

NIPOMO COMMUNITY SERVICES DISTRICT

Serving the Community Since 1965

REGULAR MINUTES

APRIL 9, 2014 AT 9:00 A.M.

BOARD ROOM 148 SOUTH WILSON STREET, NIPOMO, CA

BOARD of DIRECTORS

CRAIG ARMSTRONG, **PRESIDENT**
JAMES HARRISON, **VICE PRESIDENT**
LARRY VIERHEILIG, **DIRECTOR**
DAN GADDIS, **DIRECTOR**
BOB BLAIR, **DIRECTOR**

PRINCIPAL STAFF

MICHAEL S. LEBRUN, **GENERAL MANAGER**
LISA BOGNUDA, **FINANCE DIRECTOR**
MICHAEL W. SEITZ, **GENERAL COUNSEL**
PETER SEVCIK, **DIRECTOR OF ENG. & OPS.**
NITA WINDSOR, **BOARD CLERK**

Mission Statement: The Nipomo Community Services District's mission is to provide its customers with reliable, quality, and cost-effective services now and in the future.

00:00 A. CALL TO ORDER AND FLAG SALUTE

President Armstrong called the Regular Meeting of April 9, 2014 to order at 9:00 a.m. and led the flag salute.

0:00:42 B. ROLL CALL AND PUBLIC COMMENT FOR ITEMS NOT ON AGENDA

At Roll Call, all Directors were present.

The Board took public comment.

Art Cocks, NCSO Customer, commented on the District's letter dated March 31, 2014 regarding the water shortage.

0:05:26 C. PRESENTATIONS AND REPORTS

C-1) REPORT ON MARCH 26, 2014 REGULAR MEETING CLOSED SESSION
Announcement of actions, if any, taken in Closed Session

Michael Seitz, District Legal Counsel, announced that the Board discussed Item One (a) (Conference with District Legal Counsel re: pending litigation pursuant to GC §54956.9 SMVWCD VS NCSO) in closed session, but took no reportable action.

Mr. Seitz reported that the Board discussed Item One (b) (NCSO v. Troesh, et al.) in closed session, but took no reportable action.

Mr. Seitz reported that the Board discussed Item Two (Conference with Legal Counsel pursuant to Govt. Code §54956.9(d)(2)&(e)(1) in closed session, but took no reportable action.

C-2) DIRECTORS' ANNOUNCEMENTS OF DISTRICT & COMMUNITY INTEREST AND REPORTS ON ATTENDANCE AT PUBLIC MEETINGS, TRAINING PROGRAMS, CONFERENCES, AND SEMINARS.

Receive Announcements and Reports from Directors

Nipomo Community Services District
REGULAR MEETING
MINUTES

C. PRESENTATIONS AND REPORTS (CONTINUED)

C-2 (CONTINUED)

Director Gaddis

- ◇ Attended the Nipomo Chamber of Commerce Luncheon on March 27
- ◇ Toured the Southland Waste Water Treatment Facility and the Joshua Road Pump Station on March 28

Director Harrison

- ◇ Attended the Nipomo Chamber of Commerce Luncheon on March 27
- ◇ Attended the Fire Safe Council Meeting on March 27
- ◇ Attended the COLAB Meeting on March 27
- ◇ There is a fundraiser to benefit the Jim O. Miller Park at Miner's Hardware on April 13
- ◇ CC Greenhouse Growers is holding an Open House on April 12

Director Vierheilig

- ◇ Will attend the NCS D Personnel Committee Meeting on April 11

Director Blair

- ◇ Attended the Nipomo Chamber of Commerce Luncheon on March 27

C-3) RECEIVE PUBLIC COMMENT ON PRESENTATIONS AND REPORTS PRESENTED UNDER ITEM C AND BY MOTION RECEIVE AND FILE PRESENTATIONS AND REPORTS

There was no public comment.

Upon the motion of Director Blair and seconded by Director Gaddis, the Board unanimously voted to receive and file the presentations and reports as submitted. Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Blair, Gaddis, Vierheilig, Harrison and Armstrong	None	None

D. CONSENT AGENDA

- D-1) WARRANTS
- D-2) APPROVE MARCH 26, 2014 REGULAR BOARD MEETING MINUTES
- D-3) INITIATE PROCEEDINGS FOR ANNUAL LEVY OF ASSESSMENTS FOR STREET LANDSCAPE MAINTENANCE DISTRICT NO.1

Michael Seitz, District Legal Counsel, announced that Item D-2 would be voted as a separate motion, as Director Vierheilig had a planned absence for the March 26 Regular Board meeting, and will need to abstain from voting.

0:09:50 D. CONSENT AGENDA (CONTINUED)

President Armstrong asked if any Directors desired to pull items from the Consent Agenda or had any questions. No items were pulled from the Consent Agenda. Director Harrison requested clarification on warrants.

There was no public comment.

*Upon the motion of Director Vierheilig and seconded by Director Gaddis, the Board unanimously approved Items D-1 and D-3 of Consent Agenda.
 Vote 5-0.*

YES VOTES	NO VOTES	ABSENT
Directors Vierheilig, Gaddis, Blair, Harrison and Armstrong	None	None

RESOLUTION 2014-1334
 A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
 COMMUNITY SERVICES DISTRICT INITIATING PROCEEDINGS FOR
 ANNUAL LEVY OF ASSESSMENTS FOR THE STREET LANDSCAPE
 MAINTENANCE DISTRICT NO. 1 FOR FISCAL YEAR 2014-2015 PURSUANT
 TO THE PROVISIONS OF PART 2 OF DIVISION 15 OF THE CALIFORNIA
 STREETS AND HIGHWAYS CODE

Director Gaddis had one correction on the minutes of the March 26 Regular Board Meeting.

*Upon the motion of Director Gaddis and seconded by Director Blair, the Board approved Item D-2, as amended.
 Vote 4-0*

YES VOTES	NO VOTES	ABSTAIN
Directors Gaddis, Blair, Harrison and Armstrong	None	Vierheilig

E. ADMINISTRATIVE ITEMS

0:13:08 E-1) CONSIDER WAIVING DISTRICT FEES AND CHARGES FOR PROPOSED JIM O MILLER PARK

Michael LeBrun, General Manager, reviewed the report as presented in the Board packet. Mr. LeBrun and Michael Seitz, District Legal Counsel, answered questions from the Board. Mr. Seitz stated that the Board can discuss this Item today, and that future Boards cannot be bound with regards to an application for service which does not presently exist.

The following members of the public spoke:

Ruth Brackett, representing Kathy Kubiak of Olde Towne Nipomo Association (OTNA), expressed concerns regarding payment of fees, and stated that OTNA will continue to fundraise for the proposed park.

E. ADMINISTRATIVE ITEMS (CONTINUED)

ITEM E-1 (CONTINUED)

Jim Tefft, NCSD Customer, expressed his thanks to the District and the Board for their service to the Nipomo area, and commented on the payment of fees.

Ed Eby, NCSD Customer, had concerns regarding any discussion of fees at this time without having plans, or knowing what fees will be required.

Art Cocks, NCSD Customer, commented on the payment of fees and fire protection for any public facility.

Peg Miller, NCSD Customer, commented on the payment of fees.

Michael Seitz, District Legal Counsel, stated that the Parks Committee will meet in the future with OTNA to further discuss this matter once plans and fees are available.

President Armstrong announced at 9:55 a.m. that the Board would take a 5 minute break prior to discussion of Item E-2.

The Board reconvened at 10:05 a.m.

E-2) CONSIDER DRAFT PROPOSED WATER SHORTAGE RATES AND SUPPLEMENTAL WATER RATES

Michael LeBrun, General Manager, reviewed the report as presented in the Board packet and provided a slide presentation (see Exhibit "A"). Mr. LeBrun answered questions from the Board.

The following members of the public spoke:

Ed Eby, NCSD Customer, commented in favor of the presentation and the proposed Water Shortage and Supplemental Water Rates.

Dan Hall, NCSD Customer, commended the District and the Board in bringing Supplemental Water to the Nipomo area, and handed his written questions and comments to Mr. LeBrun (see Exhibit "B").

Clayton Tuckfield, P.E., of Tuckfield and Associates, gave a Power Point presentation on the Water Rate and Capacity Charge Study (see Exhibit "C"). Mr. LeBrun, Mr. Tuckfield and Lisa Bognuda, Finance Director, answered questions from the Board.

The following members of the public spoke:

Ed Eby, NCSD Customer, requested confirmation that other water purveyors in the area will be charged capital costs for supplemental water.

Bill Kengel, NCSD Customer, commented on the supplemental water rates.

E. ADMINISTRATIVE ITEMS (CONTINUED)

ITEM E-2 (CONTINUED)

Dan Hall, NCS D Customer, requested the percentage of water pumped across the Mesa which goes to NCS D. Michael LeBrun, General Manager, responded to Mr. Hall.

Sam Saltoun, NCS D Customer, expressed praise for the Board's actions with regards to supplemental water.

Upon the motion of Director Harrison and seconded by Director Blair, the Board unanimously agreed with using "Price Induced" water shortage rates.

Vote 5-0.

YES VOTES	NO VOTES	ABSENT
<i>Directors Harrison, Blair, Gaddis, Vierheilg and Armstrong</i>	<i>None</i>	<i>None</i>

Upon the motion of Director Harrison and seconded by Director Vierheilg, the Board voted to use a "fixed charge" approach to apportioning supplemental water costs.

Vote 4-1.

YES VOTES	NO VOTES	ABSENT
<i>Directors Harrison, Vierheilg, Blair and Gaddis</i>	<i>Armstrong</i>	<i>None</i>

The Board took a break from 12:07 p.m. to 12:13 p.m.

E-3) PUBLIC HEARING TO APPROVE WATER SHORTAGE RESPONSE AND MANAGEMENT PLAN

Michael LeBrun, General Manager, reviewed the report as presented in the Board packet, and handed out a letter to the Board from David Watson of Watson Planning Consultants (see Exhibit "D"). Mr. LeBrun answered questions from the Board.

Director Vierheilg noted two corrections to the Resolution.

President Armstrong opened the Public Hearing at 12:34 p.m.

Ed Eby, NCS D Customer, encouraged the Board to adopt the Water Shortage Response and Management Plan.

President Armstrong closed the Public Hearing at 12:37 p.m.

Upon the motion of Director Harrison and seconded by Director Gaddis, the Board unanimously approved the Resolution adopting a Water Shortage and Management Plan, as amended.

Vote 5-0.

YES VOTES	NO VOTES	ABSENT
<i>Directors Harrison, Gaddis, Blair, Vierheilg and Armstrong</i>	<i>None</i>	<i>None</i>

RESOLUTION 2014-1335
 A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
 COMMUNITY SERVICES DISTRICT ADOPTING A WATER SHORTAGE
 RESPONSE AND MANAGEMENT PLAN PURSUANT TO WATER
 CODE § 375.

E. ADMINISTRATIVE ITEMS (CONTINUED)

The Board considered Item I next.

I. CLOSED SESSION ANNOUNCEMENTS

- 1. CONFERENCE WITH DISTRICT LEGAL COUNSEL RE: PENDING LITIGATION PURSUANT TO GC §54956.9
 - a) SMVWCD VS. NCSD (SANTA CLARA COUNTY CASE NO. CV 770214, SIXTH APPELLATE COURT CASE NO. H032750 AND ALL CONSOLIDATED CASES).
 - b) NCSD v Troesh, et al. SLOCSC# CV130175

- 2. CONFERENCE WITH LEGAL COUNSEL PURSUANT TO GOVT. CODE §54956.9(d)(2)&(e)(1):
Significant Exposure to Litigation - 1 case.

J. PUBLIC COMMENT ON CLOSED SESSION ITEMS

There was no public comment.

3:26:52 K. ADJOURN TO CLOSED SESSION

President Armstrong adjourned to closed session at 12:42 p.m.

**L. OPEN SESSION
ANNOUNCEMENT OF ACTIONS, IF ANY, TAKEN IN CLOSED SESSION**

The Board came back into Open Session at 1:33 p.m.

Michael Seitz, District Legal Counsel, announced that the Board discussed Items One and Two listed above under closed session announcements, but took no reportable action.

F. GENERAL MANAGER'S REPORT

Michael LeBrun, General Manager, reviewed the report as presented in the Board packet. Mr. LeBrun answered questions from the Board.

There was no public comment.

G. COMMITTEE REPORTS

There were no committee reports.

H. DIRECTORS' REQUESTS TO STAFF AND SUPPLEMENTAL REPORTS

There were no requests to staff.

**Nipomo Community Services District
REGULAR MEETING
MINUTES**

ADJOURN

President Armstrong adjourned the meeting at 1:50 p.m.

