

BASIN MANAGEMENT COMMITTEE BOARD OF DIRECTORS

Item 5a: Minutes of the Meeting of June 15th, 2016

Agenda Item	Discussion or Action
<p align="center">1. CALL TO ORDER</p> <p align="center">2. PLEDGE OF ALLIGANCE</p> <p align="center">3. ROLL CALL</p>	<p>Director Ochylski serving as chair called the meeting to order at 1:33pm and led the Pledge of Allegiance.</p> <p>Rob Miller, acting Clerk, called roll to begin the meeting. Director Gibson, Director Ochylski, Director Garfinkel, and Director Zimmer were present.</p>
<p align="center">4. BOARD MEMBERS COMMENTS</p>	<p>Director Ochylski mentioned that Rob Miller is the short term Executive Director and this is a topic that needs to be discussed further down the line. The agreement for Rob to be accepted into the position was on an interim basis.</p>
<p align="center">5. CONSENT AGENDA</p> <p>5a. Approval of minutes from May 25, 2016 Meeting</p> <p>5b. Approval of Warrants, Budget Update and Invoice Register through May, 2016.</p>	<p>Mr. Miller posed the question of possibly going back to action minutes now that the meetings are being video and audio recorded.</p> <p>Director Zimmer asked Rob if the past meeting meetings could be attached as a separate item from the Agenda.</p> <p><u>Public Comment</u></p> <p>Bob Lloyd of AGP Video thanked the BMC for the opportunity to video tape the meeting. He said the video recording of meeting will be displayed at 1:00pm every day on channel 20.</p> <p>Mr. Margetson pointed out a correction in the May 25th Meeting minutes saying he did not state that the BMC would not need detailed minutes if the meetings were video recorded. Margetson said that there are people in the community that don't have Charter so the more transparency, the better the message of the BMC will be carried throughout the community.</p> <p>A motion was made by Director Gibson to accept the previous meetings minutes with the changes pointed out by Margetson. Included in the same motion was to approve the budget update and invoice register. Seconded by director Zimmer and carried with the following vote:</p> <p>Ayes: Directors Zimmer, Gibson, Ochylski and Garfinkel Nays: None Abstain: None Absent: None</p>
<p align="center">6. EXECUTIVE DIRECTOR'S REPORT</p>	<p>Interim Executive Director, Mr. Miller, provided a brief verbal summary of the Executive Directors report. He indicated his expectation that by the July meeting that DTA's first financial analysis will be complete. Miller had an initial discussion with WSC now that they are under contract to help fine tune the</p>

	<p>strategy for grant pursuit. The BMC is waiting for the Department of Water Resource's comments on the basin boundary modification.</p> <p><u>Questions from BMC</u></p> <p>Director Zimmer asked what exactly are the next steps for the creek discharge?</p> <p>Mr. Miller responded that if we get a positive read from the Division Of Drinking Water then our next steps would be a budget and timeline for schematic design and environmental review. This will be brought forward once there is confirmation from the State.</p> <p>Director Ochylski asked where the boundary modification meetings in mid-July will take place.</p> <p>Ms. Martin of San Luis Obispo County explained that there are three public meetings for basin boundary modification. They will be located in Sacramento, the Central Valley, and most likely the Los Angeles area.</p> <p><u>Public Comment</u></p> <p>No Public Comment</p> <p>A motion was made by Director Ochylski to receive and file the Executive Director's Report. Seconded by Director Zimmer and carried with the following vote:</p> <p>Ayes: Directors Zimmer, Gibson, Ochylski and Garfinkel Nays: None Abstain: None Absent: None</p>
<p>7. ACTION ITEMS</p> <p>7a. Receive and Discuss Chapter 10 of Draft Annual Report</p>	<p>Mr. Miller provided a PowerPoint Presentation on this action item (copy attached, Slides 1-9).</p> <p><u>Questions from BMC:</u></p> <p>Director Garfinkel asked if the trends of the basin parameters will be assigned specific numbers in order to trigger action.</p> <p>Mr. Miller responded by saying action points will be most meaningful if specific and measurable values are assigned.</p> <p>Director Zimmer asked about Table 10-2, and questioned whether it was up to date.</p> <p>Mr. Miller explained that Table 10-2 is the current adopted Implementation Plan that the Board of Supervisors acted upon as the framework for their water conservation plan within the wastewater project. Table 10-3 is a current update on the status of funds that have been spent as provided by the County as part of the wastewater project. Table 10-4 is a restatement of the draft programs</p>

<p>7b. Water Conservation Program Update</p>	<p>this Committee reviewed in April.</p> <p>Director Garfenkil asked what the status was on the Executive Summary for the Draft 2015 Annual Report.</p> <p>Mr. Miller said it will be finished before the special meeting that will be held on June 30th.</p> <p><u>Public Comment:</u></p> <p>Mr. Margetson asked about Table 10-5 and if it only concerns the initial drilling step. Mr. Miller said that was correct. Richard said there are vast disparities on the projections between what the consultant has come up with and what actually has been done to date. There are a number of items that have not been started and are in the outlying years. He raised the point that the prohibition zones retrofits are essentially complete. His last comment dealt with Condition 6. Mr. Margetson referred to Mr. Ochylski's point of conclusive evidence indicating adequate water supply available to support development. Mr. Margetson said we need to define what "adverse impact" means. Also need to make sure that before the building of homes is started that we have a "sustainable" basin with "conclusive" evidence that there will be no adverse impacts.</p> <p>Mr. Edwards said the trends that we are seeing in terms of urban demand and the projected supply are figures that were not contemplated in the Basin Plan or the Los Osos Community Plan. Jeff explained how he thinks we can spend 5-15 million dollars, as opposed to 30-40 million, in order to produce a basin yield metric in the 80's.</p> <p><u>Response From BMC:</u></p> <p>Director Ochylski said Mr. Margetson raised good points about conclusive evidence and adverse impacts.</p> <p>Director Gibson said in terms of adverse impacts we should look closely at the policy discussion as to whether the undesirable impacts that are specified within SGMA are sufficient for a definition.</p> <p>Mr. Miller provided a PowerPoint Presentation on this action item (copy attached, Slides 10-16).</p> <p><u>Questions from the BMC</u></p> <p>Director Gibson thinks the fastest way forward for this committee to structure a robust water conservation program led by the water purveyors that's has nothing to do with the wastewater project.</p> <p>Director Zimmer said we need to look how the conservation program applies to the Basin Plan currently.</p> <p>Mr. Miller said the purveyors did not have a cohesive vision of outdoor conservation at the time of the drafting of the Basin Plan.</p>
---	--

	<p><u>Public Comment:</u></p> <p>Mr. Edwards said a next generation conservation program is in order. Jeff mentioned that Title 19 of the County code provides a good framework for a conservation plan. With modifications to Title 19 then Jeff believes that we can achieve an appropriate plan.</p> <p>Mr. Margetson said that if the purveyors take on this program then what does that mean for the rate payers? It will be an increased cost on the budget, which usually means rate increases down the road. He said to make sure to get an opinion from the Coastal Commission before going forward with taking something to the rate payers again.</p> <p>Mr. Harry said 50 gallons/capita/day has been published by the State Department of Health Services as the minimum requirement for public health. Lee asked the committee to check on this figure to see if it has changed or not.</p> <p><u>Response from BMC:</u></p> <p>Director Gibson said that the Flood Control And Water Conservation District receives 3.8 million dollars per year. The BMC could look to the Flood Control District for interim funding for the conservation program. Director Gibson said we can bridge the time from when the BMC puts forward a plan for conservation to the time revenues are available, thereby allowing nimble movement.</p> <p>Director Zimmer said that that we need to look at the original Basin Plan relative to conservation planning.</p> <p>Director Ochylski said that he would like clarification that a tank-less water heater would save the same amount of water as a hot water recirculation system.</p>
<p>8. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA</p>	<p>No public comment.</p>
<p>9. ADJOURNMENT</p>	<p>Meeting was adjourned at 3:03 pm The next meeting is June 30th at 1:00 pm to discuss the Draft Annual report The next regular meeting will be on July 27th at 1:30pm Both meetings will be located at South Bay Community Center in Los Osos.</p>

Los Osos Basin Management Committee Draft Annual Report for 2015 – Chapter 10 – Framework for Adaptive Management

1

Schedule Update

2

- CHG is addressing comments, with revised report expected during week of June 20
- Special meeting to be planned at the end of the month
- Staff legal counsels have advised that report may be submitted as soon as available, which may be a short time after June 30

Schedule Update

2

- CHG is addressing comments, with revised report expected during week of June 20
- Special meeting to be planned at the end of the month
- Staff legal counsels have advised that report may be submitted as soon as available, which may be a short time after June 30

Components of Chapter 10

3

- Restate objectives and metrics
- Summary of status of Basin Plan Programs
- Next steps for completing Adaptive Management Program details in 2016

Objectives of Adaptive Management

4

- Evaluate trends of key basin parameters
- Identify additional data needs
- Report the data analysis to various interested parties
- Modify the Basin Plan programs and schedule if necessary in response to current conditions and visible trends of the groundwater basin

Objectives of Adaptive Management

5

- Modify procedures to utilize current best management practices
- Modify pumping, treatment, and/or reuse procedures if groundwater basin trends are showing signs of degradation of water quality, including increased levels of contamination and/or increased levels of seawater intrusion.

