TO: BOARD OF DIRECTORS

FROM: BRUCE BUEL

DATE: SEPT. 21, 2007

AGENDA ITEM
D-6
SEPT. 26, 2007

ACCEPT TOWN SEWER FUND FINANCIAL PLAN

ITEM

Accept Town Sewer Fund Financial Plan; propose user fees and capacity charges; and authorize 45 day notice for public hearings pursuant to California Constitution Article XIIID [RECOMMEND ADOPTION].

BACKGROUND

Attached is Bob Reed's revised Draft Town Sewer Financial Plan including the minor edits ordered by the Board at the August review. As set forth in the draft, Mr. Reed is proposing a 25% user fee increase effective April 2008; another 25% user fee increase effective January 2009; and a third 25% user fee increase effective January 2010. Thus, the typical single family customer's bi-monthly bill would increase from $45.00 in 2007 to $56.53 after April 1, 2008; to $70.66 in January 2009; and $88.32 in January 2010. It should be noted that these increases replace the previous 4% increases ordered by the Board ($46.80 every two months effective 7/1/08 and $48.67 every two months effective 7/1/09).

Mr. Reed is also proposing to increase NCSD's Sewer Capacity Charge from $4,314 to $6,927. This Capacity Charge would become effective 4/1/08 and would be subject to adjustment for inflation over time.

The largest component of both the User Fee increase and the Capacity Charge increase is the projected $12 million investment needed to upgrade the Southland WWTF. This Draft assumes that the District will continue to use a flat fee user charge for this period and research the feasibility of converting to a commodity based user charge when rates are next considered.

Should your Honorable Board accept the report at this meeting, staff would publish the 45-Day notice in late November and schedule the approval hearing at the January 23, 2008 Board Meeting. Staff recommends January to avoid the holiday season and to allow for the other rate studies to progress.

RECOMMENDATION

Staff recommends that your Honorable Board accept the Draft Plan; propose the User Fees and Capacity Charges set forth in the Plan; and authorize publication of the 45-Day notice for an approval hearing to be held on January 23, 2008.

ATTACHMENTS

- Draft Town Sewer Fund Financial Plan

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Nipomo Community Services District

TOWN SEWER SYSTEM
FINANCIAL PLAN, USER RATES,
AND CAPACITY CHARGES

FINAL REPORT

August 24, 2007

THE REED GROUP, INC.

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I. Executive Summary

Introduction

In 2005, The Reed Group, Inc. assisted the Nipomo Community Services District with the development of five-year financial plans for the District's water and sewer utilities. In the spring of 2007 the Nipomo Community Services District retained The Reed Group, Inc. to update financial plans and water and sewer rate recommendations for the District's Town and Blacklake Divisions. This report presents a financial plan and sewer rate recommendations for the Town Division sewer system. Financial plans and water/sewer rate recommendations for the District's other water and sewer systems are presented in separate reports.

The District owns, operates, and maintains a sewer collection, treatment, and disposal system for the Town sewer system. The sewer rates paid by customers of the sewer system are generally intended to cover the costs of the sewer system. The District's Town and Blacklake sewer systems are operated as independent systems.

The remainder of this Executive Summary presents primary findings and recommendations related to the (1) Town sewer system financial plan, and (2) sewer rates for the system. Section II provides details on the financial plan. Section III presents sewer rate calculations.

Town Sewer System Financial Plan

The financial plan for the Town sewer system was developed to cover a five-year planning period from FY 07-08 through FY 11-12. The financial plan includes estimated operating and maintenance costs, anticipated debt service obligations, and capital program needs.

The financial plan model was used to identify annual sewer rate revenue requirements for each year of the planning period. The revenue requirement is the amount needed to cover operating costs, debt obligations, and capital program needs with consideration of other revenues and financial reserves. Annual rate increases are based on the estimates of current and future costs provided by the District. Analyses sought to develop a financial strategy that would help to minimize the magnitude of annual sewer rate increases, while still meeting financial obligations.

The financial plan model is intended to serve a planning and management tool to assist the District in evaluating the current and future needs of the sewer utility. Underlying assumptions, financial objectives, and the proposed financial strategies are described in Section II of this report. Significant findings and recommendations resulting from the financial planning efforts are presented below.

- While the current Town Sewer Operating Fund exceeds the minimum operating reserve target, planned expenditures and capital program transfers exceed current revenues, which will result in a declining Operating Fund balance in FY 07-08 unless sewer rates are increased significantly.

- The beginning-of-year (FY 07-08) Operating Fund balance is about $585,000 with a target Operating Reserve of $187,000. Therefore, the Town Sewer Operating Fund is about three times the minimum target level.

- The District annually transfers an amount equal to depreciation into the Funded Replacement Fund. The existing balance in the Funded Replacement Fund is about $2.7 million. By continuing the practice of funding depreciation the Funded Replacement Fund will have adequate cash for planned replacement and upgrade projects, as well as providing about $2.6 million for planned treatment plant improvements.

- The District previously adopted Town sewer rate increases for January 2008 and January 2009 of 4 percent each year. However significant increases in the sewer rate will be required for several years to meet future financial obligations associated with future wastewater treatment improvements and related debt service. Rate recommendations presented in this report would supersede previously approved sewer rates.

- The District will likely need to issue long-term debt to finance a portion of the planned wastewater treatment improvements. The District plans to allocate sewer treatment improvement costs 47 percent to existing users and 53 percent to new development.

The proposed financial strategy for the Town sewer system includes:

- The Town Sewer Funded Replacement Fund should provide a $200,000 loan to the Blacklake Sewer Funded Replacement Fund in order to provide the money needed to undertake planned capital improvement projects in Blacklake. The loan would be repaid, with interest, over a five year period from Blacklake sewer customers through a special surcharge established for this purpose.

- The annual transfer from the Operating Fund to the Funded Replacement Fund should be maintained equal to the annual depreciation expense throughout the planning period to provide money needed to undertake planned capital improvement projects.

- The District should plan on issuing about $10.6 million in long-term debt in FY 07-08 to provide about $8.9 million in net proceeds for planned improvements to the Southland WWTF. Debt proceeds would also be used to cover issuance costs, fund a debt service reserve, and capitalize interest for two years. Full principal and interest payments as assumed to begin in FY 10-11.

- The Southland WWTF project is assumed to have a total cost of $12 million. It is assumed that the project will be financed as follows:

    - $8.9 million from new long-term debt to be issued in FY 07-08
    - $2.6 million from the Town Sewer Funded Replacement Fund
    - $0.5 million from the Town Sewer Capital Improvement Fund

- Sewer rates for the Town sewer system should be increased as shown below. The rate increases are relative to the current sewer rates, and would supersede the previously approved rate increases for 2008 and 2009.

April 2008	25%
January 2009	25%
January 2010	25%
January 2011	25%
January 2012	0%

The proposed sewer rate increases will be needed to cover costs as well as meet anticipated debt service coverage requirements as debt service obligations ramp up over the next several years.

- Proposed Town sewer system capacity charges should provide sufficient capacity charge revenues (based on assumed growth rates) to cover expansion projects funded through the Town sewer Capital Improvement Fund and growth-related debt service associated with Southland WWTF improvements.

Proposed Sewer Rate Schedules

This study included developing specific sewer rate recommendations for the next three years. Proposed sewer rate schedules covering the three-year period are presented in **Exhibit I-1** for the Town sewer system. Proposed rates are intended to generate the rate revenues reflected in the financial plan. Details of sewer rate calculations are included in Section III of this report.

Exhibit I-1
Nipomo Community Services District
Current and Proposed Town Division Sewer Rates

	Current (1)	April 2008	Jan. 2009	Jan. 2010
Bi-Monthly Residential Service Charges (2)				
Single Family	$ 45.00	$56.53	$ 70.66	$ 88.32
Multi-Family	$ 34.80	$43.09	$ 53.86	$ 67.33
Bi-Monthly Non-Residential Service Charges (3)				
Up to 1"	$ 17.39	$ 21.80	$ 27.25	$ 34.07
1 1/2"	$ 49.77	$ 63.10	$ 78.87	$ 98.59
2"	$ 78.95	$ 100.26	$ 125.33	$ 156.66
3"	$ 147.09	$ 186.98	$ 233.73	$ 292.16
4"	$ 244.41	$ 310.86	$ 388.58	$ 485.72
6"	$ 487.50	$ 620.57	$ 775.71	$ 969.64
8"	$ 779.32	$ 992.22	$ 1,240.27	$ 1,550.34
Non-Residential Usage Rates ($/HCF)				
Low Strength	$ 1.32	$1.85	$ 2.31	$ 2.89
Medium Strength	$ 1.46	$2.05	$ 2.56	$ 3.20
High Strength	$ 1.89	$2.65	$ 3.31	$ 4.14

Notes:
(1) Effective January 1, 2007 as adopted with Ordinance 2005-103.
(2) Per dwelling unit.
(3) Non-residential includes commercial and industrial.

Customer Bills Impacts of Proposed Rates

The specific change to rate components in April 2008 reflect the cost of service analysis performed in developing the rates. As a result, the percentage change to individual rates varies based on the demand characteristics of each customer class. The table below summarizes the proposed

changes in single family and multi-family sewer rates over the next three years. Non-residential sewer bill changes will depend on each customers meter size and water usage.

	Amount	$ Change	% Change
Single Family			
Current	$45.00		
April 2008	$56.53	$11.53	26%
Jan. 2009	$70.66	$14.13	25%
Jan. 2010	$88.32	$17.66	25%
Multi-Family			
Current	$34.80		
April 2008	$43.09	$8.29	24%
Jan. 2009	$53.86	$10.77	25%
Jan. 2010	$67.33	$13.47	25%

Proposed Sewer Capacity Charges

Exhibit I-2 summarizes current and proposed Town sewer system capacity charges. The proposed sewer capacity charge of $6,927 for a standard connection reflects a 61 percent increase, due largely to planned wastewater treatment improvements. Capacity charges are paid for new connections to the sewer system and are intended to reflect the estimated reasonable cost of providing capacity for new development in the sewer system. The proposed capacity charges reflect the estimated cost of wastewater treatment improvements, as well as buy-in to the existing sewer collection system. Details of capacity charge calculations are included in Section IV of this report.