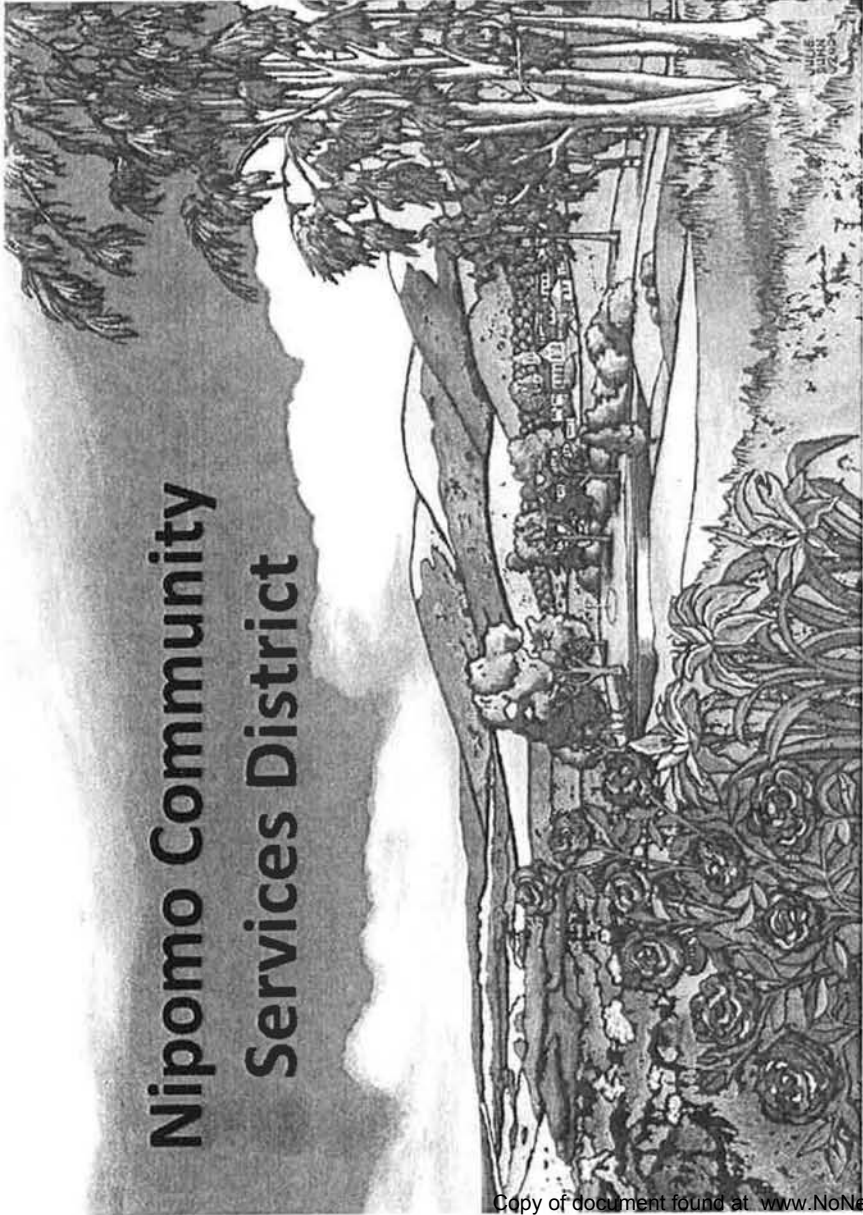
MEETING SUMMARY	HOURS & MINUTES
Regular Meeting	3 hour 59 minutes
Closed Session	0 hour 51 minutes
TOTAL HOURS	4 hours 50 minutes

APRIL 9, 2014

REGULAR BOARD MEETING MINUTES

EXHIBIT "A"

**Nipomo Community
Services District**



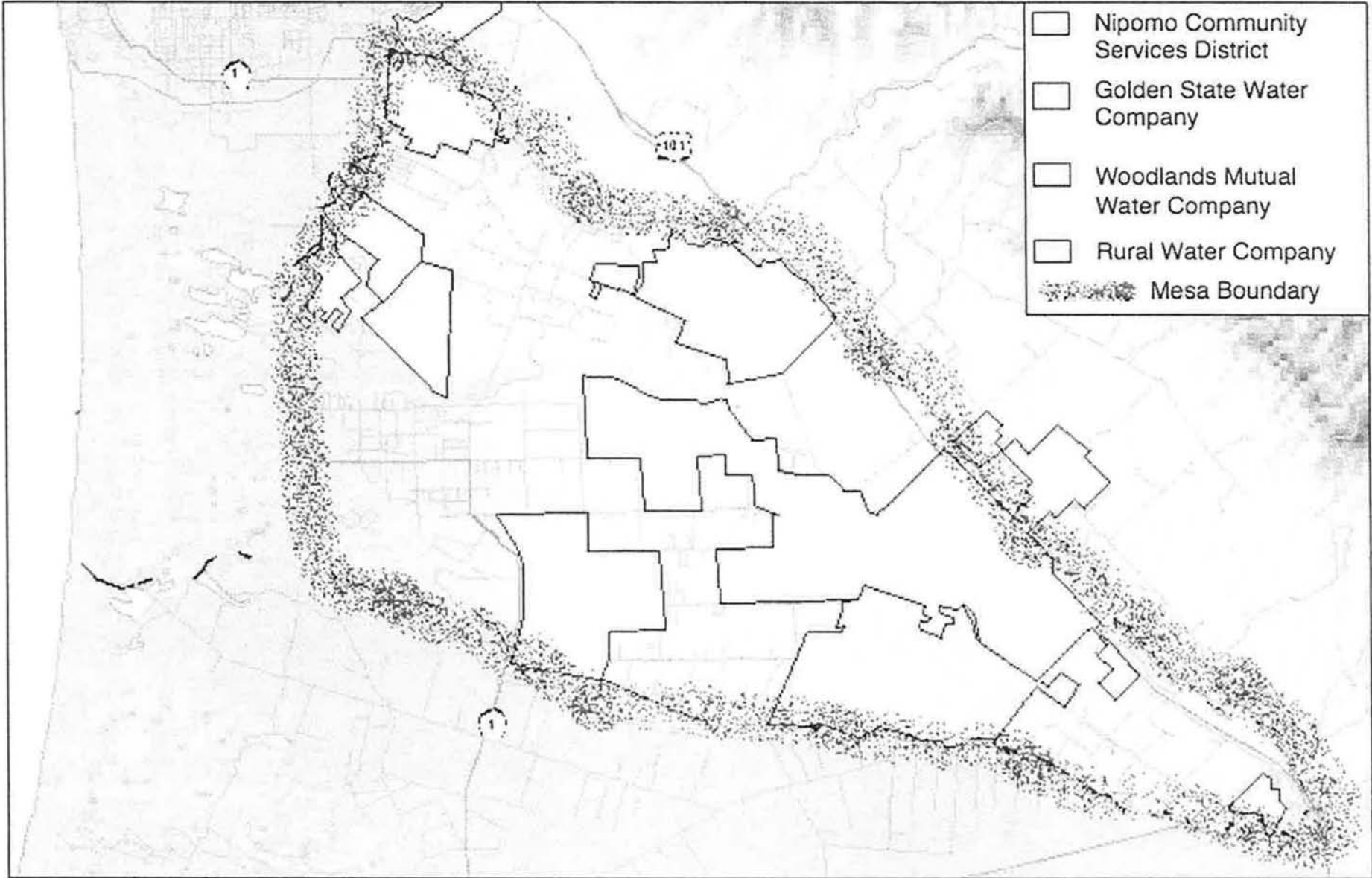
April 9, 2014

**Nipomo CSD
Board Room**

**The Problems Caused by Decades of
OVERPUMPING and DROUGHT
and Our Proposed Solutions**



Nipomo Mesa Water Purveyors



Our Water Problem

The Nipomo Mesa has

only ONE source of water . . .

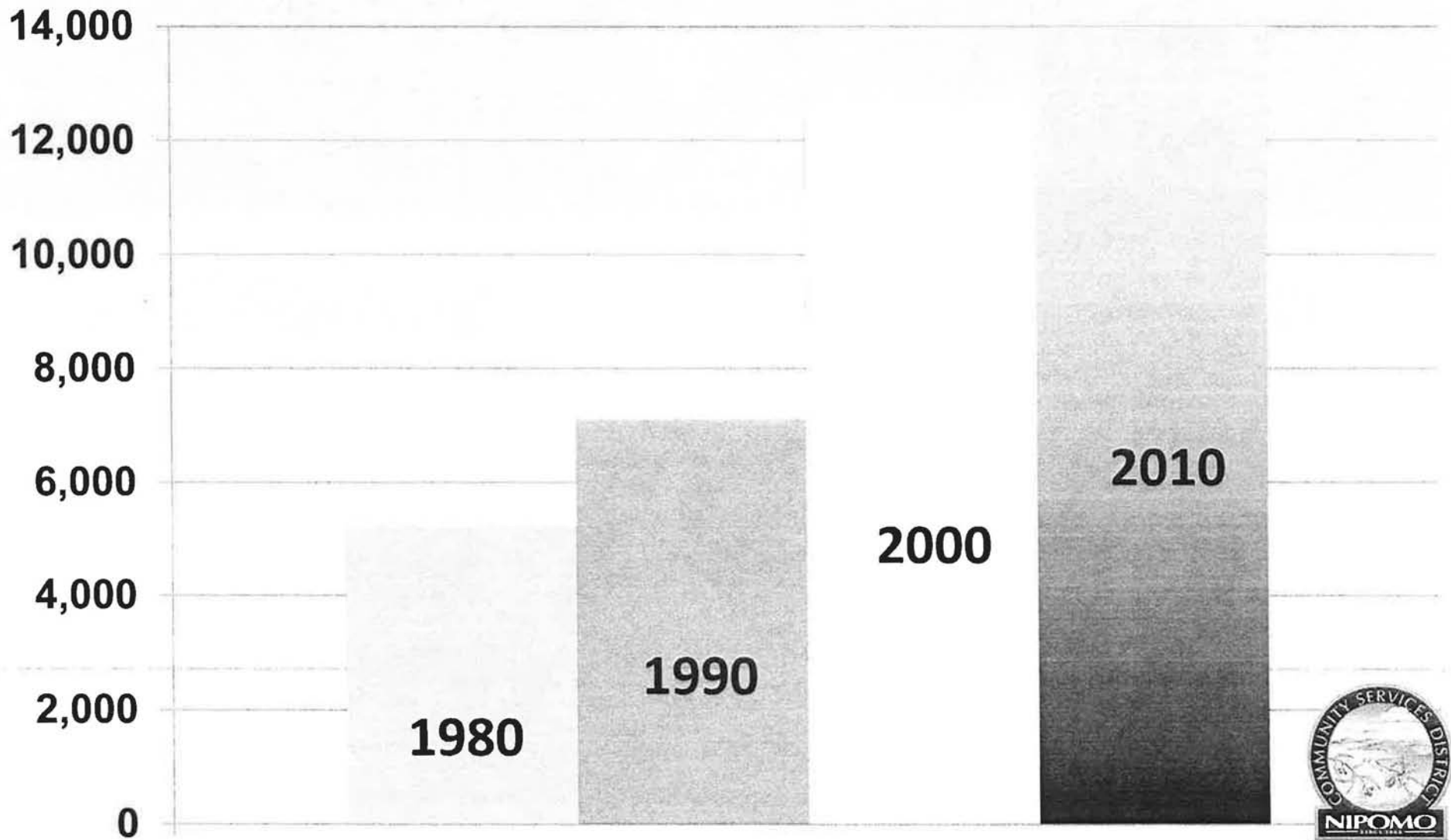
. . . the groundwater pumped from
beneath us.