Table 10-5: Basin Infrastructure Program Status

Basin Plan Program	Description	Current Status	Funding Status	Projected Completion
A	Water Systems Interconnection (GSWC/LOCSD)	Inter-party agreement approved June, 2016. Design complete.	Fully funded	March, 2017
A	Upper Aquifer Well (LOCSD/8 th Street)	Permitted and in the process of public bidding for well drilling	Fully funded	June, 2017
A	South Bay Well Nitrate Removal	Complete		
A	Palsades Well Modifications	Complete		
A	Blending Project (GSWC/Skyline Well)	Blending facilities and pipeline complete. Nitrate removal system is currently planned to increase production from system.	Fully funded	June, 2017
A	Water Meters (S&T)	Complete		
C	Expansion Well No. 1 (GSWC/Los Olivos)	In construction	Fully funded	September, 2016
C	Expansion Well No. 2 and 3, LOVR water main upgrade	Conceptual design and property acquisition	Pending funding vote	2018 to 2019
C	Water Systems Interconnection (S&T/GSWC)	Conceptual design	Pending funding vote	2017

Next Steps for Detailed Adaptive Management Program

7

- Contingency plan and related actions in the event Basin Metric trends fail to demonstrate progress toward Basin Plan goals, including defined schedule milestones.
- BMC input into the Los Osos Community Plan, including consideration of Basin Metrics and defined goals as they relate to the timing of future growth (Kerry Brown, SLO Co)
- Consideration of additional metrics and/or numerical goals to protect the upper aquifer from water quality threats

Language from Coastal Development Permit (Wastewater Project)

8

Condition 6: Wastewater Service to Undeveloped

Properties: Wastewater service to undeveloped properties within the service area shall be prohibited unless and until the Estero Area Plan is amended to identify appropriate and sustainable buildout limits, and any appropriate mechanisms to stay within such limits, based on conclusive evidence indicating that adequate water is available to support development of such properties without adverse impacts to ground and surface waters, including wetlands and all related habitats.

Anticipated Schedule for Next Steps

9

- Contingency plan and related actions: Discuss Draft in August, 2016
- BMC input into the Los Osos Community Plan: Initial discussion in July, 2016
- Upper Aquifer Protection: Draft in September, 2016

Conservation Plan Update – Next Steps

10

- Address conflicts with CDP conditions and receive written Coastal Staff confirmation
- BMC to adopt and/or amend measures and rebates recommended In April, 2016 (restated in Chapter 10 of Annual Report)
- Consider direct mail to properties outside of sewer collection area:
 - Availability of cash for grass
 - Existing GSWC rebates
 - Reiterate basin challenges

Conservation Plan Update – Next Steps

10

- Address conflicts with CDP conditions and receive written Coastal Staff confirmation
- BMC to adopt and/or amend measures and rebates recommended In April, 2016 (restated in Chapter 10 of Annual Report)
- Consider direct mail to properties outside of sewer collection area:
 - Availability of cash for grass
 - Existing GSWC rebates
 - Reiterate basin challenges

Conservation Plan Update – Related Conditions

12

Condition 5b (continued):

The Program shall include enforceable mechanisms designed to achieve its identified goals, including the 50 gallons per person per day target, and shall include provisions for use of the \$5 million committed by the Permittee to initiate water conservation measures pursuant to the Basin Plan as soon as possible following CDP approval. The Permittee shall coordinate with water purveyors to the maximum extent feasible to integrate this conservation program with purveyor implemented outdoor water use reduction measures.

Conservation Plan Update – Related Conditions

13

Excerpt from Special Condition 2: ...The Plan shall provide a process for evaluating septic systems for possible on-site reuse, including for on-site filtration and percolation of stormwater to the degree feasible and appropriate, and a process for implementing such conversion or for implementing appropriate abandonment measures depending on which measure property owners choose.

Conservation Plan Update – Related Conditions

14

Excerpt from Condition 87 re. Wetlands Monitoring: The Plan includes provisions for monitoring groundwater levels, surveys for wetland plant and animals, monitoring wetland hydrology and water quality, appropriate response procedures should impacts be identified, annual reporting, and an education program to encourage property owners to convert septic systems into areas capable of groundwater recharge.

Conservation Plan Update – Related Conditions

15

Excerpt from Condition 89 re. Wetlands Monitoring: In order to maintain existing levels of groundwater recharge and protect coastal water quality, the County shall evaluate and, where appropriate, assist property owners in the implementation of opportunities to re-use existing septic tank effluent disposal systems (e.g., leach fields) to filter and percolate stormwater runoff. Prior to the connection of individual properties the County shall, at the consent of the landowner, evaluate whether existing on site wastewater disposal facilities have adequate capacity and depth to groundwater to accommodate and percolate stormwater runoff, and if so, provide site- specific recommendations on how to connect such a system.

Conservation Plan Update – Related Conditions

16

Condition 99: Within one year of adoption of a due diligence resolution by the Board of Supervisors electing to proceed with a wastewater project, a water conservation program shall be developed by the applicant in consultation with the local water purveyors within the prohibition zone for the community of Los Osos, that meets the goal of 50 gallons per day / per person for indoor use. The applicant shall provide 5 (five) million dollars of funding towards a water conservation program for indoor water conservation. Incentives shall be provided to homeowners and other property owners who install conservation measures within the first year.

BASIN MANAGEMENT COMMITTEE BOARD OF DIRECTORS

Item 5a: Minutes of the Meeting of June 30th, 2016

Agenda Item	Discussion or Action
<p align="center">1. CALL TO ORDER</p> <p align="center">2. PLEDGE OF ALLIGANCE</p> <p align="center">3. ROLL CALL</p>	<p>Director Ochylski serving as chair called the meeting to order at 1:30pm and led the Pledge of Allegiance.</p> <p>Mr. Miller, acting Clerk, called roll to begin the meeting. Director Gibson, Director Ochylski, Director Garfinkel, and Director Zimmer were present.</p>
<p>4a. Approval of 2015 Annual Report and Direct Staff to File with Court</p>	<p>Interim Executive Director, Mr. Miller, presented the draft annual report and addressed changes since the previous draft. Minor additional changes will be incorporated into the final prior to transmission to the Court including incorporation of the executive summary and chapter 10, addition of clarifications for key terms, web links, and clarifying content on the Chrome-6 event last year.</p> <p><u>Questions from the Board</u></p> <p>Director Zimmer: Golden State provided minor comments that staff addressed.</p> <p>.</p> <p><u>Public Comment:</u></p> <p>Mr. Edwards said to date this committee has done a lot of work on paper and yet we do not have pipe in the ground. Jeff thinks there needs to be more of a focus on the lower aquifer. With septic discharges virtually stopping then spending a lot of time on the upper aquifer is less productive. Expansion Well #2 is scheduled for 2018-2019 for installation. This well needs to be installed sooner. Money needs to be raised locally on a pay as you go basis.</p> <p>Mr. Ceseña said he watched the last meeting on television and was surprised on the nature of the conservation discussion. The Tables in Chapter 10 relating to the County water conservation program show that half the targets were not made in regards to retrofits. Rebates for re-purposing septic tanks could be accomplished under the Coastal Development Permit now without a permit. An immaterial amendment would allow that conservation money to be spent outdoors.</p> <p>Mr. Margetson said there is a chart that should be added to table 10-3 that shows the number of acre-feet each conservation effort is supposed to save. Mr. Margetson talked about the importance of approaching the Coastal Commission for an amendment to the CDP to have the 5 million dollars used for conservation purposes.</p> <p><u>Board Member Comments</u></p> <p>Director Ochylski said that we need to define technical terms in the executive summary, as well. Another thing is in the executive summary, it would be a</p>

	<p>good idea to talk about the conservation program under the adaptive management program.</p> <p>Director Gibson expressed his gratitude to staff for getting this document finished.</p> <p>Director Garfinkel also expressed his gratitude.</p> <p>A motion was made by Director Gibson to accept the 2015 Annual Report and to Direct Staff to File with the Court. Seconded by Director Garfinkel and carried with the following vote:</p> <p>Ayes: Directors Zimmer, Gibson, Ochylski and Garfinkel Nays: None Abstain: None Absent: None</p>
<p>4. PUBLIC COMMENTS ON ITEMS NOT APPEARING ON THE AGENDA</p>	<p>No public comment</p>
<p>5. ADJOURNMENT</p>	<p>Meeting was adjourned at 1:25 pm The next meeting will be on July 27th at 1:30pm</p>

TO: Los Osos Basin Management Committee

FROM: Rob Miller, Interim Executive Director

DATE: July 19, 2016

SUBJECT: Item 5b – Approval of Budget Update and Invoice Register through June, 2016

Recommendations

Staff recommends that the Committee review and approve the report.

Discussion

Staff has prepared a summary of costs incurred as compared to the adopted budget through June, 2016 (see Attachment 1). A running invoice register is also provided as Attachment 2.

Staff recommends that the Committee approve the current invoices, outlined in Attachment 3.

Several items should be noted as the attachments are reviewed:

- With the exception of the approved basin boundary work, costs incurred in 2015 are not included.
- Work efforts authorized prior to the formation of the BMC are not included, such as the creek discharge study or legal expenses related to the final judgment.
- Invoices for some services have not yet been received from SBCC and AGP.

Payment of invoices will continue to be processed through Brownstein Hyatt as noted in previous meetings.

