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November 10, 2016

Randall Day
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SENT BY ELECTRONIC MAIL

**Re: Plan for Services & Feasibility Study: Los Olivos Water Reclamation
Prepared by Berkson Associates, 2016**

Hi, Randall and Mark:

Along the same lines of thoughts given to you re: your consultants perhaps not giving you a 100% service to help the Los Olivos Water Reclamation group move forward either at LAFCO or in helping the community come to an educated decision about wastewater options, please may we point out a few items in the *Plan for Services Feasibility Study: Los Olivos Water Reclamation* ("The Report"), prepared for you by Berkson Associates, release October 24, 2016. These are merely items that we noticed which you might want to take up with Berkson, and possibly ask them to clarify or revise.

Here are some **Specific Items** you might want to discuss with them, so that LAFCO might be provided a clearer picture of your proposal(s):

Finding #2, "Administrative Costs Vary Modestly Between the Governance Options", p. 4

The title of this finding is likely inaccurate, in that formation of a CSD is more expensive in all aspects of operating costs than CSA formation or annexation to SYCSD by approximately \$75,000 a year. However 'modest', quantifiable cost differences in governance methods should be noted in the headlines of the findings, rather than indicated by an approximation how close they are.

Finding #3, "Construction and Operating Costs for a Wastewater System Could be Prohibitive for Any Governance Option Unless Cost Savings Can Be Achieved, Additional Revenues Obtained, or the System is Phases", pg. 5

This finding, and indeed much of the report, seems to operate on the assumption that a new WWTP consisting of a membrane bioreactor to serve Los Olivos is the only option. Why are all other options discounted? Would SYCSD have the same plan

regarding a WWTP for Los Olivos as a Los Olivos CSD? The report needs improved language regarding the reasoning behind this assumption beyond citing the AECOM WWTP feasibility study of 2013.

“Construction cost reductions of 25 percent or more are possible with careful planning”, pg. 6

While a 25% cost reduction may be the best possible scenario, a potential 25% saving should not be used as a planning tool and featured in all cost estimates through the report. While potential contingency costs are noted, costs with savings find their way into nearly every cost estimate table in the Report. If anything, "careful planning" can lead to increased costs, because the money required for hiring staff to oversee planning issues increases. Without a clear framework for reducing construction costs, there is no reason to assume these savings.

CSD Revenues and Expenditures, p. 16-17

The liberal use of "may" or "could" in this section is also troubling. While this section discusses a number of taxes and fees that “may” or “could” be levied it is lacking in concrete planning of revenue sources. While the *Special District Formation Guide* notes that a feasibility study only needs to “review revenue sources” (p. 9), the review of revenue sources presented in the Berkson Associates report is cursory at best.

Pros and Cons Lists, CSD and Annexation to SYCSD, pg. 18-19 and 28-29

The lists of Pros and Cons generated for each governance option are an assortment of “would”, “could” and “may” statements; useful for determining possible outcomes, but less so for determining the best governance option. There are also a number of instances that seem to editorialize the pros and cons list, as well as flip-flop on whether an item is truly a “Pro” or a “Con”.

For example, a “Con” for SYCSD formation: “SYCSD could expand services and/or adopt charges for services not desired by Los Olivos residents” is followed by, “This can be addressed by creation of a separate Los Olivos zone as a LAFCO condition” (p. 28). This same risk could apply to a Los Olivos CSD, and in fact has a greater potential of happening than with SYCSD providing only sewer service.

A “Pro” for CSD formation, states “A CSD could see opportunities to reduce operating costs by contracting with a larger entity, for example, the SYCSD” (p. 18), appears to be more of an argument in favor of SYCSD and its lower operating costs, disguised as an argument in favor of CSD formation, as contracting costs would likely be higher for an independent CSD than SYCSD.

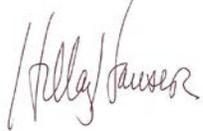
In conclusion, many of the quantitative estimates from this report are derived from the *Los Olivos Wastewater System Preliminary Engineering Report* (2013) and *Revisions to Los Olivos Wastewater Engineering Report* (2016), both prepared by AECOM. This leaves this study as a series of qualitative statements surrounding the governance options that Los Olivos might consider. While the Berkson report acknowledges a range of potential strengths and weaknesses for the governance options, its lack of concrete statements and findings does not serve as a proper planning document.

When comparing this report to the 2015 *Isla Vista Governance Options Financial Analysis Study*, prepared by Economic & Planning Systems, Inc., (which I recently forwarded to you) the difference in detail and research is remarkable. Of course, the two communities

and their requirements are very different, but the requirements for a proper planning document are the same: meticulous research surrounding demographics, revenues, and strengths and weaknesses of a CSD. The Berkson report seems to have used preexisting cost estimates and makes a “pros and cons” list.

Once again, we're sending these comments to you, with the idea that hopefully you might be able to sort out these issues with your consultants, and craft an effective planning document.

Very best regards,

A handwritten signature in cursive script, appearing to read "Hillary Hauser".

Hillary Hauser, Executive Director

A handwritten signature in cursive script, appearing to read "Alex Bennett".

Alex Bennett, Policy Associate