Groundwater Levels Are Dropping Here's Why

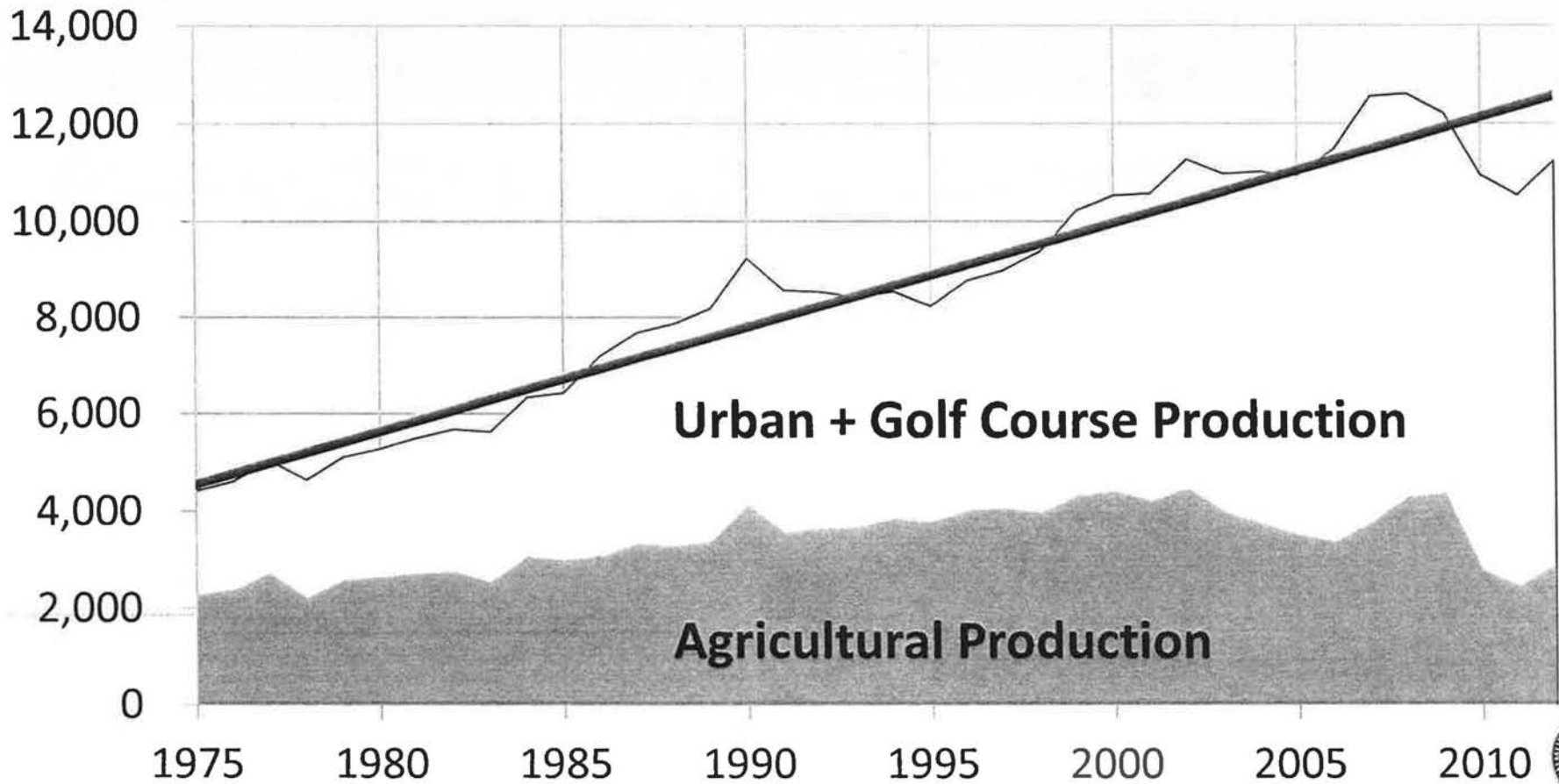


Nipomo Mesa Population Growth 11% from 2000 to 2010



Nipomo Mesa Water Use Steady Water Use Increase Since 1970s

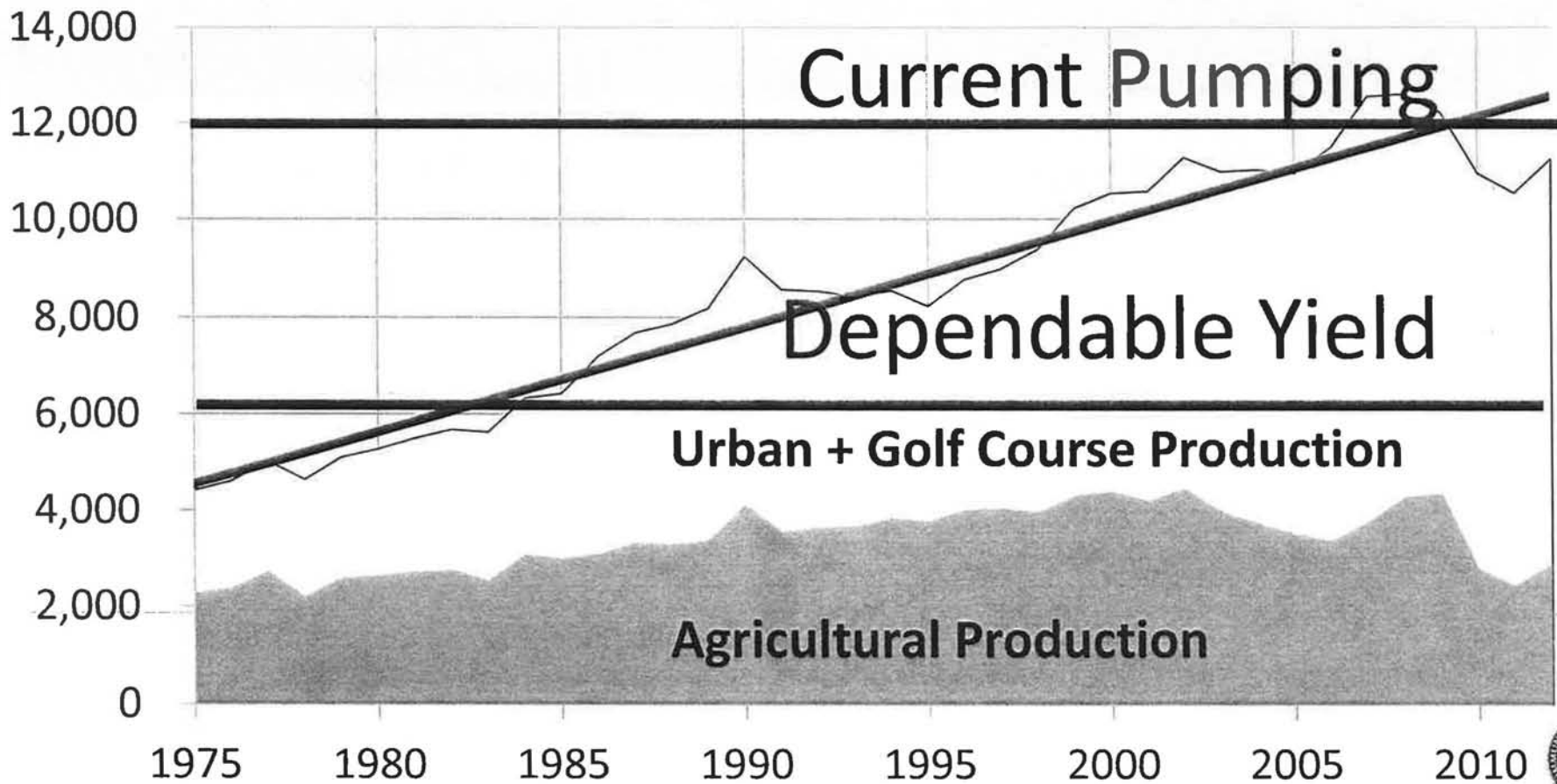
Acre-Feet



We are pumping twice the dependable yield

The Amount The Can Be Pumped Reliably Into the Future

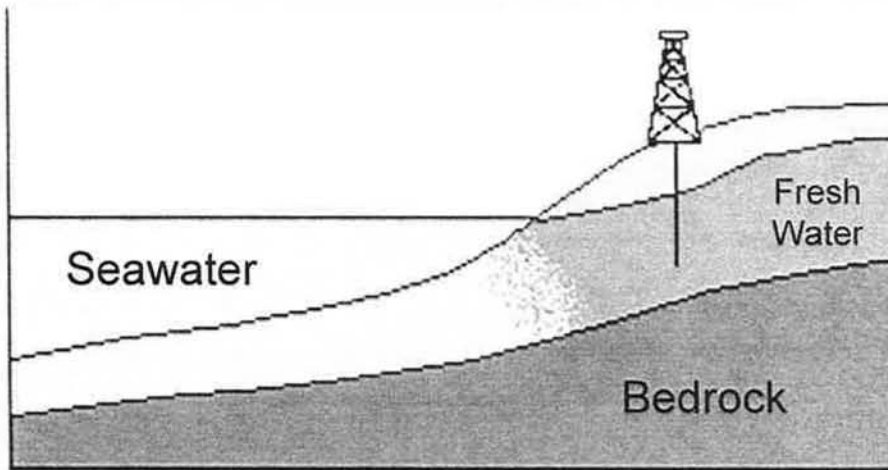
Acre-Feet



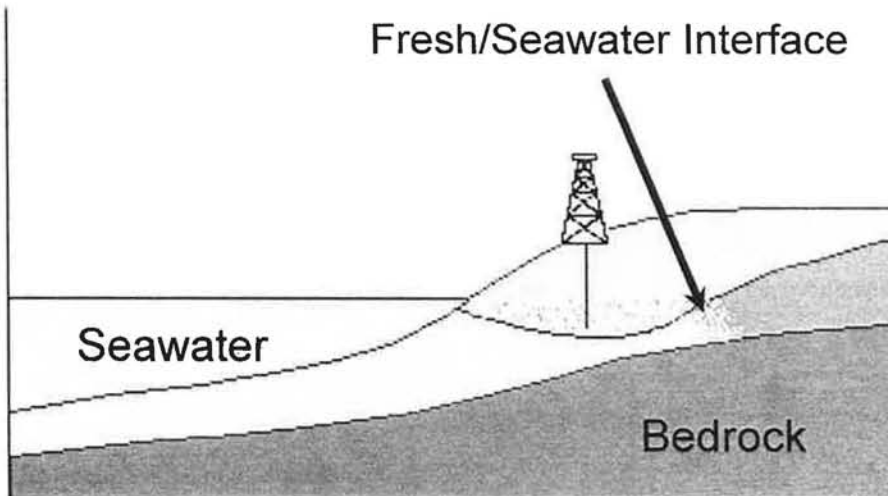
**Since we are next to the
Pacific Ocean,
exceeding the
dependable yield
is likely to invite
seawater intrusion**



Our Aquifer is Next to the Pacific Ocean



When fresh water table stays above sea level...
Seawater stays offshore.

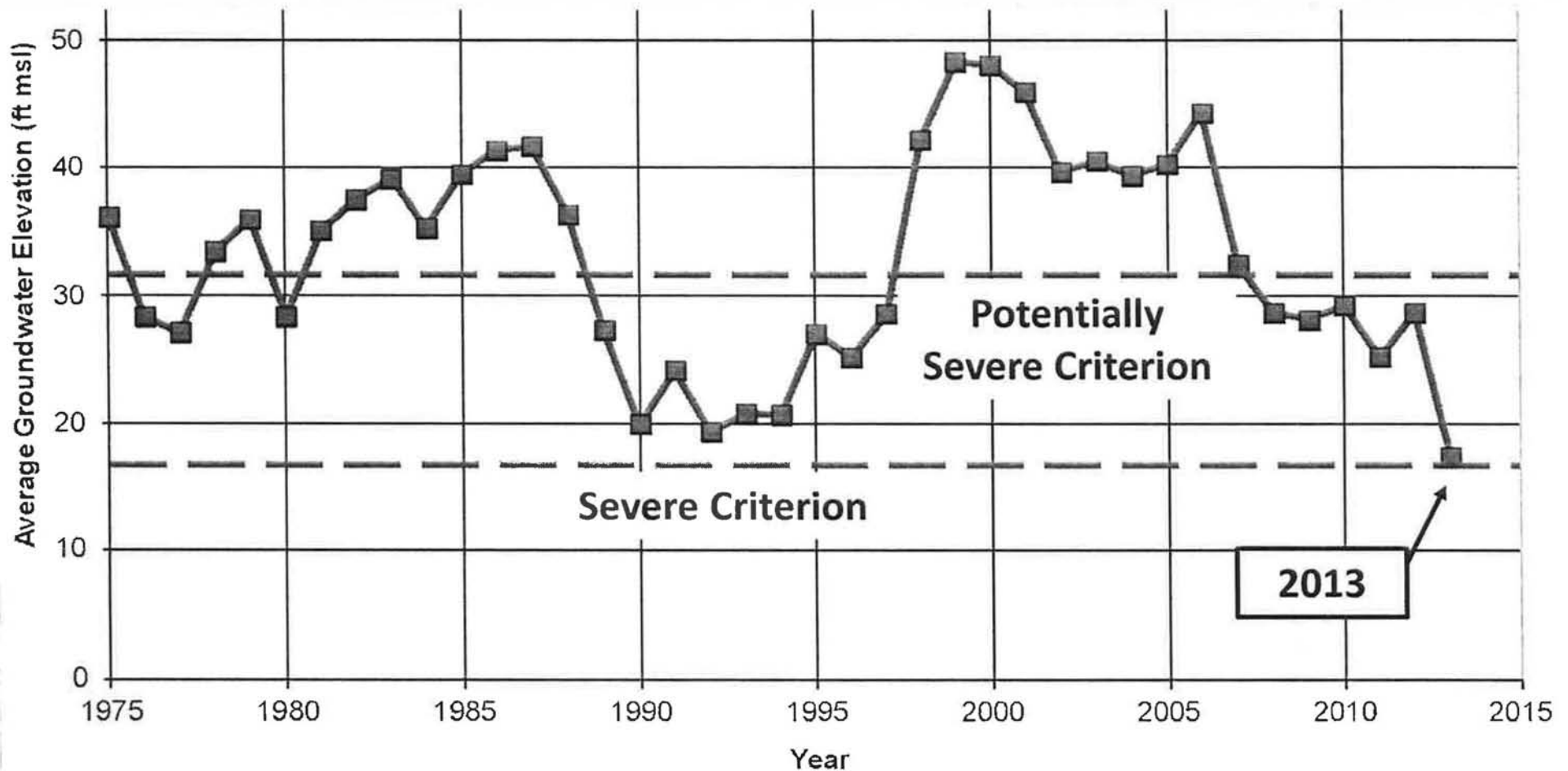


Too much pumping...
Can cause the fresh water table to fall below sea level...
Creating an invitation for seawater intrusion.



