

Cayucos Sanitary District

DRAFT

REVENUE PROGRAM

May 2007





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responsive, quality solutions
for those we serve.*

May 7, 2007

Ms. Bonnie Connelly, District Manager
Cayucos Sanitary District
200 Ash Avenue
PO Box 333
Cayucos, CA 93430-0333

Subject: Cayucos Sanitary District Draft Revenue Program

Dear Ms. Connelly:

Attached is one unbound copy and 8 bound copies of the Draft Revenue Program Report. This report is essentially complete with the wastewater treatment facility (WWTF) project and construction timing as we presently know it.

This document gives you the residential and non residential sewer rates that will be required in the year 2014-15 as required by the State Water Resources Control Board (SWRCB) when seeking a State Revolving Fund (SRF) loan. 2014-15 is estimated to be the first full year of operation of the new WWTF. However, if this schedule is moved up, these rates will need to be recalculated.

Per your request, there are two rate structures in this report. One assumes a new near-term collection system loan in 2007-08 and the other assumes two near-term loans, one in 2007-08 and one sometime before the year 2014-15. For the two loan scenarios, the new sewer rates do not need to be implemented until June 30, 2014. However, for the one loan scenario, rates will have to be increased prior to 2014 in order to collect sufficient money to construct the second near-term project without obtaining a loan.

As the District charges both residential and non residential by Equivalent Residential Units (ERU), the monthly sewer rates and the connection fees will be the same for both. For the one loan scenario the estimated 2014-15 monthly rate is \$63.30, a 126 percent increase over the current 2006-07 rate of \$28.00 per month. The 2014-15 connection fee is estimated at \$7,860 per ERU, \$2,860 higher than the existing \$5,000 fee. As to the two loan scenarios, the 2014-15 monthly rate is \$70.00 per month and the connection fee remains \$7,860. To help the consumer to compare the current rates to this future rate, we comment that the one loan monthly rate of \$63.30 per month in 2014-15 is equivalent to a 2007-08 rate of \$51.50 per month. In other words, seven years of inflation at 3 percent per year would increase a 2007-08 \$51.50 per month rate to the proposed 2014-15 \$63.30 per month rate. This shows that the proposed one loan rate increase is essentially an 83 percent increase over the current \$28.00 rate. This jump in rates is common with a major treatment plant upgrade. The increase is large because a 97 percent federal grant funded the last major project, which kept the rates low for the past 30 years.

As to the timing and extent of implementing the one loan monthly rate, a \$5.00 per month increase starting on July 1, 2008, and increases the same amount every year thereafter through July 1, 2014, will net approximately \$2.9M. This captures sufficient money for the second near-term project. The implementation schedule can be adjusted as the District prefers. Included in the report appendix is our spread sheet model so changes can be made readily.

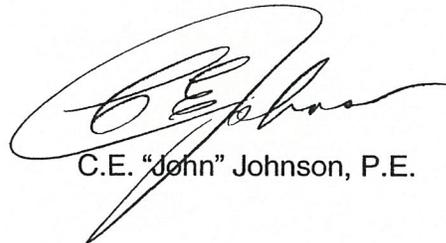
On May 16, 2007 at 5:30 p.m., Carollo Engineers is prepared to make an informal findings presentation to the District Board prior to their regular meeting. We are prepared to explain the purpose of the Revenue Program, discuss the one loan and two loan concept, present the rates for both concepts, explain why the rates are so high and lay out a rate schedule to be able to collect near-term construction money and non eligible WWTF costs.

Please feel free to call John Johnson at 801-599-0796 or e-mail jjohnson@carollo.com with any questions or comments. We also ask that you give us guidance on what you see as the next step.

Sincerely,

CAROLLO ENGINEERS, P.C.


David Stringfield, P.E.


C.E. "John" Johnson, P.E.

**Cayucos Sanitary District
REVENUE PROGRAM**

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1.0 GENERAL

The Cayucos Sanitary District (CSD) is located along the Pacific Coast on the western edge of San Luis Obispo County. The CSD is approximately 17 miles west, northwest of the City of San Luis Obispo and 5 miles north of the City of Morro Bay in the Central Coast Area of California.

The Wastewater Treatment Plant (WWTP) serving the CSD is jointly owned by the City of Morro Bay and the Cayucos Sanitary District. The plant is operated by the City of Morro Bay under a Joint Powers Agreement, which divides the annual operating expenses by the actual split of flows for that year. The plant is located on Atascadero Road near the coastal beach within the City of Morro Bay.

The original WWTP was constructed in 1953 and consisted of primary clarification followed by the trickling filter process. The solids generated in the process were digested in an anaerobic digester. Facilities that are still in use from the original WWTP include Digester No. 1, Trickling Filter No. 1, and the rectangular primary clarifier which has been converted to function as the Chlorine Contact Chamber. In 1964 a second primary, secondary clarifier, biofilter, chlorination facilities and digester were added. In the 1982-84 time frame, the WWTP was expanded to its current configuration.

The WWTP is rated for an average dry weather flow (ADWF) of 2.06 million gallons per day (mgd), a peak season dry weather flow (PSDWF) of 2.36 mgd, and a peak wet weather flow (PWWF) of 6.6 mgd. The WWTP was designed such that all of the design PSDWF flow is all treated to primary levels, while 0.97 mgd is treated to secondary levels of treatment. The primary and secondary effluents are then blended prior to being disinfected and discharged through an ocean outfall.

In April 2006, the City and District approved a schedule that was included in the Settlement Agreement negotiated with the RWQCB that assured conversion to full secondary treatment by March 31, 2014. A study is presently underway to determine the need for upgrades and expansion of the existing WWTP to meet this schedule. This Draft Revenue Program is primarily prepared to meet the State Water Resources Control Board (SWRCB) guideline if the District chooses to select a State Revolving Fund Loan (SRF) to finance the project.

Monthly sewer service charges and connection fees will be determined for the first year of operation of the upgraded/expanded WWTF assumed to be the fiscal year 2014-15. This is to assure the SWRCB, the District collects sufficient money to cover their operating expenses for that year and pay for the first annual installment of the SRF loan.

2.0 POPULATION

Based on the 2000 census, the current population for the CSD is approximately 2,943. It should be noted that the population in CSD has remained relatively constant over the past decade. In 1985, a building moratorium was enacted for Cayucos to curb increasing water usage in the community.

Although population will not be used directly to develop future flow projections for the CSD service area, population data was obtained from San Luis Obispo Council of Government (SLOCOG) for Cayucos. Growth projections for Cayucos are at 0.59 and 0.60 percent growth annually. The methods used to develop flow projections for the CSD will be based on historical sewer connection data.

3.0 EXISTING WASTEWATER FLOWS

3.1 Annual Average Daily Flow

Because of the size of the community and its relatively slow population growth in recent years, the use of population data to determine per capita use and future projections could result in inaccurate flow estimates. For these reasons, historical sewer connection data provided by CSD staff and water use data from the Cayucos Area Water Organization (CAWO) will be used to provide accurate estimates of past and future wastewater flows. This approach is aided by the fact that Cayucos has a limited number of vacant lots and sewer connections that are available for new construction, thus, setting an ultimate boundary for future flows.

An annual growth rate was established for the CSD using connection data obtained from CSD staff for the years 1996 and 2006. The number of service connections for the years between 1996 and 2006 were interpolated using an annual growth rate of 1.01 percent. An estimate for the number of active sewer connections by year for this period can be seen in Table 3.0

Table 3.0 Cayucos Sanitary District Historical Water Service Connections Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District	
Year	Number of Service Connections¹
1996	2,369
1997	2,393
1998	2,417
1999	2,441
2000	2,466
2001	2,491

Table 3.0 Cayucos Sanitary District Historical Water Service Connections Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District	
Year	Number of Service Connections¹
2002	2,516
2003	2,541
2004	2,567
2005	2,593
2006	2,619

Note:
1. Number of connections interpolated between actual 1996 and actual 2006 connections.

For the CSD, the number of service connections is used to establish the average wastewater flow per connection. Table 3.1 shows the historical wastewater flows attributed to each connection and per capita flows for the last four years.