Exhibit I-2
Nipomo Community Services District
Current and Proposed Town Sewer Capacity Charges

	Current (1)	Proposed
Town Sewer System Capacity Charge		
Up to 1" meter	$ 4,314	$ 6,927
1 1/2" meter	$ 12,927	$ 20,781
2" meter	$ 20,692	$ 33,250
3" meter	$ 38,823	$ 62,343
4" meter	$ 64,718	$ 103,905
6" meter	$ 129,396	$ 207,810

Notes:
(1) Effective July 1, 2007 based on Ordinance 2005-101.

II. Five-Year Financial Plan

This section of the report describes the Town sewer system five-year financial plan prepared for the Nipomo Community Services District. This section includes a description of fund and reserve structures and cash flows, financial plan assumptions including the capital improvement program and financing assumptions for capital projects, and a summary of the financial plan. Detailed exhibits of Town sewer system financial plan model are included in **Appendix A**, at the end of this report.

The financial plan is used to determine annual sewer rate revenue requirements. The annual rate revenue requirement is the amount of revenue needed from user rates to cover planned operating, maintenance, debt service, and capital program costs with consideration of other revenues, as well as financial reserves.

Fund and Reserve Structures and Cash Flows

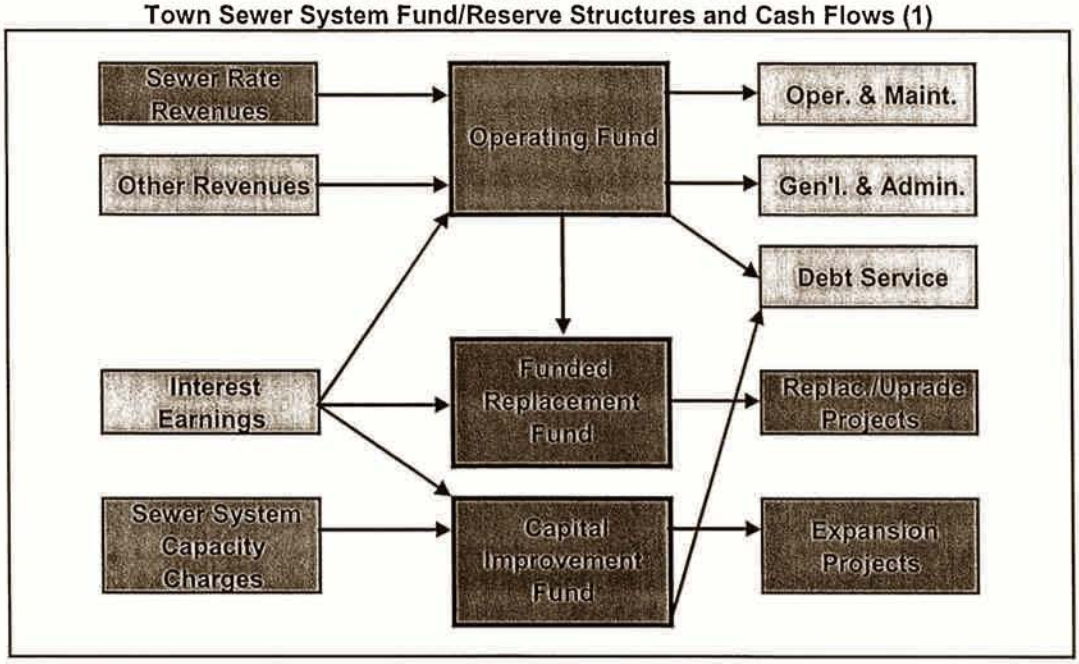
The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements and balance sheets. The financial plan models sources and uses of funds into, out of, and between the various funds and reserves of the sewer utility.

The financial plan model is based on the fund, reserve, and account structures currently used by the District. **Exhibit II-1** is a schematic diagram of the funds/reserves and major cash flows associated with the financial plan model. Unlike the Blacklake sewer system, the Town sewer system includes a Capital Improvement Fund, and capacity charge revenues, related to capital improvements intended to provide additional capacity in the sewer system.

An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model annual cash flows through the sewer utility from one year to the next. The fund/reserve structure is comprised of:

- ***Operating Fund*** – The Operating Fund is the primary fund within the sewer utility. Most of the sewer system's revenues, including rate revenues, flow into the Operating Fund and all operating and maintenance costs, including capital outlay items and debt service payments, are paid out of this fund. Funds are also transferred from the Operating Fund to the Funded Replacement Fund to fund capital projects intended to rehabilitate and upgrade facilities.
    - *Operating Reserve* – The District currently has a policy goal to maintain Operating Reserves within the Operating Fund equal to 25 percent of annual operating and maintenance costs for the water system. The purpose of the Operating Reserve is to provide working capital and funds for unplanned operating and maintenance expenditures. The balance in the sewer system Operating Fund is currently about three times the minimum target Operating Reserve.

Exhibit II-1
Nipomo Community Services District
Town Sewer System Fund/Reserve Structures and Cash Flows (1)



- *Uncommitted Fund Balance* – The balance in the Operating Fund in excess of the target amount for the Operating Reserve is shown in the financial plan exhibits (see Appendix A) as Uncommitted Fund Balance. After all other obligations are met the Uncommitted Fund Balance is available to offset rate increases, and the financial plan model attempts to reduce any Uncommitted Fund Balance. A negative amount for the Uncommitted Fund Balance would indicate the amount by which the Operating Fund is below the target operating reserve.

- ***Funded Replacement Fund*** – The Funded Replacement Fund is used to account for capital projects intended to rehabilitate or upgrade the Town sewer system. The primary source of money for the Funded Replacement Fund is a transfer from the Operating Fund. The District currently transfers an amount equal to annual depreciation into the Funded Replacement Fund. At present, the Funded Replacement Fund for the Town sewer system has a balance of about $2.7 million, or more than seven times annual depreciation.

- ***Capital Improvement Fund*** – The Capital Improvement Fund is used to account for revenues and expense related to the Town sewer system capacity charges. Capital projects funded from the Capital Improvement Fund are those needed for system expansion and to accommodate the needs of new development. At the beginning of FY 07-08 the Capital Improvement Fund is estimated to have a balance of about $5.4 million.

Financial Plan Assumptions

The financial plan was created to reflect the proposed FY 07-08 budget and financial condition as of the beginning of the fiscal year. The financial plan also reflects planned capital improvement program expenditures, as identified by staff for the five-year planning period.

The process used to develop the financial plan involved estimating future revenues and expenditures based on growth projections, inflation and interest rates, anticipated capital improvement needs, and other information. The District does not have formal estimates of future operating and maintenance costs, and capital improvement needs are defined at a planning level. The data and assumptions used in developing the financial plans were reviewed by staff. The financial plan is based on the best available information and assumptions are believed to be reasonable; however, no assurance can be provided as to the accuracy and completeness of the estimates.

Basic Assumptions

Exhibit II-2 summarizes the basic assumptions reflected in the financial plan model, as described below.

- *Inflation Rates* – Operating costs are inflated largely based on a factor for general inflation. An annual inflation rate of 3.0 percent was used for operational costs.

- *Interest Rates* – The District earns interest on its fund and reserve balances. Most of the District's available cash is invested in the Local Agency Investment Fund (LAIF). An annual return on fund and reserve balances is assumed to be 4.5 percent per year estimated on the beginning-of-year balances. The current interest earnings on funds deposited with LAIF is about 5.2 percent, however, the 4.5 percent assumption is more consistent with long-term averages. The assumption reflected herein is therefore somewhat conservative.

- *Growth Projections* – For purposed of financial plan and rate analysis an annual growth rate in the Town service area is assumed to be 1.0 percent per year. This is a financially conservative assumption justified by the sensitivity of the financial plan to capacity charge revenues. Actual new development may be about 2.3 percent per year.

- *Customer Account and Water Use Data* – In developing the financial plan model, detailed customer account and water use data were obtained for the period from June 2006 through May 2007. Additional information on the current number and type of customers is provided in Section III of this report.

- *Capacity Charge Revenues* – Section IV of this report includes recommended changes to the Town sewer system capacity charges. Capacity charge revenues reflected in the financial plan are based on the proposed capacity charges presented in Section III of this report (with annual inflationary increases) and annual new growth. Capacity charge revenues accrue to the Capital Improvement Fund.

Exhibit II-2
Nipomo Community Services District
Summary of Financial Plan Assumptions

Interest Earnings	4.5%					
General Inflation Rate	3.0%					
Operating Reserve - Sewer	25%	of operating expenditures				
Customer Growth Rate						
Town Division	1.0%	per year				
	FY 06-07	**FY 07-08**	**FY 08-09**	**FY 09-10**	**FY 10-11**	**FY 11-12**
No. of Accounts						
Town - Sewer	2,295	2,318	2,341	2,365	2,388	2,412
No. of Equiv. Customers	3,107	3,138	3,169	3,201	3,233	3,265
Capacity Charges						
Town Sewer Cap. Chrg. (1" meter)	$ 4,133	$ 6,927	$ 7,135	$ 7,349	$ 7,569	$ 7,796

Sewer Loan From Town (Fund 810) to Blacklake (Fund 830) Funded Replacement Funds (FY 07-08)

Amount of Loan	$ 200,000			
Interest Rate	5.0%		*Blacklake Sewer Loan Surcharge*	
Term	5	years	$ 356	Lump Sum Payment
Bi-Monthly Payment	$ 7,562		$ 13.46	Bi-Monthly Surcharge

Town Sewer COPs for Southland WWTF (FY 07-08)

Amount of Debt	10,600,000	
Net Proceeds	8,900,000	
Interest Rate	6.0%	
Term	20	years
Issuance Costs	4%	of par amount
Annual Payment	924,156	
Capitalized interest in 1st year	350,000	
Interest-only payments for first 2 years		

Operating and Maintenance Costs

Annual operating and maintenance costs are based on the proposed FY 07-08 budget. In addition, the financial plan assumes the addition of a Maintenance Worker and a Utility Worker to the District in FY 08-09 (with a portion of costs allocated to the Town sewer system). The financial plan also reflects estimated increased energy costs associated with operating the expanded Southland WWTF. Increased energy costs are assumed to be about $195,000 per year beginning in FY 09-10. Future debt service obligations associated with financing of Southland WWTF improvements are also included in future operating and maintenance costs. Capacity charge revenues are transferred to the Operating Fund in support of the portion of annual debt service associated with new development.

