

NIPOMO COMMUNITY SERVICES DISTRICT

Wednesday, August 15, 2007

9:30 A. M.

SPECIAL MEETING MINUTES

BOARD of DIRECTORS

MICHAEL WINN, PRESIDENT
LARRY VIERHEILIG, VICE PRESIDENT
ED EBY, DIRECTOR
CLIFFORD TROTTER, DIRECTOR
JAMES HARRISON, DIRECTOR

PRINCIPAL STAFF

BRUCE BUEL, GENERAL MANAGER
LISA BOGNUDA, ASSIST. GENERAL MANAGER
DONNA JOHNSON, BOARD SECRETARY
JON SEITZ, GENERAL COUNSEL
DAN MIGLIAZZO, UTILITY SUPERVISOR

MEETING LOCATION

**District Board Room
148 S. Wilson Street
Nipomo, California**

00:01:32 A. CALL TO ORDER, ROLL CALL, AND FLAG SALUTE

President Winn called the meeting to order at 9:30 a.m. and led the flag salute. At Roll Call, all directors were present.

President Winn announced that public comment will be taken only on the item being considered.

00:02:46 B. RECEIVE UPDATE FROM FUGRO WEST ON DEVELOPMENT OF PROPOSAL FOR ADDITIONAL GEO-HYDROLOGY EVALUATION OF SOUTHLAND WWTF DISPOSAL

Dr. Shawn Roberts, the project hydrogeologist for Fugro West, Inc., summarized the findings of Phase I of the "Hydrologic Characterization – Southland WWTF" report. He also stated that he met with Bruce Buel and Boyle Engineering for discussion on the proposed project. They investigated different methods of alleviating the problems at the Southland Wastewater Treatment Facility. He noted that Phase II of the project could cost \$80,000 to \$100,000.

Mike Nunley, Boyle Engineering, discussed expansion of the wastewater treatment facility. He has been working with the staff of Fugro West. He has presented different concepts to the Regional Water Quality Control Board for feed back.

The Board asked questions about purchasing land, possible percolation into the creek, riparian vegetation, etc.

The following member of the public spoke

Ian Wallace, NCSD resident at Blacklake - Asked if the park at Pomeroy and Tefft street could be used as a retention basin to help recharge the basin.

Answer – Fugro has been asked to study the areas near the Kaminaka property which is on the edge of the aquitard.

The Board took a break at 10:13 for Mr. Reed to set up. The Board returned at 10:22 a.m.

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00:43:43 C. DISCUSS BASIS FOR CALCULATION OF SEWER USER FEES

Bruce Buel, General Manager, reviewed the basis for calculating sewer user fees. Presently, the residential sewer-user fees are flat fees and do not vary with the water use. There are some agencies in the State that use commodity-based sewer charges. Staff asked for Board comments.

Celeste Whitlow, NCSD Conservation Specialist – added that the commodity-based rate would use the lowest water use in the winter and use that as a cap. It would be strictly based on non-irrigation usage.

The following members of the public spoke:

Ron Willis, NCSD resident – stated that in the Blacklake area, there is winter irrigation so using the winter use to calculate sewer rates would not be equitable. Any decision would be premature because the bill (AB 1420) has not been passed.

Rick Dean, Nipomo resident – stated that he waters his property year-round. The proposed sewer rate based on water use seems to punish water users. Even in the summer, the irrigation does not add to the sewer.

Board discussion ensued. The Board asked if the present software is capable of handling this kind of billing. The Board would like more information about AB 1420-Best Management Practices and how the bill would affect rates.

Mr. Reed explained that the water-usage-based sewer bill for the single-family customer is not perfect but comes closest to charging accordingly to who puts water into the sewer treatment facility.

The Board agreed that the matter needed further investigation and directed staff to develop a recommendation prior to the next rate setting.

The Board took a break at 10:52 and returned at 10:56 a.m.

01:14:04 D. REVIEW RATE STRUCTURE PRESENTATION, PROPOSE A COMBINED WATER USER FEE RATE STRUCTURE, AND DIRECT THE REED GROUP TO INCORPORATE THE PROPOSED RATE STRUCTURE INTO THE RATE REPORT

Bruce Buel, General Manager, introduced Bob Reed's presentation.

Bob Reed presented the proposed rate structure. The combined rate refers to the Town Division and the Blacklake Division being combined to one rate, if the merger goes through.

The Board asked questions during the presentation. Mr. Reed and Mr. Buel explained the process of the combined rate structure and how it benefits the Blacklake Division and the Town Division.

D. REVIEW RATE STRUCTURE PRESENTATION, PROPOSE A COMBINED WATER USER FEE RATE STRUCTURE, AND DIRECT THE REED GROUP TO INCORPORATE THE PROPOSED RATE STRUCTURE INTO THE RATE REPORT (continued)

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The following members of the public spoke:

El-Jay Hansson, Arroyo Grande resident – stated that her property is not in the SOI but she is supporting her friends. She stated that this is not the way to achieve saving water. Stop high density; don't punish the long-time residents.