Table 3.1 Cayucos Sanitary District Wastewater Flows Per Service Connection Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District				
Year	Number of Service Connections¹	AADF (mgd)	Flow per ERU (gpd)²	Per Capita Flow (gpcd)³
2002	2,516	0.26	113	54
2003	2,541	0.27	117	56
2004	2,567	0.28	121	58
2005	2,593	0.32	134	65
4-Year Average			121	58

Notes:
1. Expressed in number of EDUs and based on an annual growth rate of 1.01%.
2. Assumes a vacancy rate of 9%.
3. Based on an occupancy density of 2.08 capita per EDU.

3.2 Average Day Maximum Month Flow

The design of a WWTP can be based on the average day maximum month flow (ADMMF), which may include wet weather month flows. Using this approach the WWTP will have the capacity to treat the wastewater from the maximum month conditions as well as the average month. To project the ADMM flow, the ratio of the historical ADMMF to the average annual dry weather flow (AADF) of the previous five years is determined. As shown in Table 3.2, the average ADMMF to AADF ratio for the CSD for the most recent five-year period is

1.30. Therefore, a 1.3 to AADF flow factor will be used to determine the ADMMF for the future planning period for the CSD. This value are typical for a Coastal City.

Table 3.2 Cayucos Sanitary District Historical AADF and ADMM Flows Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District			
Year	AADF (mgd)	ADMM (mgd)	ADMM:AADF Factor
2001	0.28	0.35	1.26
2002	0.26	0.37	1.43
2003	0.27	0.33	1.24
2004	0.28	0.35	1.25
2005	0.32	0.42	1.32
5-Year Average			1.30

4.0 PROJECTED INFLUENT FLOWS

Applying the above flow projection factors to the estimated future number of service connections for the CSD at a growth rate of 1.01 percent annually, results in the following projected yearly flows as shown in Table 4.0 below.

Table 4.0 Cayucos Sanitary District Projected Influent Flows Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District			
Year	Number of Service Connections¹	AADF (mgd)²	ADMMF (mgd)
2006	2,619	0.29	0.38
2007	2,645	0.29	0.38
2008	2,672	0.29	0.38
2009	2,699	0.30	0.39
2010	2,716	0.30	0.39
2011	2,753	0.30	0.40
2012	2,781	0.31	0.40
2013	2,809	0.31	0.40
2014	2,838	0.31	0.41
2015 ³	2,865	0.32	0.41
Notes:			
1. Expressed in number of EDUs and based on an annual growth rate of 1.01%.			
2. Assumes a vacancy rate of 9%.			
3. First full year of plant expansion project (2014-15).			

5.0 HISTORICAL INFLUENT LOADINGS

5.1 General

Generally, wastewater strength is defined by its 5-day biochemical oxygen demand (BOD₅) and total suspended solids (TSS) content. The BOD₅ is described as the amount of oxygen required over a five-day period at 20 degrees Celsius by bacteria while stabilizing the decomposable organic matter under aerobic conditions. The TSS is a measure of the suspended material in the influent.

5.2 Influent BOD5

Historical influent BOD5 loadings for the past five years are shown in Table 5.0 below. The five-year historical BOD5 concentration for this period was 338 milligrams per liter (mg/L) for the annual average loads, and 409 mg/L for the peak PSDW average loads.

Table 5.0 Cayucos Sanitary District Historical Influent BOD₅ Loading Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District					
Year	Annual Average		Peak Seasonal		PSWD:AAD
	mg/L	ppd	mg/L	ppd	Factor¹
2001	362	3,715	495	5,169	1.39
2002	386	3,711	425	3,781	1.02
2003	306	2,702	356	3,572	1.32
2004	336	3,074	406	3,811	1.24
2005	303	3,171	365	4,102	1.29
5-Year Average	338		409		
Notes:					
1. Factor for annual average ppd to peak seasonal ppd.					
2. Peak seasonal represents the greater month between July and August.					

Based on a review of the plant data and historic design criteria, a PSDWF BOD₅ concentration of 410 mg/L and an AADF BOD₅ concentration of 340 mg/L will be used as future design values. It should be noted that the peak seasonal loadings represented the maximum month loadings for 2001, 2002, 2003, 2004, and 2005. These findings are consistent with the highest expected loadings occurring during the summer tourism season of July and August.

5.3 Influent TSS

Historical influent TSS loadings for the past five years are shown in Table 5.1 below. The five-year historical TSS concentration for this period was 357 mg/L for the annual average, and 416 mg/L for the peak seasonal average loads.

Table 5.1 Cayucos Sanitary District Historical Influent TSS Loading Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District					
	Annual Average		Peak Seasonal		PADW:AAD
Year	mg/L	ppd	mg/L	ppd	Factor¹
2001	373	3,860	422	4,409	1.13
2002	374	3,576	492	4,707	1.32
2003	311	2,753	340	3,458	1.09
2004	354	3,225	418	3,929	1.18
2005	373	3,906	406	4,562	1.09
5-Year Average	357		416		
Notes:					
1. Factor for ppd to peak seasonal ppd.					
2. Peak seasonal represents the greater month between July and August.					

Based on a review of the plant data and historic design criteria, a PADWF TSS concentration of 420 mg/L, and an AADF TSS concentration of 360 mg/L will be used as design values.

6.0 PROJECTED INFLUENT LOADINGS

Based on the nature of the CSD, as well as the design approach previously taken for other coastal cities in the area, the design loading for the WWTP is determined by the PSDWF and PSDW loadings previously identified. These projected values will be used to determine the organic loading for the planning period.

The projected BOD₅ loadings are determined using the previously identified PSDWF BOD₅ concentration of 410 mg/L. The PADWF TSS concentrations were previously identified as 420 mg/L.

7.0 USER GROUPS

The District's users were divided into single-family, multi-family, three levels of commercial and public/district/schools. There are no industries, large hospitals or other large public institutions. The number of equivalent residential units (ERU) for residential users and

connections for non residential users are shown in Table 7.0 for 2005-06 and the 2014-15 (projected) fiscal years. Where flows were metered they were used, otherwise typical values were used for flows in each group. The 2005-06 ERU's were projected from the census year 2000 as stated in the housing element of the census plan and as indicated in the Facilities Plan. As growth over the last few years has been less than the Facility's Plan estimate, the 2005-06 ERU's were then projected ahead to the year 2014-15 using 50 percent of the estimated growth rates as developed in the Facilities Plan. This equates to approximately 12 new ERU's per year for residential and two connections per year for non residential. The year 2014-15 is expected to be the first full year of operation of the upgraded WWTF.

Table 7.0 User Groups and Associated Flows Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District						
Categories	ERU/ Connection	2005-06 AAWF (mgd)	ADMMF (mgd)	ERU/ Connection	2014-15¹ AAWF (mgd)	ADMMF (mgd)
Single Family	1,717	0.191	0.248	1,800	0.200	0.260
Multi Family	513	0.057	0.074	538	0.060	0.078
Commercial						
Low	258	0.027	0.038	271	0.028	0.041
Medium	31	0.003	0.004	32	0.003	0.004
High	67	0.009	0.012	70	0.010	0.013
Public/City/Schools	33	0.003	0.004	34	0.003	0.004
Totals	2,619	0.290	0.380	2,745	0.304	0.400
Notes:						
1. First full year of operation.						

8.0 TOTAL PROJECT EXPENSES

8.1 Project Costs

CSD's share of the project costs which include planning, design, construction, inspection, administration, legal, and interest during construction for the plant upgrade and plant expansion are estimated to be \$8.79 million as shown in Table 8.0. This value represents 28 percent of the total WWTF project costs of \$31.38M at the mid point of construction (February 2013). The 28 percent is an estimate. The actual percentage will be determined during negotiations. The accumulated interest on the District's share of the SRF loan during construction is \$0.25M. The SWRCB expects the first loan payment at the end of the first full year (June 30, 2015) after startup.

The District plans to finance as much as possible of the total amount through a State Water Resources Control Board (SWRCB) State Revolving Fund Loan (SRF). In reality, there will be some ineligible costs yet unknown. For this Draft Revenue Program, the total amount will assume to be eligible. When the final revenue program is completed, the ineligible amount will be known and a correction made. By assuming the total amount eligible, slightly higher fees will be shown which builds in some safety factor for future planning.

Table 8.0 Preliminary Project Costs Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District			
Project Element	Total⁽¹⁾ (\$M)	Existing Users⁽²⁾ (\$M)	Future Users⁽³⁾ (\$M)
Wastewater Treatment Plant	8.54	7.97	0.57
Interest ⁽⁴⁾	<u>0.25</u>	<u>0.23</u>	<u>0.02</u>
Totals	8.79	8.20	0.59
Notes:			
1. Cayucos SD share of project costs.			
2. Existing users, up to June 30, 2014			
3. Future users from June 30, 2014 to 2026.			
4. Interest during construction.			