Capital Improvement Program

At present, the District is nearing completion of a 20-year sewer system master plan for the both the Town and Blacklake sewer systems. For purposes of this study, District staff prepared a five-year capital improvement plan for the Town system. Financial plan exhibits contain in Appendix A list each project, estimated cost, and year of construction. Capital improvement projects of the Town sewer system are funded either from the Funded Replacement Fund (for replacement and upgrade projects) or the Capital Improvement Fund (for expansion projects).

The Southland WWTF project is shown in the Capital Improvement Fund, even though a portion of the project will benefit existing customers. The District has determined that 47 percent of the cost of the project should be paid by existing users and 53 percent by new development. For financial planning purposes, District staff has estimated the near-term cost of the Southland WWTF at about $12 million. Using the financial plan model, it is recommended that the District finance the project as follows:

- $8.9 million from the issuance of new long-term debt (par amount about $10.6 million)
- $2.6 million from Funded Replacement Fund reserves
- $500,000 from available Capital Improvement Fund reserves

The $2.6 million from the Funded Replacement Fund would be applied to the existing customer portion of the project's cost, and the $500,000 from the Capital Improvement Fund would apply to the new development portion of costs. Debt service payments (related to the $8.9 million of project costs) would be allocated 29 percent to existing customers and 71 percent to new development.

All other capital improvement projects included in either the Funded Replacement Fund or the Capital Improvement Fund would be financed through reserves and revenues of each fund, and no additional long-term debt is anticipated.

Financial Plan Findings and Conclusions

The preceding portion of this section described the basic framework and assumptions underlying financial analyses. Specific findings and conclusions pertaining to the Town sewer system is presented below, beginning with a description of the current situation.

Currently the Town sewer system has:

- Budgeted expenditures and transfers that exceed current revenues, which results in a declining Operating Fund balance. As of the end of FY 06-07 the Operating Fund is about three times the minimum operating reserve target level. However, significant rate increases over the next three years will be required to cover estimated operating and maintenance costs, including debt service payments, as well as debt service coverage requirements.
- A balance in the Town sewer Funded Replacement Fund that exceeds $2.7 million. It is estimated that the District can use about $2.6 million to help finance the Southland WWTF. Annual transfers from the Operating Fund to the Funded Replacement Fund should be sufficient to cover the costs of other planned projects to be funded from that fund.

Sewer rates and other Operating Fund revenues should normally cover all operating and maintenance costs, plus providing ongoing support for capital replacement and upgrade needs through annual transfers to the Funded Replacement Fund. Current sewer rates and other revenues will not meet this requirement in FY 07-08 and beyond as the District undertakes improvements to the Southland WWTF. Significant rate increases are needed over the next several years meet future financial obligations of the Town sewer system.

The proposed overall average annual rate increases needed to meet estimated financial obligations of the Town sewer system are shown below.

	Overall Average Rate Increase
April 2008	25%
January 2009	25%
January 2010	25%
January 2011	25%
January 2012	0%

At present, Town sewer rates generate about $835,000 annually. With the requirements for ongoing operations and maintenance, as well as the requirements of future debt service, annual sewer rate revenue requirements will exceed $2.0 million per year by 2011. The Town sewer system can not sustain current operations and prudent capital improvements without the recommended rate increases.

III. Sewer Rates

This section of the report describes proposed sewer rates for the Town Division of the Nipomo Community Services District. A three-year rate plan is presented. This section also includes information on the current sewer rates, customer account data, and the impact of proposed rates on typical sewer bills.

Current Sewer Rates

The current sewer rates of the Town sewer system are summarized below in **Exhibit III-1**. Residential sewer customers are charged a flat amount for sewer service based on the number of dwelling units. Commercial and industrial sewer customers are charged a fixed bi-monthly service charge based on the size of the water meter and a commodity charge based on water use and strength classification.

Exhibit III-1
Nipomo Community Services District
Current Town Division Sewer Rates (1)

	Town Division
Bi-Monthly Residential Service Charges (2)	
Single Family	$ 45.00
Multi-Family	$ 34.80
Bi-Monthly Non-Residential Service Charges (3)	
Up to 1"	$ 17.39
1 1/2"	$ 49.77
2"	$ 78.95
3"	$ 147.09
4"	$ 244.41
6"	$ 487.50
8"	$ 779.32
Non-Residential Usage Rates ($/HCF)	
Low Strength	$ 1.32
Medium Strength	$ 1.46
High Strength	$ 1.89

Notes:
(1) Effective January 1, 2007 as adopted with Ordinance 2005-103.
(2) Per dwelling unit.
(3) Non-residential includes commercial and industrial.

Sewer Rate Calculations

The calculation of sewer rates is both similar and different to water rate calculations. Sewer rate calculations are similar to water rates in that it involves a three-step process. First, the annual sewer rate revenue requirement must be determined. The sewer rate revenue requirement is that amount of revenues to be generated annually to meet operating and capital program needs with consideration of other sewer system revenues and reserves. Annual sewer rate revenue requirements were determined using the five-year financial plan model described in Section II. The second step in the rate setting process is a cost of service analysis accomplished by the allocation of sewer system costs to rate components. Finally, the third step in the process is rate design and the development of sewer rate schedules.

Sewer rates differ from water rates in that costs are allocated not only on flow, but also on the strength characteristics of sewer flows, which affect the cost of treatment. The amount of biochemical oxygen demand (BOD) and suspended solids (SS) are used in addition to sewer flow to calculate sewer rates. Restaurants, for example, generate a high strength waste that is more costly to treat than waste from a retail store or office building. In developing sewer rates for the District non-residential customers have been categorized into low, medium, and high strength categories.

The Town sewer system provides sewer service to 2,515 single family residences, 475 multi-family dwellings, and 65 non-residential customers. Sewer rate calculations are intended to recover costs from each customer in proportion to the cost of providing service.

Annual Sewer Rate Revenue Requirement

The annual sewer rate revenue requirements were determined for each fiscal year of the five-year financial planning models. Because sewer rates are adjusted annually at the beginning of each calendar year, the revenue fiscal year revenue requirement must be adjusted to a calendar year revenue requirement. This rate study included developing specific rate schedules for the next three years. The current annual sewer rate revenues and calendar year annual revenue requirements for the next three years are summarized below.

	Town Sewer Rate Rev. Reqmt.	Percent Change
2007	$835,000	
2008	$1,053,000	26%
2009	$1,330,000	26%
2010	$1,679,000	26%

The sewer rate schedules developed for each of the next three years are intended to generate the amount of revenue listed above. Required rate increases are partially offset by the estimated 1 percent annual growth in the customer base.

Cost of Service Analysis

Once the annual revenue requirement has been determined, sewer rates are calculated following cost of service and rate design principles. Cost of service analysis includes the allocation of costs (the revenue requirement) to the categories described below. The cost allocation was performed at the line-item level of detail in the budget.

- *Customer Costs* – Customer costs such as billing and customer service are fixed costs that tend to vary as the function of the number of customers served. Customer costs are allocated equally to all customers based on the total number of accounts, and are included in the bi-monthly service charge.

- *Capacity Costs* – Capacity costs are fixed costs associated with maintaining and rehabilitating the sewer system. These costs include maintenance costs as well as the annual transfer to the Funded Replacement Fund. Capacity costs tend to vary in relation to the total capacity of the collection system. Customers who have the ability to place a greater or lesser demand on the sewer system (as indicated by the size of the water meter) should bear a greater or lesser share of fixed capacity costs, respectively. The sewer system is sized to meet peak demands. Therefore, fixed capacity costs are allocated to sewer connections in proportion to the capacity provided by various sized meters. They are included in the service charge portion of the sewer rates.

- *Collection System Costs* – Collection system costs are variable costs associated with the operation and maintenance of the underground pipelines and lift stations prior to the treatment plant. As there are no treatment costs associated with conveying sewer flows to the treatment plant, collection system costs are assigned to each customer in relation to estimated sewer flows from each customer. Collection system costs are recovered through the commodity rate portion of the sewer rates.

- *Treatment Costs* – The costs of providing sewer treatment and disposal are considered variable costs. However, treatment costs are assigned to customers based not only on sewer flows, but also BOD and SS. For purposes of rate analyses presented herein, treatment costs are allocated 34 percent to flow, 33 percent to BOD, and 33 percent to SS.

- *Shared (Indirect) Costs* – Some cost items are not directly allocated to any of the four components identified above. Instead these costs are first allocated as shared (indirect) costs, and subsequently reallocated to each of the four components based on the percentage of costs that were directly allocated to these components.

