



# CAYUCOS SANITARY DISTRICT

200 Ash Avenue / PO Box 333  
Cayucos, CA 93430  
(805) 995-3290  
[www.cayucossd.org](http://www.cayucossd.org)

**GOVERNING BOARD**  
R. Enns, President  
S. Lyon, Vice-President  
H. Miller, Director  
J. Curti, Director  
M. Shopshear, Director

**BOARD OF DIRECTORS  
REGULAR MEETING AGENDA  
THURSDAY, NOVEMBER 21, 2024 AT 5:00PM  
200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430**

**1. ESTABLISH QUORUM AND CALL TO ORDER**

**2. PUBLIC COMMENT**

At this time the public may address the Board on items other than those scheduled on this agenda (persons wishing to speak on any item scheduled on this agenda will be given the opportunity at the time that agenda item is being considered). When recognized by the Board President, please state your name for the record (though not required). While the Board encourages public comment, in the interest of time and to facilitate orderly conduct of the meeting, the Board reserves the right to limit individual comments to three minutes. By conditions of the Brown Act, the Board is prohibited from discussing issues not posted on this agenda, but may set items for future agendas.

**3. CONSENT CALENDAR: Recommended to Approve**

Consent Calendar items are considered routine and therefore do not require separate discussion, however, any item may be removed from the Consent Calendar by a member of the Board of Directors for separate consideration. Individual items on the Consent Calendar are approved by the same vote that approves the Consent Calendar, unless an item is pulled for separate consideration.

**A. Meeting Minutes**

1. Approval of minutes for the October 17, 2024 Board of Directors Regular Meeting **Pg. 1**

**B. Financial Reports: October 2024**

1. Cash, Savings, and Investment Report **Pg. 4**
2. Check Registers – Wells Fargo (General & CIP Checking Accounts) **Pg. 5**
3. Budget vs. Actual Status Report **Pg. 8**
4. Capital Improvement Projects Report **Pg. 9**

**4. STAFF COMMUNICATIONS AND INFORMATIONAL ITEMS: No Action Required**

**A. District Manager's Report: October 2024 **Pg. 10****

**B. New Will-Serves: October 2024**

- 2705 Santa Barbara Ave. / Morgan / 064-203-071 / SFR Remodel

**Extended Will-Serves:**

- 25 20<sup>th</sup> St. / Mulholland / 064-233-010 / SFR Addition
- 52 13<sup>th</sup> St. / Kirk / 064-164-021 / SFR New
- 2098 Circle Dr. / Lewis / 064-182-049 / SFR Remodel

**Finaled Will-Serves:**

- 974 Pacific Ave. / Bowman / 064-151-009 / SFR Remodel
- 78 Saint Mary Ave. / Lindahl / 064-125-038 / SFR Addition

**Grants of License:**

None

5. **PRESENTATION OF REPORT REGARDING MISSION COUNTRY DISPOSAL'S (MCD) REQUEST FOR A SOLID WASTE COLLECTION AND DISPOSAL RATE INCREASE, AND DISCUSSION AND CONSIDERATION TO SCHEDULE A PUBLIC HEARING ON JANUARY 16, 2025 TO CONSIDER REQUESTED RATE INCREASE AND TO DIRECT STAFF AND DISTRICT COUNSEL TO COORDINATE THE PREPARATION AND DISTRIBUTION OF A PROPOSITION 218 PUBLIC HEARING NOTICE WITH MCD Pg. 12**
6. **DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTIONS 2024-06 AND 2024-07 ACCEPTING THE PROPERTY TAX ALLOCATION RATE OF 6.7524% FROM THE COUNTY OF SAN LUIS OBISPO FOR ANNEXATIONS 19 AND 20, RESPECTIVELY Pg. 43**
7. **DISCUSSION AND CONSIDERATION TO APPOINT AN ADDITIONAL BOARD MEMBER AS AN AUTHORIZED CHECK SIGNER FOR CAYUCOS SANITARY DISTRICT EXPENSE DISBURSEMENTS Pg. 60**
8. **PRESENTATION FROM JON COLLINS ON CAYUCOS SANITARY DISTRICT'S SCADA SYSTEM**
9. **BOARD MEMBER COMMENTS**

This item provides the opportunity for Board members to make brief announcements and/or briefly report on their own activities related to District business.
10. **FUTURE SCHEDULED MEETINGS**
  - December 19, 2024 – Regular Board Meeting
  - January 16, 2025 – Regular Board Meeting
  - February 20, 2025 – Regular Board Meeting
11. **ADJOURNMENT**

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All staff reports or other documentation relating to each item of business referred to on the agenda are also on file at the District office, available for public inspection or reproduction at cost. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by the Americans with Disability Act. To make a request for disability-related modification or accommodation, contact the District at (805) 995-3290 as soon as possible and at least 48 hours prior to the meeting date.

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### GOVERNING BOARD

R. Enns, President

S. Lyon, Vice-President

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J. Curti, Director

M. Shopshear, Director

## BOARD OF DIRECTORS REGULAR MEETING MINUTES THURSDAY, OCTOBER 17, 2024 AT 5:00 P.M. 200 ASH AVENUE, CAYUCOS, CALIFORNIA 93430

### 1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 5:02 p.m.

**Directors present:** President Robert Enns, Director Hannah Miller, and Director Michael Shopshear

**Directors absent:** Director John Curti and Director Shirley Lyon

**Staff present:** District Manager Rick Koon and Administrative Accounting Manager Gayle Good

### 2. PUBLIC COMMENT

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

### 3. CONSENT CALENDAR: Recommended to Approve

#### A. Meeting Minutes

1. Approval of minutes for the September 19, 2024 Board of Directors Regular Meeting

#### B. Financial Reports: September 2024

1. Cash, Savings, and Investment Report
2. Check Registers – Wells Fargo (General & CIP Checking Accounts)
3. Budget vs. Actual Status Report FY
4. Capital Improvement Projects Report

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Shopshear, to approve items on the Consent Calendar as prepared. Motion was seconded by Miller.

**VOTE:** 3-0 Motion passed

### 4. STAFF COMMUNICATIONS AND INFORMATION ITEMS: No Action Required

#### A. District Manager's Report: September 2024

#### B. New Will-Serves: September 2024

- 302 Pacific Ave. / Newman / 064-148-001 / SFR Remodel
- 99 13th St. / Fischer / 064-163-001 / SFR Remodel

#### Extended Will-Serves:

- 320 Cayucos Creek Rd. / Gilkey & Travioli / 064-024-019 / SFR New, ADU New
- 273 S Ocean Ave. / Weyrick / 064-125-051 / CMMCL New
- 147 Ash Ave. / Mission Acquisitions LLC / 064-113-007 / 3 SFR New, 2 ADU New
- 560 Pacific Ave. / Marquart / 064-148-008 / ADU New

**Finalized Will-Serves:**

- 1036 Pacific Ave. / Mariani / 064-151-020 / SFR Remodel
- 3444 Studio Dr. / Lojacono / 064-449-035 / SFR Remodel
- 184 I St. / Berry / 064-128-002 / Deck Add.
- 62 13th St. / Fort / 064-164-019 / SFR Addition/Remodel

**Grants of License:**

None

Manager Koon gave a summary of the previous month's activities. He mentioned that the SCADA system went back on-line 10/17/24 and staff will be able to provide a demonstration at the next Board meeting.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**Items 4.A – B were received and accepted.**

**5. PRESENTATION AND ACCEPTANCE OF THE CAYUCOS SANITARY DISTRICT FY 2023/24 FINAL AUDIT BY ADAM GUISE OF MOSS, LEVY & HARTZHEIM**

Auditor Guise presented the final audit and was pleased to report that the District received an unmodified audit. Along with his overview, he explained that capital assets were reviewed and at the direction of Manager Koon were restructured to reflect the expanded categories needed by adding WRRF and phase-out of the Cayucos-Morro Bay WWTP. He also pointed out the addition of the long term OPEB retirement liability necessitated by GASB75.

President Enns opened the meeting to Public Comment.

Hearing no comment, President Enns closed Public Comment.

**MOTION:** 1st by Miller, to accept the Cayucos Sanitary District FY 2023/24 Final Audit. Motion was seconded by Shopshear.

**VOTE: 3-0** Motion passed

**6. DISCUSSION AND CONSIDERATION OF SOLID WASTE AND RECYCLING COLLECTION OBJECTIVES FOR THE COMMUNITY OF CAYUCOS**

Director Shopshear presented his committee's findings thus far. He would like to purchase 30 new receptacles for uniformity throughout the downtown area. Big Belly type would be the preference, but due to cost, he is open to other suggestions. He'd also like them to have some type of mural and be unlocked so parties other than the garbage company could empty the containers.

President Enns opened the meeting to Public Comment. Visitor Terry asked if 30 or 40 containers could be purchased, if it was necessary to also have 30 recycling containers, and if more could be placed in higher volume areas. She also would like to focus on conformity and functionality. Hearing no further comment, President Enns closed Public Comment.

Director Koon confirmed that 30 containers are covered for pick up by Mission Country Disposal under our franchise agreement. President Enns mentioned that we may be able to obtain an IWMA Concept Grant if someone could collect and share data. Director Shopshear stated that ideally all old cans would be removed and repurposed.

President Enns reopened the meeting to Public Comment. Visitor Terry provided an image of a can she thought would work. She also would like to know if the cans must be placed side by side. Hearing no further comment, President Enns closed Public Comment.

President Enns requested the Director Shopshear provide pictures and pricing for further consideration at the November 21<sup>st</sup> Board meeting.

**Item 6: No action necessary.**

**7. DISCUSSION AND CONSIDERATION TO APPROVE QUITCLAIM DEED TERMINATING EASEMENT RIGHTS OWNED BY CHEVRON LAND AND DEVELOPMENT COMPANY APPURTENANT TO LOTS 8 & 10**

Manager Koon explained that as Chevron continues to dispose of lots abutting our property, the easements put in place over Lots 8 & 10 when they were purchased are no longer necessary.

**MOTION:** 1st by Miller, to approve the quitclaim deed terminating easement rights owned by Chevron Land and Development Company appurtenant to Lots 8 & 10. Motion was seconded by Shopshear.

**VOTE: 3-0** Motion passed

**8. DISCUSSION AND CONSIDERATION TO APPROVE AN AGREEMENT FOR CONSULTANT SERVICES WITH WATER SYSTEMS CONSULTING, INC. IN THE AMOUNT OF \$73,209.00 FOR THE CHANEY-TO-TORO PIPELINE REPLACEMENT PROJECT**

Manager Koon reminded the Board that during the September meeting, the Board approved an increase of the CIP budget to accommodate the requirements of CalTrans for a full engineering report and survey for the proposed line replacement project. This contract will allow the project to proceed.

**MOTION:** 1st by Shopshear, to approve the Consultant Services Agreement with Water Systems Consulting, Inc., in the amount of \$73,209.00 for the Chaney-To-Toro Pipeline Replacement Project. Motion was seconded by Miller.

**VOTE: 3-0** Motion passed

**9. BOARD MEMBER COMMENTS**

No Board Member comments.

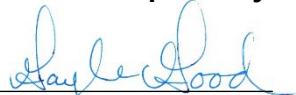
**10. FUTURE SCHEDULED MEETINGS**

- November 21, 2024 – Regular Board Meeting
- December 19, 2024 – Regular Board Meeting
- January 16, 2025 – Regular Board Meeting

**11. ADJOURNMENT**

The meeting adjourned at 6:06 p.m.

**Minutes Respectfully Submitted By:**

X 

Gayle Good  
Administrative Accounting Manager



# CAYUCOS SANITARY DISTRICT

## Monthly Financial Report

### FY 2024/2025

## Cash, Savings and Investments

### October 2024

Bank Accounts	Current Balance
Wells Fargo - General Checking	\$642,703
Wells Fargo - CIP	\$1,137,904
Wells Fargo - Standby	\$254,640
Wells Fargo - USDA	\$488,837
Petty Cash	\$175
LAIF	\$9,165
<b>Total</b>	<b>\$2,533,425</b>
Investment Accounts	
CalTrust	\$2,675,721
Cetera Cash/MM	\$31,559
Cetera Treasury/Securities	\$38,801 *
<b>Total</b>	<b>\$2,746,080</b>
<b>Grand Total</b>	<b>\$5,279,505</b>
MCD Wells Fargo Deposit CD	\$25,000 **

\* Fixed Income

\*\* Franchise Deposit on Hold

## Check Registers - Checks Issued October 2024

Date	Num	Name	Amount
10/02/2024	11590 - CIP	SPICE INTEGRATION CORP.	-2,372.16
10/02/2024	24512	ABALONE COAST ANALYTICAL, INC.	-2,933.80
10/02/2024	24513	ALPHA FIRE & SECURITY ALARM CORP	-105.00
10/02/2024	24514	AMAZON (batteries, foam, boxes, TP, backflow preventer)	-135.85
10/02/2024	24515	CAYUCOS BEACH MUTUAL WATER CO. #1	-120.08
10/02/2024	24516	CAYUCOS BEACH MUTUAL WATER CO. #2	-133.44
10/02/2024	24517	COASTAL ROLL OFF SERVICE	-3,605.67
10/02/2024	24518	DEEP BLUE INTEGRATION, INC.	-195.00
10/02/2024	24519	MINER'S ACE HARDWARE	-320.71
10/02/2024	24520	MISSION COUNTRY DISPOSAL - WRRF	-379.69
10/02/2024	24521	MISSION UNIFORM SERVICE	-782.53
10/02/2024	24522	MOSS, LEVY & HARTZHEIM LLP	-3,575.00
10/02/2024	24523	USA BLUE BOOK	-393.45
10/07/2024	24524	CARMEL & NACCASHA, LLP	-1,545.73
10/07/2024	24525	D&H WATER SYSTEMS	-153.96
10/07/2024	24526	KITZMAN WATER	-88.00
10/07/2024	24527	MORRO ROCK MUTUAL WATER CO. UTILITY 782	-84.68
10/07/2024	24528	QUICK TECH COMPUTERS	-1,650.50
10/07/2024	24529	SPEEDY COASTAL MESSENGER, INC.	-660.00
10/10/2024	24530	CSA 10A SLO CO PW LS#3	-217.79
10/10/2024	24531	CSA 10A SLO CO PW LS#4	-217.79
10/10/2024	24532	PERRY'S AUTOMOTIVE	-113.62
10/10/2024	24533	REC SOLAR	-11,335.71
10/10/2024	24534	SLOCTC 200 ASH	-137.60
10/10/2024	24535	USA BLUE BOOK	-790.70
10/17/2024	24537	CALNET3	-453.51
10/17/2024	24538	COUNTY OF SLO - PUBLIC WORKS DEPT.	-90.00
10/17/2024	24539	FIRSTNET (AT&T)	-547.80
10/17/2024	24540	MBS LAND SURVEYS	-1,020.00
10/17/2024	24541	POSM SOFTWARE LLC	-2,500.00
10/23/2024	11591 - CIP	ALPHA ELECTRICAL SERVICE, INC.	-10,122.00
10/23/2024	24543	BUSINESS CARD 4841 - Specialty Grease	-405.81
10/23/2024	24544	BUSINESS CARD 7253 - Thermostatic Mixing Valve	-137.75
10/23/2024	24545	BUSINESS CARD 8913 - Microsoft 365 Annual Subs	-1,500.00
10/23/2024	24546	CSDA Membership	-8,637.00
10/23/2024	24547	EXECUTIVE JANITORIAL	-225.00
10/23/2024	24548	N. BRENT KNOWLES CONSTRUCTION	-534.59
10/23/2024	24549	SOCAL GAS	-22.81
10/23/2024	24550	WELLS FARGO VENDOR FIN SERV	-350.96
10/23/2024	24551	STAPLES ADVANTAGE	-15.43
10/24/2024	24552	COASTAL COPY, INC	-35.57

Date	Num	Name	Amount
10/24/2024	24553	EXXONMOBIL	-562.27
10/25/2024	24542	ENNS, ROBERT	-91.25
10/25/2024	24554	GERALD ELLIS - Customer refund	-188.00
10/28/2024	24555	HACH	-757.21
10/28/2024	24556	PERRY'S AUTOMOTIVE	-330.50
10/30/2024	11592 - CIP	MARINE TAXONOMIC SERVICES, LTD.	-24,120.50
<b>Total Issued Checks</b>			<b>-\$84,696.42</b>



## Check Registers - ACH Payments October 2024

Date	Num	Name	Amount
10/01/2024	54553731	COLONIAL LIFE INSURANCE PREMIUMS	-52.58
10/01/2024		Lot/Late Tfr.	-1,074.50
10/05/2024	HLTH100524	CALPERS (HEALTH)	-16,018.70
10/05/2024	60284224274	ALLIED ADMINISTRATORS FOR DELTA DENTAL	-914.10
10/10/2024		QuickBooks Payroll Service	-25,841.19
10/10/2024	950491	PG&E LS#1	-726.33
10/10/2024	950451	PG&E LS#2	-1,351.87
10/10/2024	950481	PG&E LS#3	-269.13
10/10/2024	950501	PG&E LS#4	-591.24
10/10/2024	950511	PG&E LS#5	-3,841.78
10/10/2024	950471	PG&E OFFICE	-283.44
10/10/2024	950461	PG&E WRRF	-4,742.39
10/11/2024	EDD101124	EDD	-2,302.82
10/11/2024	FED101124	US TREASURY	-9,064.73
10/11/2024	PERS101124	CALPERS (RETIREMENT)	-4,795.21
10/11/2024	DEF101124	CALPERS (RETIREMENT)	-1,225.00
10/11/2024	24536	PATHIAN ADMINISTRATORS	-226.40
10/11/2024		USDA Tfr.	-77,907.72
10/15/2024	ACH101524	CHARTER INTERNET	-951.21
10/24/2024		QuickBooks Payroll Service	-25,934.54
10/25/2024	EDD102524	EDD	-2,288.32
10/25/2024	FED102524	US TREASURY	-9,147.50
10/25/2024	PERS102524	CALPERS (RETIREMENT)	-4,795.21
10/25/2024	DEF102524	CALPERS (RETIREMENT)	-1,225.00
10/31/2024	11042369950	COLONIAL LIFE INSURANCE PREMIUMS	-52.58
<b>Total Issued ACH</b>			<b>-\$195,623.49</b>

