



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

(805) 481-6730

FAX (805) 481-6836

AGENDA BOARD OF DIRECTORS MEETING

1655 Front Street
6:30 PM

Oceano
Wednesday

October 13, 2010

BOARD MEMBERS

Vern Dahl, President
Mary K. Lucey, Director
Lori J. Angello, Director

Pamela Dean, Vice President
Jim Hill, Director

SECRETARY TO THE BOARD

Raffaele F. Montemurro
General Manager

FIRE CHIEF

Chief Michael E. Hubert

ALL ITEMS APPEARING ON THE AGENDA ARE SUBJECT TO BOARD ACTION

1. Roll Call
2. Flag Salute
3. Public Comment *
Any member of the public may address the Board on any item of interest within the jurisdiction of the Board. The Board will listen to all communications; however, in compliance with the Brown Act, the Board cannot act on items not on the agenda.
4. Board Member Comment *
5. Review and Approval of Minutes
 - a. September 22, 2010

6. Report for August and September, 2010 Commander Ken Conway, Sheriff's South Station

7. Cash Disbursements
Recommend Approval of Bills as submitted

8. Administrative Items
 - a. Discussion District Water Rates
Recommend Rate increase: Steve Tanaka from the Wallace Group and Clayton Tuckfield
Will make a presentation to the Board and answer any questions

 - b. Discussion District Accounting and past Audit processes
Have accountants' from Glenn, Burdette, Phillips & Bryson prepare info for DA Request

 - c. Consultant Agreement between Oceano Community Services District and GEI Consultant
Recommend Approval: Consultant will Monitor Ground Water, Water Quality, and help with Quarterly Report.

 - d. Discussion The Sanitation District: Management of District
Discussion of recent events, activities, and possible changes.

 - e. Discussion Board Room Activity and usage
Reservations, Holds, Cancelations, Cost of usage, Rental, and future use.

9. Utility Items

- a. Cleaning and Inspection of District Sewer and Water Lines
Continual Disclosure of the Emergency Declared by the Board of Directors
Concerning the Cleaning and Inspection of the District Sewer and Water Mains.
- b. Fee Letter: Peoples Self-Help Housing Corp (OCSD #636.00)
Six Unit Subdivision 1500 Paso Robles; APN# 062-082-001 and APN# 062-082-002

10. Reports of District Representatives *

This item gives the President and Board Members the opportunity to present reports to other members regarding committees, commissions, boards, or special projects on which they may be participating.

- a. PRESIDENT VERN DAHL
(1) SSLOCSD 10 – 06 - 2010
(2) OAC
(3) Other
- b. VICE PRESIDENT PAMELA DEAN
(1) Other
- c. DIRECTOR JIM HILL
(1) Other
- d. DIRECTOR MARY LUCEY
(1) Zone 3 Advisory 09 -23 - 2010
(2) Other
- e. DIRECTOR LORI ANGELLO
(1) Other

11. General Manager Items/Discussion *
 - a. Meter up date
 - b. Year up date
 - c. Other

12. Public Comment *

13. Board Member Discussion *

14. Board Member items for the next Board Meeting Agenda*

15. Written Communications
(Correspondence for the Board Received After Preparation of this Agenda is Presented by the General Manager)

Adjournment

*Oral Presentation/Discussion

ALL ITEMS APPEARING ON THE AGENDA ARE SUBJECT TO BOARD ACTION

Consistent with the American with Disabilities Act and California Government Code §54954.2 requests for disability related modification or accommodation, including auxiliary aids or services, may be made by a person with a disability who requires the modification or accommodation in order to participate at the referenced public meeting by contacting the District General Manager at 805-481-6730.

P.O. Box 599/Oceano, CA 93475
1655 Front Street/Oceano, CA 93445
(805) 481-6730 / FAX (805) 481-6836
www.oceandocs.org www.Oceanact.org

**OCEANO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS MEETING
September 22, 2010**

Oceano

Wednesday

The meeting was called to order by President Dahl at 6:31 p.m.

1. Roll Call
Present: President Dahl, Director Angello, Director Hill, Director Lucey

Absent: VP Dean

Staff Present: Raffaele F. Montemurro, Board Secretary/General Manager
CarolAnn Pardo, Deputy Secretary to the Board
Dan Silveira, Utility Operations Lead Person
Ryan Fothergill, District Legal Counsel

Staff Absent: Mike Hubert, Fire Chief
2. Flag Salute
President Dahl led the flag salute
3. Public Comment *
Nina Gabriel announced that it would be nice if there was public input at the Board of Directors meeting for the Lucia Mar Unified School District
4. Board Member Comment *
Director Hill requested that the Board President call for a motion when recessing for a break and announced that Mayor Shoals sent a letter to the Board of Supervisors acting as the San Luis Obispo County Flood Control and Conservation District Ward mentioning a number of issues with the Lopez Lake Project and Zone 3
5. Review and Approval of Minutes
 - a. September 08, 2010

**After public comment, Board discussion, a motion by Director Hill
second by Director Angello
the following motion was adopted: approval of the September 08, 2010 minutes as presented
by voice vote, 4-0**
6. Cash Disbursements
GM Montemurro recommends approval of bills as submitted

**After public comment, Board discussion, a motion by Director Angello
second by Director Hill
the following motion was adopted: approval of the cash disbursements as presented by GM Montemurro
by voice vote, 4-0**
7. Administrative Items
No report given

**OCEANO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS MEETING
September 22, 2010**

Wednesday

Oceano

a. Discussion District Investment Policy

GM Montemurro presented the dormant accounts update

Update on DORMANT ACCOUNTS: At Rabobank, N.A.
Account Number 0154167654 (OCEANO COMMUNITY SERVICE DIST)
Account Number 0154167652 (OCEANO COMMUNITY SERVICE DIST
AS TRTEE ON BEHALF OF ATT – SITE)
Account Number 0154167655 (OCEANO COMMUNITY SERVICE DIST)

The Board received and filed

b. Discussion Board Room Activity and usage

GM Montemurro stated that specific projects, example Monarch Butterflies will be honored this calendar year and will not be able to use the facility any longer. The groups that benefit the District may be able to use the facility without cost

The Board directs staff to find out if there are any block funds and if there are any legal restrictions and to bring this back to the Board

c. Title 4 Water Service (Rev. 01 – 22 – 2009)

GM Montemurro presented and recommended approval of the following Chapters:

- 4.01 General Provisions.
- 4.02 New Water Connection Service.
- 4.03 Existing Water Connection Service.
- 4.10 Fees.
- 4.20 District Billing.
- 4.30 Maintenance.

The Board directs staff to bring the recommendations and present the updates to the Board regarding revenues, capacity fees, and fire sprinklers

d. Discussion Properties on 19th Street

GM Montemurro presented the possible Offer of Dedication or completion of 19th Street

**After public comment, Board discussion, a
motion by Director Hill,
second by Director Angello
and the following roll call vote:**

Ayes:	Director Hill, Director Angello, Director Lucey, President Dahl
Nays:	None
Absent:	VP Dean

the following motion was adopted: to have GM Montemurro clear title for APN 062-261-080 at a cost not to exceed \$10,000

**After public comment, Board discussion, a
motion by Director Hill,
second by Director Lucey,
the following motion was adopted: to recess from 8:15 pm and return from recess at 8:25 pm
by voice vote, 4-0**

OCEANO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS MEETING
September 22, 2010

Oceano

Wednesday

- e. First Reading California 2010 Fire Code
GM Montemurro pulled this agenda item until further notice
- f. Discussion Water Meter Quotes
GM Montemurro along with UOLP Dan Silveira presented the water meter quotes and recommend ordering meters from the lowest price quote

After public comment, Board discussion, a
motion by Director Hill
second by Director Angello
and the following roll call vote:

Ayes: Director Hill, Director Angello, Director Lucey, President Dahl
Nays: None
Absent: VP Dean

the following motion was adopted: to approve the staff recommendation and authorize purchase of the Sensus meters up to the budgeted amount

- 8. Utility Items
 - a. Cleaning and Inspection of District Sewer and Water Lines
GM Montemurro presented item

After public comment, Board discussion, a
motion by Director Hill
second by Director Angello
and the following roll call vote:

Ayes: Director Hill, Director Angello, Director Lucey, President Dahl
Nays: None
Absent: VP Dean

the following motion was adopted: Continual Disclosure of the Emergency Declared by the Board of Directors Concerning the Cleaning and Inspection of the District Sewer and Water Mains following the San Simeon earthquake

- b. Will Serve and Fire Safety Plan Letters:
None

9. Reports of District Representatives *

- a. PRESIDENT VERN DAHL
President Dahl presented the report from the September 14, 2010 SSLOCSD
President Dahl presented the report from the September 20, 2010 Oceano Advisory Council

- b. VICE PRESIDENT PAMELA DEAN
Absent

**OCEANO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS MEETING
September 22, 2010**

Oceano

Wednesday

- c. **DIRECTOR JIM HILL**
No report given
 - d. **DIRECTOR MARY LUCEY**
Director Lucey presented the report from the September 16, 2010 Zone 3 Advisory
 - e. **DIRECTOR LORI ANGELLO**
No report given
10. **General Manager Items/Discussion ***
a. GM Montemurro announced that on October 13, 2010 Tuckfield and the Wallace Group will be available to present the Water and Wastewater Rate Study
b. GM Montemurro stated that there was an approximate \$1,000 discount from the auditor
11. **Public Comment ***
None given
12. **Board Member Discussion ***
Director Hill amplified that the Tuckfield Report is a recommendation that the District raise the water and sewer rates to the customers and urge the constituents to familiarize themselves and get educated with the report

Director Lucey echoed what Director Hill stated and emphasized that 51% of the voting people are needed to not pass the rate study
13. **Board Member items for the next Board Meeting Agenda***
Revisit the District's relationship with the Wallace Group, Tuckfield, Sanitation District, Zone 3, and Technical Advisory Committee plus review the organizational charts of each mentioned organization

Codification

Moving forward with the 2008-2009 financial audit
14. **Written Communications**
None

After public comment, Board discussion, a motion by Director Hill second by Director Angello and the following motion was adopted: to adjourn the meeting at 10:14 PM by voice vote, 4-0



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

(805) 481-6730

FAX (805) 481-6836

\$9,122.86	DIRECT DEPOSIT P/R THRU 10/01/10	PR1001	2010-11
15,582.48	PRE-PAID DISBURSEMENTS THRU 10/01/10	EX1067	2010-11
210,893.53	REGULAR DISBURSEMENTS THRU 10/13/10	EX 1068	2010-11
\$235,598.87	TOTAL PAYMENTS SUBMITTED		
	FOR APPROVAL 10-13-10		
	VOIDED CHECKS:		
(\$150.00)	#051109 (SCHIMANDLE TECH SERVICES)		
(\$150.00)	TOTAL VOIDED CHECKS		

P/R DATE 9/25/10
CHK DATE 10/01/10

OCEANO COMMUNITY SERVICES DISTRICT
DIRECT DEPOSIT LIST

RUN: 10/01/10
9:18:31

PAGE 1
PRDDEP

EMP#	NAME	DEDUCTION	DATE	CHECK#
1-2002	MONTEMURRO, RAFFAELE F	2,386.63	10/01/10	51119
1-2210	DIAZ, ALMA L	1,438.67	10/01/10	51120
1-2220	PARDO, CAROL ANN	972.74	10/01/10	51121
1-2230	RUIZ, CELIA Z	926.50	10/01/10	51122
2-3150	TORRES, MAXIMIANO A	847.90	10/01/10	51123
2-3182	SILVEIRA, DANIEL P	1,273.39	10/01/10	51124
2-3194	LANGSTAFF, STEVEN A	1,277.03	10/01/10	51125
7	-EMPS CODED FOR DIRDEP	9,122.86	TOTAL DIRECT DEPOSIT	
7	-EMPS WITH DEDUCTION			

DIRECT DEPOSIT FOR PAYROLL THRU 10-01-10

10/01/10

CHECK REGISTER--\$ AMT SORT

PAGE 1

PAYEE	VEND.NO.	CHECK DATE	CHECK #	CHECK AMT	PREPAID
STATE COMPENSATION INS. FUND	32472	100110	51131	6971.98	0
PACIFIC GAS & ELECTRIC	24453	100110	51128	4348.91	0
FIRST TEXAS BANK	13535	100110	51127	3041.11	0
PRINCIPAL MUTUAL LIFE INS CO	26100	100110	51129	947.46	0
J.B. DEWAR, INC.	11150	100110	51126	170.31	0
THE GAS COMPANY	31878	100110	51130	102.71	0
				15582.48	*

6 RECORDS PROCESSED

PAYEE	DETAIL OF DEMANDS VEND. NO.	INV. NO.	ACCOUNT	DEPT NAME	CHECK NO.	CHECK AMOUNT	JOB/PROJECT	KEY #
16-SEP FURL 30009		741491	03-4500-172	SEWER		86.19	50980172	40
16-SEP FUEL 30017		741491	03-4500-172	SEWER		84.12	51780172	50
J.B. DEWAR, INC.	11150				051126	170.31		
NEW SYSTEM LEASE:OCT		2010041-05	01-4100-321	ADMINISTRA		3,041.11		260
FIRST TEXAS BANK	13535				051127	3,041.11		
09/21 ST LIGHTS		6158009002	01-4195-295	LIGHTING D		566.94		100
09/21 ST LIGHTS		6158009004	01-4195-295	LIGHTING D		492.59		110
09/21 ST LIGHTS		6158009008	01-4195-295	LIGHTING D		231.14		120
09/21 ST LIGHTS		6158009014	01-4195-295	LIGHTING D		720.63		130
09/21 ST LIGHTS		6158009016	01-4195-295	LIGHTING D		8.49		140
09/21 ST LIGHTS		6158009022	01-4195-295	LIGHTING D		82.37		150
09/21 ST LIGHTS		6158009026	01-4195-295	LIGHTING D		342.32		160
09/21 ST LIGHTS		6158009028	01-4195-295	LIGHTING D		89.71		170
09/21 ST LIGHTS		6158009748	01-4195-295	LIGHTING D		85.68		180
09/21 ST LIGHTS		6158009351	01-4195-295	LIGHTING D		13.08		190
09/15 1655 FRONT		6158009015	01-4100-290	ADMINISTRA		851.84		200
09/16 1685 FRONT		6158009020	02-4400-290	WATER		81.66		210
09/15 1687 FRONT		6158009030	03-4500-290	SEWER		45.25		220
09/15 1687 FRONT		6158009401	01-4200-290	FIRE		105.58		230
09/15 MODULAR		6158009846	01-4200-290	FIRE		67.45		240
09/16 1935 WILMAR		6158009939	02-4400-290	WATER		564.18		250
PACIFIC GAS & ELECTRIC	24453				051128	4,348.91		
09/10 DENTAL PREM		101235310001	01-2166-002	PAYROLL		823.60		80
09/10 LIFE INS		101235310001	01-2166-003	PAYROLL		123.86		90
PRINCIPAL MUTUAL LIFE INS CO	26100				051129	947.46		
9/15 1655 FRONT		14371606006	01-4100-290	ADMINISTRA		37.71		10
9/15 1689 FRONT		15211606007	01-4200-290	FIRE		37.71		20
9/15 1935 WILMAR		01721523008	02-4400-290	WATER		27.29		30
THE GAS COMPANY	31878				051130	102.71		
PREM:AUDIT DUE BAL		590828-10	01-2168-000	PAYROLL		3,890.47		60
PREM:OCT 2010		590828-10	01-2168-000	PAYROLL		3,081.51		70
STATE COMPENSATION INS. FUND	32472				051131	6,971.98		
CHECKS WRITTEN						15,582.48		
* PREPAID ITEMS						.00	*	
TOTAL DEMANDS PAID						15,582.48		

PAYEE	VEND.NO.	CHECK DATE	CHECK #	CHECK AMT	PREPAID
FIVE CITIES FIRE AUTHORITY	13755	101310	51145	164276.50	0
SSLOCS	32274	101310	51159	11462.09	0
CA DEPT OF HEALTH SERVICES	6349	101310	51136	7696.80	0
PHILADELPHIA INSURANCE CO.	25255	101310	51151	6387.84	0
CITY OF ARROYO GRANDE	2083	101310	51134	4245.17	0
WALLACE GROUP	35541	101310	51163	3640.00	0
TUCKFIELD & ASSOCIATES	34210	101310	51161	3185.00	0
NACCARATI, SHARON M.	22550	101310	51150	2250.00	0
TECHNOFLO SYSTEMS	91420	101310	51170	1113.54	0
WRIGHT, IV HAROLD L.	91038	101310	51165	900.00	0
CSG SYSTEMS	10475	101310	51141	577.44	0
COMMERCIAL MAINTENANCE	95580	101310	51172	483.52	0
PITNEY BOWES GLOBAL FINANCIAL	25741	101310	51152	412.43	0
SHORELINE LANDSCAPE AND	31400	101310	51157	410.00	0
DORAZIO TRUCKING	91005	101310	51164	405.00	0
SAN LUIS OBISPO, COUNTY OF	28611	101310	51155	367.54	0
PATRICK SCHIMANDLE	30170	101310	51156	300.00	0
CREDIT CARD PROCESSING CENTER	10090	101310	51139	235.07	0
DAHL, VERN	10300	101310	51140	200.00	0
JIM HILL	16200	101310	51147	200.00	0
FRANK'S LOCK & KEY	91105	101310	51166	193.75	0
EXECUTIVE JANITORIAL	12975	101310	51144	175.00	0
J.B. DEWAR, INC.	11150	101310	51142	169.46	0
COAST ELECTRONICS	8200	101310	51138	167.83	0
ADVANTAGE ANSWERING PLUS, INC	599	101310	51132	165.94	0
AVAYA, INC	2375	101310	51135	164.16	0
ELECSYS INTERNATIONAL CORP	94526	101310	51171	163.00	0
DIAZ, ALMA L.	91226	101310	51168	139.50	0
ULTRIX BUSINESS PRODUCTS	34400	101310	51162	130.86	0
VERIZON WIRELESS	15500	101310	51146	119.02	0
STAPLES BUSINESS ADVANTAGE	32425	101310	51160	115.48	0
LUCEY, MARY K.	20089	101310	51148	100.00	0
SLO COUNTY NEWSPAPERS	27990	101310	51154	78.20	0
AMERITAS LIFE INSURANCE	1484	101310	51133	70.72	0
CHARTER COMMUNICATIONS	7500	101310	51137	49.99	0
CARQUEST	31875	101310	51158	47.79	0
DIGITAL WEST NETWORKS	11433	101310	51143	30.00	0
MINER'S ACE HARDWARE, INC.	21087	101310	51149	27.61	0
MONTEMURRO, RAFFAELE F.	91222	101310	51167	21.49	0
CAROLANN PARDO	91228	101310	51169	11.50	0
QUILL CORPORATION	25743	101310	51153	4.29	0

210893.53 *

41 RECORDS PROCESSED

PAYEE	DETAIL OF DEMANDS VEND.NO.	INV.NO.	ACCOUNT	DEPT NAME	CHECK NO.	CHECK AMOUNT	JOB/PROJECT	KEY #
0910 ASWER SERV ADVANTAGE ANSWERING PLUS, INC	00599	676509252010	02-4400-110	WATER	051132	165.94 165.94		200
10/10 VISION AMERITAS LIFE INSURANCE	01484	102818800001	01-2166-004	PAYROLL	051133	70.72 70.72		30
6701:CYN CREST WHEEL 6704:CHRISTIE FAM WHEEL 6705:GRANDE MOBILE MANOR 6706:HALCYON ESTATES CITY OF ARROYO GRANDE	02083	10-019 10-019 10-019 10-019	02-4400-297 02-4400-297 02-4400-297 02-4400-297	WATER WATER WATER WATER	051134	3,441.72 77.18 246.39 479.88 4,245.17	670160297 670160297 670560297 670660297	250 260 270 280
MAINT:09/12-12/12/10 AVAYA, INC	02375	2730397963	01-4100-111	ADMINISTRA	051135	164.16 164.16		210
WATER SYS FEES: FUND 306 CA DEPT OF HEALTH SERVICES	06349	1130550	02-4400-220	WATER	051136	7,696.80 7,696.80		590
SERV THRU 103110 CHARTER COMMUNICATIONS	07500	103110	01-4100-200	ADMINISTRA	051137	49.99 49.99		140
0237 R&M:KENWOOD COAST ELECTRONICS	08200	7101202	01-4200-165	FIRE	051138	167.83 167.83	23780165	610
OFF EXPENSE OFF EXPENSE OFF EXPENSE CREDIT CARD PROCESSING CENTER	10090	090610 091010 090210	01-4100-200 01-4100-200 02-4400-210	ADMINISTRA ADMINISTRA WATER	051139	193.75 24.29 17.03 235.07		460 470 480
B/S:2 REG DAHL, VERN	10300	093010	01-4100-225	ADMINISTRA	051140	200.00 200.00	118860225	640
1306:09/10 POSTAGE 1306:09/10 PROF SERV 1306:09/10 PROF SERV 1306:09/10 POSTAGE CSG SYSTEMS	10475	67410 67410 67410 67410	02-4400-210 02-4400-220 03-4500-220 03-4500-210	WATER WATER SEWER SEWER	051141	154.73 133.99 133.99 154.73 577.44	130680210 130660220 130660220 130680210	380 390 400 650
30-SEP FUEL 30017		742783	03-4500-172	SEWER		169.46	51780172	510

