



NOTICE OF PUBLIC HEARING ON PROPOSED WATER RATE INCREASES AND WATER SHORTAGE EMERGENCY RATES

The Los Osos Community Services District (LOCSO) is a public agency that provides a range of services to the community of Los Osos including water, drainage, street lighting, parks/recreation, fire and emergency response. LOCSO provides water service to about half of Los Osos. The other half of the community is served by two private water companies. LOCSO's water utility relies primarily on revenues from water rates to fund the costs of operating and maintaining the water system. As such, rates must be set at levels adequate to fund the cost of providing water service.

This notice is being sent to inform you that LOCSO is proposing to increase water rates over the next three years designed to support financial stability during periods of reduced water sales. Rate increases are needed to fund critical water supply and reliability improvements, finance high-priority capital projects, and keep up with operating cost inflation. The proposed rates were developed by a working group of community members and advisory groups that provide input to the District; the *Financial Advisory Committee* and *Utilities Advisory Committee*. LOCSO is proposing to phase in the proposed rate increases over three years to help minimize the annual impact on customers. LOCSO's water rates are currently in the middle range compared to other regional agencies.

PUBLIC HEARING: LOCSO will hold a public hearing on the proposed water rate increases and proposed maximum Water Shortage Emergency Rates on June 15, 2017 starting at 7:00 pm. The meeting will be held at the District Office located at 2122 9th Street, Suite 106, Los Osos, California, 93402.

WHY ARE RATE INCREASES NEEDED?

LOCSO is facing a number of challenges related to the over-drafted groundwater basin and aging facilities. Rate increases are needed to help address these long-term challenges and help support safe, reliable, and sustainable water service. The proposed rates are needed to:

- **Help secure a sustainable water supply.** LOCSO relies on groundwater for 100% of the community's water supply. The regional groundwater basin has been adversely impacted by both a) groundwater degradation from septic system discharge, and b) seawater intrusion into the lower aquifers due to years of overdraft. In response to these threats, a *Basin Plan for the Los Osos Groundwater Basin* was developed in 2013. The Basin Plan identifies capital projects and initiatives designed to improve regional water supplies and reliability. The capital projects are also part of the District's requirements under the basin management stipulation between the County of San Luis Obispo, Golden State Water Company, S&T Mutual and the LOCSO. The proposed rate increases will enable LOCSO to fund its share of Basin Plan capital costs to help improve the long-term sustainability of the region's water supply. Once this portion of the capital projects are completed, future rates will not have to be set to include costs for these projects. Staff is applying for available grant funding, but we cannot rely on the possibility of when or if we will receive any grant funding for these much needed projects.

- **Address high-priority capital improvement needs.** LOCSD’s recently-updated capital improvement program identifies \$23.5 million of infrastructure improvements needed to address existing water system deficiencies and improve operational efficiency and supply reliability. The proposed rate increases are designed to help LOCSD fund roughly \$4.9 million of high-priority, near-term capital improvement needs. It is further anticipated that such revenues will generate the indicated amounts available for pay as you go capital projects, capital reserve needs and amounts for debt service should long term debt financing become a viable and less expensive option in the future. The District is also pursuing low-interest-rate loans and grants from the state.

Fund operating expenses of the water system. The District is changing how it allocates property tax funds in order to properly allocate the administrative burden of the water department on District operations. The Allocation of administrative costs has also impacted the Water Department. Another change in the Water Fund is the use of recycled water. When recycled water starts being used by the big users, the District’s revenue will be reduced by approximately \$15,000 a fiscal year. The proposed rate increase would fund these changes.

PROPOSED WATER RATES

LOCSD is proposing to phase in a series of water rate increases over the next three years as shown on the table below. Water service charges include both 1) a fixed bi-monthly Service Charge levied regardless of water use, plus 2) Water Consumption Charges billed based on metered water use in each bi-monthly billing period. Water Consumption Charges are billed via four inclining rate tiers with water purchased first in Tier 1 and then subsequently in higher tiers as water use increases.

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

The impacts of the proposed rates will vary depending on each customer’s water use per bi-monthly billing period. The following table shows an example of projected bi-monthly bills for a typical single family home using 12 units of water in a two-month billing period (6 units per month). The table also provides comparative rates from four other purveyors within or near the community of Los Osos.

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

LOCSD encourages all customers to use water as efficiently as possible. Customers who conserve and reduce water use can help offset the impact of the proposed water rate increases.

HOW CAN I PROTEST THE PROPOSED RATE INCREASES?

Property owners and tenants responsible for paying the water bill may submit written protests against the proposed water rates. Pursuant to California law, protests must be submitted in writing and must a) identify the affected property or properties, such as by Assessor’s Parcel Number, address or customer account number; b) identify the name of the property owner or tenant, c) state that the individual is in opposition to the proposed rate increases, and d) include the signature of the property owner or tenant submitting the protest. Protests submitted by e-mail, facsimile, or other electronic means will not be accepted. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels. One written protest will be counted per parcel. Written protests can be mailed or delivered to: Los Osos Community Services District, 2122 9th Street, Suite 102, Los Osos, CA 93402. Written protests may also be submitted at the Public Hearing. All protests must be submitted prior to the close of the Public Hearing.

If you have any questions or would like additional information, please contact the LOCSD at (805) 528-9370.