachment A to provide a summary to follow along with the narrative in the staff report. The Fiscal Year 2019-2020 Budget in its entirety is Attachment D.

OPERATIONS AND MAINTENANCE FUNDS

Fund #125 – Water (Pages 39 & 40)

This Fund is budgeted to have a net overall operating surplus of \$5,466. This includes a transfer of \$610,000 to Funded Replacement and budgeted fixed asset purchases of \$355,700. The third of five rate increases will take effect December 1, 2019. The budget also includes the purchase of 566.68 acre feet (533.34 per contract plus 33.34 operational buffer) of supplemental water from the City of Santa Maria at a budgeted cost

of \$963,526. Based on projections, the Water Fund will be below its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #128 – Water Rate Stabilization Fund (Pages 41 & 42)

This Fund is budgeted to have an overall surplus of \$10,450. The purpose is to serve as a buffer to water rates during any period where there are unexpected increases in operating costs and/or decreases in revenues. Based on projections, the Water Rate Stabilization Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #130 – Town Sewer (Pages 43 & 44)

This Fund is budgeted to have an overall net deficit of (\$202,825). This includes a transfer of \$395,000 to Funded Replacement and the budgeted purchase of \$31,900 in fixed assets. The fifth of a five year rate increase will go into effect on January 1, 2020. The budget includes funds for a sewer rate study to commence in 2020. Based on projections, the Sewer Fund will be below its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #135 – Town Sewer Rate Stabilization Fund (Pages 44 & 46)

This Fund is budgeted to have an overall surplus of \$7,875. This Fund was established in June 2012 as a requirement for issuance of Certificates of Participation and was funded by a transfer in from Fund #130. The purpose is to serve as a buffer to sewer rates during any period where there are unexpected increases in operating costs and/or decreases in revenues. Based on projections, the Sewer Rate Stabilization Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #150 – Blacklake Sewer (Pages 47 & 48)

This Fund is budgeted to have an overall net operating surplus of \$24,273. This includes a transfer of \$173,000 to Funded Replacement and the budgeted purchase of \$17,400 in fixed assets. The first rate increase of the newly adopted rates went into effect April 1, 2019. Based on projections, the Blacklake Sewer Fund will meet its Cash Reserve Goal pursuant to the Cash Reserve Policy

The District is coordinating with the Blacklake community to review a possible consolidation of the Blacklake Sewer with the Town Sewer. The budget may be modified based on decisions made in the coming months regarding the formation of an assessment district to fund the consolidation infrastructure.

Fund #155 – Blacklake Sewer Rate Stabilization Fund (Pages 49 & 50)

This Fund is budgeted to have an overall surplus of \$1,325. This Fund was established in December 2012 and funded by a transfer in from Fund #150. The purpose is to serve as a buffer to sewer rates during any period where there are unexpected increases in operating costs and/or decreases in revenues. Based on projections, the Blacklake Sewer Rate Stabilization Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #200 – Blacklake Street Lighting (Pages 51 & 52)

This Fund is budgeted to have a net overall deficit of (\$1,650). The current assessment is \$50.00 per parcel on 557 parcels. This is the maximum assessment that can be

imposed without going through a Prop 218 proceedings. Based on projections, the Blacklake Street Lighting is below its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #250 – Street Landscape Maintenance District (Pages 53 & 54)

This Fund is budgeted to have a net overall deficit of (\$3,095). Based on projections, the Street Landscape Maintenance District will be below its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #300 – Solid Waste (pages 55 & 56)

This Fund is budgeted to have a net overall surplus of \$48,275. The Board adopted Resolution 2018-1492, November 14, 2018, "Policy governing the use of franchise fees" which will guide the use of these funds. Based on projections, the Solid Waste Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #400 – Drainage (Pages 57 & 58)

This Fund is budgeted to have a net overall surplus of \$20,975. The current ad valorem tax covers all of the budgeted costs. The budget includes a transfer of the excess funds over the Cash Reserve Goal of \$21,000 to Fund #600 – Property Taxes. Based on projections, the Drainage Fund will achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #805 – Funded Replacement Water (Pages 59 & 60)

This Fund is budgeted to have a net surplus of \$719,000. The revenue is a transfer in of \$610,000 from Fund #125 – Water and interest income. Cash reserves will be used for Funded Replacement projects totaling \$1,790,000. The project descriptions can be found on page 25 of the draft budget.

Fund #810 – Funded Replacement Town Sewer (Pages 61 & 62)

This Fund is budgeted to have a net surplus of \$505,550. The revenue is a transfer in of \$395,000 from Fund #130 – Town Sewer and interest income. Cash reserves will be used for Funded Replacement projects totaling \$1,890,000. The project descriptions can be found on page 25 of the draft budget.

Fund #830 – Funded Replacement Blacklake Sewer (Pages 63 & 64)

This Fund is budgeted to have a net surplus of \$198,000. The revenue is a transfer in of \$173,000 from Fund #150 and interest income. Cash reserves will be used for Funded Replacement projects totaling \$972,600. The project descriptions can be found on page 25 of the draft budget.

The District is coordinating with the Blacklake community to review a possible consolidation of the Blacklake Sewer with the Town Sewer. The budget may be modified based on decisions made in the coming months regarding the formation of an assessment district to fund the consolidation infrastructure.

NON-OPERATING BUDGETS

Fund #500 – Supplemental Water Fund (Page 31)

This Fund includes budgeted expenditures of \$4,650,000 for the construction of 12,000 linear feet of 12 inch water line, pump station improvements and the interconnection phase of the Supplemental Water Project. For planning purposes, the completion of the project is expected in FY 23-24 in order to accommodate the delivery of 2,500 acre feet of water from the City of Santa Maria. It is noted that the project completion date could be impacted by future court action. Funding for the \$3.7M project of which \$2.3M is from Fund 500 and a transfer in of \$1.4M from Fund 805.

Fund #700 – Town Water Capacity (Page 32)

This Fund includes budgeted expenditures of \$400,000 for the connection of Tract 2650 to the Blacklake pressure zone and a water master plan.

Fund #710 – Town Sewer Capacity (Page 33)

This Fund does not include any budgeted capital improvement projects.

Fund #600 – Property Taxes (Page 34)

This Fund does not include any budgeted capital improvement projects. In 2013, the District refinanced \$2.8 million dollars in Revenue Bonds. In addition, in 2013, the District issued \$9.6 million dollars in Certificates of Participation (COP) to fund a portion of the Supplemental Water Project. The District pledged the ad valorem taxes to pay all of the 2013 Refunding and the remaining balance of the ad valorem taxes was pledged to pay a portion of the 2013 COPs.

STRATEGIC PLAN

Strategic Plan Goal 4 – Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

RECOMMENDATION

Conduct a Public Hearing, consider testimony, order edits, if any and by motion and roll call vote adopt:

1. Resolution approving the 2019-2020 District Budget, and
2. Appropriations Limitation for Fiscal Year 2019-2020.

ATTACHMENT

- A. Pages 18-19 from the Fiscal Year 2019-2020 Budget
- B. Resolution 2019-XXXX (Budget Adoption)
- C. Resolution 2019-XXXX (Appropriations Limitation)
- D. Budget FY 2019-2020

JUNE 12, 2019

ITEM E-7(A)

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED OPERATING BUDGET - TOTALS FOR EACH FUND
2019-20**

	#110 ADMIN BUDGET	#125 WATER BUDGET	#128 WATER RATE STABILIZATION BUDGET	#130 TOWN SEWER BUDGET	#135 TOWN SEWER RATE STABILIZATION BUDGET	#150 BLACKLAKE SEWER BUDGET	#155 BLACKLAKE SEWER RATE STABILIZATION BUDGET	#200 BL STREET LIGHTING BUDGET	#250 ST LANDSCAPE MAINT DIST BUDGET	#300 SOLID WASTE BUDGET	#400 DRAINAGE BUDGET	#805 FUNDED REP-WATER BUDGET	#810 FUNDED REP-SEWER BUDGET	#830 FUNDED REP-BLSEWER BUDGET	TOTAL
OPERATING REVENUES															
Water - Availability Charges	0	1,273,000	0	0	0	0	0	0	0	0	0	0	0	0	1,273,000
Water - Usage Charges	0	4,170,000	0	0	0	0	0	0	0	0	0	0	0	0	4,170,000
Sewer Revenues	0	0	0	2,198,000	0	576,000	0	0	0	0	0	0	0	0	2,774,000
Fees and Penalties	0	145,000	0	0	0	0	0	0	0	0	0	0	0	0	145,000
Meter and Connection Fees	0	20,000	0	0	0	0	0	0	0	0	0	0	0	0	20,000
Plan Check and Inspection Fees	0	5,000	0	0	0	0	0	0	0	0	0	0	0	0	5,000
Miscellaneous Income	15,000	40,000	0	0	0	0	0	0	0	0	19,700	0	0	0	74,700
Street Lighting/Landscape Maint Charges	0	0	0	0	0	0	0	27,850	12,180	0	0	0	0	0	40,030
Franchise Fee - Solid Waste	0	0	0	0	0	0	0	0	0	62,000	0	0	0	0	62,000
Oper Transfers In-Funded Admin	557,685	0	0	0	0	0	0	0	0	0	0	0	0	0	557,685
Oper Transfers In-Funded Replacement	0	0	0	0	0	0	0	0	0	0	0	610,000	395,000	173,000	1,178,000
	572,685	5,653,000	0	2,198,000	0	576,000	0	27,850	12,180	62,000	19,700	610,000	395,000	173,000	10,299,415

OPERATING EXPENDITURES															
OPERATIONS & MAINTENANCE															
Wages	0	585,000	0	353,000	0	72,400	0	0	0	0	0	0	0	0	1,010,400
Wages - Overtime	0	50,000	0	42,000	0	6,300	0	0	0	0	0	0	0	0	98,300
Payroll Taxes	0	12,000	0	7,500	0	1,500	0	0	0	0	0	0	0	0	21,000
Retirement	0	143,000	0	84,200	0	17,000	0	0	0	0	0	0	0	0	244,200
Medical and Dental	0	200,000	0	132,000	0	25,000	0	0	0	0	0	0	0	0	357,000
Workers Comp Insurance	0	17,000	0	17,000	0	3,000	0	0	0	0	0	0	0	0	37,000
Wholesale Water Purchased	0	963,526	0	0	0	0	0	0	0	0	0	0	0	0	963,526
Supplemental Water O & M and Overhead	0	260,000	0	0	0	0	0	0	0	0	0	0	0	0	260,000
Electricity	0	371,000	0	165,000	0	43,500	0	28,500	150	0	0	0	0	0	608,150
Water	0	0	0	1,000	0	4,000	0	0	0	0	0	0	0	0	5,000
Chemicals	0	42,000	0	16,000	0	18,000	0	0	0	0	0	0	0	0	76,000
Lab Tests and Sampling	0	50,000	0	30,000	0	27,000	0	0	0	0	0	0	0	0	107,000
Operating Supplies	0	155,000	0	50,000	0	5,000	0	0	0	0	0	0	0	0	210,000
Outside Services	0	120,000	0	120,000	0	7,500	0	0	0	0	0	0	0	0	247,500
Permits and Operating Fees	0	27,500	0	13,000	0	9,500	0	0	0	0	0	0	0	0	50,000
Repairs & Maintenance	0	94,000	0	105,000	0	13,500	0	0	0	0	0	0	0	0	212,500
Engineering	0	10,000	0	5,000	0	3,000	0	0	0	0	0	0	0	0	18,000
Fuel	0	26,400	0	8,800	0	4,800	0	0	0	0	0	0	0	0	40,000
Meters	0	50,000	0	0	0	0	0	0	0	0	0	0	0	0	50,000
Safety Program	0	3,300	0	1,100	0	600	0	0	0	0	0	0	0	0	5,000
Uniforms	0	13,200	0	4,400	0	2,400	0	0	0	0	0	0	0	0	20,000
Landscape Maintenance and Water	0	0	0	0	0	0	0	0	13,500	0	0	0	0	0	13,500
Solid Waste Program	0	0	0	0	0	0	0	0	0	8,000	0	0	0	0	8,000
Water Conservation Program	0	30,000	0	0	0	0	0	0	0	0	0	0	0	0	30,000
Oper Transfer Out - Funded Replacement	0	610,000	0	395,000	0	173,000	0	0	0	0	0	0	0	0	1,178,000
TOTAL OPERATIONS & MAINTENANCE	0	3,832,926	0	1,550,000	0	437,000	0	28,500	13,650	8,000	0	0	0	0	5,870,076

GENERAL & ADMINISTRATIVE															
Wages	94,000	392,000	0	38,200	0	5,600	0	0	0	0	0	0	0	0	529,800
Payroll Taxes	2,800	14,600	0	1,600	0	200	0	0	0	0	0	0	0	0	19,200
Retirement	20,000	84,500	0	8,200	0	1,200	0	0	0	0	0	0	0	0	113,900
Medical and Dental	140,000	113,000	0	13,800	0	1,500	0	0	0	0	0	0	0	0	268,300
Other Post Employment Benefits (OPEB)	20,200	60,600	0	17,170	0	3,030	0	0	0	0	0	0	0	0	101,000
Workers Comp Insurance	525	1,625	0	160	0	25	0	0	0	0	0	0	0	0	2,335
Bank Charges and Credit Card Fees	5,200	5,000	0	0	0	0	0	0	0	0	0	0	0	0	10,200
Computer Expense	19,600	93,500	0	30,500	0	7,300	0	0	0	0	0	0	0	0	150,900
Dues and Subscriptions	2,800	11,000	0	5,600	0	750	0	0	0	0	0	0	0	0	20,150
Education and Training	7,000	5,000	0	5,000	0	0	0	0	0	0	0	0	0	0	17,000
Elections	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED OPERATING BUDGET - TOTALS FOR EACH FUND
2019-20**

	#110	#125	#128	#130	#135	#150	#155	#200	#250	#300	#400	#805	#810	#830	TOTAL
	ADMIN	WATER	WATER RATE	TOWN	TOWN	BLACKLAKE	BLACKLAKE	BL STREET	ST LANDSCAPE	SOLID WASTE	DRAINAGE	FUNDED	FUNDED	FUNDED	
	BUDGET	BUDGET	STABILIZATION	SEWER	SEWER RATE	SEWER	SEWER RATE	LIGHTING	MAINT DIST	BUDGET	BUDGET	REP-WATER	REP-SEWER	REP-BLSEWER	BUDGET
Insurance - Liability	21,500	64,500	0	18,275	0	3,225	0	500	0	2,000	0	0	0	0	110,000
LAFCO Funding	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000
Landscape and Janitorial	3,000	9,000	0	2,550	0	450	0	0	0	0	0	0	0	0	15,000
Legal - General and Special Counsel	75,000	15,000	0	5,000	0	5,000	0	0	0	1,500	0	0	0	0	101,500
Legal - Water Counsel	0	75,000	0	0	0	0	0	0	0	0	0	0	0	0	75,000
Professional Services	6,400	110,000	0	25,500	0	51,000	0	0	0	0	0	0	0	0	192,900
Miscellaneous	6,000	1,000	0	500	0	1,300	0	0	0	0	0	0	0	0	8,800
Newsletter and Mailers	1,000	2,000	0	2,380	0	420	0	0	0	0	0	0	0	0	5,800
Office Supplies	3,400	10,200	0	2,900	0	500	0	0	0	0	0	0	0	0	17,000
Outside Services	1,000	4,800	0	5,525	0	675	0	0	0	0	0	0	0	0	12,000
Postage	1,000	12,650	0	5,700	0	1,850	0	0	0	0	0	0	0	0	21,200
Public Notices	7,000	0	0	0	0	0	0	500	500	300	0	0	0	0	8,300
Repairs and Maintenance - Office/Bldgs	21,700	5,100	0	1,500	0	250	0	0	0	0	0	0	0	0	28,550
Property Taxes	0	1,500	0	0	0	0	0	0	0	0	0	0	0	0	1,500
Telephone	1,560	4,680	0	1,325	0	935	0	0	0	0	0	0	0	0	8,500
Travel and Mileage	7,500	3,000	0	2,000	0	0	0	0	0	0	0	0	0	0	12,500
Utilities - Gas, Electric and Trash	19,500	0	0	0	0	0	0	0	0	0	0	0	0	0	19,500
Oper Transfer Out - Funded Administration	0	415,253	0	114,741	0	16,392	0	500	1,500	9,300	0	0	0	0	557,685
TOTAL GENERAL & ADMINISTRATIVE	537,685	1,514,508	0	308,126	0	101,602	0	1,500	2,000	13,100	0	0	0	0	2,478,520
TOTAL OPERATING EXPENDITURES	537,685	5,347,434	0	1,858,126	0	538,602	0	30,000	15,650	21,100	0	0	0	0	8,348,596
TOTAL OPERATING REVENUES AND EXPENDITURES	35,000	305,566	0	339,874	0	37,398	0	(2,150)	(3,470)	40,900	19,700	610,000	395,000	173,000	1,950,819
NON-OPERATING REVENUES AND (EXPENDITURES)															
Interest Income	0	55,600	10,450	10,050	7,875	4,275	1,325	500	375	7,375	1,275	109,000	110,550	25,000	343,650
Blacklake Water & Sewer Loan Surcharge	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	(345,849)	0	0	0	0	0	0	0	0	0	0	(345,849)
Principal Portion - Debt Service	0	0	0	(175,000)	0	0	0	0	0	0	0	0	0	0	(175,000)
Transfers In and out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets	(35,000)	(355,700)	0	(31,900)	0	(17,400)	0	0	0	0	0	0	0	0	(440,000)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	(35,000)	(300,100)	10,450	(542,699)	7,875	(13,125)	1,325	500	375	7,375	1,275	109,000	110,550	25,000	(617,199)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	0	5,466	10,450	(202,825)	7,875	24,273	1,325	(1,650)	(3,095)	48,275	20,975	719,000	505,550	198,000	1,333,620
ESTIMATED FUNDS AVAILABLE															
Estimated Account Balance 7/1/19	0	2,224,000	418,000	402,000	315,000	171,000	53,000	20,000	15,000	295,000	51,000	4,220,000	4,300,000	1,000,000	13,484,000
Net Results from Operations	0	5,466	10,450	(202,825)	7,875	24,273	1,325	(1,650)	(3,095)	48,275	20,975	719,000	505,550	198,000	1,333,620
Funded Replacement Projects	0	0	0	0	0	0	0	0	0	0	0	(1,790,000)	(1,890,000)	(972,600)	(4,652,600)
Estimated Account Balance 6/30/20	0	2,229,466	428,450	199,175	322,875	195,273	54,325	18,350	11,905	343,275	71,975	3,149,000	2,915,550	225,400	10,165,020

JUNE 12, 2019

ITEM E-7(A)

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION 2019-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING THE 2019-2020 FISCAL YEAR BUDGET**

WHEREAS, Section 61110 et seq. of the Government Code establishes procedures for the adoption of budgets for Community Services Districts, including the Nipomo Community District ("District"); and

WHEREAS, pursuant to Government Code Section 61110 et seq. the District elects to adopt a one (1) year budget for Fiscal Year 2019-2020; and

WHEREAS, the District has published notice of this hearing adopting the District's budget pursuant to Government Code Section 61110, et seq.; and

WHEREAS, the District desires to make known its planned activities and associated costs for Fiscal Year 2019-2020, including:

- A. A description of the District's use of water and sewer capacity charges in compliance with Government Code Section 66013; and
- B. The purposes for which reserves designated in the budget may be spent.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of the Nipomo Community Services District, San Luis Obispo County, California, as follows:

- 1. The proposed budget entitled, "2019-2020 Budget, Nipomo Community Services District," is hereby approved and adopted.
- 2. The budget be administered in accordance with generally accepted accounting principles and the past policies and practices established by the District.
- 3. The above Recitals are true and correct and incorporated herein by this reference.

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

AYES:
NOES:
ABSENT:
ABSTAIN:

the foregoing Resolution is hereby passed and adopted this 12th day of June 2019.

ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND LEGAL EFFECT:

MARIO IGLESIAS
General Manager and Secretary to the Board

WHITNEY G. McDONALD
District Legal Counsel

JUNE 12, 2019

ITEM E-7(A)

ATTACHMENT C

RESOLUTION NO. 2019-XXXX

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT DETERMINING THE APPROPRIATION LIMITATION FOR THE 2019-2020 FISCAL YEAR

WHEREAS, Article XIII B of the California Constitution specifies that appropriations made by governmental entities may increase annually by the change in population and the California per-capita income, and

WHEREAS, it has been determined by the State Department of Finance that the California per-capita income increase shall be used; and

WHEREAS, the percent change in the California per-capita income is 1.0385% and the percent change in the population of the unincorporated area of San Luis Obispo County is 0.64% (Population converted to a ratio is computed as follows: {0.54.x+100} ÷100 = 1.0054).

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Nipomo Community Services District, San Luis Obispo County, California, as follows:

- 1. That the ratio of change is and is determined as follows: 1.0385 X 1.0054 = 1.044
2. That the 2019-2020 appropriation limit is and is determined as follows:

Table with 2 columns: Description and Amount. Rows include 2019 Limitation (\$6,193,802), 2019 Ratio of Change (1.044), 2019 Appropriations Limitation (\$6,466,329), Appropriations Limitation Subject to limitation ((17,825)), and 2019-2020 Appropriations Under Limit (\$6,448,504).

- 3. No further adjustment to the 2019-2020 appropriation limitation has been made for mandated costs. However, any new mandated costs or increases in costs would increase the limitation amount by "Proceeds of Taxes" used to finance mandates in Fiscal Year 2019-2020.

On the motion of Director ____, seconded by Director ____, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

the foregoing resolution is hereby passed and adopted this 12th day of June 2019.

ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND LEGAL EFFECT:

MARIO IGLESIAS
General Manager and Secretary to the Board

WHITNEY G. McDONALD
District Legal Counsel

JUNE 12, 2019

ITEM E-7(A)

ATTACHMENT D

NIPOMO COMMUNITY SERVICES DISTRICT

BUDGET

FISCAL YEAR
2019-2020



MISSION STATEMENT

To provide our customers with reliable, quality,
and cost-effective services now and in the future

NIPOMO COMMUNITY SERVICES DISTRICT

BUDGET

FISCAL YEAR 2019-2020

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**NIPOMO COMMUNITY SERVICES DISTRICT
BUDGET
FISCAL YEAR 2019-2020**

INTRODUCTION

The Nipomo Community Services District (District) is a multi-service special district formed on January 28, 1965, under the Community Services District Law, California Government Code Section 61000 et. seq. The Nipomo Community Services District serves the residents and property owners within the limits of its approximately seven square miles service area with water, sewer, solid waste, street lighting to the Blacklake Village, limited drainage and limited street landscape maintenance.

The legislative head of the District is an elected Board of Directors composed of five members. Each member serves a four-year term, and elections are held every two years, on even-number years. The terms for the Board of Directors are staggered. Regular meetings are held at the District Board Room, 148 South Wilson Street, Nipomo, California, at 9:00 a.m. on the second and fourth Wednesdays of each month.

BOARD OF DIRECTORS

Name	Title	Current Term
Ed Eby	President	12/18 – 12/22
Dan Allen Gaddis	Vice President	12/18 - 12/22
Craig Armstrong	Director	12/16 – 12/20
Bob Blair	Director	12/16 – 12/20
Dan Woodson	Director	12/18 – 12/22

The District has twenty-one full-time and one half-time staff positions budgeted in 2019-2020.

The District is represented by the law firm of Richards, Watson and Gershon.

The District Office is open to the public from 8:00 a.m. to 4:30 p.m. Monday through Friday except holidays. In addition, the District has a 24-hour telephone number, (805) 929-1133. This number is answered by an answering service during non-business hours and service related emergency calls are forwarded to standby personnel. Facsimile transmissions may be made to (805) 929-1932, web site is ncsd.ca.gov and email is info@ncsd.ca.gov. All other emergency requests are handled through the 911 system.

The District is pleased to announce the Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Excellence in Financial Reporting* to Nipomo Community Services Districts for its comprehensive annual financial report for the last six consecutive fiscal years (2013 – 2018). In order to be awarded a Certificate of Achievement, the District had to publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. Copies of these reports may be found on the District web site.

BUDGET PREPARATION

1. OPERATING AND NON-OPERATING BUDGETS

NCSD's budget is separated into two budgets - the Operating Budget and the Non-Operating Budget. The Operating Budget represents the day-to-day operations and maintenance of the District. The expenditures from the Operating Budget are funded from water and sewer use revenues, solid waste, street lighting and street landscape maintenance charges. The Non-Operating Budget represents the long-term capital financing program of the District. The Non-Operating Budget is funded by capacity charges, general purpose property taxes and certificates of participation.

Each Fund of NCSD has its own budget. The Funds in the Operating Budget are as follows:

#110	Administration
#125	Water
#128	Water Rate Stabilization
#130	Sewer Fund-Town Division
#135	Sewer Rate Stabilization Fund-Town Division
#150	Sewer Fund-Blacklake Division
#155	Sewer Rate Stabilization Fund-Blacklake Division
#200	Blacklake Street Lighting
#250	Street Landscape Maintenance District
#300	Solid Waste
#400	Drainage
#805	Funded Replacement-Water
#806	Funded Replacement-Supplemental Water
#810	Funded Replacement-Town Sewer
#830	Funded Replacement-Blacklake Sewer

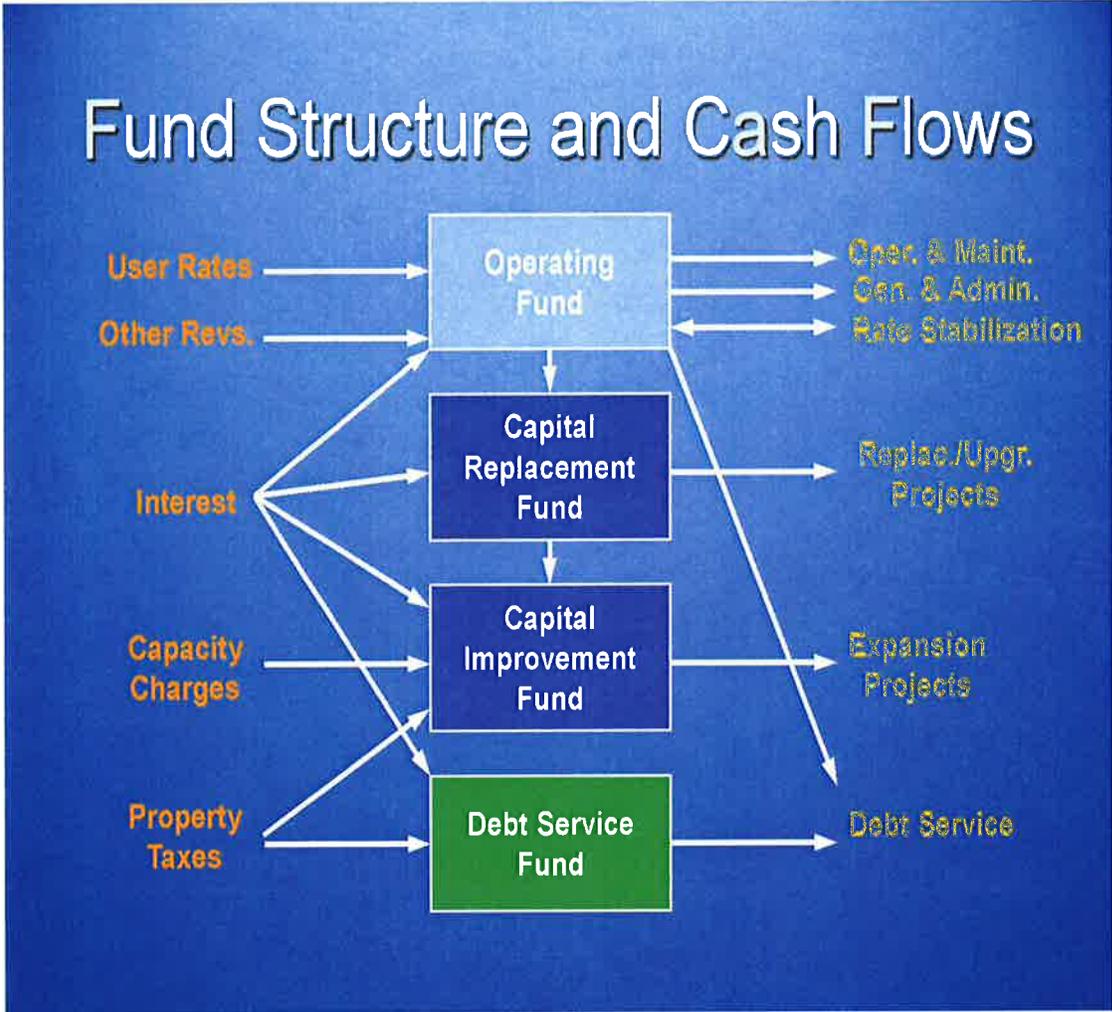
The Funds in the Non-Operating Budget are as follows:

#500	Supplemental Water
#600	Property Tax
#700	Water Capacity Charges
#710	Sewer Capacity Charges -Town Division

The Administration Fund accounts for all of the assets and resources used for the general administration of the District. The remaining operating funds are "enterprise funds". The purpose of enterprise funds is to account for operations in a manner similar to private business enterprises. The policy defined by the elected Board of Directors is that the costs of providing service (expenses, including depreciation of providing goods and services) be financed or recovered primarily through user charges.

2. FUND AND RESERVE STRUCTURES AND CASH FLOWS

The model below provides a helpful overview of the fund and non-designated reserve structure and cash flows of the District. The revenues (sources) of funds include user rates, other revenues, interest income, capacity charges and property taxes. The expenditures (uses) of funds include operations and maintenance, general and administrative costs, replacement and upgrade projects, expansion projects and debt service. In addition, there are transfers into, out of, and between funds and non-designated reserves.



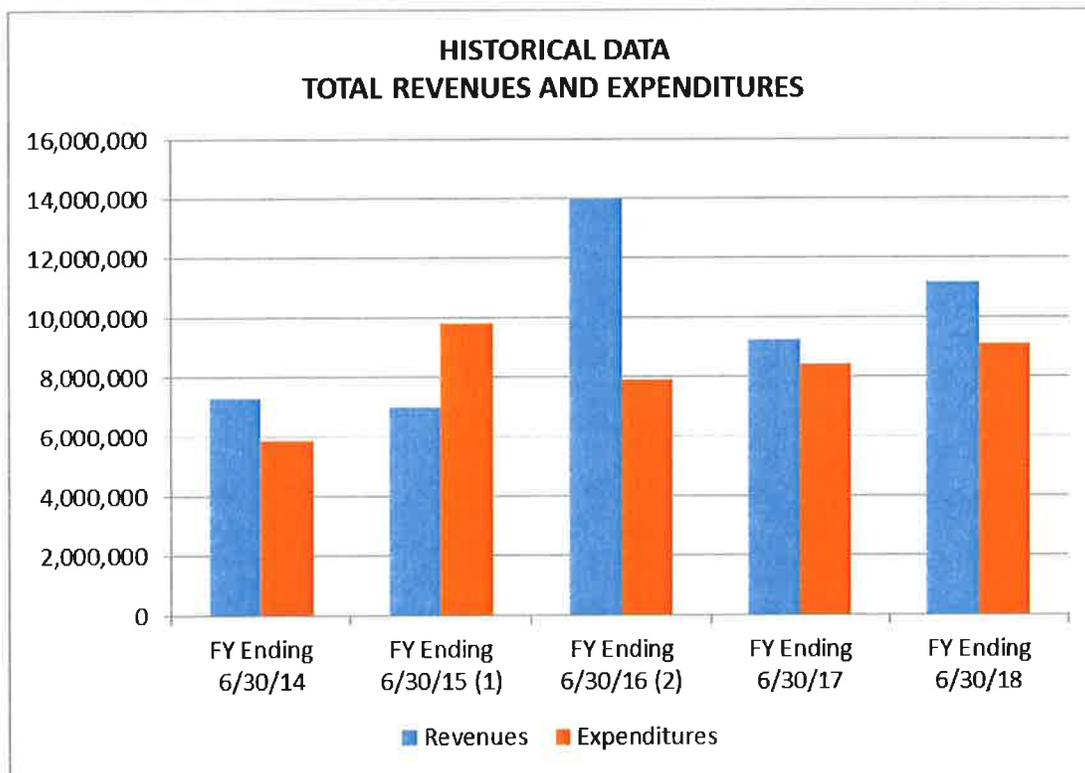
**NIPOMO COMMUNITY SERVICES DISTRICT
BUDGET
FISCAL YEAR 2019-2020**

3. FINANCIAL OVERVIEW

PROPOSED 2019-20 BUDGET COMPARED TO ESTIMATED ACTUAL 2018-19 BUDGET

- Total budgeted Revenues for fiscal year 2019-2020 is 10,643,065. This is an increase of 5.9% above the Estimated Actual Revenues for fiscal year 2018-2019. A graph depicting the revenues can be found on page 20.
- Total budgeted Expenditures for fiscal year 2019-2020 is \$9,309,445. This is an increase of 15% above the Estimated Actual Expenditures for fiscal year 2018-2019. A graph depicting the expenditures can be found on page 21.

ACTUAL TOTAL REVENUES AND EXPENDITURES



- (1) Includes loss of \$3,685,588 on disposal of capital assets as a result of the write off of the original Southland Wastewater Treatment Plant and related infrastructure that was taken out of service upon the completion of the upgraded wastewater treatment facility.
- (2) Includes Contracts Receivable income of \$5,742,576 from Golden State Water Company and Woodlands Mutual Water Company.

NET POSITION

- As of June 30, 2018, the District's net position exceeded \$68 million dollars.

Total Assets	\$91,616,772
Total Liabilities	\$24,026,677
Total Net Position	\$68,343,154

AUDIT

An audit of the District's financial statements is conducted annually by the independent Certified Public Accounting firm of Rogers, Anderson, Malody and Scott, LLP. A copy of the most recent audit report may be found at the District's web site ncsd.ca.gov.

4. THE NON-OPERATING BUDGET - CAPITAL IMPROVEMENT PROJECTS

Capital facilities (infrastructure) represent a major investment by Nipomo Community Services District. Supply, treatment, transmission, and distribution facilities are needed to provide water service to customers of the District. Investment in collection, transmission, treatment and disposal facilities are required for wastewater service. Capital investments are necessary to maintain reliable, high-quality service to existing customers and to provide facilities for future growth and economic development.

The magnitude of investment required for proper management of a utility system requires development of an effective long-range capital financing plan. The most important factor affecting capital expansion is growth in demand. As areas are developed or annexed, additional pressure is placed on a utility to provide water and wastewater services. The capital investment required to support this growth should be funded in such a way so that the financial risks relating to growth are minimized for the District and its customers. The Capital Financing Plan of the District will be funded with capacity charges paid for by new development, interest earned, property taxes, Certificates of Participation (in accordance with District adopted Debt Management Policy) and Assessment Districts.

A summary of the proposed Capital Improvement Projects and a description of each project may be found on page 30.

**NIPOMO COMMUNITY SERVICES DISTRICT
ACCOUNT TITLE AND DESCRIPTION
FISCAL YEAR 2019-2020**

OPERATING EXPENDITURES CATEGORIES

OPERATIONS AND MAINTENANCE

TITLE	DESCRIPTION
Wages	Provides wages for 14 full-time and 1 half-time employee
Wages – Overtime	Provides for overtime for on-call personnel and overtime for emergency response
Payroll Taxes	Provides for the employer’s portion of payroll taxes including Medicare and State Unemployment Tax
Retirement	Provides for the contribution to the Public Employees Retirement system
Medical and Dental	Provides for health, dental and vision insurance for employees and their dependents
Workers Compensation Insurance	Provides for Workman’s Compensation Insurance for the maintenance personnel
Wholesale Water Purchased	Provides for purchase of supplemental water from the City of Santa Maria pursuant to Wholesale Water Agreement
Supplemental Water O & M and Overhead	Provides for accumulation of operations and maintenance costs and overhead of the Supplemental Water Project
Electricity	Provides for electricity for offices, well sites, sewer facilities
Water	Provides for water used at the wastewater enterprises
Chemicals	Provides for chlorine and other chemicals used in water and sewer systems
Lab Tests and Sampling	Provides for mandated testing of water supply and wastewater
Operating Supplies	Provides for necessary supplies to operate water and wastewater systems
Outside Services	Provides for services provided outside the normal operation and function of district personnel
Permits and Operating Fees	Provides for Federal, State and County charges associated with operating the water and wastewater systems
Repairs and Maintenance	Provides for the repair and maintenance of all district facilities including buildings, vehicles, water systems and sewer systems
Engineering	Provides for engineering services
Fuel	Provides for district vehicles, backhoes, generators, etc
Meters	Provides for the purchase of meters for new installation and replacement program
Safety Program	Provides for training employees to ensure their health, safety and well-being
Uniforms	Provides for uniforms and boot allowance to operations personnel
Landscape Maintenance and Water	Provides for landscape maintenance service and water consumption for Tract 2409-Street Landscape Maint District #1
Solid Waste Program	Provides for Board approved solid waste program
Water Conservation Program	Provides for Board approved water conservation program
Operating Transfers Out – Funded Replacement	Provides for the funding of major refurbishment or replacement of aging water and sewer facilities

**NIPOMO COMMUNITY SERVICES DISTRICT
ACCOUNT TITLE AND DESCRIPTION
FISCAL YEAR 2019-2020**

OPERATING EXPENDITURES CATEGORIES

GENERAL AND ADMINISTRATIVE

TITLE	DESCRIPTION
Wages	Provides wages for 7 full-time employees
Payroll Taxes	Provides for the employer's portion of payroll taxes including Medicare, State Unemployment Tax and Training Tax
Retirement	Provides for the contribution to the Public Employees Retirement system
Medical and Dental	Provides for health, dental and vision insurance for employees and their dependents
Other Post Employment Benefits (OPEB)	Provides for funding of medical benefits for retirees and future retirees of the District
Workers Compensation Insurance	Provides for Workman's Compensation Insurance for office staff and board members
Bank Charges and Credit Card Fees	Provides for monthly bank charges and credit cards fees
Computer Expense	Provides for billing software technical support, computer consulting, computer upgrades and supplies, etc
Dues and Subscriptions	Provides for membership to California Special Districts Association (CSDA), water and wastewater organizations, various publications and dues
Education and Training	Provides for registration for personnel and board members to attend training classes, seminars and meetings
Elections	Provides for cost of elections
Insurance – Liability	Provides for fire and general liability insurance, errors and omissions coverage and employee dishonesty bond
LAFCO Funding	Provides for district's portion of funding SLO County Local Agency Formation Commission (LAFCO)
Landscape and Janitorial	Provides for weekly landscape and janitorial services for the office buildings
Legal – General Counsel	Provides for routine district legal counsel services plus additional legal services as needed or requested
Legal – Water Counsel	Provides for special water counsel contracted by District
Professional Services	Provides for professional services of attorneys, auditors, engineers and other professionals for special District matters
Miscellaneous	Provides for occasional minor expenses
Newsletters and Mailers	Provides for the preparation and printing of newsletters/mailers
Office Supplies	Provides for general office supplies and materials
Outside Services	Provides for services provided outside the normal operation and function of district personnel