Attachment 1: Cost Summary (Year to Date) for Calendar Year 2016 (updated through June 2016)

Item	Description	Budget Amount	Costs Incurred Through June 30	Percent Incurred	Remaining Budget
1	Monthly meeting administration, including preparation, staff notes, and attendance	\$50,000	\$24,132.15	48.3%	\$25,868
2	Meeting expenses - facility rent	\$4,000	\$240.00	6.0%	\$3,760
3	Meeting expenses - audio services	\$4,000	\$1,125.00	28.1%	\$2,875
4	Legal counsel (special counsel for funding measure)	\$10,000			\$10,000
5	Semi annual seawater intrusion monitoring	\$12,000	\$14,508.44	55.8%	\$11,492
6	Annual report - not including Year 1 start up costs	\$30,000	\$29,892.50	99.6%	\$108
7	Annual report - Year 1 costs	\$14,000	Combined with Item 5		
8	Grant writing (outside consultant)	\$12,000			\$12,000
9	Basin boundary definition (CHG only)	\$20,000	\$18,072.50	90.4%	\$1,928
10	Funding measure including initial feasibility report, final report, and proposition 218 process	\$120,000			\$120,000
11	Conservation programs (not including member programs)	\$10,000	\$1,777.99		\$8,222
	Subtotal	\$286,000			\$196,251
	10% Contingency	\$28,600			
	Total	\$314,600	\$89,748.58	28.5%	\$224,851
	LOCSA (38%)	\$119,548			
	GSWC (38%)	\$119,548			
	County of SLO (20%)	\$62,920			
	S&T Mutual (4%)	\$12,584			
Notes	1. Costs incurred in 2015 for legal and administration are not included. 2. Costs are recognized in month service provided, as opposed to when paid. 3. Tasks approved by ISJ prior to BMC (ie, MKN work on creek discharge) are not included.				

Attachment 2: Invoice Register for Los Osos BMC for Calendar Year 2016 (through June 2016)

Vendor	Invoice No.	Amount	Month of Service	Description	Budget Item	Previously Approved
Wallace Group	40966	\$1,452.50	January	BMC admin services	1	x
Wallace Group	41097	\$3,614.00	February	BMC admin services	1	x
Wallace Group	41313	\$4,961.75	March	BMC admin services	1	x
Wallace Group	41513	\$4,710.14	April	BMC admin services	1	x
Wallace Group	41741	\$3,366.02	May	BMC admin services	1	x
Wallace Group	41868	\$6,027.74	June	BMC admin services	1	
South Bay CC	77	\$60.00	February	Facility rental	2	x
South Bay CC	87	\$60.00	June	Facility rental	2	
AGP	6531	\$375.00	February	Audio services	3	x
AGP	6561	\$375.00	April	Audio services	3	x
AGP	6599	\$375.00	May	Audio services	3	x
Cleath Harris	20160306	\$16,712.50	March	Annual report preparation	6	x
Cleath Harris	20151221	\$10,697.50	December, 2015	Basin boundary study	9	x
Cleath Harris	20160117	\$4,020.00	January	Basin boundary study	9	x
Cleath Harris	20160218	\$3,355.00	February	Basin boundary study	9	x
Cleath Harris	20160402	\$8,300.00	April	Annual report preparation	6	x
Cleath Harris	20160403	\$8,791.74	April	Annual Monitoring (2016)	5	x
Cleath Harris	20160504	\$4,356.70	May	Annual Monitoring (2016)	5	x
Cleath Harris	20160503	\$1,920.00	May	Annual report preparation	6	x
Cleath Harris	20160606	\$2,960.00	June	Annual report preparation	6	
Cleath Harris	20160607	\$1,360.00	June	Annual Monitoring (2016)	5	
SBCC	82	\$60.00	April	Facility rental	2	x
SBCC	86	\$60.00	May	Facility rental	2	x
ASAP	414280	\$1,350.28	May	Conservation	11	
ASAP	414344	\$427.71	June	Conservation	11	
Total		\$89,748.58				

ATTACHMENT 3

Current Invoices Subject to Approval for Payment (Warrant List as of June, 2016):

Vendor	Invoice #	Date of Services	Amount of Invoice
ASAP	414280	May 23, 2016	\$1,350.28
ASAP	414344	June 01, 2016	\$427.71
SBCC	87	June	\$60.00
Cleath Harris	20160606	June 2016	\$2,960.00
Cleath Harris	20160607	June 2016	\$1,360.00
Wallace Group	41868	June 2016	\$6,027.74

TO: Los Osos Basin Management Committee

FROM: Rob Miller, Interim Executive Director

DATE: July 21, 2016

SUBJECT: Item 6 – Executive Director’s Report

Recommendations

Staff recommends that the Committee receive and file the report, and provide staff with any direction for future discussions.

Discussion

This report was prepared to summarize administrative matters not covered in other agenda items and also to provide a general update on staff activities.

2015 Annual Report

The final version of the 2015 Annual Report is nearing completion, and it is expected to be posted to the BMC website and submitted to the Court within approximately 2 weeks.

Grant Update and Schedule

WSC is currently working on an initial grant submittal for Proposition 1 funding, including various elements from the Basin Plan. Feedback from the State is being received this week, and more detail will be provided by staff during the meeting.

Basin Boundary Modification Request Update

The County submitted the boundary modification request to DWR in March 2016. DWR completed review of the submitted request, and released a draft decision to deny the local modification request (summary of DWR's draft recommendations can be viewed at: http://water.ca.gov/groundwater/sgm/pdfs/Draft_Boundary_Modifications.pdf)

DWR has not yet provided written notification to the County (as Requesting Agency) detailing the basis for denial; however, DWR staff has provided verbal feedback that their review was based on maintaining a consistent standard of review, statewide, and generally they believed more data was needed to substantiate basin conditions/ impediment to flow at the boundary of and outside of the proposed basin boundary. DWR does not have an official public comment period or process to respond to its draft recommendations, but presented the draft recommendations at four public workshops in July 2016 and the California Water Commission (CWC) on July 21, 2016. In response to the draft denial, the County submitted a letter to DWR providing clarifications and additional data in response based on verbal discussions with DWR (to access the letter, visit www.slocountywater.org/sgma). County Staff attended the public workshop in Clovis, and the CWC meeting in Sacramento to urge DWR to reverse its draft recommendations, and accept the boundary modification request, thus allowing the basin

partners to proceed with achieving sustainability under the Basin Management Plan. County Staff can provide a verbal update at the BMC meeting.

Follow Up on Potential Creek Discharge

Staff has provided an amended draft report to the Division of Drinking Water (DDW) for final comments, and a final report will be brought back to the BMC for next steps. As of this writing, DDW estimated that the review would be available in 2 to 3 weeks.

TO: Los Osos Basin Management Committee

FROM: Rob Miller, Interim Executive Director

DATE: July 20, 2016

SUBJECT: Item 7a – Review Alternatives for BMC Input for the Los Osos Community Plan

Recommendations

Receive presentation and provide input to staff for future action.

Discussion

Chapter 10 of the 2015 Annual Report provides a framework for adaptive management, including a number of follow up items to be considered by the BMC for the remainder of 2016. One such item relates to future development within the community as indicated below from Section 10.2:

Discussion and Development of Metrics for Future Growth. The BMC plans to provide input into the Los Osos Community Plan, including consideration of Basin Metrics and defined goals as they relate to the timing of future growth.

The purpose of this item is to provide a range of potential alternatives for BMC and public discussion. It should be noted that these options are by no means exhaustive, but they represent a range of potential approaches. As indicated in previous discussions, the Coastal Commission will ultimately need to define key words and phrases within Special Condition No. 6 of the Los Osos Wastewater Project Coastal Development Permit (CDP) as underlined below:

Condition 6: Wastewater Service to Undeveloped Properties: *Wastewater service to undeveloped properties within the service area shall be prohibited unless and until the Estero Area Plan is amended to identify appropriate and sustainable buildout limits, and any appropriate mechanisms to stay within such limits, based on conclusive evidence indicating that adequate water is available to support development of such properties without adverse impacts to ground and surface waters, including wetlands and all related habitats.*

In previous meetings, the BMC discussed the Sustainable Groundwater Management Act (SGMA) as one source of potential information to define adverse impacts. Relevant language from SGMA is provided below:

“Undesirable result” means one or more of the following effects caused by groundwater conditions occurring throughout the basin:

(1) Chronic lowering of groundwater levels indicating a significant and unreasonable depletion of supply if continued over the planning and implementation horizon. Overdraft during a period of drought is not sufficient to establish a chronic lowering of groundwater levels if extractions and groundwater recharge are managed as necessary to ensure that reductions in groundwater levels or storage during a period of drought are offset by increases in groundwater levels or storage during other periods.

(2) Significant and unreasonable reduction of groundwater storage.

(3) Significant and unreasonable seawater intrusion.

(4) Significant and unreasonable degraded water quality, including the migration of contaminant plumes that impair water supplies.

(5) Significant and unreasonable land subsidence that substantially interferes with surface land uses.

(6) Depletions of interconnected surface water that have significant and unreasonable adverse impacts on beneficial uses of the surface water.

The following alternatives for BMC input to the Los Osos Community Plan have been prepared by staff as a starting point for discussion. Other alternatives and hybrid combinations can certainly be considered.

Alternative 1: Allow further development only after the Chloride Metric and Water Level Metric have met Basin Plan goals for a period of two consecutive years, and then restrict the growth rate to a value recommended by the BMC at the time.

Alternative 2: Allow development subject to Title 19 water conservation retrofit requirements, but only after the following conditions are met:

- The Water Level Metric meets the Basin Plan goal for a period of two full years,
- The Chloride Metric displays a clear improvement trend over the same two year period in the discretion of the BMC.

Also, restrict the growth rate to a value to be recommended by the BMC.

Alternative 3: Allow development subject to Title 19 water conservation retrofit requirements, but require new development to incrementally implement Program B such that all new water supply requirements are met from the upper aquifer. Also, restrict the growth rate to a value to be recommended by the BMC, and link allowable growth with new upper aquifer metrics designed to protect Zone C from sea water intrusion.