Existing users are those on line at the beginning of the first full year of operation, June 30, 2014 and future users are those coming on line after June 30, 2014. Table 8.0 shows future users must pay for \$0.59 million (6.7%) of project expansion beyond June 30, 2014 and existing users must pay for upgrades and expansion up to June 30, 2014, amounting to \$8.20 million (93.3%). Upgrades are defined as any equipment or process units being rehabilitated, replaced or added to bring the wastewater treatment plant up to new standards whereas expansion is defined as equipment or process units capacity increase beyond the existing WWTF capacity at June 30, 2014.

The total annual payment for a \$8.79 million loan is approximately \$0.56 million/year at a 2.5 percent interest rate over 20 years. Existing users must pay for \$0.04 million of the annual payment and future users \$0.52 million of the annual payment. In addition to the SRF loan payment, one loan with an annual payment of \$137,700 is existing. Also, one additional new loan with a payment of \$318,500/year will be made in the near future and a second loan of \$228,400/year may be made before the year 2014-15. Two options, acquiring the first new collection system loan (Option 1) and acquiring both new collection system loans (Option 2), will be included in the remainder of this report.

The State requires a minimum of one half of one percent of the project costs be set aside in a Wastewater Capital Recovery fund (WWCRF) for future expansion. This minimum is \$44,000, however, the District chose \$350,000 to create extra reserves.

8.2 O&M Costs

For most of the 2005-06 direct operating expenses in Table 8.1, an increase of 3 percent per year was used to project to the fiscal year 2014-15. Also, CSD's share of a \$200,000 increase for O&M was added to cover the added O&M cost of the new plant expansion. To build up reserves for replacement costs, capital replacement costs were increased by 3 percent per year.

Table 8.1 Existing and Projected Expenses with Two New Loan Options Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District			
Item	2005-06 (\$)	2014-15 One Collection Loan (\$)	2014-15 Two Collection Loans (\$)
Personnel (fixed)			
WWTP - 27%	162,982	212,700	212,700
Collection - 100%	<u>420,259</u>	<u>548,400</u>	<u>548,400</u>
Subtotal	583,241	761,100	761,100
O&M (variable)			
WWTP - 27%	235,716	361,600	361,600
Collect-100%	<u>358,727</u>	<u>468,100</u>	<u>468,100</u>
Subtotal	594,443	829,700	829,700
Debt Service			
Existing	137,661	137,700	137,700
Collection System No. 1	0	318,500	318,500
Collection System No. 2	0	0	228,900
New SRF Loan	<u>0</u>	<u>560,000</u>	<u>560,000</u>
Subtotal	137,661	1,016,200	1,245,100
Capital Replacement			
WWTP - 27%	22,950	30,000	30,000
Collecton - 100%	<u>60,835</u>	<u>150,000</u>	<u>150,000</u>
Subtotal	83,785	180,000	180,000
WWCRF			
WWTP/Sewer	<u>0</u>	<u>350,000</u>	<u>350,000</u>
Subtotal	0	350,000	350,000
Total Expenses	1,399,130	3,137,000	3,365,900

9.0 INCOME

The 2005-06 income and the projected 2014-15 income summary is shown on Table 9.0 with both the single loan option and the dual loan option. The impact fees from future users for the District is expected to be used to pay for future capacity in new WWTF, and a portion of the existing debt.

Table 9.0 Existing and Projected Income with Two New Loan Options Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District			
Item	2005-06 Income	2014-15 Income One Collection Loan	2014-15 Income Two Collection Loans
Users Fees	783,762	2,177,200 ⁽¹⁾	2,406,100 ⁽¹⁾
Investment/Interest	229,930	170,000	170,000
Rent	20,153	21,000	21,000
Impact Fees	18,493	110,000 ⁽²⁾	110,000 ⁽²⁾
Standby Fee	24,726	12,000	12,000
Taxes	495,675	646,800	646,800
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subtotal	1,572,739	3,137,000	3,365,900
Notes:			
1. The amount needed from service charges.			
2. New WWTF and existing impact fees.			

9.1 Impact Fees

To project ahead to 2014-15, 50 percent of the anticipated annual growth rate was assumed as a safety factor to allow for the possibility of a lesser growth and, therefore, less income from impact fees.

Based on the 50 percent, the estimated population increase expected in 2014-15 is approximately 14 new ERU including the increases in commercial, public, and schools. Using the increase of the 14 anticipated connections in 2014-15, each ERU connecting must pay \$2,860 to make the \$0.04 million annual payment for the future user's portion of the SRF loan. This is for the new WWTF only. In addition, it is assumed the existing \$5,000 per ERU fee will remain, making a total impact/connection fee of \$7,860.

9.2 Service Charges and Miscellaneous Income

The remaining income will be collected from service charges (user fees), taxes, rent, miscellaneous income and interest. Service charges for 2014-15 are calculated using State Forms 1 through 6 (Appendix A). Rent income should remain the same as 2005-06. Interest is expected to decline and miscellaneous income was a one time entry in 2005-06. As lots are developed the standby fee decreases. Tax income is expected to rise at approximately 3 percent per year. Table 9.1 shows the distribution of income to meet the District's expense items for 2014-15 for one and two new loan options.

Per SWRCB revenue program guidelines, the estimated expenses and corresponding required income for the first full year of operations are used in this analysis. Therefore, all rates calculated in this revenue program will be to meet anticipated expenses in the fiscal year 2014-15.

Table 9.1 Income Distribution with Two New Loan Options Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District					
Item	Expenses One Collection Loan 2014-15 (\$)	Expenses Two Collection Loans 2014-15 (\$)	Non-Service Charge Income (\$)	Service Charge Income -One Collection Loan (\$)	Service Charge Income-Two Collection Loans (\$)
Personnel (fixed)					
WWTP - 27%	212,700	212,700		212,700	212,700
Connection - 100%	<u>548,400</u>	<u>548,400</u>		<u>548,400</u>	<u>548,400</u>
Subtotal	761,100	761,100		761,100	761,100
O/M (variable)					
WWTP - 27%	361,600	361,600	201,700 ⁽¹⁾	159,900	159,900
Collection - 100%	<u>468,100</u>	<u>468,100</u>	<u>468,100</u> ⁽¹⁾	<u>0</u>	<u>0</u>
Subtotal	829,700	829,700	669,800	159,900	159,900
Debt Service					
Existing	137,700	137,700	70,000 ⁽²⁾	67,700	67,700
Collection System # 1	318,500	318,500	0	318,500	318,500
Collection System # 2	<u>0</u>	228,900	0	0	228,900
New SRF Loan	<u>560,000</u>	<u>560,000</u>	<u>40,000</u> ⁽³⁾	<u>520,000</u>	<u>520,000</u>
Subtotal	1,016,200	1,245,100	110,000	906,200	1,135,100
Capital Replacement					
WWTP - 27%	30,000	30,000	30,000 ⁽¹⁾	0	0
Collection - 100%	<u>150,000</u>	<u>150,000</u>	<u>150,000</u> ⁽¹⁾	<u>0</u>	<u>0</u>
Subtotal	180,000	180,000	180,000	0	0
WWCRF					
WWTP/Sewer	<u>350,000</u>	<u>350,000</u>	<u>0</u>	<u>350,000</u>	<u>350,000</u>
Subtotal	<u>350,000</u>	<u>350,000</u>	<u>0</u>	<u>350,000</u>	<u>350,000</u>
Totals	3,137,000	3,365,900	959,800	2,177,200	2,406,100
Notes:					
1. Rental, interest, taxes, miscellaneous.					
2. Existing impact fee.					
3. WWTF impact fee.					

10.0 PARAMETER ALLOCATION

Using costs from Table 8.0 and the values in the revenue program guidelines, the flow, BOD, and TSS cost splits are developed in Table 10.0. These percentages are used to distribute the cost of treating the flow, BOD and TSS parameters among the various District annual expenditures.