**NIPOMO COMMUNITY SERVICES DISTRICT
ACCOUNT TITLE AND DESCRIPTION
FISCAL YEAR 2019-2020**

OPERATING EXPENDITURES CATEGORIES

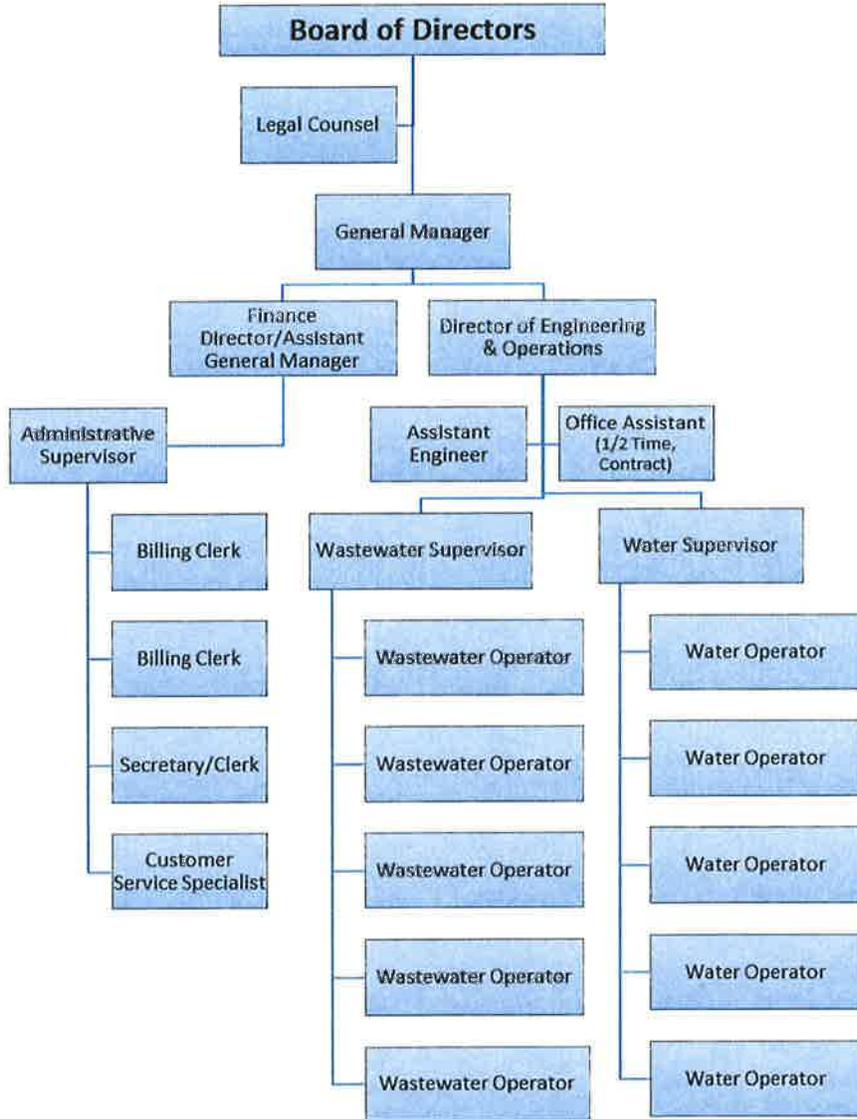
GENERAL AND ADMINISTRATIVE

TITLE	DESCRIPTION
Postage	Provides for postage for utility bills and District business
Public Notices	Provides for the publication of all legally required notices
Repairs and Maintenance	Provides for the repair and maintenance of office equipment and buildings
Property Taxes	Provides for the property tax assessments Sundale Well property
Telephone	Provides for regular phone service, long distance, fax lines and Supervisory Control and Data Acquisition (SCADA) system lines
Travel and Mileage	Provides for travel, meals and lodging for personnel and board members to attend seminars and classes
Utilities – Gas, Electric and Trash	Provides for utilities to operate the district office and shop
Operating Transfer Out – Funded Administration	Provides for the Enterprise Funds to proportionately share in the general and administrative costs of the District

NON-OPERATING REVENUES AND EXPENDITURES CATEGORIES

TITLE	DESCRIPTION
Interest Income	Provides for interest income earned on Reserves
Blacklake Water & Sewer Loan Surcharge	Provides for the collection of the Blacklake Water & Sewer Surcharge
Interest Expense-Debt Service	Provides for interest expense on debt service
Debt Service – Principal Portion	Provides for principal payment on debt service
Transfer In and Out	Provides for transfer in and out of Funds
Fixed Asset Purchases	Provides for the purchase of new assets used in the day-to-day operations and maintenance of the district

NIPOMO COMMUNITY SERVICES DISTRICT
ORGANIZATIONAL STRUCTURE
2019-2020



NIPOMO COMMUNITY SERVICES DISTRICT
DISTRICT PERSONNEL
2019-2020

ADMINISTRATION	MONTHLY SALARY STEP/RANGE (PAGE 11)	Budgeted FY 18-19	Additions 19-20	Budgeted 19-20
General Manager	Contract	1	0	1
Assist General Manager/Finance Director	44	1	0	1
Billing Clerk	13	1	0	1
Billing Clerk (1)	13	0	1	1
Secretary/Clerk	5	1	0	1
Administrative Supervisor (2)	31	1	0	1
Customer Service Specialist (3)	21	1	0	1
ADMINISTRATION SUBTOTAL		6	1	7

OPERATIONS				
Director of Engineering and Operations	60	1	0	1
Assistant Engineer	29	1	0	1
Water Supervisor	32	1	0	1
Wastewater Supervisor	38	1	0	1
Wastewater Operator III	24	0	0	0
Wastewater Operator II	20	3	0	3
Wastewater Operator I	16	2	0	2
Water Operator III	17	0	0	0
Water Operator II	13	1	0	1
Water Operator I	9	4	0	4
Utility Office Assistant	Contract	0.5	0	0.5
OPERATIONS SUBTOTAL		14.5	0	14.5

TOTAL		20.5	1	21.5
--------------	--	-------------	----------	-------------

Positions projected to be filled in FY 19-20

- (1) 2017 Rate Study included second billing clerk FY 19-20
- (2) Administrative Supervisor position replaced Public Information Director/Clerk position
- (3) 2017 Rate Study included customer Service Specialist FY 18-19

NIPOMO COMMUNITY SERVICES DISTRICT

MONTHLY SALARY STEP/RANGE

NO	Monthly Salary Range					Longevity Pay		NO	Monthly Salary Range					Longevity Pay	
	Step 1	Step 2	Step 3	Step 4	Step 5	15 Yrs - 2.5%	20 Yrs - 2.5%		Step 1	Step 2	Step 3	Step 4	Step 5	15 Yrs - 2.5%	20 Yrs - 2.5%
1	\$2,854	\$2,997	\$3,146	\$3,304	\$3,469	\$3,556	\$3,642	33	\$6,230	\$6,541	\$6,868	\$7,212	\$7,572	\$7,762	\$7,951
2	\$2,925	\$3,072	\$3,225	\$3,386	\$3,556	\$3,645	\$3,733	34	\$6,385	\$6,705	\$7,040	\$7,392	\$7,762	\$7,956	\$8,150
3	\$2,997	\$3,146	\$3,304	\$3,469	\$3,642	\$3,733	\$3,824	35	\$6,541	\$6,868	\$7,212	\$7,572	\$7,951	\$8,150	\$8,348
4	\$3,072	\$3,225	\$3,386	\$3,556	\$3,733	\$3,827	\$3,920	36	\$6,705	\$7,040	\$7,392	\$7,762	\$8,150	\$8,353	\$8,557
5	\$3,146	\$3,304	\$3,469	\$3,642	\$3,824	\$3,920	\$4,016	37	\$6,868	\$7,212	\$7,572	\$7,951	\$8,348	\$8,557	\$8,766
6	\$3,225	\$3,386	\$3,556	\$3,733	\$3,920	\$4,018	\$4,116	38	\$7,040	\$7,392	\$7,762	\$8,150	\$8,557	\$8,771	\$8,985
7	\$3,304	\$3,469	\$3,642	\$3,824	\$4,016	\$4,116	\$4,216	39	\$7,212	\$7,572	\$7,951	\$8,348	\$8,766	\$8,985	\$9,204
8	\$3,386	\$3,556	\$3,733	\$3,920	\$4,116	\$4,219	\$4,322	40	\$7,392	\$7,762	\$8,150	\$8,557	\$8,985	\$9,210	\$9,434
9	\$3,469	\$3,642	\$3,824	\$4,016	\$4,216	\$4,322	\$4,427	41	\$7,572	\$7,951	\$8,348	\$8,766	\$9,204	\$9,434	\$9,664
10	\$3,556	\$3,733	\$3,920	\$4,116	\$4,322	\$4,430	\$4,538	42	\$7,762	\$8,150	\$8,557	\$8,985	\$9,434	\$9,670	\$9,906
11	\$3,642	\$3,824	\$4,016	\$4,216	\$4,427	\$4,538	\$4,649	43	\$7,951	\$8,348	\$8,766	\$9,204	\$9,664	\$9,906	\$10,148
12	\$3,733	\$3,920	\$4,116	\$4,322	\$4,538	\$4,651	\$4,765	44	\$8,150	\$8,557	\$8,985	\$9,434	\$9,906	\$10,154	\$10,401
13	\$3,824	\$4,016	\$4,216	\$4,427	\$4,649	\$4,765	\$4,881	45	\$8,348	\$8,766	\$9,204	\$9,664	\$10,148	\$10,401	\$10,655
14	\$3,920	\$4,116	\$4,322	\$4,538	\$4,765	\$4,884	\$5,003	46	\$8,557	\$8,985	\$9,434	\$9,906	\$10,401	\$10,661	\$10,921
15	\$4,016	\$4,216	\$4,427	\$4,649	\$4,881	\$5,003	\$5,125	47	\$8,766	\$9,204	\$9,664	\$10,148	\$10,655	\$10,921	\$11,188
16	\$4,116	\$4,322	\$4,538	\$4,765	\$5,003	\$5,128	\$5,253	48	\$8,985	\$9,434	\$9,906	\$10,401	\$10,921	\$11,194	\$11,467
17	\$4,216	\$4,427	\$4,649	\$4,881	\$5,125	\$5,253	\$5,381	49	\$9,204	\$9,664	\$10,148	\$10,655	\$11,188	\$11,467	\$11,747
18	\$4,322	\$4,538	\$4,765	\$5,003	\$5,253	\$5,385	\$5,516	50	\$9,434	\$9,906	\$10,401	\$10,921	\$11,467	\$11,754	\$12,041
19	\$4,427	\$4,649	\$4,881	\$5,125	\$5,381	\$5,516	\$5,651	51	\$9,664	\$10,148	\$10,655	\$11,188	\$11,747	\$12,041	\$12,334
20	\$4,538	\$4,765	\$5,003	\$5,253	\$5,516	\$5,654	\$5,792	52	\$9,906	\$10,401	\$10,921	\$11,467	\$12,041	\$12,342	\$12,643
21	\$4,649	\$4,881	\$5,125	\$5,381	\$5,651	\$5,792	\$5,933	53	\$10,148	\$10,655	\$11,188	\$11,747	\$12,334	\$12,643	\$12,951
22	\$4,765	\$5,003	\$5,253	\$5,516	\$5,792	\$5,937	\$6,081	54	\$10,401	\$10,921	\$11,467	\$12,041	\$12,643	\$12,959	\$13,275
23	\$4,881	\$5,125	\$5,381	\$5,651	\$5,933	\$6,081	\$6,230	55	\$10,655	\$11,188	\$11,747	\$12,334	\$12,951	\$13,275	\$13,599
24	\$5,003	\$5,253	\$5,516	\$5,792	\$6,081	\$6,233	\$6,385	56	\$10,921	\$11,467	\$12,041	\$12,643	\$13,275	\$13,607	\$13,939
25	\$5,125	\$5,381	\$5,651	\$5,933	\$6,230	\$6,385	\$6,541	57	\$11,194	\$11,754	\$12,342	\$12,959	\$13,607	\$13,947	\$14,296
26	\$5,253	\$5,516	\$5,792	\$6,081	\$6,385	\$6,545	\$6,705	58	\$11,474	\$12,048	\$12,650	\$13,283	\$13,947	\$14,296	\$14,653
27	\$5,381	\$5,651	\$5,933	\$6,230	\$6,541	\$6,705	\$6,868	59	\$11,761	\$12,349	\$12,966	\$13,615	\$14,296	\$14,653	\$15,019
28	\$5,516	\$5,792	\$6,081	\$6,385	\$6,705	\$6,872	\$7,040	60	\$12,055	\$12,658	\$13,291	\$13,955	\$14,653	\$15,019	\$15,395
29	\$5,651	\$5,933	\$6,230	\$6,541	\$6,868	\$7,040	\$7,212	INCLUDES COLA ADJUSTMENT OF 3.87% EFFECTIVE 7/1/19							
30	\$5,792	\$6,081	\$6,385	\$6,705	\$7,040	\$7,216	\$7,392								
31	\$5,933	\$6,230	\$6,541	\$6,868	\$7,212	\$7,392	\$7,572								
32	\$6,081	\$6,385	\$6,705	\$7,040	\$7,392	\$7,577	\$7,762								

NIPOMO COMMUNITY SERVICES DISTRICT
FLEET SCHEDULE
2019-2020

	OPERATIONS VEHICLES	YEAR	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE (FEB 2019)
1	FORD F250 4x4	2007	8/25/06	2007	112,525
2	FORD F150 4x4 (1)	2009	12/29/08	2009	112,865
3	FORD F150 (2)	2009	1/6/09	2009	95,802
4	FORD RANGER	2010	11/7/09	2010	22,365
5	FORD F250 4X4	2010	1/15/10	2010	63,854
6	FORD F150	2013	1/23/13	2013	67,775
7	FORD F150	2013	9/26/13	2014	47,583
8	FORD F250	2015	11/7/14	2015	24,778
9	FORD F250	2016	4/5/16	2016	23,257
10	FORD F250	2017	4/13/18	2018	7,898
11	FORD F250	2017	4/13/18	2018	6,305

- (1) To be replaced FY 18-19
- (2) To be replaced FY 19-20

	ADMIN VEHICLES	YEAR	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE (FEB 2019)
12	FORD ESCAPE	2007	12/1/06	2007	27,921

	OTHER OPERATIONS EQUIPMENT	DATE PURCHASED	FISCAL YR PURCHASED	MILEAGE/ HOURS (FEB 2019)
13	FORD DUMP TRUCK	6/25/06	2006	27,394
14	JOHN DEERE LOADER/BACKHOE JD110 (3)	1/2/08	2008	582 hrs (out of service)
15	JOHN DEERE BACKHOE JD310	9/3/09	2010	458 hrs
16	VAC CON	2/10/10	2010	17,408
17	FORD F550 SERVICE TRUCK	04/16/13	2013	9,969
18	JOHN DEERE GATOR CART	4/18/14	2014	1,229 hrs
19	CAT 914 LOADER	10/30/15	2015	385 hrs
20	CAT 279D SKID STEER	8/9/17	2018	328 hrs

- (3) To be replaced FY 19-20

RESOLUTION 2019 - BUDGET
A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING THE 2019-2020 FISCAL YEAR BUDGET

WHEREAS, Section 61110 et seq. of the Government Code establishes procedures for the adoption of budgets for Community Services Districts, including the Nipomo Community District ("District"); and

WHEREAS, pursuant to Government Code Section 61110 et seq. the District elects to adopt a one (1) year budget for Fiscal Year 2019-2020; and

WHEREAS, the District has published notice of this hearing adopting the District's budget pursuant to Government Code Section 61110, et seq.; and

WHEREAS, the District desires to make known its planned activities and associated costs for Fiscal Year 2019-2020, including:

A. A description of the District's use of water and sewer capacity charges in compliance with Government Code Section 66013; and

B. The purposes for which reserves designated in the budget may be spent.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of the Nipomo Community Services District, San Luis Obispo County, California, as follows:

1. The proposed budget entitled, "2019-2020 Budget, Nipomo Community Services District," is hereby approved and adopted.

2. The budget be administered in accordance with generally accepted accounting principles and the past policies and practices established by the District.

3. The above Recitals are true and correct and incorporated herein by this reference.

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

AYES:

NOES:

ABSENT:

the foregoing Resolution is hereby adopted this ___th day of June 2019.

Ed Eby
President of the Board

ATTEST:

APPROVED AS TO FORM:

MARIO IGLESIAS
Secretary to the Board

WHITNEY G. MCDONALD
District Legal Counsel

RESOLUTION NO. 2019-APPROP LIMITATION

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
DETERMINING THE APPROPRIATION LIMITATION FOR THE 2019-2020 FISCAL YEAR**

WHEREAS, Article XIII B of the California Constitution specifies that appropriations made by governmental entities may increase annually by the change in population and the California per-capita income, and

WHEREAS, it has been determined by the State Department of Finance that the California per-capita income increase shall be used; and

WHEREAS, the percent change in the California per-capita income is 1.0385% and the percent change in the population of the unincorporated area of San Luis Obispo County is 0.54% (Population converted to a ratio is computed as follows: $\{0.54 \times 100\} \div 100 = 1.0054$).

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Nipomo Community Services District, San Luis Obispo County, California, as follows:

1. That the ratio of change is and is determined as follows:
 $1.0385 \times 1.0054 = 1.044$
2. That the 2019-2020 appropriation limit is and is determined as follows:

2019 Limitation	\$6,193,802
2019 Ratio of Change	<u>1.044</u>
2019 Appropriations Limitation	\$6,466,329
Appropriations Limitation Subject to Limitation	(\$17,825)
2019-2020 Appropriations Under Limit	<u>\$6,448,504</u>

3. No further adjustment to the 2019-2020 appropriation limitation has been made for mandated costs. However, any new mandated costs or increases in costs would increase the limitation amount by "Proceeds of Taxes" used to finance mandates in Fiscal Year 2019-2020.

On the motion of Director _____, seconded by Director _____ and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:

the foregoing resolution is hereby adopted this ___th day of June 2019.

ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM:

MARIO IGLESIAS
Secretary to the Board

WHITNEY G. MCDONALD
District Legal Counsel

OPERATING BUDGET SUMMARY

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-20**

CONSOLIDATED - ALL FUNDS	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	1,423,083	1,162,000	1,150,000	1,273,000
Water - Usage Charges	3,533,852	4,380,000	4,120,000	4,170,000
Sewer Revenues	2,507,041	2,547,000	2,565,500	2,774,000
Fees and Penalties	119,723	125,000	130,000	145,000
Meter and Connection Fees	0	1,000	12,000	20,000
Plan Check and Inspection Fees	0	500	700	5,000
Miscellaneous Income	154,882	66,400	75,850	74,700
Street Lighting/Landscape Maint Charges	35,148	40,030	40,030	40,030
Franchise Fee - Solid Waste	72,224	62,000	62,000	62,000
Oper Transfers In-Funded Admin	445,940	482,760	433,211	557,685
Oper Transfers In-Funded Replacement	1,143,000	1,158,000	1,158,000	1,178,000
TOTAL OPERATING REVENUES	9,434,893	10,024,690	9,747,291	10,299,415

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	751,014	946,500	771,000	1,010,400
Wages - Overtime	76,362	90,200	84,200	98,300
Payroll Taxes	15,758	18,900	17,400	21,000
Retirement	203,440	195,500	181,000	244,200
Medical and Dental	277,144	357,000	287,000	357,000
Workers Comp Insurance	20,693	38,000	25,700	37,000
Wholesale Water Purchase (See Page 66)	1,039,190	961,000	907,700	963,526
Supplemental Water O&M/Overhead/Replacement (See Page 66)	250,703	262,000	245,000	260,000
Electricity-pumping	535,406	618,700	590,300	608,000
Water	3,298	4,950	4,330	5,150
Chemicals	63,879	81,000	66,000	76,000
Lab Tests and Sampling	90,717	105,500	100,000	107,000
Operating Supplies	203,843	210,000	199,000	210,000
Outside Services	189,424	249,500	217,000	247,500
Permits and Operating Fees	42,853	49,500	40,000	50,000
Repairs & Maintenance	184,028	248,500	195,000	212,500
Engineering	13,908	28,000	12,000	18,000
Fuel	35,996	33,000	39,000	40,000
Meters	0	50,000	50,000	50,000
Safety Program	1,500	7,900	2,200	5,000
Uniforms	14,347	18,000	19,000	20,000
Landscape Maintenance and Water	17,785	8,000	8,000	13,500
Solid Waste Program	133,340	7,500	4,000	8,000
Water Conservation Program	31,378	50,000	20,000	30,000
Oper Transfer Out - Funded Replacement	1,143,000	1,158,000	1,158,000	1,178,000
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	5,339,006	5,797,150	5,242,830	5,870,076