PAYEE	DETAIL OF DEMANDS VEND. NO.	INV. NO.	ACCOUNT	DEPT NAME	CHECK NO.	CHECK AMOUNT	JOB/PROJECT	KEY #
J.B. DEWAR, INC.	11150				051142	169.46		
WEB HOST:10/1-11/01/10 DIGITAL WEST NETWORKS	11433	1307	01-4100-220	ADMINISTRA	051143	30.00 30.00		500
09/10 SERV/SUPP EXECUTIVE JANITORIAL	12975	43891	01-4100-173	ADMINISTRA	051144	175.00 175.00		360
FCFA:07/01/10 - 09/30/10 FIVE CITIES FIRE AUTHORITY	13755	2010-003	01-4200-077	FIRE	051145	164,276.50 164,276.50		670
09/22 CELL SERV 09/22 CELL SERV VERIZON WIRELESS	15500	908783344 908783344	02-4400-111 01-4100-111	WATER ADMINISTRA	051146	108.39 10.63 119.02		80 90
B/S: 2 REG JIM HILL	16200	093010	01-4100-225	ADMINISTRA	051147	200.00 200.00	118560225	220
B/S: 1 REG LUCEY, MARY K.	20089	092210	01-4100-225	ADMINISTRA	051148	100.00 100.00	118960225	230
OPER SUPP OPER SUPP 0573:R&M LIFT STAT LESS:DISCOUNT MINER'S ACE HARDWARE, INC.	21087	K31975 K33257 K34918	02-4400-175 02-4400-175 03-4500-175 02-4400-175	WATER WATER SEWER WATER	051149	7.60 20.37 12.46 12.82 27.61	57380163	540 550 560 570
1121:D/P SERV NACCARATI, SHARON M.	22550	0930100CSD	01-4100-221	ADMINISTRA	051150	2,250.00 2,250.00	112160221	660
08/19/10-09/19/11 AUTO &O/LIAB 09/19/10-10/19/11 AUTO&O/LIAB PHILADELPHIA INSURANCE CO.	25255	4014532533 4014532533	01-4100-150 01-4100-150	ADMINISTRA ADMINISTRA	051151	3,193.92 3,193.92 6,387.84		680 690
QRTLY LEASE:10/01-12/31/10 EQUIPMENT TAX PITNEY BOWES GLOBAL FINANCIAL	25741	3784147 3784147	01-4100-210 01-4100-210	ADMINISTRA ADMINISTRA	051152	381.00 31.43 412.43		300 310
OFF SUPP TAX	7527971		01-4100-200	ADMINISTRA		4.29		370

PAYEE	DETAIL OF DEMANDS VEND.NO.	INV.NO.	ACCOUNT	DEPT NAME	CHECK NO.	CHECK AMOUNT	JOB/PROJECT	KEY #
SLO COUNTY NEWSPAPERS	27990				051153	78.20		
X-CONN SERV:08/2010 SAN LUIS OBISPO, COUNTY OF	28611	IN0069966	02-4400-220	WATER	051154	367.54 367.54		290
R&M NETWORK:OCT 1 R&M NETWORK:SEPT PATRICK SCHIMANDLE	30170	02 01	01-4100-170 01-4100-170	ADMINISTRA ADMINISTRA	051155	150.00 150.00 300.00		520 530
9173:08/10 1655 FRONT 1225:08/10 1687 FRONT 4173:08/10 1685 FRONT 9701:08/10 1681 FRONT SHORELINE LANDSCAPE AND	31400	1270 1270 1270 1270	01-4100-173 01-4200-173 02-4400-163 10-4300-173	ADMINISTRA FIRE WATER FUNDED CON	051156	172.20 20.50 65.60 151.70 410.00	917360173 122560173 417360163 970160173	320 330 340 350
0416:R&M 30009 OPER SUPP CARQUEST	31875	439296 438372	03-4500-171 02-4400-171	SEWER WATER	051157	13.29 34.50 47.79	41680171 41680171	60 70
093010:COLLECTIONS SSLOCSD	32274	093010	03-4500-297	SEWER	051158	11,462.09 11,462.09		600
OFF SUPP OFF SUPP OFF SUPP STAPLES BUSINESS ADVANTAGE	32425	3142466174 3142466175 3142749093	01-4100-200 01-4100-200 01-4100-200	ADMINISTRA ADMINISTRA ADMINISTRA	051159	37.83 37.65 40.00 115.48		100 110 120
RATE STUDY:WATER RATE STUDY:SEWER TUCKFIELD & ASSOCIATES	34210	0286 0286	02-4400-357 03-4500-357	WATER SEWER	051160	1,592.50 1,592.50 3,185.00		620 630
0151:MO BIZHUB C451/12 ULTREX BUSINESS PRODUCTS	34400	118123	01-4100-170	ADMINISTRA	051161	130.86 130.86	15180170	490
083110 ADMIN 083110 GRND WTR BASIN 0630 SWP 083110 SWP WALLACE GROUP	35541	30565 30564 30448 30564	01-4100-222 02-4400-222 02-4400-222 02-4400-222	ADMINISTRA WATER WATER WATER	051162	895.00 1,610.00 230.00 905.00 3,640.00		150 160 170 180
PROF SERV	062810		02-4400-220	WATER		168.75		40

PAYEE	DETAIL OF DEMANDS VEND.NO.	INV.NO.	ACCOUNT	DEPT NAME	CHECK NO.	CHECK AMOUNT	JOB/PROJECT	KEY #
0630 SWP		30448	02-4400-222	WATER		230.00		170
083110 SWP		30564	02-4400-222	WATER		905.00		180
WALLACE GROUP	35541				051163	3,640.00		
PROF SERV		062810	02-4400-220	WATER		168.75		40
PROF SERV		081010	03-4500-220	SEWER		236.25		50
DORAZIO TRUCKING	91005				051164	405.00		
PROF SERV: 12 HRS		9282010	01-4100-220	ADMINISTRA		900.00		190
WRIGHT, IV HAROLD L.	91038				051165	900.00		
4173:R&M FS/OC GM		31054	01-4100-173	ADMINISTRA		193.75		240
FRANK'S LOCK & KEY	91105				051166	193.75		
VEHICLE MAINT		100410	02-4400-171	WATER		15.00		410
POSTAGE		092910	01-4100-210	ADMINISTRA		6.49		420
MONTEMURRO, RAFFAELE F.	91222				051167	21.49		
MILEAGE		093010	01-4100-280	ADMINISTRA		29.50		440
MILEAGE:SEMINAR		100510	01-4100-280	ADMINISTRA		110.00		450
DIAZ, ALMA L.	91226				051168	139.50		
MILEAGE		093010	01-4100-280	ADMINISTRA		11.50		430
CAROLANN PARDO	91228				051169	11.50		
MAINT:EQUIP		3562	02-4400-176	WATER		1,113.54		580
TECHNOFLO SYSTEMS	91420				051170	1,113.54		
0427:11/10 SERV		090807	02-4400-170	WATER		163.00	42780170	20
ELECSYS INTERNATIONAL CORP	94526				051171	163.00		
OPER SUPP		38926	03-4500-175	SEWER		483.52		10
COMMERCIAL MAINTENANCE	95580				051172	483.52		
CHECKS WRITTEN						210,893.53		
* PREPAID ITEMS						.00		*
TOTAL DEMANDS PAID						210,893.53		



Report on
Water and Wastewater Rate Study

for

Oceano Community Services District

September 2010

DRAFT

FINANCIAL CONSULTING
**TUCKFIELD &
ASSOCIATES**
MANAGEMENT CONSULTING

TABLE OF CONTENTS

Executive Summary	1
1.0 Introduction	7
1.1 Background	7
1.2 Scope of Work	7
2.0 Water Utility Financial Planning	9
2.1 Capital Improvement Program	9
2.2 Capital Improvement Program Financing Plan	10
2.3 Revenue	10
2.4 Revenue Requirements	11
2.5 Water Fund Analysis	14
3.0 Water Utility Rate Design	16
3.1 Existing Water Service Rates	16
3.2 Proposed Water Rate Structure and Rates	17
3.2.1 Fixed Charge Component	17
3.2.2 Consumption Charge Component	17
3.3 Typical Bi-monthly Water Bills Under Proposed Rates	18
3.4 Comparison of Average Water Bill With Other Local Agencies	20
4.0 Wastewater Utility Financial Planning	22
4.1 Capital Improvement Program	22
4.2 Capital Improvement Program Financing Plan	23
4.3 Revenue	23
4.4 Revenue Requirements	24
4.5 Sewer Fund Analysis	26
5.0 Wastewater Utility Rate Design	28
5.1 Existing Wastewater Service Rates	28
5.2 Proposed Wastewater Rate Structure and Rates	29
5.3 Typical Bi-monthly Wastewater Bills Under Proposed Rates	30
5.4 Comparison of Average Wastewater Bill With Other Local Agencies	30

List of Tables

Water Utility

Table W-1	Capital Improvement Program	9
Table W-2	Capital Improvement Program Financing Plan.....	10
Table W-3	Projected Number of Customers, Water Sales Volume, and Water Sales Revenue.....	11
Table W-4	Historical and Projected Operation and Maintenance Expense and Minor Capital	13
Table W-5	Water Fund Flow of Funds Statement	15
Table W-6	Schedule of Existing Bi-monthly Water Service Rates	16
Table W-7	Schedule of Proposed Bi-monthly Water Service Rates	19
Table W-8	Comparison of Typical Bi-monthly Water Bills Under Existing Rates and Proposed FY 2009-10 Rates.....	20

Wastewater Utility

Table S-1	Capital Improvement Program	22
Table S-2	Capital Improvement Program Financing Plan.....	23
Table S-3	Projected Number of Customers and Wastewater Service Revenue.....	24
Table S-4	Historical and Projected Operation and Maintenance Expense and Minor Capital	25
Table S-5	Sewer Fund Flow of Funds Statement	27
Table S-6	Schedule of Existing Wastewater Service Charges	28
Table S-7	Schedule of Proposed Wastewater Service Charges.....	30

List of Charts

Chart ES-1	Comparison of Single-Family Residential Bi-monthly Water Bills.....	4
Chart ES-2	Comparison of Single-Family Residential Bi-monthly Wastewater Bills.....	6
Chart 1	Comparison of Single-Family Residential Bi-monthly Water Bills.....	21
Chart 2	Comparison of Single-Family Residential Bi-monthly Wastewater Bills.....	31

EXECUTIVE SUMMARY

This report has been prepared for the Oceano Community Services District (OCSD) by Tuckfield & Associates to document the findings and results of the 2010 Water and Wastewater Rate Study. The objectives of the study include the following.

- Analyze the Water Fund and Sewer Fund of the OCSD and evaluate the adequacy of the revenue under the existing rates to meet existing and future fund obligations of each fund.
- Develop reliable five-year financial plans for the Water Fund and the Sewer Fund that includes adjustments to revenue to meet future changes in fund obligations.
- Create schedules of water and wastewater service rates that are fair and equitable, that provide predictable sources of revenue as described in the financial plans, and that meet Proposition 218 requirements for rates and charges.

Water System Summary of Findings

- A capital improvement program (CIP) has been prepared from the OCSD draft water master plan that identifies improvements to the water system for the next five years. The majority of these improvements are waterline replacement projects. The estimated cost of all the improvements over the next five years total \$1,326,400 including inflation.
- CIP water project expenditures in the first year (FY 2010-11) will be financed with Capital Improvement Fund reserves. All waterline replacement projects are proposed to be funded from a \$1,350,000 loan from the United States Department of Agriculture (USDA) that includes an interest rate of 4.0 percent and a 40 year term.
- Analysis of the Water Fund's future revenue and revenue requirements indicate that the level of revenue currently received by the Water Fund will need to be increased. The water revenue increase is necessary due to inflation in operation and maintenance (O&M) expenses, restoration of an adequate operating reserve, the need for annual capital replacement, and repayment of funds borrowed from restricted reserves. Water sales revenue, derived from water service rates, will need to increase by 8.0 percent on January 1, 2011 and on July 1 of each successive year for FY 2011-12 through FY 2014-15 to meet future revenue requirements.
- Table ES-1 presents the proposed water rates for implementation by the OCSD. The proposed rates differ from the existing rate structure in that the bi-monthly fixed charges are lower and that

consumption is charged in the first block. The price in the second block is 150 percent of the price in the third block while the third block price is 200 percent of the first block price to encourage water conservation. The rate adjustments for FY 2010-11 would go into effect on or before January 1, 2011 while subsequent rate increases would adjust on July 1 of each fiscal year.

Table ES-1
Water Utility
Oceano CSD
Schedule of Proposed Water Service Rates

Bi-monthly Fixed Charges							
Classification	Existing Rates	Date of Increase					
		Jan 1, 2010-11	July 1, 2011-12	July 1, 2012-13	July 1, 2013-14	July 1, 2014-15	
	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	
Residential ^[1]	\$23.94	\$15.60	\$16.85	\$18.20	\$19.65	\$21.20	
Non-Residential							
	Meter Size						
	5/8	\$29.15	\$14.65	\$15.80	\$17.05	\$18.40	\$19.85
	3/4	36.55	29.30	31.65	34.20	36.95	39.90
	1	58.40	58.65	63.35	68.40	73.85	79.75
	1 1/2	109.20	102.60	110.80	119.65	129.20	139.55
	2	172.30	161.25	174.15	188.10	203.15	219.40
	3	276.95	337.15	364.10	393.25	424.70	458.70
	4	473.80	527.70	569.90	615.50	664.75	717.95
	6	\$741.30	\$1,040.70	\$1,123.95	\$1,213.85	\$1,310.95	\$1,415.85
Outside District Charge ^[2]	\$7.10	\$7.65	\$7.90	\$8.15	\$8.40	\$8.65	
Consumption Charge ^[3]							
Classification	Rate Block	Existing Rates	Date of Increase				
			Jan 1, 2010-11	July 1, 2011-12	July 1, 2012-13	July 1, 2013-14	July 1, 2014-15
		\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf	
All Customers							
	First 6 Ccf	\$0.00	\$1.72	\$1.86	\$2.01	\$2.17	\$2.34
	Next 19 Ccf	2.25	2.56	2.76	2.98	3.22	3.48
	Over 25 Ccf	\$2.95	\$3.44	\$3.72	\$4.02	\$4.34	\$4.69
Lopez Charge		\$1.14	\$1.14	\$1.23	\$1.33	\$1.44	\$1.56
Arroyo Grande Temp		\$2.98	\$2.98	\$3.22	\$3.48	\$3.76	\$4.06

^[1] Charge applies to each residential dwelling unit.

^[2] As defined in Ordinance No. 2006-1, page 11.

^[3] Charge per unit of water consumed. One unit equals one hundred cubic feet (Ccf).

Table ES-2 presents typical single family bi-monthly water bills at various levels of consumption that includes the Lopez consumption charge. The table shows that the bi-monthly water bill for a single-family residential customer consuming 20 Ccf bi-monthly (the average consumption for a single family residential customer) will increase from \$78.24 to \$84.48, an increase of \$6.24, or 8.0 percent.

Table ES-2
 Oceano CSD
 Water Utility
Comparison of Typical Bi-monthly Bills Under Existing Rates With Proposed FY 2010-11 Water Service Rates

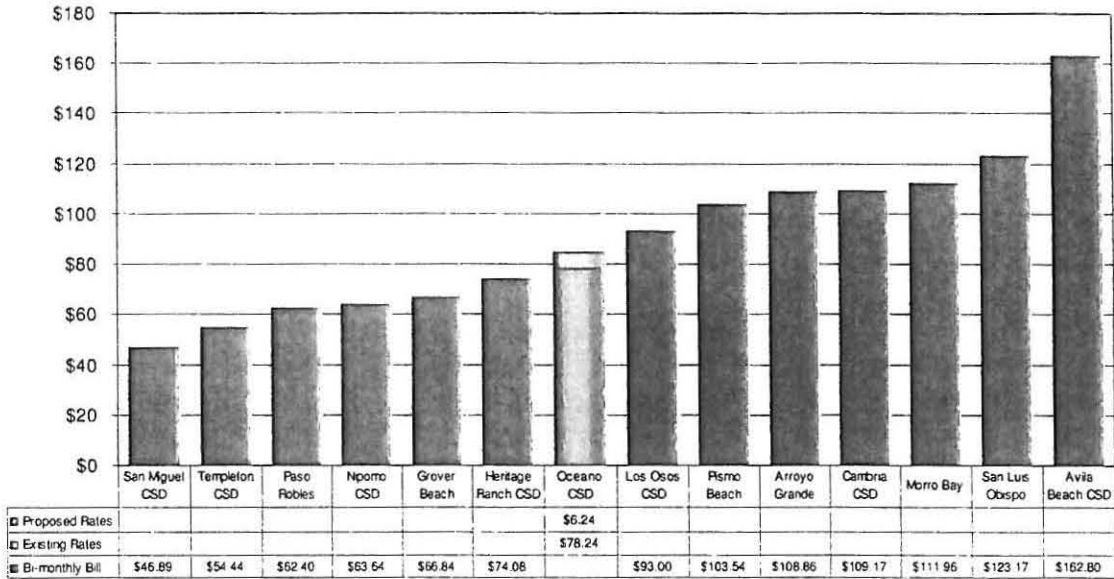
Classification	Fixed Charge			Bi-monthly Consumption Ccf	Consumption Charge			Total Bi-monthly Bill			Percent Difference
	Existing Rates [1]	Proposed Rates			Existing Rates [1]	Proposed Rates		Existing Rates [1]	Proposed Rates		
		FY 2011 [2]	Difference			FY 2011 [2]	Difference		FY 2011 [2]	Difference	
Single Family Res	\$23.94	\$15.60	(\$8.34)	0	\$0.00	\$0.00	\$0.00	\$23.94	\$15.60	(\$8.34)	-34.8%
	\$23.94	\$15.60	(\$8.34)	1	\$1.14	\$2.86	\$1.72	\$25.08	\$18.46	(\$6.62)	-26.4%
	\$23.94	\$15.60	(\$8.34)	2	\$2.28	\$5.71	\$3.43	\$26.22	\$21.31	(\$4.91)	-18.7%
	\$23.94	\$15.60	(\$8.34)	3	\$3.42	\$8.57	\$5.15	\$27.36	\$24.17	(\$3.19)	-11.7%
	\$23.94	\$15.60	(\$8.34)	4	\$4.56	\$11.42	\$6.86	\$28.50	\$27.02	(\$1.48)	-5.2%
	\$23.94	\$15.60	(\$8.34)	5	\$5.70	\$14.28	\$8.58	\$29.64	\$29.88	\$0.24	0.8%
	\$23.94	\$15.60	(\$8.34)	6	\$6.84	\$17.14	\$10.30	\$30.78	\$32.74	\$1.96	6.4%
	\$23.94	\$15.60	(\$8.34)	7	\$10.23	\$20.83	\$10.60	\$34.17	\$36.43	\$2.26	6.6%
	\$23.94	\$15.60	(\$8.34)	8	\$13.62	\$24.53	\$10.91	\$37.56	\$40.13	\$2.57	6.8%
	\$23.94	\$15.60	(\$8.34)	9	\$17.01	\$28.22	\$11.21	\$40.95	\$43.82	\$2.87	7.0%
	\$23.94	\$15.60	(\$8.34)	10	\$20.40	\$31.92	\$11.52	\$44.34	\$47.52	\$3.18	7.2%
	\$23.94	\$15.60	(\$8.34)	15	\$37.35	\$50.40	\$13.05	\$61.29	\$66.00	\$4.71	7.7%
	\$23.94	\$15.60	(\$8.34)	20	\$54.30	\$68.88	\$14.58	\$78.24	\$84.48	\$6.24	8.0%
	\$23.94	\$15.60	(\$8.34)	30	\$91.70	\$110.24	\$18.54	\$115.64	\$125.84	\$10.20	8.8%
	\$23.94	\$15.60	(\$8.34)	40	\$132.60	\$156.00	\$23.40	\$156.54	\$171.60	\$15.06	9.6%
	\$23.94	\$15.60	(\$8.34)	50	\$173.50	\$201.76	\$28.26	\$197.44	\$217.36	\$19.92	10.1%
	\$23.94	\$15.60	(\$8.34)	100	\$378.00	\$430.57	\$52.57	\$401.94	\$446.17	\$44.23	11.0%
	\$23.94	\$15.60	(\$8.34)	150	\$582.50	\$659.37	\$76.87	\$606.44	\$674.97	\$68.53	11.3%
	\$23.94	\$15.60	(\$8.34)	200	\$787.00	\$888.17	\$101.17	\$810.94	\$903.77	\$92.83	11.4%
	\$23.94	\$15.60	(\$8.34)	250	\$991.50	\$1,116.97	\$125.47	\$1,015.44	\$1,132.57	\$117.13	11.5%

⁽¹⁾ Existing rates became effective April 12, 1997. Includes Lopez consumption charge.