## Budget vs. Actual October 2024

AGENDA ITEM:

**3.B.3**

	Current Month	YTD Actual Rev/Exp	Approved Budget 23/24	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
Sewer Income	261,842	1,056,839	3,187,400	33%
Will Serve Income	(7,535)	(6,235)	88,200	-7% *
Rental Income	-	26,932	52,200	52%
Solid Waste Income	20,417	48,561	141,500	34%
SLOCO Tax Assessments	9,299	75,565	1,257,000	6%
Banking Interest Income	1,743	7,475	9,900	76%
Investment Interest	9,824	39,451	90,000	44%
Other Income	-	4,534	4,600	99%
<b>Total Income</b>	<b>295,590</b>	<b>1,253,121</b>	<b>4,830,800</b>	<b>26%</b>
<b>Expenses</b>				
<b>Payroll Expenses</b>				
Administrative Payroll	34,360	152,396	447,400	34%
Collections Payroll	17,104	75,254	234,700	32%
WRRF Payroll	25,962	118,469	365,000	32%
Director Payroll	300	2,300	8,000	29%
Vested Benefits	314	1,256	4,000	31%
Admin Payroll Taxes & Benefits	8,040	62,367	144,900	43% **
Collections Payroll Taxes & Benefits	8,158	57,192	126,300	45% **
WRRF Payroll Taxes & Benefits	9,527	64,150	159,900	40% **
Director Payroll Taxes & Benefits	23	176	600	29%
<b>Total Payroll &amp; Benefits</b>	<b>103,790</b>	<b>533,560</b>	<b>1,490,800</b>	<b>36%</b>
<b>Operating Expenses</b>				
Special Projects	-	-	13,000	0%
Administrative Operating Expenses	15,314	414,681	846,900	49% ***
Collections Operating Expenses	8,695	44,646	265,950	17%
Treatment Operating Expenses	114,940	566,907	1,733,100	33%
<b>Total Operating Expenses</b>	<b>138,949</b>	<b>1,026,233</b>	<b>2,858,950</b>	<b>36%</b>
<b>Total Expenses</b>	<b>242,739</b>	<b>1,559,793</b>	<b>4,349,750</b>	<b>36%</b>
<b>Net Income</b>	<b>52,851</b>	<b>(306,672)</b>	<b>481,050</b>	

\* Building project canceled.

\*\* Unfunded PERS liability and SDRMA insurance premiums are paid in July at the beginning of the fiscal year.

\*\*\* USDA & Western Alliance Interest payments.

## Capital Improvement Projects Budget October 2024

AGENDA ITEM: <b>3.B.4</b>
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	Current Month	YTD Actual Rev/Exp	Approved* Budget 24/25	% of Budget
<b>Collection Improvements</b>				
Sewer Main Repairs	0.00	0.00	50,000.00	0%
Chaney to Lift Station 5 Main Replacement	0.00	0.00	75,000.00	0%
<b>Main Admin</b>				
Backup Electrical System	0.00	0.00	35,000.00	0%
<b>RWQCB Recycled Water Program</b>	0.00	0.00	20,000.00	0%
<b>WRRF Improvements</b>				
Benthic Sediment and Community Testing of Outfall	24,120.50	0.00	60,000.00	40%
SCADA and Network Upgrade Project	2,372.16	14,096.47	45,000.00	37%
Automated Influent Valves	10,126.34	15,924.76	40,000.00	65%
<b>Total Capital Improvements</b>	<b>\$36,619.00</b>	<b>\$30,021.23</b>	<b>\$325,000.00</b>	<b>21%</b>

\* CIP Budget amended and approved Sept. 19, 2024



# CAYUCOS SANITARY DISTRICT STAFF REPORT

**TO: BOARD OF DIRECTORS**

**FROM: RICK KOON, DISTRICT MANAGER**

**DATE: NOVEMBER 14, 2024**

**SUBJECT: MONTHLY MANAGER'S REPORT: OCTOBER 2024**

## ADMINISTRATIVE

- Customers enrolled in Auto-Pay (ACH): **771** (up from 764 last month)
- Customers enrolled in E-Billing: **383** (up from 375 last month)
- SLO County Public Works contacted staff and expressed concern regarding a need for increased garbage receptacles during holiday and other special events. Their concerns will affect the permitting of future town events if not addressed.
- Staff contacted Mission Country Disposal ("MCD") and confirmed that they will service the proposed new Big Belly waste receptacles for downtown Cayucos. Funding for the purchase of new Big Belly receptacles has yet to be determined and should be discussed. Options include:
  - Grant funding
  - Cayucos Sanitary District funding
  - Community fund raising/donations
- Staff continues to modify the District's template for Intent-to-Serve Letters as the Planning & Building Department continues to accept Intent-to-Serve Letters for the Building Permit process. When this occurs, it prevents staff from being able to review plan modifications, easement encroachments, or place conditions on the Building Permit.

## CAPITAL PROJECTS

- The upgraded SCADA system for the WRRF is operational and in use. All old hardware has been removed and additional operational controls have been added.
- The automated Headworks valves have been installed and can be operated by the SCADA system. We will be adding sensors to report the % of the valves being opened, which will help distribute high flows accurately.

## OPERATIONS & MAINTENANCE: OCTOBER 2024

**CIP:** None

### Daily Operations of Note:

- Pump down, scrape, and bleach wet wells; clean probes and test generators
- Conduct weekly alarm testing at all lift stations
- Jet 5,130 feet of main lines, including harder to access and more root-prone areas
- We did a large overview of all the jetting notes, and we are in a great place heading into the winter
- Participated in Vector Training Solutions for SDRMA
- Respond to 38 USAs

- Performed CCTV inspections of several more of our main lines to learn conditions and if they need to be cleaned
- Performed grease trap inspections throughout the town to assure compliance
- Oil changes for both the Ford Ranger and the Ford 550
- Had ¾ inch rocks delivered to Lift Station 5 to improve the safety and accessibility of our station during rainy season
- Use CCTV equipment to locate the easement on Richard Ave. from Stuart Ave. and locate the old connection for lot development
- Remark the footage on the jetter hose
- Assisted in the sampling of ocean water for the treatment plant to send off
- Manhole rehab and setting up of sandbags in problem areas before the rains come
- Assisted SPICE with the swapping of our modems at our lift stations
- Received tablets for SCADA (back online) and connected to all stations and the treatment plant after some time without them

**Call Outs:** None

## WATER RESOURCE RECOVERY FACILITY: OCTOBER 2024

### Daily Operations of Note:

- Completed all quarterly, monthly, weekly, and daily maintenance tasks
- Exercised generator and fire pump
- Calibrated on-line meters
- Checked eyewash stations and fire extinguishers
- Completed all daily and weekly lab tests
- Completed all Monthly Reports
- Ongoing groundskeeping throughout month
- Continuing to divert part of influent flow to Equalization Basin #1 during the day, and running the flow back at night to even flows and biological loading to plant
- Completed annual Toxicity Testing for influent and effluent from October 1 through October 3
- Completed annual Ocean Plan Testing for influent and effluent on October 2
- Installed automatic actuator on gate to Equalization Basin Bypass on October 3
- Completed concrete repairs at Headworks area October 4
- Rebuilt injector for sodium hypochlorite at Recycled Water on October 7
- Backflow preventers at plant inspected on October 10
- Force Main Flush on October 10
- Trenching for electrical actuators at Headworks completed, and installed automatic actuator on gate to Headworks on October 15
- Electrical actuators wiring work at Headworks started October 16
- Replaced brush motors and cleaned check valve on poly system October 17
- Alpha Electric completed wiring to Headworks gate actuators October 21
- Force Main Flush on October 24
- Completed maintenance on coarse screens October 28
- Troubleshooting MOS 3 Turbidimeter issues-bad solenoid-on October 29
- Supervisory alarm (valve position) on fire system did not call out October 30; now set to call CPO/Authorized Fire Pump Run Licensee

### WRRF Influent

- Highest flow day October 13: **202,698 gallons**
- Average influent for October: **161,805 gallons per day**
- Total influent for October: **5.02 million gallons**

### WRRF Effluent

- Highest flow day October 15: **250,458 gallons**
- Average effluent for October: **183,805 gallons per day**
- Total effluent for October: **5.70 million gallons**
- Average recycled water use (in-plant): **85,850 gallons per day**



# CAYUCOS SANITARY DISTRICT STAFF REPORT

AGENDA ITEM:  
**5**

**TO: BOARD OF DIRECTORS**

**FROM: RICK KOON, DISTRICT MANAGER**

**DATE: NOVEMBER 14, 2024**

**SUBJECT: PRESENTATION OF REPORT REGARDING MISSION COUNTRY DISPOSAL'S (MCD) REQUEST FOR A SOLID WASTE COLLECTION AND DISPOSAL RATE INCREASE, AND DISCUSSION AND CONSIDERATION TO SCHEDULE A PUBLIC HEARING ON JANUARY 16, 2025 TO CONSIDER REQUESTED RATE INCREASE AND TO DIRECT STAFF AND DISTRICT COUNSEL TO COORDINATE THE PREPARATION AND DISTRIBUTION OF A PROPOSITION 218 PUBLIC HEARING NOTICE WITH MCD**

## DISCUSSION

For previous MCD-requested rate increases, the District used Bill Statler as an independent, third party consultant to review and analyze the proposed increases based on the 1994 Rate Manual. Since Mr. Statler has retired, the District has partnered with other local municipalities and CSDs to hire R3 Consulting Group, Inc. to update the 1994 Rate Manual and review the proposed rate increases. R3 Consulting Group has prepared a report on new solid waste rate adjustment methodology and proposed rates for 2025. Please see the attached documentation for the full report.

Staff thanks R3 Consulting Group for their efforts in negotiating with Waste Connections and for all the meetings to explain the updates to the rate manual.

An overall summary of the % increases follows:

	Original	Revised
San Luis Obispo	9.29%	9.89%
City of Arroyo Grande	3.97%	4.92%
Los Osos CSD	12.47%	13.18%
City of Pismo Beach	3.97%	4.82%
Cambria CSD	12.78%	12.59%
City of Grover Beach	3.97%	5.02%
Nipomo CSD	3.23%	5.04%
Oceano CSD	3.97%	4.98%
<b>Cayucos SD</b>	<b>12.47%</b>	<b>14.32%</b>
Avila Beach CSD	3.97%	4.60%

A summary from the proposed Prop. 218 notice regarding changes to the basic service rates follows:

Service Description	Pick Ups Per Week	Monthly Rate Effective 1/1/2024	Proposed Rate Adjustment	Monthly Rate Effective 1/1/2025
<b>RESIDENTIAL SINGLE FAMILY DWELLING AND MULTI-UNIT (4 UNITS OR LESS):</b>				
32 Gallon Waste Wheeler-Curb	1	\$32.60	4.67	\$37.27
64 Gallon Waste Wheeler-Curb	1	\$38.52	5.52	\$44.04
96 Gallon Waste Wheeler	1	\$44.48	6.37	\$50.85
Residential customers must use the waste wheelers provided by the garbage company. The solid waste residential service fee for trash collection (container with black or gray lid), includes once per week pick up of one green waste/organics container (green lid) and one recycling container (blue lid).				

<b>MULTI-FAMILY (5 or MORE)</b>				
Rates are the same as commercial dumpsters (above) and waste wheeler rates (below).				
<b>COMMERCIAL WASTE WHEELERS - ALL AREAS:</b>				
32 Gallon Waste Wheeler	1	\$36.19	5.18	\$41.37
32 Gallon Waste Wheeler	2	\$61.85	8.86	\$70.71
32 Gallon Waste Wheeler	3	\$83.32	11.93	\$95.25
64 Gallon Waste Wheeler	1	\$40.38	5.78	\$46.16
64 Gallon Waste Wheeler	2	\$89.43	12.81	\$102.24
64 Gallon Waste Wheeler	3	\$117.60	16.84	\$134.44
96 Gallon Waste Wheeler	1	\$61.85	8.86	\$70.71
96 Gallon Waste Wheeler	2	\$104.75	15.00	\$119.75
96 Gallon Waste Wheeler	3	\$138.99	19.90	\$158.89
Rates for all "Commercial Waste Wheeler Container Service" customers include recycling and/or green waste/organics pick up once per week. Customers can choose a 64 or 96 gallon blue waste wheeler for commingled recycling, and/or 32 or 64 gallon organics, green lid waste wheeler for organics collection. More frequent than once-per-week pick up can be provided at 25% of the garbage service rate for the specified level of service required. Due to potential weight issues, organics are only collected in 32 or 64 gallon green lidded waste wheelers.				

## RECOMMENDATION

Staff recommends the Board schedule a Public Hearing for January 16, 2025 to consider the requested rate increase and direct staff and District Counsel to coordinate the preparation and distribution of a Proposition 218 Public Hearing Notice with MCD.

# REPORT

City of San Luis Obispo and Participating Agencies

## New Solid Waste Rate Adjustment Methodology and 2025 Rates

*Submitted electronically: November 1, 2024*





November 1, 2024

Ms. Meg Buckingham  
Solid Waste and Recycling Coordinator  
Public Utilities  
879 Morro, San Luis Obispo, CA 93401  
*submitted via email: mbuckin@slocity.org*

**SUBJECT: New Solid Waste Rate Adjustment Methodology and 2025 Rates**

Dear Ms. Buckingham and Participating Agencies,

R3 Consulting Group, Inc. (R3) was engaged by the City of San Luis Obispo (City) to provide solid waste consulting services via two engagements supporting the City's negotiations of a new solid waste services agreement with Waste Connections, the solid waste hauler. R3 was originally engaged by the City to work in collaboration with Los Osos Community Services District and Waste Connections to update the methodology for annual adjustments to the solid waste rates charged by Waste Connections. The key objectives for updating the rate adjustment methodology were to enhance rate stability, predictability, fairness, transparency, ease of administration, and cost-effectiveness.

As that engagement proceeded, eight other agencies in San Luis Obispo County (the City of Arroyo Grande, the City of Grover Beach, the City of Pismo Beach, Avila Beach Community Services District, Cambria Community Services District, Cayucos Sanitary District, Nipomo Community Services District, and Oceano Community Services District – altogether "Participating Agencies" or "Agencies") were included as stakeholder participants in the development of new rate adjustment methodology. With the inclusion of these additional Agencies, objectives for the engagement were updated to include regional scale applicability of the new rate adjustment methodology. R3 was then engaged by the City to review Waste Connections' rate adjustment requests for the 2025 rate year on behalf of all ten Agencies with the objective of determining 2025 solid waste rates that would be an appropriate starting point for a new rate adjustment methodology starting in 2026.

The City of San Luis Obispo served as the lead contracting agency for both engagements, providing primary oversight and direction of R3's work. Input and feedback were also sought from the other nine Agencies, and the results reflect their stakeholder input. Ultimately, the outcomes of both engagements are the conclusion of good faith contract negotiations between the City and Waste Connections. In summary, the City and Waste Connections have tentatively agreed to updated terms and conditions for annual rate adjustment which fulfill key objectives while also securing enhanced services that will protect low income households, prevent illegal dumping, and clean solid waste collection containers. The new rate adjustment methodology and enhanced services also resulted in updated adjustments to solid waste rates for 2025.

The City intends to recommend a new agreement with Waste Connections to the City Council that will include the new rate adjustment methodology and enhanced services along with the 2025 adjustments to solid waste rates. In keeping with the objective for the results to be applicable on a regional scale, Waste Connections is willing to offer the new rate adjustment methodology and

select enhanced services to the other nine Agencies at the updated 2025 adjustments to solid waste rates.

R3 would like to recognize that this has been a significant undertaking, and we'd like to thank the City of San Luis Obispo, Waste Connections, Los Osos Community Services District, and Participating Agencies for your involvement in providing feedback during this process. In closing, R3 recommends City and stakeholder consideration of the revised 2025 rates and the new rate adjustment methodology as a means of achieving shared rate fairness, stability, and predictability objectives. Here's what Waste Connections has shared regarding the outcomes:

*“San Luis Garbage (SLG) had the opportunity to negotiate with the City of San Luis Obispo on the re-write of the 1994 rate-making manual. The goal of this endeavor was to simplify and streamline the rate-making process for all parties and provide an improved model going forward for potential refuse collection rate changes. The process included a considerable amount of discussion and analysis and although arduous at times, SLG feels the negotiations were performed in good faith, were collaborative in nature and carried out with mutual respect. In addition to updating the rate-making methodology, both parties took the opportunity to establish some new service enhancements that will discourage illegal dumping, provide cart cleaning exchanges, and offer rate relief for low-income customers. SLG believes the outcome of the negotiation has provided a much-improved rate-review process for the City of San Luis Obispo and other cities currently under the old rate-making methodology which will ultimately allow for an easier path to fair and reasonable rates for all customers.”*

\* \* \* \* \*

We appreciate the opportunity to be of service to the City and would like to thank the City and the Participating Agencies for their involvement and feedback. We would also like to recognize Waste Connections staff for being communicative and responsive to requests for information during the process.