Approached “*Severe Shortage*” Groundwater Levels in 2013

Conditions Worse This Year.
Official Report on Groundwater Health in May



Groundwater Levels in Trouble Before the Drought...

Now even more so.



Regional Seawater Intrusion Problem

	Los Osos	Five Cities Area	Nipomo Mesa
Aquifer shared with the Pacific Ocean	X	X	X
Decreasing well levels	X	X	X
Pumping freshwater wells below sea level	X	X	X
Seawater intrusion documented	X	X	Not yet...
Freshwater Wells Permanently Lost to Seawater Intrusion	X	Not yet...	Not yet...



Looming Likelihood of Seawater Intrusion

ALL cases of seawater intrusion elsewhere started with:

1. Pumping aquifers beyond the dependable yield
2. Consistent dropping of water levels in wells
3. Well levels falling below sea level

We are experiencing all three of these conditions



Status – Potentially Severe Water Shortage Condition

- Last year, area wells dropped to their lowest level on record
- Nearly: Severe Water Shortage condition.
- Third year of drought has continued to degrade the groundwater condition;
- Official update on the Basin status in May.



Drought Response Plan #1: Obtain Supplemental Supply

- 3,000 acre-feet of new water to our community.
- Construction is underway and 650 acre-feet of new water supply will be available next year.
- Our rates are among the lowest in the region. Need supplemental charge when new water arrives.
- Additional investment is needed to bring in remaining 2,350 acre-feet of new supply.



Drought Response Plan #2: Drought Response and Management Plan

Follows five Drought Stages tied to court approved groundwater condition measurements

New rates based on drought stages. At each higher stage, rates would increase to:

- motivate people to conserve increasing amounts of water; and
- balance financial loss from reduced water sales.

At higher drought stages, limits and eventually suspension on providing water for new development



Drought Response Plan #3

Collaborating for Unified, Regional Program

Collaborating with

- neighboring water suppliers
- the County of San Luis Obispo
- the court

to ensure an effective and coordinated Basin wide drought response that all participate in



Must Implement Effective Drought Plan: Cutbacks in Use and Bring in New Water

**If we fail to act. Nipomo Mesa water
shortage consequences:**

- **Seawater Intrusion - Contaminated Groundwater**
- **Permanent Loss of Fresh Water Wells**
- **Extreme Water Rationing**
- **Prolonged Water Shortages**
- **Significant Negative Property Value Impacts**



APRIL 9, 2014

REGULAR BOARD MEETING MINUTES

EXHIBIT "B"

4/9/14

E-2

NCS D MEETING APRIL 9, 2014

Supplemental water charge

1. As NCS D is to pay for 66% of the supplemental water costs and the purveyors are to pay for 34%, will the supplemental water charge to NCS D customers be limited to 66% of the cost of the system? If not, why not?
2. When supplemental water starts to flow at the initial rate of 650 AF and those purveyors who do not take their 34%, will they pay for their assigned share? If not, why not?
3. What is the status of signed agreements with the other purveyors relating to No. 1 & 2 above to ensure NCS D customers are not picking up the tap for other purveyor obligations?

Water shortage rates

Nipomo does not have a water shortage problem; the entire mesa has a water shortage problem. NCS D is estimated to be pumping (X)% the other purveyors are pumping (X)%, Conoco Philips is pumping (X)% and the rural wells are pumping 10%. As with the North County, this is a county problem and solutions for conserving water need to be shared by all parties including the users of rural wells. It is unfair to NCS D customers to be charged under a use penalty system if all of the other users are not charged accordingly.

1. The board reported that the District is working with neighboring water suppliers, the county and the court to ensure an affective and coordinated response to the shortage. What steps are being taken in this effort and why start a penalty system before it is resolved? Why should the NCS D customers accept an unfair charge while the water NCS D saves can just be pumped by others on the mesa?
2. The District states "The more you conserve, the less you pay and the more you use, the more you pay? The District than goes on to say "the rates will be increased to make up for the financial loss from reduced water sales." While we understand the economics of lower income due to conservation, this only makes it more important to have a fair and equitable system for the entire mesa.

DAN HALL
1154 OAKMONT PLACE
NIPOMO, CA 93444
TEL: 929-0335
EMAIL: EAILSHO @ CHARTER.NET

APRIL 9, 2014

REGULAR BOARD MEETING MINUTES

EXHIBIT "C"

Clayton Tuckfield, P.E.
Principal, Tuckfield & Associates

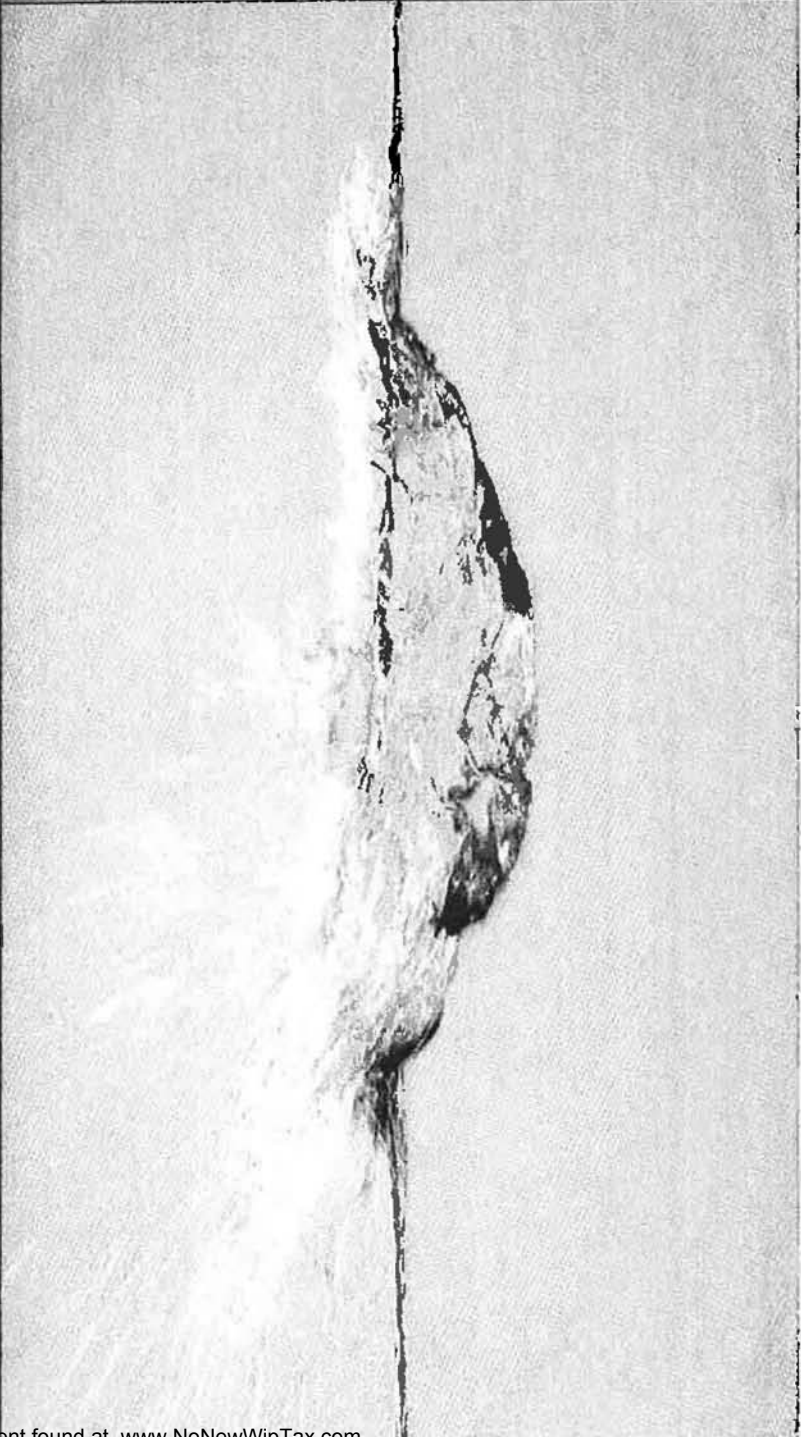
Presentation

April 2014

WATER RATE AND CAPACITY CHARGE STUDY

PRESENTATION #2

NIPOMO COMMUNITY SERVICES DISTRICT



Topics

- Current Water Rate Schedule
- Water Shortage Rates
 - Price-Induced Reductions Only
 - Mandatory/Voluntary and Price-Induced Reductions
 - Example Bills
- Supplemental Water Charges
 - District Customer Charges
- Next Steps

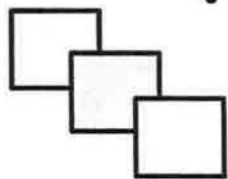


Current Tiers and Increases Remain

- Current water rates remains in place
 - Single-Family Residential Bi-monthly Volume Rates
 - » Tier 1: 0-24 Ccf.....**\$1.97** per Ccf
 - » Tier 2: 25-40 Ccf.....**\$2.46** per Ccf
 - » Tier 3: 40-100 Ccf.....**\$3.45** per Ccf
 - » Tier 4: Over 100 Ccf.....**\$5.91** per Ccf

 - » (Ccf is one hundred cubic feet or 748 gallons)

- Approved rate changes remain in place
 - Nov 1, 2014: 9.5% increase goes into effect
 - Nov 1, 2015: 9.5% increase goes into effect



Proposed Water Shortage Rates

Two Approaches Being Considered:

Price-Induced Reductions Only

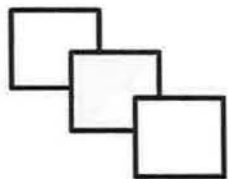
Mandatory/Voluntary and Price-Induced Reductions

Key Elements of Water Shortage Response and Management Plan

Stage	Trigger	Response
I	All Times	On-going Conservation Education
II	Potentially Severe Water Shortage Begins	More Intensive Education
III	Severe Water Shortage Declared	30% Reduction in Production
IV	Severe Water Shortage More Than 1 Year or is Triggered by Both Key Wells Index and Coastal Criterion	50% Reduction in Production
V	Severe Water Shortage More Than 2 Years with Both Key Wells Index and Coastal Criterion Triggered	60% Reduction in Production

Water Sales Volume Targets

	Current Conditions FY 2012-13	<u>Stage 3</u> 30% Reduc	<u>Stage 4</u> 50% Reduc	<u>Stage 5</u> 60% Reduc
	Ccf	Ccf	Ccf	Ccf
Water Sales Volume	1,033,151	685,000	489,000	392,000

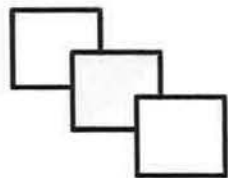


Water Sales Volume is a percentage of water production and includes water losses.

Volume Charge Revenue Targets

Price-Induced Reductions Only

Description	Current Conditions FY 2012-13	Stage 3 30% Reduc	Stage 4 50% Reduc	Stage 5 60% Reduc
Additional Stage Expense				
Pumping Expense		(\$160,000)	(\$250,000)	(\$300,000)
Administration		\$50,000	\$50,000	\$50,000
Operations		\$50,000	\$50,000	\$50,000
Legal		\$75,000	\$75,000	\$75,000
Outreach		\$30,000	\$30,000	\$35,000
Total Additional Expense		\$45,000	(\$45,000)	(\$90,000)
Target Volume Charge Revenue	\$2,754,800	\$2,799,800	\$2,709,800	\$2,664,800



Consumption Will Decrease With Rising Rates

- Price Elasticity measures the extent to which demand for a good or service changes with price
 - Price elasticity tells you the percentage change in demand for a 1 percent change in price

- EXAMPLE:

Elasticity of $-.1$ means that a.....