⁽²⁾ Proposed rates are effective January 1, 2011. Includes Lopez consumption charge.

Chart ES-1 has been prepared to compare the OCSD's average water bill with bills of other communities at the same consumption. The chart indicates that under the proposed January 1, 2011 water rates including the Lopez consumption charge, an OCSD single family residential customer with a consumption of 20 Ccf bi-monthly will experience a bill that in the mid range of the communities listed.

Chart ES-1
 San Luis Obispo County Water Agencies
 Comparison of Single Family Residential Bi-monthly Water Bills ^[1]
 at 20 Ccf Bi-monthly



[1] For rates in effect July 2010

Wastewater System Summary of Findings

- The OCSD has developed a list of capital improvements that address the needs of the wastewater system for the next five years. These include minor system repairs and sewer main cleaning. The cost of the improvements total \$157,200 over the next five years in inflated dollars.
- There is no impact to the wastewater rates from the proposed capital improvements. All of the improvements are funded from the Sewer Capital Improvement Fund which is outside of the Sewer Fund.
- Analysis of the Sewer Fund's future revenue and revenue requirements indicate that the level of revenue currently received from wastewater service charges will need to be increased. The wastewater revenue increase is necessary due to inflation in operation and maintenance expenses, restoration of an adequate operating reserve, the need for annual capital replacement, and repayment of borrowed funds from restricted reserves. Wastewater service revenue, derived from wastewater service charges, will need to increase by 15.0 percent on January 1, 2011 and on July 1 of each successive year for FY 2011-12 through FY 2014-15 to meet future revenue requirements.

Tables ES-3 presents the proposed wastewater charges for implementation by the OCSD. The charges shown are for wastewater collection service only and were designed using estimated wastewater flow to establish charges on an "Equivalent Dwelling Unit" (EDU) basis. The rate adjustment for FY 2010-11 would go into effect on or before January 1, 2011 while subsequent rate increases would adjust on July 1 of the fiscal year. Wastewater treatment service is provided by the South San Luis Obispo County Sanitation District (SSLOCSD) and is charged separately on each customer's bill.

Table ES-3
Oceano CSD
Sewer Utility
Schedule of Proposed Wastewater Service Charges

Classification	Bi-monthly Fixed Charges ^{(1) (2)}					
	Existing Rates	Date of Increase				
		Jan 1, 2010-11	July 1, 2011-12	July 1, 2012-13	July 1, 2013-14	July 1, 2014-15
	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month
Single Family Residential	\$9.25	\$10.65	\$12.25	\$14.10	\$16.20	\$18.65
Multiple Unit Residential	9.25	10.65	12.25	14.10	16.20	18.65
School	0.65	0.65	0.75	0.85	1.00	1.15
RV Trailer Park	5.20	6.00	6.90	7.95	9.15	10.50
Special Case	1.50	1.75	2.00	2.30	2.65	3.05
Non-Residential	\$9.25	\$10.65	\$12.25	\$14.10	\$16.20	\$18.65

Classification	Consumption Charges ^{(1) (3)}						
	Rate Block	Existing Rates	Date of Increase				
			Jan 1, 2010-11	July 1, 2011-12	July 1, 2012-13	July 1, 2013-14	July 1, 2014-15
	Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf
Non-Residential							
	0 to 10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Over 10	\$0.75	\$0.90	\$1.05	\$1.20	\$1.40	\$1.60

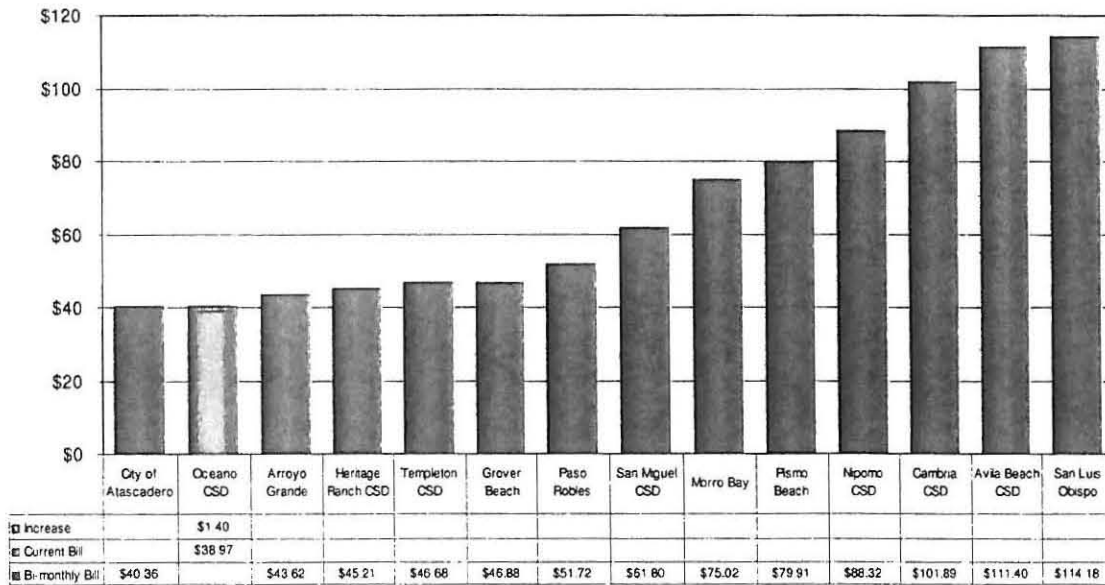
⁽¹⁾ For collection only. Does not include charges from South San Luis Obispo County Sanitation District for wastewater treatment.

⁽²⁾ Single family, multiple unit, and RV Trailer Parks are charged by the dwelling unit. Schools are charged by the Average Daily Attendance (ADA).

⁽³⁾ Charged based on water consumed. One unit equals one hundred cubic feet (Ccf).

- Typical bi-monthly wastewater bills can be determined from inspection of Table ES-3. The bi-monthly wastewater bill for a typical single-family residential customer will increase from \$9.25 to \$10.65, an increase of \$1.40, or 15.1 percent.
- Chart ES-2 has been prepared to compare the OCSD's average wastewater bill with bills of other communities at the same consumption. The chart indicates that under the proposed January 1, 2011 wastewater rates including the South San Luis Obispo County Sanitation District treatment charge, an OCSD single family residential customer with a consumption of 20 Ccf bi-monthly will experience a bill that is next to the lowest of the communities listed.

Chart ES-2
San Luis Obispo County Wastewater Agencies
Comparison of Single Family Residential Bi-monthly Wastewater Bills^[1]
at 20 Ccf Bi-monthly



[1] For rates in effect July 2010

1.0 INTRODUCTION

This report has been prepared for the Oceano Community Services District (OCSD) by Tuckfield & Associates and presents the findings and results of the 2010 Water and Wastewater Rate Study. The report includes development of pro forma statements of revenues and expenses of the OCSD's water and wastewater enterprise funds and proposes adjustments to water and wastewater rates charged by the OCSD to users of the systems.

1.1 BACKGROUND

The OCSD is located in San Luis Obispo County, directly south of, and adjacent to, the City of Grover Beach. The OCSD provides water and wastewater service to a population of over 8,200 covering an area of approximately 1,150 acres. OCSD's customer base consists primarily of residential customers, with a smaller number of non-residential users that together total about 2,200 water connections and 2,100 sewer connections. Water rates were last adjusted on April 12, 1997 while wastewater rates were last adjusted on June 22, 1996.

OCSD's water system consists of water supply, water treatment, distribution, storage, and general utility facilities. Water is currently supplied to OCSD from three sources including groundwater (wells), Lake Lopez, and the State Water Project. Water is distributed through a distribution system that includes 22 miles of pipe ranging in size from 2 inch to 16 inch in diameter and two storage tanks of 0.3 MG and 1.0 MG capacity respectively. Water is treated (chlorinated) prior to introduction to the distribution system.

The wastewater system consists of collection lines ranging in size from 6 inch to 12 inch diameter, one lift station, and a force main to collect wastewater in the OCSD's service area. Wastewater is delivered to a trunk line owned and operated by the South San Luis Obispo County Sanitation District (SSLOCS) which also provides wastewater treatment for the OCSD as well as for the Cities of Arroyo Grande and Grover Beach.

1.2 SCOPE OF WORK

This study includes the results of analyzing the Water Fund and Sewer Fund of the OCSD. Historical trends were analyzed from data supplied by the OCSD showing the number of customers, water consumption volumes, revenue, and revenue requirements. Annual growth projections are reflected in the revenue projections by customer classification.

Revenue requirements include operation and maintenance expense, routine capital outlays, replacement, existing and proposed debt requirements, transfers, and additions to operating reserves. Changing conditions such as additional facilities, recognition of growth, and non-recurring maintenance expenditures are recognized. Inflation for ongoing expenditures is included to reflect cost escalation.

It should be noted that the financial plan and rates developed herein are based on the funding of the capital improvement plan as stated as well as estimates of operation and maintenance expenses. Historical revenue, expense, billing and other information requested by Tuckfield & Associates for FY 2009-10 were not available for use in conducting this study. Annual audits for the OCSD beyond June 30, 2008 were also not available or not completed by the time of this study.

The financial plan and rates developed herein are based on the funding of the capital improvement plan as stated as well as estimates of operation and maintenance expenses developed from information provided by the OCSD. Any significant deviation from the financial plans, construction cost estimates and funding requirements, major operating changes, or other financial policy changes that were not foreseen, may result in the need for lower or higher revenue than anticipated. It is suggested that the OCSD conduct an update to the rate study at least every three years for prudent rate planning.

2.0 WATER UTILITY FINANCIAL PLANNING

Financial planning of the Water Fund includes identifying and projecting revenues and revenue requirements of the fund for a five-year planning period. Estimated revenue from various sources, including projected water sales revenue, are compared with the projected revenue requirements of the fund. This comparison allows the determination of impacts to the fund from financing decisions of the capital improvements, from future estimates of operation and maintenance expense, and from any new obligation of the fund. Preparing a pro forma financial plan allows the development of future water service rates to meet the projected revenue requirements in such a manner that they can be phased-in to avoid rate spikes in any one particular year.

The remainder of this section discusses the planned capital improvement expenditures, financing of those expenditures, and the existing and future revenue and revenue requirements that were identified for the Water Fund.

2.1 CAPITAL IMPROVEMENT PROGRAM

A five-year capital improvement program (CIP) expenditure plan has been prepared from the OCSD's draft water master plan that identifies needed improvements to the water system. Table W-1 presents the list of these projects and the planned expenditures in future years. The expenditures are shown in uninflated dollars, then total expenditures are inflated to the year of expenditure based on the Engineering News Record (ENR) historical index averaged over the last five years.

Table W-1
Oceano CSD
Water Utility
Proposed Capital Improvement Program

Line No.	Project Description	Fiscal Year Ending June 30					Total
		2010-11	2011-12	2012-13	2013-14	2014-15	
1	Safety Eq Compressor	\$8,400	\$0	\$0	\$0	\$0	\$8,400
2	Water Master Plan	12,500	0	0	0	0	12,500
3	Water Buildout and Rate Study	15,000	0	0	0	0	15,000
4	SDW Shovel Ready Projects	5,000	0	0	0	0	5,000
5	14th Street Water Main	0	0	150,000	0	0	150,000
6	Beach Street Alley	0	0	350,000	0	0	350,000
7	Pier Avenue	0	0	300,000	0	0	300,000
8	Pacific Avenue Alley	0	0	250,000	0	0	250,000
9	Norswing Drive	0	0	150,000	0	0	150,000
10	Total Capital Improvements (Uninflated)	\$40,900	\$0	\$1,200,000	\$0	\$0	\$1,240,900
11	Total Capital Improvements (Inflated)⁽¹⁾	\$40,900	\$0	\$1,285,500	\$0	\$0	\$1,326,400

⁽¹⁾ Projects inflated at 3.5% per year based on average annual increase in historical ENR Index

2.2 CAPITAL IMPROVEMENT PROGRAM FINANCING PLAN

Financing for the water system CIP includes transfers from the Water Capital Improvement Fund and loan proceeds from the United States Department of Agriculture (USDA). All expenditures in FY 2010-11 will be funded from reserves in the Water Capital Improvement Fund. Expenditures in future years, related entirely to water main replacements, will be financed from USDA loan proceeds. Table W-2 presents the projected CIP financing plan showing the sources and uses of funds.

Table W-2
Oceano CSD
Water Utility
Capital Improvement Program Financing Plan

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Source of Funds						
1	Funds on Hand at Beginning of Year	\$0	\$0	\$0	\$0	\$0
2	Transfer from Capital Improvement Fund	40,900	0	0	0	0
3	Proposed USDA Loan Proceeds	0	0	1,350,000	0	0
4	Total Sources of Funds	40,900	0	1,350,000	0	0
Use of Funds						
5	Major Capital Improvements ^[1]	40,900	0	1,285,500	0	0
7	Capital Financing Issuance Expense ^[2]	0	0	64,500	0	0
8	Total Use of Funds	40,900	0	1,350,000	0	0
9	Funds on Hand at End of Year	\$0	\$0	\$0	\$0	\$0

^[1] From Table W-1.

^[2] Estimated at 5.0% of bond issue amount.

2.3 REVENUE

The Water Fund currently receives revenue from several sources. These include water sales revenue, interest income, and other revenue consisting of lease revenue, meter installations, connection fee revenue, and miscellaneous. Revenue from water sales was projected through application of the current water rates that became effective April 12, 1997, to projections of customer growth and water sales volume. Future customer growth was estimated assuming 8 new single family residential units annually beginning in FY 2013-14.

Future water sales volume was projected assuming a one-percent annual reduction in the average water consumption per account from current consumption levels. The State of California adopted the 20x2020 Water Conservation Plan in February 2010, calling for a state-wide 20 percent reduction in per capita

water consumption by the year 2020. This plan is the basis for the reduction in water consumption that is included in the water sales volume projections. Table W-3 presents the projections of customer growth, metered water sales volume, and projected revenues using the existing rate schedule.

Table W-3
 Oceano CSD
 Water Utility
 Projection of Number of Customers, Water Sales Volume, and Water Sales Revenue

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Number of Customers ^[1]						
1	Residential	1,985	1,985	1,985	1,993	2,001
2	Commercial	81	81	81	81	81
3	Industrial	7	7	7	7	7
4	Public Agency	14	14	14	14	14
5	Irrigation Service	30	30	30	30	30
6	Other ^[2]	4	4	4	4	4
7	Total Number of Customers	2,121	2,121	2,121	2,129	2,137
Water Sales Volume (Ccf)						
8	Residential	327,644	324,870	322,098	320,270	318,428
9	Commercial	24,745	24,502	24,259	24,016	23,773
10	Industrial	8,393	8,309	8,225	8,141	8,057
11	Public Agency	12,803	12,671	12,539	12,408	12,278
12	Irrigation Service	14,490	14,340	14,190	14,040	13,890
13	Other ^[2]	33,454	33,454	33,454	33,454	33,454
14	Total Water Sales Volume	421,529	418,146	414,765	412,329	409,880
Water Sales Revenue ^[3]						
15	Residential	\$1,245,400	\$1,237,500	\$1,229,800	\$1,225,900	\$1,222,000
16	Commercial	115,200	114,300	113,400	112,600	111,700
17	Industrial	33,600	33,300	33,000	32,700	32,400
18	Public Agency	60,800	60,300	59,800	59,200	58,700
19	Irrigation Service	62,500	61,900	61,400	60,800	60,300
20	Other ^[2]	109,100	109,100	109,100	109,100	109,100
21	Total Water Sales Revenue	\$1,626,600	\$1,616,400	\$1,606,500	\$1,600,300	\$1,594,200

^[1] Assumes 8 new single family residential customers are added annually after FY 2013-14.
^[2] Other classification includes City of Arroyo Grande and hydrant meter.
^[3] Revenue projected using the existing rate schedule.

2.4 REVENUE REQUIREMENTS

Revenue requirements were identified for the Water Fund that include operation and maintenance (O&M) expense, debt service, State Water Project payments, minor capital expenditures, Transfer to

Water Capital Reserves, and repayment of borrowed funds from restricted reserves. Future annual costs of each of these items are estimated in different ways as discussed below.

Historical and projected operation and maintenance expenses are presented in Table W-4. O&M expense includes the cost of personnel, utilities, chemicals, and miscellaneous materials and supplies needed to operate the water system on an annual basis. Projections are based upon an analysis of historical expenses and take into account anticipated future system growth and cost increases in labor, contractual services, electric power, chemicals, materials, and supplies.

Salary costs are projected to increase at an annual rate of 3 percent while benefit costs are projected to increase by 6 percent annually. Unit power costs and unit chemical costs (\$ per Ccf) are inflated at the rate of 3 percent annually while also increasing/decreasing in proportion to production volume. All other costs are projected to increase at 3 percent per year.

The OCSD has debt outstanding from a 1979 Revenue Bond and a 1976 State of California Safe Drinking Water (SDW) Loan. The annual debt service on the revenue bonds ranges between \$16,000 and \$21,000. The bonds will be retired in FY 2019-20. The SDW loan has annual debt service payments of \$62,578 with loan retirement in FY 2012-13.

The CIP related to waterline replacement stated in section 2.1 are proposed to be financed from a USDA loan in FY 2012-13. The loan is anticipated to have terms consisting of an interest rate of 4.0 percent and length of 40 years. Debt service payments on the loan are expected to be \$68,200 annually. The USDA also requires that a loan reserve be maintained and may be built over a ten year period. Loan reserve payments have been estimated at \$6,800 annually.

Minor capital expenditures that recur on a more or less annual basis are considered routine, and are properly met from water sales revenue rather than from debt financing or other major capital improvement sources of funds. Total minor capital expenditures are estimated at \$5,000 annually and are projected to increase by 3 percent in each future year.

Proper rate planning includes making an annual contribution for capital replacement and unforeseen capital needs. A Transfer to the Water Capital Improvement Fund is included as an annual revenue requirement of the Water Fund beginning in FY 2013-14 that is approximately equal to annual depreciation expense of water facility assets. The balance in the Water Capital Improvement Fund is used to make repairs and replacements to water system facilities as required.