Table 10.0 Process Allocations and Useful Life Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District					
Item	Cost (\$)	Flow	Cost Split (\$) BOD	SS	Years of Life
Headworks	<u>2,138,400</u>				
Structure - 80%	1,710,720	1,710,720(100%)			40
Equipment - 20%	427,680			427,680(100%)	15
Chlorine Basin	<u>575,100</u>				
Structure - 50%	287,550	287,550(100%)			40
Equipment - 50%	287,550		100,642(35%)	186,908(65%)	25
Oxidation Ditch	<u>4,642,920</u>				
Structure - 40%	1,857,168	1,392,876(75%)		464,292(25%)	40
Equipment 60%	2,785,752		2,785,752(100%)		15
Secondary Clarifier	<u>2,992,140</u>				
Structure - 50%	1,496,070	1,496,070(100%)			30
Equipment - 50%	1,496,070		1,496,070(100%)		25
Operations Building	<u>583,200</u>				
Structure - 50%	291,600		145,800(50%)	145,800(50%)	30
Equipment - 50%	291,600		145,800(50%)	145,800(50%)	12
Sludge Treatment	<u>3,124,980</u>				
Structure - 50%	1,562,490		781,245(50%)	781,245(50%)	50
Equipment - 50%	1,562,490		781,245(50%)	781,245(50%)	15
Totals	14,056,740⁽¹⁾	4,887,216	6,236,554	2,932,970	
Percentage	100	35	44	21	
1 For major WWTF elements only.					

APPENDIX A-1
STATE FORMS
ONE NEAR-TERM LOAN

FORM 2 Annual O. M. & R. and Non-operating Costs

Cayucos

(One Near Term Loan)

Agency: 0

FORM 2

Cost Category	Current Annual Costs	First Year Of Full Operation
1. TREATMENT FACILITIES:		
(a) Fixed O & M Costs	\$583,241	\$761,100
(b) Variable O & M Costs	594,443	159,900
(c) Replacement Costs		
(d) Subtotal Treatment	\$1,177,684	\$921,000
2. COLLECTION SYSTEM:		
(e) Fixed O & M Costs	\$0	
(f) Variable O & M Costs	0	
(g) Replacement Costs	0	
(h) Subtotal Collection	\$0	\$0
3. MISCELLANEOUS:		
(i) Overhead/Indirect	\$0	
(j) Operating Reserve	0	
(k) Other	0	
(l) Subtotal Miscellaneous	\$0	\$0
4. TOTAL - Variable Costs	\$594,443	\$159,900
5. TOTAL - Fixed Costs	\$583,241	\$761,100
6. TOTAL O. M. & R. Costs:	\$1,177,684	\$921,000
7. CAPITAL REPLACEMENT FUND:	\$83,785	\$0
8. DEBT SERVICE:		
(m) Collected with User Fees	\$137,661	\$906,200
(n) Collected from Other Sources		110,000
(o) Total debt service	\$137,661	\$1,016,200
9. WASTEWATER CAPITAL RESERVE FUND:	\$0	\$350,000

FORM 4 Unit Cost Determination

Cayucos

Agency: 0

FORM 4

COST CATEGORY	PARAMETER ALLOCATION PERCENTAGES	ANNUAL COST ALLOCATED TO EACH PARAMETER	TOTAL ANNUAL QUANTITIES EXC. INFILT/INFLOW AND FUTURE FLOW	UNIT COST FOR EACH PARAMETER
1. Variable O & M Costs		\$159,900		
(a) Flow	35.00%	55,965	110.960	\$504.37
(b) BOD	44.00%	70,356	319.589	\$220.15
(c) SS	21.00%	33,579	328.452	\$102.23
(d) I/I		0		
(e) Other		0		
2. Fixed O & M Costs		\$761,100		
(f) Flow	35.00%	266,385	110.960	\$2,400.73
(g) BOD	44.00%	334,884	319.589	\$1,047.86
(h) SS	21.00%	159,831	328.452	\$486.62
(i) I/I		0		
(j) Other		0		
3. Capital Replacement Fund		\$0		
(k) Flow	35.00%	\$0	110.960	\$0.00
(l) BOD	44.00%	\$0	319.589	\$0.00
(m) SS	21.00%	\$0	328.452	\$0.00
(n) I/I		0		
(o) Other		0		
4. Wastewater Capital Reserve Fund		\$350,000		
(k) Flow	35.00%	\$122,500	110.960	\$1,104.00
(l) BOD	44.00%	154,000	319.589	\$481.87
(m) SS	21.00%	73,500	328.452	\$223.78
(n) I/I		0		
(o) Other		0		
5. Debt Service (existing users portion)		\$906,200		
(p) Flow	35.00%	317,170	110.960	\$2,858.42
(q) BOD	44.00%	398,728	319.589	\$1,247.63
(r) SS	21.00%	190,302	328.452	\$579.39
(s) I/I		0		
(t) Other		0		
6. Debt Service (all)		\$1,016,200		
(u) Flow	35.00%	355,670	110.960	\$3,205.39
(v) BOD	44.00%	447,128	319.589	\$1,399.07
(w) SS	21.00%	213,402	328.452	\$649.72
(x) I/I		0		
(y) Other		0		

FORM 6 Summary of Total Annual Revenue Required
Cayucos

Agency: 0

FORM 6

Number of Accounts	USER GROUPS	VARIABLE O. M. & R. COSTS	FIXED O. M. & R. COSTS	CAPITAL REPLACEMENT FUND	DEBT SERVICE COSTS	WTR CAPITAL RESERVE FUND	TOTAL ANNUAL REVENUE REQUIRED	AVG ANNUAL REVENUE REQUIRED	AVG MONTHLY REVENUE REQUIRED
1800	Single Family Residential	\$100,288	\$477,357	\$0	\$588,363	\$219,518	\$1,365,526	\$759	\$63.22
538	Multi Family Residential	30,086	143,207	0	170,509	65,855	409,658	761	63.45
0	Commercial	0	0	0	0	0	0	#DIV/0!	#DIV/0!
271	Low	14,040	66,830	0	79,571	30,732	191,174	705	58.79
32	Medium	2,320	11,042	0	13,147	5,078	31,587	987	82.26
70	High	11,661	55,503	0	66,085	25,524	158,772	2,268	189.01
34	Schools	1,504	7,160	0	8,525	3,293	20,483	602	50.20
0	Public	0	0	0	0	0	0	#DIV/0!	#DIV/0!
0		0	0	0	0	0	0	#VALUE!	#VALUE!
0		0	0	0	0	0	0	#DIV/0!	#DIV/0!
0		0	0	0	0	0	0	#VALUE!	#VALUE!
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APPENDIX A-2

**STATE FORMS
TWO NEAR-TERM LOAN**

FORM 2 Annual O. M. & R. and Non-operating Costs

Cayucos (Two Near Term Loans)

Agency: 0

FORM 2

Cost Category	Current Annual Costs	First Year Of Full Operation
1. TREATMENT FACILITIES:		
(a) Fixed O & M Costs	\$583,241	\$761,100
(b) Variable O & M Costs	594,443	159,900
(c) Replacement Costs		
(d) Subtotal Treatment	\$1,177,684	\$921,000
2. COLLECTION SYSTEM:		
(e) Fixed O & M Costs	\$0	
(f) Variable O & M Costs	0	
(g) Replacement Costs	0	
(h) Subtotal Collection	\$0	\$0
3. MISCELLANEOUS:		
(i) Overhead/Indirect	\$0	
(j) Operating Reserve	0	
(k) Other	0	
(l) Subtotal Miscellaneous	\$0	\$0
4. TOTAL - Variable Costs	\$594,443	\$159,900
5. TOTAL - Fixed Costs	\$583,241	\$761,100
6. TOTAL O. M. & R. Costs:	\$1,177,684	\$921,000
7. CAPITAL REPLACEMENT FUND:	\$83,785	\$0
8. DEBT SERVICE:		
(m) Collected with User Fees	\$137,661	\$1,135,100
(n) Collected from Other Sources		110,000
(o) Total debt service	\$137,661	\$1,245,100
9. WASTEWATER CAPITAL RESERVE FUND:	\$0	\$350,000

