

NIPOMO COMMUNITY SERVICES DISTRICT

AGENDA

DECEMBER 18, 2002

REGULAR MEETING 9:00 A.M.
BOARD ROOM 148 S. WILSON STREET NIPOMO, CALIFORNIA

BOARD MEMBERS

MICHAEL WINN, VICE PRESIDENT
ROBERT BLAIR, DIRECTOR
JUDITH WIRSING, DIRECTOR
CLIFFORD TROTTER, DIRECTOR
LARRY VIERHEILIG, DIRECTOR

STAFF

DOUGLAS JONES, GENERAL MANAGER
DONNA JOHNSON, SEC. TO THE BOARD
JON SEITZ, GENERAL COUNSEL

NOTE: All comments concerning any item on the agenda are to be directed to the Board Chairperson.

A. CALL TO ORDER AND FLAG SALUTE NEXT RESOLUTION 2002-843

B. ROLL CALL NEXT ORDINANCE 2002-94

B-1 SPECIAL PRESENTATION

Resolution commending past Director Richard Mobraaten for his service to the community

C. PUBLIC COMMENTS PERIOD

PUBLIC COMMENTS

Any member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction, provided the matter is not on the Board's agenda, or pending before the Board.

Presentations are limited to three (3) minutes or otherwise at the discretion of the Chair.

D. ADMINISTRATIVE ITEMS (The following may be discussed and action may be taken by the Board.)

- D-1) REQUEST FOR ANNEXATION – OAKRIDGE – (NEWMAN)
Request to annex approx. 285 acres north of Sandydale Rd., west of Hwy. 101
- D-2) REQUEST FOR VARIANCE – TRACT 2456 (KING VENTURES)
Request to construct common sewer laterals for a 41 lot development
- D-3) REQUEST FOR SERVICE – APN 090-123-021 (PUHEK)
Request for water and sewer service for 6 units (3 duplexes) at 175 S. Burton Street
- D-4) DANA-FOOTHILL WATER STORAGE FACILITY
Review and award bids to construct a one million gallon water tank at the Dana-Foothill site
- D-5) REPEAL OF CHAPTER 4.16 OF THE DISTRICT CODE
Second reading & adoption to repeal Ch. 4.16 of District Code- Approval letters for sewer service

E. OTHER BUSINESS

- E-1) SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA) AMENDING JPA AGREEMENT
Resolution approving an amendment to JPA between SDRMA & Special Dist Worker's Comp Authority
- E-2) SLO COUNTY STATE WATER PROJECT CONTRACT VALUATION REPORT
Consultant – Optimal Water Inc. report on the sale/lease of state water
- E-3) DISTRICT AGENDA PACKET DISTRIBUTION POLICY
Review District policy of giving the agenda packet to the press
- E-4) ANNUAL ELECTION OF THE PRESIDENT & VICE PRESIDENT OF THE BOARD OF DIRECTORS TO PRESIDE FOR THE 2003 YEAR

**NIPOMO COMMUNITY SERVICES DISTRICT
AGENDA**

DECEMBER 18, 2002

REGULAR MEETING 9:00 A.M.

BOARD ROOM 148 S. WILSON STREET NIPOMO, CA

PAGE TWO

F. CONSENT AGENDA *The following items are considered routine and non-controversial by staff and may be approved by one motion if no member of the Board wishes an item be removed. If discussion is desired, the item will be removed from the Consent Agenda and will be considered separately. **Questions or clarification may be made by the Board members without removal from the Consent Agenda.** The recommendations for each item are noted in parenthesis.*

F-1) WARRANTS [RECOMMEND APPROVAL]

F-2) BOARD MEETING MINUTES [RECOMMEND APPROVAL]
Minutes of December 4, 2002, Regular Board meeting
Minutes of December 11, 2002, Special Board meeting

G. MANAGER'S REPORT

- January 2003 Board of Directors Meeting Schedule
 - 1st meeting – January 8, 2003
 - 2nd meeting – January 22, 2003
- Office will be closed December 23-27, 2002.

H. COMMITTEE REPORTS

I. DIRECTORS COMMENTS

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL Pending Litigation GC§54956.9

- A. SMWCD VS NCSD SANTA CLARA COUNTY CASE NO. CV 770214 AND ALL CONSOLIDATED CASES.
- B. SAVE THE MESA VS. NCSD CV 020181
- C. ANTICIPATE/INITIATION OF LITIGATION, ONE CASE

CONFERENCE WITH NEGOTIATOR GC§54956.8

- D. WATER LINE EASEMENT ACROSS COUNTY PARK - DISTRICT NEGOTIATOR - DOUG JONES, COUNTY NEGOTIATOR - PETE JENNY, REGARDING TERMS & PRICE. POSSIBLE LITIGATION INITIATION GC§54956.9

ADJOURN

*There will be a Special board meeting December 20, 2002, 9:00 a.m.
The regular meeting scheduled for January 1, 2003 (New Year's Day) is canceled.
The next regular Board Meeting will be held on January 8, 2003, at 9:00 a.m.*

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2002-843

B.1

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
COMMENDING

RICHARD MOBRAATEN

WHEREAS, on DECEMBER 4, 1998, Richard Mobraaten began service to this District by ELECTION to this Board of Directors of Nipomo Community Services District; and

WHEREAS, since being on the Board, Richard has continually supported many vital projects including:

- ◆ Sewer Plant Expansion funded with a Zero Percent Interest Loan
- ◆ New million gallon water storage tank
- ◆ District's first ever Water and Sewer Replacement Study
- ◆ Supplemental Water Study
- ◆ Waterline Upgrades
- ◆ Water and Sewer System Master Plan 2001 Update
- ◆ Personnel Policies and Procedures complete revamping and updating
- ◆ Geographic Information System (GIS)

WHEREAS, his in-depth thinking and suggestions has brought resolution and solutions to many of the activities of the District; and

WHEREAS, during his tenure as a Director and as President, Richard consistently maintained a gentlemanly and civil demeanor toward his fellow directors, staff, and members of the public present at Board meetings; and

WHEREAS, his service to this Board, the Community, and all Nipomo residents has been of immeasurable value to us all.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Nipomo Community Services District on this 18th day of December, 2002, enthusiastically commends Richard Mobraaten for his service to the Nipomo Community Services District and his community. The Board wishes Richard the very best in all his future endeavors.