**1 percent increase in price leads to a
0.1 percent decrease in consumption**

Reductions Based on Industry Standard Price Elasticities

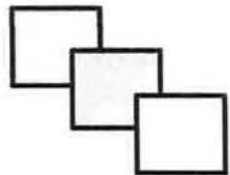
Price-Induced Reductions Only

- Significantly higher prices reduce consumption and balance revenue

Classification	Rate Block	Normal Conditions		Consumption Normal Conditions	Stage 3 Consumption With Response	Revenue		Price Elasticities
		Current Rates	30% Reduction			Normal Conditions	Stage 3 Revenue	
		\$/Ccf	\$/Ccf	Ccf	Ccf	\$	\$	
Single Family								
	0 to 24 Ccf	\$1.97	\$2.36	422,215	413,856	\$834,234	\$979,602	-0.10
	25 to 40 Ccf	\$2.46	\$6.20	147,203	102,444	363,221	637,084	-0.20
	41 to 100 Ccf	\$3.45	\$12.94	167,392	29,257	581,676	381,324	-0.30
	Over 100 Ccf	\$5.91	\$22.16	44,319	0	266,030	0	-0.40
				781,128	545,557	\$2,045,161	\$1,998,010	
All Other								
				252,023	139,162	709,618	805,181	
				1,033,151	684,719	\$2,754,778	\$2,803,191	

30% Reduction, Water Sales Volume = 685,000

Revenue Target = \$2,799,800

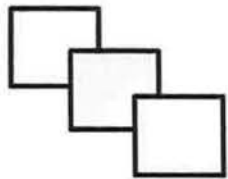


Drought Rates

Price-Induced Reductions Only

- Price is capped at cost of Desal water in top Tier

Classification	Rate Block	Normal	Stage 3	Stage 4	Stage 5
		Conditions Current Rates	30% Reduction	50% Reduction	60% Reduction
		\$/Ccf	\$/Ccf	\$/Ccf	\$/Ccf
Single Family					
	0 to 24 Ccf	\$1.97	\$2.36	\$4.20	\$6.19
	25 to 40 Ccf	\$2.46	\$6.20	\$11.96	\$14.27
	41 to 100 Ccf	\$3.45	\$12.94	\$20.70	\$36.25
	Over 100 Ccf	\$5.91	\$22.16	\$36.25	\$36.25



Example Single Family Residential Bills at Each Stage

Price-Induced Reductions Only

- No change in use leads to higher bills

Description	Use	Normal	Stage 3	Stage 4	Stage 5
		Conditions Current Rates	30% Reduction	50% Reduction	60% Reduction
Very Low	10	\$51.89	\$55.79	\$74.19	\$94.09
Low	20	\$71.59	\$79.39	\$116.19	\$155.99
Average	36	\$108.99	\$163.23	\$276.51	\$351.99
High	80	\$256.83	\$705.63	\$1,152.35	\$1,859.07
Very High	120	\$444.03	\$1,407.63	\$2,291.35	\$3,309.07

Includes bi-monthly 1 inch meter charge of \$32.19.

Figure 1
Single-Family Residential Bi-monthly Bill
 with WSRMP Stage Reductions

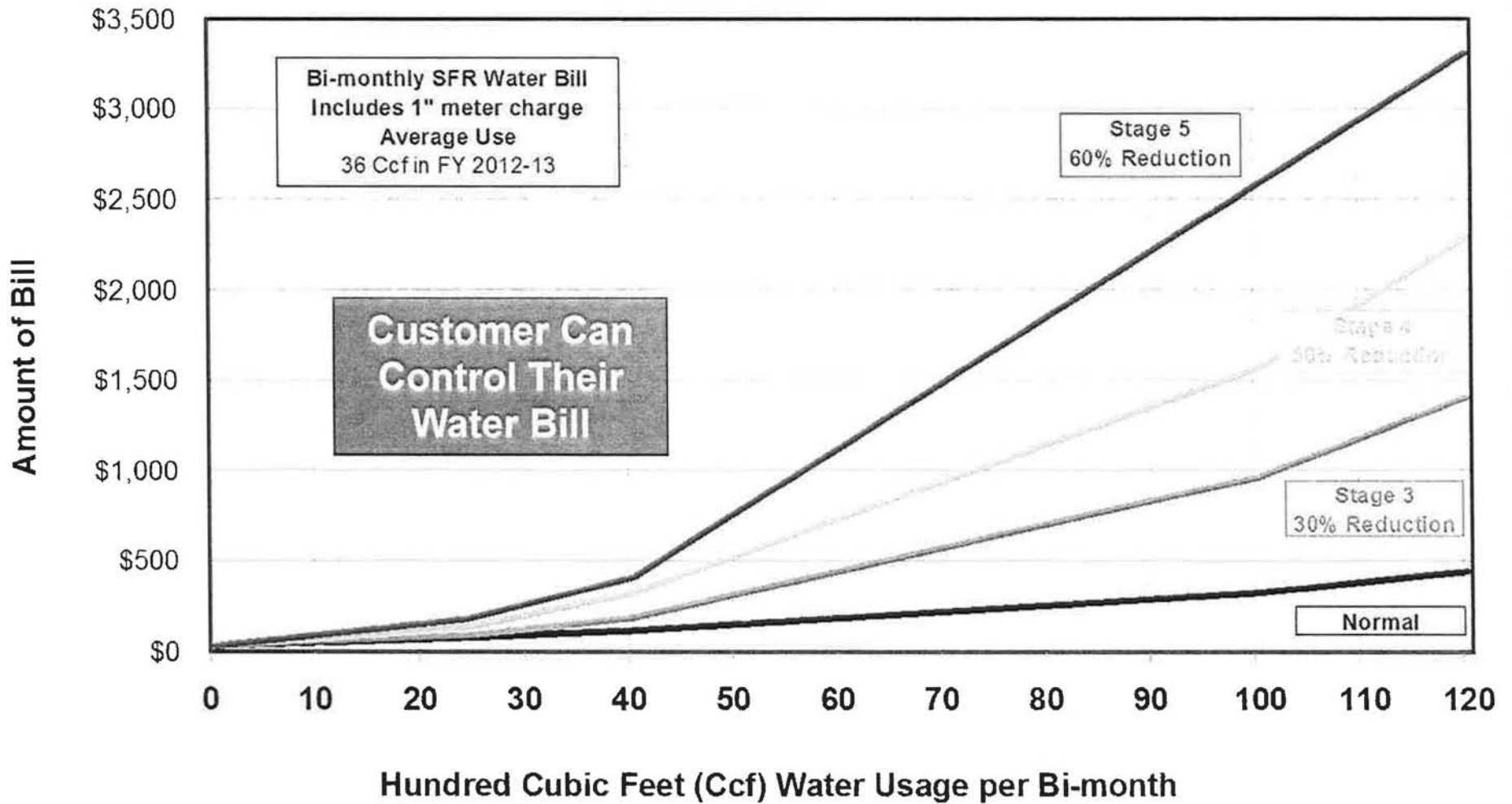
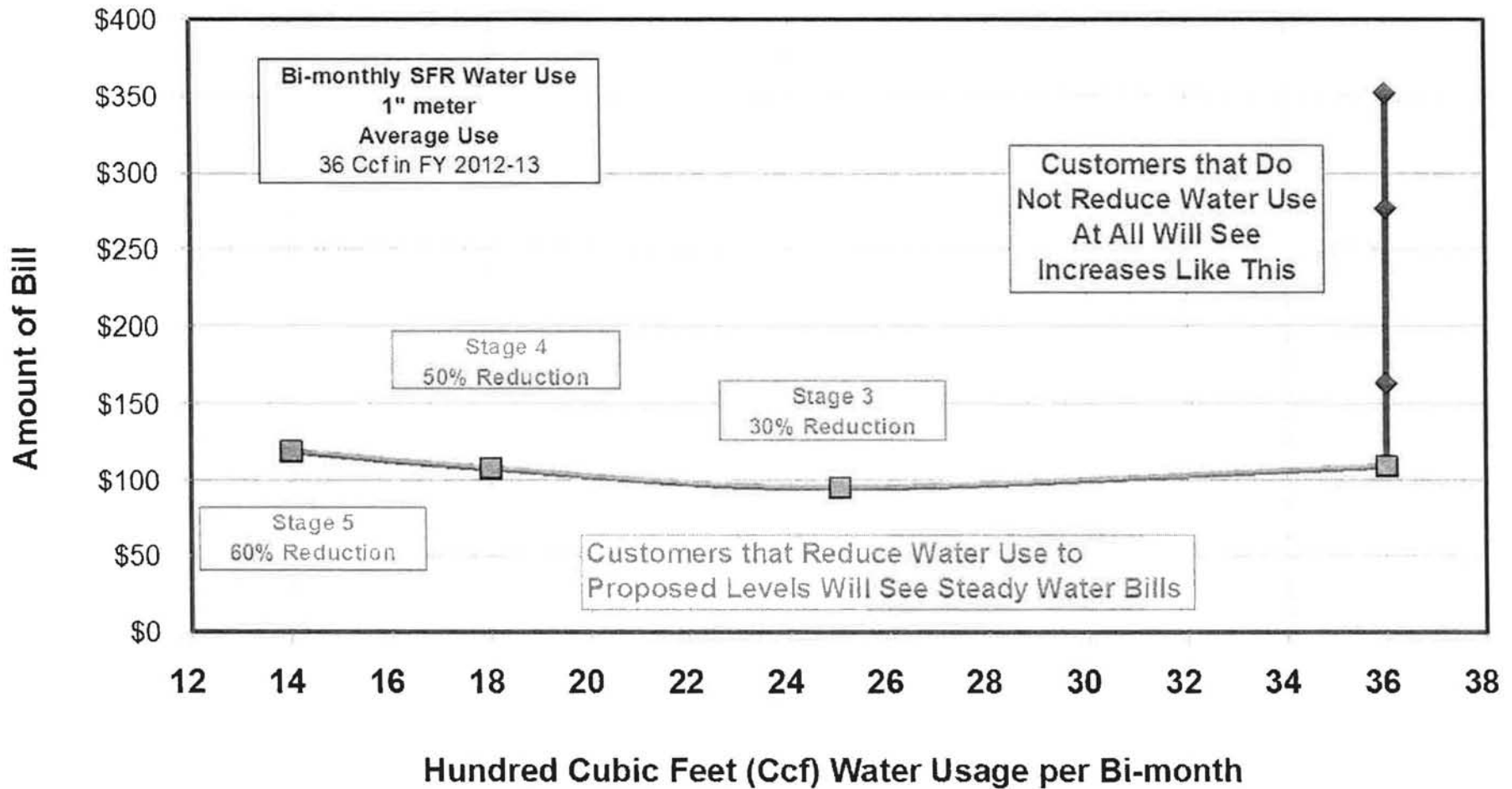
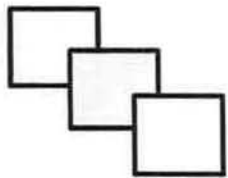


Figure 2
Impacts to Single-Family Residential Bi-monthly Bills
No Reduction versus Assumed Customer Stage Reductions
 (Includes bi-monthly fixed meter charge)



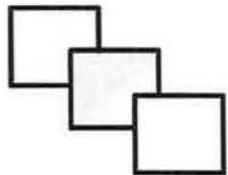
Drought Rates with November 1, 2014 Increase

- Drought rates increase at same 9.5%
 - Will likely see decrease in consumption with this increase, but our financial plan assumed a 1 percent reduction
 - Use District operating and rate stabilization reserves as necessary for any shortfall



DWR Urban Drought Guidebook

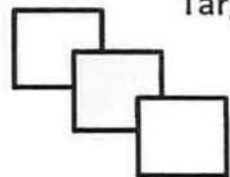
- “It is standard practice for water suppliers to maintain a dry-year contingency reserve fund to protect revenue through two or more years of supply reductions below normal demand levels.”
(excerpt from 2008 DWR Urban Drought Guidebook, page 55)
 - For NCSD, Stage 3 reduction of 752 AF results in lost revenue of about \$1.08M. A two-year drought reserve would equal \$2.2M for Stage 3 drought.