Sincerely,



Garth Schultz | *Principal*  
**R3 Consulting Group, Inc.**  
510.292.0853 | [gschultz@r3cgi.com](mailto:gschultz@r3cgi.com)

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Methodology and 2025 Rates**  
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### **Attachments**

- 1 Summary of Original 2025 Base Year Rate Adjustments
- 2 Revised 2025 Rate Adjustments
- 3 CPI-U for Garbage and Trash
- 4 Example Rate Calculations for 2026 through 2029

# 1. EXECUTIVE SUMMARY

## New Rate Adjustment Methodology

The City of San Luis Obispo, in its capacity as the lead agency on the solid waste rate adjustment methodology update process, and in partnership with Los Osos Community Services District and Waste Connections, completed negotiations and arrived at tentative agreement with Waste Connections regarding the terms and conditions of a new methodology. The outcome was the result of extensive good faith negotiations between the City and Waste Connections, with due consideration to input provided by other public agency stakeholders.

**Pending City Council approvals, the new methodology will replace the 1994 Rate Setting Process and Methodology Manual for Integrated Solid Waste Management Rates (1994 Rate Manual) and will regulate annual rate adjustments for the City's solid waste rates starting in 2026.**

The new methodology fulfills key objectives established by the City and Waste Connections, including rate stability, predictability, fairness, transparency, ease of administration, and cost-effectiveness. Additionally, in response to requests by other Agencies that contract with Waste Connections in San Luis Obispo County, the new methodology can be applied on a regional-scale and is available as recommended alternative to the 1994 Rate Adjustment Manual for those Agencies.

The key features of the new methodology include:

- › **CPI Adjustments:** Starting in 2026, rate adjustments will be based on the Garbage and Trash CPI, with a floor of 2% and a cap of 5%. Amounts under 2% or over 5% will carry forward. The CPI adjustment will apply to Waste Connections' collection and post-collection cost centers.
- › **Revenue Balancing Mechanism:** Starting in 2027, adjustments to rates will account for shortfalls or surpluses in Waste Connections' actual revenues compared to projected revenues from prior years. For example, if Waste Connections' 2025 revenues exceed projections, the amount of surplus revenues will be credited to the rates in 2027 (and vice versa), achieving fairness in compensation and rates for the company and for ratepayers. Such adjustments would take place annually and will be independent of the CPI cap and floor noted above (there is no cap on these amounts).
- › **Less Frequent Cost-Based Adjustments:** Currently, solid waste rates are adjusted based on the 1994 Rate Adjustment Manual every three years on Waste Connections' costs. Via the new methodology, cost-based adjustments would occur a maximum of every five years, and only if requested by Waste Connections or the City. The first opportunity for a cost-based adjustment will be for the 2030 rate year. If neither Waste Connections nor the City request a cost-based adjustment, then the CPI adjustment approach will be applied. Cost-based adjustments will be based on Waste Connections' consolidated audited financial statements for the region. Timeframes for cost-based adjustment application and review process will be ample, such that the City will have sufficient time for review and approval processes and such that the potential for delay in implementation is minimized. These timeframes will be delineated in the forthcoming amendment to the agreement with Waste Connections.
- › **Updated Depreciation Lifespan for Trucks:** The 1994 Rate Manual set a 7-year depreciation schedule for solid waste collection trucks. Modern solid waste collection trucks have a 10-year lifespan, and the depreciation schedule was adjusted accordingly.
- › **Updated Profit Allowance:** The 2025 rate adjustment will include a 9% profit allowance of projected collection costs and in 2026 and thereafter the profit allowance will be 10%. The updated profit allowance is in-keeping with industry standard ranges for solid waste services. For

context, the 2025 profit allowance is approximately 5% of revenues and we estimate that the 2026 profit allowance will be approximately 5.5% of revenues. Profit will not be allowed on post-collection costs.

- › **Removed Limitation on Corporate Overhead:** The 1994 Rate Manual placed a limitation on corporate overhead costs. Today, corporate overhead costs fund legal, tax, payroll, human resources, engineering, compliance, IT, training and recruiting programs. The City and Waste Connections agreed to remove the prior limitation in order to fund these services. In the near-term, compensation to Waste Connections for corporate overhead will be limited by the CPI adjustment noted above. Cost-based adjustments to corporate overhead are possible in 2030, and will be subject to review, justification, and potential limitation at that time.
- › **Extraordinary Adjustments:** The California Air Resources Board (CARB) Advanced Clean Fleets (ACF) regulation is requiring all solid waste collection trucks to have zero emissions by 2042. This includes a phased in plan to get the percentage of the fleet to be zero emission vehicle (ZEV) with 10% by 2030, 25% by 2033, 50% by 2036, 75% by 2039 and 100% by 2042. During CPI Adjustment years, Waste Connections may request extraordinary rate adjustments due to changes in law affecting collection operations, including for compliance with CARB's ACF zero emission mandate (which may necessitate change to depreciation schedules). The City may, but is not obligated to, consider requests for extraordinary rate adjustments due to changes in law affecting post-collection operations. Requests for extraordinary change are subject to good faith negotiations between City and Waste Connections.

## New Service Enhancements

During negotiations, the City and Waste Connections also took the opportunity to establish new service enhancements that will discourage illegal dumping, provide cart cleaning exchanges, and offer rate relief for low-income customers. The below service enhancements are available to the other Agencies that approve the new rate adjustment methodology in association with adjusted 2025 solid waste rates:

- › **Customer Assistance Program:** 20% low-income discount provided to residential customers using 32-gallon cart service, using existing jurisdictional practices on low-income relief for their offered utility type services with evidence of qualifying financial hardship.
- › **Free Bulky Waste Collections:** Collection of a bulky waste item twice annually from residential accounts at no separate cost, via clean-up week or voucher program depending on existing program.
- › **Annual Cart Exchange:** Once annual exchange of a residential solid waste, recycling, or organics cart per customer account.

## 2025 Rate Adjustments

As a result of the above, Waste Connections' 2025 rate adjustment request was revised from a 9.29% increase to a 9.89% increase in solid waste rates, effective January 1, 2025 (and prior to other rate structure adjustments that the City and Waste Connections may enact). When the new rate methodology changes and service enhancements are equally applied to the other regional Agencies, the results are as shown in Table 1 on the following page. Additional details are included in Section 3 of this report.

**Table 1: 2025 Rate Adjustments**

Agency	Original	Revised
City of San Luis Obispo	9.29%	9.89%
City of Arroyo Grande	3.97%	4.92%
Los Osos CSD	12.47%	13.18%
City of Pismo Beach	3.97%	4.82%
Cambria CSD	12.78%	12.59%
City of Grover Beach	3.97%	5.02%
Nipomo CSD	3.23%	5.04%
Oceano CSD	3.76%	4.98%
Cayucos SD	12.47%	14.32%
Avila Beach CSD	3.97%	4.60%

## 2. BACKGROUND

### 1994 Rate Manual

The 1994 Rate Manual is a 120-page document that provides step-by-step directives regarding annual adjustments to solid waste rates in the City. Though the 1994 Rate Manual specifically references the City of San Luis Obispo, other agencies in San Luis Obispo County (including the nine Agencies referenced in this report) also follow the 1994 Rate Manual for annual adjustments to solid waste rates.

The 1994 Rate Manual established a three-year cycle for adjustments to solid waste rates. The first year of each three-year cycle (called a “base year”) adjusted rates based on the documented costs of providing solid waste services. In the second and third years, solid waste rates were adjusted in accordance with external indicators, such as the Consumer Price Index (CPI).

While the 1994 Rate Manual was an appropriate approach to annually adjusting solid waste rates at the time, changing regulatory conditions and modern best practices in solid waste rate setting indicate that the prior approach has outlived its usefulness. In particular, cost-based adjustments on a fixed three-year cycle are no longer the industry norm. Most solid waste rate adjustment methodologies in California today either do not include regular cost-based adjustments or do so less frequently. When allowed, cost-based adjustments are typically the result of extraordinary changes in cost due to factors like changes in law or other uncontrollable factors (such as China’s National Sword Policy in 2017 and the COVID pandemic in 2020). Additionally, step-by-step instructions and timelines in the 1994 Rate Manual are outdated and do not contemplate current approaches to public noticing, public hearings, and review timelines for authorizing rate adjustments.

### RFQ for New Rate Adjustment Methodology

Recognizing the limitations of the 1994 Rate Manual, the City and Los Osos Community Services District issued a request for quotes (RFQ) in early 2024 seeking a consultant to develop a new rate adjustment methodology. Pursuant to the RFQ process, R3 was awarded an agreement to provide support in developing a new rate adjustment methodology.

### Rate Adjustment History

Rate adjustments experienced by the City and participating Agencies have varied significantly in the prior ten years from 2015 through 2024, as shown in Table 2, on the following page. As shown in the table, rate adjustments by agency have varied from 0% (most Agencies in 2015) to over 20% (most Agencies in 2022).

There are important reasons for these variances, primarily related to the unfunded State mandates of SB 1383 (Short-lived Climate Pollutants Act) which required all agencies in California to implement programs to recover and recycle organic waste to reduce methane emissions from landfills. While rate adjustments were necessary to fund the required SB 1383 programs, the combination of new costs with the three-year cost-based adjustment approach in the 1994 Rate Manual resulted in rate adjustment spikes in 2016, 2019, and 2022. Overall, across the Agencies, the average annual rate adjustment from 2015 through 2024 has been 6.76%.

One important objective of the new rate adjustment methodology is to minimize the recurrence of such spikes by reducing the frequency of cost-based rate adjustments. From R3’s experience implanting new rate methodologies with other clients, the result has been stable and predictable annual rate adjustments.

**Table 2: 2015 – 2024 Rate Adjustments by Agency**

Agency	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
City of San Luis Obispo	0.00%	5.25%	1.00%	1.60%	13.70%	1.70%	0.70%	17.75%	9.10%	3.00%
City of Arroyo Grande	0.00%	3.25%	1.00%	1.60%	10.06%	1.70%	0.70%	22.19%	9.10%	3.00%
Los Osos CSD	2.00%	10.37%	1.00%	1.60%	25.74%	1.70%	0.70%	41.87%	7.70%	2.70%
City of Pismo Beach	0.00%	3.25%	1.00%	1.60%	10.06%	1.70%	0.70%	22.19%	9.10%	3.00%
Cambria CSD	1.92%	9.93%	1.00%	1.60%	25.32%	1.70%	0.70%	41.50%	9.10%	3.00%
City of Grover Beach	0.00%	3.25%	1.00%	1.60%	10.06%	1.70%	0.70%	22.19%	9.10%	3.00%
Nipomo CSD	0.00%	0.00%	1.00%	1.60%	15.08%	1.70%	0.70%	21.27%	9.10%	3.00%
Oceano CSD	0.00%	3.25%	1.00%	1.60%	10.06%	1.70%	0.70%	21.03%	9.10%	3.00%
Cayucos SD	2.00%	27.39%	1.00%	1.60%	26.43%	1.70%	0.70%	43.30%	9.10%	3.00%
Avila Beach CSD	0.00%	3.25%	1.00%	1.60%	10.06%	1.70%	0.70%	22.19%	9.10%	3.00%

## Financial Statement History

There are three Waste Connections business units serving the ten participating Agencies (San Luis Garbage, Mission Country Disposal, and South County Sanitary Service). Each business unit prepares annual audited financial statements which are used as the basis for base year rate applications to the Agencies. R3 analyzed Waste Connections' audited financial statements for the six years from 2018 through 2023 to evaluate profit achievement, with the results summarized in Table 3, below. Table 3 also includes estimated profit achievement in 2024 (still underway) and for 2025 (prior to 2025 rate adjustments).

**Table 3: 2018 – 2023 Profit Achievement**

Business Unit	2018	2019	2020	2021	2022	2023	2024	2025
San Luis Garbage	-13.84%	-16.84%	-9.66%	-3.41%	12.47%	6.30%	-0.64%	-6.62%
Mission Country Disposal	-19.26%	-30.77%	-9.28%	-19.84%	-10.21%	2.47%	-4.09%	-8.95%
South County Sanitary Service	5.38%	1.40%	0.25%	-5.56%	5.93%	15.85%	8.43%	2.38%
Overall	-7.22%	-12.45%	-5.22%	-7.88%	4.66%	9.67%	2.61%	-3.16%



As shown in Table 3, in total across all three business units, Waste Connections operated without any net income between 2018 and 2021, with net positive profitability being achieved in 2022 and 2023. Profit achievement varied by business unit, with South County Sanitary Service consistently experiencing greater profit achievement and Mission Country Disposal consistently experiencing lesser or no profit achievement. This is one of the key reasons that rate adjustments for the Agencies served by Mission Country Disposal (Cambria Community Services District, Cayucos Sanitary District, and Los Osos Community Services District) were higher than the other Agencies in 2019 and 2022.

Table 3 also shows that projected profit achievement in 2024 will be lower than 2023, which is primarily the result of Waste Connections incurring increased landfill disposal costs (provided by a related party) and increased organics processing costs (provided by a non-affiliated third party processor). Projected profit achievement for 2025 – which, importantly, is **prior to 2025 adjustments to solid waste rates** – demonstrates no net profit for San Luis Garbage and Mission County Disposal and low net income for South County Sanitary Service. Overall, without adjustments to rates, Waste Connections service to the Agencies in 2025 will not yield net income.

It should be noted that Waste Connections allocates costs between business units based on allocation metrics that include vehicle operating hours, number of solid waste containers, and number of customer accounts. While such metrics are useful means of allocating costs, they do not necessarily represent the exact cost of providing service within a given business unit.

## Rate Comparison

R3 compared current 2024 solid waste rates for the Agencies to rates in other jurisdictions in San Luis Obispo County, Santa Barbara County, and Monterey County. The results are shown in Table 4, below and on the following page, and are organized in ascending order by 32-gallon monthly rate (common residential subscription level).

**Table 4: Regional Comparison of Monthly Rates**

Agency	20 Gallon	32 Gallon	64 Gallon	96 Gallon	2 Cubic Yards
Oceano CSD	N/A	\$20.37	\$29.31	\$57.39	\$128.75
San Luis Obispo	\$14.74	\$23.53	\$47.06	\$70.59	\$185.21
Pismo Beach	N/A	\$23.76	\$47.56	\$71.33	\$166.02
Grover Beach	N/A	\$24.23	\$32.74	\$41.23	\$147.95
Arroyo Grande	N/A	\$27.33	\$35.52	\$43.73	\$167.65
Nipomo CSD	N/A	\$27.57	\$39.52	\$51.81	\$136.62
Avila Beach CSD	N/A	\$28.31	\$46.78	\$65.24	\$177.68
Santa Barbara County Zone 4 Lompoc	N/A	\$31.41	\$36.13	\$40.70	\$179.98
Cayucos SD	N/A	\$32.60	\$38.52	\$44.48	\$184.32
Santa Barbara County Zone 5	N/A	\$33.03	\$37.84	\$42.46	\$192.87
City of Atascadero	N/A	\$33.67	\$52.80	\$66.35	\$172.24
San Miguel	N/A	\$34.13	\$53.80	\$72.88	\$124.12
Santa Barbara County Zone 4 Santa Ynez	N/A	\$34.33	\$42.62	\$50.77	\$254.11
City of Morro Bay	\$22.21	\$35.54	\$71.07	\$106.63	\$265.30
Solvang	N/A	\$36.28	\$45.20	\$54.69	\$256.55

Agency	20 Gallon	32 Gallon	64 Gallon	96 Gallon	2 Cubic Yards
Goleta	N/A	\$37.39	\$41.88	\$48.35	\$240.10
Templeton	N/A	\$38.73	\$54.63	\$60.41	\$149.58
Los Osos CSD	\$27.74	\$39.45	\$60.57	\$64.96	\$228.72
Buellton	N/A	\$40.51	\$48.40	\$56.38	\$281.13
Cambria CSD	N/A	\$41.52	\$83.03	\$124.55	\$201.94
King City	\$32.43	\$42.83	\$53.68	\$63.52	\$288.00
Santa Barbara County Zone 2	N/A	\$43.25	\$54.66	\$65.92	\$259.61
City of Paso Robles	\$38.15	\$43.32	\$57.42	\$63.59	\$188.36
Santa Barbara County Zone 3	N/A	\$45.22	\$51.52	\$57.75	\$215.72
MRWMD	\$38.28	\$46.54	\$72.92	\$91.20	\$277.20
City of Santa Barbara	N/A	\$48.26	\$59.82	\$71.38	\$277.66
WM Area (Formerly Mid-State)	N/A	\$48.72	\$71.31	\$93.84	\$214.46
Santa Barbara County Zone 1	N/A	\$56.60	\$62.86	\$69.25	\$256.74
Santa Maria	N/A	N/A	\$38.74	\$47.87	\$166.72

Table 4 demonstrates that solid waste rates for the City and other Participating Agencies compare favorably to others in the region. Charts 1 through 4, below and on the following pages, show the information from Table 4 in graphical format.