Alternative 4: Allow development subject to Title 19 water conservation requirements, but only after the successful implementation of a fee program that would provide funds sufficient for the implementation of a Program B or Program C project adequate to supply the needs of approved development. Restrict the issuance of building permits until such improvements are complete, and limit the growth rate to a value to be recommended by the BMC.

It should be noted that the volume of water required for General Plan build-out may be substantially less than the estimated future urban use of approximately 2,000 acre-ft per year (AFY) indicated in the Basin Plan. The establishment of a revised estimate may be an important additional step that should be undertaken by the BMC.

Financial Considerations

The BMC approach to future development may impact any tax measure or fee that is designed to benefit or collect revenue from undeveloped properties.

TO: Los Osos Basin Management Committee

FROM: Carolyn Berg, County Senior Water Resources Engineer

DATE: July 18, 2016

SUBJECT: ACTION ITEM #7b – PRESENTATION AND DISCUSSION OF PHASE 1 FINANCE PLAN REPORT FOR THE LOS OSOS GROUNDWATER BASIN

Recommendations

Receive a brief presentation on, and discuss the Phase 1 Finance Plan Report for the Los Osos Groundwater Basin.

Discussion

In April 2016, the San Luis Obispo County Flood Control and Water Conservation District (SLOCFCWCD) retained David Taussig & Associates, Inc. (Taussig) to evaluate funding mechanisms consistent with Section 5.13 of the Stipulated Judgment, which contemplates sponsorship of an initial funding mechanism to fund the administrative and other appropriate costs of the Basin Management Committee (BMC) associated with implementing the Basin Plan. The evaluation is documented in the "Phase 1 Finance Plan Report (Report) for the Los Osos Groundwater Basin" (attached).

The Report provides an initial evaluation of funding mechanisms based on the services/ facilities being initially funded (funding scenarios). The three funding mechanisms evaluated in detail include a: (1) Community Facilities District (CFD) Special Tax; (2) SLOCFCWCD Special Tax; and (3) Special Assessment. Taussig provides a summary of each funding mechanism, pros/ cons of each funding mechanism, and funding mechanism recommendations for each scenario (pending certain future actions such as retention of bond counsel for the CFD Special Tax). The Report identifies the entity(ies) that would be appropriate to sponsor or levy a given funding mechanism (e.g. SLOCFCWCD via creation of Zone(s) of Benefit and transfer to the BMC JPA for the FCD Special Tax). The Report also briefly summarizes a number of other finance opportunities for the BMC's future consideration.

Next steps will vary depending on if the BMC pursues a funding mechanism, and if it does, which mechanism is pursued. For example, if a SLOCFCWCD Special Tax is pursued for May 2017 mail ballot, the SLOCFCWCD would need to hire a consultant to conduct the Phase 2 study, form a Zone of Benefit, and work with the County Clerk to administer the election and the BMC would need to finalize an agreement forming the BMC JPA. Or if the CFD Special Tax were pursued, bond counsel would need to be retained to provide advice with respect to e.g. funding the General Implementation Services described in the Report and to identify the best entity to sponsor the CFD, etc. based on, among other things, the facilities to be funded.

The BMC's timing related to selecting and pursuing a funding mechanism is critical, especially if still pursuing a May 2017 mail ballot date. However, given the complexity of this report and decision, staff anticipates seeking BMC action in August 2016.

Financial Considerations

The BMC Annual Budget, adopted on January 5, 2016, includes a line item for a funding measure (including this initial feasibility study). The budget also provides for future steps related to fully evaluating and levying a selected funding mechanism.

Attachments: Phase 1 Finance Plan Report for the Los Osos Groundwater Basin

**PHASE 1 FINANCE PLAN
REPORT FOR THE LOS OSOS
GROUNDWATER BASIN**

**LOS OSOS BASIN
MANAGEMENT COMMITTEE
("BMC")**

PREPARED FOR:

**SAN LUIS OBISPO COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT
1055 MONTEREY STREET
SAN LUIS OBISPO, CA 93408**

JULY 15, 2016

Public Finance
Public Private Partnerships
Urban Economics
Clean Energy Bonds

Newport Beach
Riverside
San Francisco
San Jose
Dallas, TX

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY.....1

II. INTRODUCTION.....4

III. RECOMMENDED PUBLIC FINANCING MECHANISMS.....8

IV. SUMMARY OF PHASE 1 FINANCE PLAN REPORT 19

I. Executive Summary

The intent of this Phase 1 Finance Plan Report (the “Report”) is for David Taussig & Associates (“DTA”) to evaluate funding mechanisms for the San Luis Obispo County Flood Control and Water Conservation District (“Client”) consistent with Section 5.13 of the Stipulated Judgment, which contemplates sponsorship of an initial funding mechanism to fund the administrative and other appropriate costs of the Basin Management Committee (“BMC”) associated with implementing the Basin Plan.

The financing mechanisms detailed in this Report could provide: (i) \$300,000 in annual revenues to fund certain ongoing implementation costs, including preparation of the annual report (including all necessary monitoring) as described in Section 5.8.3 of the Stipulated Judgment, periodic evaluation of the Basin Plan pursuant to the Adaptive Management Plan described in Section 16.2.4 of the Basin Plan and general administration of the BMC (“General Implementation”) (“Scenario 1”); (ii) \$6.5 million in revenues for Basin Infrastructure Program C *plus* the General Implementation noted above (“Scenario 2”); or (iii) a medium-term goal of \$25 million to fund Basin Infrastructure Program C and the General Implementation noted above, as well as the reimbursement of the County for \$18.3 million, referred to as the Urban Water Reinvestment Program, previously expended on the recycled water element of the Los Osos Wastewater Project (“Scenario 3”).¹ This goal of \$25 million still would satisfy only a portion of the costs identified in Chapter 15 of the Basin Plan for the Existing Population Scenario. It is anticipated that the BMC (rather than the Client) would explore funding mechanisms and strategies necessary to cover other elements of the Basin Plan in the future.

The \$300,000 per year would satisfy the immediate need to fund the ongoing General Implementation costs associated with the Stipulated Judgment entered by the Superior Court of San Luis Obispo County.

The challenge in providing financing to meet the BMC’s and Client’s funding needs is that all realistic alternatives involve the approval of registered voters or of agencies other than the BMC itself. The most obvious example would be the use of a special tax (“Special Tax”) that would require the support of two-thirds (2/3) of the ballots

¹ The three scenarios are intended to provide examples of potential combinations and other combinations, including, without limitation, General Implementation and reimbursement of the \$18.3 million (without implementation of Program C) could also be pursued consistent with the analysis herein. Similarly, costs associated with implementation of an expanded Urban Water Use Efficiency Program could be included in (added to) Scenario 1.

cast by registered voters who would pay the Special Tax. DTA's expectation is that more than one financing program will be necessary to cover all of the BMC's funding needs, in part to lessen the financial burden of some alternatives on property owners and other agencies who might otherwise oppose those alternatives.

Critically, DTA's ranking of the potential financing mechanisms varies depending on which Scenario is selected by the Client and the BMC. For this Report, each potential financing mechanism was analyzed independently, and no assumptions were made regarding the replacement of one type of financing mechanism by another, or by State grants or impact fees, as such assumptions would be purely speculative.

Funding Sources	Scenario 1	Scenario 2	Scenario 3
Use of Funds	General Implementation	Basin Infrastructure Program C + General Implementation	Basin Infrastructure Program C + Urban Water Reinvestment Program + General Implementation
Proceeds	\$300,000 (Annually)	\$6,540,000 + \$300,000 (Annually)	\$24,830,000 + \$600,000 (Annually) ²
Prop 1 (Round 2) Proceeds	TBD	TBD	TBD
Recommended Mechanism	FCD Special Tax	CFD Special Tax ³	CFD Special Tax ⁴
Recommended Entity	FCD	County/FCD, BMC JPA, or CSD	County/FCD, BMC JPA, or CSD
JPA Required	Most Likely	TBD	TBD

Furthermore, DTA's analyses and discussions should serve to provide an overview of the issues, challenges, and potential strategies related to this financing, and should not be construed as legal advice related to any of the approaches identified in the Report. DTA encourages the Client to engage its counsel on any legal ramifications related to any approach or combination thereof, prior to implementing any of the strategies discussed herein.

² Assumes larger General Implementation component associated with development of more elements of the Basin Plan.

³ However, see Section III regarding limitations of a CFD Special Tax with respect to funding General Implementation services.

⁴ See Footnote 3.

Feasibility Rankings:

Scenario 1

- (1) FCD Special Tax (\$50 per Parcel if uniform)
- (2) CFD Special Tax ⁶

Scenarios 2 and 3

- (1) CFD Special Tax (\$100+ per Unit) ⁵
- (2) FCD Special Tax
- (3) Special Assessment

⁵ See Footnote 3.

⁶ See Footnote 3.

II. Introduction: Entities, Responsibilities, and Opportunities

The intent of the Report is to ensure that the financial goals and objectives of the Client are achieved, and that Client's public financing policies are appropriately addressed. For example:

- All General Implementation services and all other public services as well as all public facilities in the Report must be adequately financed and provided in a timely manner;
- Public financing must be equitable, financially feasible, efficiently utilized and consistent with Client guidelines and public policies, and, when necessary, meet all relevant nexus, special purpose and benefit criteria;
- Public financing mechanisms must avoid, as much as possible, creating a financial and administrative burden to the Client.