MICHAEL WINN, DIRECTOR

DOUGLAS L JONES,
GENERAL MANAGER


ROBERT BLAIR, DIRECTOR

JUDITH WIRSING, DIRECTOR

DONNA K. JOHNSON
SECRETARY TO THE BOARD

CLIFFORD TROTTER, DIRECTOR

LARRY VIERHEILIG, DIRECTOR

TO: BOARD OF DIRECTORS
FROM: DOUG JONES 
DATE: DECEMBER 18, 2002

AGENDA ITEM
DI
DECEMBER 18, 2002

REQUEST FOR ANNEXATION – OAKRIDGE (Canada Ranch)
NEWMAN

ITEM

Request to annex approx. 285 acres north of Sandydale Rd between Hwy 101 and Hetrick Rd., which would have multiple use – commercial, retail, light industrial, office and residential.

BACKGROUND

At the Board meeting of November 20, 2002, the Board reviewed a request from Mr. George Newman to annex approx. 285 acres northerly of Sandydale Road between Hwy 101 and Hetrick Rd. This property is adjacent to the District boundary. This annexation is proposed to be a combination of commercial, light industry and retail, primarily on the easterly half of the 285 acres and 253 lots on the westerly side southerly of the proposed Willow Rd. Exchange. It is estimated that the water use for the commercial/retail area would be equivalent to 160-170 residential units along with a revised residential development. It is estimated the water use would be approx. 250 ac/ft/yr.

The development of this area would probably require a sewer collector system, a lift station and a force main to pump the wastewater to the District's system. It is suggested that this annexation is conditioned on acquiring a supplemental water supply.

This item was continued from the November meeting for a more comprehensive plan and the acquisition of a supplemental water supply. Attached is a parcel map showing the proposed development and annexation area.

RECOMMENDATION

If your Honorable Board wishes to proceed with an annexation, an agreement, including acquiring a supplemental water supply and paying the costs, will be prepared for the applicant.

NIPOMO COMMUNITY SERVICES DISTRICT

Request For Annexation

Property/Project Information and Proposal
(To be completed by Project Proponents/Owners)

1. Property Owner: George Newman (In Escrow)
Address: P.O. Box 691; 1361 Vivaway; Nipomo, CA.
2. Developer: George Newman
3. Engineer: Courtney Architects & Cannon Assoc
4. Assessor's Parcel Number: 091-301-041
5. Location:
 - A. Text/Legal Description: Parcel 1 of Parcel Map Co-89-389, in the County of San Luis Obispo, State of California, as per map recorded Feb 28, 1992 in Book 49, Page 25 of parcel maps, in the office of
 - B. Provide Map (attachments) the county recorder of said county.
6. General Description of Project: Mixed uses including Commercial Retail, Commercial Services, Light Industrial and Residential
7. Services Requested from NCSD: _____
 - A. Water:
 - B. Sewer:
8. Current Zoning: Rural Residential
9. Identify any proposed or pending zone changes on the property to be annexed (Ref. District Resolution No. 197):
 - A. Maximum number of units based on current zoning: 57 Units on 5-acre parcels
 - B. Maximum number of units based on proposed zoning: Not yet determined (See 4-11 of Land Use Revised January 14, 1999)
10. Proposed number of Residential Units: 378 Units - Phasing has not yet been determined.
(Describe phased construction plan if applicable)

7- -92	
7-0-92	
6-30-92	

NIPOMO COMMUNITY SERVICES DISTRICT
REQUEST FOR ANNEXATION

11. If non-residential use, provide information as to number of plumbing fixtures, flows, loading, intended use, etc. (Describe phased construction plan if applicable);

See attached Water Demand schedule

12. Total acreage of proposed project: 285 acres

13. Total acreage of proposed annexation: 285 acres

14. If total acreage to be annexed differs from the acreage to be developed, explain the difference:

NA

15. Status of water resources available on proposed annexation acreage:

A. Quantity (pumping log and date: None)

B. Quality (quality tests and date: None)

C. Other information: _____

D. Water resources to be dedicated to NCSD: _____

16. Description of existing and proposed wastewater disposal system: _____

Tie in to NCSD system.

17. Reason proponents are requesting annexation: To ensure water for this project; to develop new businesses and job opportunities; and to increase tax base for Nipomo

18. Other comments: _____


NIPOMO COMMUNITY SERVICES DISTRICT
REQUEST FOR ANNEXATION

Note:

In its effort to make a competent and informed annexation decision, NCSD may, at its sole discretion, request additional information from the proponent (s) of the annexation, and/or revise this checklist as NCSD deems necessary.

By signing below, I certify that I am the Owner of said property, or am empowered to act on the Owner's behalf, and that I understand the information provided herein by me or my representatives is true to the best of my knowledge.

Signed: George Newman
Full Name: George Newman
Street Address: 1361 Viva Way
Mail Address (If different): P.O. Box 691
Home telephone number: (805) 929-4236
Work telephone number: (805) 929-0388

TO: BOARD OF DIRECTORS
FROM: DOUG JONES 
DATE: DECEMBER 18, 2002

AGENDA ITEM
D2
DECEMBER 18, 2002

REQUEST FOR VARIANCE
TRACT 2456
KING VENTURES

ITEM

Request to construct common sewer laterals for a 41-lot development

BACKGROUND

The District received a request from Mr. Dave Watson, representative of King Ventures, for a variance to construct common sewer laterals for Tract 2456, a 41-lot development. The District Code requires a sewer lateral for each individual building. Mr. Watson is requesting to install a common sewer lateral and have only two connecting points to the District's sewer collector system instead of 41. The common sewer laterals on the property are shown on the attached plot plan. A similar variance was granted to Tract 2299, across the street, where common sewer laterals were installed in which the District requested a recordable covenants indicating that the property owners or association would be responsible for maintaining the common sewer laterals until they reach the District's collector system.