Mandatory/Voluntary and Price-Induced Revenue Target

- Mand/Volun method requires additional expense

Description	Current	Stage 3	Stage 4	Stage 5
	FY 2012-13	30% Reduc	50% Reduc	60% Reduc
Additional Stage Expense				
Pumping Expense		(\$160,000)	(\$250,000)	(\$300,000)
Administration		\$100,000	\$100,000	\$100,000
Operations		\$100,000	\$100,000	\$100,000
Legal		\$225,000	\$225,000	\$225,000
Outreach		\$40,000	\$45,000	\$50,000
Total Additional Expense		\$305,000	\$220,000	\$175,000
Target Volume Charge Revenue	\$2,744,000	\$3,049,000	\$2,964,000	\$2,919,000
Target Revenue Price Induced		\$2,799,800	\$2,709,800	\$2,664,800
Increased Cost of Mand/Volun Method		\$249,200	\$254,200	\$254,200



Rate Comparison of Two Methods

Mandatory/Voluntary and Price-Induced with Price Induced Only

- Mand/Volun method results in higher rates in 1st Tier

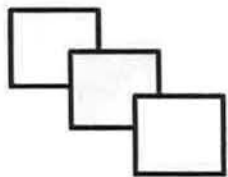
Classification	Rate Block	Normal Conditions Current Rates	Mand/Volun and Price Induced		
			Stage 3 30% Reduction	Stage 4 50% Reduction	Stage 5 60% Reduction
Single Family	0 to 24 Ccf	\$1.97	\$2.70	\$5.04	\$6.60
	25 to 40 Ccf	\$2.46	\$6.15	\$8.86	\$12.18
	41 to 100 Ccf	\$3.45	\$9.49	\$20.70	\$36.25
	Over 100 Ccf	\$5.91	\$22.16	\$36.25	\$36.25
Price Induced Only					
Single Family	0 to 24 Ccf	\$1.97	\$2.36	\$4.20	\$6.19
	25 to 40 Ccf	\$2.46	\$6.20	\$11.96	\$14.27
	41 to 100 Ccf	\$3.45	\$12.94	\$20.70	\$36.25
	Over 100 Ccf	\$5.91	\$22.16	\$36.25	\$36.25

Comparison of Example Single Family Residential Bills

Bills are higher at lower uses for Mand/Volun Method

Description	Use	Normal Conditions Current Rates	Mand/Volun and Price Induced		
			Stage 3	Stage 4	Stage 5
			30% Reduction	50% Reduction	60% Reduction
Very Low	10	\$51.89	\$59.19	\$82.59	\$98.19
Low	20	\$71.59	\$86.19	\$132.99	\$164.19
Average	36	\$108.99	\$170.79	\$259.47	\$336.75
High	80	\$256.83	\$574.99	\$1,122.91	\$1,835.47
Very High	120	\$444.03	\$1,207.99	\$2,261.91	\$3,285.47

Description	Use	Normal Conditions Current Rates	Price Induced Only		
			Stage 3	Stage 4	Stage 5
			30% Reduction	50% Reduction	60% Reduction
Very Low	10	\$51.89	\$55.79	\$74.19	\$94.09
Low	20	\$71.59	\$79.39	\$116.19	\$155.99
Average	36	\$108.99	\$163.23	\$276.51	\$351.99
High	80	\$256.83	\$705.63	\$1,152.35	\$1,859.07
Very High	120	\$444.03	\$1,407.63	\$2,291.35	\$3,309.07



Supplemental Water Charges

Background

- Groundwater basin levels are dropping
 - » Pumping twice the dependable yield
 - » May invite seawater intrusion
- Basin has been Adjudicated
 - » Stipulation Agreement: Rights to groundwater allocated to users
 - » NMMA Physical Solution: supplemental water and % rights
 - » Technical group appointed to manage basin
- Supplemental Water Project is currently underway
 - » Bringing in supplemental water as a long-term water supply source
 - » Project constructed in 3 phases
 - » Phase 1 – 650 AFY initially
- Create New Supplemental Water Charges
 - » Charge to recover all costs associated with new water supply

New Supplemental Water Op Fund

- Captures all revenue and obligations related to Supplemental Water
 - » Revenues from charges to Purveyors and District customers
 - » Supplemental Water cost from Santa Maria
 - » Annual Project replacement
 - » Portion of 2013 and 2013A COPs debt service
- Purveyor Supplemental Water Charges
 - » Recover fair share of District's costs to construct Supp Water Project
 - » Costs from Santa Maria including additional O&M
- District customers Supplemental Water Charges
 - » Share of COPs debt service not funded by other sources
 - » Share of annual Project replacement
 - » Costs from Santa Maria including additional O&M

Charge to District Customers

2 months

Line No.	Description	2014-15
	Pass-Through Supplemental Water Costs ^[1]	
1	Supplemental Water Cost (\$ per AF)	\$1,718.23
2	Supplemental Water O&M Cost (\$ per AF)	\$103.17
3	Pass-Through Cost of Supplemental Water (\$ per AF)	\$1,821.40
4	FY 2014-15 Bi-Monthly Supplemental Water Received (AF) [2]	88.91
5	Total Bi-Monthly Cost of Supplemental Water	\$161,935
	Bi-Monthly Fixed New Supplemental Water Fund Costs	
6	Supplemental Water Project Annual Replacement ^[3]	\$26,672
7	<u>Difference Between Prop Taxes Received and Debt Service [4]</u>	<u>7,881</u>
8	Total Bi-Monthly Fixed New Supplemental Water Fund Costs	\$34,553
9	Fixed Supplemental Water Charge per Equivalent 1" Meter ^[5]	\$32.79
10	Fixed Costs Charge per Bi-Month per Equivalent 1 inch Meter ^[5]	\$7.00
11	Total Bi-Monthly Fixed Charge per Equivalent 1 inch Meter	\$39.79

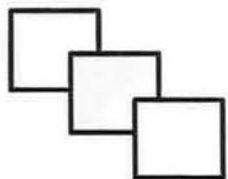
^[1] The Supplemental Water Costs per AF will increase as the costs are increased to NCSD.

^[2] Supplemental Water estimate of 533.44 AFY for two months.

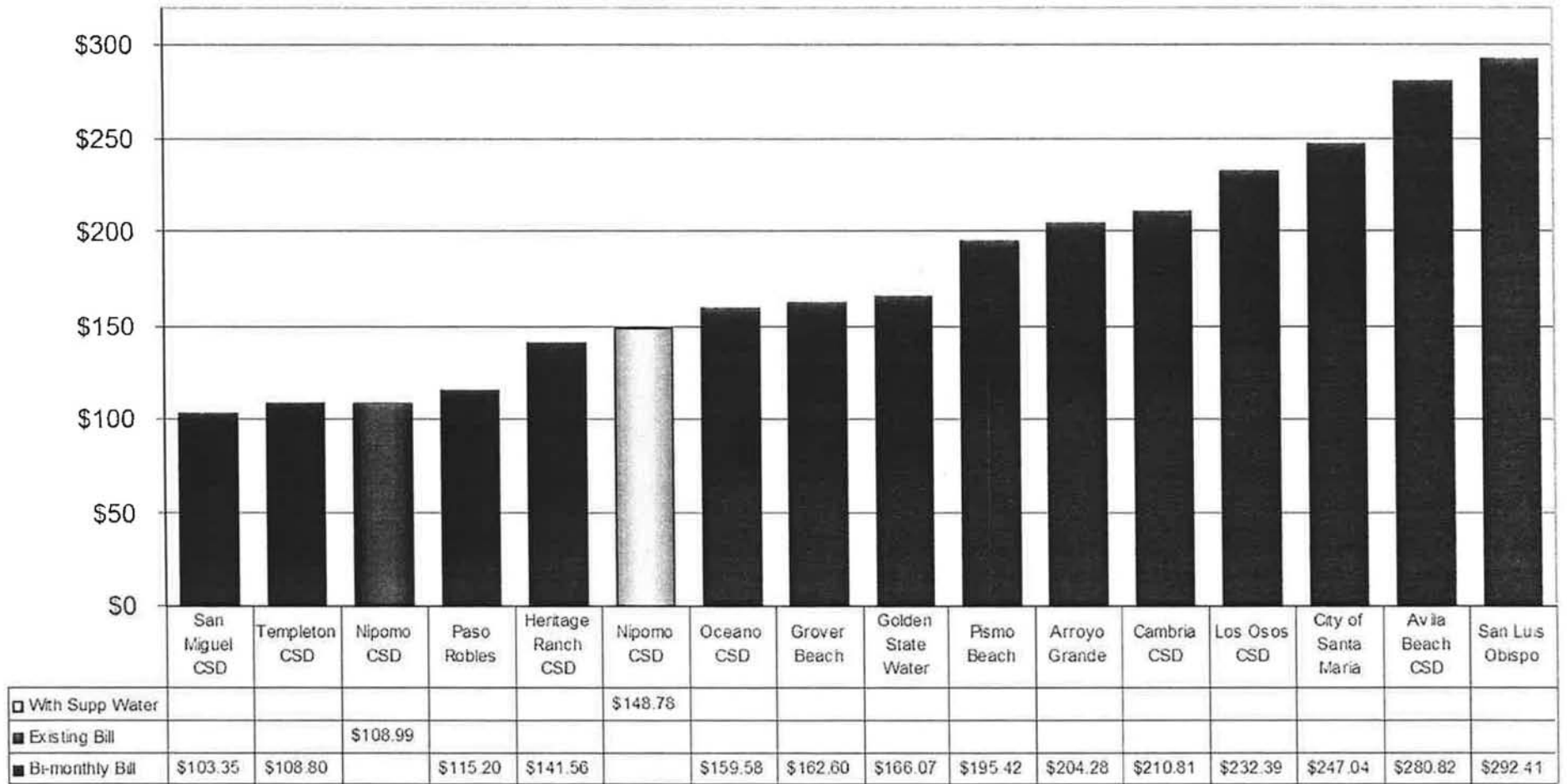
^[3] District share of Supplemental Water Project annual replacement contribution assuming a project cost of \$23,651,640 and a project life of 100 years.

^[4] Estimated bi-monthly difference between debt service paid and Property Tax Revenue received, less debt service included in Purveyor charges. $((\$750,000 - \$500,000) / 12 \text{ less } \$16,893) \text{ times } 2)$

^[5] Assumes total number of Equivalent 1 inch Meters of 4,939.



Selected Local Water Agencies
Comparison of Single-family Residential Bi-monthly Water Bills ^[1]
 at 36 Ccf Bi-monthly

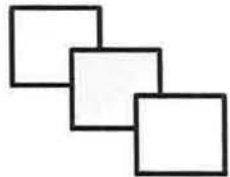


[1] For rates in effect January 2014.

Supplemental Water Charges by Meter Size

- Bi-monthly charge increases with meter size

Meter Size	Meter Capacity Ratio	Bi-Monthly Charge
1 inch and less	1.0	\$39.79
1 1/2 inch	3.0	\$119.37
2 inch	4.8	\$190.99
3 inch	9.0	\$358.11
4 inch	15.0	\$596.85
6 inch	30.0	\$1,193.70
8 inch	48.0	\$1,909.92
10 inch	69.0	\$2,745.51
12 inch	93.0	\$3,700.47



Responding to the Drought and Beyond

- Groundwater levels in trouble before the drought...
Now even more so.
- Drought rates help protect water supply.
 - Motivate needed conservation ONLY DURING DROUGHT STAGES
 - Ensure adequate revenue
 - We may never need the upper stages, but we must have a plan in place
- New Supplemental Water charges when new water arrives
 - Pays for the start of a long-term solution
 - New water from Santa Maria
 - Will decrease the need for drought rates and cutbacks

- We have to protect the groundwater table

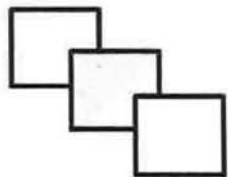
Questions For The Board

■ Water Shortage Rates

- » Which method – Voluntary and Price Induced? Price Induced Only?
- » Modifications?
- » Finalize Drought and Supp Water Rate Structure by April 23
- » Proposition 218 hearing July 9

■ Supplemental Water Charges

- » Questions? Modification? Direction?