**Chart 1: Regional Comparison of Monthly 32-gallon Cart Rates**

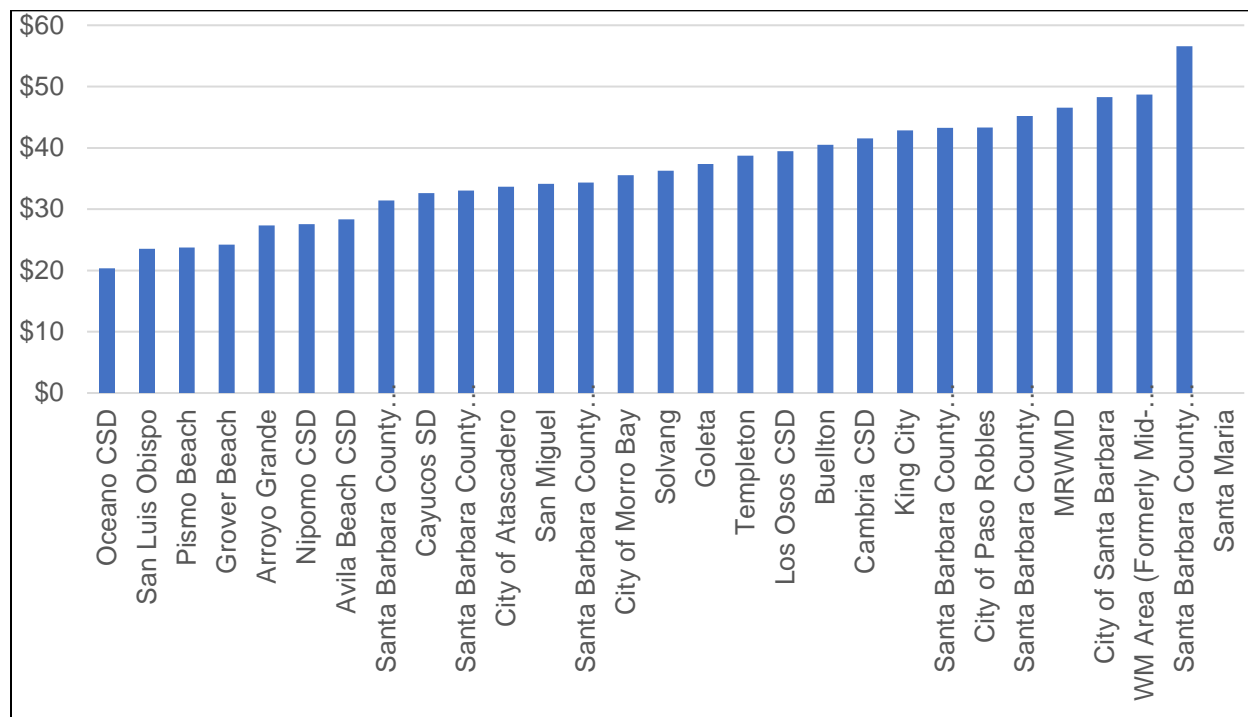
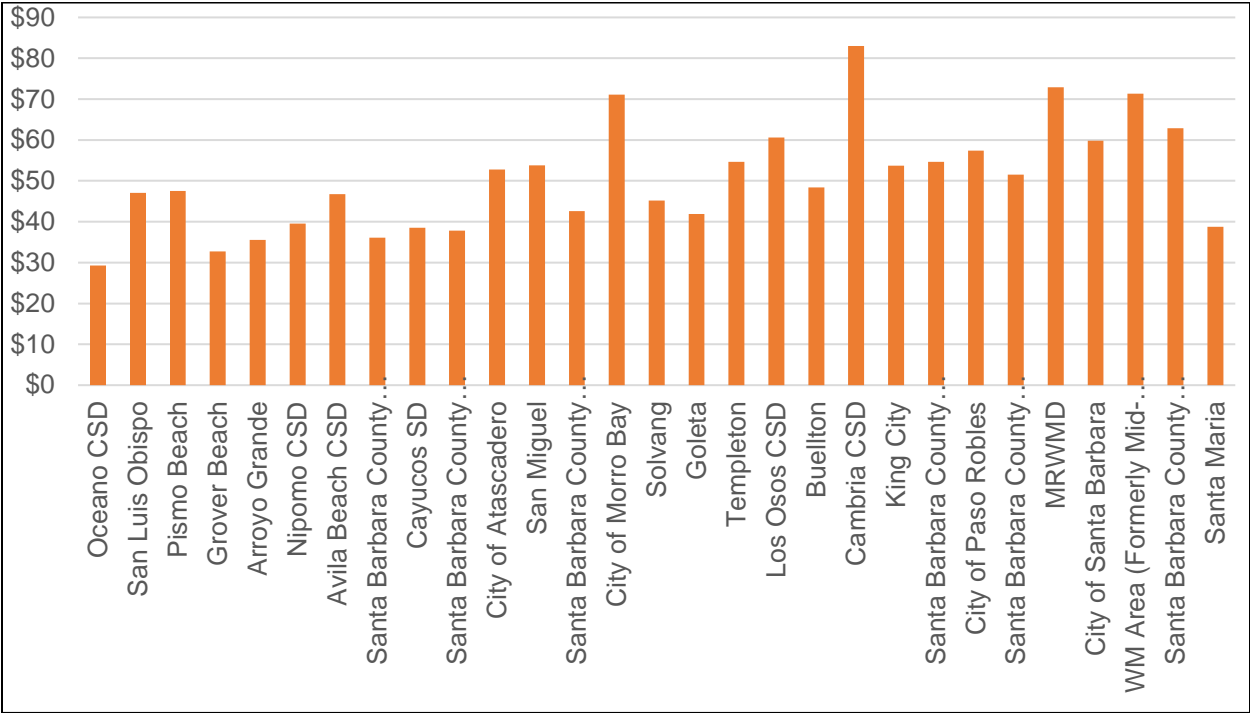


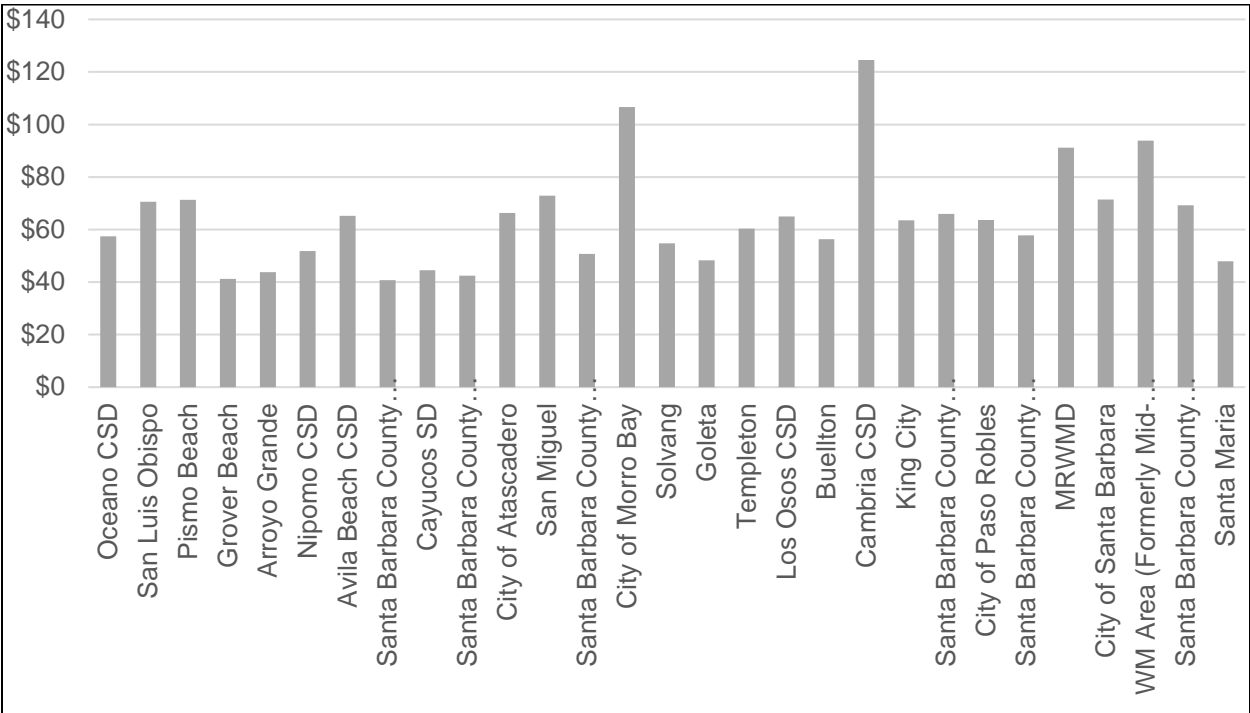
Chart 1, which is organized in ascending order of 32-gallon monthly rate, demonstrates that the rates for 32-gallon monthly service (the most subscribed residential service level) for all Participating Agencies

other than Cambria Community Services District, Cayucos Sanitary District, and Los Osos Community Services District are the lowest in the region. Chart 2 shows how 64-gallon monthly rates compare.

**Chart 2: Regional Comparison of Monthly 64-gallon Cart Rates**

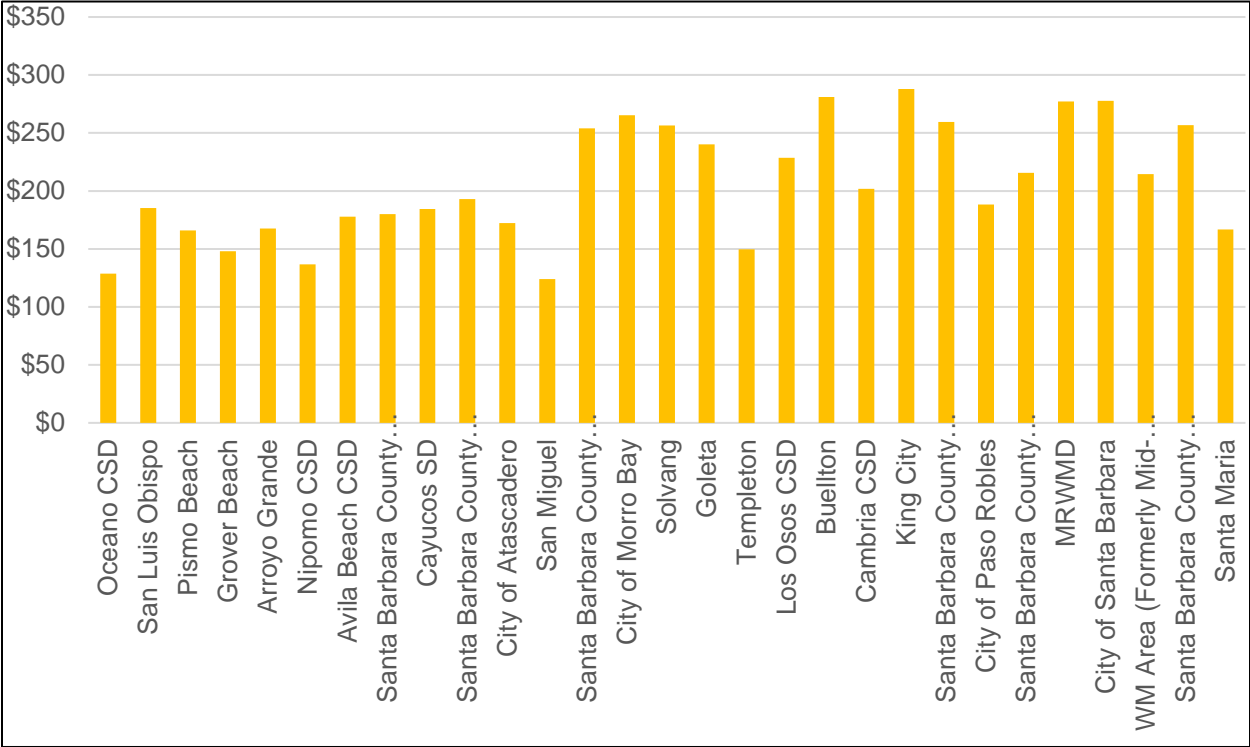


**Chart 3: Regional Comparison of Monthly 96-gallon Cart Rates**



Charts 3 and 4 keep the same ordering as Charts 1 and 2 and show how large residential 96-gallon service and commercial two (2) cubic yard bin service compare with the region. Overall, while exceptions exist, rates for solid waste service for the City and the Participating Agencies are among the lowest in the region, including San Luis Obispo County, Santa Barbara County, and Monterey County.

Chart 4: Regional Comparison of Monthly 2 Cubic Yard Rates



# 3. NEW RATE ADJUSTMENT METHODOLOGY AND 2025 RATES

## 2025 Base Year Rate Adjustments

Waste Connections submitted base year rate applications to the Agencies for rates effective January 1, 2025.<sup>1</sup> Those rate applications were prepared in accordance with the 1994 Rate Manual, with modification for an effectiveness date of January 1, 2025, instead of the October 1, 2024 date that otherwise would have been the effective date given strict adherence to the 1994 Rate Manual. In simple terms, the applications project future 2025 costs for providing solid waste services based on the actual costs of providing services as follows:

- › Actual results for the most recently completed year (2023), which are based on the audited financial statements.
- › Projected results for the current year (2024), which are to be based on year-to-date information available at the time the application is submitted.
- › Projected results for the next year (2025).

Adjustments to solid waste rates are then calculated based on the projected 2025 revenue requirement, which is the sum of:

- › Allowed costs.
- › Allowable operating profit.
- › Pass through costs.

In reviewing the 2025 base year rate applications for the Agencies, R3:

- › Checked calculations for mathematical accuracy and consistency.
- › Tied projected costs back to the 2023 audited financial statements.
- › Evaluated the root causes of extraordinary changes in cost for landfilling and organics processing.
- › Reviewed 2024 revenues year to date to determine accuracy of projected revenues at current rates for 2025.
- › Proposed adjustments to solid waste collection vehicle depreciation lifetimes.

A summary of Waste Connections' original 2025 base year rate adjustments per the applications submitted to the Agencies is included as Attachment 1.

It should be noted that Waste Connections' base year rate applications are made at the business unit level (San Luis Garbage, Mission Country Disposal, and South County Sanitary Service) with no allocation of projected costs to individual Agencies served by those business units. Rather, the base year rate adjustment applications use total costs and revenues for those business units to calculate rate adjustments for the individual Agencies. For the purposes of our analysis, and as documented in Attachment 1, R3 allocated projected expenses by agency in accordance with proportion of revenues – this allocation approach is what the base year rate application achieve in practice, and the result is an exact match to the rate adjustment calculations included in the base year rate applications for each agency.

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<sup>1</sup> Authorization of the January 1, 2025 rate adjustments are expected to occur after that date. Waste Connections will prorate adjustment amounts on customer bills to account for the timing difference.

R3 thoroughly reviewed the figures included in the 2025 rate adjustment calculations, as well as supporting documentation requested of Waste Connections during the review process and found that Waste Connections' rate applications were accurate and in accordance with the 1994 Rate Manual. The rate adjustments shown in Table 5 on the following page are the correct rate adjustments per the 1994 Rate Manual and are the default rate adjustments effective January 1, 2025, if the City and the Participating Agencies do not move forward with revisions to the 2025 rates in accordance with the new rate adjustment methodology.

**Table 5: 2025 Rate Adjustments Per 1994 Rate Manual**

Agency	January 1, 2025, Default Rate Adjustment
City of San Luis Obispo	9.29%
City of Arroyo Grande	3.97%
Los Osos CSD	12.47%
City of Pismo Beach	3.97%
Cambria CSD	12.78%
City of Grover Beach	3.97%
Nipomo CSD	3.23%
Oceano CSD	3.97%
Cayucos SD	12.47%
Avila Beach CSD	3.97%

### Revisions for New Rate Adjustment Methodology

In negotiating the terms and conditions of a new rate adjustment methodology starting in 2026, the City and Waste Connections made the following revisions to the 2025 base year rate adjustments:

#### Updated Depreciation Lifespan for Trucks

The 1994 Rate Manual set a 7-year depreciation schedule for solid waste collection trucks. Modern solid waste collection trucks have a 10-year lifespan, and the depreciation schedule was adjusted by Waste Connections accordingly. Table 6, on the following page, shows the dollar magnitude of this change and the effect on the 2025 rate adjustment, with the effect being a reduction in the rate adjustment calculation ranging from 1.33% to 1.62%, depending on agency. Differences in effect by agency are the result of business unit allocations described earlier in this report.

**Table 6: Change in Depreciation Lifespan**

	San Luis Obispo	Los Osos CSD	Cambria CSD	Cayucos SD	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo CSD	Oceano CSD	Avila CSD
Original Depreciation	\$1,338,367	\$376,989	\$295,515	\$131,502	\$398,063	\$316,350	\$236,919	\$225,376	\$114,616	\$26,441
Revised Depreciation	1,125,720	317,545	248,918	110,766	336,460	267,393	200,254	190,498	96,879	22,349
Change in Calculations	(212,647)	(59,444)	(46,597)	(20,735)	(61,603)	(48,957)	(36,665)	(34,878)	(17,737)	(4,092)
<b>Effect on Rate Adjustment</b>	<b>-1.47%</b>	<b>-1.62%</b>	<b>-1.62%</b>	<b>-1.62%</b>	<b>-1.33%</b>	<b>-1.33%</b>	<b>-1.33%</b>	<b>-1.33%</b>	<b>-1.33%</b>	<b>-1.33%</b>

**Removed Limitation on Corporate Overhead**

The 1994 Rate Manual placed a limitation on corporate overhead costs. Today, corporate overhead costs fund legal, tax, payroll, human resources, engineering, compliance, IT, training and recruiting programs. The City and Waste Connections agreed to remove the prior limitation in order to fund these services. Table 7, below, shows the effect of removing the prior limitation on corporate overhead. Differences in effect by agency are the result of different original proportionate amounts of corporate overhead between Agencies. In the near-term, compensation to Waste Connections for corporate overhead will be limited by the CPI adjustment noted above. Cost-based adjustments to corporate overhead are possible in 2030, and will be subject to review, justification, and potential limitation at that time.

**Table 7: Change in Corporate Overhead**

	San Luis Obispo	Los Osos CSD	Cambria CSD	Cayucos SD	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo CSD	Oceano CSD	Avila CSD
Original Corporate Overhead	\$246,296	\$46,213	\$36,226	\$16,120	\$93,625	\$74,406	\$55,724	\$53,009	\$26,958	\$6,219
Revised Corporate Overhead	430,378	80,753	63,301	28,168	163,600	130,017	97,371	92,627	47,106	10,867
Change in Calculations	184,082	34,540	27,075	12,048	69,975	55,611	41,648	39,619	20,148	4,648
<b>Effect on Rate Adjustment</b>	<b>1.28%</b>	<b>0.94%</b>	<b>0.94%</b>	<b>0.94%</b>	<b>1.51%</b>	<b>1.51%</b>	<b>1.51%</b>	<b>1.51%</b>	<b>1.51%</b>	<b>1.51%</b>

**50% Cost Share for Regional Service Enhancements**

Waste Connections is offering new service enhancement to the benefit of the City and the Agencies including:

- › Collection of a bulky waste item twice annually from residential accounts at no cost, via clean-up week or voucher program depending on existing program.
- › Once annual exchange of a residential solid waste, recycling, or organics cart per customer account.