FORM 4 Unit Cost Determination

Cayucos

Agency: 0

FORM 4

COST CATEGORY	PARAMETER ALLOCATION PERCENTAGES	ANNUAL COST ALLOCATED TO EACH PARAMETER	TOTAL ANNUAL QUANTITIES EXC. INFILT/INFLOW AND FUTURE FLOW	UNIT COST FOR EACH PARAMETER
1. Variable O & M Costs		\$159,900		
(a) Flow	35.00%	55,965	110.960	\$504.37
(b) BOD	44.00%	70,356	319.589	\$220.15
(c) SS	21.00%	33,579	328.452	\$102.23
(d) I/I		0		
(e) Other		0		
2. Fixed O & M Costs		\$761,100		
(f) Flow	35.00%	266,385	110.960	\$2,400.73
(g) BOD	44.00%	334,884	319.589	\$1,047.86
(h) SS	21.00%	159,831	328.452	\$486.62
(i) I/I		0		
(j) Other		0		
3. Capital Replacement Fund		\$0		
(k) Flow	35.00%	\$0	110.960	\$0.00
(l) BOD	44.00%	\$0	319.589	\$0.00
(m) SS	21.00%	\$0	328.452	\$0.00
(n) I/I		0		
(o) Other		0		
4. Wastewater Capital Reserve Fund		\$350,000		
(k) Flow	35.00%	\$122,500	110.960	\$1,104.00
(l) BOD	44.00%	154,000	319.589	\$481.87
(m) SS	21.00%	73,500	328.452	\$223.78
(n) I/I		0		
(o) Other		0		
5. Debt Service (existing users portion)		\$1,135,100		
(p) Flow	35.00%	397,285	110.960	\$3,580.43
(q) BOD	44.00%	499,444	319.589	\$1,562.77
(r) SS	21.00%	238,371	328.452	\$725.74
(s) I/I		0		
(t) Other		0		
6. Debt Service (all)		\$1,245,100		
(u) Flow	35.00%	435,785	110.960	\$3,927.41
(v) BOD	44.00%	547,844	319.589	\$1,714.22
(w) SS	21.00%	261,471	328.452	\$796.07
(x) I/I		0		
(y) Other		0		

FORM 6 Summary of Total Annual Revenue Required
Cayucos

Agency: 0

FORM 6

Number of Accounts	USER GROUPS	VARIABLE O. M. & R. COSTS	FIXED O. M. & R. COSTS	CAPITAL REPLACEMENT FUND	DEBT SERVICE COSTS	WTR CAPITAL RESERVE FUND	TOTAL ANNUAL REVENUE REQUIRED	AVG ANNUAL REVENUE REQUIRED	AVG MONTHLY REVENUE REQUIRED
1800	Single Family Residential	\$100,288	\$477,357	\$0	\$711,928	\$219,518	\$1,509,091	\$838	\$69.87
538	Multi Family Residential	30,086	143,207	0	213,578	65,855	452,727	842	70.13
0	Commercial	0	0	0	0	0	0	#DIV/0!	#DIV/0!
271	Low	14,040	66,830	0	99,670	30,732	211,273	780	64.97
32	Medium	2,320	11,042	0	16,468	5,078	34,908	1,091	90.91
70	High	11,661	55,503	0	82,777	25,524	175,465	2,507	208.89
34	Schools	1,504	7,160	0	10,679	3,293	22,636	666	55.48
0	Public	0	0	0	0	0	0	#DIV/0!	#DIV/0!
0		0	0	0	0	0	0	#VALUE!	#VALUE!
0		0	0	0	0	0	0	#DIV/0!	#DIV/0!
0		0	0	0	0	0	0	#VALUE!	#VALUE!
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0		0	0	0	0	0	0	#VALUE!	#VALUE!
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APPENDIX B

EXISTING RATE SCHEDULE

CAYUCOS SANITARY DISTRICT

RESOLUTION NO. 2005-1

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT ESTABLISHING THE AMOUNT OF SEWER SERVICE CHARGES

WHEREAS, the Board of Directors of the Cayucos Sanitary District (hereinafter referred to as "District") is authorized, pursuant to Health and Safety Code Sections 6520.5, and 6521 to prescribe, revise, and collect sewer service charges for the services and facilities furnished by it in connection with its sanitation or sewerage systems; and

WHEREAS, District Ordinance 22 enables the District to establish, by resolution, the amount of fees to be charged for use of the District sewerage facilities; and,

WHEREAS, the District has on file data indicating the amount of estimated costs required to provide the facilities and services for which the fees are levied and the revenue sources anticipated to provide the services, which have been determined as not exceeding the cost to provide said services and facilities; and,

WHEREAS, the sewer service charges are designed to meet the objectives desired by the District which consist of basic health and sanitation needs, operating and maintaining a safe and reliable sewer system, simplified rate structures that are easy to understand and administer, consideration of industry practices, and recovery of the cost of providing sewer services; and,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT AS FOLLOWS:

SECTION 1: The recitals set forth hereinabove are true, correct and valid.

SECTION 2: That the Board of Directors hereby establishes the District's monthly sewer service fees as set forth in Exhibit "A" attached hereto and incorporated herein by this reference.

SECTION 3: That said sewer service fees shall be billed and collected on a bi-monthly basis commencing with the May 1, 2005 billing.

SECTION 4: That all resolutions that are inconsistent with the provisions of this Resolution, including, but not limited to, Resolution 2003-7, are hereby repealed.

SECTION 5: Within fifteen (15) days of passage, this Resolution shall be published one time in a newspaper of general circulation published in the District, if there is one, and if not, then this Resolution shall be posted for one week in three (3) public places in the District.

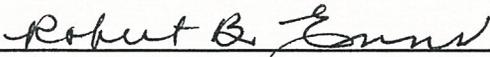
On motion by Board Member Craig Bell, Jr., seconded by Board Member Hal Fones, and by the following roll call vote, to wit:

AYES: Robert Enns, Craig Bell, Jr., Hal Fones, Nat Raimondo, Bill Gibeaut

NOES: None

ABSENT: None

the foregoing Resolution was passed and adopted this 13th day of April 2005.



ROBERT ENNS, PRESIDENT OF THE BOARD

APPROVED AS TO FORM:



TIMOTHY J. CARMEL, DISTRICT LEGAL COUNSEL

Exhibit "A"

**CAYUCOS SANITARY DISTRICT
SEWER SERVICE CHARGES**

A sewer service charge shall be imposed for all owners of real property, when such property utilizes District sewerage facilities. The basis for such charge shall be the equivalent dwelling unit (EDU) factor for the use.

The charge per EDU shall be as follows:

Rate effective May 1, 2005	\$24.50 per EDU
Rate effective January 1, 2006	\$26.00 per EDU
Rate effective July 1, 2006	\$28.00 per EDU

*25.25 amount
05-06*

For the purposes of calculating EDUs from wastewater output, the use of wastewater from a single family dwelling shall be considered to be 136 gallons per day (gpd). The EDU shall be determined by dividing the average wastewater output of the use by the average wastewater output of a single family dwelling, and rounding to the nearest 0.5.

The wastewater output from non-residential uses not defined below shall be considered to be 90 percent of the water use, or as determined by District staff. Such calculations shall be performed by District staff.

The term "dwelling unit" is taken to mean the following:

- Any livable space with a (separate or shared) sewer connection.

Residential:

- Single Family Residential 1.0 EDU
- Multiple Family Residential or Apartments 1.0 EDU per each dwelling unit
- Mobile Homes 1.0 EDU per each space
- Secondary Dwelling 1.0 EDU per each dwelling unit
- Caretaker Residence 1.0 EDU per each dwelling unit

Non-Residential:

Motels: shall be charged the higher of the two alternatives:

1. 0.5 EDU per sleeping room, and 1 EDU per room with kitchen
2. Calculated EDU, with a minimum of 1.0

Bed and Breakfast: shall be charged 1.0 EDU plus 0.5 EDU per rentable room.

Commercial, Professional, Public, and All Other Non-Residential Uses: Shall be charged based on a calculated EDU, with a minimum of 1.0. Mixed use or multi-use properties under one billing account shall be evaluated separately for each defined use or business, and the total added to establish the combined EDU.

CAYUCOS SANITARY DISTRICT

RESOLUTION NO. 2005-2

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT ESTABLISHING THE AMOUNT OF SEWER CONNECTION FEES

WHEREAS, the Board of Directors of the Cayucos Sanitary District (hereinafter referred to as "District") is authorized, pursuant to Health and Safety Code Sections 5474, 5474.9, 6520.2, and 6521 to prescribe, revise, and collect sewer connection fees for the privilege of connecting to the District's sewerage facilities; and

WHEREAS, District Ordinance No. 23 enables the District to establish, by resolution, the amount of fees to be charged for connection to District sewerage facilities; and,

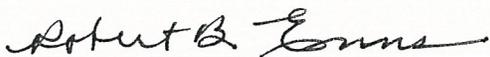
WHEREAS, the District has conducted a study (Exhibit "A") which has established a factual basis for the amount of such sewer connection fee, in accordance with relevant law; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Cayucos Sanitary District hereby adopts the sewer connection fees set forth in Exhibit "B" attached hereto and incorporated herein by this reference. This resolution shall become effective the first of the month following sixty days after its adoption and therefore will commence July 1, 2005.

