



September 27, 2019

TO: LOCSD Board of Directors
FROM: Ron Munds, General Manager
Jeff Minnery, District Legal Counsel

SUBJECT: Agenda Item 6A – 10/3/19 Board Meeting
Consider the adoption of a resolution amending Appendix A to Title 2 of the Los Osos Community Services District Code to establish a recycled water rate for San Luis Coastal Unified School District Properties.

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DESCRIPTION

The proposed recycled water rate was part of a water rate analysis performed by a volunteer working group in 2017 and considered by the Utilities Advisory (UAC), Finance Advisory Committee (FAC) and the district Board of Directors at several public meetings. The recommended action is to adopt a resolution to establish a recycled water rate for San Luis Coastal Unified School District Properties.

STAFF RECOMMENDATION

Staff recommends that the Board adopt a resolution to establish the proposed recycled water rate.

Motion: I move that the Board adopt resolution amending Appendix A to Title 2 of the Los Osos Community Services District Code to establish a recycled water rate for San Luis Coastal Unified School District Properties.

DISCUSSION

At the July 5, 2018 Board meeting, the Board approved an agreement with County of San Luis Obispo (County) to provide recycled water to customers within the District's service area. At the meeting, staff reviewed the history/background of the recycled water program and the significance of moving forward with connecting Los Osos Middle and Baywood Elementary Schools to the system. The foremost benefit to the community is the direct offset of water pumped from the lower aquifer which will aid in reducing sea water intrusion into the groundwater basin.

Also discussed at the meeting was the importance of the agreement between the District and County to avoid duplication of service. The key points of the approved agreement are as follows:

1. The County will provide the recycled water to a District-owned recycled water meter, and therefore the schools will remain customers of the District.

2. The County will continue to own and maintain all infrastructure upstream of the water meter at no cost to the District, and the water will be delivered under pressure.
3. The District will pay the County \$80 per acre-ft in recognition of the energy savings that the District will receive by not pumping its potable water supplies for the same use.
4. The District will, as promptly as possible, establish a rate applicable to all potential District recycled water customers and at a level that provides a reasonable discount from the potable rate as an incentive to participate in the program.
5. The District will continue to receive revenue from the schools for the recycled water metered at each location.

At the time of the discussion in July, a discount of 10% from the potable water rate was contemplated which is similar to the City of San Luis Obispo's recycled water program that serves other San Luis Coastal Unified School District (School District) facilities. The 10% discount is also consistent with the water industry's guidelines for setting recycled water rates. Additionally, the District's last rate analysis in 2017 included provisions for a 10% discount and was incorporated into the revenue analysis and the basis for which the current potable rates are based on.

RATE ADOPTION PROCEDURES

Water rates are typically adopted by the Board at the close of a public hearing where citizens have had the opportunity to protest a rate increase in compliance with Section 6 of Article XIII D of the California Constitution (Prop 218). The proposed recycled water rate is unique in that it will only impact one property owner, the School District, and will decrease their rate for the water they use for irrigation. Because of these unique factors, it has been determined that adopting the recommended recycled water rate falls outside the requirements of Prop 218 and can be adopted by resolution at the October 3, 2019 Board meeting.

FINANCIAL IMPACT

Los Osos Middle School and Baywood Elementary are the District's two largest irrigation customers. The proposed recycled water rate will reduce District revenues due to the recommended 10% discount in the cost of recycled water. However, as previously stated, reductions have already been anticipated in the District's potable water rate design so the financial impact should be indiscernible. As is the current practice, staff will be tracking water sales annually. If there is an unanticipated decrease in water revenues directly associated with recycled water sales, staff will return to the Board with a recommendation to correct any revenue shortfall attributable to the sales of recycled water.