In recent years, the Water Fund has borrowed from restricted reserve funds of the OCSD to meet annual operating deficits. As of June 30, 2010, the Water Fund owed approximately \$585,000 to other restricted reserve funds. It is proposed that the Water Fund begin to repay the restricted reserve funds with an annual amount of \$100,000 beginning in FY 2012-13 until such borrowed amounts are repaid in full.

Table W-4
 Oceano CSD
 Water Utility
Historical and Projected Operation and Maintenance Expense and Minor Capital

Line No.	Description	Fiscal Year Ending June 30									
		Historical (Actual)				Budget		Projected			
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Operation and Maintenance Expense ⁽¹⁾											
1	Wages and Salaries	\$135,290	\$139,560	\$170,600	\$175,980	n/a	\$108,000	\$111,200	\$114,500	\$118,000	\$121,600
2	Benefits	54,140	49,040	55,105	74,360	n/a	62,530	66,400	70,400	74,500	79,000
3	Maintenance: Water Structures	4,750	6,410	7,725	25,090	n/a	7,900	8,100	8,300	8,500	8,700
4	Maintenance: Radios, Equip, Vehicles	8,225	6,465	3,300	4,440	n/a	3,300	3,400	3,500	3,600	3,700
5	Fuel	5,135	6,815	6,500	6,785	n/a	6,500	6,700	6,900	7,100	7,300
6	Water Meters	8,785	8,845	10,000	9,085	n/a	45,000	46,400	47,800	49,200	50,700
7	Professional Services/Contract Eng	132,460	46,460	49,600	84,013	n/a	61,445	63,300	65,200	67,100	69,200
8	Lopez Zone 3	209,990	265,545	327,580	324,760	n/a	440,874	533,700	451,500	469,600	488,400
9	Drought Buffer Water	0	0	0	0	n/a	0	7,500	7,500	7,500	7,500
10	Utilities	11,420	18,930	15,000	35,895	n/a	28,000	28,600	29,200	29,900	30,600
11	Allocation/Admin Expense	114,011	228,844	225,418	212,165	n/a	217,967	224,500	231,200	238,100	245,200
12	Insurance	2,825	6,325	6,800	15,030	n/a	6,800	7,000	7,200	7,400	7,600
13	Other	127	56,277	23,875	57,540	n/a	72,832	75,000	77,100	79,200	81,300
14	Total Operation and Maintenance Expt	\$687,158	\$839,516	\$901,503	\$1,025,143	n/a	\$1,061,148	\$1,181,800	\$1,120,300	\$1,159,700	\$1,200,800
Minor Capital ⁽¹⁾											
15	Minor Capital	\$290	\$0	\$3,700	\$4,055	n/a	\$100	\$5,100	\$5,300	\$5,500	\$5,700
16	Total Minor Capital	\$290	\$0	\$3,700	\$4,055	n/a	\$100	\$5,100	\$5,300	\$5,500	\$5,700
17	Total O&M and Minor Capital	\$687,448	\$839,516	\$905,203	\$1,029,198	n/a	\$1,061,248	\$1,186,900	\$1,125,600	\$1,165,200	\$1,206,500

⁽¹⁾ Salaries expense is inflated at 3% annually; Benefits expense is inflated at 6% annually; Electricity expense (per Ccf) is inflated at 3%, all other expenses are inflated at 3% annually

2.5 WATER FUND ANALYSIS

Table W-5 presents a pro forma flow of funds statement for the Water Fund. The pro forma statement includes all revenues received and all revenue requirements and financial obligations of the fund. Analysis of the Water Fund, without any revenue adjustments, indicated that the fund is deficient in meeting its future obligations. The deficiency is due to inflation in operation and maintenance expenses, restoration of an adequate operating reserve, the need for annual transfers for capital replacement, and repayment of borrowed funds from restricted reserves.

The statement indicates that revenue from water service rates will need to increase by 8.0 percent on January 1, 2010 and on each successive July 1 of FY 2011-12 through FY 2014-15. The increases in revenue required are shown on lines 2 through 6 of Table W-5, and are additional to the revenue generated from water sales revenue shown on line 1. Revenue was increased in this manner to phase-in the increases over several years.

The increases in the water sales revenue were determined by recognizing specific financial planning criteria for the Water Fund. The criteria included increasing the Water Fund balance (operating reserve) as necessary such that a fund balance of 90 days (of 360 days) of O&M expense is generated by the last year of the study without experiencing a negative fund balance in any year. The criteria also included maintaining a debt coverage ratio of at least 125 percent as defined in Note 7 of the OCSD June 30, 2008 audit.

Table W-5
 Oceano CSD
 Water Utility
 Water Fund Flow of Funds Statement

Line No	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$1,626,600	\$1,616,400	\$1,606,500	\$1,600,300	\$1,594,200
Additional Water Sales Revenue Required:						
Annualized		Date of		Actual		
	Revenue	Increase	Increase	Fiscal Year	Increase	
2	8.0%	Jan 1,	2010-11	3.3%	54,200	129,300
3	8.0%	July 1,	2011-12	7.3%		128,000
4	8.0%	July 1,	2012-13	7.3%		138,800
5	8.0%	July 1,	2013-14	7.3%		137,400
6	8.0%	July 1,	2014-15	7.3%		149,300
7	Total Additional Water Sales Revenue	54,200	257,300	404,700	563,400	733,800
8	Total Water Sales Revenue	1,680,800	1,873,700	2,011,200	2,163,700	2,328,000
9	Other Revenue ^[2]	225,300	103,300	104,300	179,700	180,700
10	Interest Income ^[3]	3,400	3,400	3,700	4,500	5,900
11	Total Revenue	\$1,909,500	\$1,980,400	\$2,119,200	\$2,347,900	\$2,514,600
Revenue Requirements						
12	Operation and Maintenance Expense ^[4]	\$1,061,100	\$1,181,800	\$1,120,300	\$1,159,700	\$1,200,800
13	1979 Revenue Bonds	16,800	16,300	20,600	18,400	18,400
14	CSDCA SDW Loan	62,600	62,600	62,600	0	0
15	Proposed USDA Loan ^[5]	0	0	68,200	68,200	68,200
16	Proposed USDA Loan Reserve ^[5]	0	0	6,800	6,800	6,800
17	State Water Project Payment	635,000	635,000	635,000	635,000	635,000
18	State Water Project Rate Covenant Prepayment	100,000	100,000	100,000	100,000	100,000
19	Minor Capital Expenditures	100	5,100	5,300	5,500	5,700
20	Transfer to Capital Reserve ^[6]	0	0	0	130,000	130,000
21	Repayment to Restricted Reserves ^[7]	0	0	100,000	100,000	100,000
22	Total Revenue Requirements	1,875,600	2,000,800	2,118,800	2,223,600	2,264,900
23	Net Funds Available	\$33,900	(\$20,400)	\$400	\$124,300	\$249,700
24	Beginning Water Fund Balance	0	33,900	13,500	13,900	138,200
25	Cumulative Water Fund Balance	\$33,900	\$13,500	\$13,900	\$138,200	\$387,900
26	Target Reserve Balance ^[8]	\$265,300	\$295,500	\$280,100	\$289,900	\$300,200
CCWA Water Supply Agreement Annual Debt Service Coverage						
27	Revenue ^[9]	\$1,913,800	\$1,984,600	\$2,123,700	\$2,353,300	\$2,521,100
28	Water Fund O&M	1,061,100	1,181,800	1,120,300	1,159,700	1,200,800
29	SWP Payments ^[10]	635,000	635,000	635,000	635,000	635,000
30	Additional Debt	79,400	78,900	158,200	93,400	93,400
31	Debt Service Coverage (must be at least 125%) ^[11]	119%	112%	127%	164%	181%

^[1] From Table W-3.
^[2] Includes notice fees, account setup fees, meter installations, connection fees, SWP Capacity Charges, Canyon Crest/Christie pass-through, lease revenue, and miscellaneous. Assumes SWP Capacity Charge revenue used toward SWP debt service.
^[3] Assumes an interest rate of 0.5% on the average fund balance.
^[4] From Table W-4.
^[5] Annual debt service payment on USDA loan amount of \$1,350,000 assuming an interest rate of 4.0% and a 40 year term.
^[6] Transfer for annual capital replacement approximately equal to annual depreciation expense.
^[7] Repayment to restricted reserves for funds previously borrowed.
^[8] Target reserve amount to be maintained, estimated at 90 days of operation and maintenance expense.
^[9] Includes water sales revenue, interest income, and all other revenue from rates, fees, and charges.
^[10] Sum of State Water Project payments from lines 17 and 18.
^[11] Financial requirement as stated in Note 7, page 23, of June 30, 2008 Audit.

3.0 WATER UTILITY RATE DESIGN

3.1 EXISTING WATER SERVICE RATES

The existing water rate structure and pricing is presented in Table W-6. The existing water rates have not been increased since April 12, 1997. The structure consists of a bi-monthly fixed charge by meter size, a three-block consumption charge applicable to all customers, and an additional consumption charge for Lopez water. Additionally, the OCSD sells water to the City of Arroyo Grande on a temporary basis.

Fixed charges for residential customers are the same regardless of meter size and apply to each dwelling unit. Fixed charges for non-residential customers have been determined such that charges for larger meter sizes are escalated from the 5/8 inch meter charge.

Table W-6								
Oceano CSD								
Water Utility								
Existing Bi-monthly Water Service Rates								
Classification	Bi-monthly Fixed Charges ^[1]							
	Meter Size							
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"
Residential	\$23.94	\$23.94	\$23.94	\$23.94	\$23.94	\$23.94	\$23.94	\$23.94
Non-Residential	\$29.15	\$36.55	\$58.40	\$109.20	\$172.30	\$276.95	\$473.80	\$741.30
Classification	Consumption Charge ^{[1][2]}							
	Block Rate		Uniform					
	Block	Rate	Rate					
			\$/Ccf	\$/Ccf				
All Customers								
		First 6 Ccf	\$0.00					
		Next 19 Ccf	\$2.25					
		Over 25 Ccf	\$2.95					
Lopez Charge			\$1.14					
Arroyo Grande Temporary			\$2.98					

^[1] Existing rates became effective April 12, 1997.

^[2] Charge per unit of water consumed. One unit equals one hundred cubic feet (Ccf).

3.2 PROPOSED WATER RATE STRUCTURE AND RATES

Water service rates are typically composed of a fixed charge and a consumption charge (volume charge). The proposed rate structure for OCSD includes fixed charges and a three-block consumption charge by meter size.

3.2.1 Fixed Charge Component

The proposed fixed charge component reflects the existing methodology, however the cost allocation process has resulted in less revenue to be recovered from the fixed charges. Revenue from the proposed fixed charges recovers 15 percent of the total revenue generated from water fixed and consumption charges.

Fixed charges for residential customers are proposed to be the same regardless of meter size and apply to each dwelling unit. Fixed charges for non-residential customers reflect higher charges for larger meter sizes, and are escalated from the 5/8 inch meter charge based on the OCSD's SFR Equivalency ratios as stated in Ordinance No. 2006-1, page 11. Setting fixed charges in this manner recovers the cost apportioned to residential customers recognizing equal capacity utilization for each residence while non-residential costs are recovered reflecting the capacity supplied by each meter.

3.2.2 Consumption Charge Component

Costs that are not recovered in the fixed charges are recovered in the consumption (volume) charge. The volume charge may be a uniform charge per unit of consumption, or established as a series of block rates, where a block of water is defined as a defined amount of water consumption, such as zero to 500 cubic feet (0 to 5 HCF).

Rate blocks are designed based on an analysis of the bills rendered by customer classification for various levels of consumption. The analysis includes tabulating the number of bills, consumption, and cumulative consumption of the bills rendered at each consumption level. The result of this tabulation is the determination of the percentage of the total water volume that is consumed in each block.

This analysis was performed for the OCSD using information from billing system records. Several findings can be concluded from this analysis as listed below.

- Residential accounts consist of more than 93 percent of the total accounts.
- Over 77 percent of the water consumed is related to residential customers (single-family, multifamily, and RV Trailer Parks).
- The average bi-monthly water consumption of the single family residential classification is 20 Ccf.

- The average bi-monthly water consumption of the multiple unit residential classification is 14 Ccf.
- The average bi-monthly water consumption of the Commercial classification is about 50 Ccf.

Because OCSD's customer base is primarily residential, it is reasonable to have one rate structure that applies to all customers. It is also appropriate that several blocks be established for the volume charge to promote water conservation.

It is proposed that the existing rate structure be maintained as a three-block rate structure by meter size. The proposed block rate structure recognizes low water consumers in the initial block while providing a water conservation incentive in the third block. The block break points are set such that they are consistent with the existing break points, recognizing that most dwelling units consume up to 6 units of water with the second block break point set in such a manner that 20 percent of the consumption of residential customers is captured in this block. The top 10 to 20 percent of the consumption is generally considered to include, or partially include, excess use or wasteful water consumption.

Water pricing for each rate block has been established recognizing a reasonable escalation in pricing that reflects water conservation practice with all consumption being charged. The second block price is set at 150 percent of the first block price while the third block price is set at 200 percent of the first block price.

Table W-7 presents the proposed future water rates for the next five years with a comparison to existing rate levels. The proposed rates for FY 2010-11 are planned for implementation on January 1, 2011 while future rates are proposed for implementation on July 1 of each successive fiscal year.

3.3 TYPICAL BI-MONTHLY WATER BILLS UNDER PROPOSED RATES

Table W-8 shows bi-monthly single family residential water bills at various consumption levels for the existing and proposed rates, including the Lopez consumption charge. The table indicates that at a bi-monthly water consumption of 20 Ccf, the average consumption for a single family residential customer, the bi-monthly water bill will increase from \$78.24 to \$84.48, an increase of \$6.24, or 8.0 percent.

Table W-7
 Water Utility
 Oceano CSD
 Schedule of Proposed Water Service Rates

		Bi-monthly Fixed Charges					
Classification	Existing Rates \$/bi-month	Date of Increase					
		Jan 1, 2010-11 \$/bi-month	July 1, 2011-12 \$/bi-month	July 1, 2012-13 \$/bi-month	July 1, 2013-14 \$/bi-month	July 1, 2014-15 \$/bi-month	
Residential ⁽¹⁾	\$23.94	\$15.60	\$16.85	\$18.20	\$19.65	\$21.20	
Non-Residential							
	Meter Size						
	5/8	\$29.15	\$14.65	\$15.80	\$17.05	\$18.40	\$19.85
	3/4	36.55	29.30	31.65	34.20	36.95	39.90
	1	58.40	58.65	63.35	68.40	73.85	79.75
	1 1/2	109.20	102.60	110.80	119.65	129.20	139.55
	2	172.30	161.25	174.15	188.10	203.15	219.40
	3	276.95	337.15	364.10	393.25	424.70	458.70
	4	473.80	527.70	569.90	615.50	664.75	717.95
	6	\$741.30	\$1,040.70	\$1,123.95	\$1,213.85	\$1,310.95	\$1,415.85
Outside District Charge ⁽²⁾	\$7.10	\$7.65	\$7.90	\$8.15	\$8.40	\$8.65	

		Consumption Charge ⁽³⁾					
Classification	Rate Block	Existing Rates \$/Ccf	Date of Increase				
			Jan 1, 2010-11 \$/Ccf	July 1, 2011-12 \$/Ccf	July 1, 2012-13 \$/Ccf	July 1, 2013-14 \$/Ccf	July 1, 2014-15 \$/Ccf
All Customers							
	First 6 Ccf	\$0.00	\$1.72	\$1.86	\$2.01	\$2.17	\$2.34
	Next 19 Ccf	2.25	2.56	2.76	2.98	3.22	3.48
	Over 25 Ccf	\$2.95	\$3.44	\$3.72	\$4.02	\$4.34	\$4.69
Lopez Charge		\$1.14	\$1.14	\$1.23	\$1.33	\$1.44	\$1.56
Arroyo Grande Temp		\$2.98	\$2.98	\$3.22	\$3.48	\$3.76	\$4.06

⁽¹⁾ Charge applies to each residential dwelling unit.

⁽²⁾ As defined in Ordinance No. 2006-1, page 11.

⁽³⁾ Charge per unit of water consumed. One unit equals one hundred cubic feet (Ccf).

Table W-8
 Oceano CSD
 Water Utility
 Comparison of Typical Bi-monthly Bills Under Existing Rates With Proposed FY 2010-11 Water Service Rates

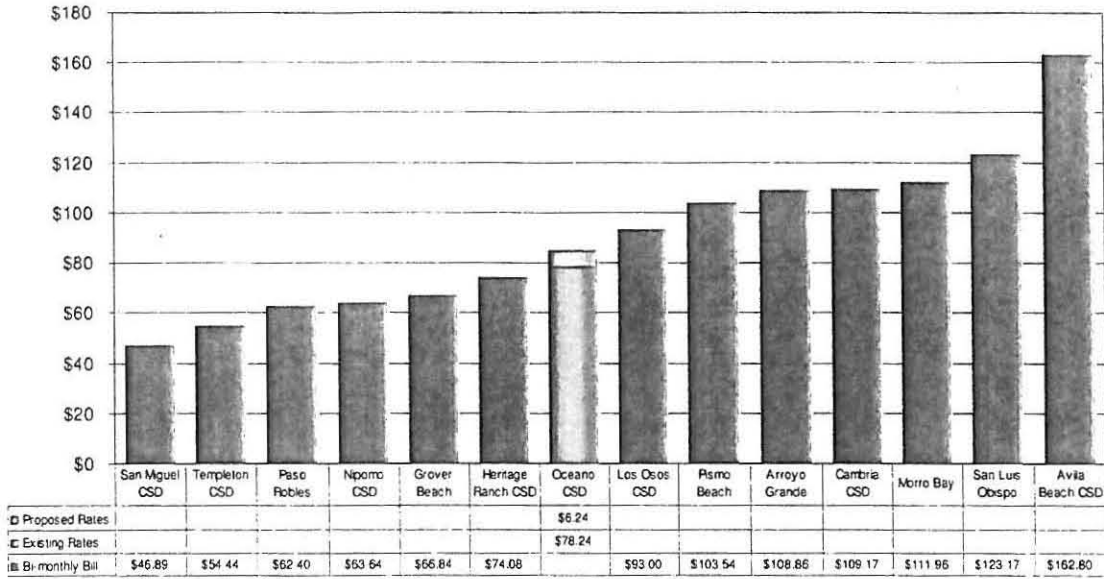
Classification	Fixed Charge			Bi-monthly Consumption Ccf	Consumption Charge			Total Bi-monthly Bill			Percent Difference
	Existing Rates [1]	Proposed Rates			Existing Rates [1]	Proposed Rates		Existing Rates [1]	Proposed Rates		
		FY 2011 [2]	Difference			FY 2011 [2]	Difference		FY 2011 [2]	Difference	
Single Family Res	\$23.94	\$15.60	(\$8.34)	0	\$0.00	\$0.00	\$0.00	\$23.94	\$15.60	(\$8.34)	-34.8%
	\$23.94	\$15.60	(\$8.34)	1	\$1.14	\$2.86	\$1.72	\$25.08	\$18.46	(\$6.62)	-26.4%
	\$23.94	\$15.60	(\$8.34)	2	\$2.28	\$5.71	\$3.43	\$26.22	\$21.31	(\$4.91)	-18.7%
	\$23.94	\$15.60	(\$8.34)	3	\$3.42	\$8.57	\$5.15	\$27.36	\$24.17	(\$3.19)	-11.7%
	\$23.94	\$15.60	(\$8.34)	4	\$4.56	\$11.42	\$6.86	\$28.50	\$27.02	(\$1.48)	-5.2%
	\$23.94	\$15.60	(\$8.34)	5	\$5.70	\$14.28	\$8.58	\$29.64	\$29.88	\$0.24	0.8%
	\$23.94	\$15.60	(\$8.34)	6	\$6.84	\$17.14	\$10.30	\$30.78	\$32.74	\$1.96	6.4%
	\$23.94	\$15.60	(\$8.34)	7	\$10.23	\$20.83	\$10.60	\$34.17	\$36.43	\$2.26	6.6%
	\$23.94	\$15.60	(\$8.34)	8	\$13.62	\$24.53	\$10.91	\$37.56	\$40.13	\$2.57	6.8%
	\$23.94	\$15.60	(\$8.34)	9	\$17.01	\$28.22	\$11.21	\$40.95	\$43.82	\$2.87	7.0%
	\$23.94	\$15.60	(\$8.34)	10	\$20.40	\$31.92	\$11.52	\$44.34	\$47.52	\$3.18	7.2%
	\$23.94	\$15.60	(\$8.34)	15	\$37.35	\$50.40	\$13.05	\$61.29	\$66.00	\$4.71	7.7%
	\$23.94	\$15.60	(\$8.34)	20	\$54.30	\$68.88	\$14.58	\$78.24	\$84.48	\$6.24	8.0%
	\$23.94	\$15.60	(\$8.34)	30	\$91.70	\$110.24	\$18.54	\$115.64	\$125.84	\$10.20	8.8%
	\$23.94	\$15.60	(\$8.34)	40	\$132.60	\$156.00	\$23.40	\$156.54	\$171.60	\$15.06	9.6%
	\$23.94	\$15.60	(\$8.34)	50	\$173.50	\$201.76	\$28.26	\$197.44	\$217.36	\$19.92	10.1%
	\$23.94	\$15.60	(\$8.34)	100	\$378.00	\$430.57	\$52.57	\$401.94	\$446.17	\$44.23	11.0%
	\$23.94	\$15.60	(\$8.34)	150	\$582.50	\$659.37	\$76.87	\$606.44	\$674.97	\$68.53	11.3%
	\$23.94	\$15.60	(\$8.34)	200	\$787.00	\$888.17	\$101.17	\$810.94	\$903.77	\$92.83	11.4%
	\$23.94	\$15.60	(\$8.34)	250	\$991.50	\$1,116.97	\$125.47	\$1,015.44	\$1,132.57	\$117.13	11.5%

^[1] Existing rates became effective April 12, 1997. Includes Lopez consumption charge.
^[2] Proposed rates are effective January 1, 2011. Includes Lopez consumption charge.