On motion by Board Member Nat Raimondo, seconded by Board Member Bill Gibeaut, and by the following roll call vote, to wit:

- AYES: Robert Enns, Craig Bell, Jr., Hal Fones, Nat Raimondo, Bill Gibeaut
- NOES: None
- ABSENT: None

the foregoing Resolution was passed and adopted this 13th day of April 2005.

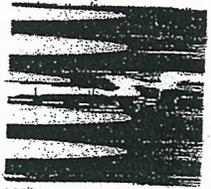


 ROBERT ENNS, PRESIDENT OF THE BOARD

APPROVED AS TO FORM:



 TIMOTHY J. CARMEL, DISTRICT LEGAL COUNSEL



WALLACE GROUP

CIVIL ENGINEERING

CONSTRUCTION
MANAGEMENT

LANDSCAPE
ARCHITECTURE

MECHANICAL
ENGINEERING

PLANNING

PUBLIC WORKS
ADMINISTRATION

SURVEYING /
GIS SOLUTIONS

WATER RESOURCES

WALLACE SWANSON
INTERNATIONAL

February 9, 2005

Ms. Bonnie Connelly
Cayucos sanitary District
P.O. Box 333
Cayucos, CA 93430-0333

Subject: Sewer Connection Fees

Dear Ms. Connelly:

As requested, we have prepared an updated review of sewer connection fees for the Cayucos Sanitary District (CSD). This review is an update of the October 2003 rate study our office prepared for the CSD, and has been prepared to be compatible with the staff report prepared by yourself and dated December 23, 2004.

The attached analysis indicates that the connection fees being envisioned, ranging from \$4,000 to \$6,000, will provide a portion of the revenue needed to fund capitol expenditures, with the remaining funds coming from sewer availability charges, service charges, and possibly FEMA reimbursements.

Connection fees in this range are recommended, with the service charges to be set accordingly so that total required revenue is established.

If you have any questions, please feel free to call me.

Sincerely,

WALLACE GROUP


Craig Campbell, PE
Principal
Letter Report-rev.doc

EXHIBIT "A"

WALLACE GROUP
A California Corporation

4115 BROAD ST
SUITE B-5
SAN LUIS OBISPO
CALIFORNIA 93401

T 805 544-4011
F 805 544-4294

www.wallacegroup.us

Exhibit "B"

**CAYUCOS SANITARY DISTRICT
SEWER CONNECTION FEES**

Residential

Each new residential dwelling requiring a sewer connection shall, prior to connection to District sewerage facilities, pay a connection fee as follows. Multiple family or apartment dwelling units shall be charged the fee listed below for each Dwelling unit.

- | | |
|--|---------------|
| • Connection fee | \$4,900.00 |
| • Inspection fee | <u>100.00</u> |
| • Total fee required for each residential connection | \$5,000.00 |

Non-Residential

Each non-residential use requiring a sewer connection shall, prior to connection to District sewerage facilities, pay a connection fee based on the above rates for the equivalent dwelling units (EDU) of the use. For the purposes of calculating EDU from wastewater output, wastewater output from a single family dwelling shall be considered to be 136 gallons per day (gpd).

The EDU shall be determined by dividing the average wastewater output of the use by the average wastewater output of a single family dwelling, and rounding to the nearest 0.5, and shall not be less than 1.0.

The wastewater output from non-residential uses shall be considered to be 90 percent of the water use, or as determined by District staff. Water use shall be determined per the attached Table "A" or as determined by District staff. Such calculations shall be performed by District staff.

Mixed use or multi-use properties under one billing account shall be evaluated separately for each defined use, and the total added to establish the combined EDU.

Table "A"

	Unit	Unit Value, Gallons/Day/Unit	Gallons per Month per Unit	EDU Equivalent
Land Use				
Non-Residential Minimum EDU				
Minimum Sewer Charge	unit	136	4137.00	0.5000
Hotels & Motels				
Per Motel Unit (incl. Suites)	unit	136	2068.00	0.7500
Per Apartment Unit (incl. Mgr's Quarters)	unit	136	3103.00	0.7501
Industrial/Storage				
Storage/Mini-Storage	employee	10	304.00	0.0750
Institutions/Organizations				
Churches	sq. ft.	0.05	1.52	0.0004
Clubs/Organizations	sq. ft.	0.05	1.52	0.0004
Offices (Non-Medical)				
	sq. ft.	0.15	4.56	0.0011
Medical Offices				
Dentists	sq. ft.	0.15	4.56	0.0011
Personal Services				
Barber/Beautician	sq. ft.	0.75	22.8	0.0055
Car Wash (Self Serve)	bay	360	10950	2.6500
Dry Cleaners (Off-Site)	sq. ft.	0.15	4.56	0.0011
Laundromats	washing machine	600	18250	4.4100
Auto Repair	vehicle served	10	304	0.0735
Gas Station	vehicle served	10	304	0.0735
Food Service				
Deli/Market	sq. ft.	0.2	6.08	0.0015
Taverns	Seat	10	304.17	0.0735
Full-Service Restaurants	Seat	25	760.42	0.1838
Retail				
Hardware	sq. ft.	0.15	4.56	0.0011
Video	sq. ft.	0.15	4.56	0.0011
Antique	sq. ft.	0.15	4.56	0.0011
Jewelry	sq. ft.	0.15	4.56	0.0011
Supermarket	sq. ft.	0.15	4.56	0.0011
Gifts & Clothing	sq. ft.	0.15	4.56	0.0011
Art Supplies	sq. ft.	0.15	4.56	0.0011
Pharmacy	sq. ft.	0.15	4.56	0.0011
Public Services				
Elementary Schools	student	16	486.67	0.1176
Fire Department	sq. ft.	50	1520.83	0.3676
Library	sq. ft.	0.15	4.56	0.0011
Post Office	sq. ft.	0.15	4.56	0.0011
Sanitary District	sq. ft.	0.15	4.56	0.0011
Public Facilities				
Beach Restrooms	sq. ft	1.5	45.63	0.0110
Parks	sq. ft. building	1.5	45.63	0.0110
Swimming Pool	Customer	10	304.17	0.0735

ORDINANCE NO. 23

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE CAYUCOS
SANITARY DISTRICT ESTABLISHING SEWER CONNECTION FEES

THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT DOES
HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The purpose of this Ordinance is to establish Sewer Connection Fees.

SECTION 2. Sewer Connection Fees, for the privilege of connecting to Cayucos Sanitary District (hereinafter referred to as "District") sewerage facilities are hereby established.

All customers, prior to connection to a District sewer line, shall be required to pay a sewer connection fee. The District shall, by resolution, establish the rates and amounts which will be charged for such sewer connection fees. Said fee may be amended at any time by resolution of the Board of Directors.

SECTION 3. The District shall use the revenue from such fees for any purpose allowed by law.

SECTION 4. Sewer connection fees shall be collected prior to connecting to District sewerage facilities.

SECTION 5. Payment of said sewer connection fees shall only entitle a property owner to the privilege of connecting to the District's sewerage facilities as they exist at the time of connection. All costs associated with the physical connection to the District sewer system, including but not limited to, any extension of the District facilities necessary to serve the owners property, shall be at the sole cost and expense of the property owner.

SECTION 6. Ordinance 20 of the Cayucos Sanitary District, titled AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE CAYUCOS SANITARY DISTRICT ESTABLISHING SEWER CONNECTION FEES, and adopted on September 21, 1995, is hereby repealed.

SECTION 7. This Ordinance is passed and adopted pursuant to Health and Safety Code Sections 5474, 5474.9, 6520.2, 6520.5, and 6521.

SECTION 8. If any section, subsection, subdivision, paragraph, sentence, clause or phrase of this Ordinance or any part thereof is for any reason held to be unlawful, such decision shall not affect the validity of the remaining portion of this Ordinance or any part thereof. The Board of Directors hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof, irrespective of the fact that any one or more section, subsection, subdivision, paragraph, sentence, clause or phrases be declared unlawful.