Waste Connections has estimated the annual cost of offering these service regionally and is proposing recovery of 50% of the projected costs via the 2025 rate adjustment. The City and Waste Connections have tentatively agreed to this cost sharing as part of the new agreement and for inclusion in the 2025 rates. Waste Connections is proposing the low income discount customer assistance program without a change in rate adjustment.

Table 8, below, shows the effect of including the 50% cost sharing for these two service enhancements into the 2025 rate adjustment. Cost allocations are by percentage of accounts by agency, which is the reason for differences in the effect of rate adjustment by agency.

**Table 8: 50% Cost Share for Service Enhancements**

	San Luis Obispo	Los Osos CSD	Cambria CSD	Cayucos SD	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo CSD	Oceano CSD	Avila CSD
New Annual Cart Exchange	\$26,376	\$9,889	\$7,223	\$3,623	\$11,445	\$7,566	\$8,179	\$7,987	\$3,681	\$320
Bulky Clean-up Enhancements	21,091	7,908	5,776	2,897	9,152	6,050	6,540	6,386	2,944	256
Change in Calculations	47,467	17,797	12,999	6,520	20,597	13,616	14,719	14,373	6,625	576
<b>Effect on Rate Adjustment</b>	<b>0.33%</b>	<b>0.48%</b>	<b>0.45%</b>	<b>0.51%</b>	<b>0.45%</b>	<b>0.37%</b>	<b>0.54%</b>	<b>0.55%</b>	<b>0.50%</b>	<b>0.19%</b>

**Corrections to AB 939 Fees**

Agency fees, which include AB 939 Fees and Franchise Fees, are included as estimates in rate adjustment applications. Because the rate applications are at the company business unit level, and not at the individual agency level, AB 939 fees in the application are allocated to the Agencies in proportion to revenues. However, only the City of San Luis Obispo and Cayucos Sanitary District receive AB 939 Fees – therefore this was corrected in the revised 2025 rate adjustments as shown in Table 9, on the following page. Note that the values for the City of San Luis Obispo also include a correction to Franchise Fee revenues.<sup>2</sup>

<sup>2</sup> Specifically, to remove the 1994 Rate Manual’s approach to “grossing up” the calculated rate adjustment to account for the Franchise Fee by including the projected Franchise Fee payment amounts in the rate adjustment calculation itself. This approach is also recommended for the other Agencies starting with the 2026 rate adjustment.



**Table 9: Corrections to AB 939 Fees**

	San Luis Obispo	Los Osos CSD	Cambria CSD	Cayucos SD	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo CSD	Oceano CSD	Avila CSD
Original Agency Fees	\$362,140	\$5,226	\$4,097	\$1,823	\$-	\$-	\$-	\$-	\$-	\$-
Revised Agency Fees	439,411	-	-	12,754	-	-	-	-	-	-
Change in Calculations	77,271 <sup>3</sup>	(5,226)	(4,097)	10,931	-	-	-	-	-	-
<b>Effect on Rate Adjustment</b>	0.54%	-0.14%	-0.14%	0.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Updated Profit Allowance**

The 1994 Rate Manual, along with the Agencies agreements with Waste Connections, limits allowable profit based on an “operating ratio” of 92% or 93% of allowable collection expenses (not including post-collection disposal, processing or recycling expenses nor agency fees) depending on the agency. A 93% operating ratio is the equivalent of a 7.53% profit margin, and a 92% operating ratio is the equivalent of an 8.7% profit margin.

A key negotiation point between the City and Waste Connections was a change to the profit allowance. Ultimately, after much discussion and negotiation, the City and Waste Connections agreed that the 2025 rate adjustment will include a 9% profit allowance of projected allowable collection costs and in 2026 and thereafter the profit allowance will be 10%. The updated profit allowance is in-keeping with industry standards for solid waste services.

For context, the 2025 profit allowance is approximately 5% of revenues and we estimate that the 2026 profit allowance will be approximately 5.5% of revenues. Table 10, on the following page, shows the effect of changing the profit allowance to 9% of collection costs for all Agencies for the 2025 rate adjustments. Differences in the effect on rate adjustment are due to differences in existing profit allowances by agency, as well as differences in the depreciation, corporate overhead and new service enhancements shown in earlier tables.

<sup>3</sup> Includes adjustment to Franchise Fee to remove “grossing up” method from City’s 2025 rate adjustment calculations.

**Table 10: 9% Profit Allowance on Allowable Collection Costs**

	San Luis Obispo	Los Osos CSD	Cambria CSD	Cayucos SD	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo CSD	Oceano CSD	Avila CSD
Original Profit Allowance	\$641,302	\$188,392	\$170,609	\$65,715	\$227,094	\$180,477	\$135,161	\$111,295	\$65,388	\$15,085
Revised Profit Allowance	768,515	224,623	175,993	78,382	237,649	188,618	141,665	134,797	68,490	15,714
Change in Calculations	127,213	36,231	5,384	12,667	10,555	8,141	6,504	23,502	3,102	629
<b>Effect on Rate Adjustment</b>	<b>0.88%</b>	<b>0.99%</b>	<b>0.19%</b>	<b>0.99%</b>	<b>0.23%</b>	<b>0.22%</b>	<b>0.24%</b>	<b>0.90%</b>	<b>0.23%</b>	<b>0.20%</b>

**Total Revisions for New Rate Adjustment Methodology**

Taken altogether, the revisions to the 2025 rate adjustment result in small increases to the original 2025 rate adjustment calculations. These are shown in Table 11, on the following page, and are also shown in Attachment 2.

Table 11: Overall Revisions to 2025 Rate Adjustments

	San Luis Obispo	Los Osos CSD	Cambria CSD	Cayucos SD	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo CSD	Oceano CSD	Avila CSD
Original 2025 Revenue Calculation	\$15,640,734	\$4,089,595	\$3,228,699	\$1,426,540	\$4,786,646	\$3,804,059	\$2,848,911	\$2,692,832	\$1,378,241	\$317,951
Change in Depreciation	(212,647)	(59,444)	(46,597)	(20,735)	(61,603)	(48,957)	(36,665)	(34,878)	(17,737)	(4,092)
Change in Corporate Overhead	184,082	34,540	27,075	12,048	69,975	55,611	41,648	39,619	20,148	4,648
Enhanced Services	47,467	17,797	12,999	6,520	20,597	13,616	14,719	14,373	6,625	576
Updated Profit Allowance	127,213	36,231	5,384	12,667	10,555	8,141	6,504	23,502	3,102	629
Corrections to AB 939 Fees	77,271	(5,226)	(4,097)	10,931	-	-	-	-	-	-
<b>Revised 2025 Revenue Calculation</b>	<b>15,864,119</b>	<b>4,113,493</b>	<b>3,223,463</b>	<b>1,447,971</b>	<b>4,826,170</b>	<b>3,832,470</b>	<b>2,875,118</b>	<b>2,735,447</b>	<b>1,390,379</b>	<b>319,712</b>
Revenues at Current Rates	14,435,726	3,677,194	2,882,493	1,282,686	4,621,616	3,672,906	2,750,690	2,616,676	1,330,724	306,989
Shortfall	(1,428,393)	(436,299)	(340,970)	(165,285)	(204,554)	(159,564)	(124,428)	(118,771)	(59,655)	(12,724)
<b>Revised 2025 Rate Adjustment<sup>4</sup></b>	<b>9.89%</b>	<b>13.18%</b>	<b>12.59%</b>	<b>14.32%</b>	<b>4.92%</b>	<b>4.82%</b>	<b>5.02%</b>	<b>5.04%</b>	<b>4.98%</b>	<b>4.60%</b>

### Proportionality in Cost of Service

R3 analyzed the 2025 rate adjustments for adequacy with respect to the cost-of-service requirements of Proposition 218. Because the base year rate adjustment methodology is based on the documented cost of provided solid waste services as expressed in Waste Connections’ audited financial statements, we find that the current and proposed solid waste service rates will generate revenues sufficient to cover the cost-of-providing service plus a reasonable profit allowance commensurate with normal expectations in the solid waste industry.

R3 also analyzed the proposed solid waste service rates for adequacy with respect to proportionate allocation of costs among solid waste service customers. R3 found that the current (and thus also

<sup>4</sup> Rate adjustments shown include grossing up for franchise fees per 1994 Rate Manual methodology, except for San Luis Obispo.

proposed) solid waste rate structure proportionately allocates costs to service types and container sizes based on the relative differences in cost associated with the types of services provided to customers.

For example, for customers subscribing to 60- or 90-gallon cart solid waste service, the per-gallon cost-of-service for those subscribed to the larger container size (90-gallons) is proportionately less than those subscribed to the smaller container size (60-gallons). This is because solid waste service is comprised of both fixed and variable costs, with the fixed cost portion being for the cost of collection (labor, fuel, capital equipment, and other shared costs) as well as the costs related to post-collection disposal, processing, recycling and composting. Thus, the cost-of-service for the larger container size (90-gallons) has a lesser proportion of fixed costs to variable costs compared to the smaller (60-gallon) container size.

### Factors Affecting 2025 Rate Adjustments

Overall, for the Agencies and the three Waste Connections business units, the 2025 rate adjustments reflect an 8.12% increase in revenues to meet increased costs and revised profit allowances. The largest contributors to the overall increase are:

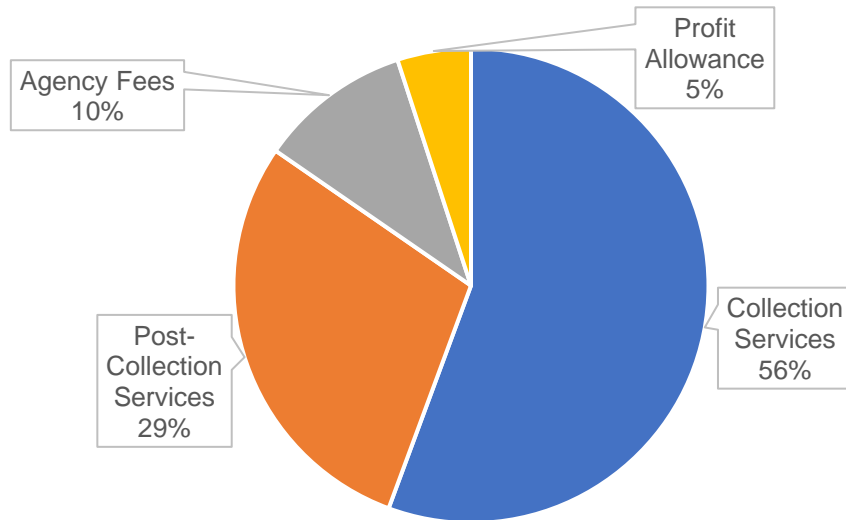
- › **Increases in organics processing costs** – Third-party costs for the organic waste post-collection processing facility operated by the company formerly named Hitachi Zosen INOVA, and which are not within Waste Connections' control, have doubled since 2022. The change in cost is the result of changes in facility capital and operating costs.
- › **Increases in landfill disposal costs** – Related party costs for landfill waste disposal at Cold Canyon have remained flat since 2016. The 2025 rate adjustment reflects a market adjustment to these costs, from a per ton tipping fee of \$41 per ton (in place since 2016) to a per ton tipping fee of \$70. Waste Connections provided market comparison demonstrating the applicability of the \$70 per ton market tipping fee.

Other factors play minor roles in the 2025 rate adjustment:

- › **Collection costs including labor, vehicles, operating expenses and overhead** – These costs are increasing in proportion to the Consumer Price Index and are projected to increase by 3.20% in 2024 and 4.21% for 2025.
- › **Agency fees** – These costs are mostly proportionate to changes in rates and are projected to increase by 2.22% in 2024 and 3.30% in 2025.

Overall, collection services comprise the single largest component overall rate funded expenses, at 56% of total rate revenues. Post-collection services are the next largest component of rate funding, at 29% of total rate revenues. Agency fees comprise 10% of rate revenues and profit allowance comprises 5% of rate revenues. This is demonstrated in Chart 5, on the following page.

Chart 5: Summary Components of 2025 Rate Revenues



## New Rate Adjustment Methodology

The City and Waste Connections negotiated a new methodology for adjusting rates starting in 2026, which are summarized below. R3 is preparing an exhibit to the City’s new agreement with Waste Connections that will further detail the terms and conditions of the new methodology in accordance with the following points, which have been tentatively agreed to by the parties. The exhibit will be finalized and ready for distribution to the Agencies on or around November 18, 2024. It is recommended that the Agencies bring forward the exhibit as an amendment to their agreements with Waste Connections when considering the 2025 rate adjustments, which is anticipated to occur in January 2025.

The features of the new methodology include:

- › **CPI Adjustments:** Starting in 2026, rate adjustments will be based on the Garbage and Trash CPI, with a floor of 2% and a cap of 5%. Amounts under 2% or over 5% will carry forward. The CPI adjustment will apply to Waste Connections’ collection and post-collection cost centers. The proposed CPI is the Consumer Price Index for all Urban Consumers for Garbage and Trash in the United States, all City average. Details and prior results for this CPI are included in Attachment 3. This is the same CPI used by Waste Connections in preparing its 2025 base year application.
- › **Updated Profit Allowance:** As stated previously, the 2025 rate adjustment includes a 9% profit allowance of projected collection costs. The City and Waste Connections have tentatively agreed that, in 2026 and thereafter, the profit allowance will be 10% of collection costs.
- › **Revenue Balancing Mechanism:** Starting in 2027, adjustments to rates will account for shortfalls or surpluses in Waste Connections’ actual revenues compared to projected revenues from prior years. For example, if Waste Connections’ 2025 revenues exceed projections, the amount of surplus revenues will be credited to the rates in 2027 (and vice versa), achieving fairness in compensation and rates for the company and for ratepayers. Such adjustments would take place annually and will be independent of the CPI cap and floor noted above.
- › **Less Frequent Cost-Based Adjustments:** Currently, solid waste rates are adjusted based on the 1994 Rate Manual every three years on Waste Connections’ costs. Via the new methodology,

cost-based adjustments would occur a maximum of every five years, and only if requested by Waste Connections or the City. The first opportunity for a cost-based adjustment will be for the 2030 rate year. If neither Waste Connections nor the City request a cost-based adjustment, then the CPI adjustment approach will be applied. Cost-based adjustments will be based on Waste Connections' consolidated audited financial statements for the region. Timeframes for cost-based adjustment application and review process will be ample, such that the City will have sufficient time for review and approval processes and such that the potential for delay in implementation is minimized.

- › **Extraordinary Adjustments:** The California Air Resources Board (CARB) Advanced Clean Fleets (ACF) regulation is requiring all solid waste collection trucks to be zero emissions in 2042. This includes a phased in plan to get the percentage of the fleet to be zero emission vehicle (ZEV) with 10% by 2030, 25% by 2033, 50% by 2036, 75% by 2039 and 100% by 2042. During CPI Adjustment years, Waste Connections may request extraordinary rate adjustments due to changes in law affecting collection operations, including for compliance with CARB's ACF zero emission mandate (which may necessitate change to depreciation schedules). The City may, but is not obligated to, consider requests for extraordinary rate adjustments due to changes in law affecting post-collection operations. Requests for extraordinary change are subject to good faith meet and confer negotiations between City and Waste Connections.

### Example Calculations for 2026 through 2029

R3 has prepared example calculations of projected rate adjustments for 2026 through 2029 based on the tentatively agreed to terms and conditions outlined above (including adjustment to 10% profit allowance on collection services starting in 2026). Table 12, below, demonstrates this example for the City of San Luis Obispo, and Attachment 4 provides examples for all Agencies. Note that the example in Table 12 and Attachment 4 includes the following assumptions:

- › CPI at the 5% cap (note that CPI below the 5% cap will result in lower rate adjustments)
- › Revenue reconciliation at 1% below annual rate revenue projections (note that amounts above rate revenue projections will offset rate adjustments, not add to them).
- › Discontinuance of the prior Franchise Fee grossing method on rate adjustment for all Agencies starting in 2026.