Budgets by Fund can be found on Pages 37-64

**CONSOLIDATED - ALL FUNDS
CONTINUED
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	398,188	454,000	375,000	529,800
Payroll Taxes	7,876	9,550	8,275	19,200
Retirement	82,937	99,000	69,650	113,900
Medical and Dental	222,781	237,100	202,375	268,300
Other Post Employment Benefits (OPEB)	84,759	87,370	87,420	101,000
Workers Comp Insurance	1,018	2,030	1,365	2,335
Bank Charges and Credit Card Fees	8,943	10,300	10,000	10,200
Computer Expense	78,544	121,000	144,500	150,900
Dues and Subscriptions	19,832	19,865	18,100	20,150
Education and Training	7,937	16,000	7,000	17,000
Elections	0	10,000	560	0
Insurance - Liability	84,486	85,000	99,700	110,000
LAFCO Funding	26,642	28,000	49,751	50,000
Landscape and Janitorial	14,495	15,000	14,950	15,000
Legal - General and Special Counsel	126,592	127,500	91,000	101,500
Legal - Water Counsel	92,181	75,000	60,000	75,000
Professional Services	164,981	234,050	173,100	192,900
Miscellaneous	3,134	7,000	3,650	8,800
Newsletter and Mailers	7,380	10,000	2,200	5,800
Office Supplies	13,619	17,000	15,400	17,000
Outside Services	12,224	17,575	9,750	12,000
Postage	22,530	25,700	18,600	21,200
Public Notices	9,525	8,300	6,000	8,300
Repairs and Maintenance - Office Equip/Bldg	29,049	28,550	21,400	28,550
Property Taxes	1,347	1,400	1,429	1,500
Telephone	8,107	8,500	8,300	8,500
Travel and Mileage	6,276	13,500	9,000	12,500
Utilities-Gas, Electric, Trash	16,024	19,500	18,000	19,500
Oper Transfer Out - Funded Administration	445,439	482,760	433,211	557,685
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	1,996,846	2,270,550	1,959,686	2,478,520
TOTAL OPERATING EXPENDITURES	7,335,852	8,067,700	7,202,516	8,348,596
TOTAL OPERATING REVENUES AND EXPENDITURES	2,099,041	1,956,990	2,544,775	1,950,819
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	178,037	202,385	296,200	343,650
Blacklake Water & Sewer Loan Surcharge	49,803	46,134	0	0
Interest Income/(Expense) - Debt Service	(358,407)	(352,801)	(352,449)	(345,849)
Principal Portion - Debt Service	(191,428)	(185,024)	(165,000)	(175,000)
Transfers In and Out	0	0	0	0
Fixed Assets (1)	(184,700)	(314,000)	(223,300)	(440,000)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	(506,695)	(603,306)	(542,149)	(617,199)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	1,592,346	1,353,684	2,002,626	1,333,620

(1) See Page 23

Budgets by Fund can be found on Pages 37-64

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED OPERATING BUDGET - TOTALS FOR EACH FUND
2019-20**

	#110	#125	#128	#130	#135	#150	#155	#200	#250	#300	#400	#805	#810	#830	TOTAL
	ADMIN	WATER	WATER RATE	TOWN	TOWN	BLACKLAKE	BLACKLAKE	BL STREET	ST LANDSCAPE	SOLID WASTE	DRAINAGE	FUNDED	FUNDED	FUNDED	
	BUDGET	BUDGET	BUDGET	BUDGET	SEWER RATE	SEWER	SEWER RATE	LIGHTING	MAINT DIST	BUDGET	BUDGET	REP-WATER	REP-SEWER	REP-BLSEWER	
OPERATING REVENUES															
Water - Availability Charges	0	1,273,000	0	0	0	0	0	0	0	0	0	0	0	0	1,273,000
Water - Usage Charges	0	4,170,000	0	0	0	0	0	0	0	0	0	0	0	0	4,170,000
Sewer Revenues	0	0	0	2,198,000	0	576,000	0	0	0	0	0	0	0	0	2,774,000
Fees and Penalties	0	145,000	0	0	0	0	0	0	0	0	0	0	0	0	145,000
Meter and Connection Fees	0	20,000	0	0	0	0	0	0	0	0	0	0	0	0	20,000
Plan Check and Inspection Fees	0	5,000	0	0	0	0	0	0	0	0	0	0	0	0	5,000
Miscellaneous Income	15,000	40,000	0	0	0	0	0	0	0	0	19,700	0	0	0	74,700
Street Lighting/Landscape Maint Charges	0	0	0	0	0	0	0	27,850	12,180	0	0	0	0	0	40,030
Franchise Fee - Solid Waste	0	0	0	0	0	0	0	0	0	62,000	0	0	0	0	62,000
Oper Transfers In-Funded Admin	557,685	0	0	0	0	0	0	0	0	0	0	0	0	0	557,685
Oper Transfers In-Funded Replacement	0	0	0	0	0	0	0	0	0	0	0	610,000	395,000	173,000	1,178,000
	572,685	5,653,000	0	2,198,000	0	576,000	0	27,850	12,180	62,000	19,700	610,000	395,000	173,000	10,299,415

**OPERATING EXPENDITURES
OPERATIONS & MAINTENANCE**

Wages	0	585,000	0	353,000	0	72,400	0	0	0	0	0	0	0	0	1,010,400
Wages - Overtime	0	50,000	0	42,000	0	6,300	0	0	0	0	0	0	0	0	98,300
Payroll Taxes	0	12,000	0	7,500	0	1,500	0	0	0	0	0	0	0	0	21,000
Retirement	0	143,000	0	84,200	0	17,000	0	0	0	0	0	0	0	0	244,200
Medical and Dental	0	200,000	0	132,000	0	25,000	0	0	0	0	0	0	0	0	357,000
Workers Comp Insurance	0	17,000	0	17,000	0	3,000	0	0	0	0	0	0	0	0	37,000
Wholesale Water Purchased	0	963,526	0	0	0	0	0	0	0	0	0	0	0	0	963,526
Supplemental Water O & M and Overhead	0	260,000	0	0	0	0	0	0	0	0	0	0	0	0	260,000
Electricity	0	371,000	0	165,000	0	43,500	0	28,500	150	0	0	0	0	0	608,150
Water	0	0	0	1,000	0	4,000	0	0	0	0	0	0	0	0	5,000
Chemicals	0	42,000	0	16,000	0	18,000	0	0	0	0	0	0	0	0	76,000
Lab Tests and Sampling	0	50,000	0	30,000	0	27,000	0	0	0	0	0	0	0	0	107,000
Operating Supplies	0	155,000	0	50,000	0	5,000	0	0	0	0	0	0	0	0	210,000
Outside Services	0	120,000	0	120,000	0	7,500	0	0	0	0	0	0	0	0	247,500
Permits and Operating Fees	0	27,500	0	13,000	0	9,500	0	0	0	0	0	0	0	0	50,000
Repairs & Maintenance	0	94,000	0	105,000	0	13,500	0	0	0	0	0	0	0	0	212,500
Engineering	0	10,000	0	5,000	0	3,000	0	0	0	0	0	0	0	0	18,000
Fuel	0	26,400	0	8,800	0	4,800	0	0	0	0	0	0	0	0	40,000
Meters	0	50,000	0	0	0	0	0	0	0	0	0	0	0	0	50,000
Safety Program	0	3,300	0	1,100	0	600	0	0	0	0	0	0	0	0	5,000
Uniforms	0	13,200	0	4,400	0	2,400	0	0	0	0	0	0	0	0	20,000
Landscape Maintenance and Water	0	0	0	0	0	0	0	0	13,500	0	0	0	0	0	13,500
Solid Waste Program	0	0	0	0	0	0	0	0	0	8,000	0	0	0	0	8,000
Water Conservation Program	0	30,000	0	0	0	0	0	0	0	0	0	0	0	0	30,000
Oper Transfer Out - Funded Replacement	0	610,000	0	395,000	0	173,000	0	0	0	0	0	0	0	0	1,178,000
TOTAL OPERATIONS & MAINTENANCE	0	3,832,926	0	1,550,000	0	437,000	0	28,500	13,650	8,000	0	0	0	0	5,870,076

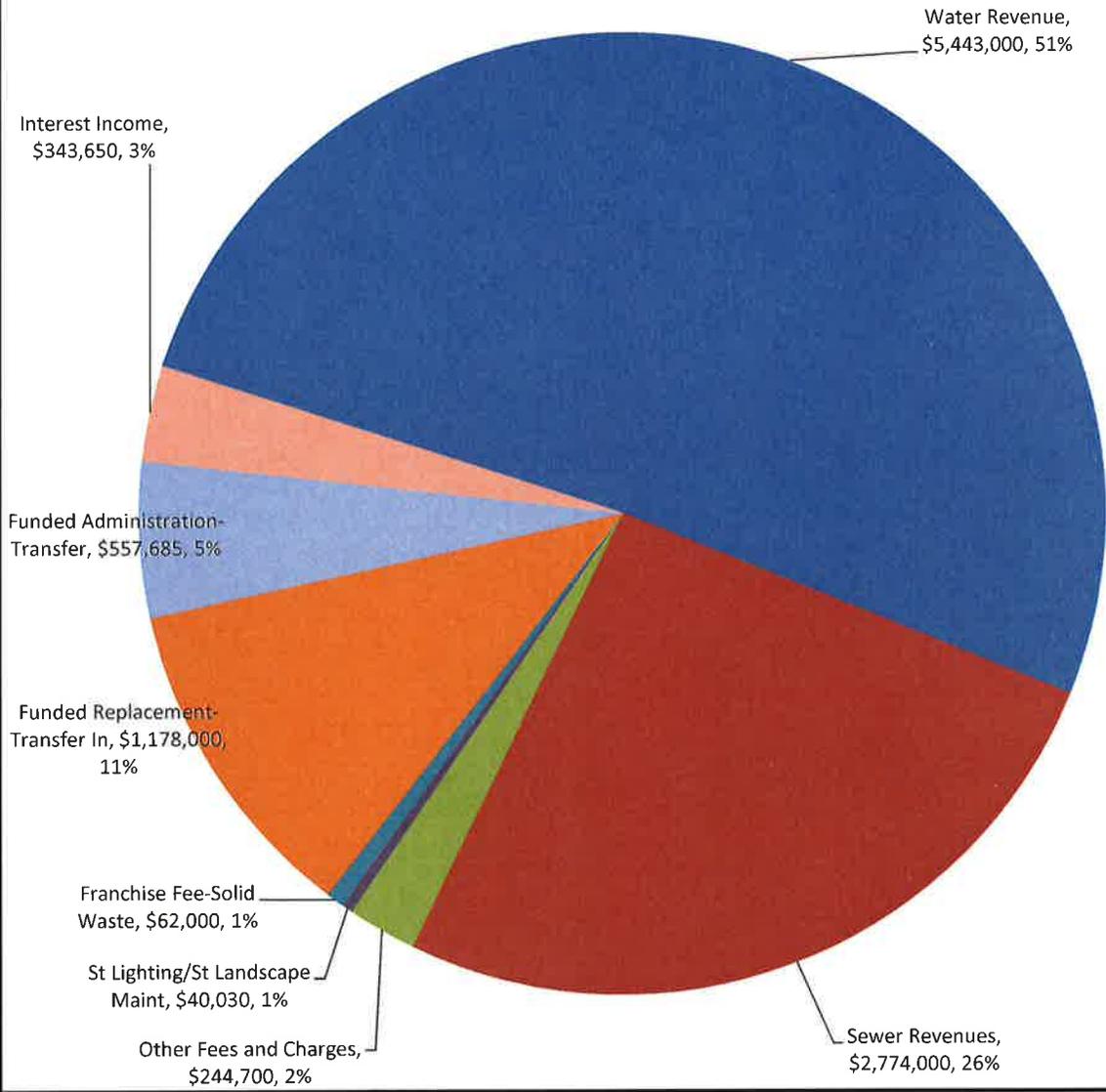
GENERAL & ADMINISTRATIVE

Wages	94,000	392,000	0	38,200	0	5,600	0	0	0	0	0	0	0	0	529,800
Payroll Taxes	2,800	14,600	0	1,600	0	200	0	0	0	0	0	0	0	0	19,200
Retirement	20,000	84,500	0	8,200	0	1,200	0	0	0	0	0	0	0	0	113,900
Medical and Dental	140,000	113,000	0	13,800	0	1,500	0	0	0	0	0	0	0	0	268,300
Other Post Employment Benefits (OPEB)	20,200	60,600	0	17,170	0	3,030	0	0	0	0	0	0	0	0	101,000
Workers Comp Insurance	525	1,625	0	160	0	25	0	0	0	0	0	0	0	0	2,335
Bank Charges and Credit Card Fees	5,200	5,000	0	0	0	0	0	0	0	0	0	0	0	0	10,200
Computer Expense	19,600	93,500	0	30,500	0	7,300	0	0	0	0	0	0	0	0	150,900
Dues and Subscriptions	2,800	11,000	0	5,600	0	750	0	0	0	0	0	0	0	0	20,150
Education and Training	7,000	5,000	0	5,000	0	0	0	0	0	0	0	0	0	0	17,000
Elections	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED OPERATING BUDGET - TOTALS FOR EACH FUND
2019-20**

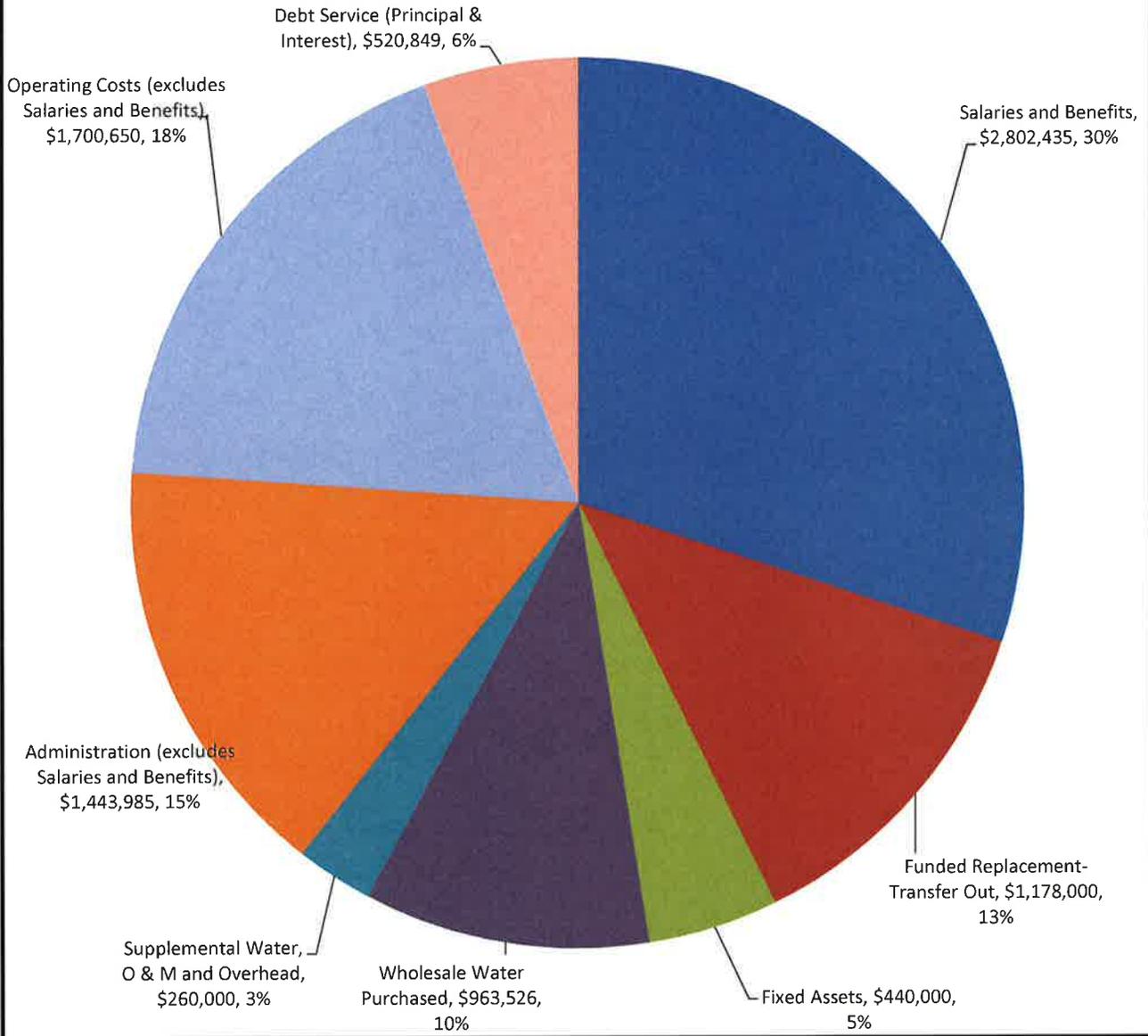
	#110	#125	#128	#130	#135	#150	#155	#200	#250	#300	#400	#805	#810	#830	TOTAL
	ADMIN	WATER	WATER RATE	TOWN	TOWN	BLACKLAKE	BLACKLAKE	BL STREET	ST LANDSCAPE	SOLID WASTE	DRAINAGE	FUNDED	FUNDED	FUNDED	
	BUDGET	BUDGET	STABILIZATION	SEWER	SEWER RATE	SEWER	SEWER RATE	LIGHTING	MAINT DIST			REP-WATER	REP-SEWER	REP-BLSEWER	
Insurance - Liability	21,500	64,500	0	18,275	0	3,225	0	500	0	2,000	0	0	0	0	110,000
LAFCO Funding	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0	50,000
Landscape and Janitorial	3,000	9,000	0	2,550	0	450	0	0	0	0	0	0	0	0	15,000
Legal - General and Special Counsel	75,000	15,000	0	5,000	0	5,000	0	0	0	1,500	0	0	0	0	101,500
Legal - Water Counsel	0	75,000	0	0	0	0	0	0	0	0	0	0	0	0	75,000
Professional Services	6,400	110,000	0	25,500	0	51,000	0	0	0	0	0	0	0	0	192,900
Miscellaneous	6,000	1,000	0	500	0	1,300	0	0	0	0	0	0	0	0	8,800
Newsletter and Mailers	1,000	2,000	0	2,380	0	420	0	0	0	0	0	0	0	0	5,800
Office Supplies	3,400	10,200	0	2,900	0	500	0	0	0	0	0	0	0	0	17,000
Outside Services	1,000	4,800	0	5,525	0	675	0	0	0	0	0	0	0	0	12,000
Postage	1,000	12,650	0	5,700	0	1,850	0	0	0	0	0	0	0	0	21,200
Public Notices	7,000	0	0	0	0	0	0	500	500	300	0	0	0	0	8,300
Repairs and Maintenance - Office/Bldgs	21,700	5,100	0	1,500	0	250	0	0	0	0	0	0	0	0	28,550
Property Taxes	0	1,500	0	0	0	0	0	0	0	0	0	0	0	0	1,500
Telephone	1,560	4,680	0	1,325	0	935	0	0	0	0	0	0	0	0	8,500
Travel and Mileage	7,500	3,000	0	2,000	0	0	0	0	0	0	0	0	0	0	12,500
Utilities - Gas, Electric and Trash	19,500	0	0	0	0	0	0	0	0	0	0	0	0	0	19,500
Oper Transfer Out - Funded Administration	0	415,253	0	114,741	0	16,392	0	500	1,500	9,300	0	0	0	0	557,685
TOTAL GENERAL & ADMINISTRATIVE	537,685	1,514,508	0	308,126	0	101,602	0	1,500	2,000	13,100	0	0	0	0	2,478,520
TOTAL OPERATING EXPENDITURES	537,685	5,347,434	0	1,858,126	0	538,602	0	30,000	15,650	21,100	0	0	0	0	8,348,596
TOTAL OPERATING REVENUES AND EXPENDITURES	35,000	305,566	0	339,874	0	37,398	0	(2,150)	(3,470)	40,900	19,700	610,000	395,000	173,000	1,950,819
NON-OPERATING REVENUES AND (EXPENDITURES)															
Interest Income	0	55,600	10,450	10,050	7,875	4,275	1,325	500	375	7,375	1,275	109,000	110,550	25,000	343,650
Blacklake Water & Sewer Loan Surcharge	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	(345,849)	0	0	0	0	0	0	0	0	0	0	(345,849)
Principal Portion - Debt Service	0	0	0	(175,000)	0	0	0	0	0	0	0	0	0	0	(175,000)
Transfers In and out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed Assets	(35,000)	(355,700)	0	(31,900)	0	(17,400)	0	0	0	0	0	0	0	0	(440,000)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	(35,000)	(300,100)	10,450	(542,699)	7,875	(13,125)	1,325	500	375	7,375	1,275	109,000	110,550	25,000	(617,199)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	0	5,466	10,450	(202,825)	7,875	24,273	1,325	(1,650)	(3,095)	48,275	20,975	719,000	505,550	198,000	1,333,620
ESTIMATED FUNDS AVAILABLE															
Estimated Account Balance 7/1/19	0	2,224,000	418,000	402,000	315,000	171,000	53,000	20,000	15,000	295,000	51,000	4,220,000	4,300,000	1,000,000	13,484,000
Net Results from Operations	0	5,466	10,450	(202,825)	7,875	24,273	1,325	(1,650)	(3,095)	48,275	20,975	719,000	505,550	198,000	1,333,620
Funded Replacement Projects	0	0	0	0	0	0	0	0	0	0	0	(1,790,000)	(1,890,000)	(972,600)	(4,652,600)
Estimated Account Balance 6/30/20	0	2,229,466	428,450	199,175	322,875	195,273	54,325	18,350	11,905	343,275	71,975	3,149,000	2,915,550	225,400	10,165,020