Staff would concur with the request for a variance for having two connection points rather than forty one connections to the sewer line.

RECOMMENDATION

Staff recommends that your Honorable Board grant a variance to install a common sewer line conditional upon a recorded document indicating the responsibilities associated with a common sewer line.



November 21, 2002

Via Facsimile: 929-1932
Total One (1) Page

NIPOMO COMMUNITY SERVICES DISTRICT
Attn.: Mr. Doug Jones, District Manager
Post Office Box 326
Nipomo, California 93444

Re: Request For Variance for Construction of Private Water and Sewer Laterals to Service a Planned Development Project (Co. Applic. #S-02-0166U); 10/24/02 Water and Wastewater "Will Serve" Letter of Intent - "Nipomo Village Phase II" Subdivision, Tract 2456 - Division Street - Nipomo

Dear Doug:

Please accept this letter, check for \$900.00, and the accompanying copy of our tentative tract map preliminary utility plan as our request to the District to issue a variance to NCSD's standards for individual line service to each of the 41 residential sites and the common lot park/daycare center of this tract for water and wastewater services.

I have enclosed our preliminary utility plan that describes the main water and sewer lines in Margie and Adina Streets, maintained and accepted by NCSD previously. I have also identified the water and sewer laterals internal to the tract that (a) we propose be privately maintained by the homeowners, and (b) be granted a variance as to your requirement that each lot have an independent water and sewer lateral service connecting to an NCSD main line. The planned development project will include appropriate covenants/deed restrictions approved by NCSD to insure that the future buyers and occupants are aware of their requirements to maintain these common improvements, so that this burden does not fall upon NCSD.

Please call me to discuss any questions I can address concerning this request.

Sincerely,

A handwritten signature in black ink, appearing to read "David Watson".

David Watson, AICP

NIPVIlncsd03

19941

KING VENTURES
290 PISMO ST. PH. 805-544-4444
SAN LUIS OBISPO, CA 93401

MID-STATE BANK & TRUST
SAN LUIS OBISPO, CA 93405
90-2168-1222

11/21/2002

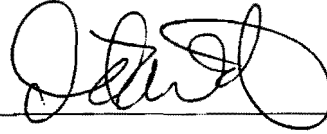
TO THE Nipomo Community Services District
ORDER OF

\$ **900.00

Nine Hundred and 00/100*****

DOLLARS

Nipomo Community Services District
P.O. Box 326
Nipomo, CA 93444



MEMO Nipomo Village - Variance Application

⑈01994⑈ ⑆12221686⑆ 072063560⑈

Security Features Included Details on Back

KING VENTURES


Nipomo Community Services District
Job Cost:01 Gen Req:Permits & Fees:Plan C Plan Check Fees: Variance Application

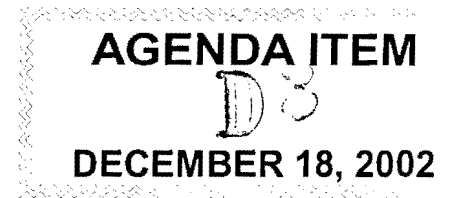
11/21/2002

19941
900.00

King Ventures Checking Nipomo Village - Variance Application

900.00

TO: BOARD OF DIRECTORS
FROM: DOUG JONES 
DATE: DECEMBER 18, 2002



REQUEST FOR SERVICE
APN 090-123-021
PUHEK

ITEM

Request for water and sewer service for 6 units (3 duplexes) at 175 S. Burton Street

