

OCEANO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2015-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
OCEANO COMMUNITY SERVICES DISTRICT
ADOPTING FINDINGS IN SUPPORT OF THE
ORDINANCE INCREASING AND ADJUSTING WATER
SYSTEM SERVICE CHARGES

WHEREAS, it is the responsibility of the Oceano Community Services District (“District”) to maintain adequate levels of revenue to meet the District’s financial commitments for the operation and maintenance for water facilities and the replacement of existing facilities in the future which benefit the customer or property being charged; and

WHEREAS, on April 20, 2015, the District conducted a duly noticed public hearing wherein the Board of Directors considered public comment in support and in opposition to the proposed rate increase and whether or not a majority protest to the proposed rate increase exists pursuant to Section 6 of Article XIII D of the California Constitution. At the conclusion of the public hearing, the Board found that a majority protest did not exist; and

WHEREAS, based on facts and analysis presented in the rate study, facts and analysis presented by the District General Manager and District Legal Counsel, written protests received prior to the close of the April 20, 2015, public hearing, and public testimony received the Board of Directors, the District makes the following findings of fact regarding its compliance with the Procedural and Substantive Requirements in adopting the Ordinance Increasing And Adjusting Water System Service Charges.

Procedural Requirements:

- **Finding:** The District mailed notices of the proposed rates and charges to record owners of identified parcels upon which the rates and charges will be imposed if adopted. The District complied with this procedural requirement by mailing the notice to the owners of properties within the boundaries of the Oceano Community Services District at the address shown on the last equalized assessment roll as provided by the San Luis Obispo County Assessor’s Office. The list provided by the County Assessor for mailing the notice is maintained in the District files.
- **Finding:** The District mailed notices of the proposed rates and charges to property owners and tenants to the addresses which the water service billing statements are customarily mailed. The District complied with this procedural requirement by mailing the notice to property owners and tenants where the water service billing statements are customarily mailed as maintained in the District’s utility billing system. The list generated from the utility billing system for mailing the notice is maintained in the District files.

- **Finding:** The notices were mailed at least 45 days prior to the public hearing to determine whether a majority protest exists against the rates and charges. The District complied with this procedural requirement by mailing the notice on March 5, 2015. The receipt showing that the notice was mailed on March 5, 2015 is maintained in the District files.
- **Finding:** The notices included the amount of the rates and charges proposed in the water rate increase. Attached (Exhibit “A”) is the mailed notice and includes the amounts of rates and charges proposed in the water rate increase.
- **Finding:** The notices included the basis upon which the proposed rates and charges are calculated. Attached (Exhibit “A”) is the mailed notice and includes the basis for the proposed rate increase.
- **Finding:** The notices included the reasons for the increase. Attached (Exhibit “A”) is the mailed notice and includes the reasons for the proposed rate increase.
- **Finding:** The notices included the date, time and location of this public hearing to consider protests against the rates and charges. Attached (Exhibit “A”) is the mailed notice and includes the date, time and location of this public hearing to consider protests against the rates and charges.

Substantive Requirements:

- **Finding:** The rates and charges do not exceed the funds required to provide service. The evidence establishing that the rates and charges do not exceed the funds required to provide service include, but are not limited to, the following:
 - i. The “Water Rate Analysis” prepared by the District dated March, 2015.
 - ii. The “Report on Water and Wastewater Rate Study” prepared by Tuckfield and Associates dated September 2010.
 - iii. The District’s Ordinance 2011-1 and related information considered by the Board of Directors in adopting Ordinance 2011-1.
 - iv. Actual costs incurred for the water system.
 - v. The District’s actual water consumption and conservation data.
 - vi. The proposed rates and charges are not sufficient to pay for costs of long-term infrastructure replacement, and certain other costs, which are identified in the documents referenced in these findings.
 - vii. Additional documentation considered by the Board of Directors includes information that was submitted and considered during the following meetings:
 - a. February 9, 2015 Finance Committee Meeting
 - b. February 11, 2015 Board of Directors Meeting
 - c. March 2, 2015 Finance Committee Meeting

- d. March 4, 2015 Board of Directors Meeting
- e. March 25, 2015 Board of Directors Meeting
- f. April 8, 2015 Board of Directors Meeting

viii. The following policy:

In the event that customers do not meet the 20% conservation mandate and water system revenues exceed the Revenue Requirement, then those additional revenues will be used exclusively to fund water conservation programs. Water conservation programs may include financial incentives such as rebates on low flow toilets and other water savings devices. They may also need to include programs to fund the cost of enforcing the existing OCSD water use restrictions.