**NIPOMO COMMUNITY SERVICES DISTRICT
COMBINED REVENUE OF ALL FUNDS
2019-2020**



TOTAL REVENUES \$10,643,065

**NIPOMO COMMUNITY SERVICES DISTRICT
COMBINES EXPENDITURES OF ALL FUNDS
2019-2020**



TOTAL EXPENDITURES \$9,309,445

FIXED ASSETS

NIPOMO COMMUNITY SERVICES DISTRICT
FIXED ASSET PURCHASES
2019-2020

<u>BUDGET ITEMS FOR 2019-2020</u>	<u>#110 ADMIN</u>	<u>#125 WATER</u>	<u>#130 TOWN SEWER</u>	<u>#150 BL SEWER</u>	<u>TOTAL</u>
Office Furniture for cubicle	5,000	0	0	0	5,000
Surveillance Camera Video Retention Equipment	10,000	0	0	0	10,000
Two Office Air Conditioning Unit Replacements	20,000	0	0	0	20,000
Replacement Truck	0	29,700	9,900	5,400	45,000
SCADA Radio Replacement	0	66,000	22,000	12,000	100,000
Water Laboratory Management Software (carryover)	0	25,000	0	0	25,000
Sensus FlexNet Leak Detection System	0	115,000	0	0	115,000
Four Well Operator Interface Panels	0	60,000	0	0	60,000
Replacement Tractor	0	60,000	0	0	60,000
	<u>35,000</u>	<u>355,700</u>	<u>31,900</u>	<u>17,400</u>	<u>440,000</u>

Fixed assets will be purchased from the Enterprise Funds

FUNDED REPLACEMENT PROJECTS

NIPOMO COMMUNITY SERVICES DISTRICT
FUNDED REPLACEMENT PROJECTS
2019-2020

BUDGET ITEMS FOR 2019-2020	#805 FUNDED REPLACEMENT WATER	#810 FUNDED REPLACEMENT TOWN SEWER	#830 FUNDED REPLACEMENT BLACKLAKE SEWER	TOTAL
Branch Street Waterline Replacement (1)	650,000	0	0	650,000
Eureka Well Replacement (2)	1,000,000	0	0	1,000,000
Blow-Off Repair (3)	20,000	0	0	20,000
Air Vac Replacement (3)	20,000	0	0	20,000
Fire Hydrant Replacement (3)	50,000	0	0	50,000
Valve Replacement (3)	50,000	0	0	50,000
Manhole Rehabilitation (3)	0	150,000	0	150,000
Southland WWTF Biosolids Dewatering (4)	0	920,000	0	920,000
Lift Station Rehabilitation (5)	0	820,000	683,000	1,503,000
Blacklake Sludge Removal (6)	0	0	289,600	289,600
TOTAL	1,790,000	1,890,000	972,600	4,652,600

- (1) Existing 6 inch diameter water line is failing
- (2) Redrill and equip replacement well
- (3) Water and Town Sewer Master Plan Projects
- (4) Screw press for biosolids dewatering during wet weather
- (5) Nipomo Palms Lift Station and Woodgreen Lift Station complete replacement
- (6) Removal, dewatering and disposal of accumulated sludge

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 FUNDED REPLACEMENT-WATER
 FUND #805

FUNDED REPLACEMENT PLAN

Line #	WATER - FUND #805	FY 19-20
1	Branch Street Waterline Replacement	\$ 650,000
2	Eureka Well Replacement	\$ 1,000,000
3	Blow-Off Replacement	\$ 20,000
4	Air Vac Replacement	\$ 20,000
5	Fire Hydrant Replacement	\$ 50,000
6	Valve Replacement	\$ 50,000
7	Well Refurbishment	\$ -
8	Quad Tank Disinfection System	\$ -
		1,790,000

CASH FLOW PROJECTION

		FY 19-20
Sources of Funds		
9	Funds on Hand at Beginning of Year-projected	4,220,000
10	Interest Income (1)	105,500
11	Transfer from Water for funded replacement	610,000
12	Total Sources of Funds	4,935,500
Uses of Funds		
13	Funded Replacement Projects	1,790,000
14	Transfer to Supplemental Water Project Fund #500	1,400,000
15	Total Uses of Funds	1,790,000
16	Funds on Hand at End of Year-projected	3,145,500

FOR PLANNING PURPOSES ONLY

FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
0	0	0	0	0
0	0	0	0	0
20,600	21,218	21,855	22,510	23,185
20,600	21,218	21,855	22,510	23,185
51,500	53,045	54,636	56,275	57,964
103,000	106,090	109,273	112,551	115,927
103,000	106,090	109,273	112,551	115,927
0	0	0	300,000	0
298,700	307,661	316,891	626,398	336,189
FY 20-21				
3,145,500	3,549,105	3,916,539	4,338,562	3,161,628
77,305	87,395	97,913	108,464	79,041
625,000	641,000	641,000	641,000	641,000
3,847,805	4,277,500	4,655,453	5,088,026	3,881,669
FY 20-21				
298,700	307,661	316,891	626,398	336,189
0	0	0	210,000	0
298,700	307,661	316,891	836,398	336,189
FY 20-21				
3,549,105	3,916,539	4,338,562	3,161,628	3,545,479

(1) Assumes interest rate of 2.5%

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 FUNDED REPLACEMENT-TOWN SEWER
 FUND #830

**BLACKLAKE SEWER
 FUNDED REPLACEMENT PLAN**

Line #	Project Identification (1)	BLACKLAKE FUNDED REPLACEMENT - FUND #830	FY 19-20
1	CS-CIP-1	Lift Station Rehabilitation - Woodgreen	683,000
2	WRF-CIP-2	Blacklake Sludge Removal	289,600
3	CS-CIP-4	Golf Course Trunk Main Replacement	0
4	CS-CIP-5	Tourney Hill Sewer Main Replacement	0
5	WRF-CIP-1	WRF Treatment Plant Pond Rehabilitation - Pond 1	0
6	CS-CIP-2	Lift Station Rehabilitation - The Oaks	0
7	WRF-CIP-3	WRF Chlorine Contact Chamber Rehabilitation	0
8	CS-CIP-6	Oakmont Sewer Main Replacement	0
9	WRF-CIP-4	WRF Site Improvements	0
10	CS-CIP-5	Lift Station Rehabilitation - Misty Glen	0
11	CS-CIP-3	Augusta Sewer Main Replacement	0
12	CS-CIP-7	WRF Electrical Improvements	0
13	WRF-CIP-5	Repair Off-set Joints - Sewer Main	0
14	CS-CIP-8	Repair Off-set Joints - Sewer Main	0
			972,600

CASH FLOW PROJECTION			FY 19-20
Sources of Funds			
15		Funds on Hand at Beginning of Year-projected	1,000,000
16		Interest Income (2)	25,000
17		Transfer from BL Sewer for funded replacement	173,000
18		Proceeds from new debt issuance (3)	1,800,000
19		Total Sources of Funds	2,998,000
Uses of Funds			
20		Funded Replacement Projects	972,600
21		Debt service payments from new debt issuance (3)	0
22		Total Uses of Funds	972,600
23		Funds on Hand at End of Year-projected	2,025,400

(1) Project identification reference found in Blacklake Sewer Master Plan
 (2) Assumes interest rate of 2.5%
 (3) Blacklake Sewer Rate Study dated November 14, 2018 (Section 3.1.3, Page 10)
 anticipates borrowing \$1.8 M to fund capital replacement projects.

FOR PLANNING PURPOSES ONLY				
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
0	0	0	0	0
179,000	0	0	0	0
560,700	0	0	0	0
319,700	0	0	0	0
0	384,600	0	0	0
0	0	102,500	0	0
0	0	392,400	0	0
0	0	196,200	0	0
0	0	0	258,100	0
0	0	0	97,800	0
0	0	0	0	61,442
0	0	0	0	499,647
0	0	0	0	30,141
0	0	0	0	0
1,059,400	384,600	691,100	355,900	591,230
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
2,025,400	1,050,635	731,301	102,483	(206,855)
50,635	26,266	18,283	2,562	0
178,000	183,000	188,000	188,000	188,000
0	0	0	0	0
2,254,035	1,259,901	937,583	293,045	(18,855)
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1,059,400	384,600	691,100	355,900	591,230
144,000	144,000	144,000	144,000	144,000
1,203,400	528,600	835,100	499,900	735,230
1,050,635	731,301	102,483	(206,855)	(754,084)

CAPITAL PROJECTS

NIPOMO COMMUNITY SERVICES DISTRICT
CAPITAL IMPROVEMENTS
PROJECT COST SUMMARY
2019-2020

<u>BUDGET ITEMS FOR 2019-2020</u>	<u>#500 SUPPLEMENTAL WATER CHARGES</u>	<u>#700 WATER CAPACITY CHARGES</u>	<u>#710 TOWN SEWER CAPACITY CHARGES</u>	<u>TOTAL</u>
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Supplemental Water Project Interconnects	650,000	0	0	650,000
Supplemental Water Project Pump Station	300,000	0	0	300,000
Supplemental Water Project Orchard/Southland to Tefft/Oakglen Water Line - Carryover from Budget Amendment May 8, 2019	3,700,000			3,700,000
Tract 2650 Connection to Blacklake Pressure Zone	0	180,000	0	180,000
Water Master Plan	0	220,000	0	220,000
	<u>4,650,000</u>	<u>400,000</u>	<u>0</u>	<u>5,050,000</u>

Supplemental Water Projects (Fund #500)

Supplemental Water Project Interconnects - Bid, award contract, and construct GSWC Primavera, WMWC Via Concha and GSWC Lyn interconnects.

Supplemental Water Project Pump Station - Construct new pump at Joshua Road Pump Station.

Supplemental Water Project Orchard/Southland to Tefft/Oakglen Water Line - Bid, award contract and construct water line.

Water Projects (Fund #700)

Tract 2650 connection to Blacklake Pressure Zone - Bid, award contract, and construct connection.

Water Master Plan - Bid, award and commission Water Master Plan.

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 SUPPLEMENTAL WATER
 FUND #500

CAPITAL IMPROVEMENT PLAN

Line #	SUPPLEMENTAL WATER - FUND #500	FY 19-20
1	Interconnects (1)	650,000
2	Pump Station Improvements (2)	300,000
3	Orchard/Southland to Tefft/Oakglen Water Line - carryover from Budget Amendment May 8, 2019 (3)	3,700,000
4	Pomeroy Water Line from Augusta to Aden Way (4)	0
TOTAL		4,650,000

FOR PLANNING PURPOSES ONLY				
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
0	0	0	0	0
0	0	0	450,204	0
0	0	0	0	0
0	0	196,691	1,429,396	0
0	0	196,691	1,879,600	0

- (1) Golden State interconnect at Orchard and Primavera; Woodlands interconnect at Camino Caballo and Via Concha; Golden State interconnect on Lyn Road
 (2) Includes 1 new 800 gpm pump/VFD at Joshua Road Pump Station in FY 18-19 and 2 replacement 800 gpm pumps/removal of 2@400 gpm pumps in FY 23-24.
 (3) 12,000 linear feet of 12 inch diameter waterline. Construct FY 19-20.
 (4) 4600 linear feet of 12 inch diameter waterline. Design in FY 22-23 and construct in FY 23-24.

CASH FLOW PROJECTION

		FY 19-20
Sources of Funds		
5	Funds on Hand at Beginning of Year-projected	2,785,000
6	Interest Income (5)	69,625
7	Principal and Interest Payments from WMW & GSW	525,359
8	Capacity Charges (6)	0
9	Transfer in from Prop Tax Fund #600 for Debt Service	435,200
10	Transfer in from Water Funded Replacement #805	1,400,000
11	Total Sources of Funds	5,215,184
Uses of Funds		
12	Capital Project	4,650,000
13	Debt Service Payments 2013 COP	531,288
14	Bond Administration	4,000
15	Total Uses of Funds	5,185,288
16	Funds on Hand at End of Year-projected	29,896

FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
29,896	462,494	913,317	1,186,981	3,556
747	11,562	22,833	29,675	89
525,359	525,359	525,359	525,359	525,359
0	0	0	0	0
442,905	450,926	459,263	463,042	467,390
0	0	0	210,000	0
998,907	1,450,342	1,920,772	2,415,056	996,394
0	0	196,691	1,879,600	0
532,413	533,025	533,100	527,900	527,000
4,000	4,000	4,000	4,000	4,000
536,413	537,025	733,791	2,411,500	531,000
462,494	913,317	1,186,981	3,556	465,394

(5) Assumes an interest rate of 2.5%
 (6) Assumes no new connections (worst case scenario)
 Schedule may be impacted by Court Action

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 WATER DIVISION
 FUND #700

CAPITAL IMPROVEMENT PLAN

Line #	WATER CAPACITY - FUND #700	FY 19-20
1	Tract 2650 Connection to Blacklake Pressure Zone	180,000
2	Water Master Plan	220,000
3	New Water Storage Tank (3)	0
		400,000

CASH FLOW PROJECTION

FY 19-20

Sources of Funds

4	Funds on Hand at Beginning of Year-projected	1,851,000
5	Interest Income (1)	46,275
6	Capacity Charges (2)	0
7	Total Sources of Funds	1,897,275

Uses of Funds

8	Capital Project	400,000
9	Total Uses of Funds	400,000

10	Funds on Hand at End of Year-projected	1,497,275
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- (1) Assumes an interest rate of 2.5%
- (2) Assumes no new connections (worst case scenario)
- (3) Tank not needed if no new connections are added

FOR PLANNING PURPOSES ONLY

FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
0	0	0	0	0
0	0	0	0	0
0	0	327,818	2,588,670	0
0	0	327,818	2,588,670	0
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
1,497,275	1,534,707	1,573,075	1,284,583	(1,271,972)
37,432	38,368	39,327	32,115	0
0	0	0	0	0
1,534,707	1,573,075	1,612,401	1,316,698	(1,271,972)
0	0	327,818	2,588,670	0
0	0	327,818	2,588,670	0
1,534,707	1,573,075	1,284,583	(1,271,972)	(1,271,972)

NIPOMO COMMUNITY SERVICES DISTRICT
 CAPITAL FUNDING PLAN
 SEWER - TOWN DIVISION
 FUND #710

CAPITAL IMPROVEMENT PLAN

Line #	TOWN SEWER CAPACITY - FUND #710	FY 19-20
1	Sewer Collection System Master Plan	0
2	Sewer Treatment Plant Improvements (3)	0
		0

CASH FLOW PROJECTION

		FY 19-20
Sources of Funds		
4	Funds on Hand at Beginning of Year-projected	750,000
5	Interest Income (1)	18,750
6	Capacity Charges (2)	0
7	Total Sources of Funds	768,750
Uses of Funds		
8	Debt Service Payment	42,180
9	Capital Project	0
10	Total Uses of Funds	42,180
11	Funds on Hand at End of Year-projected	726,570

- (1) Assumes an interest rate of 2.5%
- (2) Assumes no new connections (worst case scenario)
- (3) Aeration basin not needed if no new connections are added

FOR PLANNING PURPOSES ONLY

	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	155,000	0	0	0	0
	0	0	3,000,000	0	0
	155,000	0	3,000,000	0	0
 					
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
	726,570	589,734	604,478	(2,380,410)	(2,380,410)
	18,164	14,743	15,112	0	0
	0	0	0	0	0
	744,734	604,478	619,590	(2,380,410)	(2,380,410)
 					
	0	0	0	0	0
	155,000	0	3,000,000	0	0
	155,000	0	3,000,000	0	0
 					
	589,734	604,478	(2,380,410)	(2,380,410)	(2,380,410)

NIPOMO COMMUNITY SERVICES DISTRICT
PROPERTY TAX
FUND #600

Line #	PROPERTY TAX - FUND #600	FY 19-20
1	None	0
		0

CASH FLOW PROJECTION

	FY 19-20	
Sources of Funds		
2	Funds on Hand at Beginning of Year-projected	450,000
3	Interest Income (1)	11,250
4	Property Taxes(2)	699,000
5	Transfer in from Fund #400	22,000
6	Total Sources of Funds	1,182,250
Uses of Funds		
7	Capital Project	0
8	Debt Service-Revenue Bonds Series 2013A Refunding (3)	222,800
9	Transfer to Supplemental Water Fund #500 for Debt Service - Certificate of Participation 2013 B (4)	476,200
10	Bond Administration	4,000
11	Total Uses of Funds	703,000
12	Funds on Hand at End of Year-projected	479,250

FOR PLANNING PURPOSES ONLY				
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
0	0	0	0	0
0	0	0	0	0
FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
479,250	487,231	495,412	503,797	512,392
11,981	12,181	12,385	12,595	12,810
705,990	713,050	720,180	727,382	734,656
0	0	0	0	0
1,197,221	1,212,462	1,227,978	1,243,774	1,259,858
0	0	0	0	0
221,675	220,300	218,675	221,675	224,175
484,315	492,750	501,505	505,707	467,390
4,000	4,000	4,000	4,000	4,000
709,990	717,050	724,180	731,382	695,565
487,231	495,412	503,797	512,392	564,293

- (1) Assumes interest rate of 2.5%
- (2) Assume 1% growth in Property Tax Revenue - Pledged to debt service payments
- (3) Debt service on Revenue Bonds secured by ad valorem property taxes (Per Bond Indenture, irrevocably pledged as first source of payment)
- (4) Debt service on Certificates of Participation 2013B secured first by ad valorem property taxes and then by water revenues
(Difference between Property Tax Collections and debt service for Revenue Bonds Series 2013 A Refunding)

APPENDICES

APPENDIX A

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

ADMINISTRATION FUND #110	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	19,526	14,000	17,000	15,000
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	445,940	482,760	433,211	557,685
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	465,466	496,760	450,211	572,685

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-pumping	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

**ADMINISTRATION FUND #110
CONTINUED
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	76,451	90,000	70,000	94,000
Payroll Taxes	1,480	1,900	1,500	2,800
Retirement	17,959	18,000	15,000	20,000
Medical and Dental	128,665	137,000	118,000	140,000
Other Post Employment Benefits (OPEB)	18,578	17,450	17,500	20,200
Workers Comp Insurance	319	500	250	525
Bank Charges and Fees	4,339	5,000	5,000	5,200
Computer Expense	13,686	17,000	16,000	19,600
Dues and Subscriptions	3,418	2,550	3,000	2,800
Education and Training	5,139	6,000	3,000	7,000
Elections	0	2,000	110	0
Insurance - Liability	16,175	16,500	19,000	21,500
LAFCO Funding	26,642	28,000	49,751	50,000
Landscape and Janitorial	3,779	3,000	3,000	3,000
Legal - General and Special Counsel	73,454	73,000	70,000	75,000
Legal - Water Counsel	0	0	0	0
Professional Services	14,187	8,000	6,000	6,400
Miscellaneous	2,612	5,000	2,500	6,000
Newsletter and Mailers	871	1,800	0	1,000
Office Supplies	2,393	3,400	2,500	3,400
Outside Services	1,925	5,500	1,000	1,000
Postage	1,301	1,900	1,000	1,000
Public Notices	5,989	3,000	4,500	7,000
Repairs and Maintenance - Office Equip/Bldg	24,772	21,700	16,000	21,700
Property Taxes	0	0	0	0
Telephone	1,505	1,560	1,600	1,560
Travel and Mileage	6,102	7,500	6,000	7,500
Utilities - Gas, Electric and Trash	16,024	19,500	18,000	19,500
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	467,765	496,760	450,211	537,685
TOTAL OPERATING EXPENDITURES	467,765	496,760	450,211	537,685
TOTAL OPERATING REVENUES AND EXPENDITURES	(2,299)	0	0	35,000
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	0	0	0	0
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	(35,000)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	0	0	0	(35,000)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	(2,299)	0	0	0