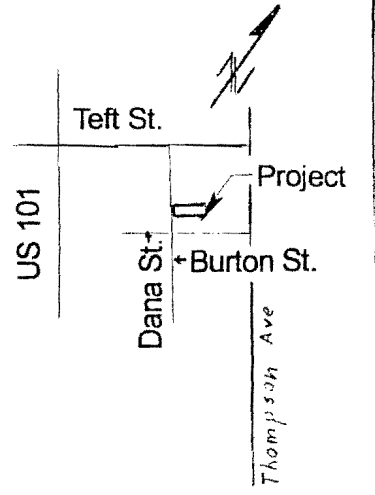
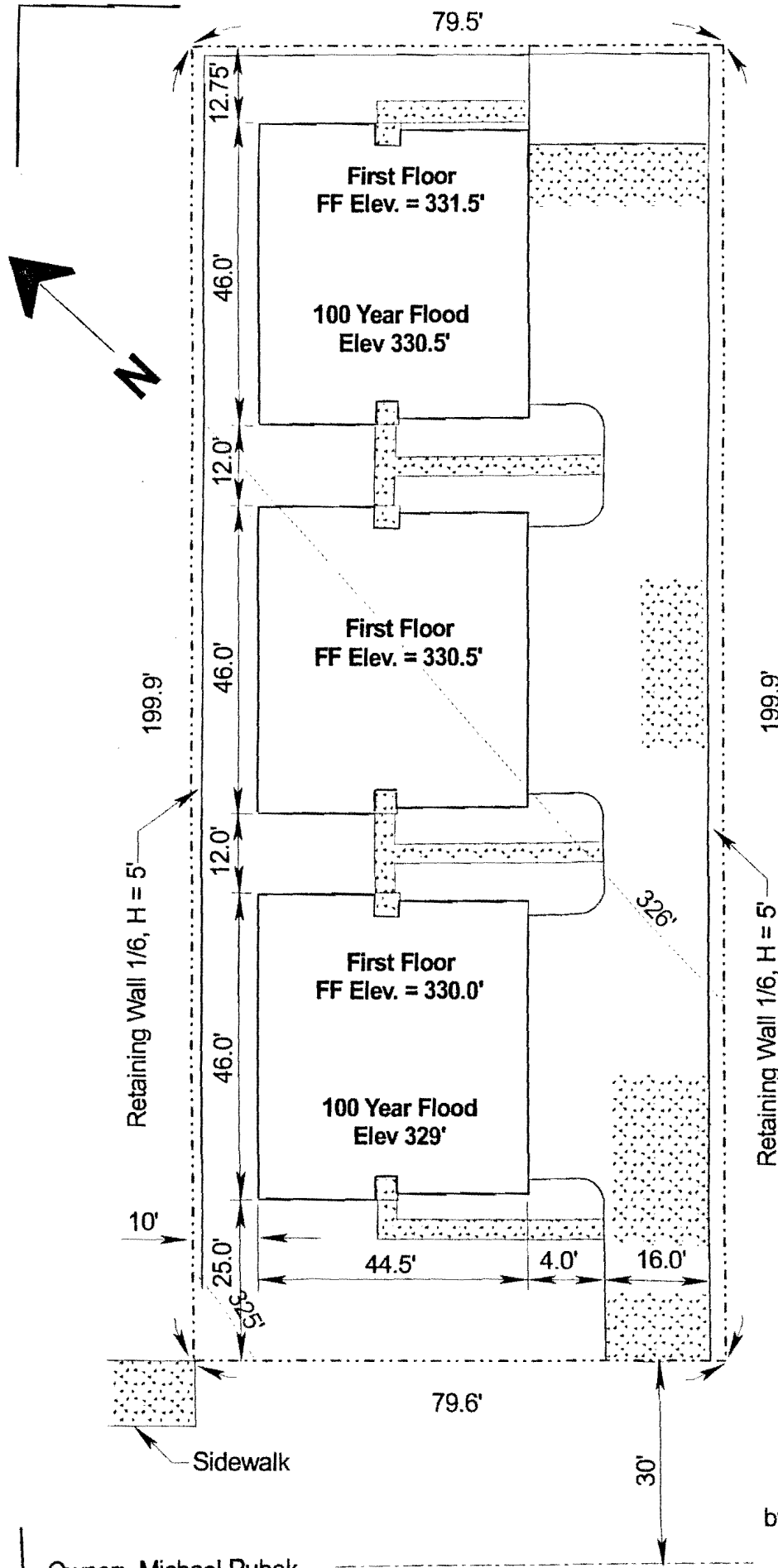
BACKGROUND

The District received a request from Mr. Puhek for water and sewer service for 3 duplexes located at 175 S. Burton Street, as shown on the attached drawing. Water service to this property would have one 1½-inch meter and 6 sewer services connected to a common lateral to the District's sewer collector system. Your Honorable may issue an Intent-to-Serve letter with the following conditions:

1. Enter into a Plan Check and Inspection Agreement and pay the appropriate fees.
2. Submit improvement plans in accordance with the District Standards and Specifications for review and approval.
3. Pay all appropriate District water, sewer and other fees associated with this development.
4. Construct the improvements required and submit the following:
 - a. Reproducible "As Builts" - A mylar copy and digital format disk (Auto Cad) which includes engineer, developer, tract number and water improvements
 - b. Offer of Dedication
 - c. Engineer's Certification
 - d. A summary of all water and sewer improvement costs
5. This Intent-to-Serve Letter will expire two years from date of issuance.

RECOMMENDATION

Staff recommends that your Honorable Board approve an Intent-to-Serve letter for APN 090-123-021 with the conditions as outlined above..



Site Map
Scale: 1" = 16'



Date : December 5, 2002

by: Michael D. Nickerson, P.E
134 Mesa Verde Lane
Nipomo, Ca 93444

805 - 550 - 6545

Owner: Michael Puhek

Burton Street

APN 0901 - 23021

MGP Properties

*205 Short Street
Arroyo Grande, Ca 93420
805-473-2777 Office
805-473-2598 Fax
800-930-3550 Toll Free*

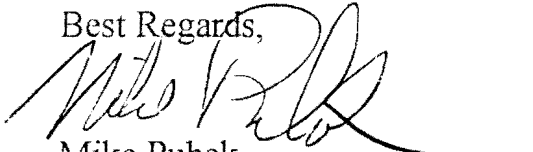
To whom it may concern,

11/18/02

Kindly supply water and sewer services to the site located at
Common address: 175 Burton Street, Nipomo, Ca 93444
Parcel #: 090.123.021

We are planning a 6 unit apartment complex at this location.

Best Regards,


Mike Puhek

NIPOMO COMMUNITY SERVICES DISTRICT
APPLICATION FOR
INTENT-TO SERVE LETTER

1. SLO County Planning Department/Tract or Development No.: 090-123-021
2. Project's Location: 175 BURTON ST. NIPOMO, CA 93444
3. Assessor's Parcel Number(APN) of lot(s) to be served: 090-123-021
4. Total Number of Residential Units: 6
5. Owner Name: Michael G. Puhak
6. Business Address: Office - 205 Short St. Arroyo Grande, CA. 93240
7. Mailing Address: 205 SHORT STREET Arroyo Grande, CA. 93420
8. Phone Number: 805-473-2777
9. Agent's Name(Architect or Engineer): Michael Nickerson
10. Mailing Address: 134 Mesa Verde Lane Nipomo, CA 93444
11. Phone Number: 805-550-6545
12. Type of Use:
 - Single Family Residence
 - Duplex
 - Triplex
 - Multi-Family 6 units
 - Subdivision
 - Commercial? _____ Type _____
 - Remodel: *(Project Description)* _____

13. Applications for commercial projects, projects that exceed two (2) residential units, or multi-family projects will not be approved until the following have been submitted to the District for its review:

- a. Two (2) separate sets of site plans that show the approximate square footage of each unit, the site topography and an estimate of the number of water fixtures to serve each unit in the project; and
- b. A reduced copy of the site plan (8½" x 11")
- c. The number of plumbing fixture units (see Attached)
- d. An engineer or architect's estimate of monthly water and sewer and demand (in gallons per month) for the project.