Cherie Dodds, NCSD resident – read a statement from Marianne Buckmeyer stating that the high density plans need to be stopped.

Ms. Dodd stated that she has an acre-lot that is partially landscaped with fruit trees, shrubs, and lawn and she has horses. She stated that she does things to conserve water and enrich her soil. Don't punish existing residents by increasing density.

Rick Dean, Nipomo resident stated that the multi-tiered rate structure is unfair to those who want the rural atmosphere.

Dan Woodson, Nipomo resident, stated that the proposed rates are punitive and is concerned that the rates will cause Nipomo to look like some other dry communities.

Dan Gaddis, NCSD resident – stated that unchecked high-density development going on will cause the water use to jump.

Kristina Jaime, NCSD resident – stated that she opposes the proposed rate increases. Residents who have one-acre landscaped property should not have to pay higher rates to support growth. NCSD should not penalize users who have lived here and enjoyed their existing way of life.

The Board took a lunch break at 12:22 p.m. and resumed at 1:03 p.m.

Mr. Reed continued to page 10 of the presentation "Single Family Use." The rate increases are balanced between the different classes. The rates are mostly intended to pay for cost increases.

Board discussion ensued.

The following members of the public spoke:

Bruce Buel, General Manager, read the statement written by George Billinger, NCSD resident (he was unable to stay for this portion of the meeting.) Mr. Billinger's letter included: Blacklake plans for tying into the Town Division's water system seemed to be the most economical idea versus rehabbing the old, worn-out system. He stated that the cost to merge the two systems seems excessive. He does not agree with the rate increase as proposed.

- D. REVIEW RATE STRUCTURE PRESENTATION, PROPOSE A COMBINED WATER USER FEE RATE STRUCTURE, AND DIRECT THE REED GROUP TO INCORPORATE THE PROPOSED RATE STRUCTURE INTO THE RATE REPORT (continued)

Bill Nelson, NCSD resident – stated that the Board needs to look at the existing enterprise funds' billing structure. He does not agree with the way the funds are

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being discussed to move around.

There was more Board discussion.

Reasons why some Board members do not like the proposed rate structure:

Punitive, unfairly distributes water use among the NCSD customers, unsupported premise that water is being wasted, will not achieve the undefined conservation objectives, inequitable by design, will create hostility and mistrust, redistributes saved water to new developments not banked for a drought reserve, tiered rate structure does not assure that the high water users will change their water use, the rate structure does not encourage those in the lower tiers to conserve water.

Director Trotter stated that every criticism for conservation needs to be accompanied by a remedy.

President Winn gave another opportunity for public comment.

The following member of the public spoke:

Alana Hansen, NCSD resident – stated some ideas for water conservation including, using Jacuzzi water for washing some clothes, putting pan under faucet to catch water that is warming and using it for plants. She encouraged the Board to keep the current rate structure.

President Winn would like to try the three-tier system for one year. He agrees to push the County on Level of Severity III.

Celeste Whitlow, NCSD Conservation Specialist – stated that the City of San Luis Obispo learned to use the tiered rate so that it wouldn't reduce revenue. The aquifer problem is getting worse. The higher water users put a burden on all the users. The rural atmosphere is not necessarily palm trees and lawn. Water saved is meant to save the aquifer. Wasting water is different for each person.

Upon motion by Director Eby and seconded by Director Vierheilg, the Board agreed to restructure the rate structure to two tiers as on page 7 of the presentation; vary the break point on the tier one- tier two residential where it makes sense; adjust the bi-monthly service charges where it makes sense; add a two-tier structure for the non-residential and if separate bi-monthly service charge makes sense, with Directors Harrison and Winn voting no.

YES VOTES	NO VOTES	ABSENT
Directors Eby, Vierheilg, and Trotter	Directors Harrison and Winn	None

Bruce Buel, General Manager, asked the Board to address whether the 2.5 million should be borrowed from the equipment replacement fund to fund the supplemental water project.

- D. REVIEW RATE STRUCTURE PRESENTATION, PROPOSE A COMBINED WATER USER FEE RATE STRUCTURE, AND DIRECT THE REED GROUP TO INCORPORATE THE PROPOSED RATE STRUCTURE INTO THE RATE REPORT (continued)

Lisa Bognuda, Assistant General Manager, stated that the funded replacement is needed for the Town Water Fund for replacement of existing infrastructure.

The following member of the public spoke:

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Bill Nelson, NCSD resident – stated that in 2005, Mr. Reed used only the depreciation and did not include the equipment that would need to be replaced. He stated that Blacklake is having financial problems today because there was not enough money in the replacement fund to repair the sewer therefore he is recommending that the money remain in the fund for future replacement.

Upon motion by Director Harrison and seconded by Director Vierheilig, the Board unanimously agreed to leave the \$2.5 million in the equipment replacement fund. Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Harrison, Vierheilig, Trotter, Eby, and Winn	None	None

E. ADJOURN

President Winn adjourned the meeting at 3:22 p.m.