**Table 12: Example Calculation of New Rate Methodology for the City of San Luis Obispo**

	2025	2026	2027	2028	2029
Collection Services	\$8,539,055	\$8,966,008	\$9,414,308	\$9,885,024	\$10,379,275
Profit Allowance	768,515	896,601	941,431	988,502	1,037,927
Post-Collection Services	4,602,096	4,832,201	5,073,811	5,327,501	5,593,876
Franchise Fee	1,586,412	1,675,695	1,777,106	1,866,072	1,959,572
AB 939 Fee	368,041	386,443	405,765	426,053	447,356
Revenue Reconciliation Example	N/A	N/A	158,641	167,569	177,711
<b>Total Revenues</b>	<b>15,864,119</b>	<b>16,756,947</b>	<b>17,771,062</b>	<b>18,660,722</b>	<b>19,595,717</b>
<b>Indexed Rate Adjustment</b>		<b>5.63%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>

## Attachment 1: Summary of Waste Connections' Original 2025 Rate Application Calculations

Category		San Luis Garbage Company (SLG)	Mission Country Disposal (MCD)			South County Sanitary Service (SCSS)					
		San Luis Obispo	Los Osos	Cambria	Cayucos	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo	Oceano	Avila
Current Revenues	Single Family Residential	\$ 5,282,964	\$ 2,795,167	\$ 2,201,010	\$ 987,376	\$ 2,379,516	\$ 1,598,158	\$ 1,580,148	\$ 1,570,029	\$ 684,117	\$ 91,446
	Multi-Family Dumpsters	2,556,077	-	-	-	-	-	-	-	-	-
	Non-Residential Carts	729,282	100,710	77,805	33,710	256,857	237,767	134,053	119,843	74,076	24,711
	Non-Residential Dumpsters	5,846,777	776,244	599,701	259,830	1,979,781	1,832,640	1,033,238	923,712	570,958	190,469
	<b>Total Rate Revenue</b>	<b>14,415,100</b>	<b>3,672,121</b>	<b>2,878,516</b>	<b>1,280,916</b>	<b>4,616,154</b>	<b>3,668,565</b>	<b>2,747,439</b>	<b>2,613,584</b>	<b>1,329,151</b>	<b>306,626</b>
Other Income (Allocated)	20,626	5,073	3,977	1,770	5,462	4,341	3,251	3,092	1,573	363	
<b>Total Current Revenues</b>		<b>14,435,726</b>	<b>3,677,194</b>	<b>2,882,493</b>	<b>1,282,686</b>	<b>4,621,616</b>	<b>3,672,906</b>	<b>2,750,690</b>	<b>2,616,676</b>	<b>1,330,724</b>	<b>306,989</b>
Collection Services	Labor	3,658,710	1,042,706	817,360	363,719	1,113,222	884,704	662,567	630,287	320,535	73,945
	Depreciation	1,338,367	376,989	295,515	131,502	398,063	316,350	236,919	225,376	114,616	26,441
	Insurance	1,124,499	316,418	248,035	110,374	329,978	262,241	196,396	186,828	95,012	21,919
	Other G&A	976,729	282,701	221,605	98,612	304,307	241,840	181,117	172,293	87,621	20,213
	Fuel	754,387	321,408	251,946	112,114	254,951	202,616	151,742	144,349	73,409	16,935
	Maintenance	421,166	116,487	91,312	40,633	117,432	93,326	69,893	66,488	33,813	7,800
	Corporate Overhead	246,296	46,213	36,226	16,120	93,625	74,406	55,724	53,009	26,958	6,219
	<b>Total Collection Services</b>	<b>8,520,154</b>	<b>2,502,921</b>	<b>1,961,999</b>	<b>873,074</b>	<b>2,611,578</b>	<b>2,075,482</b>	<b>1,554,357</b>	<b>1,478,629</b>	<b>751,964</b>	<b>173,473</b>
Post-Collection & Affiliated Party Services	Garbage Landfilling	2,408,278	349,264	273,782	121,631	508,314	403,969	302,538	287,798	146,361	33,765
	Organics Processing	1,108,784	477,019	373,927	166,395	660,852	525,194	393,325	374,162	190,282	43,897
	Recyclables Processing	916,880	173,112	135,700	60,385	270,385	214,881	160,927	153,087	77,853	17,960
	Affiliated Party Costs	168,154	57,121	44,776	19,925	46,128	36,659	27,455	26,117	13,282	3,064
	<b>Total Post-Collection &amp; Affiliated Party Services</b>	<b>4,602,096</b>	<b>1,056,516</b>	<b>828,185</b>	<b>368,536</b>	<b>1,485,678</b>	<b>1,180,703</b>	<b>884,245</b>	<b>841,165</b>	<b>427,778</b>	<b>98,686</b>
Pass-Through Services	Franchise Fee	1,515,042	336,540	263,809	117,393	462,296	367,397	275,149	261,744	133,111	30,708
	AB 939 Fee	362,140	5,226	4,097	1,823	-	-	-	-	-	-
<b>Total Pass-Through Services</b>		<b>1,877,182</b>	<b>341,766</b>	<b>267,905</b>	<b>119,216</b>	<b>462,296</b>	<b>367,397</b>	<b>275,149</b>	<b>261,744</b>	<b>133,111</b>	<b>30,708</b>
<b>Total Compensation for Services</b>		<b>14,999,432</b>	<b>3,901,203</b>	<b>3,058,090</b>	<b>1,360,825</b>	<b>4,559,552</b>	<b>3,623,582</b>	<b>2,713,750</b>	<b>2,581,537</b>	<b>1,312,853</b>	<b>302,866</b>
Allowed Operating Margin		641,302	188,392	170,609	65,715	227,094	180,477	135,161	111,295	65,388	15,085
<b>Total Revenue Requirement</b>		<b>15,640,734</b>	<b>4,089,595</b>	<b>3,228,699</b>	<b>1,426,540</b>	<b>4,786,646</b>	<b>3,804,059</b>	<b>2,848,911</b>	<b>2,692,832</b>	<b>1,378,241</b>	<b>317,951</b>
Surplus (Shortfall)		(1,205,008)	(412,401)	(346,206)	(143,854)	(165,030)	(131,153)	(98,222)	(76,155)	(47,518)	(10,962)
Calculated Adjustment to Rate Revenues		8.36%	11.22%	12.01%	11.22%	3.57%	3.57%	3.57%	2.91%	3.57%	3.57%
Grossing up for Franchise Fees		9.29%	12.47%	12.78%	12.47%	3.97%	3.97%	3.97%	3.23%	3.76%	3.97%

## Attachment 2: Summary of Revised 2025 Rate Application Calculations

Category	San Luis Garbage Company (SLG)	Mission Country Disposal (MCD)			South County Sanitary Service (SCSS)						
	San Luis Obispo	Los Osos	Cambria	Cayucos	Arroyo Grande	Pismo Beach	Grover Beach	Nipomo	Oceano	Avila	
Current Revenues	Single Family Residential	\$ 5,282,964	\$ 2,795,167	\$ 2,201,010	\$ 987,376	\$ 2,379,516	\$ 1,598,158	\$ 1,580,148	\$ 1,570,029	\$ 684,117	\$ 91,446
	Multi-Family Dumpsters	2,556,077	-	-	-	-	-	-	-	-	-
	Non-Residential Carts	729,282	100,710	77,805	33,710	256,857	237,767	134,053	119,843	74,076	24,711
	Non-Residential Dumpsters	5,846,777	776,244	599,701	259,830	1,979,781	1,832,640	1,033,238	923,712	570,958	190,469
	<b>Total Rate Revenue</b>	<b>14,415,100</b>	<b>3,672,121</b>	<b>2,878,516</b>	<b>1,280,916</b>	<b>4,616,153</b>	<b>3,668,565</b>	<b>2,747,439</b>	<b>2,613,584</b>	<b>1,329,152</b>	<b>306,626</b>
Other Income (Allocated)	20,626	5,073	3,977	1,770	5,462	4,341	3,251	3,092	1,573	363	
<b>Total Current Revenues</b>	<b>14,435,726</b>	<b>3,677,194</b>	<b>2,882,493</b>	<b>1,282,686</b>	<b>4,621,615</b>	<b>3,672,905</b>	<b>2,750,689</b>	<b>2,616,676</b>	<b>1,330,724</b>	<b>306,989</b>	
Collection Services	Labor	3,658,710	1,042,706	817,360	363,719	1,113,222	884,704	662,567	630,287	320,536	73,945
	Depreciation	1,125,720	317,545	248,918	110,766	336,460	267,393	200,254	190,498	96,879	22,348
	Insurance	1,124,499	316,418	248,035	110,374	329,978	262,241	196,396	186,828	95,012	21,919
	Other G&A	1,024,196	300,498	234,604	105,132	324,904	255,456	195,836	186,866	94,246	20,789
	Fuel	754,387	321,408	251,946	112,114	254,951	202,616	151,742	144,349	73,409	16,935
	Maintenance	421,167	116,487	91,312	40,633	117,431	93,326	69,893	66,488	33,813	7,800
	Corporate Overhead	430,378	80,753	63,301	28,168	163,600	130,017	97,371	92,627	47,106	10,867
<b>Total Collection Services</b>	<b>8,539,055</b>	<b>2,495,814</b>	<b>1,955,476</b>	<b>870,906</b>	<b>2,640,547</b>	<b>2,095,751</b>	<b>1,574,059</b>	<b>1,497,742</b>	<b>761,000</b>	<b>174,605</b>	
Post-Collection & Affiliated Party Services	Garbage Landfilling	2,408,278	349,264	273,782	121,631	508,314	403,969	302,538	287,798	146,361	33,765
	Organics Processing	1,108,784	477,019	373,927	166,395	660,852	525,194	393,325	374,162	190,282	43,897
	Recyclables Processing	916,880	173,112	135,700	60,385	270,385	214,881	160,927	153,087	77,853	17,960
	Affiliated Party Costs	168,154	57,121	44,776	19,925	46,128	36,659	27,455	26,117	13,282	3,064
<b>Total Post-Collection &amp; Affiliated Party Services</b>	<b>4,602,096</b>	<b>1,056,516</b>	<b>828,185</b>	<b>368,536</b>	<b>1,485,678</b>	<b>1,180,703</b>	<b>884,245</b>	<b>841,164</b>	<b>427,779</b>	<b>98,686</b>	
Pass-Through Services	Franchise Fee	1,586,412	336,540	263,809	117,393	462,296	367,397	275,149	261,744	133,111	30,708
	AB 939 Fee	368,041	-	-	12,754	-	-	-	-	-	-
<b>Total Pass-Through Services</b>	<b>1,954,453</b>	<b>336,540</b>	<b>263,809</b>	<b>130,147</b>	<b>462,296</b>	<b>367,397</b>	<b>275,149</b>	<b>261,744</b>	<b>133,111</b>	<b>30,708</b>	
<b>Total Compensation for Services</b>	<b>15,095,604</b>	<b>3,888,870</b>	<b>3,047,470</b>	<b>1,369,589</b>	<b>4,588,521</b>	<b>3,643,852</b>	<b>2,733,452</b>	<b>2,600,650</b>	<b>1,321,890</b>	<b>303,998</b>	
<b>Allowed Operating Margin</b>	<b>768,515</b>	<b>224,623</b>	<b>175,993</b>	<b>78,382</b>	<b>237,649</b>	<b>188,618</b>	<b>141,665</b>	<b>134,797</b>	<b>66,490</b>	<b>15,714</b>	
<b>Total Revenue Requirement</b>	<b>15,864,119</b>	<b>4,113,493</b>	<b>3,223,463</b>	<b>1,447,971</b>	<b>4,826,170</b>	<b>3,832,470</b>	<b>2,875,117</b>	<b>2,735,447</b>	<b>1,390,380</b>	<b>319,712</b>	
<b>Surplus (Shortfall)</b>	<b>(1,428,393)</b>	<b>(436,299)</b>	<b>(340,970)</b>	<b>(165,285)</b>	<b>(204,555)</b>	<b>(159,564)</b>	<b>(124,428)</b>	<b>(118,771)</b>	<b>(59,655)</b>	<b>(12,724)</b>	
<b>Calculated Adjustment to Rate Revenues</b>	9.89%	11.86%	11.83%	12.89%	4.43%	4.34%	4.52%	4.54%	4.48%	4.14%	
<b>Grossing up for Franchise Fees</b>		13.18%	12.59%	14.32%	4.92%	4.82%	5.02%	5.04%	4.98%	4.60%	
<b>Profit Margin on Collection Services (2025)</b>	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	
<b>Franchise Fee</b>	10.0%	10.0%	6.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
<b>Change to Original Rate Application</b>	0.60%	0.71%	-0.19%	1.85%	0.95%	0.85%	1.05%	1.81%	1.22%	0.63%	



## ATTACHMENT 3

**Consumer Price Index for All Urban Consumers (CPI-U)**  
**Original Data Value**

**Series Id:** CUUR0000SEHG02  
**Not Seasonally Adjusted**  
**Series Title:** Garbage and trash collection in U.S. city average, all  
**Area:** U.S. city average  
**Item:** Garbage and trash collection  
**Base Period:** DECEMBER 1983=100  
**Years:** 2014 to 2024

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	HALF1	HALF2	Annual Change
2014	422.440	422.483	423.413	425.393	425.242	425.930	426.562	426.771	427.327	427.995	427.808	428.187			
2015	427.734	429.248	429.235	429.807	431.234	430.813	431.229	432.967	433.843	434.829	436.428	436.996			1.46%
2016	437.205	438.296	437.699	437.676	438.317	437.858	438.607	439.358	439.707	440.311	443.343	444.745			1.71%
2017	446.266	447.699	446.987	447.129	447.272	448.046	448.328	448.717	449.008	452.196	453.820	453.596			2.20%
2018	453.354	454.915	455.230	458.722	462.887	465.041	465.579	470.457	471.026	472.535	486.650	485.935	458.358	475.364	3.96%
2019	475.687	477.474	478.569	479.449	480.865	480.984	482.138	483.987	484.346	486.133	486.485	486.708	478.838	484.966	3.22%
2020	491.003	494.429	495.288	494.432	494.946	496.679	498.564	500.882	501.756	503.315	504.970	508.190	494.463	502.946	3.49%
2021	512.722	517.270	518.505	518.579	516.440	517.202	521.185	524.408	529.934	530.114	529.053	532.538	516.786	527.872	4.74%
2022	533.078	538.313	540.719	542.564	544.546	547.554	548.187	548.706	558.254	561.090	563.816	565.185	541.129	557.540	5.17%
2023	570.412	575.697	576.773	580.124	587.431	589.812	596.167	597.347	596.997	597.569	601.631	602.164	580.042	598.646	7.28%
2024	606.773	610.551	610.015	611.073	609.538	611.946	614.089	615.880					609.983		3.71%
<b>10-Year Average</b>															
3.69%															

## Attachment 4 - Indexed Rate Adjustment Methodology Example Calculations

		Example CPI	5%	5%	5%	5%
<b>San Luis Obispo</b>						
	2025	2025	2026	2027	2028	2029
Collection Services	\$ 8,539,055	\$ 8,539,055	\$ 8,966,008	\$ 9,414,308	\$ 9,885,024	\$ 10,379,275
Profit Allowance	768,515	768,515	896,601	941,431	988,502	1,037,927
Post-Collection Services	4,602,096	4,602,096	4,832,201	5,073,811	5,327,501	5,593,876
Franchise Fee	1,586,412	1,586,412	1,675,695	1,777,106	1,866,072	1,959,572
AB 939 Fee	368,041	368,041	386,443	405,765	426,053	447,356
Revenue Reconciliation Example	N/A	N/A	N/A	158,641	167,569	177,711
<b>Total Revenues</b>	<b>15,864,119</b>	<b>15,864,119</b>	<b>16,756,947</b>	<b>17,771,062</b>	<b>18,660,722</b>	<b>19,595,717</b>
<b>Indexed Rate Adjustment</b>			5.63%	6.05%	5.01%	5.01%
Revenue Surplus (Shortfall) Example	-1%	(158,641)	(167,569)	(177,711)	(186,607)	(195,957)

<b>Arroyo Grande</b>						
	2025	2025	2026	2027	2028	2029
Collection Services	\$ 2,640,547	\$ 2,640,547	\$ 2,772,575	\$ 2,911,203	\$ 3,056,763	\$ 3,209,602
Profit Allowance	237,649	237,649	277,257	291,120	305,676	320,960
Post-Collection Services	1,485,678	1,485,678	1,559,962	1,637,960	1,719,858	1,805,851
Franchise Fee	462,296	484,875	512,199	543,197	570,391	598,970
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	48,487	51,220	54,320
<b>Total Revenues</b>	<b>4,826,170</b>	<b>4,848,749</b>	<b>5,121,993</b>	<b>5,431,968</b>	<b>5,703,909</b>	<b>5,989,703</b>
<b>Indexed Rate Adjustment</b>			5.64%	6.05%	5.01%	5.01%
Revenue Surplus (Shortfall) Example	-1%	(48,487)	(51,220)	(54,320)	(57,039)	(59,897)

<b>Los Osos CSD</b>						
	2025	2025	2026	2027	2028	2029
Collection Services	\$ 2,495,814	\$ 2,495,814	\$ 2,620,605	\$ 2,751,635	\$ 2,889,217	\$ 3,033,677
Profit Allowance	224,623	224,623	262,060	275,163	288,922	303,368
Post-Collection Services	1,056,516	1,056,516	1,109,341	1,164,808	1,223,049	1,284,201
Franchise Fee	336,540	419,661	443,556	470,397	493,949	518,698
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	41,966	44,356	47,040
<b>Total Revenues</b>	<b>4,113,493</b>	<b>4,196,613</b>	<b>4,435,563</b>	<b>4,703,970</b>	<b>4,939,492</b>	<b>5,186,984</b>
<b>Indexed Rate Adjustment</b>			5.69%	6.05%	5.01%	5.01%
Revenue Surplus (Shortfall) Example	-1%	(41,966)	(44,356)	(47,040)	(49,395)	(51,870)

<b>Pismo Beach</b>						
	2025	2025	2026	2027	2028	2029
Collection Services	\$ 2,095,751	\$ 2,095,751	\$ 2,200,539	\$ 2,310,566	\$ 2,426,094	\$ 2,547,399
Profit Allowance	188,618	188,618	220,054	231,057	242,609	254,740
Post-Collection Services	1,180,703	1,180,703	1,239,738	1,301,725	1,366,811	1,435,152
Franchise Fee	367,397	385,008	406,703	431,316	452,909	475,602
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	38,501	40,670	43,132
<b>Total Revenues</b>	<b>3,832,470</b>	<b>3,850,080</b>	<b>4,067,035</b>	<b>4,313,165</b>	<b>4,529,095</b>	<b>4,756,025</b>
<b>Indexed Rate Adjustment</b>			5.64%	6.05%	5.01%	5.01%
Revenue Surplus (Shortfall) Example	-1%	(38,501)	(40,670)	(43,132)	(45,291)	(47,560)