NIPOMO COMMUNITY SERVICES DISTRICT
APPLICATION FOR
INTENT-TO SERVE LETTER
PAGE TWO

14. The Applicant agrees that in accordance with generally accepted construction practices, Applicant shall assume sole and complete responsibility for the condition of the job site during the course of the project, including the safety of persons and property; that this requirement shall apply continuously and not be limited to normal working hours; and the Applicant shall defend, indemnify, and hold the District and District's agents, employees and consultants harmless from any and all claims, demands, damages, costs, expenses (including attorney's fees) judgements or liabilities arising out of the performance or attempted performance of the work on this project; except those claims, demands, damages, costs, expenses (including attorney's fees) judgements or liabilities resulting from the negligence or willful misconduct of the District.

Nothing in the foregoing indemnity provision shall be construed to require Applicant to indemnify District against any responsibility or liability or contravention of Civil Code §2782.

15. The undersigned acknowledges receipt of the Nipomo Community Services District Application for District Service Policy and Guidelines (attached).

16. APPLICATION FEES:
Intent to Serve Application Processing Fee.....\$ 50.00
(Non-refundable payment attached to this application)

Date 12-9-02




(Must be signed by owner or owner's agent)

Michael G. Puhak

Print name

FOR DISTRICT OFFICE USE:

AMOUNT PAID 50⁰⁰ DATE: 12-9-02 RECEIPT # 51122

TO: BOARD OF DIRECTORS
FROM: DOUG JONES 
DATE: DECEMBER 18, 2002

AGENDA ITEM
D 4
DECEMBER 18, 2002

DANA-FOOTHILL WATER STORAGE FACILITY

ITEM

Review and award bids to construct a one million gallon water storage tank at the Dana-Foothill site

BACKGROUND

At the regular meeting held on November 6, 2002, a Public Hearing was held on the Environmental Review to construct a one million-gallon water storage tank at the Dana-Foothill site. Your Honorable Board approved a mitigated negative declaration for the water storage facility and authorized staff to request bids for the project. The 30-day review period for the CEQA document has passed. The following bids have been received.

ENGINEER'S ESTIMATE	\$461,300.00
<u>CONTRACTOR</u>	<u>BID</u>
Spiess	\$412,200.00
Sansone	424,375.40
CB & I Water	430,791.00
Wysong	454,111.70
Maino	494,061.00
V. Lopez & Sons	496,584.00

After the bids were opened and reviewed, that the lowest responsive bidder is Spiess Construction Co. Inc. Included in this year's budget is \$800,000 to complete this project.

RECOMMENDATION

Staff recommends that your Honorable Board award the contract to Spiess Construction Co. Inc. in the amount of \$412,200.00 and authorize the President of the Board to execute the contract to construct a one million gallon water storage tank at the Dana-Foothill site.

Board 2002/Award storage const.DOC

RESOLUTION 2002-Storage

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
AWARDING A CONTRACT TO SPIESS CONSTRUCTION CO. INC.
FOR THE DANA-FOOTHILL WATER STORAGE FACILITY**

WHEREAS, the DISTRICT requested bid proposals from contractors to construct the Dana-Foothill Water Storage Facility, which consists of constructing a one million gallon storage tank, and

WHEREAS, the DISTRICT requested bids to construct the facility and bids were opened on December 11, 2002, at 2:00 p.m.; and

WHEREAS, the DISTRICT received six bids, in which Spiess Construction Co. Inc. was the apparent low bidder at \$412,200.00, and

WHEREAS,. Said EIR is incorporated herein by reference; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED by the Board of Directors of the Nipomo Community Services District, San Luis Obispo County, California, as follows:

1. That the contract to construct the Dana-Foothill Water Storage Facility be awarded to Spiess Construction Co. Inc. in the amount of \$412,200.00, and
2. That the President of the Board is instructed to execute the contract on behalf of the District.

Upon motion of Director _____ seconded by Director _____ and on the following roll call vote, to wit:

AYES: Directors _____
ABSENT:
ABSTAIN:
CONFLICTS:

the foregoing Resolution is hereby adopted this 18th day of December, 2002.


Michael Winn, Vice President
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

Donna K. Johnson
Secretary to the Board

Jon S. Seitz
District Legal Counsel

TO: BOARD OF DIRECTORS
FROM: DOUG JONES 
DATE: DECEMBER 18, 2002

AGENDA ITEM
D5
DECEMBER 18, 2002

REPEAL OF CHAPTER 4.16 OF THE DISTRICT CODE

ITEM

Second reading and adoption of an ordinance to repeal Chapter 4.16 of the District Code
"Approval letters for sewer service"

BACKGROUND

At the regular Board meeting held on December 4, 2002, your Honorable Board introduced an ordinance to repeal Chapter 4.16 of the District Code, a procedure for approving letters for sewer service and adopted in the 1980's when the District sewer project first came into being. Chapter 4.16 is outdated and should be repealed since this Board has adopted a resolution setting a policy and guidelines for District water and sewer services. This new policy supercedes Chapter 4.16 of the District Code.

RECOMMENDATION

Staff recommends that your Honorable Board have the second reading and adoption of Ordinance 2002-94 repealing Chapter 4.16 of the District Code.

Board 2002/Repeal of Ch 4.16 Ord.DOC

**NIPOMO COMMUNITY SERVICES DISTRICT
ORDINANCE 2002-94**

**AN ORDINANCE OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
REPEALING CHAPTER 4.16 OF THE DISTRICT CODE**

WHEREAS, the Nipomo Community Services District (District) Board of Directors on December 4, 2002 adopted Resolution 2002-842 that established District policy and guidelines for District water and sewer service; and

WHEREAS, Resolution number 2002-842 includes guidelines for tentative and final approval letters (Intent to Serve and Final Will Serve letters) for both District water and sewer service.