The allocation of costs to each of the cost components occurs at the individual line-item level of detail in the District's budget and account structure. Most costs are allocated directly to the customer, capacity, collection, or treatment components, although some are categorized as shared costs then reallocated indirectly. Using the FY 07-08 budget as the basis for cost allocations, costs were allocated as follows:

Customer Costs	2%
Capacity Costs	36%
Collection Costs	44%
Treatment Costs	18%
Total	100%

The allocation of costs to sewer customers is more complex that water rate allocations because the allocations are based on estimated sewer flows (rather than water usage), and because treatment costs must be allocated on multiple bases – flow, BOD, and SS. Exhibits on the following pages provide details for Town sewer rate cost allocations. These include:

- **Exhibits III-2** Step 1 – Identification of Users and Pollutant Levels
- **Exhibits III-3** Step 2 – Determination of Unit Costs
- **Exhibits III-4** Step 2A – Sewer Service Charge Calculation
- **Exhibits III-5** Step 3 – Sewer Rate Calculation by Cost Component
- **Exhibits III-6** Step 4 – Final Sewer Rate Determination

Exhibit III-2
Nipomo Community Services District
Sewer Rate Calculation for the Town Division
Step 1 -- Identification of Users and Pollutant Levels

			FLOW:					BOD:		SS:	
No. of Accounts	No. of Dwelling Units	User Group	Year/Winter Water Consumption Per User Class	Rate of Return	Adjust for Rate of Return	Annual Capacity	Total Annual Flow	BOD User	Annual Capacity	SS Per User	Annual Capacity
			(HCF)		(HCF)	(MG)	(MGD)	(mg/l)	(lbs)	(mg/l)	(lbs)
		RESIDENTIAL:									
2,372	2,515	Single Family	241,000	Applied	241,000	180.3	0.49	250	375,846	250	375,846
316	475	Multi-Family	27,900	Applied	27,900	20.9	0.06	250	43,511	250	43,511
2,688	2,990	Subtotal- Residential	268,900		268,900	201.1	0.55		419,357		419,357
		NON-RESIDENTIAL:									
36		Low	15,021	85%	12,768	9.6	0.03	250	19,912	250	19,912
19		Medium	8,679	85%	7,377	5.5	0.02	400	18,408	400	18,408
10		High	6,165	85%	5,240	3.9	0.01	1000	32,689	700	22,882
65		Subtotal Non-Residential	29,865		25,385	19.0	0.05		71,009		61,202
2,753		TOTAL	298,765		294,285	220.1	0.60		490,366		480,559

Exhibit III-3
Nipomo Community Services District
Sewer Rate Calculation for the Town Division
Step 2 -- Determination of Unit Costs

Cost Category	Parameter Allocation Percentages	Annual Cost Allocated To Each Parameter	Total Quantities	Unit Cost For Each Parameter
Fixed O,M,&R Costs (Customer and Capacity)				
Less Other Revenues				
Per Fixed Cost Billing Unit	100%	$ 406,400	3,107	$ 130.82
Variable O&M Costs for Collection	$ 461,200			
(Semi-Variable & Variable)				
Flow (MG)	100%	$ 461,200	220.125	$ 2,095.17
Variable O&M Costs for Treatment	$ 185,300			
(Semi-Variable & Variable)				
Flow (MG)	34%	$ 63,002	220.125	$ 286.21
BOD (LBS.)	33%	$ 61,149	490,366	$ 0.1247
SS (LBS.)	33%	$ 61,149	480,559	$ 0.1272

Exhibit III-4
Nipomo Community Services District
Sewer Rate Calculations for the Town Division
Step 2A -- Sewer Service Charge Calculation

Customer Class	1" or Less	1 1/2"	2"	3"	4"	6"	8"	Total
Number of Accounts								
Single Family (DUs)	2,515							2,515
Multi-Family (DUs)	475							475
Non-Residential - Low	28	4	4					36
Non-Residential - Medium	10	6	3					19
Non-Residential - High	7	2	1					10
Total	3,035	12	8	0	0	0	0	3,055
Hydraulic Cap. Factor	1.0	3.0	4.8	9.0	15.0	30.0	48.0	
Number of Equivalent Meters								
Single Family (DUs)	2,515							2,515
Multi-Family (DUs)	475							475
Non-Residential - Low	28	12	19	0	0	0	0	59
Non-Residential - Medium	10	18	14	0	0	0	0	42
Non-Residential - High	7	6	5	0	0	0	0	18
Total	3,035	36	38	0	0	0	0	3,109
Bi-Monthly Service Charge								
Customer Costs	$1.16	$1.16	$1.16	$1.16	$1.16	$1.16	$1.16	
Capacity Costs	$20.65	$61.94	$99.11	$185.82	$309.71	$619.41	$991.06	
Total Monthly	**$21.80**	**$63.10**	**$100.26**	**$186.98**	**$310.86**	**$620.57**	**$992.22**	
Customer Equiv. Factor	1.00	2.89	4.60	8.58	14.26	28.46	45.51	
Summary of Fixed Costs								
Customer Costs	$21,200							
Capacity Costs	$385,200							
	$406,400							
Number of Equivalent Customers								
Single Family (DUs)	2,515							2,515
Multi-Family (DUs)	475							475
Non-Residential - Low	28	12	18	0	0	0	0	58
Non-Residential - Medium	10	17	14	0	0	0	0	41
Non-Residential - High	7	6	5	0	0	0	0	17
	3,035	35	37	0	0	0	0	3,107

Exhibit III-5
Nipomo Community Services District
Sewer Rate Calculation for the Town Division
Step 3 -- Sewer Rate Calculation By Cost Component

No. of Users	User Group	Fixed O,M,&R Costs: Number of Units	Fixed O,M,&R Costs: Fixed Cost	Variable O, M, & R Costs: Collection System Flow	Variable O, M, & R Costs: Sewer Treatment Flow	Variable O, M, & R Costs: Sewer Treatment BOD	Variable O, M, & R Costs: Sewer Treatment SS	Total Annual Revenue Required
			Unit Cost = $130.82	Unit Cost = $2,095.17	Unit Cost = $286.21	Unit Cost = $0.1247	Unit Cost = $0.1272	
			($/Eq. Cust.)	($/MG)	($/MG)	($/lb)	($/lb)	
	RESIDENTIAL							
2,372	Single Family	2,515	$329,017	$377,692	$51,594	$46,868	$47,825	$852,997
316	Multi-Family	475	$62,140	$43,725	$5,973	$5,426	$5,537	$122,800
2,688	Subtotal- Residential	2,990	$391,157	$421,417	$57,567	$52,294	$53,361	$975,797
	NON-RESIDENTIAL							
36	Low	58	$7,584	$20,010	$2,733	$2,483	$2,534	$35,343
19	Medium	41	$5,384	$11,561	$1,579	$2,295	$2,342	$23,163
10	High	17	$2,275	$8,212	$1,122	$4,076	$2,912	$18,597
65	Subtotal-Non-Residential	117	$15,243	$39,783	$5,435	$8,855	$7,788	$77,103
2,753	Total	3,107	$ 406,400	$ 461,200	$ 63,002	$ 61,149	$ 61,149	$ 1,052,900
							Check Total-->	$ 1,053,000

Exhibit III-6
Nipomo Community Services District
Sewer Rate Calculation for the Town Division
Step 4 -- Final Sewer Rate Determination

No. of Equiv. Cust.	User Group	Ann./ Win. Water Consumption Per User Class	Rate of Return	Adjust For Rate of Return	BOD Per User	SS Per User	Bi-Monthly Service Charge	Commodity Rate	Annual Fixed Fee Revenue	Annual Variable Revenue	Bi-Monthly Flat Rate per DU
		(HCF)		(HCF)	(MG/L)	(MG/L)	(1" Mtr.)	($/HCF)			
	RESIDENTIAL:										
2,515	Single Family	241,000	Applied	241,000	250	250	$21.80	$2.17	$ 329,017	$ 523,980	$56.53
475	Multi-Family	27,900	Applied	27,900	250	250	$21.80	$2.17	$ 62,140	$ 60,660	$43.09
2,990	Subtotal- Residential	268,900		268,900					$ 391,157	$ 584,639	
	NON RESIDENTIAL:										
58	Low	15,021	85%	12,768	250	250	$21.80	$1.85	$ 7,584	$ 27,760	
41	Medium	8,679	85%	7,377	400	400	$21.80	$2.05	$ 5,384	$ 17,778	
17	High	6,165	85%	5,240	1000	700	$21.80	$2.65	$ 2,275	$ 16,322	
117	Subtotal Non-Residential	29,865		25,385					$ 15,243	$ 61,861	
3,107	TOTAL ALL USERS:	298,765		294,285					$ 406,400	$ 646,500	$1,052,900

Sewer Rate Structure Design

The final step in the sewer rate setting process is to design sewer rates for each customer class. The proposed sewer rates include a fixed bi-monthly service charge and a commodity rate. Proposed sewer rates maintain the current basic structure, which includes fixed bi-monthly service charges for residential customers and a combination of service charge and commodity charge for non-residential customers.

Residential Sewer Rates

Residential flat rates include a fixed service charge and a commodity charge. The service charge is based on meter size up to 1", which is standard for single family customers. Multi-family customers are also assigned a service charge on a per-dwelling-unit basis. Service charges recover the fixed customer and capacity costs assigned to the residential class.

The commodity charge for single family residential customers was determined based on average water usage during the lowest-use winter months when irrigation usage is minimal. Water used during winter months is assumed to end up in the sewer system, and further assumed to produce a comparable sewer flow throughout the year. Multi-family sewer flows were estimated in the same manner – based on the average minimum winter water use on a per-dwelling-unit basis. Using these sewer flow estimates, a fixed flow rate per dwelling unit was estimated. For single family residences, the sewer flow was determined to be about 16 HCF bi-monthly (196 gpd/du). For multi-family residences, the sewer flow rate was determined to be about 10 HCF bi-monthly (122 gpd/du).

Because multi-family customers generate less sewer flow than single family customers they are charged a lesser amount for the service. Based on costs and revenue needs for FY 07-08, the proposed residential flat rates for 2008 are:

	Current	Proposed (2008)
Single Family	$ 45.00	$ 56.53
Multi-family (per DU)	$ 34.80	$ 43.09

Non-Residential Sewer Rates

Sewer rates for non-residential customers include a bi-monthly service charge based on the size of the water meter and a uniform commodity rate that varies depending on the strength category for each customer. Basing service charges on the size of the water meter enables rates to reflect the cost of providing sewer service capacity to customers in relation to the potential demand that they can place on the system.

Variable treatment and collection costs are recovered through the commodity rates. The rates vary for each strength category to reflect the added costs associated with treating BOD and SS. It is recommended that the District charge non-residential users on the basis of bi-monthly water use. Unlike residential sewer flows that are based on minimum winter water use, non-residential demands can vary based on a variety of factors that can not be easily simplified into a unit usage value. For purposes of rate analyses, 90 percent of non-residential water usage is assumed to become sewer flows.