To evaluate responsibilities and costs to include in the Report, DTA has:

- Reviewed the Stipulated Judgment, including the Updated Los Osos Basin Plan (January 2015), the Sustainable Groundwater Management Act (Water Code §§ 10720 *et seq.*) ("SGMA") and related information prepared by the Department of Water Resources ("DWR"), and the San Luis Obispo County Flood Control and Water Conservation District Act (Act 7205 of the Uncodified Acts of the Water Code) ("FCD Act");
- Reviewed the statutory financial powers of the Client and of the parties to the Stipulated Judgment (and members of the BMC), namely the Los Osos Community Services District, the County of San Luis Obispo, Golden State Water Company, and S&T Mutual Water Company, and of a Joint Powers Authority comprised of the parties as described in Section 1.4.4 of the Stipulated Judgment ("BMC JPA");
- Reviewed administrative and operational costs and other expenses as outlined in the BMC 2016 Annual Budget.

However, any analysis of financing the BMC must begin with a brief discussion of the responsibilities and legal capabilities of the BMC.

The purpose of the BMC is both simple and not; to implement the Stipulated Judgment and the Basin Plan, and to engage in such other activities as may be necessary or appropriate to ensure their successful implementation, once a

designated source of funding has been established under all constitutional and statutory requirements. This designated source of funding is the impetus for this Report.

Pursuant to the Stipulated Judgment, the Basin Management Committee will exercise its best efforts to accomplish the following (and more):

- ✓ Protect and enhance the long-term integrity of the Basin through implementation of the Basin Plan;
- ✓ Evaluate the long term hydrologic balance within all areas and subareas of the Basin;
- ✓ Produce and distribute annual written reports assessing the hydrologic balance in the Basin and use and consider the information provided in the reports when modifying or updating the Basin Plan and setting the Sustainable Yield.

However, the BMC requires approximately \$300,000 in annual revenues to fund General Implementation and only once this General Implementation is financed can the BMC evaluate and implement the identified remediation programs outlined in the Basin Plan.⁷

Table 52. Basin Plan Programs for Existing Population Scenario	
Program	Cost (\$1000)
Groundwater Monitoring Program	650
Urban Water Use Efficiency Program	5,500
Urban Water Reinvestment Program	18,290
Basin Infrastructure Program A	2,835
Basin Infrastructure Program C	6,540
Wellhead Protection Program	0
Total	33,815

*Source – Updated Basin Plan for the Los Osos Groundwater Basin (January 2015).

⁷ The Los Osos Basin Management Committee’s Total Budget for the Calendar Year 2016 was estimated to be \$314,600.

All cost figures subject to change.

In order to levy or raise funding for this General Implementation, or any potential facilities or other services, there needs to be a decision regarding the entity that would levy the revenue(s) pursuant to its available statutory authorities. A brief description of the options is provided below:

A. San Luis Obispo County Flood Control and Water Conservation District through Creation of a Zone(s) of Benefit

Pros: Broad statutory authorities, jurisdiction over entire Basin Plan Area, most efficient, lowest preliminary costs, expedited

Cons: Heavy burden on staff time

B. Los Osos Community Services District (“CSD”)

Pros: Strong focus within Los Osos

Cons: Resources, limited jurisdiction, special tax must be uniform with limited exception (Government Code § 61121)

C. BMC JPA

Pros: Security (risk management) (Government Code § 6508.1), special purpose

Cons: Only possesses powers common to the members or powers otherwise set forth in the Stipulated Judgment (special tax would likely need to be levied and transferred by the Client) (Government Code § 6502), time and costs associated with finalizing agreement creating JPA

The financing of General Implementation (as defined above) not in combination with other services (e.g. Urban Water Use Efficiency Program) or facilities presents three main challenges:

(1) Authorization/Entity

The unique responsibilities and obligations of the BMC make fitting the General Implementation component within a statutory authorization other

than a Special Tax levied by the Client and transferred to the JPA pursuant to Section 13 of the Flood Control District Act a significant challenge. For example, as discussed in Section III below, it would be extremely difficult to define the General Implementation services in such a way that they would fall within the services enumerated in Government Code Section 53313.⁸

Very much related to this question is: given that the (clearly) most feasible option under Scenario 1 likely requires the formal formation of the BMC as the BMC JPA, should the parties consider finalizing the Joint Powers Agreement (which would form the BMC JPA) in the near term?

(2) Public Perception

Voters (whether registered voters or property owners) are hesitant to approve “administrative” components. In DTA’s experience, public agencies will even break-out administrative costs from a larger sales tax measure or property-related tax or fee so as to not jeopardize the larger goals. However, many of the General Implementation costs are not purely administrative; thus, if Scenario 1 is selected, DTA recommends that the Client clearly identify all such costs as actual implementation costs, e.g. costs to implement certain Basin Plan programs (Groundwater Monitoring Program) as well as to meet the reporting requirements required by both the Stipulated Judgment and SGMA, as appropriate.

(3) The Vote

Any vote, whether a 50% or 66% threshold, will burden Client staff and elected officials. Any subsequent votes are even more demanding. A financing strategy that requires multiple votes should be adopted carefully.

⁸ See Page 10 for statutory text.

III. Recommended Public Financing Mechanisms

Special Tax Program – A Special Tax could be adopted through the support of two-thirds (2/3) of the registered voters residing within the Basin Plan Area, or a portion of the Basin Plan Area, casting ballots to approve the imposition of a Special Tax through the establishment of a Zone of Benefit and tax levied pursuant to Section 13 of the FCD Act or other available authority (“FCD Special Tax”), or of a Special Tax through the establishment of a special district called a Community Facilities District (“CFD”) levied pursuant to the Mello-Roos Community Facilities District Act (Government Code §§ 53311 *et seq.*) (“CFD Act”) (“CFD Special Tax”).⁹ However, both a FCD Special Tax or a CFD Special Tax could be structured to take advantage of a specific set of circumstances existing within the Basin Plan Area that increase the likelihood of achieving the two-thirds (2/3) vote threshold for approval. These circumstances include:

- (i) **Current Monthly Charges to Homeowners in Sewer Service Area** – Residents of the current Sewer Service Area (“SSA Residents”), who amount to approximately 80% - 85% of the homeowners in the Basin Plan Area pay \$160 per month (“Sewer Charges”) for their sewer services (across three components – an assessment, a fixed service charge, and a variable service charge), which includes supporting the County’s debt service payments for a recently constructed treatment plant. Including SSA Residents in a Special Tax Program spread over a larger area by adding in developed (water-using) properties outside of the SSA could lower these current Sewer Charges, thereby gaining the support of SSA residents in a registered voter election.¹⁰ The three keys for this Special Tax Program to succeed might be (a) structuring the Special Tax Program so it lowers the current Sewer Charges imposed on SSA Residents, encouraging them to vote in its favor, (b)

⁹ If there are approximately 9,000 registered voters within the Special Tax zone/district, assuming turnout of 40%, approximately 2,400 “yes” votes would be required.

¹⁰ The Client could also explore the possibility of spreading the Special Tax Program to undeveloped (non-water using) properties both within and outside of the SSA. However, Chapter 15 (Funding of the Basin Plan) adopts the following cost allocation principles: “First, all water-using properties should pay for the cost of achieving a sustainable Basin under current conditions, because all such properties contributed to the overall decline in Basin conditions. Second, properties that may be developed in the future should pay for the costs of achieving and maintaining a sustainable Basin in light of future water demand associated with the development of those properties.”

keeping Special Tax rates low enough on any new properties being added to the Special Tax Program to avoid creating allocation problems, and (c) finding sufficient other financing sources to complement the portion of any facilities, services, and General Implementation costs not covered by the Special Tax Program.

(a) **Developed (Water-using) Residential Properties Outside of the SSA** – While many of the residents outside of the SSA will vote against having a Special Tax levied against them since they are not paying the Sewer Charges, such residents, if any, who intend to eventually annex into the SSA may actually be in support of the Special Tax.

Developed (Water-using) Agricultural Properties Outside of the SSA – A large percentage of the land within the Basin Plan Area is agricultural land using wells and is not paying the Sewer Charge. However, again, residents of these properties are likely to represent only a small percentage of registered voters within the Special Tax zone/district.

(b) **Undeveloped (Non Water-using Properties)** – There are several property owners of undeveloped land both within and outside of the SSA not paying Sewer Charges. Again, based on Coastal Development Permit Conditions 6 and 86 and/or the pending Los Osos Community Plan, these undeveloped land property owners will likely need to have the facilities, services, and General Implementation for Current Population successfully funded and implemented if they are to develop their properties, so many may favor the Special Tax Program, particularly if it means they can avoid paying a Benefit Area Impact Fee (see page 16).¹¹ Finally, the County could provide some level of entitlements to undeveloped properties if their owners agreed to support the Special Tax Program (only if they are included in the Special Tax zone/district), while those who oppose the Program could be

¹¹ See Footnote 10 regarding the question associated with including undeveloped properties within the initial funding Special Tax zone/district.

exempted if they agreed to a deed restriction ensuring that they will never develop their undeveloped properties.

CFD Special Tax

The CFD Act authorizes local agencies to create a special district called a Community Facilities District (“CFD”), which can finance certain types of services as well as public facilities (may issue tax-exempt municipal bonds) through the imposition of a Special Tax (explicitly not *ad valorem*) solely on those properties within the CFD. Government Code Section 53313 contains an exhaustive list of those services that can be funded under the CFD Act:

A community facilities district may be established under this chapter to finance any one or more of the following types of services within an area:

- (a) Police protection services [...]*
- (b) Fire protection and suppression services, and ambulance and paramedic services.*
- (c) Recreation program services, library services, maintenance services for elementary and secondary schoolsites and structures, and the operation and maintenance of museums and cultural facilities [...]*
- (d) Maintenance and lighting of parks, parkways, streets, roads, and open space.*
- (e) Flood and storm protection services [...]*
- (f) Services with respect to removal or remedial action for the cleanup of any hazardous substance released or threatened to be released into the environment [...]*
- (g) Maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the local agency or by another local agency pursuant to an agreement entered into under Section 53316.2.*

Thus, the problem with a CFD is that the General Implementation services and other services identified in the Basin Plan do not squarely fall within any of the above-described services.