- **Finding:** The rates and charges will not be used for any purpose other than that for which the rates and charges are being imposed. The District maintains accounting records that segregate water system revenues and expenditures by Fund (i.e. Governmental Fund Accounting). In its Water Fund, the District only records water system revenues and expenditures, and other District revenues and expenditures are accounted for in the other Funds of District. The District's accounting records are audited by an independent Certified Public Accountant each year. Maintenance of the accounting records and the annual audit ensure that the water system revenues will only be used for water system expenditures.
- **Finding:** The rates and charges do not exceed the proportional cost of service attributable to the property. The evidence supporting District's compliance with the requirement that the rates and charges do not exceed the proportional cost of service attributable to the property include, but are not limited, to the following:
 - i. The District is not seeking, through the proposed rates and charges, to fully recover the cost of operating the water system. As a result, the proposed rates and charges are less than the proportional cost of service attributable to any of the properties served by the District.
 - ii. The rates and charges have been developed based on reductions in use to meet the Governor's water conservation goal of 20% in comparison to 2013 usage.
 - iii. The proposed supplemental water charge is proportioned based on actual usage.
 - iv. The base rate for non-residential units is proportioned based on the size of the meter, which reflects instantaneous demand that can be placed on the District from the property.
 - v. For properties where multiple units are served by a single meter, the base rate and the allowable consumption at each "tier" are proportionately increased.
 - vi. The proportioning of costs between the base rates and the tiers has been developed to harmonize with Water Code Section 372 as follows:

- a. The costs allocated to the tiers represents a portion of the costs of the State Water Project (SWP) for the following reasons:
 - i. The SWP is the District's final supplemental supply of water and necessary to accommodate demand from those who use greater quantities of water than others. Despite low delivery percentages for most State Water Contractors since the Governor proclaimed a drought emergency in January 2014, the San Luis Obispo County Flood Control and Water Conservation District has a Table "A" Allocation that is more than five times (5x) its local delivery commitments and therefore provides greater reliability than does the project as a whole provide for all State Water Contractors.
 - ii. The SWP also helps to improve the reliability of the District's overall water portfolio, and a portion of the costs of SWP are allocated to the base rates.
 - iii. In any specific year, it is impossible to determine the precise quantity of water that will be supplied from any of the District's three water resources. Nevertheless, allocating a portion of SWP cost to tiers is appropriate to reflect higher costs incurred by the District to help ensure that adequate supplies are available for high demand customers.
 - iv. The rates established for each tier have been developed to increase, as provided in Water Code Section 372, but in a manner that the average cost per unit decreases to reflect "economies of scale" that result from greater production quantities; which is illustrated in Exhibit "B."
 - v. The quantity of water allowed at the base rate (6 ccf) approximately equals the quantity of water on a per capita basis, after accounting for system losses and 20% conservation. The 2013 Annual Report for the Northern Cities Management Area documents the 2013 supplies (888 acre feet), and after accounting for system losses at approximately 15%, conservation at 20% and a population of approximately 7,300, the quantity of water on a per day per capita basis is about 75 gallons, or approximately 6 ccf per billing period.

- **Finding:** The rates and charges will not be imposed unless the service is actually used by, or immediately available to, the owner of the property. The District does not impose water system rates and charges unless water service is used by or immediately available to the District.
- **Finding:** The rates and charges will not be used for general governmental services, such as police, fire ambulance and libraries where the service is

available to the public in substantially the same manner as it is to property owners. The proposed water system revenues will be specifically accounted for in the District's Water Fund and not commingled with or otherwise used to subsidize its other operations, including those that provide general governmental services through the Five Cities Fire Authority, which is paid from the collection of property tax revenues of the District's Governmental Fund.

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

1. Board of Directors finds that it has complied with all procedural requirements including but not limited to Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code) in adopting Ordinance No. 2015-01 Increasing and Adjusting Water Service Charges.
2. Board of Directors finds that it has complied with all substantive requirements including but not limited to Article XIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750 of the California Government Code) in adopting Ordinance No. 2015-01 Increasing and Adjusting Water Service Charges.

Upon motion of Vice President White, seconded by Director Guerrero, and on the following roll call vote, to wit:

AYES: Vice President White, Director Guerrero, Director Blackburn, Director Angello, President Lucey

NOES: None

ABSENT: None

ABSTAINING: None

the foregoing Resolution is hereby adopted on the 20 day of April, 2015.


President of the Board of Directors

ATTEST:

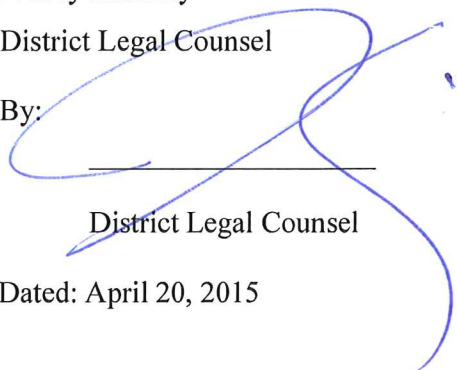
CELIA RUIZ
Secretary of the Board of Directors

BY: 
Board Secretary

[SEAL]

APPROVED AS TO FORM AND LEGAL EFFECT:

Jeffrey Minnery
District Legal Counsel

By: 
District Legal Counsel

Dated: April 20, 2015