The strength categories – low, medium, and high – are proposed for the non-residential sewer rates. Examples of types of customers that would fit into each of these categories include:

- *Low Strength* – Retail, office, beauty shop, Laundromat, car wash, schools, bar without food, storage
- *Medium Strength* – Hotel, service station, auto dealer, commercial/industrial laundry, manufacturing (various types), mixed use (e.g., retail/restaurant)
- *High Strength* – Restaurant, bar with food, grocery with food grinder or bakery, bakery, mortuary, manufacturing (various types)

Appendix B, at the end of this report, includes a compilation of data on the strength characteristics of various types of establishments. This information should be used by the District as a guideline for assigning each non-residential sewer customer to a strength category.

In determining the strength-based commodity rates all variable collection costs are allocated based on flow alone and make up an equal amount to each of the commodity rates. Treatment costs are allocated to the three strength rates based on an allocation of 34 percent to flow, 33 percent based on BOD and 33 percent based on SS. The average composite loading factors used in rate calculations are:

	BOD (mg/l)	SS (mg/l)
Residential	250	250
Low strength	250	250
Medium strength	400	400
High strength	1,000	700

Proposed Sewer Rates Schedules

Exhibit III-7 presents the proposed sewer rate schedule for 2008 through 2010 for the Town sewer system. The proposed rates are intended to meet the annual revenue needs of the sewer utility, as estimated in the financial plan described in Section II. An analysis of the impact of the proposed rates on residential customers is included in the Executive Summary of this report.

Exhibit III-7
Nipomo Community Services District
Current and Proposed Town Division Sewer Rates

	Current (1)	April 2008	Jan. 2009	Jan. 2010
Bi-Monthly Residential Service Charges (2)				
Single Family	$ 45.00	$56.53	$ 70.66	$ 88.32
Multi-Family	$ 34.80	$43.09	$ 53.86	$ 67.33
Bi-Monthly Non-Residential Service Charges (3)				
Up to 1"	$ 17.39	$ 21.80	$ 27.25	$ 34.07
1 1/2"	$ 49.77	$ 63.10	$ 78.87	$ 98.59
2"	$ 78.95	$ 100.26	$ 125.33	$ 156.66
3"	$ 147.09	$ 186.98	$ 233.73	$ 292.16
4"	$ 244.41	$ 310.86	$ 388.58	$ 485.72
6"	$ 487.50	$ 620.57	$ 775.71	$ 969.64
8"	$ 779.32	$ 992.22	$ 1,240.27	$ 1,550.34
Non-Residential Usage Rates ($/HCF)				
Low Strength	$ 1.32	$1.85	$ 2.31	$ 2.89
Medium Strength	$ 1.46	$2.05	$ 2.56	$ 3.20
High Strength	$ 1.89	$2.65	$ 3.31	$ 4.14

Notes:
(1) Effective January 1, 2007 as adopted with Ordinance 2005-103.
(2) Per dwelling unit.
(3) Non-residential includes commercial and industrial.

IV. Capacity Charges

The section of the report describes the calculation of sewer capacity charges for the Town sewer system. Capacity charges are one-time charges paid at the time of connection to the sewer system, and represent the estimated reasonable cost of providing system capacity to new development. The calculation of capacity charges is consistent with the statutory requirements contained in Government Code Section 66013.

Current Capacity Charges

The District currently charges developers or other new customers connecting to the Town sewer system a one time charge for capacity in the system. Current capacity charge schedules are summarized below in **Exhibit IV-1**. Sewer system capacity charges are based on meter size and reflect the potential demand on the sewer system that each new connection could impose. Current capacity charges are based on the system buy-in methodology for both collection and treatment.

Exhibit IV-1
Nipomo Community Services District
Current Town Sewer Capacity Charges

	Current (1)
Town Sewer System Capacity Charge	
Up to 1" meter	$ 4,314
1 1/2" meter	$ 12,927
2" meter	$ 20,692
3" meter	$ 38,823
4" meter	$ 64,718
6" meter	$ 129,396

Notes:
(1) Effective July 1, 2007 based on Ordinance 2005-101.

Legal Requirements for Capacity Charges

The District has broad authority to charge users for capital facilities. The limitations of that authority are encompassed by the requirement that charges on new development bear a *reasonable relationship* to the needs created by and the benefits accruing to that development. California courts have long used the *reasonableness* standard to evaluate the constitutionality of exactions, including capacity charges.

During the 1988 session of the California Legislature sections of the Government Code were added to codify constitutional and decisional law related to fees imposed on new development. Assembly Bill 1600 (AB 1600) enacted Government Code Sections 66000-66003 related to development fees. These code sections generally contain three requirements:

1. Local agencies must follow a process set forth in the statutes and make certain determinations regarding the purpose and use of the fee and to establish a nexus or connection between a development project and the public improvement being financed with the fee.
2. The fee revenue must be segregated from the general fund in order to avoid commingling of development fees and the general fund.
3. If a local agency has unspent or uncommitted development fees for five years or more, then it must make annual findings describing the continuing need for that money, or it must refund the fees.

Since the passage of AB 1600 various code sections have been added and modified to further clarify and expand the requirements related to developer fees. In particular, Government Code Section 66013 contains requirements specific to water and sewer connection fees and capacity charges. The most pertinent part of Section 66013 states:

> ...when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed...

The key to the statutory requirements for water and sewer capacity charges is that they shall not exceed the *estimated reasonable cost* of providing service. The District's water and sewer system capacity charges should also meet the reasonable relationship standard mentioned earlier and should reflect consideration of the following criteria, which would likely be considered by a court in evaluating the validity of capacity charges:

Need – Water and sewer capacity charges should only be imposed on development that will need capacity in facilities provided by the District (i.e., development with a connection to the water and/or sewer system).

Benefit – Improvements to be funded (or reimbursed) by capacity charges should satisfy the service needs related to the development on which the charges are imposed (i.e., new development is served by the facilities paid for by the charges).

Amount – The amount of the capacity charges should reflect the estimated reasonable cost of providing service capacity, and the share of the costs attributable to the service needs of new development (i.e., the charges should reflect a proportionate share of costs).

Earmarking – Revenue from water and sewer capacity charges should be segregated from other funds and used solely to pay for the facilities for which the charges re imposed.

Timely Expenditure – Revenue from water and sewer capacity charges should be expended within a reasonable time after it is collected.

Applying these criteria to the District's situation requires an understanding of how improvement needs are established, how capacity is provided to new development, how costs are estimated and allocated, and how fee revenues are accounted for and spent.

Sewer Capacity Charge Methodology

There are numerous methodologies for calculating capacity charges. The number has proliferated with the growing popularity of this type of charge. Various methodologies have evolved to meet changing public policy, legal requirements, and the unique or special circumstances of each local

agency. The capacity charge methodology developed for the Town sewer system in 2005 was based on the system buy-in methodology.

The buy-in methodology is based on the current customers' average investment in the sewer system. Under this approach, capacity charges are based upon the buy-in concept that existing users through service charges, past up-front charges, and other contributions have developed a valuable public capital facility. The charge is computed by establishing the current value of the system and dividing this by the number of existing customers to arrive at an average investment per customer. By paying the buy-in capacity charge new customers buy into the existing sewer system on par with existing customers. Responsibility for new capital improvements is then shared equally by all customers.

The basic equation for buy-in capacity charges is:

$$\frac{\text{Value of Existing System}}{\text{No. of Existing Customers}}$$

At this time, the District is anticipated significant capital improvements to upgrade and expand the Southland wastewater treatment facility (Southland WWTF). In addition, these improvements will likely be debt financed, so debt issuance and interest costs will also be incurred. The existing wastewater treatment facility was largely funded with grants. Grant funded improvements are excluded from the system buy-in calculation methodology. As a result, the current capacity charges include relatively little for treatment facility costs.

To better reflect the cost of treatment capacity that will meet the needs of future development, the Town sewer system capacity charge proposed herein is comprised of two separate components. The first component is a buy-in component. It reflects the current value of the collection system, buildings (other that the treatment plant), and land and is calculated in the same manner as the current capacity charges. The second component covers wastewater treatment facility costs and is based on the incremental cost methodology.

The incremental cost methodology is a fairly common approach for capacity charges, particularly for communities experiencing new growth or making significant new capacity additions to their utility systems. The approach is based on the cost of new or planned facilities. The cost of growth-related facilities is allocated to new development to be served by the facilities. Under this approach, new development pays for the incremental investment necessary for system expansion. The incremental cost approach is most commonly applied when new facilities are required to provide capacity for new development.

The basic equation for incremental cost capacity charges is:

$$\frac{\text{Cost of System Expansion}}{\text{No. of New Customers}}$$

The incremental cost methodology is not recommended for the sewer collection system. This is because new development will largely utilize the existing collection system network. Extensions of the existing collection system will likely be similar to existing system costs (on a per customer basis). Continuing to use the system buy-in approach for the collection system is reasonable.

Sewer Capacity Charge Calculations

Capacity charge calculations are described in greater detail below. The calculations for the Town sewer collection system capacity charge component and the wastewater treatment capacity charge component are summarized in **Exhibits IV-2** and **IV-3**, respectively.

Collection System Component

In calculating buy-in capacity charges, the value of the sewer system assets were determined using fixed asset accounting records obtained from the District. Several adjustments to these records were made, as described below. In addition to fixed assets, the valuation includes the funds available in the Town Division's Funded Replacement and Capital Improvement funds for capital improvements. These funds include money intended for improvements to the sewer system. Finally, the valuation also reflects interest paid on long-term debt as well as a reduction for outstanding principal related to long-term debt.

Fixed Asset Records

Central to the buy-in capacity charge calculation is the District's sewer fixed asset records. A complete listing of the Town sewer system's fixed assets was obtained and used for the buy-in charge calculations. The following adjustments were made to these asset records for purpose of the capacity charge calculation:

- *Wastewater Treatment Facilities Omitted* – Wastewater treatment facilities are excluded from the Town sewer system fixed asset records for capacity charge calculations because treatment costs are included in the separate treatment component of the capacity charge.

- *Short-Lived Assets Omitted* – Assets with useful lives of less than 10 years were excluded from the buy-in calculations. Short-lived assets typically include vehicles, equipment, machinery, computers, office furnishings, etc. While these assets make up part of the overall value of the sewer utility, they are generally not part of the service delivery systems. Arguably short-lived assets could be included in the buy-in charge calculation, however excluding them is conservative. New customers will pay for short-lived assets as ratepayers.