SECTION 9. This Ordinance shall become effective sixty (60) days after the date of its adoption, and within fifteen (15) days after its adoption, it shall be posted in accordance with Section 6490 of the Health and Safety Code.

On motion by Board Member Bill Gibeaut, seconded by Board Member Nat Raimondo, and by the following roll call vote, to wit:

AYES: Enns, Bell, Fones, Gibeaut, Raimondo

NOES: None

ABSENT: None

the foregoing Ordinance was passed and adopted this 15th day of October, 2003.

Robert B. Enns
ROBERT ENNS, PRESIDENT OF THE BOARD

APPROVED AS TO FORM:

Timothy J. Carmel
TIMOTHY J. CARMEL, DISTRICT LEGAL COUNSEL

Table "A"

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Supermarket	sq. ft.	0.15	4.56	0.0011
Gifts & Clothing	sq. ft.	0.15	4.56	0.0011
Art Supplies	sq. ft.	0.15	4.56	0.0011
Pharmacy	sq. ft.	0.15	4.56	0.0011
Public Services				
Elementary Schools	student	16	486.67	0.1176
Fire Department	sq. ft.	50	1520.83	0.3676
Library	sq. ft.	0.15	4.56	0.0011
Post Office	sq. ft.	0.15	4.56	0.0011
Sanitary District	sq. ft.	0.15	4.56	0.0011
Public Facilities				
Beach Restrooms	sq. ft	1.5	45.63	0.0110
Parks	sq. ft. building	1.5	45.63	0.0110
Swimming Pool	Customer	10	304.17	0.0735

Exhibit "A"

**CAYUCOS SANITARY DISTRICT
SEWER CONNECTION FEES**

Residential

Each new residential dwelling requiring a sewer connection shall, prior to connection to District sewerage facilities, pay a connection fee as follows. Multiple family or apartment dwelling units shall be charged the fee listed below for each Dwelling unit.

-	Connection fee	\$3,500.00
-	Inspection fee	<u>100.00</u>
-	Total fee required for each residential connection	\$3,600.00

Non-Residential

Each non-residential use requiring a sewer connection shall, prior to connection to District sewerage facilities, pay a connection fee based on the above rates for the equivalent dwelling units (EDU) of the use. For the purposes of calculating EDU from wastewater output, wastewater output from a single family dwelling shall be considered to be 136 gallons per day (gpd).

The EDU shall be determined by dividing the average wastewater output of the use by the average wastewater output of a single family dwelling, and rounding to the nearest 0.5, and shall not be less than 1.0.

The wastewater output from non-residential uses shall be considered to be 90 percent of the water use, or as determined by District staff. Water use shall be determined per the attached Table "A" or as determined by District staff. Such calculations shall be performed by District staff.

Mixed use or multi-use properties under one billing account shall be evaluated separately for each defined use, and the total added to establish the combined EDU.

APPENDIX C

EXTRA INCOME SPREADSHEET

CAYUCOS SANITARY DISTRICT

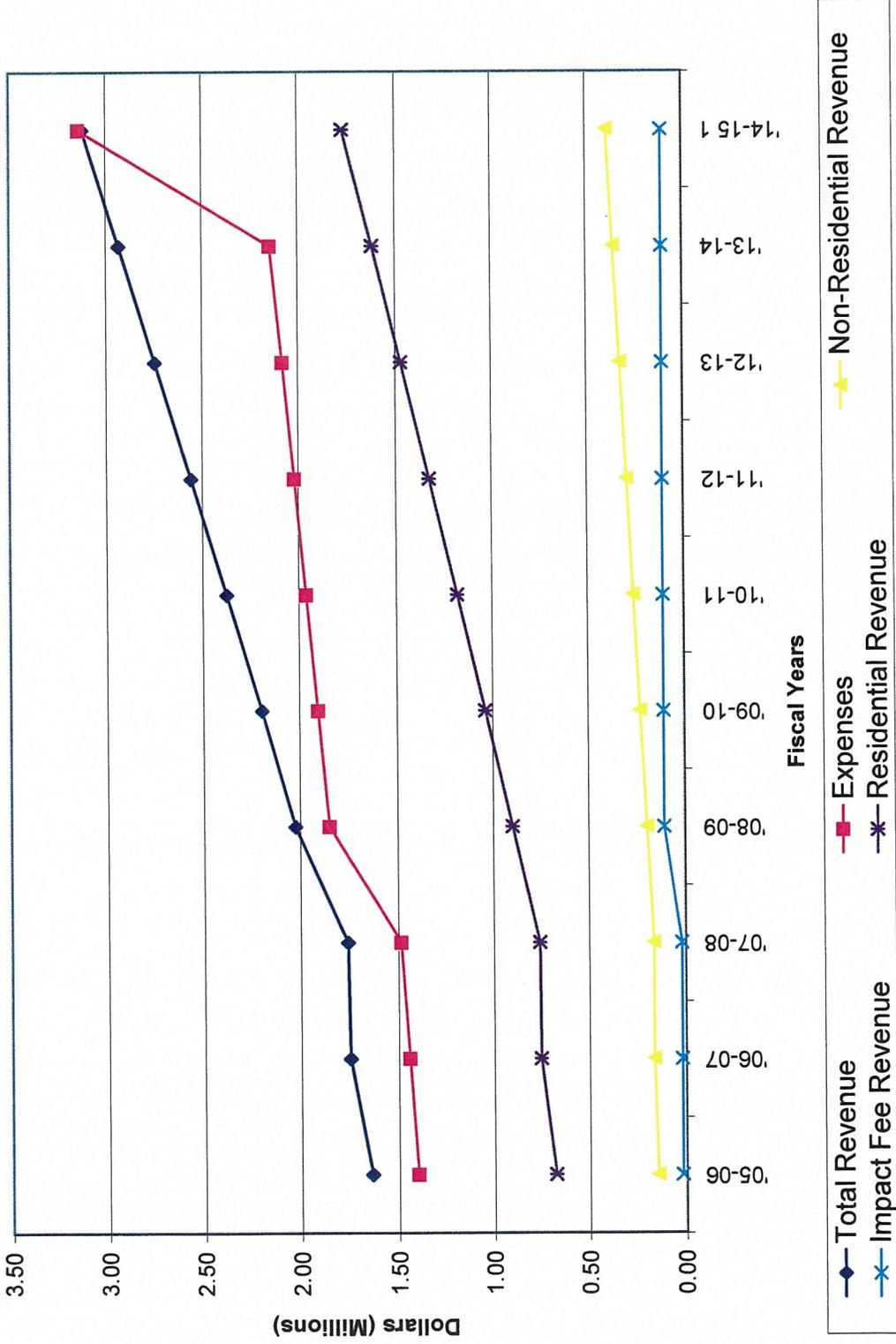
One Loan Scenario With Stepped Rate Increases Starting July 1, 2008

Items	'05-06	'06-07	'07-08	'08-09	'09-10	'10-11	'11-12	'12-13	'13-14	'14-15 ¹
A - Expenses	1.40	1.44	1.49	1.85	1.91	1.96	2.02	2.08	2.14	3.14
B - Residential ERU	2230	2242	2254	2266	2278	2290	2302	2314	2326	2338
C - Residential Monthly Rate months	25.25	28.00	28.00	33.00	38.00	43.00	48.00	53.00	58.00	63.00
Residential Revenue	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
D - Impact Fee Revenue	0.68	0.75	0.76	0.90	1.04	1.18	1.33	1.47	1.62	1.77
E - Non-Residential ERU	0.02	0.02	0.02	0.11	0.11	0.11	0.11	0.11	0.11	0.11
F - Non-Residential Monthly Rate months	500	502	504	506	508	510	512	514	516	518
Non-Residential Revenue	25.25	28.00	28.00	33.00	38.00	43.00	48.00	53.00	58.00	63.00
Misc Income	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
G - Taxes	0.152	0.169	0.17	0.20	0.23	0.26	0.29	0.33	0.36	0.39
Total Revenue	0.29	0.29	0.28	0.27	0.25	0.24	0.23	0.22	0.21	0.20
Income less Expense	0.50	0.52	0.53	0.55	0.56	0.58	0.60	0.61	0.63	0.65
H - Accumulative Revenue	1.64	1.75	1.76	2.02	2.19	2.37	2.56	2.74	2.93	3.12
	0.24	0.30	0.27	0.17	0.29	0.41	0.54	0.66	0.79	-0.02
1 - Adds new WWTF O&M costs, SRF payment, extra capital replacement, and increased WWCRF				0.17	0.46	0.87	1.41	2.07	2.86	