(1) See Page 23

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

WATER FUND #125	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - (Fixed) Availability Charges	1,423,083	1,162,000	1,150,000	1,273,000
Water - (Variable) Usage Charges	3,533,852	4,380,000	4,120,000	4,170,000
Sewer Revenues	0	0	0	0
Fees and Penalties	119,723	125,000	130,000	145,000
Meter and Connection Fees	0	1,000	12,000	20,000
Plan Check and Inspection Fees	0	500	700	5,000
Miscellaneous Income	98,768	35,000	40,000	40,000
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	5,175,426	5,703,500	5,452,700	5,653,000

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	402,837	550,000	450,000	585,000
Wages - Overtime	42,333	50,000	44,000	50,000
Payroll Taxes	8,942	11,000	10,000	12,000
Retirement	120,430	125,000	120,000	143,000
Medical and Dental	143,553	206,000	160,000	200,000
Workers Comp Insurance	9,109	18,000	12,000	17,000
Wholesale Water Purchased (See Page 66)	1,039,190	961,000	907,700	963,526
Supplemental Water O & M/Overhead/Funded Replacement (See Page 66)	250,703	262,000	245,000	260,000
Electricity-pumping and pumping credit	326,475	398,500	360,000	371,000
Water	0	0	0	0
Chemicals	34,109	42,000	38,000	42,000
Lab Tests and Sampling	39,270	50,000	48,000	50,000
Operating Supplies	149,610	155,000	150,000	155,000
Outside Services	76,248	97,000	95,000	120,000
Permits and Operating Fees	22,860	27,500	20,000	27,500
Repairs & Maintenance	50,053	120,500	80,000	94,000
Engineering	558	10,000	12,000	10,000
Fuel	22,833	22,000	26,000	26,400
Meters	0	50,000	50,000	50,000
Safety Program	990	5,200	1,500	3,300
Uniforms	9,469	11,900	12,500	13,200
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	31,378	50,000	20,000	30,000
Oper Transfer Out - Funded Replacement	580,000	595,000	595,000	610,000
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	3,360,950	3,817,600	3,456,700	3,832,926

WATER FUND #125

CONTINUED

GENERAL & ADMINISTRATIVE

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	291,333	330,000	275,000	392,000
Payroll Taxes	5,641	6,700	6,000	14,600
Retirement	60,632	73,000	50,000	84,500
Medical and Dental	83,900	90,000	75,000	113,000
Other Post Employment Benefits (OPEB)	52,422	52,400	52,400	60,600
Workers Comp Insurance	577	1,400	1,000	1,625
Bank Charges and Credit Card Fees	4,604	5,300	5,000	5,000
Computer Expense	47,807	75,000	90,000	93,500
Dues and Subscriptions	10,514	10,540	10,000	11,000
Education and Training	1,065	5,000	2,000	5,000
Elections	0	6,000	330	0
Insurance - Liability	48,907	49,500	58,500	64,500
LAFCO Funding	0	0	0	0
Landscape and Janitorial	8,037	9,000	9,000	9,000
Legal - General and Special Counsel	39,593	50,000	12,000	15,000
Legal - Water Counsel	92,181	75,000	60,000	75,000
Professional Services	128,167	125,000	115,000	110,000
Miscellaneous	450	1,000	500	1,000
Newsletter and Mailers	5,533	5,400	2,000	2,000
Office Supplies	8,833	10,200	10,000	10,200
Outside Services	3,922	6,000	4,000	4,800
Postage	14,943	15,700	11,000	12,650
Public Notices	2,912	2,000	0	0
Repairs and Maintenance - Office Equip/Bldg	3,208	5,100	4,000	5,100
Property Taxes	1,347	1,400	1,429	1,500
Telephone	4,515	4,680	4,500	4,680
Travel and Mileage	174	4,000	2,500	3,000
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	324,001	353,595	320,652	415,253
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	1,245,218	1,372,915	1,181,811	1,514,508
TOTAL OPERATING EXPENDITURES	4,606,168	5,190,515	4,638,511	5,347,434
TOTAL OPERATING REVENUES AND EXPENDITURES	569,258	512,985	814,189	305,566
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	23,778	40,500	45,600	55,600
Blacklake Water & Sewer Loan Surcharge	25,236	25,758	0	0
Interest Income/(Expense) - Debt Service	(1,192)	(445)	0	0
Principal Portion - Debt Service	(26,428)	(25,313)	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	(122,000)	(225,600)	(157,000)	(355,700)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	(100,606)	(185,100)	(111,400)	(300,100)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	468,652	327,885	702,789	5,466

(1) See Page 23

Estimated Cash Balance 7/1/19	2,224,000
Net Results from Operations	5,466

Estimated Cash Balance 6/30/20	<u>2,229,466</u>
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Cash Reserve Goal at 6/30/20	<u>4,737,434</u>
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**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

**WATER RATE
STABILIZATION FUND #128**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	0	0	0	0

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING EXPENDITURES OPERATIONS & MAINTENANCE				
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-Pumps and blowers	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

**WATER RATE STABILIZATION FUND #128
CONTINUED**

GENERAL & ADMINISTRATIVE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	0	0	0	0
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES	0	0	0	0
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	5,567	6,000	9,000	10,450
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	5,567	6,000	9,000	10,450
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	5,567	6,000	9,000	10,450

Estimated Cash Balance 7/1/19	418,000
Net Results from Operations	10,450

Estimated Cash Balance 6/30/20	<u>428,450</u>
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Cash Reserve Goal at 6/30/20	<u>400,000</u>
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**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

TOWN SEWER FUND #130

2017-18
ACTUAL

2018-19
BUDGET

2018-19
EST ACTUAL

2019-20
PROPOSED

OPERATING REVENUES

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	2,031,534	2,074,000	2,091,500	2,198,000
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	17,940	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	2,049,474	2,074,000	2,091,500	2,198,000

**OPERATING EXPENDITURES
OPERATIONS & MAINTENANCE**

2017-18
ACTUAL

2018-19
BUDGET

2018-19
EST ACTUAL

2019-20
PROPOSED

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	279,106	328,500	255,000	353,000
Wages - Overtime	27,223	34,000	34,000	42,000
Payroll Taxes	5,459	6,500	6,000	7,500
Retirement	68,322	58,500	49,000	84,200
Medical and Dental	106,819	126,000	102,000	132,000
Workers Comp Insurance	8,919	17,000	11,000	17,000
Wholesale Water Purchased		0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-Pumps and blowers	143,444	148,000	160,000	165,000
Water	1,017	2,300	700	1,000
Chemicals	13,790	20,000	13,000	16,000
Lab Tests and Sampling	25,594	28,000	28,000	30,000
Operating Supplies	51,823	50,000	45,000	50,000
Outside Services	109,214	145,000	115,000	120,000
Permits and Operating Fees	11,630	13,000	12,000	13,000
Repairs & Maintenance	114,077	115,000	100,000	105,000
Engineering	12,304	15,000	0	5,000
Fuel	9,011	7,000	8,500	8,800
Meters	0	0	0	0
Safety Program	330	1,800	500	1,100
Uniforms	3,156	4,000	4,200	4,400
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	395,000	395,000	395,000	395,000
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	1,386,238	1,514,600	1,338,900	1,550,000

**TOWN SEWER FUND #130
CONTINUED
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	26,182	29,000	26,000	38,200
Payroll Taxes	650	800	650	1,600
Retirement	3,748	7,000	4,000	8,200
Medical and Dental	9,147	9,000	8,500	13,800
Other Post Employment Benefits (OPEB)	11,139	14,900	14,900	17,170
Workers Comp Insurance	105	110	100	160
Bank Charges and Fees	0	0	0	0
Computer Expense	14,058	24,000	29,000	30,500
Dues and Subscriptions	5,353	5,820	4,500	5,600
Education and Training	1,733	5,000	2,000	5,000
Elections	0	1,700	100	0
Insurance - Liability	14,418	14,025	17,000	18,275
LAFCO Funding	0	0	0	0
Landscape and Janitorial	2,277	2,550	2,500	2,550
Legal - General and Special Counsel	5,586	1,000	0	5,000
Legal - Water Counsel	0	0	0	0
Professional Services (Includes Rate Study)	18,123	2,600	2,100	25,500
Miscellaneous	21	500	0	500
Newsletter and Mailers	740	1,530	0	2,380
Office Supplies	2,034	2,900	2,500	2,900
Outside Services	6,109	5,700	4,500	5,525
Postage	5,514	5,800	5,500	5,700
Public Notices	115	0	200	0
Repairs and Maintenance - Office Equip/Bldg	909	1,500	1,200	1,500
Property Taxes	0	0	0	0
Telephone	1,279	1,325	1,300	1,325
Travel and Mileage	0	2,000	500	2,000
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	91,800	100,185	88,601	114,741
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	221,040	238,945	215,651	308,126
TOTAL OPERATING EXPENDITURES	1,607,278	1,753,545	1,554,551	1,858,126
TOTAL OPERATING REVENUES AND EXPENDITURES	442,196	320,455	536,949	339,874
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	17,756	15,000	18,000	10,050
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	(357,215)	(352,449)	(352,449)	(345,849)
Principal Portion - Debt Service	(165,000)	(165,000)	(165,000)	(175,000)
Transfers In and Out	0	0	0	0
Fixed Assets (1)	(40,700)	(57,200)	(42,900)	(31,900)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	(545,159)	(559,649)	(542,349)	(542,699)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	(102,963)	(239,194)	(5,400)	(202,825)

Estimated Cash Balance 7/1/19	402,000
Net Results from Operations	(202,825)

(1) See Page 23

Estimated Cash Balance 6/30/20	<u>199,175</u>
Cash Reserve Goal at 6/30/20	<u>731,563</u>

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

**TOWN SEWER RATE
STABILIZATION FUND #135**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	0	0	0	0

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING EXPENDITURES OPERATIONS & MAINTENANCE				
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-Pumps and blowers	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

**TOWN SEWER RATE STABILIZATION #135
CONTINUED**

GENERAL & ADMINISTRATIVE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	0	0	0	0
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES	0	0	0	0
NON-OPERATING REVENUES AND (EXPENDITURES)				
Interest Income	4,186	4,600	6,700	7,875
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	4,186	4,600	6,700	7,875
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	4,186	4,600	6,700	7,875

Estimated Cash Balance 7/1/19	315,000
Net Results from Operations	7,875

Estimated Cash Balance 6/30/20	<u>322,875</u>
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Cash Reserve Goal at 6/30/20	<u>300,000</u>
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**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

BLACKLAKE SEWER FUND #150

2017-18
ACTUAL

2018-19
BUDGET

2018-19
EST ACTUAL

2019-20
PROPOSED

OPERATING REVENUES

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	475,507	473,000	474,000	576,000
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	475,507	473,000	474,000	576,000

**OPERATING EXPENDITURES
OPERATIONS & MAINTENANCE**

2017-18
ACTUAL

2018-19
BUDGET

2018-19
EST ACTUAL

2019-20
PROPOSED

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	69,071	68,000	66,000	72,400
Wages - Overtime	6,806	6,200	6,200	6,300
Payroll Taxes	1,357	1,400	1,400	1,500
Retirement	14,688	12,000	12,000	17,000
Medical and Dental	26,772	25,000	25,000	25,000
Workers Comp Insurance	2,665	3,000	2,700	3,000
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-Pumps and blowers	37,513	43,500	42,000	43,500
Water	2,161	2,500	3,500	4,000
Chemicals	15,980	19,000	15,000	18,000
Lab Tests and Sampling	25,853	27,500	24,000	27,000
Operating Supplies	2,410	5,000	4,000	5,000
Outside Services	3,962	7,500	7,000	7,500
Permits and Operating Fees	8,363	9,000	8,000	9,500
Repairs & Maintenance	19,898	13,000	15,000	13,500
Engineering	1,046	3,000	0	3,000
Fuel	4,152	4,000	4,500	4,800
Meters	0	0	0	0
Safety Program	180	900	200	600
Uniforms	1,722	2,100	2,300	2,400
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	168,000	168,000	168,000	173,000
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	412,599	420,600	406,800	437,000

**BLACKLAKE SEWER FUND #150
CONTINUED**

GENERAL & ADMINISTRATIVE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	4,222	5,000	4,000	5,600
Payroll Taxes	105	150	125	200
Retirement	598	1,000	650	1,200
Medical and Dental	1,069	1,100	875	1,500
Other Post Employment Benefits (OPEB)	2,620	2,620	2,620	3,030
Workers Comp Insurance	17	20	15	25
Bank Charges and Fees	0	0	0	0
Computer Expense	2,993	5,000	9,500	7,300
Dues and Subscriptions	547	955	600	750
Education and Training	0	0	0	0
Elections	0	300	20	0
Insurance - Liability	2,486	2,475	2,700	3,225
LAFCO Funding	0	0	0	0
Landscape and Janitorial	402	450	450	450
Legal - General and Special Counsel	4,242	1,000	4,000	5,000
Legal - Water Counsel	0	0	0	0
Professional Services	4,504	98,450	50,000	51,000
Miscellaneous	51	500	650	1,300
Newsletter and Mailers	131	770	200	420
Office Supplies	359	500	400	500
Outside Services	268	375	250	675
Postage	772	2,000	1,100	1,850
Public Notices	0	2,000	0	0
Repairs and Maintenance - Office Equip/Bldg	160	250	200	250
Property Taxes	0	0	0	0
Telephone	808	935	900	935
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	16,200	17,680	12,657	16,392
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	42,554	143,530	91,912	101,602
TOTAL OPERATING EXPENDITURES	455,153	564,130	498,712	538,602
TOTAL OPERATING REVENUES AND EXPENDITURES	20,354	(91,130)	(24,712)	37,398
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	2,919	3,000	4,700	4,275
Blacklake Water & Sewer Loan Surcharge	24,567	20,376	0	0
Interest Income/(Expense) - Debt Service	0	(352)	0	0
Principal Portion - Debt Service	0	(20,024)	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	(22,000)	(31,200)	(23,400)	(17,400)
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	5,486	(28,200)	(18,700)	(13,125)
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	25,840	(119,330)	(43,412)	24,273

Estimated Cash Balance 7/1/19 171,000
Net Results from Operations 24,273

(1) See Page 23

Estimated Cash Balance 6/30/20 195,273
Cash Reserve Goal at 6/30/20 182,801

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

**BLACKLAKE SEWER RATE
STABILIZATION FUND #155**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	0	0	0	0

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING EXPENDITURES				
OPERATIONS & MAINTENANCE				
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-Pumps and blowers	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

**BLACKLAKE SEWER RATE STABILIZATION #155
CONTINUED**

GENERAL & ADMINISTRATIVE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	0	0	0	0
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES	0	0	0	0
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	696	750	1,100	1,325
Blacklake Water & Sewer Loan Surcharge		0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	696	750	1,100	1,325
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	696	750	1,100	1,325

Estimated Cash Balance 7/1/19 53,000
Net Results from Operations 1,325

Estimated Cash Balance 6/30/20 54,325

Cash Reserve Goal at 6/30/20 50,000

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

STREET LIGHTING FUND #200	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	24,508	27,850	27,850	27,850
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	24,508	27,850	27,850	27,850

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-Streetlights	27,974	28,700	28,300	28,500
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	27,974	28,700	28,300	28,500

**STREET LIGHTING FUND #200
CONTINUED
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	500	500	500	500
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	1,000	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	105	500	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	300	0	0
Public Notices	0	500	500	500
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	500	500	500
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	605	3,300	1,500	1,500
TOTAL OPERATING EXPENDITURES	28,579	32,000	29,800	30,000
TOTAL OPERATING REVENUES AND EXPENDITURES	(4,071)	(4,150)	(1,950)	(2,150)
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	284	300	350	500
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	284	300	350	500
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	(3,787)	(3,850)	(1,600)	(1,650)

Estimated Cash Balance 7/1/19 20,000
Net Results from Operations (1,650)

Estimated Cash Balance 6/30/20 18,350

Cash Reserve Goal at 6/30/20 30,000

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

STREET LANDSCAPE MAINT DISTRICT FUND #250 OPERATING REVENUES	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	627	0	0	0
Street Lighting/Landscape Maint Charges	10,640	12,180	12,180	12,180
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	11,267	12,180	12,180	12,180

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Water	0	0	0	0
Electricity	120	150	130	150
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	17,785	8,000	8,000	13,500
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	17,905	8,150	8,130	13,650

**STREET LANDSCAPE MAINT DISTRICT
FUND #250 CONTINUED
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	1,512	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	325	500	500	500
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	1,500	1,500	1,500	1,500
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	3,337	2,000	2,000	2,000
TOTAL OPERATING EXPENDITURES	21,242	10,150	10,130	15,650
TOTAL OPERATING REVENUES AND EXPENDITURES	(9,975)	2,030	2,050	(3,470)
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	202	180	250	375
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	202	180	250	375
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	(9,773)	2,210	2,300	(3,095)

Estimated Cash Balance 7/1/19 15,000
Net Results from Operations (3,095)

Estimated Cash Balance 6/30/20 11,905

Cash Reserve Goal at 6/30/20 20,000

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

SOLID WASTE FUND #300	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste (1)	72,224	62,000	62,000	62,000
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	72,224	62,000	62,000	62,000

(1) Pursuant to Resolution 2015-1393, Franchise Fee reduced effective January 1, 2016 to offset Customer Fee Increase.

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-pumping	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program-incl Rate Holiday	133,340	7,500	4,000	8,000
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	133,340	7,500	4,000	8,000

**SOLID WASTE FUND #300
CONTINUED**
GENERAL & ADMINISTRATIVE

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	2,000	2,000	2,000	2,000
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	2,205	1,500	5,000	1,500
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	184	300	300	300
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities -Trash	0	0	0	0
Oper Transfer Out - Funded Administration	11,938	9,300	9,300	9,300
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	16,327	13,100	16,600	13,100
TOTAL OPERATING EXPENDITURES	149,667	20,600	20,600	21,100
TOTAL OPERATING REVENUES AND EXPENDITURES	(77,443)	41,400	41,400	40,900
NON-OPERATING REVENUES AND EXPENDITURES)				
Interest Income	4,028	3,600	5,700	7,375
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	4,028	3,600	5,700	7,375
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	(73,415)	45,000	47,100	48,275

Estimated Cash Balance 7/1/19 295,000
Net Results from Operations 48,275

Estimated Cash Balance 6/30/20 343,275

Cash Reserve Goal at 6/30/20 150,000

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

DRAINAGE FUND #400	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
OPERATING REVENUES				
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	18,021	17,400	18,850	19,700
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	0	0	0	0
TOTAL OPERATING REVENUES	18,021	17,400	18,850	19,700

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-pumping	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

DRAINAGE FUND #400					
CONTINUED					
GENERAL & ADMINISTRATIVE		2017-18	2018-19	2018-19	2019-20
		ACTUAL	BUDGET	EST ACTUAL	PROPOSED
Wages		0	0	0	0
Payroll Taxes		0	0	0	0
Retirement		0	0	0	0
Medical and Dental		0	0	0	0
Other Post Employment Benefits (OPEB)		0	0	0	0
Workers Comp Insurance		0	0	0	0
Bank Charges and Fees		0	0	0	0
Computer Expense		0	0	0	0
Dues and Subscriptions		0	0	0	0
Education and Training		0	0	0	0
Elections		0	0	0	0
Insurance - Liability		0	0	0	0
LAFCO Funding		0	0	0	0
Landscape and Janitorial		0	0	0	0
Legal - General and Special Counsel		0	0	0	0
Legal - Water Counsel		0	0	0	0
Professional Services		0	0	0	0
Miscellaneous		0	0	0	0
Newsletter and Mailers		0	0	0	0
Office Supplies		0	0	0	0
Outside Services		0	0	0	0
Postage		0	0	0	0
Public Notices		0	0	0	0
Repairs and Maintenance - Office Equip/Bldg		0	0	0	0
Property Taxes		0	0	0	0
Telephone		0	0	0	0
Travel and Mileage		0	0	0	0
Utilities - Gas, Electric and Trash		0	0	0	0
Oper Transfer Out - Funded Administration		0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES		0	0	0	0
TOTAL OPERATING EXPENDITURES		0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES		18,021	17,400	18,850	19,700
NON-OPERATING REVENUES AND EXPENDITURES					
Interest Income		1,015	1,200	1,200	1,275
Blacklake Water & Sewer Loan Surcharge		0	0	0	0
Interest Income/(Expense) - Debt Service		0	0	0	0
Principal Portion - Debt Service		0	0	0	0
Transfers In and Out		0	0	0	0
Fixed Assets (1)		0	0	0	0
TOTAL NON-OPERATING REVENUES/(DEFICIT) (F)		1,015	1,200	1,200	1,275
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES		19,036	18,600	20,050	20,975