- *Grant Funded Facilities Omitted* – The Town Division's sewer system was the recipient of grants for sewer treatment improvements. To the extent identifiable in the fixed asset records, grant funded assets have been omitted from the analysis.

- *Developer Contributed Facilities Omitted* – Fixed asset records include a variety of sewer assets that were contributed by developers. Most of these facilities are likely in-tract or development project-specific improvements (e.g., sewer collection lines within a subdivision). In tract facilities are appropriately excluded from the buy-in charge calculation because they may not provide system-wide benefits. In some cases developer contributed facilities may include some system improvements with broad system-wide benefits. However, such facilities are not readily identifiable from the fixed asset listing, and omitting all contributed facilities is conservative.

Exhibit IV-2
Nipomo Community Services District
Town Sewer -- Collection System Buy-In Capacity Charge

Asset Class (1)	Original Cost	Depreciated Cost	Replacement Cost	Depreciated Replacement Cost
Sewer System Assets				
Sanitation (1505)	$ 4,793,681	$ 3,567,216	$ 7,124,489	$ 5,134,306
Buildings (1540)	$ 55,187	$ 31,273	$ 81,219	$ 46,024
Land and Land Rights (1560)	$ 456,162	$ 456,162	$ 726,331	$ 726,331
Sewer System Asset Total				**$ 5,906,661**
Adjustments to Valuation (2)				
Plus Replacement Fund (810) (3)				$ 115,000
Plus Capacity Charge Fund (710) (4)				$ 5,375,000
Total Sewer System Valuation				**$ 11,396,661**
Current Equiv. Dwelling Units (based on flow) (5)				3,071
Sewer System Buy-In Capacity Charge (up to 1" meter)				**$ 3,711**

Notes:
(1) Excludes wastewater treatment facilities, machinery/equipment, office furniture, vehicles, computer equipment, contributed facilities, and grant funded facilities.
(2) Adjustments for long-term debt are excluded as loans are related to wastewater treatment improvements.
(3) Excludes $2.6 million in Replacement Fund earmarked for treatment plant improvements.
(4) Excludes $0.5 million in Improvement Fund earmarked for treatment plant improvements.
(5) Based on an analysis of customer account data and water usage records.

Escalation and Depreciation

The value of sewer system assets was adjusted from original cost to current value by (1) escalating historical costs to replacement cost in current dollars using the *Engineering News Record* 20-cities construction cost index (20-cities CCI), and (2) depreciating from the date of construction to 2007 based on the service life of each asset. Both of these adjustments are typical (though not required) in buy-in charge calculations. Historical costs were escalated to replacement value using the 20-cities CCI value of 7,959 for July 2007.

Service lives for fixed asset depreciation are the same as those used for accounting depreciation. Water and sewer assets have service lives of up to 50 years. Straight-line depreciation is used. The last column in Exhibit IV-2 shows the value of sewer system assets based on the depreciated replacement cost.

Debt Service Adjustments

In 1998 and 1999 the District obtained loans from the State Water Resources Control Board for sewer treatment plant improvements. Outstanding balances on those two loans currently total about $966,000. Normally, past interest costs are added and outstanding principal on long-term debt is deducted from the sewer system valuation for buy-in capacity charge calculations. However, because these loans are associated with wastewater treatment improvements, these adjustments to the sewer system valuation are excluded in their entirety.

Capital Fund Balances

At the end of FY 06-07 the Town Division had about $2.715 million in the Funded Replacement Fund and about $5.375 million in the Capital Improvement Fund of the Town sewer system. While these funds are not capital facilities, they are intended to be used for capital projects that will rehabilitate, upgrade, and/or expand the sewer system. Cash in capital funds are appropriately included in the buy-in charge calculation. However, a portion of the monies in both funds are intended to be used for planned wastewater treatment improvements. Consistent with the description and assumptions presented in Section II of this report, $2.6 million from the Funded Replacement Fund and $0.5 million from the Capital Improvement Fund will be used to help finance planned improvements at the Southland WWTF. As a result, the reserve balances in these two funds have been reduced by these amounts for buy-in capacity charge calculation purposes.

Existing Customers (Equivalent Dwelling Units)

The system buy-in method for calculating capacity charges for new development bases the charges on the average value of the sewer systems for existing customers. Hence, once the value of the systems have been determined it is necessary to divide this amount by the number of customers, or more appropriately, the number of equivalent dwelling units (EDUs). The number of existing EDUs was determined from customer account and water usage (to estimate sewer flow) information obtained from the billing system. The number of existing sewer customers, expressed in EDUs, is 3,071.

As shown in Exhibit IV-2, the sewer collection system capacity charge component, based on the buy-in methodology, has been calculated to be $3,711 per EDU.

Wastewater Treatment Component

The wastewater treatment component of the Town sewer capacity charge is based on the incremental cost methodology. The incremental cost methodology is based on the estimated future costs of expanding the wastewater treatment plant to provide capacity that will serve the needs of new development. Details of planned wastewater treatment improvements are currently being finalized through the preparation of the Southland Wastewater Treatment Facility Master Plan, due to be completed later in 2007. Capacity charge analyses rely on information obtained from draft elements of that plan (as provided by District staff). To the extent that final plans and cost estimates differ from those used herein, revisions to the proposed capacity charges may be warranted.

Southland WWTF Improvements

Proposed improvements to the Southland WWTF to bring total treatment capacity to about 1.25 mgd are listed in the upper portion of Exhibit IV-3. Specific improvements have an estimated total construction cost of about $13.45 million. However, these estimates do not include the cost of sludge handing facilities, an effluent pipeline, or percolation ponds all of which are still to be determined. As a result, the wastewater treatment capacity charge calculation is somewhat lower that it would otherwise be with the inclusion of those additional costs.

The expanded Southland WWTF will rely, in part, on some of the existing wastewater treatment facilities. Because a majority of the existing treatment facility was financed with grants, and because it would be difficult to assign a specific valuation to those existing facilities that will continue to be of use, the capacity charge calculation does not include any value in these existing treatment assets.

Exhibit IV-3
Nipomo Community Services District
Town Sewer -- Wastewater Treatment Incremental Cost Capacity Charge

		Estimated Total Costs	
Southland WWTF Improvements (1)			
Influent Pump Station & Flow Meter Improvements		$ 620,000	
Spiral Screening System		$ 468,000	
Grit Removal System		$ 560,000	
Phase I Wave Oxidation System		$ 4,060,000	
Phase II Wave Oxidation System		$ 198,000	
Solids Handling Proposals (2)		TBD	
Shop Upgrade		$ 400,000	
Hazard, Security, and Safety Upgrades		$ 50,000	
Shop Solar Panels		$ 30,000	
Southland Effluent Recharge/Reuse Feasibility Study		$ 75,000	
Tertiary Filtration		$ 1,898,000	
Chlorination System		$ 1,546,000	
Southland Effluent Discharge & Percolation Basin (2)		TBD	
Lift Station		$ 300,000	
New Effluent Force Main		$ 3,249,900	
Estimated Total Treatment Costs		$ 13,450,000	
Capacity with WWTF Improvements (AAF) (3)		1.25	mgd
Capacity for Existing Demands	47%	0.59	mgd
Capacity for Future Demands	53%	0.66	mgd
Total WWTF Costs for Future Demands		$ 7,102,000	
Portion to be Debt Financed (4)	93%		
Estimated Financing Costs (5)	60%	$ 3,947,000	
Total Cost of WWTF Improvements		$ 11,049,000	
Future Equiv. Dwelling Units (based on flow) (6)		3,435	
Treatment Capacity Charge		**$ 3,216**	

Notes:
(1) Estimated Southland WWTF improvement costs obtained from draft Master Plan worksheets.
(2) Capacity charge calculation is conservative due to the exclusion of solids handling, effluent handling, and percolation basin costs, yet to be determined.
(3) Estimated current and future demands to be met with planned Southland WWTF improvements obtained from draft Master Plan report materials.
(4) About $500,000 of costs attributable to future demands is assumed funded from existing Capital Improvement Fund reserves. The balance is expected to be debt financed.
(5) Present value of debt issuance and issuance costs, expressed as percentage of portion of project to be debt financed.

Capacity for Existing and Future Customers

Planned wastewater system improvements will provide capacity to treat 1.25 mgd (average annual flow). The District's engineering consultant determined that 47 percent of that capacity (0.59 mgd) will be needed to meet the treatment needs of existing customers. Therefore, 53 percent (0.66 mgd) will be available to meet demands of future customers.

Southland WWTF costs shown in the upper portion of Exhibit IV-2 include improvements that will meet the needs of both existing and new development. For capacity charge purposes, 53 percent of the total construction cost is assigned to future development. The future development share of treatment improvement costs is therefore about $7.1 million.

Financing of Wastewater Treatment Improvements

As described in Section II of this report, the District anticipates that long-term debt will be required to finance a majority of the wastewater treatment improvements. However, the Town sewer Capital Improvement Fund as about $0.5 million in reserves that can be applied towards the future development share of treatment facility costs. Reserves in the Capital Improvement Fund are from capacity charges paid by recent new connections to the sewer system.

For capacity charge purposes, it is assumed that the remaining portion of the future development share of wastewater treatment costs (about $6.6 million) will be financed with long-term debt. Using the long-term debt financing assumptions described in Section II of this report and performing a present value analysis of issuance and future interest costs, the added cost of the treatment improvements associated with debt financing is about 60 percent of the amount to be financed (about $3.95 million).

Total construction costs and debt financing costs associated with the portion of the Southland WWTF assigned to new development is about $11.05 million.

Future Customers (Equivalent Dwelling Units)

As described above (with collection system capacity charge calculations), the current Town sewer customer base is estimated to include about 3,071 EDUs. This customer base represents the existing portion (0.59 mgd or about 47 percent) of the planned capacity in the expanded Southland WWTF. With a total capacity of 1.25 mgd, the expanded Southland WWTF should be able to accommodate about 6,506 EDUs. Therefore, the capacity available to meet the needs of future customers is equivalent to about 3,435 EDUs (0.66 mgd). The 3,435 EDUs is denominator in the calculation of the wastewater treatment component of the capacity charge.