NOW, THEREFORE, BE IT ORDAINED, by the Board of Directors of the District as follows:

Section 1. Repeal of Chapter 4.16 of the Nipomo Community Service District Code

Chapter 4.16 of Title 4 of the Nipomo Community Service District Code is hereby repealed in its entirety.

Section 2. Severability

If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the remaining portions of this Ordinance. The Governing Board of the District hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsection, sentence, clause or phrase be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

Section 3. Effect of Headings

Title, division, part, chapter, article, and section headings contained herein do not in any manner affect the scope, meaning, or intent of the provisions of this Ordinance.

Section 4. CEQA Findings

The Board of Directors of the District finds that the fees and charges adopted by this Ordinance are exempt from the California Environmental Quality Act pursuant to Public Resources Code §21080(b)(8) and CEQA Guidelines Section 15273. The Board of Directors further finds that the amendment of the Rules and Regulations established by this Ordinance fall within the activities described in Section 15378(b)(3) of the CEQA Guidelines which are deemed not to be "projects" for the purposes of CEQA, because it can be seen with certainty that the adoption of the Amendment to the Rules and Regulations will not have a significant effect on the environment. The District General Manager is directed to prepare and file an appropriate notice of exemption.

NIPOMO COMMUNITY SERVICES DISTRICT
ORDINANCE 2002-94

AN ORDINANCE OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
REPEALING CHAPTER 4.16 OF THE DISTRICT CODE

PAGE TWO

Section 5. Inconsistency

To the extent that the terms of provision of this Ordinance may be inconsistent or in conflict with the terms or conditions of any prior District Ordinance(s), Motion, Resolutions (except Resolution 2002-842), Rules, or Regulations or any County Ordinance(s), Motions, Resolutions, Rules, or Regulations adopted by the District, governing the same subject matter thereof, then such inconsistent and conflicting provisions of prior Ordinances, Motions, Resolutions (except for Resolution 2002-842), Rules, and Regulations are hereby repealed.

Section 6. Effective Date

This Ordinance shall take effect and be in full force and effect thirty (30) days after its passage. Before the expiration of fifteen (15) days after passage it shall be posted in three (3) public places with the names of the members voting for and against the Ordinance and shall remain posted thereafter for at least one (1) week. The Ordinance shall be published once with the names of the members of the Board of Directors voting for and against the Ordinance in the Five Cities Times Press Recorder.

Introduced at a regular meeting of the Board of Directors held on December 4, 2002 and passed and adopted by the Board of Directors of the Nipomo Community Services District on the day of December 18, 2002 by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAINING:

President of the Board
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

DONNA K JOHNSON
Secretary to the Board

JON S. SEITZ
District Legal Counsel

Chapter 4.16

APPROVAL LETTERS FOR SEWER SERVICE

Sections:

- 4.16.010 Issuance.
- 4.16.020 Board discretion to provide earlier sewer service.
- 4.16.040 Tentative and final approval letters.

4.16.010 Issuance.

A. Volunteers. Upon the payment of all sewer system fees for proposed development projects on volunteer property within the district's zone for the sewerage project, the general manager shall issue an approval letter certifying that the district will provide sewer service as soon as the development is completed; provided, however, if the proposed development exceeds by more than ten percent the number of DUE's used by the district for calculations at the design stage of the sewer project, the application for an approval letter for sewer service shall be considered by the board of directors at a public meeting, and the board shall determine which portion of the project is entitled to the sewer service priority granted generally to volunteers.

B. Nonvolunteer Property in the District. Applicants for sewer service for development projects for nonvolunteer property within the district shall be issued approval letters which contain the following condition in capital letters:

THE COMMITMENT TO PROVIDE SEWER SERVICE HEREIN IS IRREVOCABLE SO LONG AS THE DE-

VELOPMENT OR PROJECT IS RECOGNIZED AS VIABLE BY THE COUNTY OF SAN LUIS OBISPO: HOWEVER, THE OBLIGATION OF THE DISTRICT TO PROVIDE SEWER SERVICE SHALL BEGIN TWELVE (12) MONTHS AFTER THE DISTRICT HAS RECEIVED FULL PAYMENT OF ALL SEWER SYSTEM FEES.

C. Property Requesting Annexation to the District. All property annexed to the district shall comply with all requirements of the district's annexation policy, dated February 2, 1983, set out following Title 4 of this code, including, without limitation, the requirement that all sewer system fees be paid prior to the completion of annexation.

Applicants for sewer service for property outside the district (all of which is nonvolunteer property) shall be issued approval letters which contain the following condition in capital letters:

THE COMMITMENT TO PROVIDE SEWER SERVICE HEREIN IS IRREVOCABLE SO LONG AS THE DEVELOPMENT OR PROJECT IS RECOGNIZED AS VIABLE BY THE COUNTY OF SAN LUIS OBISPO: HOWEVER, THE OBLIGATION OF THE DISTRICT TO PROVIDE SEWER SERVICE SHALL BEGIN TWELVE (12) MONTHS AFTER THE ANNEXATION BECOMES FINAL.

(Ord. 86-49 § 1, 1986)

- 4.16.020 Board discretion to provide earlier sewer service.