Estimated Cash Balance 7/1/19	51,000
Net Results from Operations	20,975
Transfer to Fund #600	(21,000)
Estimated Cash Balance 6/30/20	<u>50,975</u>
Cash Reserve Goal at 6/30/19	<u>50,000</u>

**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

FUNDED REPLACEMENT - WATER FUND #805 OPERATING REVENUES	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	580,000	595,000	595,000	610,000
TOTAL OPERATING REVENUES	580,000	595,000	595,000	610,000

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-pumping	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

FUNDED REPLACEMENT - WATER FUND #805 CONTINUED GENERAL & ADMINISTRATIVE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	0	0	0	0
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES	580,000	595,000	595,000	610,000
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	50,048	53,400	86,000	109,000
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	445	0	0
Principal Portion - Debt Service	0	25,313	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	50,048	79,158	86,000	109,000
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	630,048	674,158	681,000	719,000

Estimated Cash Balance 7/1/19	4,220,000
Net Results from Operations	719,000

Funded Replacement Projects (1)	<u>(1,790,000)</u>
Estimated Cash Balance 6/30/20	<u>3,149,000</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

FUNDED REPLACEMENT - TOWN SEWER FUND #810 OPERATING REVENUES	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	395,000	395,000	395,000	395,000
TOTAL OPERATING REVENUES	395,000	395,000	395,000	395,000

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-pumping	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

**FUNDED REPLACEMENT -
TOWN SEWER FUND #810 CONTINUED
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	0	0	0	0
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES	395,000	395,000	395,000	395,000
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	52,740	57,720	92,000	110,550
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	52,740	57,720	92,000	110,550
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	447,740	452,720	487,000	505,550

Estimated Cash Balance 7/1/19	4,300,000
Net Results from Operations	505,550

Funded Replacement Projects (1)	(1,890,000)
Estimated Cash Balance 6/30/20	<u>2,915,550</u>

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**NIPOMO COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET
2019-2020**

FUNDED REPLACEMENT - BLACKLAKE SEWER FUND #830 OPERATING REVENUES	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Water - Availability Charges	0	0	0	0
Water - Usage Charges	0	0	0	0
Sewer Revenues	0	0	0	0
Fees and Penalties	0	0	0	0
Meter and Connection Fees	0	0	0	0
Plan Check and Inspection Fees	0	0	0	0
Miscellaneous Income	0	0	0	0
Street Lighting/Landscape Maint Charges	0	0	0	0
Franchise Fee - Solid Waste	0	0	0	0
Oper Transfers In-Funded Admin	0	0	0	0
Oper Transfers In-Funded Replacement	168,000	168,000	168,000	173,000
TOTAL OPERATING REVENUES	168,000	168,000	168,000	173,000

OPERATING EXPENDITURES OPERATIONS & MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Wages - Overtime	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Workers Comp Insurance	0	0	0	0
Wholesale Water Purchased	0	0	0	0
Supplemental Water O & M and Overhead	0	0	0	0
Electricity-pumping	0	0	0	0
Water	0	0	0	0
Chemicals	0	0	0	0
Lab Tests and Sampling	0	0	0	0
Operating Supplies	0	0	0	0
Outside Services	0	0	0	0
Permits and Operating Fees	0	0	0	0
Repairs & Maintenance	0	0	0	0
Engineering	0	0	0	0
Fuel	0	0	0	0
Meters	0	0	0	0
Safety Program	0	0	0	0
Uniforms	0	0	0	0
Landscape Maintenance and Water	0	0	0	0
Solid Waste Program	0	0	0	0
Water Conservation Program	0	0	0	0
Oper Transfer Out - Funded Replacement	0	0	0	0
TOTAL OPERATIONS & MAINTENANCE EXPENDITURES	0	0	0	0

**FUNDED REPLACEMENT -
BL SEWER FUND #830 CON'T
GENERAL & ADMINISTRATIVE**

	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Wages	0	0	0	0
Payroll Taxes	0	0	0	0
Retirement	0	0	0	0
Medical and Dental	0	0	0	0
Other Post Employment Benefits (OPEB)	0	0	0	0
Workers Comp Insurance	0	0	0	0
Bank Charges and Fees	0	0	0	0
Computer Expense	0	0	0	0
Dues and Subscriptions	0	0	0	0
Education and Training	0	0	0	0
Elections	0	0	0	0
Insurance - Liability	0	0	0	0
LAFCO Funding	0	0	0	0
Landscape and Janitorial	0	0	0	0
Legal - General and Special Counsel	0	0	0	0
Legal - Water Counsel	0	0	0	0
Professional Services	0	0	0	0
Miscellaneous	0	0	0	0
Newsletter and Mailers	0	0	0	0
Office Supplies	0	0	0	0
Outside Services	0	0	0	0
Postage	0	0	0	0
Public Notices	0	0	0	0
Repairs and Maintenance - Office Equip/Bldg	0	0	0	0
Property Taxes	0	0	0	0
Telephone	0	0	0	0
Travel and Mileage	0	0	0	0
Utilities - Gas, Electric and Trash	0	0	0	0
Oper Transfer Out - Funded Administration	0	0	0	0
TOTAL GENERAL & ADMINISTRATIVE EXPENDITURES	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	0	0	0
TOTAL OPERATING REVENUES AND EXPENDITURES	168,000	168,000	168,000	173,000
NON-OPERATING REVENUES AND EXPENDITURES				
Interest Income	11,328	12,285	20,000	25,000
Blacklake Water & Sewer Loan Surcharge	0	0	0	0
Interest Income/(Expense) - Debt Service	0	0	0	0
Principal Portion - Debt Service	0	0	0	0
Transfers In and Out	0	0	0	0
Fixed Assets (1)	0	0	0	0
TOTAL NON-OPERATING REVENUES AND EXPENDITURES	11,328	12,285	20,000	25,000
NET RESULTS FROM OPERATING AND NON-OPERATING REVENUES AND EXPENDITURES	179,328	180,285	188,000	198,000

Estimated Cash Balance 7/1/19	1,000,000
Net Results from Operations	198,000

Funded Replacement Projects (1)	<u>(972,600)</u>
Estimated Cash Balance 6/30/20	<u>225,400</u>

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APPENDIX B

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT
BUDGET FOR FISCAL YEAR 2019-2020**

	(6) Acre Feet Purchase	Cost per Acre Foot (FY 19-20)	Total Cost	
Water Purchase Fiscal Year 2019-20	850	\$1,700.00	\$1,445,000.00	
NCSD Water O & M Cost per AF **	850	\$168.94	\$143,599.00	
NCSD Admin Fee per AF (15% of O & M per AF) **	850	\$25.34	\$21,539.00	
		<u>\$1,894.28</u>	<u>\$1,610,138.00</u>	
**To be adjusted annually based on actual costs				
	TOTAL	NCSD	WMWC	GSWC
1 Phase 1 Supplemental Water Annual Allocation (AF)	800	533.44	133.28	133.28
2 Phase 1 Supplemental Water Delivery Percentages	100.00%	66.68%	16.66%	16.66%
3 Pass-Through Supplemental Water Cost	\$1,445,000	\$963,526	\$240,737	\$240,737
4 Supplemental Water O & M Cost	\$143,599	(A) \$95,752	\$23,924	\$23,924
5 Supplemental Water NCSD Admin Fee	\$21,539	(B) \$14,362	\$3,588	\$3,588
6 Total Annual Supplemental Water Volume Cost	\$1,610,138	\$1,073,640	\$268,249	\$268,249
	TOTAL	NCSD	WMWC	GSWC
7 Allocated Project Capacity (AF)	3,000.00	2,167.00	416.50	416.50
8 Percentage of Fixed Capital Cost Allocation	100.00%	72.24%	13.88%	13.88%
9 Yearly Capital Recovery Charge-Principal (1)	\$83,783	\$0	\$37,237	\$46,546
10 Yearly Capital Recovery Charge-Interest (1)	\$345,164	\$0	\$194,150	\$151,014
11 Yearly Capital Recovery Charge-Principal (2)	\$6,481	\$0	\$2,875	\$3,606
12 Yearly Capital Recovery Charge-Interest (2)	\$26,691	\$0	\$14,992	\$11,699
13 Yearly Capital Recovery Charge-Principal (3)	\$11,555	\$0	\$5,117	\$6,438
14 Yearly Capital Recovery Charge-Interest (3)	\$47,565	\$0	\$26,677	\$20,888
15 Yearly Capital Recovery Charge-Principal (4)	\$806	\$0	\$356	\$450
16 Yearly Capital Recovery Charge-Interest (4)	\$3,316	\$0	\$1,857	\$1,459
17 Supplemental Water Project Yearly Replacement(5)	\$206,865	(C) \$149,439	\$28,713	\$28,713
18 Total Annual Fixed Supplemental Charges	\$732,226	\$149,439	\$311,974	\$270,813
19 Total Volume and Annual Fixed Charges for Fiscal Year 2019-2020 (Line 6 + Line 18)	\$2,342,364	\$1,223,079	\$580,223	\$539,062
18 Electrical Pumping Credit (\$223.15 per acre foot-estimated)	(\$63,200)	\$0	(\$31,600)	(\$31,600)
19 SUPPLEMENTAL WATER BUDGET FISCAL YEAR 2019-2020	\$2,279,164	\$1,223,079	\$548,623	\$507,462

(1)	Per applicable amortization schedule as of June 30, 2015	
(2)	Per applicable amortization schedule as of June 30, 2016	(A)+(B)+(C) = \$259,553
(3)	Per applicable amortization schedule as of June 30, 2017	
(4)	Per applicable amortization schedule as of June 30, 2018	
(5)	Monthly replacement contribution of total Supplemental Water Project cost of \$20,686,509 assuming a 100 year project life = \$206,865 per year not to exceed \$3,000,000 adjusted annually for CPI per agreement	(6) 800 acre feet per contract plus 50 acre feet for operational buffer

NCSD - Nipomo Community Services District
WMWC = Woodlands Mutual Water Company
GSWC = Golden State Water Company

APPENDIX C

**NIPOMO COMMUNITY SERVICES DISTRICT
DEBT SERVICE SCHEDULE
2019-2020**

	<u>July 1, 2019</u> <u>Beginning Balance</u>	<u>Principal</u> <u>Pay Down</u>	<u>June 30, 2020</u> <u>Ending Balance</u>
The District entered into a loan contract for \$843,605 on February 24, 1999, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plan Expansion - Phase II. The loan was funded during the year ended June 30, 2000. The loan is zero interest, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$42,180.25 starting on May 1, 2001. (Fund #710)	\$42,181	(\$42,181)	\$0
The District refunded Revenue Bonds, Series 2013A on May 30, 2013 (original issue date was May 1, 2003). The proceeds of the original issue were used for pipeline and storage facility projects costs. The refunded Revenue Bonds bear interest ranging from 3.7% to 4.80% per annum. Principal is to be paid annually starting September 1, 2014 through September 2032. Annual principal payments range from \$100,000 to \$225,000. (Fund #600)	\$2,430,000	(\$120,000)	\$2,310,000
The District issued \$9,795,000 of Revenue Certificates of Participation (COP's) on June 21, 2012. The proceeds are to be used to upgrade the Southland Wastewater Treatment Facility. The COP's bear interest ranging from 2% to 4.125% per annum. Principal is to be paid annually starting December 1, 2012 through June 1, 2042. Annual principal payments range from \$145,000 to \$570,000. (Fund #130)	\$8,715,000	(\$175,000)	\$8,540,000
The District issued \$9,660,000 of Revenue Certificates of Participation (COP's) on June 21, 2013. The proceeds are to be used for the Supplemental Water Project Phase I. The COP's bear interest ranging from 1% to 4.625% per annum. Principal is to be paid annually starting September 1, 2014 through June 1, 2043. Annual principal payments range from \$135,000 to \$725,000. (Fund #500)	\$8,970,000	(\$150,000)	\$8,820,000
TOTAL PRINCIPAL BALANCES	\$20,157,181	(\$487,181)	\$19,670,000

APPENDIX D

NIPOMO COMMUNITY SERVICES DISTRICT
 BI-MONTHLY WATER AVAILABILITY CHARGES
 LAST 10 FISCAL YEARS

Meter Size	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/1/3016	6/30/2017 to 11/30/17	12/1/17 to 11/30/18	12/1/18 to 11/30/19
Less	\$30.84	\$30.84	\$33.17	\$35.72	\$38.51	\$41.57	\$44.92	\$44.92	\$42.51	\$46.52
1 ½ Inch	83.97	83.97	90.58	97.82	105.75	114.43	123.94	123.94	51.49	55.55
2 Inch	130.17	130.17	140.64	152.11	164.67	178.42	193.48	193.48	67.40	72.08
3 Inch	233.07	233.07	252.56	273.90	297.27	322.86	350.88	350.88	152.51	163.70
4 Inch	376.68	376.68	409.04	444.40	483.29	525.78	572.31	572.31	197.75	210.55
6 Inch	730.80	730.80	803.33	873.99	951.36	1,036.08	1,128.85	1,128.85	335.12	349.88

SUPPLEMENTAL WATER

Meter Size	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/1/3016	6/30/2017	12/1/17 to 11/30/18	12/1/18 to 11/30/19
1 Inch and Less	-	-	-	-	-	-	\$13.20	\$13.20	(1)	(1)
1 ½ Inch	-	-	-	-	-	-	39.60	39.60	(1)	(1)
2 Inch	-	-	-	-	-	-	63.36	63.36	(1)	(1)
3 Inch	-	-	-	-	-	-	118.80	118.80	(1)	(1)
4 Inch	-	-	-	-	-	-	198.00	198.00	(1)	(1)
6 Inch	-	-	-	-	-	-	396.00	396.00	(1)	(1)

(1) Combined into one fixed charge. Effective 12/1/2017

BI-MONTHLY WATER RATES
 LAST 10 FISCAL YEARS

		6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017 to 11/30/17	12/1/17 to 11/30/18	12/1/18 to 11/30/19
Uniform Rate		\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$4.97	\$5.45
Single and Multi-Family	Tier I	1.64	1.64	1.64	1.80	1.97	2.16	2.37	2.37	-	-
	Tier II	2.80	2.80	2.05	2.25	2.46	2.69	2.95	2.95	-	-
	Tier III	-	-	2.88	3.15	3.45	3.78	4.14	4.14	-	-
	Tier IV	-	-	4.93	5.40	5.91	6.47	7.08	7.08	-	-
Commercial and Irrigation	Tier I	-	-	2.05	2.25	2.46	2.69	2.95	2.95	-	-
	Tier II	-	-	2.88	3.45	3.45	3.78	4.14	4.14	-	-
Agriculture and All Other		2.06	2.06	2.37	2.84	2.84	3.11	3.41	3.41	-	-
Supplemental Water		-	-	-	-	-	-	0.77	1.003	(1)	(1)

Uniform Rate effective 12/1/17

(1) Combined into Uniform Rate. Effective 12/1/2017

PRESENTED FOR INFORMATIONAL PURPOSES

**NIPOMO COMMUNITY SERVICES DISTRICT
SEWER RATES FOR SINGLE FAMILY AND MULTI-FAMILY
LAST 10 FISCAL YEARS**

Fiscal Year	TOWN	
	Single Family	Multi-Family
2019*	\$97.74	\$81.53
2018	94.71	79.00
2017	91.77	76.55
2016	88.93	74.18
2015	88.32	67.33
2014	88.32	67.33
2013	88.32	67.33
2012	88.32	67.33
2011	88.32	67.33
2010	88.32	67.33

*Effective January 1, 2019

Fiscal Year	BLACKALKE	
	Single Family	Multi-Family
2019**	\$169.76	\$109.08
2018	145.51	95.08
2017	145.51	95.08
2016	145.51	95.08
2015	145.51	95.08
2014	145.51	95.08
2013	145.51	95.08
2012	138.58	90.55
2011	131.98	86.24
2010	118.90	77.69

*Effective April 1, 2019

**NIPOMO COMMUNITY SERVICES DISTRICT
COMMERCIAL SEWER RATES TOWN DIVISION
LAST 10 FISCAL YEARS**

Fiscal Year	BI-MONTHLY SERVICE CHARGE									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
1 Inch and Less	\$34.07	\$34.07	\$34.07	\$34.07	\$34.07	\$34.07	\$35.12	\$36.24	\$37.40	\$38.60
1 ½ Inch	98.59	98.59	98.59	98.59	98.59	98.59	101.94	105.20	108.57	112.04
2 Inch	156.66	156.66	156.66	156.66	156.66	156.66	162.08	167.26	172.62	178.14
3 Inch	292.16	292.16	292.16	292.16	292.16	292.16	302.40	312.08	322.07	332.37
4 Inch	485.72	485.72	485.72	485.72	485.72	485.72	502.87	518.96	535.57	552.70
6 Inch	969.64	969.64	969.64	969.64	969.64	969.64	1,004.03	1,036.16	1,069.31	1,103.53

Fiscal Year	BI-MONTHLY USAGE RATE									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Low	\$2.89	\$2.89	\$2.89	\$2.89	\$2.89	\$2.89	\$3.43	\$3.54	\$3.66	\$3.77
Medium	3.20	3.20	3.20	3.20	3.20	3.20	3.81	3.93	4.06	4.19
High	4.14	4.14	4.14	4.14	4.14	4.14	4.93	5.09	5.25	5.42

*Effective January 1, 2019

**NIPOMO COMMUNITY SERVICES DISTRICT
COMMERCIAL SEWER RATES BLACKLAKE DIVISION
LAST 10 FISCAL YEARS**

Fiscal Year	BI-MONTHLY SERVICE CHARGE									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
1 Inch and Less	\$38.33	\$59.43	\$62.40	\$65.52	\$65.52	\$65.52	\$65.52	\$65.52	\$65.52	\$88.35
1 ½ Inch	110.25	169.16	177.62	186.50	186.50	186.50	186.50	186.50	186.50	233.45
2 Inch	175.08	267.91	281.31	295.38	295.38	295.38	295.38	295.38	295.38	364.04
3 Inch	326.45	498.35	523.26	549.43	549.43	549.43	549.43	549.43	549.43	668.75
4 Inch	542.64	827.54	868.91	912.36	912.36	912.36	912.36	912.36	912.36	1,104.05
6 Inch	1,082.64	1,650.51	1,733.03	1,819.68	1,819.68	1,819.68	1,819.68	1,819.68	1,819.68	2,192.30

Fiscal Year	BI-MONTHLY USAGE RATE									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019**
Low	\$2.91	\$3.23	\$3.39	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56	\$3.97
Medium	3.92	4.35	4.57	4.80	4.80	4.80	4.80	4.80	4.80	5.28
High	6.20	6.89	7.23	7.59	7.59	7.59	7.59	7.59	7.59	8.22

*Effective April 1, 2019

PRESENTED FOR INFORMATIONAL PURPOSES

**NIPOMO COMMUNITY SERVICES DISTRICT
WATER CAPACITY CHARGE
LAST 10 FISCAL YEARS**

Meter Size	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 Inch and Less	\$3,124	\$3,192	\$3,293	\$3,385	\$2,921	\$2,921	\$2,976	\$3,076	\$3,188	\$3,284
Supplemental Water	13,858	14,160	14,605	15,015	7,570	7,570	7,711	7,971	8,262	8,510
1 ½ Inch	9,372	9,577	9,877	10,155	8,764	8,764	8,928	9,228	9,566	9,853
Supplemental Water	41,573	42,479	43,814	45,045	22,710	22,710	23,134	23,913	24,787	25,531
2 Inch	14,994	15,321	15,802	16,247	14,022	14,022	14,284	14,765	15,305	15,764
Supplemental Water	66,516	67,966	70,101	72,072	36,336	36,336	37,015	38,261	39,660	40,850
3 Inch	28,115	28,728	29,630	30,463	26,291	26,291	26,782	27,684	28,696	29,557
Supplemental Water	124,719	127,436	131,440	135,135	68,130	68,130	69,403	71,740	74,827	76,594
4 Inch	46,858	47,879	49,384	50,772	43,819	43,819	44,638	46,141	47,827	49,263
Supplemental Water	207,866	212,393	219,067	225,225	113,550	113,550	115,671	119,566	123,936	127,657
6 Inch	93,717	95,758	98,767	101,544	87,638	87,638	89,275	92,281	95,654	98,526
Supplemental Water	415,731	424,787	438,134	450,450	227,100	227,100	231,342	239,132	247,872	255,314