As shown in Exhibit IV-3, the wastewater treatment component of the Town sewer capacity charge is calculated to be $3,216 per EDU.

Proposed Sewer System Capacity Charges

The complete Town sewer capacity charge is the combined total of the collection system and treatment components. The proposed sewer system capacity charge is $6,927 per EDU or about 61 percent higher than the current sewer capacity charge. Consistent with current practice, it is recommended that the capacity charge be imposed based on size of the water meter, rather than a EDU determination, which is more subjective. The base capacity charge (for one EDU) should apply to all new sewer connections that have water connections with meters of up to 1". Above 1" the sewer capacity charge should be as shown in **Exhibit IV-4**, which presents the complete capacity charge schedule.

Exhibit IV-4
Nipomo Community Services District
Current and Proposed Town Sewer Capacity Charges

	Current (1)	Proposed
Town Sewer System Capacity Charge		
Up to 1" meter	$ 4,314	$ 6,927
1 1/2" meter	$ 12,927	$ 20,781
2" meter	$ 20,692	$ 33,250
3" meter	$ 38,823	$ 62,343
4" meter	$ 64,718	$ 103,905
6" meter	$ 129,396	$ 207,810

Notes:
(1) Effective July 1, 2007 based on Ordinance 2005-101.

Accounting for Capacity Charge Revenues and Expenditures

Under Government Code Section 66013(c) the District is required to separately account for capacity charge revenues in a manner that avoids commingling of capacity charge revenues with other revenues and to expend capacity charge revenues solely for the purpose for which the charges have been collected.

Under Government Code Section 66013(d), within 180 days after the end of each fiscal year, the District is required to make the following information related to capacity charges publicly available for the prior fiscal year:

- A brief description of the type of capacity charge in each account or fund
- The amount of the capacity charges
- The beginning and ending balance of the account or fund
- The amount of the capacity charges collected and the interest earned
- Identification of each capital improvement on which capacity charges were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the improvement that was funded with the charges
- Identification of each capital improvement on which capacity charges were expended that were completed during the fiscal year
- Identification of each capital improvement that is anticipated to be undertaken in the following fiscal year
- Description of any interfund transfers or loans made from capacity charge accounts or funds, including the capital improvement on which the transferred or loaned funds will be expended, and in the case of a loan the date on which the loan will be repaid, and the interest to be received

Capacity Charge Updates

At a minimum, it is recommended that the District's capacity charges be adjusted annually for inflation based on the 20-cities CCI. This is a common means of updating capacity charges and

works reasonably well for a few years. A more comprehensive and accurate way to update the buy-in capacity charges is to recalculate them using the same calculation methodology used in this report. It is recommended that a comprehensive update be performed at least every 3 to 5 years.

The buy-in methodology used to calculate the Town sewer system capacity charges is relatively simple to update once the procedures are put in place. The recalculation of capacity charges entails making the following updates to the calculations:

- Add new water/sewer facilities included in fixed asset records, and delete those taken out of service.
- Update the fixed asset valuation for inflation (using the 20-cities CCI) and depreciation. The fees proposed herein have been indexed to the 20-cities CCI value for February 2005 of 7,298.
- Update cash balance information in capital funds.
- Adjust historical debt service costs for inflation, recent interest payments, and any new debt issuance costs.
- Update the current number of equivalent meters included in the existing water/sewer systems

Appendix A – Financial Plan Exhibits

The following exhibits summarize the Town sewer system five-year financial plan developed for the District and described in Section II of this report.

Appendix A
Nipomo Community Services District
Town Sewer Division Financial Plan

	FY 05-06 Actual	FY 06-07 Estimate	FY 07-08 Budget	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Proposed CY Rate Increases -->			*25%*	*25%*	*25%*	*25%*	*0%*
TOWN SEWER OPERATING FUND (FUND 130)							
Beginning Balance	485,850	521,234	585,000	358,440	321,118	264,907	456,313
Revenues							
Sewer Revenues	765,735	787,000	889,500	1,191,500	1,504,500	1,899,500	2,130,500
Plan Check & Insp. Fees	880	3,500	1,000	1,000	1,000	1,000	1,000
Interest Earnings	23,326	30,000	22,000	16,100	14,500	11,900	20,500
Trans. for COP Debt Service			-	204,378	454,490	699,585	699,585
Total Revenues	789,941	820,500	912,500	1,412,978	1,974,490	2,611,985	2,851,585
Expenditures							
Operations & Maintenance							
Wages	50,640	53,000	118,200	138,800	143,000	147,300	151,700
Wages - Overtime	8,623	11,000	12,100	12,500	12,900	13,300	13,700
Payroll Taxes	1,115	1,100	2,400	2,500	2,600	2,700	2,800
Retirement	14,854	15,000	30,800	31,700	32,700	33,700	34,700
Medical and Dental	11,982	14,500	26,750	27,600	28,400	29,300	30,200
Workers Comp Insur.	4,726	4,500	8,000	8,200	8,400	8,700	9,000
Electricity - Pumping	86,966	100,000	110,000	114,400	313,800	326,400	339,600
Natural Gas - Pumping	2,771	7,000	12,000	12,500	13,000	13,500	14,000
Chemicals	-	-	15,000	15,600	16,200	16,900	17,600
Lab Tests and Sampling	18,139	17,000	20,000	20,800	21,600	22,500	23,400
Operating Supplies	23,185	21,000	26,000	27,000	28,100	29,200	30,400
Outside Services	5,725	25,000	40,000	41,200	42,400	43,700	45,000
Permits & Operating Fees	4,737	3,900	4,570	4,700	4,800	4,900	5,000
Repairs & Maintenance	96,943	50,000	55,000	56,700	58,400	60,200	62,000
Repairs & Maint - Vehicles	4,848	3,000	7,000	7,200	7,400	7,600	7,800
Engineering	2,001	-	2,500	2,600	2,700	2,800	2,900
Fuel	5,270	7,000	8,280	8,600	8,900	9,300	9,700
Paging and Cellular Service	1,188	1,100	1,425	1,500	1,500	1,500	1,500
Uniforms	878	1,200	1,520	1,600	1,600	1,600	1,600
Oper. Transfer Out - Replac.	200,738	256,000	351,000	361,500	372,300	383,500	395,000
Total Oper. & Maint.	545,329	591,300	852,545	897,200	1,120,700	1,158,600	1,197,600
General & Administrative							
Wages	53,066	50,500	86,100	88,700	91,400	94,100	96,900
Payroll Taxes	993	1,000	1,500	1,500	1,500	1,500	1,500
Retirement	14,234	13,000	24,410	25,100	25,900	26,700	27,500
Medical and Dental	8,302	8,000	14,075	14,500	14,900	15,300	15,800
Workers Comp Insur.	517	500	785	800	800	800	800
Audit	-	845	1,600	1,600	1,600	1,600	1,600
Computer Expense	6,535	4,000	6,400	6,600	6,800	7,000	7,200
Director Fees	3,060	3,800	4,800	4,900	5,000	5,200	5,400
Dues & Subscriptions	1,222	2,500	1,940	2,000	2,100	2,200	2,300
Education & Training	511	500	1,100	1,100	1,100	1,100	1,100
Elections	-	834	-	1,000	-	1,000	-
Insurance - Liability	6,067	6,400	6,700	6,900	7,100	7,300	7,500
Landscape and Janitorial	1,144	1,400	1,520	1,600	1,600	1,600	1,600
Legal - Gen. & Spec. Counsel	2,471	1,000	5,000	5,200	5,400	5,600	5,800
Professional Services	-	2,580	12,190	12,600	13,000	13,400	13,800
Miscellaneous	287	500	500	500	500	500	500
Newsletter and Mailers	-	-	600	600	600	600	600
Office Supplies	2,409	3,700	2,900	3,000	3,100	3,200	3,300
Outside Services	1,543	1,000	1,900	2,000	2,100	2,200	2,300
Postage	3,317	2,900	5,120	5,300	5,500	5,700	5,900

Appendix A -- Continued
Nipomo Community Services District
Town Sewer Division Financial Plan