**Cambria CSD**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 1,955,476	\$ 1,955,476	\$ 2,053,250	\$ 2,155,912	\$ 2,263,708	\$ 2,376,894
Profit Allowance	175,993	175,993	205,325	215,591	226,371	237,689
Post-Collection Services	828,185	828,185	869,595	913,074	958,728	1,006,664
Franchise Fee	263,809	188,914	199,670	211,664	222,261	233,395
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	31,486	33,278	35,277
<b>Total Revenues</b>	<b>3,223,463</b>	<b>3,148,569</b>	<b>3,327,840</b>	<b>3,527,727</b>	<b>3,704,346</b>	<b>3,889,920</b>
<b>Indexed Rate Adjustment</b>			<b>5.69%</b>	<b>6.01%</b>	<b>5.01%</b>	<b>5.01%</b>
<i>Revenue Surplus (Shortfall) Example</i>	<i>-1%</i>	<i>(31,486)</i>	<i>(33,278)</i>	<i>(35,277)</i>	<i>(37,043)</i>	<i>(38,899)</i>

**Grover Beach**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 1,574,059	\$ 1,574,059	\$ 1,652,762	\$ 1,735,400	\$ 1,822,170	\$ 1,913,278
Profit Allowance	141,665	141,665	165,276	173,540	182,217	191,328
Post-Collection Services	884,245	884,245	928,457	974,880	1,023,624	1,074,805
Franchise Fee	275,149	288,885	305,166	323,634	339,836	356,864
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	28,889	30,517	32,363
<b>Total Revenues</b>	<b>2,875,117</b>	<b>2,888,854</b>	<b>3,051,661</b>	<b>3,236,343</b>	<b>3,398,364</b>	<b>3,568,639</b>
<b>Indexed Rate Adjustment</b>			<b>5.64%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>
<i>Revenue Surplus (Shortfall) Example</i>	<i>-1%</i>	<i>(28,889)</i>	<i>(30,517)</i>	<i>(32,363)</i>	<i>(33,984)</i>	<i>(35,686)</i>

**Nipomo CSD**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 1,497,742	\$ 1,497,742	\$ 1,572,629	\$ 1,651,261	\$ 1,733,824	\$ 1,820,515
Profit Allowance	134,797	134,797	157,263	165,126	173,382	182,051
Post-Collection Services	841,164	841,164	883,223	927,384	973,753	1,022,441
Franchise Fee	261,744	274,856	290,346	307,917	323,333	339,533
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	27,486	29,035	30,792
<b>Total Revenues</b>	<b>2,735,447</b>	<b>2,748,559</b>	<b>2,903,461</b>	<b>3,079,173</b>	<b>3,233,326</b>	<b>3,395,332</b>
<b>Indexed Rate Adjustment</b>			<b>5.64%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>
<i>Revenue Surplus (Shortfall) Example</i>	<i>-1%</i>	<i>(27,486)</i>	<i>(29,035)</i>	<i>(30,792)</i>	<i>(32,333)</i>	<i>(33,953)</i>

**Oceano CSD**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 761,000	\$ 761,000	\$ 799,050	\$ 839,002	\$ 880,953	\$ 925,000
Profit Allowance	68,490	68,490	79,905	83,900	88,095	92,500
Post-Collection Services	427,779	427,779	449,168	471,626	495,207	519,968
Franchise Fee	133,111	139,697	147,569	156,500	164,335	172,569
AB 939 Fee	-	-	-	-	-	-
Revenue Reconciliation Example	N/A	N/A	N/A	13,970	14,757	15,650
<b>Total Revenues</b>	<b>1,390,380</b>	<b>1,396,966</b>	<b>1,475,692</b>	<b>1,564,998</b>	<b>1,643,347</b>	<b>1,725,686</b>
<b>Indexed Rate Adjustment</b>			<b>5.64%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>
<i>Revenue Surplus (Shortfall) Example</i>	<i>-1%</i>	<i>(13,970)</i>	<i>(14,757)</i>	<i>(15,650)</i>	<i>(16,433)</i>	<i>(17,257)</i>

**Cayucos SD**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 870,906	\$ 870,906	\$ 914,452	\$ 960,174	\$ 1,008,183	\$ 1,058,592
Profit Allowance	78,382	78,382	91,445	96,017	100,818	105,859
Post-Collection Services	368,536	368,536	386,962	406,311	426,626	447,957
Franchise Fee	117,393	147,842	156,250	165,705	174,002	182,720
AB 939 Fee	12,754	12,754	13,392	14,061	14,764	15,503
<b>Revenue Reconciliation Example</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>14,784</b>	<b>15,625</b>	<b>16,571</b>
<b>Total Revenues</b>	<b>1,447,971</b>	<b>1,478,420</b>	<b>1,562,501</b>	<b>1,657,053</b>	<b>1,740,019</b>	<b>1,827,202</b>
<b>Indexed Rate Adjustment</b>			<b>5.69%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>
<b>Revenue Surplus (Shortfall) Example</b>	<b>-1%</b>	<b>(14,784)</b>	<b>(15,625)</b>	<b>(16,571)</b>	<b>(17,400)</b>	<b>(18,272)</b>

**Avila Beach CSD**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 174,605	\$ 174,605	\$ 183,335	\$ 192,502	\$ 202,127	\$ 212,234
Profit Allowance	15,714	15,714	18,334	19,250	20,213	21,223
Post-Collection Services	98,686	98,686	103,620	108,801	114,241	119,953
Franchise Fee	30,708	32,112	33,921	35,974	37,775	39,667
AB 939 Fee	-	-	-	-	-	-
<b>Revenue Reconciliation Example</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3,211</b>	<b>3,392</b>	<b>3,597</b>
<b>Total Revenues</b>	<b>319,712</b>	<b>321,117</b>	<b>339,210</b>	<b>359,738</b>	<b>377,748</b>	<b>396,675</b>
<b>Indexed Rate Adjustment</b>			<b>5.63%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>
<b>Revenue Surplus (Shortfall) Example</b>	<b>-1%</b>	<b>(3,211)</b>	<b>(3,392)</b>	<b>(3,597)</b>	<b>(3,777)</b>	<b>(3,967)</b>

**Total**

	2025	2025	2026	2027	2028	2029
Collection Services	\$ 22,604,956	\$ 22,604,956	\$ 23,735,204	\$ 24,921,964	\$ 26,168,062	\$ 27,476,465
Profit Allowance	2,034,446	2,034,446	2,373,520	2,492,196	2,616,806	2,747,647
Post-Collection Services	11,773,587	11,773,587	12,362,266	12,980,380	13,629,399	14,310,869
Franchise Fee	3,834,558	3,948,262	4,171,077	4,423,411	4,644,863	4,877,591
AB 939 Fee	380,795	380,795	399,835	419,826	440,818	462,859
<b>Revenue Reconciliation Example</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>407,420</b>	<b>430,419</b>	<b>456,452</b>
<b>Total Revenues</b>	<b>40,628,342</b>	<b>40,742,046</b>	<b>43,041,902</b>	<b>45,645,198</b>	<b>47,930,367</b>	<b>50,331,883</b>
<b>Indexed Rate Adjustment</b>			<b>5.65%</b>	<b>6.05%</b>	<b>5.01%</b>	<b>5.01%</b>
<b>Revenue Surplus (Shortfall) Example</b>	<b>-1%</b>	<b>(407,420)</b>	<b>(430,419)</b>	<b>(456,452)</b>	<b>(479,304)</b>	<b>(503,319)</b>



# CAYUCOS SANITARY DISTRICT STAFF REPORT



**TO:** BOARD OF DIRECTORS

**FROM:** RICK KOON, DISTRICT MANAGER

**DATE:** NOVEMBER 14, 2023

**SUBJECT:** DISCUSSION AND CONSIDERATION TO ADOPT RESOLUTIONS 2024-06 AND 2024-07 ACCEPTING THE PROPERTY TAX ALLOCATION RATE OF 6.7524% FROM THE COUNTY OF SAN LUIS OBISPO FOR ANNEXATIONS 19 AND 20, RESPECTIVELY

## DISCUSSION

Staff has worked with County staff to determine the Property Tax Allocation Rate for Annexations 19 (Valley) and 20 (Stanley) into the District. The County originally proposed 0% based on a 2017 policy approved by the Board of Supervisors which does not allow the subsidizing of Special Districts, or a negative impact to the County's General Fund.

In discussions with staff, the County presented several models showing county-wide per capita costs vs. county per capita revenue. Staff maintained that these models did not fairly represent the per capita costs vs. revenue ratios for Cayucos.

Currently, the County is developing a standardized model to become a policy for approval by the Board of Supervisors. In the interim the County Board of Supervisors has approved staff's requested weighted average Tax Rate Allocation of 6.7524% for Annexations 19 and 20.

## RECOMMENDATION

Staff recommends that the Board of Directors adopt Resolutions 2024-06 and 2024-07 accepting the Property Tax Allocation Rate of 6.7524% from the County of San Luis Obispo for Annexations 19 and 20, respectively.

**RESOLUTION 2024-06**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE CAYUCOS SANITARY DISTRICT ACCEPTING NEGOTIATED EXCHANGE OF  
PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT BETWEEN THE  
COUNTY OF SAN LUIS OBISPO AND THE CAYUCOS SANITARY DISTRICT**

The following resolution is hereby offered and read:

**WHEREAS**, in the case of a jurisdictional change other than a city incorporation or district formation which will alter the service area or responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that the amount of property tax revenue to be exchanged, if any, and the amount of annual tax increment to be exchanged among the affected local agencies shall be determined by negotiation; and

**WHEREAS**, when a city is involved, the negotiations are conducted between the City Council and the Board of Supervisors of the County; and

**WHEREAS**, when a special district is involved, the negotiations are conducted by the Board of Supervisors of the County on behalf of the district or districts, unless otherwise requested by said district or districts pursuant to Revenue and Taxation Code Section 99(b)(5); and

**WHEREAS**, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and annual tax increment and requires that each local agency transmit a copy of each such resolution to the Executive Officer of the Local Agency Formation Commission; and

**WHEREAS**, no later than the date on which the certificate of completion of the jurisdictional change is recorded with the County Recorder, the Executive Officer shall notify the County Auditor of the exchange of property tax revenues by transmitting a copy of said resolutions to him and the County Auditor shall thereafter make the appropriate adjustments as required by law; and

**WHEREAS**, the negotiations have taken place concerning the transfer of property tax revenues and annual tax increments between the County of San Luis Obispo and the Cayucos Sanitary District pursuant to Section 99(a)(1) for the jurisdictional change designated as Annexation No. 19 to the Cayucos Sanitary District (APN: 064-405-016); and

**WHEREAS**, the negotiating parties, to wit: Rebecca Campbell, Assistant County Administrative Officer, County of San Luis Obispo, on behalf of the County and Rick Koon, District Manager, on behalf of the Cayucos Sanitary District have negotiated the exchange of property tax revenue and annual tax increments between such entities as hereinafter set forth; and

**WHEREAS**, it is in the public interest that such negotiated exchange of property tax revenues and annual tax increments be consummated.

**NOW, THEREFORE BE IT RESOLVED AND ORDERED** by the Board of Directors of the Cayucos Sanitary District, as follows:

1. That the recitals set forth above are true, correct and valid, and are incorporated herein.
2. That the Cayucos Sanitary District agrees to accept the following negotiated exchange of base property tax revenues and annual tax increments.
  - a. No base property tax revenue shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District.
  - b. Annual tax increments shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District in the fiscal year 2025-2026 and each fiscal year thereafter in the amount of 6.78336 percent after Educational Revenue Augmentation Funds (ERAF.)
3. Upon receipt of a certified copy of this Resolution and a copy of the recorded certificate of completion, the County Auditor shall make the appropriate adjustments to property tax revenues and annual tax increments as set forth above.
4. That the Cayucos Sanitary District Clerk is authorized and directed to transmit a certified copy of the Resolution to the Executive Officer of the San Luis Obispo Local Agency Formation Commission, who shall then distribute copies in the manner prescribed by law.

PASSED AND ADOPTED this 21<sup>st</sup> day of November, 2024.

Ayes:  
Nays:  
Absent:  
Abstain:

\_\_\_\_\_  
Robert Enns, President  
Board of Directors

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Rick Koon  
District Manager

\_\_\_\_\_  
Timothy J. Carmel  
District Counsel

**RESOLUTION 2024-07****A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE CAYUCOS SANITARY DISTRICT ACCEPTING NEGOTIATED EXCHANGE OF  
PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT BETWEEN THE  
COUNTY OF SAN LUIS OBISPO AND THE CAYUCOS SANITARY DISTRICT**

The following resolution is hereby offered and read:

**WHEREAS**, in the case of a jurisdictional change other than a city incorporation or district formation which will alter the service area or responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that the amount of property tax revenue to be exchanged, if any, and the amount of annual tax increment to be exchanged among the affected local agencies shall be determined by negotiation; and

**WHEREAS**, when a city is involved, the negotiations are conducted between the City Council and the Board of Supervisors of the County; and

**WHEREAS**, when a special district is involved, the negotiations are conducted by the Board of Supervisors of the County on behalf of the district or districts, unless otherwise requested by said district or districts pursuant to Revenue and Taxation Code Section 99(b)(5); and

**WHEREAS**, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and annual tax increment and requires that each local agency transmit a copy of each such resolution to the Executive Officer of the Local Agency Formation Commission; and

**WHEREAS**, no later than the date on which the certificate of completion of the jurisdictional change is recorded with the County Recorder, the Executive Officer shall notify the County Auditor of the exchange of property tax revenues by transmitting a copy of said resolutions to him and the County Auditor shall thereafter make the appropriate adjustments as required by law; and

**WHEREAS**, the negotiations have taken place concerning the transfer of property tax revenues and annual tax increments between the County of San Luis Obispo and the Cayucos Sanitary District pursuant to Section 99(a)(1) for the jurisdictional change designated as Annexation No. 20 to the Cayucos Sanitary District (APN: 064-405-010); and

**WHEREAS**, the negotiating parties, to wit: Rebecca Campbell, Assistant County Administrative Officer, County of San Luis Obispo, on behalf of the County and Rick Koon, District Manager, on behalf of the Cayucos Sanitary District have negotiated the exchange of property tax revenue and annual tax increments between such entities as hereinafter set forth; and

**WHEREAS**, it is in the public interest that such negotiated exchange of property tax revenues and annual tax increments be consummated.



**NOW, THEREFORE BE IT RESOLVED AND ORDERED** by the Board of Directors of the Cayucos Sanitary District, as follows:

1. That the recitals set forth above are true, correct and valid, and are incorporated herein.
2. That the Cayucos Sanitary District agrees to accept the following negotiated exchange of base property tax revenues and annual tax increments.
  - a. No base property tax revenue shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District.
  - b. Annual tax increments shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District in the fiscal year 2025-2026 and each fiscal year thereafter in the amount of 6.77247 percent after Educational Revenue Augmentation Funds (ERAF.)
3. Upon receipt of a certified copy of this Resolution and a copy of the recorded certificate of completion, the County Auditor shall make the appropriate adjustments to property tax revenues and annual tax increments as set forth above.
4. That the Cayucos Sanitary District Clerk is authorized and directed to transmit a certified copy of the Resolution to the Executive Officer of the San Luis Obispo Local Agency Formation Commission, who shall then distribute copies in the manner prescribed by law.

PASSED AND ADOPTED this 21<sup>st</sup> day of November, 2024.

Ayes:  
Nays:  
Absent:  
Abstain:

\_\_\_\_\_  
Robert Enns, President  
Board of Directors

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Rick Koon  
District Manager

\_\_\_\_\_  
Timothy J. Carmel  
District Counsel



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Rebecca Campbell, Assistant County Administrative Officer  
Lisa Howe, Division Manager  
805-781-5011

DATE: 10/22/2024

SUBJECT: Submittal of a resolution accepting the exchange of property tax revenue and annual tax increment for **Annexation No. 19** to the Cayucos Sanitary District.

### **RECOMMENDATION**

It is recommended that the Board approve the resolution accepting the exchange of property tax revenue and annual tax increment for Annexation No. 19 to the Cayucos Sanitary District.

### **DISCUSSION**

The County Administrative Office received a Notice to Commence Negotiation for Property Tax Revenue for Annexation No. 19 to the Cayucos Sanitary District (District) from the San Luis Obispo Local Agency Formation Commission (LAFCO) on September 29, 2022. This stemmed from a landowner petition of annexation received by LAFCO (file no. 3-R-22 for APN 064-405-016) in order to obtain sanitary sewer service from the District. The project would create a two-level single-family residence on the corner lot of Gilbert Avenue and Chaney Avenue in Cayucos, California.

Jurisdictional changes such as this can change service area responsibilities and/or impact operating expenses and revenues. The law requires affected jurisdictions (in this case, the County and Cayucos Sanitary District) to approve a property tax agreement prior to the LAFCO's approval of the proposed change.

Pursuant to Revenue and Taxation Code §99(b)(3), the Auditor-Controller-Treasurer-Tax Collector's office provided the attached data (Attachment 2) that defines the property tax revenues available for a negotiated exchange of property taxes. The Cayucos Sanitary District provided notice that the agency elected to negotiate on its own behalf pursuant to Revenue and Taxation Code §99.01(a)(3). School taxes are not subject to negotiation per Section §99.02(f)(4).

On November 1, 2022, a resolution was adopted by the Board accepting the negotiated exchange of property tax revenue and annual tax increment between the County of San Luis Obispo and the Cayucos Sanitary District for

Annexation No. 19 showing a zero exchange. At the time the property was under appeal, so the property tax negotiation should have been on hold until the appeal was resolved. The appeal issue has been resolved, so the project is back on track. Therefore, we are returning to the Board to revisit the property tax exchange.

The negotiating parties, to wit: Rebecca Campbell, Assistant County Administrative Officer, County of San Luis Obispo and Rick Koon, District Manager, Cayucos Sanitary District were able to come to an agreement regarding the exchange of property tax revenue and annual tax increment. At this time, staff is recommending the Board adopt the attached resolution approving the following exchange of base property tax revenues and annual tax increments.