Nothing in this chapter shall be construed

or applied at any time to prevent the district from providing sewer service to nonvolunteered or annexed property earlier than the expiration of the twelve-month period if the district's board of directors adopts a resolution at a public meeting finding that the connection rights of volunteers are adequately protected, and that the public health, safety and welfare is not endangered. The consideration or adoption of such a resolution shall be at the sole discretion of the board, and there shall be no legal right to require or demand that the board consider or adopt any such resolution prior to the expiration of the twelve-month period specified in an approval letter. All other things being equal, the board shall give priority to the applicants: (1) with property in the district, and (2) with the earliest payment date for all sewer system fees. (Ord. 86-49 § 2, 1986)

4.16.040 Tentative and final approval letters.


A. Tentative Approvals. The district's tentative consideration of any project will be based upon the review of project plans prepared in sufficient detail to allow the evaluation of service requirements, determination of impacts upon district facilities and an estimate of the total value of the improvements which will be required. After the completion of the district's evaluation of the proposed project, tentative letters of approval may be issued as follows:

1. Volunteers. The general manager shall issue a tentative letter of approval.
2. Nonvolunteers. After evaluation of the proposal at a public meeting, the board of directors may grant a tentative letter of approval, but only after finding that there is now, or will reasonably be in the future,

sufficient sewerage system capacity available to serve the project for which approval is being sought without jeopardizing the capacity which the board reserves for voluntary project participants.

No tentative approval shall be issued by the district prior to payment in full of the estimated plan check and inspection fees as determined by the general manager.

B. Final Approvals. The board of directors shall grant a final letter of approval upon the recommendation of the general manager, and after review of final plans at a public meeting. All appropriate fees, including, without limitation, sewer capacity charges, annexation fees, water system fees, plan check and inspection fees, shall be paid in full before the board grants final approval. (Ord. 95-82 § 19, 1995; Ord. 86-49 § 4, 1986)

TO: BOARD OF DIRECTORS
FROM: DOUG JONES 
DATE: DECEMBER 18, 2002

AGENDA ITEM
DECEMBER 18, 2002

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA)
AMENDING JPA AGREEMENT

ITEM

Resolution approving an amendment to JPA between SDRMA & Special District Worker's Compensation Authority (SDWCA)

BACKGROUND

The District received correspondence from SDRMA about the consolidation of SDRMA and the SDWCA through a Joint Powers Authority to have a more efficient operation. Since this District is a member of SDRMA, an approval of the proposed consolidation of the two groups is necessary. A resolution is attached for your Honorable Board's consideration and approval.

RECOMMENDATION

Staff recommends that your Honorable Board approve the attached resolution amending the JPA to allow the SDRMA and the SDWCA to combine their operations and authorize the Vice President of the Board execute the document.

Board 2002/SDRMA agreement.DOC

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2002-JPA**

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
APPROVING THE FORM OF AND AUTHORIZING THE
EXECUTION AND DELIVERY OF A FIFTH AMENDED
AND RESTATED JOINT POWERS AGREEMENT**

WHEREAS, the District, a special district duly organized and existing under and by virtue of the laws of the State of California (the "District"), has entered into that certain Fourth Amended Joint Powers Agreement (the "Original Agreement"), relating to the Special District Risk Management Authority (the "Authority"); and

WHEREAS, the District and the other members of the Authority (the "Members") now desire to amend and restate the Original Agreement (i) to restate the purpose and powers of the Authority to allow consolidation with the Special Districts Workers Compensation Authority ("SDWCA "), and (ii) to make certain other amendments to the Original Agreement; and

WHEREAS, in order to implement the foregoing, the District and the Members propose to execute and enter into a Fifth Amended, and Restated Joint Powers Agreement (the "Amended JPA Agreement"); and

WHEREAS, the District acknowledges receipt of the proposed amendments to the Bylaws of the Authority (the "Amended Bylaws"); and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

Section 1. Findings. The Board hereby specifically finds and determines that the actions authorized hereby relate to the public affairs of the District.

Section 2. Amended JPA Agreement. The Amended JPA Agreement, proposed to be executed and entered into by and between the District and the Members, in the form presented at this meeting and on file with the District Secretary, is hereby approved. The Board President is hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Authority the Amended JPA Agreement in substantially said form, with such changes therein as such officers may require or

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2002-JPA

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
APPROVING THE FORM OF AND AUTHORIZING THE
EXECUTION AND DELIVERY OF A FIFTH AMENDED
AND RESTATED JOINT POWERS AGREEMENT

PAGE TWO

approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Amended Bylaws. The District hereby consents to the approval by the Board of Directors of the Authority of the Amended Bylaws, in substantially the form presented to the District, with such changes as may be approved by the Board of Directors of the Authority.

Section 4. Other Actions. The Authorized Officers of the District are each hereby authorized and directed to execute and delivery any and all documents which they may deem necessary in order to consummate the transactions authorized hereby and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 5. Effective Date. This resolution shall take effect immediately upon its passage.

Upon the motion of Director _____, seconded by Director _____ and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

CONFLICTS:

the foregoing resolution is hereby adopted this 18th day of December, 2002.

Michael Winn
Vice President, Board of Directors
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM

Donna K. Johnson,
Secretary to the Board

Jon S. Seitz,
District Legal Counsel

[NAME OF DISTRICT]

RESOLUTION NO _____

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
_____ DISTRICT APPROVING
THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY
OF A FIFTH AMENDED AND RESTATED JOINT POWERS AGREEMENT**

WHEREAS, the _____ District, a special district duly organized and existing under and by virtue of the laws of the State of California (the "District"), has entered into that certain Fourth Amended Joint Powers Agreement (the "Original Agreement"), relating to the Special District Risk Management Authority (the "Authority"); and

WHEREAS, the District and the other members of the Authority (the "Members") now desire to amend and restate the Original Agreement (i) to restate the purpose and powers of the Authority to allow consolidation with the Special Districts Workers Compensation Authority ("SDWCA"), and (ii) to make certain other amendments to the Original Agreement; and

WHEREAS, in order to implement the foregoing, the District and the Members propose to execute and enter into a Fifth Amended and Restated Joint Powers Agreement (the "Amended JPA Agreement"); and

WHEREAS, the District acknowledges receipt of the proposed amendments to the Bylaws of the Authority (the "Amended Bylaws"); and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

Section 1. Findings. The Board hereby specifically finds and determines that the actions authorized hereby relate to the public affairs of the District.