	FY 05-06 Actual	FY 06-07 Estimate	FY 07-08 Budget	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Public Notices	116	-	1,150	1,200	1,200	1,200	1,200
Repairs & Maint. - Office Equip	336	300	800	800	800	800	800
Property Taxes	7	-	-	-	-	-	-
Telephone	721	900	900	900	900	900	900
Travel & Mileage	1,124	1,700	2,000	2,100	2,200	2,300	2,400
Oper. Transfer Out - Admin.	43,756	51,575	60,308	62,100	64,000	65,900	67,900
Total Gen'l & Admin.	151,738	159,434	244,298	252,600	259,100	267,700	274,600
Other Expenditures							
COP Debt Service - Interest				286,000	636,000	636,000	615,421
COP Debt Service - Principal				-	-	342,979	363,558
Fixed Asset Purchases	57,490	6,000	42,217	14,500	14,900	15,300	15,800
Total Other Expenditures	57,490	6,000	42,217	300,500	650,900	994,279	994,779
Total Expenditures	754,557	756,734	1,139,060	1,450,300	2,030,700	2,420,579	2,466,979
Ending Balance	**521,234**	**585,000**	**358,440**	**321,118**	**264,907**	**456,313**	**840,919**
Oper. Resrv. (25% of Expend.)	174,000	187,000	274,000	287,000	345,000	356,000	368,000
Uncommitted Fund Balance	347,234	398,000	84,440	34,118	(80,093)	100,313	472,919
DS Coverage (Min. 1.15 w/ CCs) -->				3.71	1.32	1.21	1.40
DS Coverage (Min. 1.00 w/o CCs) -->				3.13	1.05	1.03	1.21
TOWN SEWER FUNDED REPLACEMENT (FUND 810)							
Beginning Balance	2,159,546	2,334,000	2,715,000	53,475	368,275	708,075	1,074,375
Revenues and Transfers							
Interest Earnings	88,653	125,000	144,475	2,400	16,600	31,900	48,300
Operating Transfers In	200,738	256,000	351,000	361,500	372,300	383,500	395,000
Repayment of Loan to Fund 830				45,400	45,400	45,400	45,400
Total Revs. and Trans.	289,391	381,000	495,475	409,300	434,300	460,800	488,700
Expenditures							
Previous Expenditures	114,937	-					
Lift Station Upgrade			60,000	-	-	-	-
GIS Upgrades			15,000	15,000	15,000	15,000	15,000
SCADA Upgrades			15,000	15,000	15,000	15,000	15,000
Reset Mains - Drainage			100,000	-	-	-	-
Reset Mains - Roads			50,000	10,000	10,000	10,000	10,000
SSO Collectors			100,000	50,000	50,000	50,000	50,000
Contingency (5%)			17,000	4,500	4,500	4,500	4,500
Transfer for Southland WWTF			2,600,000	-	-	-	-
Loan to Fund 830			200,000	-	-	-	-
Total Expenditures	114,937	-	3,157,000	94,500	94,500	94,500	94,500
Ending Balance	**2,334,000**	**2,715,000**	**53,475**	**368,275**	**708,075**	**1,074,375**	**1,468,575**
TOWN SEWER - CAPITAL FUND (FUND 710)							
Beginning Balance			5,375,000	10,485,656	3,136,485	2,459,513	1,468,581
Revenues and Transfers							
Sewer Capacity Charges			132,256	165,381	170,343	175,453	180,717
Interest Earnings			268,750	471,900	141,100	110,700	66,100
Trans. from Funded Replac.			2,600,000	-	-	-	-
COP Proceeds			8,900,000	-	-	-	-
Total Revs. and Trans.			11,901,006	637,281	311,443	286,153	246,817
Expenditures							
W&S Master Plan			25,000	-	-	50,000	50,000
Shop Upgrades			92,000	11,500	8,500	-	-
Southland WWTF			5,000,000	7,000,000	100,000	100,000	100,000
East Side Collections			750,000	200,000	200,000	200,000	200,000
West Side Collections			500,000	100,000	100,000	100,000	100,000
Orphan Area			100,000	100,000	100,000	100,000	100,000
Contingency (5%)			323,350	370,575	25,425	27,500	27,500
Trans. for COP DS (71%)			-	204,378	454,490	699,585	699,585
Total Expenditures			6,790,350	7,986,453	988,415	1,277,085	1,277,085
Ending Balance			**10,485,656**	**3,136,485**	**2,459,513**	**1,468,581**	**438,312**

Appendix B – Sewer User Strength Classifications

The following exhibit provides information on sewer strength characteristics for various types of establishments from published information. This information should be used as a guideline for establishing the appropriate sewer classification for the District's non-residential customers.

Exhibit B-1
Nipomo Community Services District
Compilation of Published Data on Sewer User Strength Classifications

User Classification Description	Proposed Strength (mg/l) BOD	SS	Weighted Average	Percent of Single Family	Data Source
Strength Weighting Factor	50%	50%			
Residential Single Family	250	250	250	100%	SWRCB
LOW STRENGTH CLASSICATION					
Low I Strength:					
Soft Water Service	3	55	29	12%	SWRCB
Office With Public Access	80	80	80	32%	SWRCB
Car Wash	20	150	85	34%	SWRCB
Veterinarian	130	80	105	42%	Los Angeles
Business Equipment Rental	130	80	105	42%	Los Angeles
Business Services -- Other	130	80	105	42%	Los Angeles
Office (Finance, Insurance, etc.)	130	80	105	42%	Los Angeles
Office (No Public Access)	130	80	105	42%	SWRCB
Office (Medical Services)	130	80	105	42%	Los Angeles
Personal Services (Other)	130	80	105	42%	Los Angeles
Photo & Portrait Studios	130	80	105	42%	Los Angeles
Manufacturing - Textile Mill Products	115	115	115	46%	Metcalf & Eddy
Schools	130	100	115	46%	SWRCB
Low II Strength:					
Laundromat-Public	150	110	130	52%	SWRCB
Landscaping Services	150	150	150	60%	Los Angeles
Amusement & Recreation: Indoor & Out	150	150	150	60%	Los Angeles
Auto Parking	150	150	150	60%	Los Angeles
Barber Shop	150	150	150	60%	Los Angeles
Beauty Shop	150	150	150	60%	Los Angeles
Church (No Kitchen)	150	150	150	60%	Los Angeles
Community Center (No Kitchen)	150	150	150	60%	Los Angeles
Grocery Market (No Butcher or Baker)	150	150	150	60%	Los Angeles
Health Spa	150	150	150	60%	Los Angeles
Kennel	150	150	150	60%	Los Angeles
Malls/Dept. Stores (No Food Svcs)	150	150	150	60%	SWRCB
Manufacturing (Other)	150	150	150	60%	Los Angeles
Manufacturing (Apparel & Other Textiles)	150	150	150	60%	Los Angeles
Manufacturing (Furniture)	150	150	150	60%	Los Angeles
Membership Organizations	150	150	150	60%	Los Angeles
Museum/Art Gallery	150	150	150	60%	Los Angeles
Nursery/Greenhouse	150	150	150	60%	Los Angeles
Office (Construction)	150	150	150	60%	Los Angeles
Massage Parlor	150	150	150	60%	Los Angeles
Retail Apparel and Accessory Store	150	150	150	60%	Los Angeles
Retail Bldg. (Materials & Gardening)	150	150	150	60%	Los Angeles
Retail (Packaged) Food (No Sewer Disposal)	150	150	150	60%	Los Angeles
Retail Furniture & Home Furnishings	150	150	150	60%	LACSD
General Merchandise -- Retail/Wholesale	150	150	150	60%	SWRCB
Retail Trade -- Misc. (Except Food/Drink)	150	150	150	60%	SWRCB
Storage, Warehouse & Outdoor	150	150	150	60%	Los Angeles
Studio/Recording Sound Stage	150	150	150	60%	Los Angeles
Theater/Auditorium (No Food)	150	150	150	60%	Los Angeles

Exhibit B-1 -- Continued
Nipomo Community Services District
Compilation of Published Data on Sewer User Strength Classifications

User Classification Description	Proposed Strength (mg/l) BOD	SS	Weighted Average	Percent of Single Family	Data Source
Low III (Residential) Strength:					
Convalescent Homes	250	100	175	70%	SWRCB
Hospital	250	100	175	70%	SWRCB
Other Health Services	250	100	175	70%	SWRCB
Transp. & Utilities (SIC 400 through 489)	200	150	175	70%	Metcalf & Eddy
Agricultural Production	150	250	200	80%	Metcalf & Eddy
Agricultural Services - Other	250	150	200	80%	Metcalf & Eddy
Bar Without Restaurant	200	200	200	80%	SWRCB
Restaurant -- Preprocessed Only	200	200	200	80%	Los Angeles
Social Services	200	200	200	80%	SWRCB
MEDIUM STRENGTH CLASSICATION					
Medium I Strength:					
Hotel (No Restaurant)	310	120	215	86%	SWRCB
Prison With Food Service	310	120	215	86%	Los Angeles
Auto Repair (No Steam Cleaning)	180	280	230	92%	SWRCB
Auto Service Station (No Steam Cleaning)	180	280	230	92%	SWRCB
Agricultural Services -- Animal	350	150	250	100%	Metcalf & Eddy
Auto/Vehicle Sales	300	200	250	100%	Metcalf & Eddy
Repair Services -- Misc.	250	250	250	100%	Metcalf & Eddy
Manufacturing -- Rubber/Plastic Products	200	350	275	110%	Metcalf & Eddy
Medium II Strength:					
Manufacturing -- Electric/Electronic Equipment	300	350	325	130%	Metcalf & Eddy
Manufacturing - Instruments	300	350	325	130%	Metcalf & Eddy
Manufacturing -- Fabricated Metal Products	300	350	325	130%	Metcalf & Eddy
Manufacturing -- Transport Equipment	400	250	325	130%	Metcalf & Eddy
Laundromat, Commercial	450	240	345	138%	SWRCB
Transportation -- Bus/Air Terminal	350	350	350	140%	Metcalf & Eddy
Medium III Strength:					
Malls/Shopping (Including Food Sales)	400	400	400	160%	Los Angeles
Manufacturing -- Machine Shops	290	550	420	168%	Los Angeles
Manufacturing -- Metal Industry	290	550	420	168%	Los Angeles
Manufacturing -- Lumber & Wood Products	431	431	431	172%	Los Angeles
Manufacturing -- Stone, Clay, Glass Products	200	700	450	180%	Metcalf & Eddy
Reproduction/Mailing Service	500	400	450	180%	Metcalf & Eddy
Hotel (With Restaurant)	500	600	550	220%	SWRCB
Manufacturing -- Paper/Containers	700	500	600	240%	Metcalf & Eddy
Manufacturing -- Printing & Publishing	700	500	600	240%	Metcalf & Eddy
Laundry (Industrial)	670	680	675	338%	SWRCB
HIGH STRENGTH CLASSICATION					
High I Strength:					
Agricultural Production - Livestock	1,200	350	775	310%	Metcalf & Eddy
Mortuary	800	800	800	320%	SWRCB
Grocery (W/Butcher or Baker)	800	800	800	320%	SWRCB
Manufacturing -- Baked Foods	1,000	600	800	320%	SWRCB
Restaurant/Bar (W/Food Preparation)	1,000	600	800	320%	SWRCB
Manufacturing -- Beverages	1,500	300	900	360%	Metcalf & Eddy
Manufacturing -- Paint	1,300	1,100	1,200	480%	Metcalf & Eddy
Manufacturing -- Other Chemical Products	1,300	1,100	1,200	480%	Metcalf & Eddy
High II Strength:					
Manufacturing -- Dairy Products	2,369	922	1,646	658%	Los Angeles
Steam Cleaning -- Auto	1,150	2,150	1,650	660%	SWRCB
Manufacturing -- Other Food Products	2,213	1,453	1,833	733%	Los Angeles
High III Strength:					
Septage	5,400	12,000	8,700	3480%	SWRCB