In contrast to the description of services capable of financing under the CFD Act, the description of facilities capable of financing under the CFD Act is not exhaustive. Government Code Section 53313.5 provides in pertinent part:

A community facilities district may also finance the purchase, construction, expansion, improvement or rehabilitation of any real or other tangible property with an estimated useful life of five years or longer or may finance planning and design work that is directly related to the purchase, construction, expansion or rehabilitation of any real or tangible property [...] For example, a community facilities district may finance facilities, including, but not limited to [...] Any other governmental facilities that the legislative body creating the community facilities district is authorized by law to contribute revenue to, or construct, own, or operate.

With respect to bonds issued pursuant to the CFD Act to fund public facilities, the ultimate security behind these bonds is the property within the CFD, not the local agency's General Fund, its ability to tax property throughout its jurisdiction, or any other municipal revenue source. This funding is also non-recourse off-balance sheet financing for the landowner, with the remedy for non-payment of CFD special taxes being the foreclosure of any delinquent Assessor's Parcel within the CFD. The local agency issuing the CFD bonds essentially acts only as a conduit for the sale of these tax-exempt bonds to finance public improvements. The maximum term of a CFD bond issue is forty (40) years.

DTA estimated bonding capacity based on the Scenarios 2 and 3 as described above. As Scenario 1 simply finances General Implementation (services), it was not included. For either Scenario 2 or 3, the land use assumptions are shown on Table 2A below.

**TABLE 2A
Land Use Assumptions**

Land Use Assumptions	All Scenarios
Single Family Units	4,922
Multi-Family Units	225
Developed Non-Residential Acres	753

* Subject to change, as these assumptions were made for conceptual estimating, but would need to be verified pending selection of appropriate funding mechanism(s).

At this time, DTA excluded the undeveloped (non water-using) acreage within the Basin Plan Area consistent with the allocation principles identified in Footnote 10 above.

Table 2B below summarizes the bond assumptions utilized for the preliminary CFD cash flow analysis.

**TABLE 2B
Bond Assumptions**

CFD Bond Assumptions	Scenario 2	Scenario 3
Issuance Date	September 2017	Multiple
Average Coupon Rate	5.50%	5.50%
Bond Term (Years)	30	30
Cost of Issuance / Discount	5.00%	5.00%
Reserve Requirement	9.21%	9.21%
Capitalized Interest (12 Mos.)	5.22%	5.22%
Debt Service	2% Escalating	2% Escalating
Minimum Coverage	110%	110%
Services/Administration Component ¹²	\$300,000	600,000

Noted below are conceptual estimates among land use categories, but the provided range of per unit/acre costs could be considered as appropriate to the selected Scenario.

In Scenario 2, DTA estimates that levying a \$100 Special Tax for Single Family residential units, a \$75 Special Tax for Multi-Family residential units, and \$364 per acre Special Tax for non-residential development can support \$8,120,000 in bonded indebtedness, with \$6,542,234 in construction proceeds (in addition to the General

¹² See Section III regarding limitations of a CFD Special Tax with respect to funding General Implementation services.

Implementation component). In Scenario 3, DTA estimates that levying a \$300 Special Tax for Single Family residential units, a \$225 Special Tax for Multi-Family residential units, and a \$1,190 per acre Special Tax for non-residential development can support \$30,820,000 in bonded indebtedness, with \$24,831,484 in construction proceeds (in addition to the General Implementation component). Please see Table 2C and Appendix A for more information. It is important to note that with respect to both scenarios these figures are merely placeholders and are simply intended to illustrate a simple allocation formula – any actual allocation formula would likely be structured to reflect (estimated) water usage/burden on the relevant resource as discussed below with respect to the FCD Special Tax (e.g. separate rate for irrigated versus non-irrigated acreage).

TABLE 2C
CFD Public Financing Conceptual Conclusions

	Scenario 2	Scenario 3
Special Taxes (per Unit or Acre)		
Single Family (per Unit)	\$100	\$300
Multi-Family (per Unit)	\$75	\$225
Non-Residential (per Acre)	\$364	\$1,190
Bond Conclusions		
Total Bonded Indebtedness	\$8,120,000	\$30,820,000
Total Construction Proceeds	\$6,542,234	\$24,831,484

As indicated above, the challenge with this funding mechanism is the ability (or lack thereof) to define the General Implementation services authorized to be financed under the CFD law, particularly since most of the services are not directly connected to the proposed facilities. Notwithstanding the foregoing, DTA recommends that Client confirm the above-described concern with Bond Counsel and explore any and all available legally supportable approaches to maximizing the services that can be covered by the CFD Special Tax.

A list of the general advantages and disadvantages of a CFD Special Tax (not specific to Los Osos) is attached as Appendix A-3.

CFD Special Tax, Summary Pros and Cons:

Pros: Revenue potential (perhaps up to approximately \$24,831,484, shown in Table 2C above), ability to reflect Allocation Principles

Cons: Difficulty of funding General Implementation services, approval of two-thirds (2/3) of registered voters

FCD Special Tax

Pursuant to Section 13.3 of the FCD Act, the Flood Control District can levy a special tax within a zone of the Flood Control District:

The board shall have the power, in any year [...] [t]o levy taxes or assessments upon all taxable property in each or any of said zones, according to the special benefits derived or to be derived therein to pay the cost and expense of carrying out any of the objects or purposes of this act of special benefit to such zones, including the constructing, maintaining, operating, extending, repairing, or otherwise improving any or all works of improvement established or to be established within or on behalf of said respective zones.

In addition, the Flood Control District can transfer the revenue from such tax to any governmental body with whom the Flood Control District has a contract to perform the financed services on behalf of the Flood Control District.

The FCD Special Tax would constitute a “special tax” under Article 13C, Section 1 of the California Constitution (a tax imposed for “specific purposes”) and thus, like the CFD Special Tax, would require approval by a two-thirds (2/3) vote of registered voters within the zone.

It is DTA’s opinion that the FCD Special Tax is the best mechanism if, and only if, Scenario 1 is pursued. **Based on information provided to DTA, each parcel would be subject to an approximately \$50 Special Tax levy under this scenario** if uniform rates were applied (which is unlikely) (in lieu of a uniform rate, the Flood Control District would likely factor in land use as well as (estimated) water usage). If any other scenario is pursued, DTA believes the Client should first attempt to pursue a CFD Special Tax. However, as indicated above, this recommendation has the strong potential to result in unfunded General Implementation costs. A two-thirds (2/3) vote is required under either framework, and DTA believes the charges outlined in Table 2C are reasonable enough to pass, should the General Implementation (\$300,000) be capable of passing itself.

FCD Tax, Summary Pros and Cons:

Pros: Statutory flexibility

Cons: Approval of two-thirds (2/3) of registered voters, bond market reception (vs. CFD)

Special Assessments

Special Assessments are constitutionally governed by Article XIID and by applicable enabling legislation. Primary examples of enabling legislation would be the Flood Control District Act and the Municipal Improvement Act of 1913 (Streets and Highways Code §§ 10000 *et seq.*) (authorizes financing of, among other things, the following along a legislative body's streets and highways: water mains, pipes, conduits, tunnels, hydrants, and other necessary works and appliances for providing water service). Similar to the CFD Special Tax, although a special assessment could likely be levied to fund facilities, it is a less feasible option for General Implementation. DTA is not aware of any applicable enabling legislation (other than the FCD Act) which would specifically authorize an assessment to cover the costs of such services. More significantly, even assuming such statutory authority exists, the California Constitution places significant requirements on special benefit assessments (that do not apply to Special Taxes). Specifically, no assessment can be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency must separate the general benefits from the special benefits conferred on a parcel. Thus, the impact of the pending boundary determination (currently being considered by DWR) is potentially significant if a special benefit assessment were selected and the Basin Plan (Funding) Area is not in alignment with the DWR boundary. Moreover, in any legal action contesting the validity of any assessment, the burden shall be on the agency to demonstrate that the property or properties in question received a special benefit over and above the benefits conferred on the public at large and that the amount of any contested assessment is proportional to, and no greater than, the benefits conferred on the property or properties in question.

Special Assessment, Summary Pros and Cons:

Pros: 50% vote threshold (landowner ballots weighted according to proportional financial obligation)

Cons: Statutory Authorization, difficulty of funding General Implementation Services Proposition 218, General vs. Special Benefit

Other Finance Opportunities, Facilitated by BMC

Benefit Area Fee Program

A Fee Program can be adopted unilaterally by the County without being subject to a registered voter election, as long as it satisfies the nexus requirements of AB 1600 (California Mitigation Fee Act, Government Code §§ 66000 et seq.). As indicated in Footnote 10 above, the two allocation principles from the Basin Plan state:

All water-using properties should pay for the cost of achieving a sustainable Basin under current conditions, because all such properties contributed to the overall decline in Basin conditions [and] properties that may be developed in the future should pay for the costs of achieving and maintaining a sustainable Basin in light of future water demand associated with the development of those properties.

This financing alternative would therefore guarantee that new development pays its fair share of the costs of facilities from which it benefits, including sewer facilities. Impact fees (“Fees”) would be assigned to Assessor’s Parcels based on the relative benefit received by each acre of property within the area benefiting from the facilities (“Benefit Area”) according to their potential land uses, if available. The Fees could be paid at building permit issuance (consistent with the allocation principles), or at final map recordation if the County wanted to accelerate the funding. The existence of a Fee Program could also incentivize undeveloped land property owners to support the Special Tax Program cited above (if included in the Special Tax zone/district) because (i) the Special Tax Program ensures that existing development pays its fair share of the costs for Basin Plan implementation, (ii) participating in the Special Tax Program now could eliminate the need for undeveloped land property owners to pay future Fees, and (iii) if an annual escalator is attached to the Fee Program to cover the financing cost of the facilities, future development could avoid paying the Fee escalator by participating in the Special Tax Program now.