*The County of San Luis Obispo agrees to accept the following exchange of base property tax revenues and annual tax increments:*

- a) No base property tax revenue shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District.*
- b) Annual tax increments shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District effective the date the roll year specified by the California Board of Equalization, anticipated fiscal year 2025-26, and each fiscal year thereafter in the amount of 6.78336 percent after Educational Revenue Augmentation Funds (ERAF).*

The recommended property tax exchange is based on the following two principles: (1) that the County should not profit from annexations, nor should annexations result in a net fiscal loss to the County; and (2) that tax exchange practices should not undermine good land use planning by discouraging cities from pursuing logical and appropriate annexations. It is important to note that on April 23, 2019, the Board adopted a policy regarding the funding of independent special districts. Per the policy, "the County shall not subsidize an independent special district with County General Fund monies nor should a property tax exchange result in a net fiscal loss to the County." The Board has subsequently reviewed this policy each year as part of the annual review of its budget goals and policies in advance of the annual budget preparation process.

The Cayucos Sanitary District is not taking over any county-related services as a result of this annexation but will be providing wastewater collection and conveyance services for this property. The Cayucos Sanitary District is requesting to receive the historical district weighted average of 6.78336% (post-ERAF). County staff is recommending the tax rate that the Cayucos Sanitary District has requested.

Due to the Board's policy, "Funding for Independent Special Districts"; staff began working on developing a financial annexation model for all special district annexations in order to calculate the annual-recurring fiscal impact to the County of San Luis Obispo General Fund that would result from the proposed project. Because more time is needed for the development of this model staff is recommending moving forward without that analysis on this project. However, once the financial annexation model for all special district annexations is finalized, staff plans to review it with the Board and will request that the model be used as a tool for future annexations in the County to show the impact to the County for negotiations.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

The LAFCO has the authority to oversee the annexation of property. The property is proposed to be annexed into the Cayucos Sanitary District. Therefore, as one of the affected agencies the Cayucos Sanitary District notified the County that they elected to participate in the tax exchange negotiations. Auditor-Controller-Treasurer-Tax Collector-Public

Administrator's Office provided the financial analysis. County Counsel is also involved to review for form and legal effect.

### **FINANCIAL CONSIDERATIONS**

The County and Cayucos Sanitary District negotiated an agreed upon percent of property tax increment, after the Educational Revenue Augmentation Fund (ERAF) calculation. The County will receive 20.721274% and the Cayucos Sanitary District will receive 6.78336%. There will not be a transfer of base property taxes. This financial agreement is contingent upon approval of the annexation by LAFCO.

### **RESULTS**

To approve a fair and equitable property tax agreement as a result of annexations of property.

### **ATTACHMENTS**

1. Resolution
2. Notice to commence - ACTTCPA - Property Tax Data
3. Map of annexation area

IN THE BOARD OF SUPERVISORS  
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Tuesday, October 22, 2024

**PRESENT:** Supervisors John Peschong, Bruce S. Gibson, Dawn Ortiz-Legg, Jimmy Paulding and Chairperson Debbie Arnold

**ABSENT:** None

**RESOLUTION NO. 2024-240**

**RESOLUTION ACCEPTING EXCHANGE OF  
PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT BETWEEN THE COUNTY OF SAN LUIS OBISPO  
AND THE CAYUCOS SANITARY DISTRICT FOR ANNEXATION NO. 19**

The following resolution is hereby offered and read:

**WHEREAS**, in the case of a jurisdictional change other than a city incorporation or district formation which will alter the service area or responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that a property tax exchange agreement be approved; and

**WHEREAS**, the property tax revenue to be exchanged, if any, and the amount of annual tax increment to be exchanged among the affected local agencies shall be determined by negotiation; and

**WHEREAS**, when a special district is involved, the negotiations are conducted by the Board of Supervisors of the County on behalf of the district or districts, unless otherwise requested by said district or districts pursuant to Revenue and Taxation Code Section 99(b)(5); and

**WHEREAS**, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and transmit a copy of each resolution to the Executive Officer of the Local Agency Formation Commission; and

**WHEREAS**, the negotiations have taken place concerning the transfer or property tax revenues and annual tax increment between the County of San Luis Obispo and the Cayucos Sanitary District pursuant to Section 99(b) for the jurisdictional change designated as LAFCO File 3-R-22: Annexation No. 19 to the Cayucos Sanitary District (Valley); and

**WHEREAS**, the negotiating parties, to wit: Rebecca Campbell, Assistant County Administrative Officer, County of San Luis Obispo and Rick Koon, District Manager, Cayucos Sanitary District were able to

come to an agreement regarding the exchange of property tax revenue and annual tax increment between such entities; and

**WHEREAS**, the Board of Supervisors adopted a policy on April 23, 2019 stating that the County shall not subsidize an independent special district with County General Fund monies nor should a property tax exchange result in a net fiscal loss to the County; and

**WHEREAS**, Rebecca Campbell, Assistant County Administrative Officer is recommending the Board approve the following the exchange of base property tax revenues and annual tax increments as hereinafter set forth;

**NOW, THEREFORE BE IT RESOLVED AND ORDERED** by the Board of Supervisors of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth above are true, correct and valid.
2. That the County of San Luis Obispo agrees to accept the following exchange of base property tax revenues and annual tax increments.

(a) No base property tax revenue shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District.

(b) Annual tax increments shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District effective the date the roll year specified by the California Board of Equalization, anticipated fiscal year 2025-26 and each fiscal year thereafter in the amount of 6.78336 percent after Educational Revenue Augmentation Funds (ERAF).

3. Upon receipt of a certified copy of this resolution and a copy of the recorded certificate of completion, the County Auditor shall make the appropriate adjustments to property tax revenues and annual tax increments as set forth above.

4. That the County Clerk is authorized and directed to transmit a certified copy of the resolution to the Executive Officer of the San Luis Obispo Local Agency Formation Commission, who shall then distribute copies in the manner prescribed by law.

Upon motion of Supervisor Gibson, seconded by Supervisor Ortiz-Legg, and on the following roll call vote, to-wit:

AYES: Supervisors Gibson, Ortiz-Legg, Peschong, Paulding and Chairperson Arnold  
NOES: None  
ABSENT: None  
ABSTAINING: None

The foregoing resolution is hereby adopted:

*Debbie Arnold*

Debbie Arnold  
Chairperson of the Board of Supervisors

ATTEST:

MATTHEW P. PONTES  
Ex-Officio Clerk of the Board of Supervisors

By: *Niki Martin*  
Deputy Clerk

[SEAL]

APPROVED AS TO FORM AND LEGAL EFFECT  
Rita L. Neal  
County Counsel

By: /s/ Jenna Morton  
Chief Deputy County Counsel

Date: October 29, 2024

STATE OF CALIFORNIA        )        ss.  
COUNTY OF SAN LUIS OBISPO)

I, **MATTHEW P. PONTES**, Ex-Officio Clerk of the Board of Supervisors thereof, do hereby certify the foregoing to be a full, true and correct copy of an order entered in the minutes of said Board of Supervisors, and now remaining of record in my office.

Witness, my hand and seal of said Board of Supervisors on October 30, 2024.

**MATTHEW P. PONTES**  
County Administrative Office and  
Ex-Officio Clerk of the Board of Supervisors

By: *Niki Martin*  
Deputy Clerk



## COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Rebecca Campbell, Assistant CAO  
Lisa Howe, Division Manager Administrative Office  
805-781-5011

DATE: 10/22/2024

SUBJECT: Submittal of a resolution accepting the exchange of property tax revenue and annual tax increment for **Annexation No. 20** to the Cayucos Sanitary District.

### **RECOMMENDATION**

It is recommended that the Board approve the resolution accepting the exchange of property tax revenue and annual tax increment for Annexation No. 20 to the Cayucos Sanitary District.

### **DISCUSSION**

This request is associated with Local Agency Formation Commission (LAFCO) Proposal: 3-R-23 Sphere of Influence Amendment and Annexation No. 20 to Cayucos Sanitary District. The project includes an annexation of approximately 0.08 acres of property to obtain sewer service from Cayucos Sanitary District for development of a single-family residence. The property is located in the unincorporated area of the County at 3525 Gilbert Avenue, Cayucos, California.

Jurisdictional changes such as this can change service area responsibilities and/or impact operating expenses and revenues. The law requires affected jurisdictions (in this case, the County and Cayucos Sanitary District) to approve a property tax agreement prior to the Local Agency Formation Commission's (LAFCO) approval of the proposed change.

Pursuant to Revenue and Taxation Code §99(b)(3), the Auditor-Controller-Treasurer-Tax Collector's office provided the attached data (Attachment 2) that defines the property tax revenues available for a negotiated exchange of property taxes. The Cayucos Sanitary District provided notice that the agency elected to negotiate on its own behalf pursuant to Revenue and Taxation Code §99.01(a)(3). School taxes are not subject to negotiation per Section §99.02(f)(4).

On January 23, 2024, the Board approved the commencement of negotiations with the Cayucos Sanitary District for the exchange of property tax revenue for this annexation to the Cayucos Sanitary District. The negotiating parties, to wit: Rebecca Campbell, Assistant County Administrative Officer, County of San Luis Obispo and Rick Koon, District



Manager, Cayucos Sanitary District were able to come to an agreement regarding the exchange of property tax revenue and annual tax increment. At this time, staff is recommending the Board adopt the attached resolution approving the following exchange of base property tax revenues and annual tax increments.

*The County of San Luis Obispo agrees to accept the following exchange of base property tax revenues and annual tax increments:*

- a) No base property tax revenue shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District.*
- b) Annual tax increments shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District effective the date the roll year specified by the California Board of Equalization, anticipated fiscal year 2025-26, and each fiscal year thereafter in the amount of 6.77247 percent after Educational Revenue Augmentation Funds (ERAF).*

The recommended property tax exchange is based on the following two principles: (1) that the County should not profit from annexations, nor should annexations result in a net fiscal loss to the County; and (2) that tax exchange practices should not undermine good land use planning by discouraging cities from pursuing logical and appropriate annexations. It is important to note that on April 23, 2019, the Board adopted a policy regarding the funding of independent special districts. Per the policy, "the County shall not subsidize an independent special district with County General Fund monies nor should a property tax exchange result in a net fiscal loss to the County." The Board has subsequently reviewed this policy each year as part of the annual review of its budget goals and policies in advance of the annual budget preparation process.

The Cayucos Sanitary District is not taking over any county-related services as a result of this annexation but will be providing wastewater collection and conveyance services for this property. Only the annual growth in excess of the base property taxes is negotiable. The Cayucos Sanitary District is requesting to receive the historical district weighted average of 6.77247% (post-ERAF). County staff is recommending the tax rate that the Cayucos Sanitary District has requested.

Due to the Board's policy, "Funding for Independent Special Districts"; staff began working on developing a financial annexation model for all special district annexations in order to calculate the annual-recurring fiscal impact to the County of San Luis Obispo General Fund that would result from the proposed project. Because more time is needed for the development of this model staff is recommending moving forward without that analysis on this project. However, once the financial annexation model for all special district annexations is finalized, staff plans to review it with the Board and will request that the model be used as a tool for future annexations in the County to show the impact to the County for negotiations.

#### **OTHER AGENCY INVOLVEMENT/IMPACT**

The LAFCO has the authority to oversee the annexation of property. The property is proposed to be annexed into the Cayucos Sanitary District. Therefore, as one of the affected agencies the Cayucos Sanitary District notified the County that they elected to participate in the tax exchange negotiations. Auditor-Controller-Treasurer-Tax Collector-Public Administrator's Office provided the financial analysis. County Counsel is also involved to review for form and legal effect.

## **FINANCIAL CONSIDERATIONS**

The County and Cayucos Sanitary District negotiated an agreed upon percent of property tax increment, after the Educational Revenue Augmentation Fund (ERAF) calculation. The County General Fund will receive 20.732351% and the District will receive 6.77247%. There will not be a transfer of base property taxes. This financial agreement is contingent upon approval of the annexation by LAFCO.

## **RESULTS**

To approve a fair and equitable property tax agreement as a result of annexations of property.

## **ATTACHMENTS**

1. Resolution
2. Notice to commence - ACTTCPA – Property Tax Data
3. Map of annexation area
4. Cayucos Sanitary District – Elect to Negotiate Letter

CDUP 10/25

**IN THE BOARD OF SUPERVISORS**  
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

Tuesday, October 22, 2024

**PRESENT:** Supervisors John Peschong, Bruce S. Gibson, Dawn Ortiz-Legg, Jimmy Paulding and Chairperson Debbie Arnold

**ABSENT:** None

**RESOLUTION NO. 2024-241**

**RESOLUTION ACCEPTING EXCHANGE OF  
PROPERTY TAX REVENUE AND ANNUAL TAX INCREMENT  
BETWEEN THE COUNTY OF SAN LUIS OBISPO AND THE  
CAYUCOS SANITARY DISTRICT FOR ANNEXATION NO. 20**

The following resolution is hereby offered and read:

**WHEREAS**, in the case of a jurisdictional change other than a city incorporation or district formation which will alter the service area or responsibility of a local agency, Revenue and Taxation Code Section 99(a)(1) requires that a property tax exchange agreement be approved; and

**WHEREAS**, the property tax revenue to be exchanged, if any, and the amount of annual tax increment to be exchanged among the affected local agencies shall be determined by negotiation; and

**WHEREAS**, when a special district is involved, the negotiations are conducted by the Board of Supervisors of the County on behalf of the district or districts, unless otherwise requested by said district or districts pursuant to Revenue and Taxation Code Section 99(b)(5); and

**WHEREAS**, Revenue and Taxation Code Section 99(b)(6) requires that each local agency, upon completion of negotiations, adopt resolutions whereby said local agencies agree to accept the negotiated exchange of property tax revenues, if any, and transmit a copy of each resolution to the Executive Officer of the Local Agency Formation Commission; and

**WHEREAS**, the negotiations have taken place concerning the transfer of property tax revenues and annual tax increment between the County of San Luis Obispo and the Cayucos Sanitary District pursuant to Section 99(b) for the jurisdictional change designated as LAFCO File 3-R-23: Annexation No. 20 to the Cayucos Sanitary District (Stanley); and

**WHEREAS**, the negotiating parties, to wit: Rebecca Campbell, Assistant County Administrative Officer, County of San Luis Obispo and Rick Koon, District Manager, Cayucos Sanitary District were able to

come to an agreement regarding the exchange of property tax revenue and annual tax increment between such entities; and

**WHEREAS**, the Board of Supervisors adopted a policy on April 23, 2019 stating that the County shall not subsidize an independent special district with County General Fund monies nor should a property tax exchange result in a net fiscal loss to the County; and

**WHEREAS**, Rebecca Campbell, Assistant County Administrative Officer is recommending the Board approve the following the exchange of base property tax revenues and annual tax increments as hereinafter set forth;

**NOW, THEREFORE BE IT RESOLVED AND ORDERED** by the Board of Supervisors of the County of San Luis Obispo, State of California, as follows:

1. That the recitals set forth above are true, correct and valid.
2. That the County of San Luis Obispo agrees to accept the following exchange of base property tax revenues and annual tax increments.

(a) No base property tax revenue shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District.

(b) Annual tax increments shall be transferred from the County of San Luis Obispo to the Cayucos Sanitary District effective the date the roll year specified by the California Board of Equalization, anticipated fiscal year 2025-26 and each fiscal year thereafter in the amount of 6.77247 percent after Educational Revenue Augmentation Funds (ERAF).

3. Upon receipt of a certified copy of this resolution and a copy of the recorded certificate of completion, the County Auditor shall make the appropriate adjustments to property tax revenues and annual tax increments as set forth above.

4. That the County Clerk is authorized and directed to transmit a certified copy of the resolution to the Executive Officer of the San Luis Obispo Local Agency Formation Commission, who shall then distribute copies in the manner prescribed by law.

Upon motion of Supervisor Gibson, seconded by Supervisor Ortiz-Legg, and on the following roll call vote, to-wit:

AYES: Supervisors Gibson, Ortiz-Legg, Peschong, Paulding and Chairperson Arnold  
NOES: None  
ABSENT: None  
ABSTAINING: None

The foregoing resolution is hereby adopted:

*Debbie Arnold*

Debbie Arnold  
Chairperson of the Board of Supervisors

ATTEST:

MATTHEW P. PONTES  
Ex-Officio Clerk of the Board of Supervisors

By: *Niki Martin*  
Deputy Clerk

[SEAL]

APPROVED AS TO FORM AND LEGAL EFFECT  
Rita L. Neal  
County Counsel

By: /s/ Jenna Morton  
Chief Deputy County Counsel

Date: October 29, 2024

STATE OF CALIFORNIA ) ss.  
COUNTY OF SAN LUIS OBISPO)

I, **MATTHEW P. PONTES**, Ex-Officio Clerk of the Board of Supervisors thereof, do hereby certify the foregoing to be a full, true and correct copy of an order entered in the minutes of said Board of Supervisors, and now remaining of record in my office.

Witness, my hand and seal of said Board of Supervisors on October 31, 2024.

**MATTHEW P. PONTES**  
County Administrative Office and  
Ex-Officio Clerk of the Board of Supervisors

By: *Niki Martin*  
Deputy Clerk



# CAYUCOS SANITARY DISTRICT STAFF REPORT

**TO:** BOARD OF DIRECTORS

**FROM:** RICK KOON, DISTRICT MANAGER

**DATE:** NOVEMBER 14, 2024

**SUBJECT:** DISCUSSION AND CONSIDERATION TO APPOINT AN ADDITIONAL BOARD MEMBER AS AN AUTHORIZED CHECK SIGNER FOR CAYUCOS SANITARY DISTRICT EXPENSE DISBURSEMENTS

## DISCUSSION

Staff would like to add an additional Board member to sign on the checking account to help expedite expense disbursements.

## RECOMMENDATION

Staff recommends that the Board of Directors appoint an additional Board Member as an Authorized Check Signer for Cayucos Sanitary District expense disbursements.