3.4 COMPARISON OF AVERAGE WATER BILL WITH OTHER LOCAL AGENCIES

Chart 1 presents a comparison of the proposed single family residential bi-monthly water bill at 20 Ccf with other local communities. The chart indicates that under the proposed January 1, 2011 water rates including the Lopez water consumption charge, an OCSD single family residential customer with a consumption of 20 Ccf bi-monthly will experience a bill that in the mid range of the communities listed.

Chart 1
 San Luis Obispo County Water Agencies
 Comparison of Single Family Residential Bi-monthly Water Bills ^[1]
 at 20 Ccf Bi-monthly



4.0 WASTEWATER UTILITY FINANCIAL PLANNING

Financial planning for the Sewer Fund includes analysis and projection of revenue and revenue requirements of the wastewater collection system only, which is the service that is provided by the OCSD. Wastewater treatment service is provided separately by the South San Luis Obispo County Sanitation District.

Revenue and revenue requirements are projected to analyze impacts to the Sewer Fund from financing decisions of capital improvements, from future estimates of operation and maintenance expense, and from any new obligation of the fund. A pro forma statement of revenues and expenses is prepared that may allow rates to be phased-in to avoid rate spikes in any one particular year.

The remainder of this section discusses the planned capital improvement expenditures, financing of those expenditures, and the existing and future revenue and revenue requirements identified in the study for the Sewer Fund.

4.1 CAPITAL IMPROVEMENT PROGRAM

A wastewater capital improvement program (CIP) expenditure plan has been prepared that addresses future capital improvement needs of the wastewater system. Table S-1 presents the list of improvements and the expenditures in future years. The expenditures are shown in uninflated dollars, then total expenditures are inflated to the year of the planned expenditure based on the Engineering News Record (ENR) historical index averaged over the last five years.

Table S-1
 Oceano CSD
 Sewer Utility
 Proposed Capital Improvement Program

Line No.	Project Description	Fiscal Year Ending June 30					Total
		2010-11	2011-12	2012-13	2013-14	2014-15	
1	Various System Repairs / Replacements	\$25,000	\$0	\$0	\$0	\$0	\$25,000
2	Sewer Master Plan	6,690	0	0	0	0	6,690
3	Buildout and Rate Study	7,500	0	0	0	0	7,500
4	Replace Gas Sensor and Compressor	12,600	0	0	0	0	12,600
5	Sewer Main Cleaning	50,000	0	0	50,000	0	100,000
6	Total Capital Improvements (Uninflated)	\$101,790	\$0	\$0	\$50,000	\$0	\$151,790
7	Total Capital Improvements (Inflated) ⁽¹⁾	\$101,800	\$0	\$0	\$55,400	\$0	\$157,200

⁽¹⁾ Projects inflated at 3.5% per year based on the average annual increase in the historical ENR Index.

4.2 CAPITAL IMPROVEMENT PROGRAM FINANCING PLAN

The wastewater system CIP is financed solely from the Sewer Capital Improvement Fund (reserves). Transfers from the Sewer Capital Improvement Fund are planned to pay for all projects over the next five years. A projection of the sources and uses of funds to finance the sewer system CIP is presented in Table S-2.

Table S-2
 Oceano CSD
 Sewer Utility
 Capital Improvement Financing Plan

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Source of Funds						
1	Funds on Hand at Beginning of Year	\$0	\$0	\$0	\$0	\$0
2	Transfer from Capital Improvement Fund	101,800	0	0	55,400	0
3	Total Sources of Funds	101,800	0	0	55,400	0
Use of Funds						
4	Major Capital Improvements ⁽¹⁾	101,800	0	0	55,400	0
5	Total Use of Funds	101,800	0	0	55,400	0
6	Funds on Hand at End of Year	\$0	\$0	\$0	\$0	\$0

⁽¹⁾ From Table S-1.

4.3 REVENUE

The Sewer Fund receives revenue from several sources. These include wastewater service revenue, interest income, and other revenue consisting of connection fee revenue, lateral construction, inspection fees, fats oil and grease program revenue, lease revenue, and miscellaneous.

Revenue from wastewater service was projected through application of the June 22, 1996 wastewater charges to projections of customer growth. Future customer growth was estimated assuming 8 new single family residential units annually beginning in FY 2013-14. Table S-3 shows projections of customer growth and wastewater service revenue.

Table S-3
 Oceano CSD
 Sewer Utility
 Projection of Number of Customers and Wastewater Service Revenue

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Number of Customers ⁽¹⁾						
1	Single Family Residential	1,667	1,667	1,667	1,675	1,683
2	Multiple Unit Residential	217	217	217	217	217
3	School	4	4	4	4	4
4	RV Trailer Park	2	2	2	2	2
5	Special Case	13	13	13	13	13
6	Non-Residential	183	183	183	183	183
7	Total Number of Customers	2,086	2,086	2,086	2,094	2,102
Wastewater Service Revenue ⁽²⁾						
8	Single Family Residential	\$92,500	\$92,500	\$92,500	\$93,000	\$93,400
9	Multiple Unit Residential	61,200	61,200	61,200	61,200	61,200
10	School	4,800	4,800	4,800	4,800	4,800
11	RV Trailer Park	9,900	9,900	9,900	9,900	9,900
12	Special Case	100	100	100	100	100
13	Non-Residential	23,000	22,900	22,700	22,500	22,400
17	Total Wastewater Service Revenue	\$191,500	\$191,400	\$191,200	\$191,500	\$191,800

⁽¹⁾ Assumes 8 new single family residential customers are added annually after FY 2012-13
⁽²⁾ Estimated revenue projected using the existing rate schedule.

4.4 REVENUE REQUIREMENTS

Revenue requirements were identified for the Sewer Fund that includes operation and maintenance (O&M) expense, minor capital expenditures, Transfer to the Sewer Capital Improvement Fund, and repayment of borrowed funds from restricted reserves. Future annual costs of each of these items are projected as discussed below.

Historical and projected operation and maintenance expenses are presented in Table S-4. O&M expense includes the cost of personnel, utilities, chemicals, and miscellaneous materials and supplies needed to operate the water system on an annual basis. Projections are based upon an analysis of historical expenses and take into account anticipated future system growth and cost increases in labor, contractual services, electric power, chemicals, materials, and supplies.

Salary costs are projected to increase at an annual rate of 3 percent while benefit costs are projected to increase by 6 percent annually. Unit power costs and unit chemical costs (both in \$ per Ccf) are inflated at the annual rates of 3 percent while also increasing/decreasing in proportion to water sales volume. All other costs are projected to increase at 3 percent per year.

Table S-4
 Oceano CSD
 Sewer Utility
Historical and Projected Operation and Maintenance Expense and Minor Capital

Line No.	Description	Fiscal Year Ending June 30									
		Historical (Actual)				Budget		Projected			
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Operation and Maintenance Expense ⁽¹⁾										
1	Wages and Salaries	\$21,790	\$22,490	\$24,000	\$28,595	n/a	\$28,040	\$28,800	\$29,600	\$30,400	\$31,300
2	Benefits	8,825	7,985	9,010	12,085	n/a	10,690	11,300	12,000	12,800	13,600
3	Maintenance: Sewer Structures	4,060	2,975	4,500	670	n/a	1,000	1,000	1,000	1,000	1,000
4	Maintenance: Radios, Equipment, Vehicles	2,250	2,100	3,700	880	n/a	1,100	1,100	1,100	1,100	1,100
5	Utilities (Lift Station)	500	975	450	570	n/a	900	900	900	900	900
6	Insurance	815	2,595	2,895	11,075	n/a	11,075	11,400	11,700	12,100	12,500
7	Professional Services	28,495	12,265	22,000	27,450	n/a	25,500	26,300	27,100	27,900	28,700
8	Contract Engineering	12,830	30,990	59,100	0	n/a	10,000	10,300	10,600	10,900	11,200
9	Allocation/Admin Expense	177,856	198,733	201,049	189,228	n/a	194,405	200,200	206,200	212,400	218,800
10	Other	10,545	11,420	10,330	17,520	n/a	17,960	18,500	18,900	19,300	19,700
11	Total Operation and Maintenance Expense	\$267,966	\$292,528	\$337,034	\$288,073	n/a	\$300,670	\$309,800	\$319,100	\$328,800	\$338,800
	Minor Capital										
12	Minor Capital	\$0	\$0	\$0	\$0	n/a	\$0	\$5,500	\$5,700	\$5,900	\$6,100
13	Total Minor Capital	\$0	\$0	\$0	\$0	n/a	\$0	\$5,500	\$5,700	\$5,900	\$6,100
14	Total O&M and Minor Capital	\$267,966	\$292,528	\$337,034	\$288,073	n/a	\$300,670	\$315,300	\$324,800	\$334,700	\$344,900

⁽¹⁾ Operation and Maintenance expenses are inflated at the following rates: Salaries - 3%, Benefits - 6%, Electricity - 3%. All other expenses are inflated at 3% per year.

Minor capital expenditures that recur on a more or less annual basis are considered routine, and are properly met from wastewater service revenue rather than from debt financing or other major capital improvement sources of funds. Total minor capital expenditures are projected at \$5,000 annually and are projected to increase by 3 percent in each future year.

Similar to financial planning for the water utility, proper rate planning includes making an annual contribution for capital replacement and unforeseen capital needs. A Transfer to the Sewer Capital Improvement Fund is included as an annual revenue requirement of the Sewer Fund beginning in FY 2013-14 that is approximately equal to annual depreciation expense of sewer facility assets. The balance in the Sewer Capital Improvement Fund is used to make repairs and replacements to sewer system facilities as required.

The Sewer Fund has borrowed from restricted reserve funds of the OCSD to meet past annual operating deficits. As of June 30, 2010, the Sewer Fund owed approximately \$570,000 to other restricted reserve funds. It is proposed that the Sewer Fund begin to repay the restricted reserve funds with an annual amount of \$50,000 beginning in FY 2012-13 until such borrowed amounts are repaid in full.

4.5 SEWER FUND ANALYSIS

Table S-5 presents a pro forma flow of funds statement for the Sewer Fund. The pro forma statement includes all revenue and revenue requirements of the fund. Analysis of the Sewer Fund, without any revenue adjustments, indicated that the fund will be deficient in meeting its future obligations. The deficiency is due to inflation in operation and maintenance expenses, restoration of an adequate operating reserve, the need for annual capital replacement, and repayment of borrowed funds from restricted reserves.

The statement indicates that revenue from wastewater service rates will need to increase by 15.0 percent on January 1, 2011, and on each successive July 1 of FY 2011-12 through FY 2014-15. The increases in revenue are shown on lines 2 through 6 of Table S-5, and are additional to revenue generated from wastewater service revenue shown on line 1. Revenue was increased in this manner to phase-in the increases over several years.

Increases in the wastewater service revenue were determined recognizing specific financial planning criteria for the Sewer Fund. The criteria included increasing the Sewer Fund balance as necessary such that a fund balance of 60 days (of 360 days) of O&M expense is generated by the last year of the study without experiencing a negative fund balance in any year. The Sewer Fund does not have any outstanding debt obligations and consequently there is no debt service coverage requirement.

Table S-5
 Oceano CSD
 Sewer Utility
 Sewer Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue						
1	Wastewater Revenue Under Existing Rates ^[1]	\$191,500	\$191,400	\$191,200	\$191,500	\$191,800
	Additional Wastewater Revenue Required:					
	Annualized					
	Revenue Increase					
	Date of Increase					
	Fiscal Year					
	Actual Revenue Increase					
2	15.0% Jan 1, 2010-11	12,000	28,700	28,700	28,700	28,800
3	15.0% July 1, 2011-12		30,300	33,000	33,000	33,100
4	15.0% July 1, 2012-13			34,800	38,000	38,100
5	15.0% July 1, 2013-14				40,000	43,800
6	15.0% July 1, 2014-15					46,100
7	Total Additional Wastewater Service Revenue	12,000	59,000	96,500	139,700	189,900
8	Total Wastewater Service Revenue	203,500	250,400	287,700	331,200	381,700
9	Other Revenue ^[2]	135,300	76,300	76,300	84,300	84,300
10	Interest Income ^[3]	300	400	400	400	400
11	Total Revenue	\$339,100	\$327,100	\$364,400	\$415,900	\$466,400
Revenue Requirements						
12	Operation and Maintenance Expense ^[4]	\$300,700	\$309,800	\$319,100	\$328,800	\$338,800
13	Minor Capital Expenditures ^[4]	0	5,500	5,700	5,900	6,100
14	Transfer to Capital Reserve (Depreciation) ^[5]	0	0	0	40,000	40,000
15	Repayment to Restricted Reserve ^[6]	0	0	50,000	50,000	50,000
16	Total Revenue Requirements	300,700	315,300	374,800	424,700	434,900
17	Net Funds Available	\$38,400	\$11,800	(\$10,400)	(\$8,800)	\$31,500
18	Beginning Operating Fund Balance	0	38,400	50,200	39,800	31,000
19	Cumulative Operating Fund Balance	\$38,400	\$50,200	\$39,800	\$31,000	\$62,500
20	Target Reserve Balance ^[6]	\$50,100	\$51,600	\$53,200	\$54,800	\$56,500
Annual Debt Service Coverage						
21	Net Revenue	\$38,400	\$17,300	\$45,300	\$87,100	\$127,600
22	Total Annual Debt Service Requirements	\$0	\$0	\$0	\$0	\$0
23	Coverage^[7]	na	na	na	na	na

^[1] From Table S-3.

^[2] Includes connection fee revenue, lateral construction, inspection fees, fats, oil, and grease program fees, Sheriff's Office lease revenue, new U/B account set-up fees, CDBG Project Reimbursement, and miscellaneous.

^[3] Assumes an interest rate of 0.5% on the average fund balance.

^[4] From Table S-4

^[5] Transfer for annual capital replacement approximately equal to depreciation expense.

^[6] Target reserve amount to be maintained, estimated at 60 days of operation and maintenance expense

^[7] Total Operating Revenues less Operating and Maintenance Expense divided by Total Annual Debt service.

5.0 WASTEWATER UTILITY RATE DESIGN

5.1 EXISTING WASTEWATER SERVICE RATES

The existing wastewater rate structure and pricing is presented in Table S-6. The existing wastewater rates have not been increased since June 22, 1996. The structure consists of bi-monthly fixed charges for all customer classifications and consumption charges for non-residential customers only. The non-residential consumption charge is a two-block rate structure that charges for consumption based on metered water consumption.

Table S-6
Oceano CSD
Sewer Utility
Schedule of Existing Wastewater Service Rates

Bi-monthly Fixed Charges ^[1]			
Classification	Charge	Basis of Charge	
	\$/bi-month		
Single Family Residential	\$9.25	per dwelling unit	
Multiple Unit Residential	9.25	per dwelling unit	
School	0.65	per Average Daily Attendance (ADA)	
RV Trailer Park	5.20	per space	
Special Case	1.50	varies	
Non-Residential	\$9.25	minimum bill, plus consumption charge	

Consumption Charges ^{[1][2]}			
Classification	Rate		Basis of Charge
	Block	Rate	
	Ccf	\$/Ccf	
Non-Residential	0 to 10	\$0.00	per Ccf
	Over 10	\$0.75	per Ccf

^[1] Existing rates became effective June 22, 1996.

^[2] Charged based on water consumed. One unit equals one hundred cubic feet (Ccf).

5.2 PROPOSED WASTEWATER RATE STRUCTURE AND RATES

There are several wastewater rate structures that can be employed to recover wastewater system costs. The rate structure that is used depends on several factors that may include the information that is available, the nature of the customer base, the size of the population and employment served, the design of the treatment facility, and the dollar amount of the charge relative to other local communities.

Several findings were noted during the review of the existing wastewater rate structure.

- From section 3.2, over 77 percent of the water sales volume is from residential customers.
- Some accounts have separately metered irrigation water while others do not.
- Wastewater treatment is provided by the San Luis Obispo County Sanitation District. OCSD provides collection service only.

These findings indicate that a rate structure based on wastewater flow is appropriate for OCSD wastewater customers. A method to approximate wastewater flow is through utilizing existing information on metered water consumption. Return factors were applied to water consumption to estimate wastewater flow where appropriate, while also recognizing estimated irrigation use for each customer classification.

It is proposed that the wastewater charge for all customers be established as fixed bi-monthly charges, developed on an "Equivalent Dwelling Unit" (EDU) basis that uses estimated wastewater flow in Ccf from applying return factors to metered water consumption. One EDU is defined as the average wastewater flow contribution in Ccf to the collection system from a single family residential dwelling unit. The number of EDUs for other customer classifications is then defined as that classification's estimated wastewater flow contribution divided by one EDU, in terms of wastewater flow in hundred cubic feet.

Total wastewater costs are divided by the total number of wastewater EDUs to yield a charge per equivalent dwelling unit, which becomes the charge for residential customers. Charges for other customers are determined by multiplying the EDU charge by their number of EDUs, then dividing by the number of customers within that classification. This effectively charges each customer within the classification the same charge.

Table S-7 presents the proposed wastewater charges for the next five years with a comparison to existing charges. The proposed charges for FY 2010-11 are planned for implementation on January 1, 2011 while future charges are proposed for implementation on July 1 of each successive fiscal year.

Table S-7
 Oceano CSD
 Sewer Utility
 Schedule of Proposed Wastewater Service Charges

Bi-monthly Fixed Charges ⁽¹⁾⁽²⁾						
Classification	Existing Rates	Date of Increase				
		Jan 1, 2010-11	July 1, 2011-12	July 1, 2012-13	July 1, 2013-14	July 1, 2014-15
	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month	\$/bi-month
Single Family Residential	\$9.25	\$10.65	\$12.25	\$14.10	\$16.20	\$18.65
Multiple Unit Residential	9.25	10.65	12.25	14.10	16.20	18.65
School	0.65	0.65	0.75	0.85	1.00	1.15
RV Trailer Park	5.20	6.00	6.90	7.95	9.15	10.50
Special Case	1.50	1.75	2.00	2.30	2.65	3.05
Non-Residential	\$9.25	\$10.65	\$12.25	\$14.10	\$16.20	\$18.65

Consumption Charges ⁽¹⁾⁽³⁾							
Classification	Rate Block	Existing Rates	Date of Increase				
			Jan 1, 2010-11	July 1, 2011-12	July 1, 2012-13	July 1, 2013-14	July 1, 2014-15
	Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf
Non-Residential	0 to 10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Over 10	\$0.75	\$0.90	\$1.05	\$1.20	\$1.40	\$1.60

⁽¹⁾ For collection only. Does not include charges from South San Luis Obispo County Sanitation District for wastewater treatment.