**NIPOMO COMMUNITY SERVICES DISTRICT
SEWER CAPACITY CHARGE TOWN DIVISION
LAST 10 FISCAL YEARS**

Meter Size	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1 Inch and Less	\$7,462	\$7,864	\$7,864	\$8,085	\$8,282	\$8,526	\$8,685	\$8,978	\$9,306	\$9,585
1 ½ Inch	22,387	23,593	23,593	24,256	24,846	25,577	26,055	26,933	27,917	28,755
2 Inch	35,819	37,749	37,749	38,810	39,755	40,924	41,689	43,093	44,668	46,009
3 Inch	67,160	70,779	70,779	72,769	74,539	76,732	78,166	80,798	83,751	86,265
4 Inch	111,934	117,965	117,965	121,281	124,232	127,887	130,276	134,663	139,584	143,775
6 Inch	223,867	235,931	235,931	242,562	248,463	255,774	260,552	269,325	279,169	287,550

PRESENTED FOR INFORMATIONAL PURPOSES

**NIPOMO COMMUNITY SERVICES DISTRICT
ACTIVE WATER CONNECTIONS BY TYPE
LAST 10 FISCAL YEARS**

Fiscal Year	Single Family	%	Multi-Family	%	Commercial	%	Irrigation	%	Agriculture	%	Total	Total %
2018	3,685	85%	439	10%	103	2%	103	2%	1	>1%	4,331	100%
2017	3,669	86%	441	10%	101	2%	97	2%	1	>1%	4,309	100%
2016	3,603	84%	497	12%	102	2%	97	2%	1	>1%	4,300	100%
2015	3,592	84%	497	12%	99	2%	96	2%	1	>1%	4,285	100%
2014	3,580	84%	500	12%	97	2%	90	2%	1	>1%	4,268	100%
2013	3,556	84%	494	12%	94	2%	93	2%	1	>1%	4,238	100%
2012	3,504	84%	495	12%	95	2%	78	2%	1	>1%	4,173	100%
2011	3,492	84%	473	11%	95	2%	91	2%	2	>1%	4,153	100%
2010	3,484	84%	462	11%	97	2%	91	2%	2	>1%	4,136	100%
2009	3,479	85%	421	10%	100	2%	90	2%	2	>1%	4,092	100%

**NIPOMO COMMUNITY SERVICES DISTRICT
SEWER CONNECTIONS (TOWN DIVISION)
LAST 10 FISCAL YEARS**

Fiscal Year	Single Family		Single Family County		Multi-Family		Commercial		TOTAL	
	Accounts	DUE's	Accounts	DUE's	Accounts	DUE's	Accounts	DUE's	Accounts	DUE's
2018	2,174	2,322	473	473	375	634	76	76	3,098	3,508
2017	2,153	2,298	470	470	375	634	75	78	3,073	3,480
2016	2,109	2,109	469	469	374	816	110	110	3,062	3,504
2015	2,098	2,098	468	468	374	777	82	82	3,022	3,425
2014	2,096	2,096	463	463	375	766	80	80	3,014	3,407
2013	2,024	2,024	461	461	371	771	80	80	2,936	3,339
2012	2,008	2,008	460	460	367	766	79	82	2,914	3,316
2011	1,991	1,991	460	460	365	770	71	74	2,887	3,295
2010	1,995	1,995	460	460	349	764	71	65	2,875	3,284
2009	1,990	1,990	460	460	359	710	71	75	2,880	3,208

**NIPOMO COMMUNITY SERVICES DISTRICT
SEWER CONNECTIONS (BLACKLAKE DIVISION)
LAST 10 FISCAL YEARS**

Fiscal Year	Single Family		Multi-Family		Commercial		TOTAL	
	Accounts	DUE's	Accounts	DUE's	Accounts	DUE's	Accounts	DUE's
2018	487	487	68	68	4	4	559	559
2017	487	487	68	68	4	4	559	559
2016	487	487	68	68	4	4	559	559
2015	487	487	68	68	4	4	559	559
2014	487	487	68	68	4	4	559	559
2013	487	487	68	68	4	4	559	559
2012	485	485	67	67	3	3	555	555
2011	485	485	68	68	3	3	556	556
2010	484	484	69	69	4	4	557	557
2009	484	484	69	69	4	4	557	557

DUE=Dwelling Unit Equivalent

TO: BOARD OF DIRECTORS

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER

FROM: LISA BOGNUDA
FINANCE DIRECTOR

DATE: JUNE 7, 2019

AGENDA ITEM
E-7 (B)
JUNE 12, 2019

**ADOPT 2019-2020 FISCAL YEAR BUDGET FOR
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)**

ITEM

Public Hearing to adopt 2019-2020 Fiscal Year Budget for Nipomo Supplemental Water Project (NSWP) [RECOMMEND CONDUCT PUBLIC HEARING, CONSIDER TESTIMONY, ORDER EDITS IF ANY AND BY MOTION AND ROLL CALL VOTE ADOPT RESOLUTION APPROVING NSWP 2019-2020 FISCAL YEAR BUDGET]

BACKGROUND

On April 19, 2019, the Finance and Audit Committee met and reviewed the draft Fiscal Year 2019-2020 NSWP Budget. The NSWP Budget was provided to Woodlands Mutual Water Company (WMWC) and Golden State Water Company (GSWC) and no comments were received. The Board of Directors reviewed the draft Budget on May 8, 2019.

The Nipomo Community Services District (District), City of Santa Maria (City), Woodlands Mutual Water Company (WMWC), Golden State Water Company (GSWC), Rural Water Company (RWC), along with hundreds of other individuals and entities are parties to a certain groundwater adjudication commonly referred to as the Santa Maria Groundwater Litigation. The Judgment (through the Stipulation) requires the District to purchase and transmit to the Nipomo Mesa Management Area (NMMA) a minimum of 2,500 acre-feet of "Nipomo Supplemental Water" each year and to employ its best efforts to timely implement the Nipomo Supplemental Water Project (NSWP).

The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties shall purchase the following portions of Nipomo Supplemental Water each year to offset groundwater pumping within the NMMA.

ENTITY	PERCENT ALLOCATION	AFY
NCS D	66.68	1,667.00
WMWC	16.66	416.50
GSWC	8.33	208.25
RWC	8.33	208.25
TOTAL	100.00	2,500.00

On May 3, 2013, the District entered into a Wholesale Water Supply Agreement with the City of Santa Maria to purchase supplemental water. Upon completion of the interconnection, the minimum quantity of purchase/delivery is as follows:

DELIVERY YEARS	FISCAL YEAR ENDING	MINIMUM DELIVERY VOLUME (AFY)
1	June 30, 2016	645
2-5	June 30, 2017 to June 30, 2020	800
6-10	June 30, 2021 to June 30, 2025	1,000
11- Term	June 30, 2026 to June 30, 2035	2,500

On July 2, 2015, supplemental water began flowing from the City of Santa Maria into the Nipomo Community Services District system.

On October 16, 2015, the Supplemental Water Management and Groundwater Replenishment Agreement (Agreement) was approved by the District, WMWC, GSWC and RWC. The agreement outlines all parties' responsibilities and obligations relating to the delivery and payment of supplemental water. Section VIII of the agreement states in part as follows:

- A. District shall operate the NSWP as an enterprise fund, separating all costs related to the NSWP within and only to that NSWP fund. Prudent Utility Practices shall apply to District's management of the NSWP Enterprise Fund.
- B. Each Fiscal Year District shall prepare a NSWP Enterprise Fund Budget (Budget) for all revenues and expenditures related to the NSWP Enterprise Fund. The Budget shall include a summary of projected NSW deliveries and Costs associated with those deliveries. A draft of the Budget shall be available to each Water Company for review by May 1st of each year. District shall make every reasonable effort to adopt the final Budget during June of each year at a regularly scheduled District board meeting. The Advisory Committee shall determine the most effective content, format and reporting frequency for financial and budget reports for the NSWP Enterprise Fund.
- C. The Budget shall provide the basis for and detail the cost allocations and quarterly billing described in Section IX.

The District receives and pays a quarterly invoice from the City for the cost of water. The District in turn invoices WMWC and GSWC for their applicable percentages of the cost of water in addition to other applicable costs pursuant to the agreement. WMWC and GSWC are current on their quarterly payments.

Attached is the Budget based on purchase of 800 acre feet of supplemental water plus 50 acre foot operational buffer. The City has provided an estimate of the cost of water for FY 2019-2020; however, the Base Energy Cost CPI will be adjusted based on the July index. The Operations and Maintenance (O&M) Budget has been estimated based on current fiscal year expenditures. The administrative fee is set at 15% of O & M costs.

RECOMMENDATION

Conduct a public hearing, consider testimony, order edits, if any and by motion and roll call vote adopt Resolution approving the 2019-2020 NSWP Budget.

ATTACHMENTS

- A. NSWP Budget
- B. Resolution 2019-XXXX (NSWP Budget adoption)

JUNE 12, 2019

ITEM E-7(B)

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2019-20**

	Acre Feet Purchase	Cost per Acre Foot (AF)	Total Cost	
Water Purchase Fiscal Year 2019-2020 (see page 2) (A)	850	\$1,700.00	\$1,445,000.00	
NCSD Water O & M Cost per AF ** (see page 3)	850	\$168.94	\$143,599.00	
NCSD Admin Fee per AF (15% of O & M per AF) ** (see page 3)	850	\$25.34	\$21,539.00	
		<u>\$1,894.28</u>	<u>\$1,610,138.00</u>	
**To be adjusted annually based on actual costs				
	TOTAL	NCSD	WMWC	GSWC
1 Phase 1 Supplemental Water Annual Allocation (AF)	800	533.44	133.28	133.28
2 Phase 1 Supplemental Water Delivery Percentages	100.00%	66.68%	16.66%	16.66%
3 Pass-Through Supplemental Water Cost	\$1,445,000	\$963,526	\$240,737	\$240,737
4 Supplemental Water O & M Cost	\$143,599	\$95,752	\$23,924	\$23,924
5 Supplemental Water NCSD Admin Fee	\$21,539	\$14,362	\$3,588	\$3,588
6 Total Annual Supplemental Water Volume Cost	\$1,610,138	\$1,073,640	\$268,249	\$268,249

	TOTAL	NCSD	WMWC	GSWC
7 Allocated Project Capacity (AF)	3,000.00	2,167.00	416.50	416.50
8 Percentage of Fixed Capital Cost Allocation	100.00%	72.24%	13.88%	13.88%
9 Yearly Capital Recovery Charge-Principal (1)	\$83,783	\$0	\$37,237	\$46,546
10 Yearly Capital Recovery Charge-Interest (1)	\$345,164	\$0	\$194,150	\$151,014
11 Yearly Capital Recovery Charge-Principal (2)	\$6,481	\$0	\$2,875	\$3,606
12 Yearly Capital Recovery Charge-Interest (2)	\$26,691	\$0	\$14,992	\$11,699
13 Yearly Capital Recovery Charge-Principal (3)	\$11,555	\$0	\$5,117	\$6,438
14 Yearly Capital Recovery Charge-Interest (3)	\$47,565	\$0	\$26,677	\$20,888
14 Yearly Capital Recovery Charge-Principal (4)	\$806	\$0	\$356	\$450
15 Yearly Capital Recovery Charge-Interest (4)	\$3,316	\$0	\$1,857	\$1,459
16 Supplemental Water Project Yearly Replacement(5)	\$206,865	\$149,439	\$28,713	\$28,713
17 Total Annual Fixed Supplemental Charges	\$732,226	\$149,439	\$311,974	\$270,813

Total Volume and Annual Fixed Charges for Fiscal Year 2019-2020				
18 (Line 6 + Line 18)	\$2,342,364	\$1,223,079	\$580,223	\$539,062

19 Electrical Pumping Credit (\$223.15 per acre foot-estimated)	(\$63,200)	\$0	(\$31,600)	(\$31,600)
20 SUPPLEMENTAL WATER BUDGET FISCAL YEAR 2019-2020	\$2,279,164	\$1,223,079	\$548,623	\$507,462

(1)	Per applicable amortization schedule as of June 30, 2015
(2)	Per applicable amortization schedule as of June 30, 2016
(3)	Per applicable amortization schedule as of June 30, 2017
(4)	Per applicable amortization schedule as of June 30, 2018
(5)	Monthly replacement contribution of total Supplemental Water Project cost of \$20,686,509 assuming a 100 year project life = \$206,865 per year not to exceed \$3,000,000 adjusted annually for CPI per agreement

(A) 800 ACRE FEET PER CONTRACT PLUS 50 ACRE FEET FOR OPERATIONAL BUFFER

NCSD = Nipomo Community Services District
WMWC = Woodlands Mutual Water Company
GSWC = Golden State Water Company

**CITY OF SANTA MARIA & NIPOMO COMMUNITY SERVICES DISTRICT
Calculations based on May 2013 Wholesale Supply Agreement**

**CITY OF SANTA MARIA & NIPOMO COMMUNITY SERVICES DISTRICT
Calculations based on May 2013 Wholesale Supply Agreement**

(a) Minimum Delivery. In each Delivery Year during the Term of this Agreement, City shall deliver and NCS&D shall purchase the following minimum quantity of Supplemental Water ("Minimum Quantity"):

Delivery Years	Minimum Delivery Volume (AFY)
1	645
2-5	800
6-10	1,000
11-Term	2,500

Assumptions:	
Year 1 Demand (AF)	645
Years 2-5 Demand (AF)	800
Base Costs of Delivery (AF)	\$206.85
CPI Escalator Energy:	2.4%

CPI Index - Energy Services - Los Angeles-Riverside-Orange County, CA		
Current	276.771	Feb-19
Base	264.188	May 2013-Date of signed agreement

Year	Minimum Demand	Base Water Rate (Tier 1)	Base Energy Cost Adj by Energy CPI	Current Period Costs of Energy	Change in Costs of Energy	Net Water Rate	Minimum Invoice Amt	
Year 1	2015/16	645	\$ 1,495	\$ 204.43	\$ 227.27	\$ 23	\$ 1,518.69	\$ 979,553
Year 2	2016/17	800	\$ 1,571	\$ 207.16	\$ 223.71	\$ 17	\$ 1,587.32	\$ 1,269,859
Year 3	2017/18	800	\$ 1,649	\$ 205.62	\$ 191.77	\$ -	\$ 1,649.18	\$ 1,319,345
Year 4	2018/19	800	\$ 1,649	\$ 213.59	\$ 265.90	\$ 52	\$ 1,701.49	\$ 1,361,194
Year 5	2019/20	800	\$ 1,649	\$ 211.78	\$ 262.54	\$ 51	\$ 1,699.76	\$ 1,359,811

FY 2015/16 Rate - Tier 1	
\$ 3.434	SM Tier 1 Water Rate (Base) per HCF
435.60	100 CF units per Acre-Foot
\$ 1,495.85	Water Rate per AF
FY 2016/17 Rate - Tier 1	
\$ 3.606	SM Tier 1 Water Rate (Base) per HCF
435.60	100 CF units per Acre-Foot
\$ 1,570.77	Water Rate per AF
FY 2017/18 - FY 2018/19 Rate - Tier 1	
\$ 3.786	SM Tier 1 Water Rate (Base) per HCF
435.60	100 CF units per Acre-Foot
\$ 1,649.18	Water Rate per AF

Brad Whitty:
As of Feb-19 Energy CPI.
Subject to change in July-19

Brad Whitty:
Per CCWA Draft Budget,
03/19

Per Brad Whitty, City of Santa Maria, base water rate will remain unchanged on July 1, 2019.

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2019-2020**

OPERATIONS AND MAINTENANCE BUDGET

OPERATIONS AND MAINTENANCE	2017-18 ACTUAL	2018-19 BUDGET	2018-19 EST ACTUAL	2019-20 PROPOSED
Electricity	62,639	67,223	66,078	68,060
Labor (fully weighted)	37,183	30,900	39,042	40,213
Water	608	721	537	553
Chemicals	8,018	11,330	7,587	7,815
Lab Tests	0	258	0	0
Operating Supplies	721	5,150	1,000	1,030
Outside Services	5,275	5,459	1,480	1,524
Permits and Operating Fees	694	721	1,244	1,281
Insurance	4,123	4,247	4,247	4,374
Repairs and Maintenance	12,791	12,360	10,000	10,300
TOTAL OPERATIONS AND MAINTENANCE	132,052	138,368	131,215	135,151
Cost per acre foot @ 800 acre feet	165.07	172.96	164.02	168.94
Overhead allocation 15% of O and M	24.76	25.94	24.60	25.34

Estimate 3% increase in expenses FY 19-20

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2019-2020**

FUNDED REPLACEMENT RESERVES

Beginning Balance, July 1, 2018		570,452
Collections FY 2018-19		
NCS D	149,439	
WMWC	28,713	
GSWC	28,713	
		206,865
Estimated interest income FY 2018-19		13,800
Estimated Ending Balance, June 30, 2019		791,117
Collections FY 2019-20		
NCS D	149,439	
WMWC	28,713	
GSWC	28,713	
		206,865
Estimated interest income FY 2019-20		35,000
Estimated Ending Balance, June 30, 2020		1,032,982

Funded Replacement Reserve Requirement - Pursuant to Section XVIII (J)

CPI Adjustment as of June 30, 2019		
CPI - 2018 Annual	265.962	
CPI - 2017 Annual	(256.210)	
	9.752	
Divide by previous period CPI ÷	256.210	
	0.0381	
	X 100.000	
Percent Change		3.81
Maximum Balance computed as of June 30, 2018		3,170,479
Adjusted by CPI June 30, 2019 (\$3,170,479 * 3.81%)		120,478
Maximum Balance adjusted as of June 30, 2020		3,290,957

	CPI		RUNNING
	INDEX	ADJ	BALANCE
			3,000,000
6/30/2016	0.907	27,210	3,027,210
6/30/2017	1.89	57,214	3,084,424
6/30/2018	2.79	86,055	3,170,479
6/30/2019	3.81	120,478	3,290,957

Note: Funds held in separate savings account at Five Star Bank

JUNE 12, 2019

ITEM E-7(B)

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION 2019-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING THE NSWP (NIPOMO SUPPLEMENTAL WATER PROJECT)
2019-2020 FISCAL YEAR BUDGET**

WHEREAS, on October 16, 2015, the Nipomo Supplemental Water Project Water Management and Groundwater Replenishment Agreement ("Agreement") was made between Nipomo Community Services District (NCSD), Rural Water Company (RWC), The Woodlands Mutual Water Company (WMWC), and Golden State Water Company (GSWC), collectively referred to as the Parties, and

WHEREAS, the purpose of the Agreement is to enable the Parties to meet their respective obligations under the Judgment based on the percentage allocations presented in Section I.K regarding the NSWP. In particular, the Parties intend this Agreement to provide for: (1) payment to NCSD for each Party's allocation of Costs and (2) distribution and use of Nipomo Supplemental Water, and

WHEREAS, pursuant to the Agreement, each fiscal year NCSD shall prepare a NSWP Enterprise Fund Budget for all revenues and expenditures related to the NSWP Enterprise Fund. The Budget shall include a summary of projected Nipomo Supplemental Water deliveries and the Costs associated with those deliveries. A draft of the Budget shall be available to each Party for review by May 1st of each year. NCSD shall make every reasonable effort to adopt the final Budget during June of each year at a regularly scheduled NCSD board meeting. The Advisory Committee shall determine the most effective content, format and reporting frequency for financial and budget reports for the NSWP Enterprise Fund.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of the Nipomo Community Services District, San Luis Obispo County, California, as follows:

1. The 2019-2020 Nipomo Supplemental Water Project Budget is hereby approved and adopted.
2. The budget be administered in accordance with generally accepted accounting principles and the past policies and practices established by the District and pursuant to the Agreement.
3. The above Recitals are true and correct and incorporated herein by this reference.

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

AYES:
NOES:
ABSENT:
ABSTAIN:

the foregoing Resolution is hereby passed and adopted this 12th day of June 2019.

ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND LEGAL EFFECT:

MARIO IGLESIAS
General Manager and Secretary to the Board

WHITNEY G. McDONALD
District Legal Counsel