Next Steps

- April 23rd - Draft Rate Study Report
- Week of May 5th - Scheduled public workshops
- May 14th - Approve Rate Study
- May 23rd - Public Notices mailed
- Week of June 2nd - Potential Public Workshops
- July 9th - Public Hearing on Rates



Clayton Tuckfield, P.E.
Principal, Tuckfield & Associates

Presentation

April 2014

DISCUSSION

NIPOMO COMMUNITY SERVICES DISTRICT

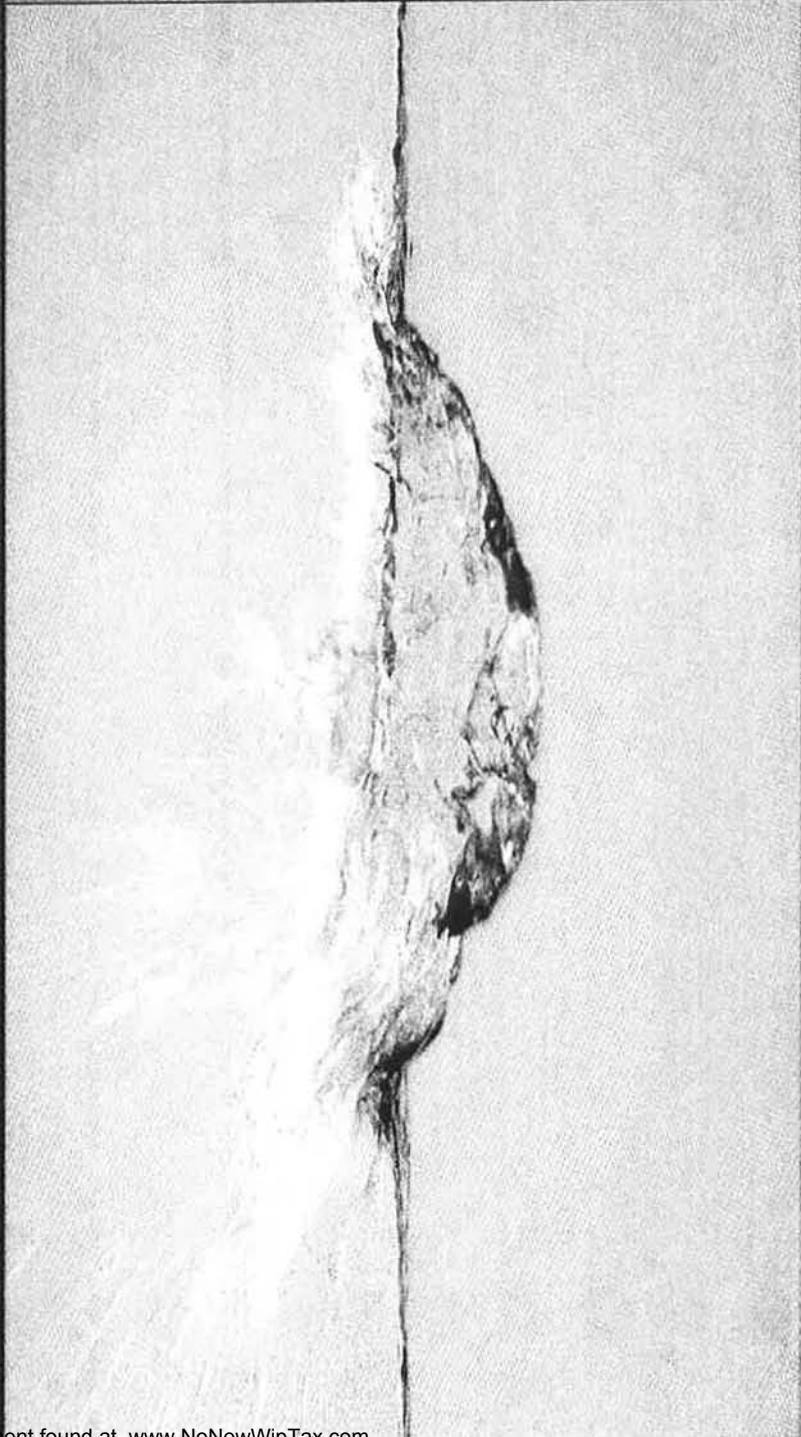


Figure 2
Impacts to Single-Family Residential Bi-monthly Bills
No Reduction versus Assumed Customer Stage Reductions
 (Includes bi-monthly fixed meter charge)

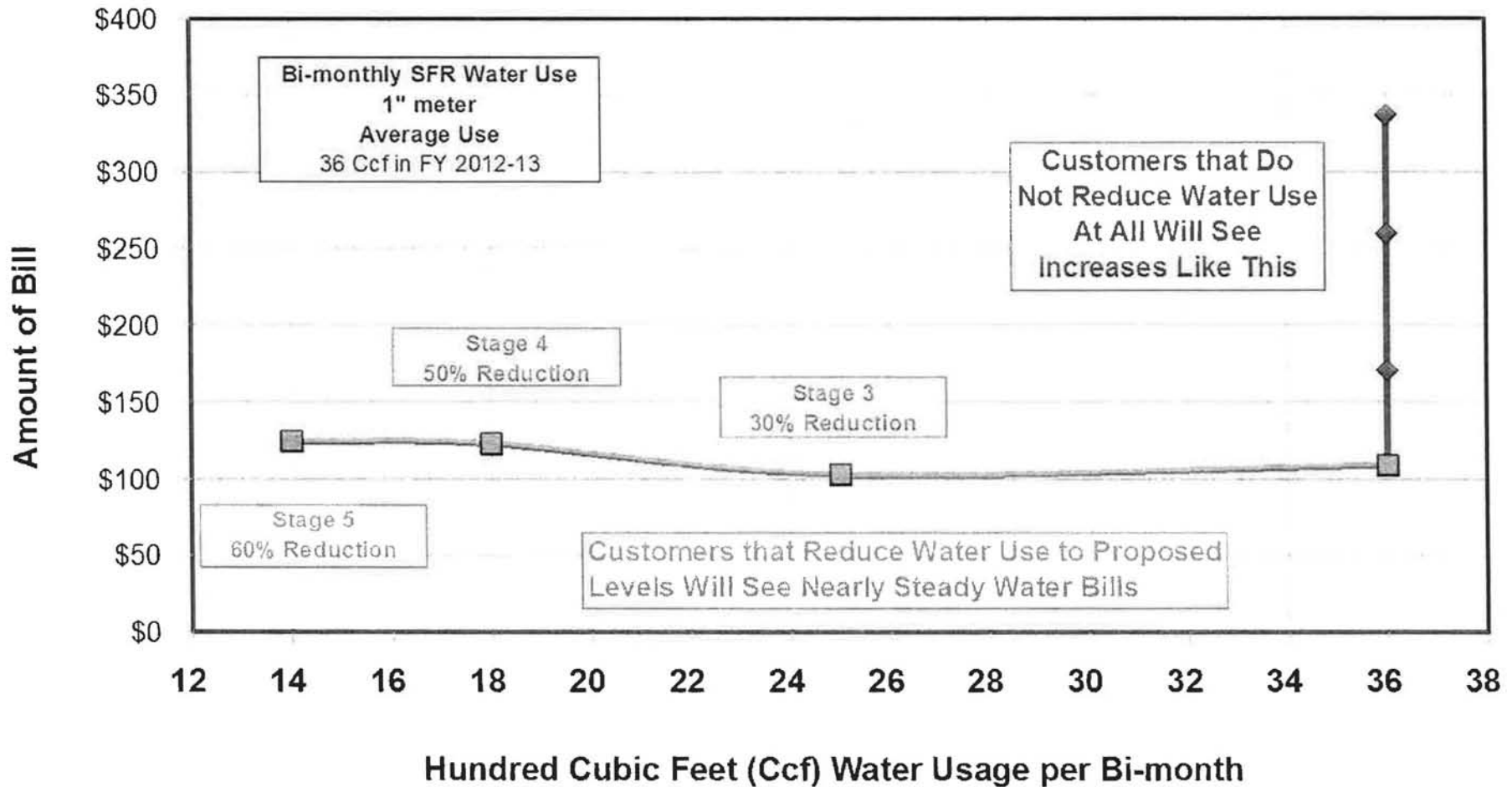


Figure 3
Impacts to Multifamily Residential Bi-monthly Bills
No Reduction versus Assumed Customer Stage Reductions
 (Does not include fixed charges)

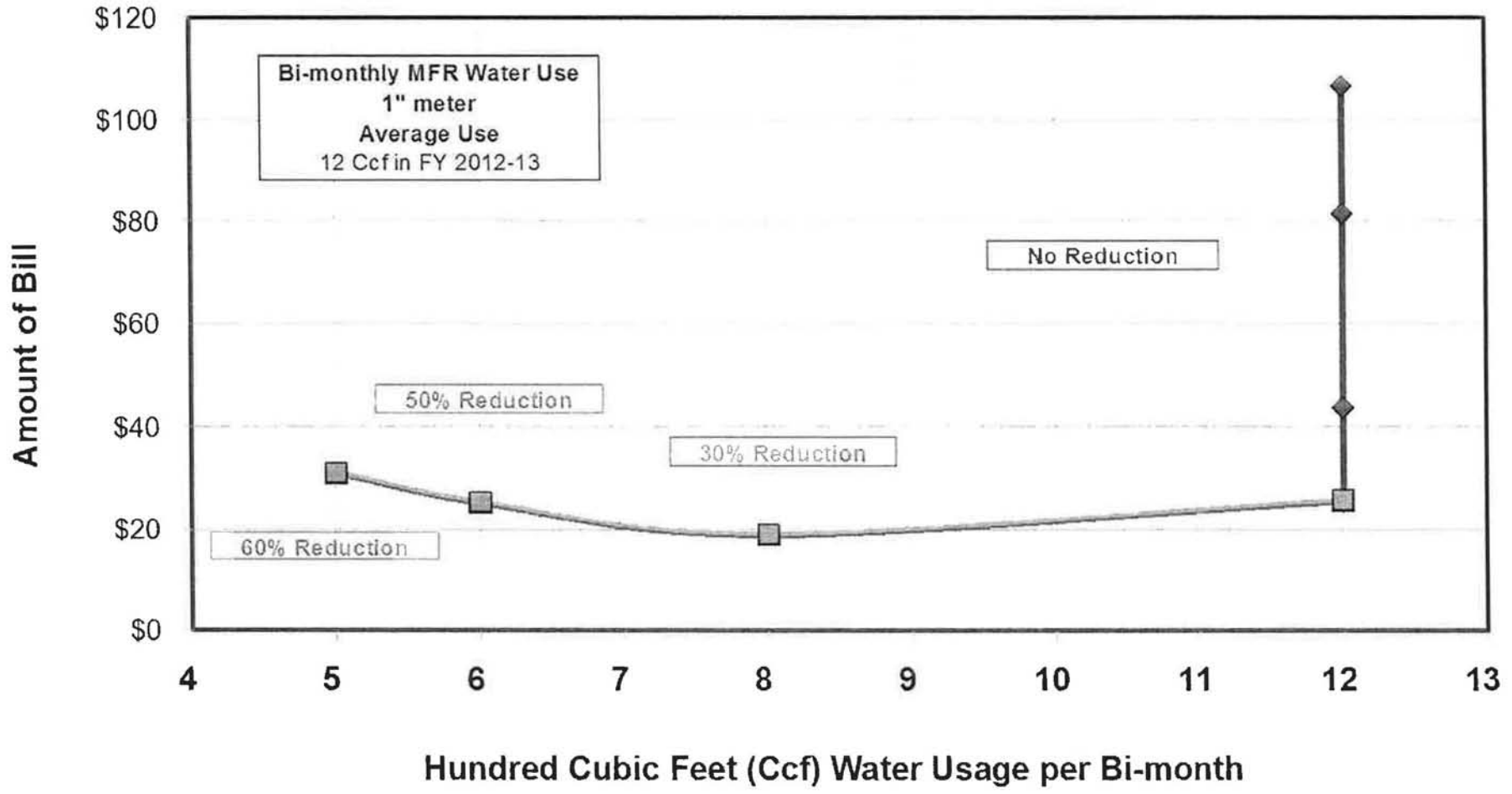


Figure 4
Impacts to Commercial Bi-monthly Bills
No Reduction versus Assumed Customer Stage Reductions
 (Does not include fixed charges)