⁽²⁾ Single family, multiple unit, and RV Trailer Parks are charged by the dwelling unit. Schools are charged by the Average Daily Attendance (ADA).

⁽³⁾ Charged based on water consumed. One unit equals one hundred cubic feet (Ccf).

5.3 TYPICAL BI-MONTHLY WASTEWATER BILLS UNDER PROPOSED CHARGES

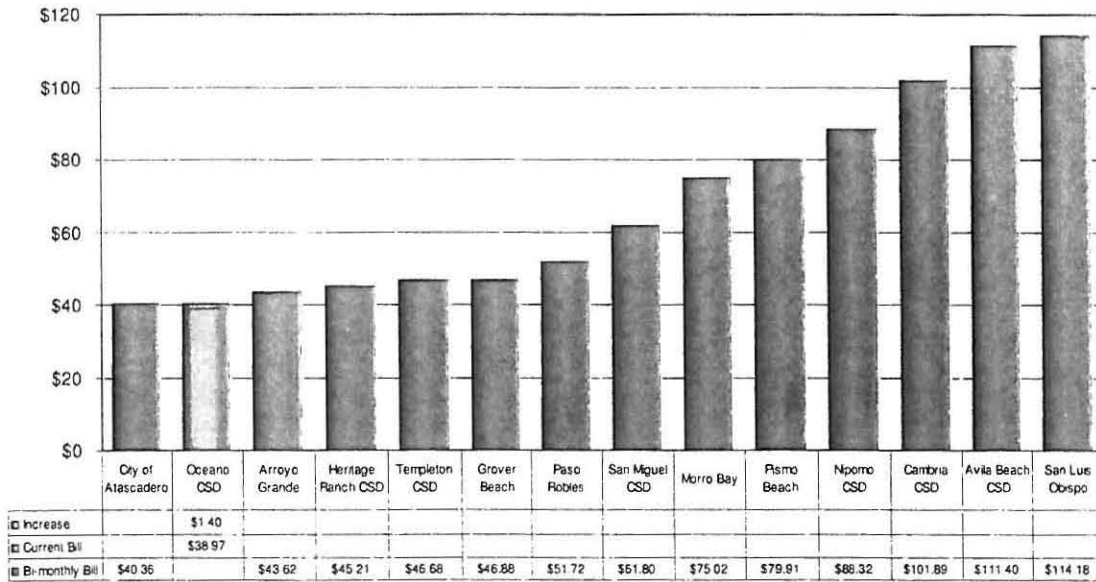
Because the wastewater charges are fixed bi-monthly charges, Table S-7 shows the typical, or average, single-family bi-monthly wastewater bill. From Table S-7, the table indicates that the bi-monthly wastewater bill for a typical single-family residential will increase from \$9.25 to \$10.65, an increase of \$1.40, or 15.1 percent.

5.4 COMPARISON OF AVERAGE WASTEWATER BILL WITH OTHER LOCAL AGENCIES

Chart 2 presents a comparison of the proposed single family residential bi-monthly wastewater bill at 20 Ccf with other local communities. The chart indicates that under the proposed January 1, 2011

wastewater rates including the South San Luis Obispo County Sanitation District treatment charge, an OCSD single family residential customer with a consumption of 20 Ccf bi-monthly will experience a bill that is next to the lowest of the communities listed.

Chart 2
San Luis Obispo County Wastewater Agencies
Comparison of Single Family Residential Bi-monthly Wastewater Bills ^[1]
at 20 Ccf Bi-monthly



[1] For rates in effect July 2010

CONSULTANT SERVICES AGREEMENT

THIS CONSULTANT SERVICES AGREEMENT (the “Agreement”), is made and entered into as of , 2010, by and between the **OCEANO COMMUNITY SERVICES DISTRICT**, a special district (the “District”) and **GEI CONSULTANTS, INC.**, a Massachusetts corporation authorized to do business in California (“Consultant”) with reference to the following facts:

- A. The District desires to engage a qualified firm to perform certain services (the “Services”), which are is more particularly described in the attached Exhibit “A” (the “Scope of Services”).
- B. The District desires to engage Consultant, as an independent contractor, to provide the Services by reason of its qualifications and experience for performing such Services, and Consultant has offered to provide the required Services, all on the terms specified herein.

NOW, THEREFORE, in consideration of their mutual promises, covenants and conditions, the parties hereto agree as follows:

1. **TRUTH OF RECITALS.** All of the matters specified in Recitals A. and B. above are true and correct as of this Agreement’s date.

2. **CONTRACT COORDINATION.**

a. **District.** John Wallace of The Wallace Group, a California Corporation, the District’s Engineer, or whomever else may be designated by the District (the “District Project Manager”) shall be the District’s representative for all purposes under this Agreement and he shall supervise the Agreement’s progress and execution for the District. This Agreement and any changes thereto shall be subject to the review and approval of the District legal counsel.

b. **Consultant.** Robert Almy, (the “Consultant’s Project Manager”) shall be the Consultant’s representative for all purposes under this Agreement and shall supervise the Agreement’s progress and execution for the Consultant. If circumstances arising after this Agreement is executed require a substitute Consultant’s Project Manager for any reason, the Consultant’s Project Manager designee shall be subject to prior written acceptance and approval of the District’s Project Manager. Consultant’s personnel and qualifications are further described in the attached Exhibit “A”. The personnel shall not be changed except by prior approval of the District’s Project Manager.

3. **CONSULTANT'S DUTIES.**

a. **Services to be furnished.** Consultant shall provide all Services as set forth in Exhibit "A" at the time and in the manner specified therein, and excepting any Services specially assigned therein to the District or other consultants or contractors. Except as expressly set forth in Scope of Services, Consultant shall determine the method, details, and means of performing the above-described services. Consultant may, at Consultant's own expense, employ such assistants as Consultant deems necessary to perform the Services required of the Consultant by this Agreement. Except as set forth in Scope of Services, the District may not control, direct, or supervise the Contractor's assistants or employees in performing the Services.

b. **Laws to be observed.** Consultant shall:

i. Procure all permits and licenses, pay all charges and fees, and give all notices which may be necessary and incidental to the due and lawful prosecution of the Services to be performed by Consultant under this Agreement;

ii. Keep itself fully informed of all existing and proposed federal, state and local laws, ordinances, regulations, orders, and decrees which may affect those engaged or employed under this Agreement, any materials used in Consultant's performance under this Agreement, or the conduct of the Services under this Agreement;

iii. At all times observe and comply with, and cause all of its employees to observe and comply with professional standards regarding laws, ordinances, regulations, orders, and decrees mentioned above;

iv. Immediately report to the District's Project Manager in writing any discrepancy or inconsistency it discovers in said laws, ordinances, regulations, orders, and decrees mentioned above in relation to any plans, drawings, specifications, or provisions of this Agreement.

c. **Release of reports and information.** Any video tape, reports, information, data, or other material given to, or prepared or assembled by Consultant under this Agreement shall be the District's property and shall not be made available to any individual or organization by Consultant without prior written approval of the District's Project Manager, except as specifically designated in the attached Exhibit "A".

d. **Copies of video tapes, reports and information.** If the District requests additional copies of any videotapes, reports, drawings, specifications, or any other material in addition to what the Consultant is required to furnish in limited quantities as part of the Services under this Agreement, Consultant shall provide such additional copies as are requested, and the District shall compensate Consultant for the costs of duplicating of such copies at Consultant's direct expense. Such materials shall be the District's property.

4. **DISTRICT DUTIES.** The District shall reasonably cooperate with Consultant and perform the work described in the Scope of Services.

5. **COMPENSATION.** Consultant shall perform the Services as described in the Scope of Services. If separate phases are not indicated on said exhibit, then all Services to be performed by Consultant shall be considered to be included in a single phase.

Consultant shall bill the District and be paid on the basis set forth in the Scope of Services. Consultant may not charge more than the amounts shown in the Scope of Services or at times other than those shown in the Scope of Services without prior approval of the District's Project Manager.

Payment is due upon receipt of the Consultant invoice. Payments will be made by either check or electronic transfer to the address specified by Consultant, and will reference Consultant's invoice number. Interest will accrue at the rate of 1% per month of the invoice amount in excess of 30 days past District's date of receipt of invoice. In the event of a disputed or contested invoice, only that portion so contested will be withheld from payment and undisputed amounts will be paid.

6. **TIME FOR COMPLETION OF THE WORK.** Scheduling to perform the Services shall be as described in the Scope of Services unless revisions to the exhibit are approved by the District's Project Manager and the Consultant's Project Manager.

Time extensions may be allowed for delays caused by the District, other governmental agencies, or factors not directly brought about by the negligence or lack of due care on the part of Consultant.

7. **TEMPORARY SUSPENSION.** District's Project Manager shall have the authority to suspend performance under this Agreement wholly or in part, for such period as he deems necessary due to unfavorable conditions or to the failure on the Consultant's part to perform any provision of this Agreement. Consultant shall be paid the compensation due and payable to the date of temporary suspension. Promptly upon notice to resume from the District, Contractor shall resume performance.

8. **TERMINATION.**

a. **Right to Terminate.** The District retains the right to terminate this Agreement for any reason by notifying Consultant in writing thirty (30) days prior to termination and by paying the compensation due and payable to the termination date; provided, however, if this Agreement is terminated for the Consultant's fault, the District shall be obligated to compensate Consultant only for that portion of Consultant's Services which are of benefit to the District. Said compensation is to be arrived at by mutual agreement of the District and Consultant and if they fail to agree, then an independent arbitrator shall be appointed in accordance with the American Arbitration Association's Commercial Arbitration Rules and his decision shall be binding upon the parties.

b. **Return of materials.** Upon such termination, Consultant immediately shall turn over to the District any and all copies of videotapes, studies, sketches, drawings, computations, and other data, whether or not completed, prepared by Consultant, and for which Consultant has received reasonable compensation, or given to Consultant in connection with this Agreement. Such materials shall become the District's permanent property. Provided, however, Consultant shall not be liable for the District's use of incomplete materials or for the District's use of complete documents if used for other than the project or scope of services contemplated by this Agreement.

9. **INSPECTION.** Consultant shall furnish the District with every reasonable opportunity for the District to ascertain that the Consultant's Services are being performed in accordance with this Agreement's requirements. All work done and all materials furnished, if any, shall be subject to District's Project Manager's inspection and approval. The inspection of such work shall not relieve Consultant of any of its obligations to fulfill its Agreement as prescribed.

10. **OWNERSHIP OF MATERIALS.** All original drawings, videotapes and other materials prepared by or in possession of Consultant pursuant to this Agreement shall become the District's permanent property, and shall be delivered to the District upon demand.

11. **ASSIGNMENT: SUBCONTRACTORS: EMPLOYEES.** This Agreement is for the performance of the Services by Consultant and is not assignable or subject to subcontract by Consultant without the District's prior written consent. Consultant may employ subcontractors or other specialists to perform Services as provided in Exhibit "A", or as otherwise required with prior approval of the District's Project Manager.

12. **NOTICES.**

All notices hereunder shall be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

IF TO DISTRICT: Oceano Community Services District
P.O. Box 599
Oceano, CA 93475-0599

Attention: General Manager

with a copy to: Alexander F. Simas
KIRK & SIMAS
a professional law corporation
2550 Professional Parkway
Santa Maria, CA 93455

IF TO CONSULTANT:

GEI Consultants
101 North Brand Blvd., Suite 1780
Glendale, CA 91203

Attention: Robert Almy

13. **CONSULTANT'S INTERESTS.** Consultant covenants that neither it, nor any of its principal owners, directors, officers or responsible managing employees presently has any interest, and shall not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with performing the Services hereunder. Consultant further covenants that, in performing this Agreement, no subcontractor or person having such a conflicting interest shall be employed. Consultant certifies that no one who has or will have any financial interest under this Agreement is a District officer or employee. It is expressly agreed that, in the performing the Services hereunder, Consultant at all times shall be deemed an independent contractor and not an agent or employee of the District.

14. **INDEMNITY.** Consultant hereby agrees to indemnify and save harmless the District and its officers, agents and employees of and from:

a. **Third Party Claims.** Any and all claims and demands made against the District or its officers, agents, or employees by reason of any injury to or death of or damage to any person or entity, of any nature whatsoever, arising out of Consultant's performance of Services under this Agreement however caused, excepting, however, any such claims and demands which are the result of the sole negligence or willful misconduct of the District or its officers, agents, or employees;

b. **District Property Damage Claims.** Any and all damage to or destruction of the property of the District, its officers, agents, or employees occupied or used by or in the Consultant's care, custody, or control, arising out Consultant's performance of Services under this Agreement however caused, excepting, however, any such claims and demands which are the result of the sole negligence or willful misconduct of the District, its officers, agents, or employees;

c. **Consultant Employee, Subcontractor and Agent Claims.** Any and all claims and demands which may be made against the District or its officers, agents, or employees by reason of any injury to or death of or damage suffered or sustained by any Consultant employee, subcontractor or agent under this Agreement, arising out of Consultant's performance of Services under this Agreement however caused, excepting, however, any such claims and demands which are the result of the sole negligence or willful misconduct of the District or its officers, agents, or employees;

d. **Intellectual Property Claims.** Any and all claims and demands which may be made against the District or it officers, agents, or employees by reason of any infringement or alleged infringement of any patent rights or copyrights or claims caused by the use of any apparatus, appliance, or materials produced or furnished by Consultant under this Agreement; and

e. **Violations of Law Claims.** Any and all penalties imposed or damages sought on account of the violation of any law or regulation or of any term or condition of any permit of any nature whatsoever, arising out of or in any way connected with Consultant's performance of Services under this Agreement however caused, excepting, however, any such claims and demands which are the result of the sole negligence or willful misconduct of the District or its officers, agents, or employees.

15. **WORKERS' COMPENSATION INSURANCE.** Consultant certifies that it is aware of the provision of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and it certifies that it will comply with such provisions, and will supply the District with evidence of such compliance, before commencing the performance of Services under this Agreement.

16. **OTHER INSURANCE.** Prior to the commencement of Services hereunder, Consultant shall provide to the District evidence of the insurance coverage and endorsements required by the Scope of Services.

17. **AGREEMENT BINDING.** Subject to the limitations on assignment contained herein, the covenants, and conditions of this Agreement shall apply to, and shall bind, the heirs, successors, executors, administrators, assigns, and subcontractors of both parties.

18. **WAIVERS.** The waiver by either party of any breach or violation of any term, covenant, or condition of this Agreement or of any provision, ordinance, or law shall not be deemed to be a waiver of any subsequent breach or violation of the same or of any other term, covenant, condition, ordinance, or law. The subsequent acceptance by either party of any fee or other money which may become due hereunder shall not be deemed to be a waiver of any preceding breach or violation by the other party of any term, covenant, or condition of this Agreement or of any applicable law or ordinance.

19. **DISPUTE RESOLUTION.** Both parties agree to submit any claims, disputes, or controversies arising out of or in relation to the interpretation, application, or enforcement of this Agreement to non-binding mediation pursuant to the Rules for Commercial Mediation of the American Arbitration Association, as a condition precedent to litigation or any other form of dispute resolution.

20. **COSTS AND ATTORNEY'S FEES.** The prevailing party in any action between the parties to this Agreement brought to enforce the terms of this Agreement or arising out of this Agreement may recover its reasonable costs and attorney's fees expended in connection with such an action from the other party.

21. **DISCRIMINATION.** No discrimination shall be made in the employment of persons under this Agreement because of the race, color, national origin, ancestry, religion, or sex of such person.

22. **INTEGRATION.** This document (including all exhibits referred to above and attached hereto) represents the entire and integrated Agreement between the District and Consultant and supersedes all prior negotiations, representations, or Agreements, either written or oral. This document may be amended only by written instrument, signed by both the District and Consultant. All provisions of this Agreement are expressly made conditions.

23. **MODIFICATION.** This Agreement may be amended or modified only by an instrument in writing, stating the amendment or modification, executed by the parties hereto and attached to the end of this instrument.

24. **GOVERNING LAW/VENUE.** This Agreement shall be governed by and construed in accordance with California law. If it is necessary to institute any action to enforce any right granted herein or to redress any alleged breach hereof, then the exclusive venue for such action shall reside with the Superior Court located in San Luis Obispo County, California.

25. **SEVERABILITY.** Should any portion of this Agreement be held unenforceable or inoperative for any reason, such shall not affect any other portion of this Agreement, but the remainder shall be as effective as though such ineffective portion had not been contained herein.

IN WITNESS WHEREOF, the District and Consultant have executed this Agreement the day and year first above written.

DISTRICT:

CONSULTANT:

**OCEANO COMMUNITY
SERVICES DISTRICT**

**GEI CONSULTANTS, INC., a
Massachusetts corporation**

By: _____
Vern Dahl
President

By: _____

Its _____

Approved as to content:

Raffaele Montemurro
General Manager

**EXHIBIT “A” TO
CONSULTANT SERVICES AGREEMENT**

SCOPE OF SERVICES

[To be developed.]

EXHIBIT “A”



August 27, 2010

Northern Cities Management Area Technical Group
c/o Water Systems Consulting, Inc.
Attn: Mr. Jeffery Szytel, P.E.
3765 South Higuera Street, Suite 102
San Luis Obispo, CA 93401

**RE: Supplemental Information for
2010 Monitoring Report, Northern Cities Management Area Proposal**

Dear Mr. Szytel:

In response to your request of August 24, 2010, GEI Consultants, Inc., (GEI) is pleased to provide the following supplemental information:

1. A revised schedule reflecting Notice to Proceed Date of October 18, 2010
2. More detail on the labor hours associated with each task
3. A commitment to control labor charge rates in the term reflected in the option tasks

Our clarifications should be considered part of our proposal of August 5, 2010, and we would be pleased to modify and resubmit the proposal if that would expedite your process.

The revised schedule shown in Attachment 1 incorporates a new Notice to Proceed date and provides additional information regarding milestones and anticipated start and finish dates for key tasks. We will modify and expand this schedule based on discussions with you and the Northern Cities Management Group as Task 1.1.

Attachment 2 shows the estimated labor breakdown by individual for each task. These labor hours were used as basis for our original cost estimate. Since costs for Mr. Repede are incorporated into the laboratory fee estimate, they are not included in the hourly estimate table.

GEI has been requested to maintain its current labor rates for an additional two years if the NCMA Group exercises the optional tasks. We appreciate the value of certainty in budgeting and the need to control expenditures in public agencies. Therefore we

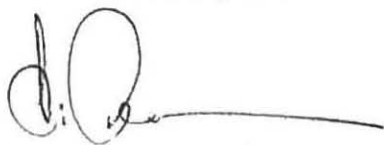
Mr. Jeffery Szytel, P.E.
August 27, 2010 Page 2

propose that any increase in fee not exceed the increase of the Consumer Price Index in Los Angeles and in any event not exceed 3% in any option year.

Thank you for the opportunity to provide this additional information. We look forward to discussing our proposal with you and the Technical Committee at your convenience. Should you have any further questions, please contact our proposed project manager, Rob Almy, at (805) 448-6815; or me at (916) 631-4500.