Benefit Area Fee Program, Summary Pros and Cons:

Pros: Focused only on Future Development (equity)

Cons: Focused only on Future Development (less revenue, timing)

Increase Cost of Water to Purveyors Based on Capital and General Implementation Costs Associated with Increasing Sustainable Yield Levels

As the State Public Utilities Commission (“PUC”) controls the rates that certain private water purveyors can charge their customers, the ability of Golden State Water Company (“Golden State”) to raise rates depends on its ability to document unavoidable increases in water costs it must pass on to its customers to remain economically viable. If an entity were to directly charge Golden State and the other purveyors for the increased costs of providing sufficient amounts of water to current and future retail water consumers within their service areas, Golden State should be able to prove to the PUC that its cost of water has been increased, requiring higher retail water rates. Similarly, the other purveyors can justify raises in their rates if the costs of water have risen to encompass these facilities, services, and administration costs.

Land Dedication

If certain property owners with parcels in suitable locations could dedicate land in a manner that assisted in the development of the facilities, in lieu of participating in alternative programs that would involve the payment of a Special Tax or Fee, their support for a Special Tax Program or Fee Program might be secured.

State Proposition 1 Water Bond Program (“Prop 1”), Round 2

Another potential source of funding for public facilities could be federal and State grants and loans that are available to finance many types of public improvements. Although many grant and loan programs have been authorized by the federal and California State governments, most only provide funding occasionally, due to a lack of legislative appropriations stemming from budgetary shortfalls at both the federal and State levels. The good news, however, is that the State appears to be very concerned about water quality, supply and infrastructure improvements, especially as they relate to alleviating current drought conditions and creating water system resiliency, and the electorate’s approval of Proposition 1 in November, 2014 has authorized the sale of \$7.45 billion exclusively for water-related improvements.

Prop 1, as approved by the voters in November 2014, provides for the sale of State bonds to finance water-related planning, facilities, and programs intended to mitigate the impacts of climate change and the current drought, and ensure resilient and sustainable water resources. This program offers potential funding for up to 50% of

the cost of the project, or a higher percentage if the project funded is selected under the disadvantaged community program (at present, several large blocks with the Central Area (Los Osos/Baywood Park) are classified as Disadvantaged Community Block Groups by the State). Although the BMC might not be eligible for Round 1, there will be a Round 2 (expected in 2017/2018). There are various other Prop 1 funding programs that may also be suitable for facilities funding, or for other purposes that could take advantage of the fungible nature of infrastructure grants. DTA recommends that the BMC explore Prop 1 funding programs as they become available, and align to appropriate basin management elements where possible.

IV. Summary of Phase 1 Finance Plan Report

If the Client is immediately interested in financing General Implementation (\$300,000), a FCD Special Tax measure is the best option. Importantly, a financing strategy that requires multiple votes should be adopted carefully.

Should infrastructure be the ultimate focus of the vote to be conducted next year, DTA recommends first evaluating a CFD Special Tax with Bond and Legal Counsel, particularly any and all ways to include the General Implementation services within the CFD Special Tax.

At such time that new development resumes, DTA recommends the development of a Benefit Area Fee Program (AB 1600) to ensure that new development pays its “fair share” of the prioritized capital facilities, under a methodology to be developed and approved at that time.

The scenario and funding mechanism(s) chosen will impact the agency or agencies eligible to sponsor the measure(s) as discussed in the Report and DTA again recommends evaluating all possible arrangements with Legal Counsel.

Finally, as previously stated in the Report, DTA’s analyses and discussions should serve to provide an overview of the issues, challenges, and potential strategies related to this financing, and should not be construed as legal advice related to any of the approaches identified in the Report. DTA encourages the Client to engage its counsel on any legal ramifications related any approach or combination thereof, prior to implementing any of the strategies discussed herein.

APPENDIX A-1

CASHFLOW – SCENARIO 2

APPENDIX A-2

CASHFLOW – SCENARIO 3

APPENDIX A-3

GENERAL ADVANTAGES AND DISADVANTAGES OF CFDS

Advantages of CFDs (Generally):

- CFDs can finance a wide variety of public facilities.
- CFDs burden only property owners within the CFD itself with Special Taxes, not property owners throughout the jurisdiction. The election prior to formation only applies to residents within the CFD.
- CFD bonds are non-recourse to the Issuer, so the Issuer's General Fund and taxing capacity are not at risk.
- Improvements financed through a Mello-Roos Program may benefit property owners outside of the CFD, and can be located outside of the CFD.
- The Special Tax may be considerably lower on vacant property than developed property.
- Increased flexibility with allocations.
- The Special Tax allocation can adapt to changes in development plans and relate to the ultimate land use developed.
- CFDs provide an Issuer with the option of paying for public improvements through bond sale or through tax revenues to pay directly for construction, or through a combination of the two.
- Revenues from other sources, such as State, Federal or local grants, can be used to reduce the Special Tax for all property owners in the CFD.
- CFD bonds are tax-exempt and, therefore, generally carry an interest rate much lower than conventional construction financing.
- CFD bonds are non-recourse to landowners, since the only collateral for the bonds is the property within the CFD.
- CFDs provide landowners with off-balance sheet financing, since a property's only lien under a CFD is the annual Special Tax, not the full bond principal which could be apportioned to the property.
- Capitalized interest can be included in a CFD bond issue to cover the debt service payments for up to two (2) years and reduce the cost of carry for the

undeveloped property owner.

- CFDs can support multiple bond issues without requiring increases in homeowners Special Taxes each time a new bond issue is sold.
- CFD bonds lower the size of the down payment and the mortgage required of prospective homeowners.
- CFD bond financing will permit the timely construction of public improvements, as compared to pay-as-you-go financing.
- When structured properly, CFD bonds can be pre-paid by a builder if a homeowner does not wish to pay a Special Tax.

Disadvantages of CFDs (Generally):

- Due to the negative press that Mello-Roos financing has received, the political and marketing ramifications of a CFD must be considered.
- CFD bond issues require a reserve fund and at least a 4:1 property value to public lien ratio to meet the minimal market standards.
- Future CFD bond issues, as well as Special Taxes to fund public services, may be canceled through future actions of the electorate (see discussion of Proposition 218 below).
- The Special Tax must be re-levied each year by the Issuer.
- CFD bonds require a reserve fund (typically 7%-10% of the bond amount) and a revenue to debt service ratio (typically 110%)
- Only a limited number of services are specifically authorized to be funded by a CFD.

Advantages of CFDs Versus Special Assessment Districts as a result of Proposition 218:

Aside from the general advantages noted above, the following additional advantages exist as compared to special assessment districts, based on the Constitutional requirements placed on assessment districts (see above):

- CFDs are not affected by the special benefit requirement that affects the apportionment of liens on assessment districts. CFD Special Taxes, like all Special Taxes, must only be apportioned in a “reasonable manner.”
- Publicly-owned properties that benefit from assessment district financing must be assessed based on their level of benefit. CFDs do not require that Special Taxes be levied on publicly-owned properties, even if they benefit from CFD-financed improvements.
- CFDs can fund public services that are not eligible for financing through an assessment district under Proposition 218.



Public Finance
Public Private Partnerships
Urban Economics
Clean Energy Bonds

1302 Lincoln Avenue, Suite 204
San Jose, CA 95125
Phone (800) 969-4382

APPENDIX A-1

CASHFLOW – SCENARIO 2

TAXSPREAD NO. 1: CFD CAPACITY ANALYSIS
© DAVID TAUSSIG AND ASSOCIATES, INC.

09-Jun-16 04:11 PM

**PROJECTED SPECIAL TAXES AND BONDED INDEBTEDNESS FOR
LOS OSOS BASIN MANAGEMENT COMMITTEE
PROPOSED COMMUNITY FACILITY DISTRICT NO. 2017-01
BASIN INFRASTRUCTURE PROGRAM C and ADMINISTRATION EXPENSE
* Escalating Debt Service and Special Taxes ***

DRAFT

LAND USE ASSUMPTIONS

BUILDOUT PERIOD (YEARS FROM 2016) [1] N/A

ANTICIPATED RESIDENTIAL DEVELOPMENT [2]

CLASS 1	RESIDENTIAL PROPERTY (SFR)	5,147
CLASS 2	RESIDENTIAL PROPERTY (MFR)	4,922
		225
CLASS 3	NON-RESIDENTIAL PROPERTY (ACRES)*	753
	* Excludes Vacant/Undeveloped Property	

ACREAGE SUMMARY [2]

GROSS ACREAGE	2,470.27
LESS: EXEMPT PUBLIC AND ASSOCIATION PROPERTY ACREAGE	TBD
NET TAXABLE ACREAGE	2,470.27

BOND ASSUMPTIONS

AVERAGE COUPON	5.50%
BOND TERM (YEARS)	30
COSTS OF ISSUANCE / DISCOUNT	5.00%
RESERVE FUND	9.21%
CAPITALIZED INTEREST	5.22%

OTHER ASSUMPTIONS

REINVESTMENT INTEREST RATE	0.50%
DISCOUNT RATE FOR NPV ANALYSIS	5.50%
ADMINISTRATION EXPENSE INFLATION RATE	2.00%
INITIAL YEAR SERVICES/ADMINISTRATION EXPENSE	\$300,000