Attachments

RESOLUTION 2019-26

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT
AMENDING APPENDIX A TO TITLE 2 OF THE LOS OSOS COMMUNITY SERVICES DISTRICT CODE
TO ESTABLISH A RECYCLED WATER RATES FOR SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
PROPERTIES**

WHEREAS, it is a major responsibility of the Los Osos Community Services District ("District") to:

1. Operate and maintain its water distribution facilities so as to provide adequate water service and fire protection to District water customers; and
2. Maintain adequate levels of revenue, equitably collected from District water customers, to meet the District's financial commitments; and

WHEREAS, Government Code §61115 authorizes the District to adopt rates and charges by Resolution;
and,

WHEREAS, on July 5, 2019, the District approved an agreement with the County of San Luis Obispo (County) to provide recycled water to District customers within the District's service area.

WHEREAS, the agreement requires the District to establish a rate applicable to all potential District recycled water customers; and,

WHEREAS, the agreement requires the District to establish rates that provide a reasonable discount for the applicable potable water consumptive use rates to provide a recycled water user an incentive to manage the extraordinary regulatory requirements associated with recycled water use; and

WHEREAS, by setting a recycled water rate at a reasonable discount which will result in a rate less than the District's potable water rate, the District is consistent with its rate setting authority as authorized in Government Code §61115; and

WHEREAS, based on the foregoing the Board of Directors finds:

A. A 10% discount from the District's potable water rate is consistent with water industry guidelines for setting recycled water rates.

B. The proposed recycled water rate is unique in that it will only impact one property owner, San Luis Coastal Unified School District, and will decrease their rate for the water they use for irrigation therefore outside the requirements of Section 6 of Article XIII D of the California Constitution.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Los Osos Community Services District as follows:

Section 1. Incorporation of Recitals

The Recitals are true and correct and incorporated herein by this reference. The Recitals and referenced agreement contained therein constitute and/or support the findings of the District in support of this Resolution.

Section 2. Water Rates and Charges

November 1, 2019, Appendix A to Title 2 of the District Code related to bi-monthly water rates and charges is repealed in its entirety and replaced with the following:

**APPENDIX A
BI-MONTHLY WATER RATES AND CHARGES**

		Current Potable Water Rates	Proposed Recycled Water Rates - Effective , 2019
Fixed Bi-Monthly Service Charge		\$70.00	\$70.00
Water Consumption Charges			
Rate per hundred cubic feet (ccf) per bi-monthly billing period			
(1 CCF = 748 gallons)			
Tier 1	0 - 5 ccf	\$ 6.00	\$ 5.40
Tier 2	6 – 10 ccf	\$ 7.75	\$ 6.98
Tier 3	11 – 20 ccf	\$ 9.50	\$ 8.55
Tier 4	>20 ccf	\$ 11.25	\$ 10.13

Section 3. Repeal of Prior Ordinances and Resolutions

All Ordinances, Resolutions and sections of Ordinances and Resolutions that are inconsistent with this Resolution are hereby repealed.

Section 4. Effect of Repeal on Past Actions and Obligations

This Resolution does not affect prosecutions for violations committed prior to the effective date of this Resolution, does not waive any fee or penalty due and unpaid on the effective date of this Resolution, and does not affect the validity of any bond or cash deposit posted, filed or deposited pursuant to the requirements of any prior Resolution or Ordinance.

Section 5. CEQA Findings

The Board of Directors of the District finds that the rates and charges adopted by this Resolution exempt from the California Environmental Quality Act pursuant to Public Resources Code § 21080(b)(8) and CEQA Guidelines Section 15273.

Section 6. Severance Clause

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

Section 7. Effective Date

This Resolution shall take effect immediately. The rates and charges adopted by this Resolution shall take effect November 1, 2019.

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

Ayes: _____

Noes: _____

Absent: _____

Conflicts: _____

The foregoing resolution is hereby passed, approved, and adopted by the Board of Directors of the Los Osos Community Services District this 3rd day of October 2019.

Marshall Ochylski, President
LOCSD Board of Directors

ATTEST:

APPROVED AS TO FORM:

Ron Munds
General Manager and Secretary to the Board

Jeff Minnery
District Legal Counsel