Sincerely,

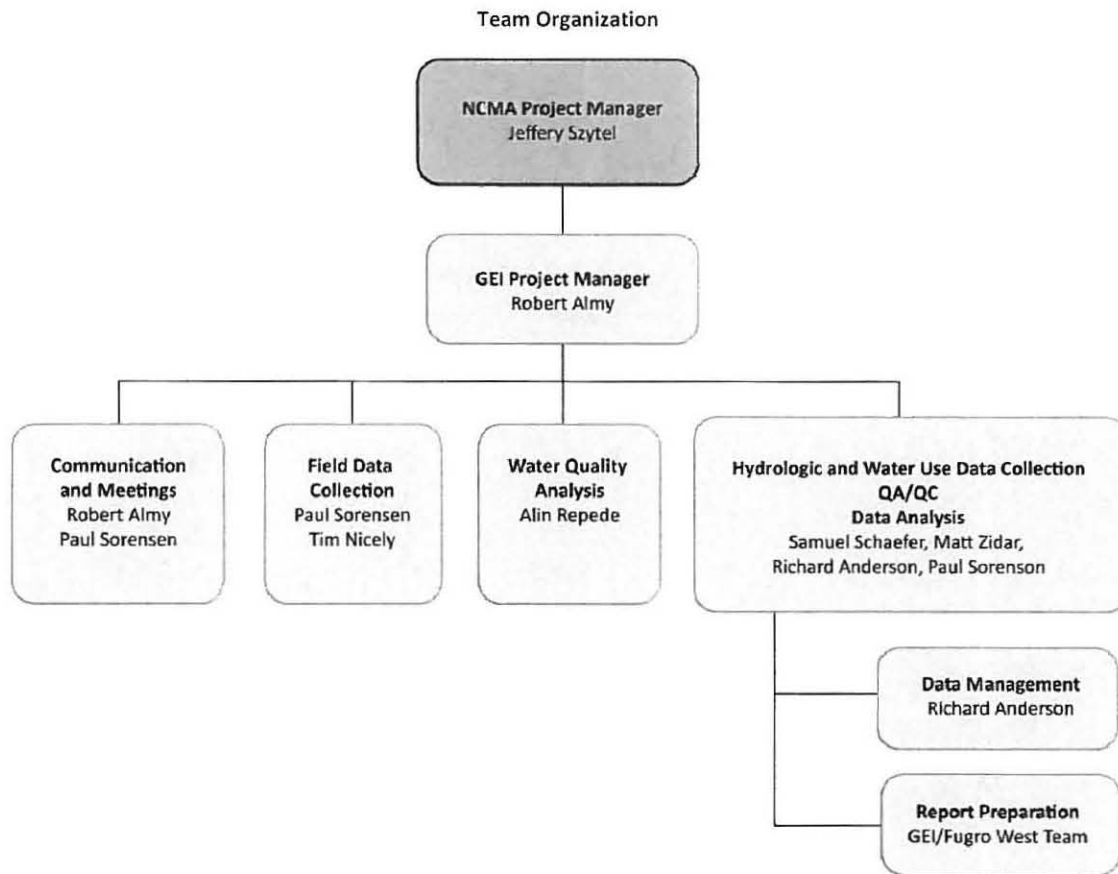
GEI CONSULTANTS, INC.

A handwritten signature in black ink, appearing to read 'Tim Anenson', with a long horizontal line extending to the right.

Tim Anenson
Vice President and Pacific Region Manager

Table of Contents

- APPROACH TO PROJECT MANAGEMENT** 2
- SCOPE OF WORK** 3
 - TASK 1.1 NCMA GROUNDWATER MONITORING AND REPORT SCHEDULE3
 - TASK 1.2 MEETINGS PROJECT MANAGEMENT AND COMMUNICATION3
 - TASK 1.3 NCMA GROUNDWATER MONITORING AND WATER QUALITY SAMPLING4
 - TASK 1.4 NCMA GROUNDWATER DATA ANALYSIS5
 - TASK 1.5 HYDROLOGIC DATA COMPILATION6
 - TASK 1.6 NCMA WATER DEMAND AND AVAILABILITY ANALYSIS8
 - TASK 1.7 2010 NCMA ANNUAL MONITORING REPORT PREPARATION9
 - OPTIONAL TASK: PREPARATION OF THE 2011 AND 2012 NCMA ANNUAL MONITORING REPORTS10
- SCHEDULE**10
- SUMMARY OF HOURS**11
- FEE SUMMARY**12



□ Approach to Project Management

The GEI Team will meet all the NCMA group's needs because of our understanding of the tasks, experience, unique technical expertise, and awareness of the broader context of water supply and environmental protection needs. Specifically, GEI will:

- Utilize experienced local expertise to collect monitoring data,
- Employ a CDPH ELAP certified lab to analyze water quality samples,
- Implement rigorous QA/QC to assure meaningful data,
- Rely on existing systems to store and back up data, and
- Evaluate the data and develop conclusions and recommendations based on our expertise and local knowledge.

GEI is keenly aware of the importance of addressing the core issues completely and in a timely manner. Our approach to managing preparation of the NCMA Annual Report will assure that the data are accurate, the analyses clear and meaningful, and that the reports are circulated according to the schedule. The GEI Team will commit the resources to accomplish all tasks in a timely manner and meet the requirements of the 2005 stipulation and the NCMA Group.

The GEI Team will establish and maintain close communication with the NCMA Project Manager and develop effective relationships with the various data sources, where they do not already exist. We propose to establish regular conference calls to maintain close coordination with the NCMA Project Manager and tailor participation by GEI Team members and NCMA representatives to the purpose of each call. Written summaries of all communications will be provided to the NCMA Project Manager to assure full knowledge of project status. Any issues with data collection, analysis, report preparation or other aspect of the project will be brought to the attention to the NCMA Project Manager in a solution oriented context.

We are aware that the Annual Report is used for purposes beyond satisfaction of the 2005 Stipulation. We are also aware of the other issues faced by the NCMA group and will strive to make the Annual Monitoring Report as useful a document as possible consistent with budget and schedule. The GEI Team will bring to your project our broad experience with water issues in this region and our insight based on addressing similar challenges in other areas of California.

□ Scope of Work

Our proposed Scope of Work is based on the requirements of the Request for Proposal, our review of past monitoring reports, the 2005 stipulation and our extensive experience in similar work. We have included discussion of where we believe the present data collection, analysis and reporting could be improved.

Task 1.1 NCMA Groundwater Monitoring and Report Schedule

The GEI Team will provide a detailed schedule of all tasks, anticipated meetings and report preparation efforts within 14 days of the Notice to Proceed. This schedule will be provided in a Gantt chart format unless the team is otherwise directed. We have outlined a general schedule in Section 7.

We note an internal inconsistency in the Request for Proposal: the expected timing of 3rd quarter 2010 well measurements is August, which is before issuance of the Notice to Proceed. We are prepared to begin measurements and sampling immediately after the Notice to Proceed. Alternatively, we could substitute equivalent field work, laboratory analysis and report preparation beginning in August 2011.

Task 1.2 Meetings Project Management and Communication

The NCMA Technical Group employs structured meetings to assure efficient project management, data collection and transfer, and report preparation. The Project Manager will be responsible for scheduling meetings, providing appropriate facilities, preparing agendas and meeting summaries and action item follow-through. In order to focus the process, attendance by members of the Consultant team will be based on the purpose of the meeting and the role of individual team members. For example, we anticipate that GEI Team leaders will participate in the Kickoff meeting, the Quarterly Sampling Results meetings, the two Nipomo Mesa Management Area and Santa Maria Valley Management area Technical Group meetings, the DRAFT 2010 NCMA Annual Monitoring Report meeting. We have assumed that field personnel will attend the Kickoff meeting, the Data Collection meeting, and the Quarterly Sampling Results meetings. A more detailed list of meeting attendees will be included in the Schedule prepared in Task 1.1 and will be fine tuned as specific meeting agendas are established.

The meetings will be structured to facilitate communication among NCMA interests, the Consultant Team and other interests. Certain meetings will be focused on assuring timely access to data from other sources such as the County of San Luis Obispo. However, the Project Team will stress close communication and coordination. We anticipate the Project manager will establish weekly conference calls to assure the project remains on schedule and to provide a regular opportunity to discuss any issues with the NCMA Project Manager.

To assure a satisfactory Final Monitoring Report, it is important to assess the opinions of those who will be the primary users of the data. At the kick-off meeting we will clarify the expectations of the NCMA by reviewing the existing annual reports, identifying strengths and shortcomings, discussing analysis approaches and methods for presenting the information in ways that make understandable for the users and public, and that can be accomplish within the budget. During this meeting we will also review the existing data base and historic information and data sources, GIS coverage, and establish the plan for obtaining and compiling the data during Task 1.5. We will recommend alternative ways to visualize and interpret the data using examples from other area that we have worked on seawater intrusion issues, including the Salinas and Pajaro Valleys, and facilitate a discussion and receive input and guidance from the client on what should be included in the annual report. We will use this input to prepare the draft outline for final review and approval.

Task 1.3 NCMA Groundwater Monitoring and Water Quality Sampling

Collection of groundwater level measurements and water quality information are at the heart of the NCMA responsibilities. Four rounds of water level monitoring and water quality testing will occur in the 3rd and 4th quarters of 2010 and the first and second quarters of 2011. Except for timing issues associated with 3rd quarter of 2010, (discussed under Task 1.1), measurements and sampling normally occur in August, October, January and April. That schedule will be maintained.

Groundwater depth measurements will be collected in accordance with the American Society for Testing and Materials (ASTM) Standard D4750-87. Groundwater water quality samples are to be collected in accordance with the ASTM standard D4448-1. A brief outline of the process is below.

- Field personnel will coordinate with and pick-up of sample bottles and coolers from CAPCO Analytical of Ventura, California
- Collection of water samples from each of the 15 monitoring wells at 5 sites for general mineral analysis will occur in accordance with ASTM Standard D4448-1 and in coordination with County of San Luis Obispo's quarterly measurements of the sentry well field measurements
- Collection of field measurements of depth to water (in accordance with ASTM Standard D4750-87), temperature, pH, EC and turbidity

Performance of the water quality sampling (Task 1.3) will include collection of water level data from the following monitoring wells, generally of 2-inch diameter, unless noted:

1. 32S/12E-24B01 through -24B03;
2. 32S/13E-30F01 (1-inch well) through -30F03;
3. 32S/13E-30N01 (1-inch well) through -30N03;
4. 12N/23W-36L01 and -36L02; and

5. Four Oceano monitoring wells (3-inch diameter).

Sampling of the 15 monitoring wells will be accomplished using pre-cleaned disposable bailers, ISCO-type peristaltic pumps, or Grundfos RediFlo2 electric submersible pumps, as appropriate and as determined by the needs and applicability of each well. Each well will be purged in accordance with ASTM D4448-1 until such time when field-measured water quality parameters stabilize. Samples will then be collected in sample containers with appropriate preservatives, placed in coolers immediately following sample collection, and maintained at appropriate temperature for transportation to the laboratory. Chain-of-custody documentation will be completed for each of the samples.

Data collected from the field and laboratory reports will be reviewed by a senior team member, Mr. Zidar, as part of the project QA/QC procedures. Data will be reviewed for compliance with ASTM standards. Data not meeting standards for accuracy or reliability will be flagged and new data collected where possible.

All data satisfying the QA/QC procedures will be entered in the NCMA data base, evaluated by consultant Team members (as discussed under Task 1.4) and compiled into a draft quarterly report for review.

Task 1.4 NCMA Groundwater Data Analysis

The GEI Team will compile and review all data from quarterly ground-water measurements and laboratory analysis, as well as any applicable data collected by the County of San Luis Obispo. In addition, the team will collect and compile any data available for the NCMA Group relating to ground water levels, well production and water quality. All data will be subject to review for quality assurance, including evaluation of field notes and laboratory records. The data will be evaluated and indications of potential hazards such as well interference, water quality degradation and sea water intrusion will be identified. Alternative means of showing water quality results over time may be selected to identify trends, including use of stiff, piper or trilinear diagrams. The data and analysis will be included in the quarterly report sent to the NCMA Group within 5 weeks of the end of each quarter.

Water level data will be used to generate hydrographs and contour maps for the annual report. Historical groundwater contours published in previous reports will be reviewed. The budget currently assumes the historical data is available digitally. Historical hydrograph wells used in the program will be reviewed, including review of the available well logs and construction detail to ensure the samples are representative of the formation being monitored.

Representative plots of historical water quality time series data for nitrates, electrical conductivity, chlorides and other key constituents will be generated at wells with adequate control to show changes over time in mineral concentrations for these key constituents. Special attention will be paid to coastal wells. Individual tables will be prepared to summarize changes and basic statistics will be analyzed. If the data is available from prior complete mineral analysis, we will prepare stiff diagrams to type the water and show any changes over time in the ion ratios. If it appears that there may be changes, we would further evaluate the data using trilinear plots. If data trends are observed, we may plot mineral concentrations on the maps for representative time periods to evaluate spatial and temporal trends.

Task 1.5 Hydrologic Data Compilation

Several sets of hydrologic data are essential for preparation of the Annual Monitoring Report. Some (such as weather data) will be obtained directly from outside sources. Others (such as infiltration data) will be estimated based on outside data and established methodology. We propose to utilize the approach currently employed in data collection and analysis. However, we believe that some of the current methodology could be improved and some of those areas are mentioned below. We will consult with the NCMA Project Manager and will recommend appropriate changes in the 2011 Annual Monitoring Report. During the project, if the GEI Team recognizes other potential improvements to data sources or methodology that would result in better or more efficient analysis, we will consult with the NCMA Project Manager and either incorporate those improvements directly in our work or suggest the changes for subsequent annual reports, as appropriate. Historical monthly streamflow and precipitation data will be consolidated and analyzed using spreadsheets and tools developed to present average, wet, and dry year conditions and representative statistics, and to put current conditions in context of the historical hydrology. Graphics explaining climatic and streamflow variability will be generated.

Weather data-The GEI Team will employ the methodology developed for the Monitoring Program for the North Cities Management Area, July 2008. As stated in previous monitoring reports, the weather station data and Precipitation data are collected by San Luis Obispo County; the locations of seven selected stations are shown on Figure 4 of the 2008 Monitoring Program report. Historical rainfall data have been compiled on a monthly basis for the NOAA Pismo Beach station for 1949 to 2005. Precipitation data from 2005 to present are available from a County-operated rain gage in Oceano.

The present method is to request from the County precipitation data collected from the County-operated rain gage in Oceano, compiled monthly, and incorporate into the annual report. Additional precipitation data from County-operated rain gages on Arroyo Grande Creek upstream of the NCMA, near Nipomo, as well as a CIMIS operated climate station in Nipomo and San Luis Obispo (Figure 4) is available for comparison purposes. Based on our experience in developing the 2010 report, the GEI Team will evaluate the efficacy of the process in use and may recommend modifications to the method for obtaining and compiling precipitation data for the monitoring years beyond 2010.

Evapotranspiration -The Consultant intends to follow the method developed for the Monitoring Program for the North Cities Management Area, July 2008, and will consider modifications to the method for compiling evapotranspiration data for monitoring years beyond 2010. As stated in previous monitoring reports, California Irrigation Management Information System (CIMIS) operates climate stations with evapotranspiration (ET) information and other climate data across California. Many factors affect ET, however, estimating ET using analytical and empirical equations is a common practice since measurement methods are expensive and time consuming. Reference crop evapotranspiration is widely used as a reasonable estimate of the ET rate of a reference crop, usually turf, expressed in inches. Reference crops are either grass or alfalfa surfaces whose biophysical characteristics have been studied extensively. ET from a standardized grass surface is commonly denoted as ETo whereas ET from a standardized alfalfa surface is denoted as ETr. The American Society of Civil Engineers (ASCE) recommends the use of ETos and ETrs, respectively, where "s" stands for standardized surface conditions. The logic behind the reference evapotranspiration idea is to set up weather stations on standardized reference surfaces for which most of

the biophysical properties used in ET equations are known. Using these known parameters and measured weather parameters, ET from such surfaces is estimated. Then, a crop factor, commonly known as crop coefficient (K_c), is used to calculate the actual evapotranspiration (ET_c) for a specific crop in the same microclimate as the weather station site.

At the Nipomo CIMIS weather station, the reference crop (with standard conditions for calculating ET_o) is a well-watered, actively growing, closely-clipped grass that completely shades the soil. The input variables used in the CIMIS equation and the steps to calculate ET_o are described on the CIMIS website at <http://www.cimis.water.ca.gov/cimis>.

The present method is to download data from the CIMIS website and add it to the monitoring program database. The CIMIS Nipomo station has been in operation from 1996 to the present. CIMIS operates two other stations near the City of San Luis Obispo (stations 52 and 160). These stations have periods of record from 1986 and 2000, respectively. Data from these stations may be used to confirm and/or supplement the data from the Nipomo station. Based on their experience in developing the 2010 report, the GEI Team will evaluate the efficacy of the process in use and may recommend modifications to the method for developing and applying ET data for the monitoring years beyond 2010.

Surface Water –The Consultant intends to follow the established method developed for the Monitoring Program for the North Cities Management Area, July 2008, and will consider modifications to the method for compiling surface water monitoring data for streams for monitoring years beyond 2010. As stated in previous monitoring reports, surface water discharge data are available primarily from the County's network of data recording stream gages. The collection of stream discharge data is accomplished by measuring stream stage height and subsequently calculating discharge from a stage-discharge curve. For high flows, the County uses Hydrologic Engineering Centers River Analysis System (HEC- RAS) to develop rating curves from recorded flow depth. When available, stage height data at each gage site are collected using a transducer in a stilling well connected to a datalogger with remote telemetry capability. Electronic stage height records for this gage would be used to calculate discharge using the County maintained stage-discharge curve, when available. Currently, no ongoing monitoring of surface water quality is performed in the area. However, any future monitoring should be consistent with the Surface Water Ambient Monitoring Program (SWAMP) guidelines to enable data integration with the larger state-wide databases. SWAMP monitoring protocols are available at http://www.swrcb.ca.gov/water_issues/programs/swamp/qamp.shtml. The key procedures and protocols for surface water quality sampling are available at this site in the appendices to the report on Quality Assurance and Quality Control, Appendix D – SWAMP Field Collection Standard Operating Procedures and Appendix E - SWAMP Field Data Measurement Standard Operating Procedures (SOP).

Under the present method, surface water discharge data support the calculation of stream percolation to groundwater. The gage on Arroyo Grande Creek near Arroyo Grande (see Figure 2 of the 2008 Monitoring Program report), originally installed and operated by the United States Geological Survey (USGS), is stated to have the most consistent stage-discharge curve for conversion of stage height to stream discharge. From the 2008 monitoring report, it is stated that the County has five stream gages on Arroyo Grande Creek and one on Los Berros Creek. The Consultant will continue to compile surface water stage data available from San Luis Obispo County's monitoring network of electronic stream gages. These data will be requested from the

County annually. A rating curve, to calculate flow rates, is available for the former USGS gage on Arroyo Grande Creek. At this time the Consultant anticipates continuing to utilize the Arroyo Grande Creek Gauge. Once other rating curves may become available for the other surface water sites, the additional data from these stations may be used to assess stream infiltration.

We understand that infiltration studies have been performed on Arroyo Grande Creek and its tributaries. We will review those studies to evaluate their utility in developing the estimates for the Annual Monitoring Report. Based on our review of this and other available information, we may recommend additional stream synoptic surveys to better understand stream infiltration; however, this would be considered under a separate scope than the Annual Monitoring Report.

Task 1.6 NCMA Water Demand and Availability Analysis

The GEI Team will prepare a detailed analysis of all water demands and water availability within the NCMA. Data collection and analysis shall be sufficient to determine land and water uses in the NCMA, sources of supply to meet those uses, groundwater availability, the amount and disposition of Developed Water supplies, and the amount and disposition of any other sources of water supply within the NCMA. The approach and tabulation of results will be included in the annual report. Detailed methodology will be provided as an appendix.

For preparation of the 2010 Annual Report, GEI intends to follow the established method developed for the Monitoring Program for the North Cities Management Area, July 2008. However, the GEI Team will consider modifications to the method for compiling water demand, water uses, and sources of supplies for monitoring years beyond 2010 that may prove more efficient or more accurate. Presently, the monitoring program includes three components of demand: urban demand, applied irrigation for agricultural demand, and rural demand (which is a relatively small component). Each component is evaluated using available land use data, urban water management plans, and population data. Urban demands are based on actual production. Rural demand is estimated, but because it is such a small component of the total water demand we suggest deferring any increased effort to its accuracy.

Applied irrigation demand is estimated using crop type specific gross irrigation requirements by acre and land use data. Following the first year of completing this annual report, the GEI/Fugro team will consider possible modification to the estimation method by comparing the applied irrigation demand using crop water use values provided by the Cal Poly Irrigation Training and Research Center (www.itrc.org).

The NCMA has three major sources of water supply: Lopez Reservoir, State Water Project (SWP), and groundwater. All four municipalities in the NCMA receive water from Lopez Reservoir. Data on the volume of Lopez deliveries will be compiled for each municipality and entered into the NCMA Data Base. Expected deliveries for future years will also be estimated.