Notes:

- A - Increase 3%/yr. Adds new loan payment in July 1, 2008.
- B - 12 ERU/yr increase
- C - Per existing resolution to 08-09 then starting July 1, 2008, add \$5.00 each year
- D - Increased to \$7,860 in July 08
- E - 2 ERU/yr increase
- F - Same as residential
- G - 3% per year
- H - Accumulative revenue from July 08 through June 30, 2014

CAYUCOS SANITARY DISTRICT
 One Loan Scenario With Stepped Rate Increases Starting July 1, 2008



APPENDIX D
RESOLUTIONS

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF THE CAYUCOS SANITARY DISTRICT
REGARDING SOURCE-OF-FUNDS FOR REPAYMENT OF STATE
REVOLVING FUND LOAN NO. _____

BE IT RESOLVED BY THE CAYUCOS SANITARY DISTRICT BOARD AS FOLLOWS:

The Board does hereby dedicate the following source of revenue, sewer user charges and sewer connections fees, for repayment of any and all State Revolving Fund Loans on Project No. _____. This dedicated source of revenue shall remain in effect until such loan or loans are fully discharged unless modification or change of such dedication is approved in writing by the State Water Resources Control Board.

Dated: _____

President of the Cayucos Sanitary District

I, _____, District Clerk of the Cayucos Sanitary District, hereby certify that the foregoing resolution was duly introduced, passed and adopted by the Board of the Cayucos Sanitary District on this _____ day of _____, _____ by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Attest and Seal:

District Clerk

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF THE CAYUCOS SANITARY DISTRICT ESTABLISHING
A WASTEWATER CAPITAL RESERVE FUND IN ACCORDANCE WITH THE STATE WATER
RESOURCES CONTROL BOARD'S REQUIREMENTS OF THE STATE REVOLVING FUND
LOAN PROGRAM

WHEREAS, the Cayucos Sanitary District authorizes the District manager or Finance Director to apply for a State Revolving Fund (SRF) Loan to fund all or a portion of the cost of expansion and improvement of the wastewater treatment facilities; and

WHEREAS, the State Water Resources Control Board (the "Board") requires, as a condition of approval of the loan, the establishment of a Wastewater Capital Reserve Fund (WCRF) for future expansion, major repair, or replacement costs:

NOW THEREFORE, BE IT RESOLVED by the Cayucos Sanitary District that:

SECTION 1. A dedicated Wastewater Capital Reserve Fund has been created within the XXX Fund, and,

SECTION 2. Said Wastewater Capital Reserve Fund shall be administered, by the Financial Director, as required by the "Policy For Implementing The State Revolving Fund for Construction of Wastewater Treatment Facilities" adopted by the State Water Resources Control Board on June 18, 1998.

Dated: _____

President of the Cayucos Sanitary District

I, _____, District Clerk of the Cayucos Sanitary District, hereby certify that the foregoing resolution was duly passed and adopted by the Board of the Cayucos Sanitary District on this _____ day of _____, _____ by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Attest and Seal:

District Clerk

11.0 PROJECT SCHEDULE

This schedule, Table 11.0, shows the steps required to complete the project with corresponding dates, from Facility Plan through the first year of operation (2014-15).

Table 11.0 Project Schedule Wastewater Treatment Plant Draft Revenue Program Cayucos Sanitary District	
Facilities Plan	October 2006 - November 2009
Draft Revenue Program	January 2007 - December 2009
Environmental Documents	February 2008 - June 2011
Design	January 2010 - March 2011
Construction	January 2012 - April 2014
Final Revenue Program	January 2014 - February 2014
Startup	April 2014 - June 2014
First Year of Operation	June 2014 - June 2015

12.0 ADVANCED RATE IMPLEMENTATION

Per District staff request, a rate scheduling sequence in advance of 2014-15 has been prepared to allow the District to collect sufficient funds prior to 2014-15 to pay for a near-term collection system project and non eligible costs for the WWTF project. For the two loan scenario, no advance increase is required as the second loan is for the second near-term project. However, for the one loan scenario, an increase of \$5.00 per month per ERU for every year through 2014-15 starting July 1, 2008, will produce approximately \$2.9M of revenue for the second construction project and the WWTF non eligible costs. A spreadsheet model and graphical depiction is in Appendix C.

13.0 SUMMARY AND CONCLUSIONS

The City of Morro Bay and the Cayucos Sanitary District are upgrading and expanding their wastewater treatment plant capabilities. The total project costs including planning, design, construction, engineering, administrative, and interest during construction totals \$31.38M.

The City and the District are applying for a SRF loan at 2.5 percent for 20 years for the total amount. They are requesting the amount in form of a SRF loan. This equates to a \$2.01M combine annual payment. Per State guidelines, existing users pay through service charges and future users pay through impact fees annually. The first payment is due at the end of the first full year of operation, which would be June 30, 2015.

As part of the loan application, the State requires impact fees and service charges be calculated to meet the added cost of the total upgrade and expansion loan payment plus

the increased operating cost in the first full year of operation (2014-15). The fiscal year 2005-06 was used as a basis for projections of income and expenses in the year 2014-15 for both entities.

The following assumptions and conclusions were made and pertain to only the Cayucos Sanitary District share.

1. The District's share of the loan is \$8.79M resulting in an annual payment of \$0.56M at 2.5 percent over 20 years. This represents 28 percent of the total SRF Loan.
2. Future users, through impact fees, pay for \$0.59M of the WWTF expansion or \$0.04M per year. Future users are defined as connections beyond June 30, 2014.
3. The proposed impact fee of \$2,860 per ERU is to cover the WWTF loan payment for future users if the growth is at least 14 ERU's per year.
4. The existing \$5,000 impact fee will pay for \$70,000 of the \$137,700 existing loan payment with 14 ERU/year of anticipated growth.
5. A new collection system loan with an annual payment of \$318,500 has been added as the loan is anticipated within the next year. A second collection system loan may be added prior to 2014-15. Both options are shown in this report.
6. Existing users, through service charges, pay for \$8.20M of upgrades and increased capacity representing their portion of the expansion which equates to \$0.52M per year loan payment. Existing users are defined as connections made prior to June 30, 2014.
7. Existing users, through service charges, must also pay for all operation and maintenance expenses plus the remainder of the loan payments not paid by impact fees except that some of these expenses will be paid for from miscellaneous income such as rentals, interest, taxes, etc.
8. Operating expenses are expected to increase at a rate of 3 percent per year until 2014-15 plus there is an annual cost addition of an O&M increase of \$200,000 for the new plant. The District will pay for 27 percent of this increase.
9. The capital replacement fund was increased to \$150,000 to cover various yearly capital projects.
10. The WWCRF is placed at \$350,000 as Board wishes to build up a future reserve. The minimum required by the State is \$47,100 or one half of one percent of the loan.
11. Attempts were made to keep the comparative relationship of rates for the various user similar to present.
12. No cash on hand was applied to the project costs to reduce the loan amount.
13. Using the SRF forms 1-6 in Appendix A for rate calculations for the year 2014-15, all residential and non residential monthly service charges need to be increased from \$28.00 to \$63.30 per month or 126 percent if one collection system loan is entered

into and increased to \$70.00 per month or 150 percent if two loans are acquired. The existing rate schedule is found in Appendix B.

14. There is some flexibility above calculated rates if the City chooses to pay down some of the loan or reduce annual expenses. For every \$1,000,000 paid down on the loan from existing funds, the loan payment will be decreased by \$64,200 per year. For every \$100,000 reduction in the annual budget, the ERU user fee could be reduced by approximately \$3.00 per month.
15. For the one loan scenario, the District will need to increase rates on a stepped pattern starting in July 1, 2008 to collect enough money to pay for the second near-term project and in eligible cost of the WWTF. If the District's first increase is \$5.00 per month for each ERU and \$5.00 per month yearly through 2014-15, they will reach the 2014-15 required rate level and collect approximately \$2.9M.
16. Per State guidelines, Appendix D contains the Draft Loan Repayment and Wastewater Capital Reserve Fund Resolutions.