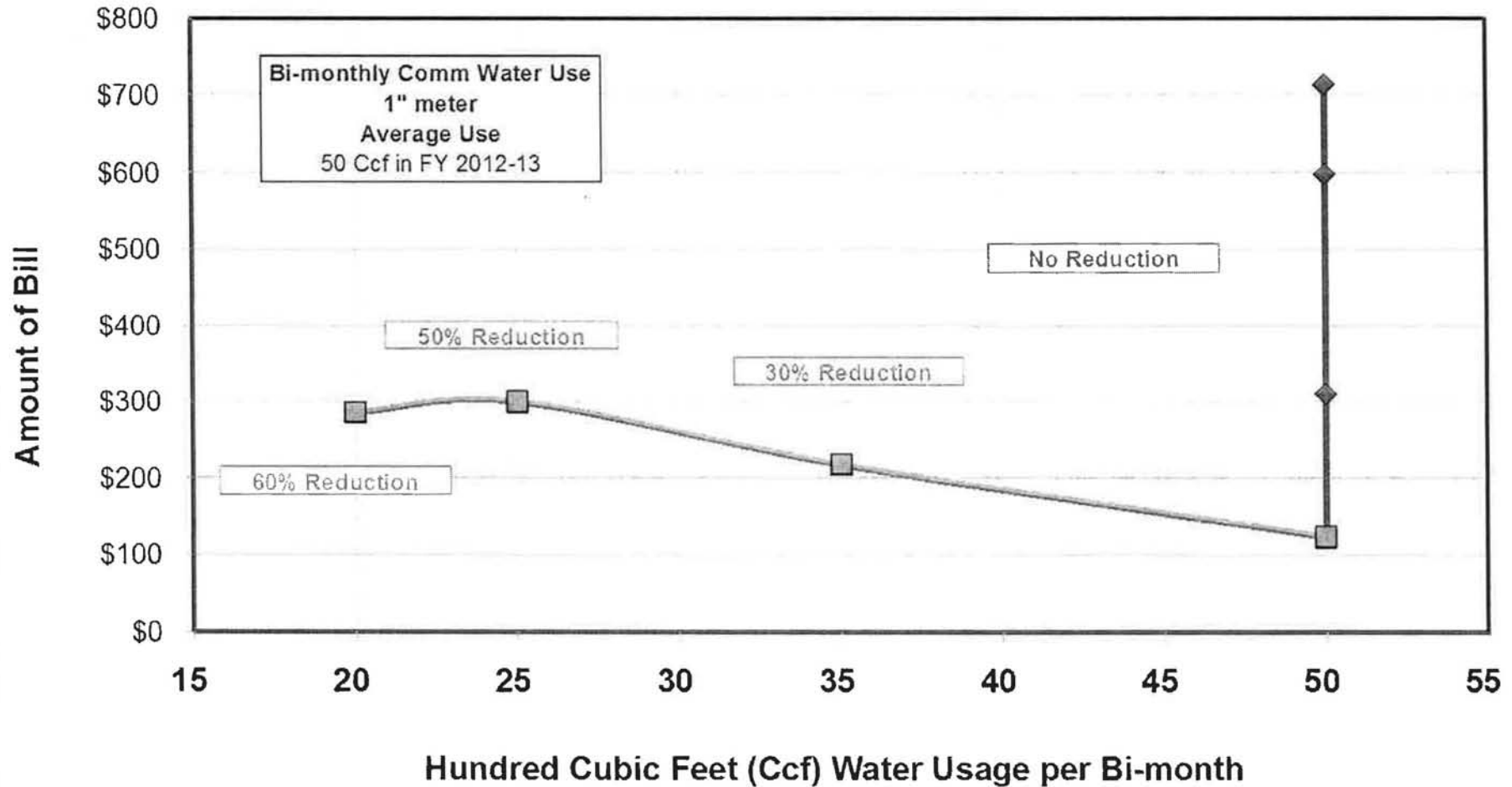
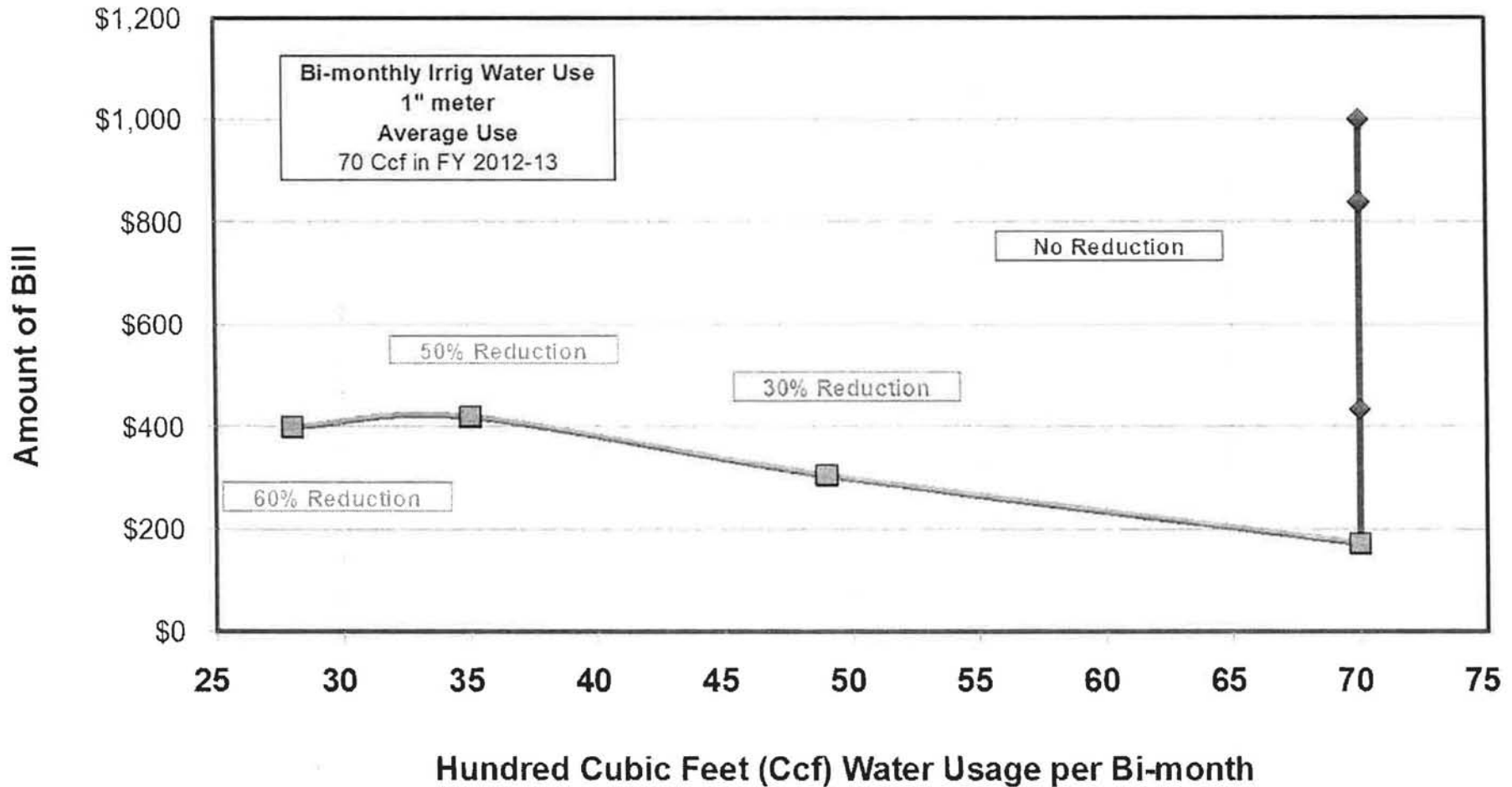


Figure 5
Impacts to Irrigation Bi-monthly Bills
No Reduction versus Assumed Customer Stage Reductions
 (Does not include fixed charges)

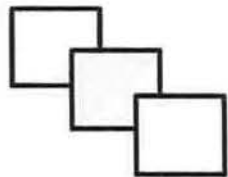


Percentage Price Increases

Price-Induced Reductions Only

- Larger price increases in upper Tiers increase motivation to conserve

Classification	Rate Block	Stage 3	Stage 4	Stage 5
		30% Reduc	50% Reduc	60% Reduc
Single Family				
	0 to 24 Ccf	120%	213%	314%
	25 to 40 Ccf	252%	486%	580%
	41 to 100 Ccf	375%	600%	1051%
	Over 100 Ccf	375%	613%	613%



Charge to Purveyors

Line No.	Description	Fiscal Year				
		2014-15	NCS D	WMWC	RWC	GSWC
1	Phase 1 Supplemental Water Annual Allocation (AF)	800	533.44	133.28	66.64	66.64
2	Phase 1 Supplemental Water Delivery Percentages		66.68%	16.66%	8.33%	8.33%
	Pass-Through Supplemental Water Costs ^[1]					
3	Supplemental Water Cost (\$ per AF)	\$1,718.23	\$1,718.23	\$1,718.23	\$1,718.23	\$1,718.23
4	Supplemental Water O&M Cost (\$ per AF)	\$103.17	\$103.17	\$103.17	\$103.17	\$103.17
5	Pass-Through Cost of Supplemental Water (\$ per AF)	\$1,821.40	\$1,821.40	\$1,821.40	\$1,821.40	\$1,821.40
6	Pass-Through Cost of Supplemental Water (\$ per month)			\$20,230	\$10,115	\$10,115
	Monthly Fixed Supplemental Water Costs ^[2]					
7	Monthly Capital Recovery Charge	\$50,700	\$33,807	\$8,447	\$4,223	\$4,223
8	NCS D Sunk Cost Contributions ^[3]	28,100	18,737	4,681	2,341	2,341
9	Amortization of Interest on NCS D Sunk Cost ^[4]	1,400	933	233	117	117
10	Amortization of NCS D Equity Contributions ^[5]	33,800	22,537	5,631	2,816	2,816
11	Supplemental Water Project Monthly Replacement ^[6]	20,000	13,336	3,332	1,666	1,666
12	Total Monthly Fixed Supplemental Water Costs	\$134,000	\$89,350	\$22,324	\$11,163	\$11,163
13	Fixed Charge per Month			\$22,324	\$11,163	\$11,163
14	Total Charge per Month			\$42,554	\$21,278	\$21,278

^[1] The Supplemental Water Costs per AF will increase to each purveyor as the costs are increased to NCS D from the City of Santa Maria.

^[2] Fixed costs allocated to Purveyors based on Phase 1 Supplemental Water Delivery Percentages.

^[3] Amortization of \$5,225,500 of NCS D sunk costs at 5.0% percent for 30 years.

^[4] Amortization of \$262,100 of NCS D interest on Sunk Cost at 5.0% percent for 30 years.

^[5] Amortization of \$6,304,000 of NCS D equity contributions at 5.0% percent for 30 years.

^[6] Monthly replacement contribution of total Supplemental Water Project cost of \$23,651,640 assuming a 100 year project life.

Charge to Purveyor with Reimbursement

Line No.	Description	Fiscal Year				
		2014-15	NCSD	WMWC	RWC	GSWC
1	Phase 1 Supplemental Water Annual Allocation (AF)	800	533.44	133.28	66.64	66.64
2	Phase 1 Supplemental Water Delivery Percentages		66.68%	16.66%	8.33%	8.33%
	Pass-Through Supplemental Water Costs ^[1]					
3	Supplemental Water Cost (\$ per AF)	\$1,718.23	\$1,718.23	\$1,718.23	\$1,718.23	\$1,718.23
4	Supplemental Water O&M Cost (\$ per AF)	\$103.17	\$103.17	\$103.17	\$103.17	\$103.17
5	Pass-Through Cost of Supplemental Water (\$ per AF)	\$1,821.40	\$1,821.40	\$1,821.40	\$1,821.40	\$1,821.40
6	Pass-Through Cost of Supplemental Water (\$ per month)			\$20,230	\$10,115	\$10,115
	Monthly Fixed Supplemental Water Costs ^[2]					
7	Monthly Capital Recovery Charge	\$50,700	\$33,807	\$8,447	\$4,223	\$4,223
8	Supplemental Water Project Monthly Replacement ^[3]	20,000	13,336	3,332	1,666	1,666
9	Total Monthly Fixed Supplemental Water Costs	\$70,700	\$47,143.00	\$11,779.00	\$5,889.00	\$5,889.00
10	Total Charge per Month			\$32,009	\$16,004	\$16,004
	Allocation of Reimbursement Costs					
11	NCSD Sunk Cost Contributions ^[4]	\$5,225,500	\$3,484,364	\$870,568	\$435,284	\$435,284
12	Interest on NCSD Sunk Cost Contributions ^[5]	262,100	174,768	43,666	21,833	21,833
13	NCSD Equity Contributions (from various funds) ^[6]	6,304,000	4,203,508	1,050,246	525,123	525,123
14	Total	\$11,791,600	\$7,862,640	\$1,964,480	\$982,240	\$982,240
15	Cash Reimbursement from Each Purveyor			\$1,964,480	\$982,240	\$982,240

^[1] The Supplemental Water Costs per AF will increase to each purveyor as the costs are increased to NCSD from the City of Santa Maria.

^[2] Fixed costs allocated to Purveyors based on Phase 1 Supplemental Water Delivery Percentages.

^[3] Monthly replacement contribution of total Supplemental Water Project cost of \$23,651,640 assuming a 100 year project life.

^[4] Allocation of \$5,225,500 of NCSD equity contributions allocated to Purveyors based on Phase 1 Supplemental Water Delivery Percentages.

^[5] Interest on District contributions towards the Waterline Intertie Project from 6/30/2005 through 6/30/2014 at LAIF historical interest rates.

^[6] From Agenda Item 2, May 10, 2013. Allocated to Purveyors based on Phase 1 Supplemental Water Delivery Percentages.

APRIL 9, 2014

REGULAR BOARD MEETING MINUTES

EXHIBIT "D"

4/9/14 E-3

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April 8, 2014

President Armstrong and NCSD Board Members
via Mr. Michael LeBrun
General Manager
NIPOMO COMMUNITY SERVICES DISTRICT
148 S Wilson Street
Nipomo, California 93444

Re: 4-9-14 Agenda Item E-3 – "Shortage Response & Management Plan"

Gentlemen:

Please accept my apologies for being unable to attend tomorrow's hearing.

Concerning the proposed SRMP, it is well organized and does the District and its customers the service of clearly outlining the progressive steps needed to manage, and we all hope successfully address, the water shortage conditions we are experiencing.

I would offer the following specific comments for your consideration:

1. I did not see a clear declaration (such as a **Whereas** or a **Finding**) by the Board in your Resolution of what your Board considers the currently-applicable water supply Stage to be.
2. The staff report or proposed Resolution were not clear (to me) in distinguishing whether the NMMA Technical Group or the NCSD Board was responsible for making the "Stage" declaration included within the SRMP.
3. I believe it is essential for this SRMP to clearly outline who makes this "Stage" declaration, and what the public comment and hearing process will be in considering and making a declaration regarding any applicable water supply Stage for NCSD.

I'd encourage you to consider reinforcing how this declaration is arrived at in the SRMP.

Sincerely,



David Watson
WATSON PLANNING CONSULTANTS