The City of Pismo Beach and Oceano CSD receive water from the California State Water Project (SWP). Data on the volume of water delivered to these municipalities will be compiled in the NCMA Data Base. Estimates of SWP availability in terms of annual allocations for long-term contractors will be obtained from the Department of Water Resources website on SWP analysis and water deliveries (<http://www.swpao.water.ca.gov/deliveries/>).

Groundwater pumping data are recorded by location and volume by the Northern Cities. Non-urban domestic and agricultural groundwater pumping is estimated. These data will be compiled in the NCMA Data Base. Other sources of recharge into the groundwater basin include storm-water recharge ponds operated by the cities that are not presently measured and entered into the NCMA Data Base. Based on their experience in developing the 2010 report, the GEI Team will evaluate the efficacy of the process in estimating recharge from storm-water recharge ponds and may recommend modifications to the method for the monitoring years beyond 2010.

Threats to Water Supply-The April 2010 Annual Report identifies several threats to NCMA water supply:

- State-wide and local drought
- Climate change
- Reduction in amount and reliability of SWP deliveries
- Seawater intrusion

A number of factors can affect availability and quality of water supplies. In order to understand “threats” all factors must be considered. Therefore, based on our extensive experience with Central Coast area-wide Integrated Regional water Management planning, we believe that this analysis could and should be expanded. Specifically we will incorporate local environmental issues (such as the development of the Arroyo Grande Creek Habitat Conservation Plan), potential future projects (such as potential modification to Lopez Reservoir to increase storage), potential sources of contamination (such as leaking underground tanks or sources of nitrates) and land use changes into the discussion. In addition, we will identify other processes that may provide more specificity to factors such as climate change.

Task 1.7 2010 NCMA Annual Monitoring Report Preparation

The consultant team will prepare an administrative Draft Annual Monitoring report for the NCMA Technical Advisory Group. The report will be based on data collected and analysis performed as described above, on other data that may become available and on ongoing discussions with the NCMA Technical Group and the NCMA Project Manager. Minimum contents of the report will be:

- Summary of the 2010 NCMA groundwater monitoring
- Changes in groundwater supplies
- Threats to the groundwater basin
- Tabulation of NCMA water use
- Imported water availability and use
- Return flow entitlement and use
- Developed water availability and use

The consultant team is mindful that other related information may be important to the NCMA Technical Group. The GEI Team will incorporate that information as appropriate, with the concurrence of the NCMA Project Manager, and as resources allow.

Electronic Copies of a preliminary draft Annual Monitoring report (“the Administrative Draft”) will be provided to the NCMA and legal counsel a minimum of 8 weeks prior to release of the Draft Report to NCMA

and Nipomo Mesa Management Area via E-mail at least 3 weeks prior to the deadline for the Final Report. All comments on the Draft Report will be compiled and incorporated into the Final Report. Two bound copies of the final report will be delivered to each of the NCMA Technical Group and to the Legal Counsel. Electronic copies of the final Annual Report will be provided in PDF format along with all electronic database files and calculation files used in preparation of the report.

Optional Task: Preparation of the 2011 and 2012 NCMA Annual Monitoring Reports

The GEI/Fugro team proposes to provide groundwater monitoring, water quality analysis, preparation of Quarterly Reports as well as support services for the preparation of the 2011 and 2012 Annual Monitoring Reports. We propose to use the approach outlined in Tasks 1.1 through 1.7 above. We suggest that the specific task descriptions be reviewed in June of 2011 and June of 2012 with the NCMA Project Manager so as to incorporate any changes that would improve the quality of the evaluations or the efficiency of the process. Depending on the efficiencies we identify and other factors, we expect to reduce the level of effort in second and subsequent years. Our services would be offered at the rates in effect at the time a contract amendment or new contract is approved.

□ Schedule

<u>Event</u>	<u>Timing</u>
Notice to Proceed	October 4, 2010
Kickoff meeting	Week of October 4
Detailed Schedule Meeting (Schedule and Data Collection)	on or before October 15, 2010 Week of October 18, 2010
Draft Outline	on or before November 2, 2010
Sampling events (coordinated with Co. of San Luis Obispo)	November, 2010 January 2011 May 2011 August 2011
Quarterly reports submitted to NCMA	December 2010 February 2011 June 2011 September 2011

Quarterly Sampling Coordination/Results Meetings December 2011
 February 2011
 June 2011
 September 2011

2 NMMA and SMVWA coordination meetings March 2011
 September 2011

Admin Draft Annual Report to Water Rights Counsel February 11, 2011
 Draft Annual Report to NCMA and Nipomo Mesa MA April 9, 2011
 Draft 2010 NCMA Annual Report Meeting April 15, 2011
 Final Report due April 30, 2011

Notes:

□ Summary of Hours

Labor Classifications Hours by Task
 NCMA Annual Monitoring and Report

Investigator	Title (Grade)	Task 1.1	Task 1.2	Task 1.3	Task 1.4	Task 1.5	Task 1.6	Task 1.7	Total hours
Almy	Project Manager (7)	3	24	16	3	2	4	12	64
Zidar	Senior Scientist (7)		10	8	14	8		7	47
Schaefer	Project Engineer (6)		10			10	10	11	41
Anderson	Project Engineer (4)		30	20	13	25	18	30	136
Support staff				4				5	
Estimated GEI Hours by Task		3	74	48	30	45	32	65	
Sorensen	Principal Hydrogeologist		10	12				10	32
Nicely	Field investigator		10	96	8			6	120
Estimated Fugro West Hours by Task			20	108	8			16	

Notes:

original workbook placed support staff hours in Task 1.4

□ Fee Summary

Table 1
NCMA Annual Monitoring Report
Northern Cities Management Area Technical Group
San Luis Obispo County, California

<u>Description</u>	<u>Labor Cost</u>	<u>Expenses</u>	<u>Subcontractors</u>	<u>SUBTOTAL</u>
Task 1.1 Develop Detailed Groundwater Monitoring and Report Schedule	\$ 600	\$ -	\$ -	600
Task 1.2 Meetings Project Management and Communication	\$ 12,600	\$ -	\$ -	12,600
Task 1.3 Groundwater Monitoring, Water Quality Sampling, Quarterly Reports	\$ 8,020	\$ -	\$ -	8,020
Task 1.4 Groundwater Data Analysis	\$ 5,301	\$ -	\$ -	5,301
Task 1.5 Hydrologic Data Compilation	\$ 6,715	\$ -	\$ -	6,715
Task 1.6 Water Demand and Availability Analysis	\$ 4,668	\$ -	\$ -	4,668
Task 1.7 Annual Monitoring Report Preparation	\$ 9,683	\$ -	\$ -	9,683
Task 10	\$ -	\$ -	\$ -	-
Task 11	\$ -	\$ -	\$ -	-
Task 12	\$ -	\$ -	\$ -	-
subtotal	\$ 47,587	\$ -	\$ -	-
TOTAL COST:				\$ 47,587

<u>Classification</u>	<u>Rate</u>	<u>Expenses</u>	<u>Rate</u>	<u>Units</u>	
Senior Principal	\$ 276	Sub Consultants	Sampling	L/S	25,700
Senior Consultant - Grade 9	\$ 276	Mileage	\$ 0.55	mile	
Senior Consultant - Grade 8	\$ 225	Reproduction	Task Spef	L/S	
Senior Professional - Grade 7	\$ 200	Shipping	Task Spef	L/S	
Senior Professional - Grade 6	\$ 169	Laboratory Testing	Task Spef	L/S	5,000
Senior Professional - Grade 5	\$ 148	Equipment Rental	Task Spef	L/S	
Project Professional - Grade 4	\$ 121	Consumables	Task Spef	L/S	
Project Professional - Grade 3	\$ 112	Lodging	\$ 85.00	day	
Staff Professional - Grade 2	\$ 102	Per Diem	Task Spef	day	
Staff Professional - Grade 1	\$ 92	Markup at 5%		5%	1535
Sr. CADD Drafter and Designer	\$ 112				\$ 32,235
CADD Drafter/Designer and Senior Technician	\$ 102				
Technical, Word Processor, Administrative Staff	\$ 82				\$ 79,822
Office Aid	\$ 66				



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

(805) 481-6730

FAX (805) 481-6836

October 13, 2010

TO: Board of Directors, OCSD

FROM: Raffaele F. Montemurro, General Manager

SUBJECT: **CLEANING AND INSPECTION OF DISTRICT SEWER AND WATER LINES**

Public Contracts Code Section 22050(c)(1) requires that if the governing body orders any action after the emergency has been declared, the governing body shall review the emergency action at its next regularly-scheduled meeting and at every regularly-scheduled meeting thereafter until the action is terminated, to determine, by four-fifths vote, that there is need to continue the action.

THE RECOMMENDED ACTION BEFORE YOUR BOARD is to: by Board discussion, public comment, motion, second, and roll call vote, determine, by four-fifths vote, that there is a need to continue the action.

Agenda Item 10 13 2010 9. a.



Oceano Community Services District

1655 Front Street, P.O. Box 599, Oceano, CA 93475

(805) 481-6730

FAX (805) 481-6886

Oct 13,2010

Sheryl Flores, Housing Development Director
Peoples Self-Help Housing Corporation
3533 Empleo
San Luis Obispo, CA. 93401

**SUBJECT: APN 062-082-001 & 062-082-002; OCSD PROJ # 6396.00;
OWNER/PROJECT: PEOPLE SELF HELP HOUSING/SIX NEW LOTS**

Dear Ms. Flores:

Presented below is an estimate of the water and sewer fees for connection of the subject project. All connection fees must be paid to Oceano Community Services District prior to the residence being connected to the District's water and sewer services. The plans for the construction have not been approved, so things could change.

Water Connection Charges

Water Meter Charge (1 inch meter)	\$1,350.00
Front Footage Charge (min @ 81.60 ea.)	4,080.00
State Water Project Charge	3,806.52
Lopez Project Improvements	1,000.00
Sub-Total	\$10,236.52

Sewer Connection Charges

Sewer Connection Fee	\$500.00
Inspection Fee	50.00
Sub-Total	\$550.00

**TOTAL ESTIMATED WATER AND SEWER FEES
FOR EACH UNIT**

\$10,786.52

Agenda Item 10 13 2010 9.b.

Sheryl Flores
Oct. 13,2010
Page 2

The \$50.00 inspection fee shown above is for inspecting the buildings sewer laterals between the District's cleanout and the connection to the new residences. Please give us at least 24 hours notice to schedule the required inspections.

In addition, the South San Luis Obispo County Sanitation District (SSLOCSD) will require payment for its connection fees. You may find out the precise amount of this payment by calling the SSLOCSD office between 8:00 a.m. and noon at (805) 481-6903 and speaking with Sabrina Spears, Secretary/ Bookkeeper. **OCSD will require that you submit a copy of your County building permit and the receipt from the SSLOCSD before it will accept water and sewer fees due to us.**

Estimated fees could increase at any time, and will increase on January 1st of each year.

If you have any questions, please feel free to contact me at (805)481-6730.

Yours Truly,

OCEANO COMMUNITY SERVICES DISTRICT



Dan Silveira, Utility Operations Leadperson
DS/cr



Peoples' Self-Help Housing Corporation

September 30, 2010

Oceano Community Services District
P.O. Box 599
Oceano CA 93445

Re: Request for Will Serve Letter for the Building Permits for six lots in Tract 2975
1725 15th Street Units A - F

Please issue a Will Serve letter for the above described six lots as soon as possible. It is my understanding that as we have paid the \$30 per lot fee within the past year, we do not have to pay a fee for the Will Serve letter requested. Please advise me if and when any connection, meter or other fees will need to be paid.

Thank you very much for your prompt consideration of this request. A copy of the Final Tract Map is attached for your records.

Sincerely,

Sheryl Flores
Director of Home Ownership Development



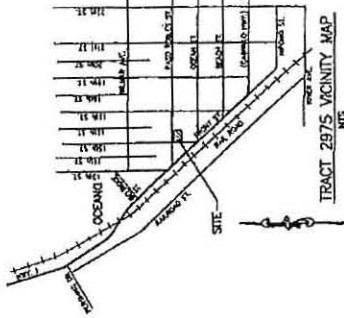
3533 Empleo Street
San Luis Obispo, CA 93401
Tel: (805) 781-3088
Fax: (805) 544-1901
E-mail: admin@pshhc.org
www.pshhc.org



A United Way Agency

26 E. Victoria Street
Santa Barbara, CA 93101
Tel: (805) 962-5152
Fax: (805) 962-8152
E-mail: sboffice@pshhc.org
www.pshhc.org





OWNER'S STATEMENT
 We, the undersigned, hereby state that we are all the owners of, any recordable interest in the real property included within the subdivision and project shown on this map, and that each of us has hereby consented to the filing and/or recording of this map. We hereby agree to grant to the public a public use easement over the lots shown on this map for the use and benefit of the public in accordance with the purposes, intended or set forth on this map as a "Public Likely Easement". We hereby dedicate to the public for public use all easements, interests and other public interests shown on this map. And we agree to cooperate, our heirs and assigns to execute all necessary documents to effect the dedication, or future interests of the lots affected by such easements as delineated on said map.

Dennis K. Lachaine, PE 23867 Exp. 12/31/08
 Civil Engineer

SURVEYOR'S STATEMENT
 I hereby certify that the location, extent and boundaries of the lots and other interests shown on this map were determined by a field survey in accordance with the Subdivision Map Act and local ordinances of the County of San Luis Obispo, State of California, and that I am a duly licensed and qualified Professional Engineer in the State of California, No. 23867, in accordance with the provisions of the Subdivision Map Act, and that the positions of the monuments are, or will be, sufficient to enable the survey to be retraced, and that this final map conforms to the conditions to be satisfactorily approved by the Board of Supervisors.



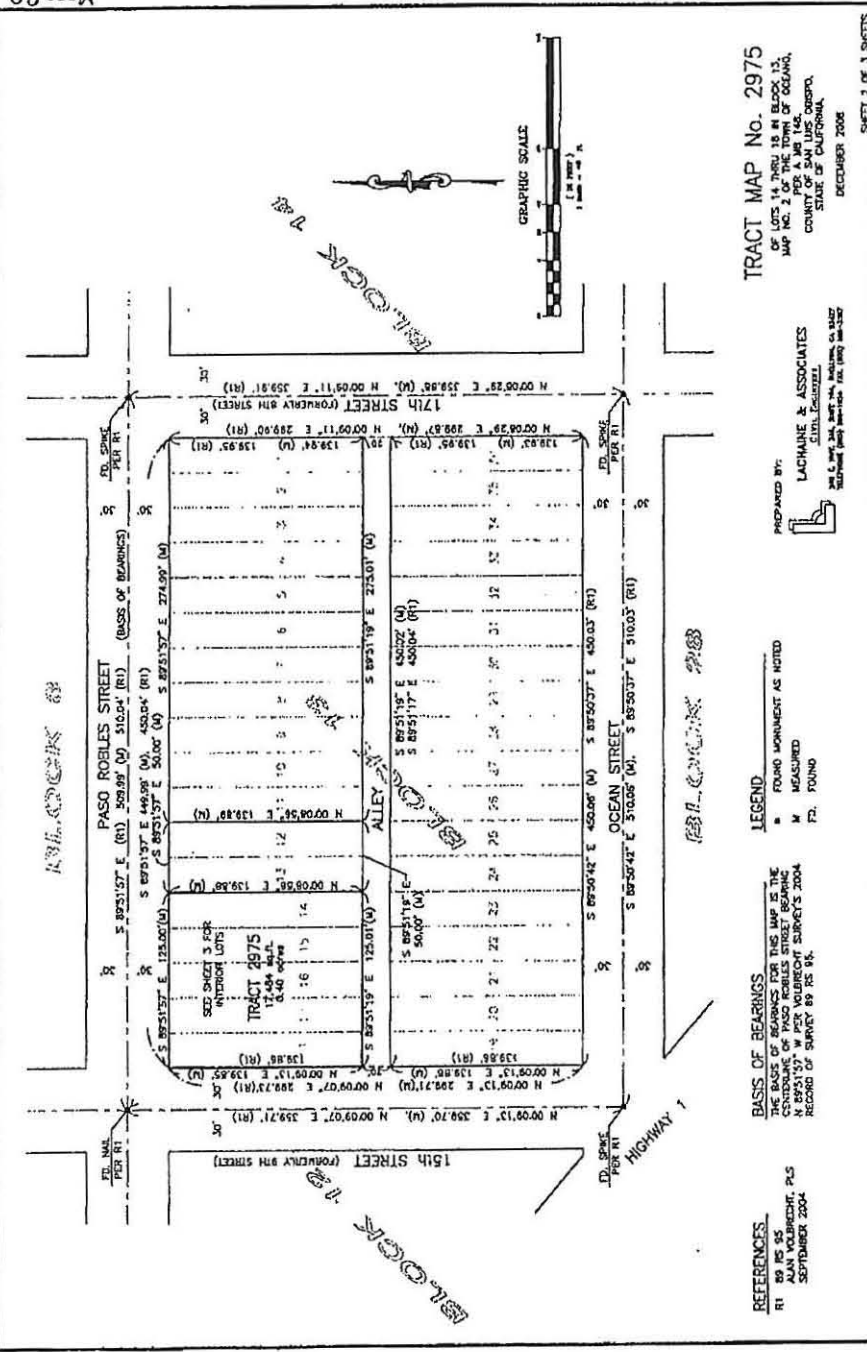
NOTARY ACKNOWLEDGMENT
 STATE OF CALIFORNIA
 COUNTY OF SAN LUIS OBISPO
 On this the 13th day of February, 2008,
 before me, Judge T. E. Whelan, a Notary Public in and for said County and State of California,
 Scott Smith, appeared personally and acknowledged to me that he/they/they executed the foregoing instrument, and acknowledged to me that he/they/they executed the same in his/her/their authorized capacity, and that by his/her/their authority on the instrument he/they/they executed the same.

WITNESS my hand and official seal.
 Signature: Judge T. E. Whelan
 Notary Public, Judge T. E. Whelan
 Commission # 1724168
 Expires: February 2011

BOARD OF SUPERVISORS CERTIFICATE
 I do hereby certify that the Board of Supervisors of the County of San Luis Obispo, State of California, did on this the 13th day of February, 2008, at 10:00 AM, in accordance with the provisions of the Subdivision Map Act, and orders of adoption shown hereon, adopt and approve this map and the interests hereon shown, and that the same shall be a part of the public records and be a part of the public domain and all other interests hereon are hereby canceled.
 Dated: February 13, 2008
 By: Dennis K. Lachaine, PE
 Civil Engineer

COUNTY RECORDER'S STATEMENT
 Filed for record on the 13th day of February, 2008, at 10:12 AM, in Book 23 of Maps, at Page 66-266 at the request of Dennis K. Lachaine.
 Document No. 2480015719 Fee: \$12.00
 TERA ROSENBERG, County Recorder

TRACT MAP NO. 2975
 OF LOTS 14 THRU 28 IN BLOCK 13,
 MAP NO. 2 OF THE TOWN OF OCEANO,
 COUNTY OF SAN LUIS OBISPO,
 STATE OF CALIFORNIA.
 DECEMBER 2008



TRACT MAP No. 2975
 OF LOTS 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26
 MAP NO. 2 OF THE TOWN OF OCEANO,
 COUNTY OF SAN LUIS OBISPO,
 STATE OF CALIFORNIA.
 DECEMBER 2008

PREPARED BY:
LACHAINE & ASSOCIATES
 JEFFREY LACHAINE
 1000 W. MAIN STREET, SUITE 100
 OCEANO, CALIFORNIA 93953

LEGEND
 M FOUND MONUMENT AS NOTED
 M MEASURED
 F2 FOUND

BASIS OF BEARINGS
 THE BASIS OF BEARINGS FOR THIS MAP IS THE
 CORNER OF PASO ROBLES STREET BEARING
 AND DISTANCE TO CORNER OF TRACT 2975
 RECORD OF SURVEY 89 BY PLS 94.

REFERENCES
 R1 89 PLS 95
 ALAN VOLKHEIMT, PLS
 SEPTEMBER 2004