SPECIAL TAX ASSUMPTIONS (FY 2016-17)

AVERAGE RESIDENTIAL ASSIGNED SPECIAL TAX	\$98.91
UNDEVELOPED MAXIMUM SPECIAL TAX (PER ACRE)	\$396
BACKUP SPECIAL TAX (PER ACRE)	\$396
% ANNUAL SPECIAL TAX INCREASE	2.00%

EXISTING TAX RATES [3]

GENERAL PROPERTY TAX	1.00000%
OTHER EXISTING AD-VALOREM TAX	TBD

PROJECTED OVERLAPPING ASSESSMENTS

TBD

MINIMUM DEBT SERVICE COVERAGE

GROSS DEBT SERVICE COVERAGE	110.00%
NET DEBT SERVICE COVERAGE	110.26%

SUMMARY OF TAX COMPUTATIONS

SPECIAL TAX CLASS		AVERAGE PRICE [2]	ESTIMATED LAND VALUE	ESTIMATED BOND AMOUNT (PER UNIT)	PROCEED AMOUNT (PER UNIT)	SPECIAL TAX	CFD E.T.R.	TOTAL E.T.R. EXCLUDING CFD	TOTAL E.T.R. INCLUDING CFD
CLASS 1	RESIDENTIAL PROPERTY (SFR)	\$350,000	TBD	\$1,650	\$1,329	\$100	0.0286%	TBD	TBD
CLASS 2	RESIDENTIAL PROPERTY (MFR)	\$250,000	TBD	\$1,237	\$997	\$75	0.0300%	TBD	TBD
CLASS 3	NON-RESIDENTIAL PROPERTY (ACRE)	NA	NA	NA	NA	\$364	NA	NA	NA

NOTES:

E.T.R.--Effective Tax Rate

[1] Estimate, subject to change.

[2] Based on information provided by San Luis Obispo County

[3] Based on current tax bills for project and neighboring properties, and conversations with various agencies regarding overlapping assessments.

[4] Bonded Indebtedness amount assumes that the County's value-to-lien ratio is satisfied.

MAJOR CONCLUSIONS

TOTAL BONDED INDEBTEDNESS [4]	\$8,120,000	DEVELOPED RESIDENTIAL SPECIAL TAXES	\$19,302,733
TOTAL BOND FINANCED FACILITIES	\$6,542,234	DEVELOPED NON-RES SPECIAL TAXES	\$10,401,732
		UNDEVELOPED SPECIAL TAXES	\$0
TOTAL DEBT SERVICE & ADMINISTRATION	\$30,591,584	TOTAL SPECIAL TAXES	\$29,704,465
MISCELLANEOUS REVENUES	(\$887,119)		
PAY-AS-YOU-GO FACILITIES/SURPLUS	\$0		
TOTAL NET DEBT SERVICE	\$29,704,465	NPV OF UNDEVELOPED SPECIAL TAXES	\$0

APPENDIX A-2

CASHFLOW – SCENARIO 3

TAXSPREAD NO. 2: CFD CAPACITY ANALYSIS
© DAVID TAUSSIG AND ASSOCIATES, INC.

09-Jun-16 04:12 PM

**PROJECTED SPECIAL TAXES AND BONDED INDEBTEDNESS FOR
LOS OSOS BASIN MANAGEMENT COMMITTEE
PROPOSED COMMUNITY FACILITY DISTRICT NO. 2017-01
BASIN INFRASTRUCTURE PROGRAM C, URBAN WATER PROGRAM, and ADMINISTRATION EXPENSE
* Escalating Debt Service and Special Taxes ***

DRAFT

LAND USE ASSUMPTIONS

BUILDOUT PERIOD (YEARS FROM 2016) [1] N/A

ANTICIPATED RESIDENTIAL DEVELOPMENT [2]

CLASS 1 RESIDENTIAL PROPERTY (SFR) 5,147
CLASS 2 RESIDENTIAL PROPERTY (MFR) 4,922
225

CLASS 3 NON-RESIDENTIAL PROPERTY (ACRES)* 753
* Excludes Vacant/Undeveloped Property

ACREAGE SUMMARY [2]

GROSS ACREAGE 2,470.27
LESS: EXEMPT PUBLIC AND ASSOCIATION PROPERTY ACREAGE TBD
NET TAXABLE ACREAGE 2,470.27

BOND ASSUMPTIONS

AVERAGE COUPON 5.50%
BOND TERM (YEARS) 30
COSTS OF ISSUANCE / DISCOUNT 5.00%
RESERVE FUND 9.21%
CAPITALIZED INTEREST 5.22%

OTHER ASSUMPTIONS

REINVESTMENT INTEREST RATE 0.50%
DISCOUNT RATE FOR NPV ANALYSIS 5.50%
ADMINISTRATION EXPENSE INFLATION RATE 2.00%
INITIAL YEAR SERVICES/ADMINISTRATION EXPENSE \$600,000

SPECIAL TAX ASSUMPTIONS (FY 2016-17)

AVERAGE RESIDENTIAL ASSIGNED SPECIAL TAX \$296.72
UNDEVELOPED MAXIMUM SPECIAL TAX (PER ACRE) \$1,227
BACKUP SPECIAL TAX (PER ACRE) \$1,227
% ANNUAL SPECIAL TAX INCREASE 2.00%

SERIES 2017

EXISTING TAX RATES [3]

GENERAL PROPERTY TAX 1.00000%
OTHER EXISTING AD-VALOREM TAX TBD

PROJECTED OVERLAPPING ASSESSMENTS

TBD

MINIMUM DEBT SERVICE COVERAGE

GROSS DEBT SERVICE COVERAGE 110.00%
NET DEBT SERVICE COVERAGE 110.26%

SUMMARY OF TAX COMPUTATIONS

SPECIAL TAX CLASS		AVERAGE PRICE [2]	ESTIMATED LAND VALUE	ESTIMATED BOND AMOUNT (PER UNIT)	PROCEED AMOUNT (PER UNIT)	SPECIAL TAX	CFD E.T.R.	TOTAL E.T.R. EXCLUDING CFD	TOTAL E.T.R. INCLUDING CFD
CLASS 1	RESIDENTIAL PROPERTY (SFR)	\$350,000	TBD	\$6,262	\$5,045	\$300	0.0857%	TBD	TBD
CLASS 2	RESIDENTIAL PROPERTY (MFR)	\$250,000	TBD	\$4,696	\$3,784	\$225	0.0900%	TBD	TBD
CLASS 3	NON-RESIDENTIAL PROPERTY (ACRE)	NA	NA	NA	NA	\$1,190	NA	NA	NA

NOTES:

E.T.R.--Effective Tax Rate

[1] Estimate, subject to change.

[2] Based on information provided by San Luis Obispo County

[3] Based on current tax bills for project and neighboring properties, and conversations

with various agencies regarding overlapping assessments.

[4] Bonded Indebtedness amount assumes that the County's value-to-lien ratio is satisfied.

MAJOR CONCLUSIONS

TOTAL BONDED INDEBTEDNESS [4]	\$30,820,000	DEVELOPED RESIDENTIAL SPECIAL TAXES	\$62,224,823
TOTAL BOND FINANCED FACILITIES	\$24,831,484	DEVELOPED NON-RES SPECIAL TAXES	\$36,538,270
		UNDEVELOPED SPECIAL TAXES	\$0
TOTAL DEBT SERVICE & ADMINISTRATION	\$93,398,930	TOTAL SPECIAL TAXES	\$98,763,093
MISCELLANEOUS REVENUES	(\$3,367,118)		
PAY-AS-YOU-GO FACILITIES	\$8,731,281		
TOTAL NET DEBT SERVICE	\$98,763,093	NPV OF UNDEVELOPED SPECIAL TAXES	\$0



Public Finance
Public Private Partnerships
Urban Economics
Clean Energy Bonds

1302 Lincoln Avenue, Suite 204
San Jose, CA 95125
Phone (800) 969-4382

TO: Los Osos Basin Management Committee

FROM: Rob Miller, Interim Executive Director

DATE: July 21, 2016

SUBJECT: Item 7c – Water Conservation Program Update

Recommendations

Staff recommends that the Committee receive a verbal status update from staff and provide input.

Discussion

In the April, 2016 meeting, the BMC considered a draft matrix of additional indoor and outdoor conservation measures. Once considered and adopted by the BMC, these measures would form the foundation of a purveyor-lead conservation program, administered through the BMC.

The ultimate source of funding for the measures would likely be a basin wide funding mechanism (vote) that is currently being analyzed by the County Flood Control District's financial consultant, DTA. During the April meeting, staff described a potential interim funding source(s), including, without limitation, proportional contributions by each BMC member consistent with the cost share allocations in the existing budget (based on voting rights) and/or a revision to Coastal Development Permit Condition No. 5(b) which expands the permissible uses for the committed \$5 million as appropriate. As indicated in the April meeting, such interim funding, if provided, would be based on four key principles as follows:

1. The BMC/purveyors will assume a lead role in the community conservation program.
2. If interim funding is provided, the repayment of such funding would likely be included in a community wide funding measure currently scheduled for May, 2017.
3. Public information relating to septic system repurposing, and the potential for future rebates, should be immediate and widespread. This principle has been partially satisfied by a recent BMC mailer.
4. Measures will be reviewed at least annually and modified as needed to maintain cost effectiveness and community acceptance.

Staff will provide additional context during the meeting, based on the progress of current discussions.

Financial Considerations

The approved BMC budget includes a limited funding amount of \$10,000 for water conservation. Additional funding for rebate programs and conservation program administration would likely be included in a community wide funding vote, with the potential for interim funding through the BMC members as described above.