Section 2. Amended JPA Agreement. The Amended JPA Agreement, proposed to be executed and entered into by and between the District and the Members, in the form presented at this meeting and on file with the District Secretary, is hereby approved. The **[INSERT THE NAME OF BOARD PRESIDENT OR AUTHORIZED OFFICER]** ("The Authorized Officers") are hereby authorized and directed, for and in the name and on behalf of the District, to execute and deliver to the Authority the Amended JPA Agreement in substantially said form,

with such changes therein as such officers may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Amended Bylaws. The District hereby consents to the approval by the Board of Directors of the Authority of the Amended Bylaws, in substantially the form presented to the District, with such changes as may be approved by the Board of Directors of the Authority.

Section 4. Other Actions. The Authorized Officers of the District are each hereby authorized and directed to execute and delivery any and all documents which they may deem necessary in order to consummate the transactions authorized hereby and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 5. Effective Date. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this ___ day of _____, 2002 by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

Title: _____

District Secretary

SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

November 27, 2002

DEC 07 2002

**SPECIAL DISTRICT
RISK MANAGEMENT
AUTHORITY**

1481 River Park Dr. Ste 110
Sacramento, CA 95815
Tel: 916.641.2773
Fax: 916.641.2776

Dear SDRMA Member:

After nearly two years of careful review and planning by our respective boards, and based on the results of the May 2002 Member Survey indicating overwhelming support from over 80% of our members, we are pleased to submit for your approval the consolidation of the Special Districts Workers Compensation Authority (SDWCA) and Special District Risk Management Authority (SDRMA).

Enclosed in this packet are legal documents that your district's Board of Directors must approve and return to us by March 31, 2003, to make this consolidation a reality. The documents requiring approval are different for members belonging to both pools. To minimize any confusion, only the documents your district is responsible for approving and returning are enclosed in this packet.

Approval of the enclosed documents by SDWCA and SDRMA members will execute the specific actions listed below:

- SDRMA's and SDWCA's existing Joint Powers Agreements (JPAs) will be amended to reflect a single new Joint Powers Agreement (JPA).
- The new JPA will serve as the administrative agreement for both pools although the assets and functionality of each program will remain separate.
- A new combined nine-member interim board made up of the current elected SDRMA and SDWCA Board members will be created to govern the operations and assets of each program.
- SDWCA members' approval to dissolve SDWCA and join the new SDRMA JPA.

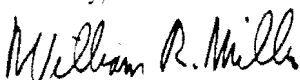
Also enclosed is an SDRMA/SDWCA Fact Sheet "The Final Step" providing important information regarding how the decision to consolidate the pools evolved and the many benefits consolidation provides our members including: combining administrative resources; reducing overhead costs; eliminating duplicated services; as well as providing increased market power, which translates into more services and pricing options. A case in point is the volatile workers' compensation market we are experiencing due to recent legislative action, economic uncertainty and carriers' rising rates. While no one will escape the inevitable premium hikes - which the *Sacramento Business Journal* reported last month could jump as much as 33% in the next two years - the consolidation provides increased market power and will help provide future rate stability for SDWCA members.

This consolidation is just one example of how CSDA and its affiliate organizations are working together to take a visible leadership role in advancing the cause of special districts. In fact, CSDA is developing new goals to elevate the importance and effectiveness of special districts and to position CSDA as a leading advocate and key resource on all issues that impact independent special districts. The consolidation is consistent with these goals.

We look forward to sharing with you our enthusiasm for this exciting development, as well as the many outstanding programs and services offered by CSDA and its affiliate organizations. Please feel free to call Jim Towns, CEO/Administrator, at 800-537-7790 should you have any questions regarding the consolidation. For your convenience, we have developed a web page that will answer most of your questions at www.sdrma.org. Thank you in advance for your prompt attention to this very important matter. **Your action and response is needed by March 31, 2003.**

As always, we look forward to working together to continue improving services and programs for all Independent Special Districts in California.

Sincerely,



William R. Miller, President
SDWCA Board of Directors



David Aranda, President
SDRMA Board of Directors

Toll-Free Numbers

General: 1.877.924.CSDA
SDRMA/SDWCA Claims &
Coverages: 1.800.537.7790



Overview - Analysis of SDRMA Joint Powers Agreement Changes

The purpose for amending the Joint Powers Agreement (JPA) is to incorporate new language that will provide for combining the Workers Compensation Program (SDWCA) and the Property and Liability Program (SDRMA). In general, the amendments to the JPA establish the new organizational structure, provide separate program accounting requirements, and define the program and services. The changes do not materially affect or change membership requirements.

Combining the existing JPA's and incorporating portions of the Bylaws of SDRMA and SDWCA resulted in reformatting the sections and section numbering. The section numbers in the new JPA and the sections in the old JPA may be different as a result of these changes. Except for the following general overview of significant changes by section that have been incorporated into the new JPA, the provisions of the new JPA are similar overall to the provisions in the prior JPA.

Recitals

7th Whereas - **New Section:** Adds language. The Board of Directors of SDWCA has approved the consolidation and the assignment and transfer of claims, liabilities, assets and functions to the Authority.

Articles

Article 1 - Definitions

New section: Adds definitions.

Article 2 - Purpose

Adds: Provision for the Authority to provide a workers compensation program in addition to the property and liability program.

Article 7 - Board of Directors

Adds: Provisions for an Interim Board consisting of nine (9) directors. The interim Board will be comprised of the Directors from each Board (4 SDWCA, 5 SDRMA) who hold elected positions on July 1, 2003. Such directors shall serve until the first election in 2005. The permanent Board shall consist of seven (7) elected Board Members.

Deletes: Appointment of California Special Districts Association (CSDA) representatives to Authority Board of Directors.

Adds: Provision for the Authority to appoint four (4) Board Members to serve as members of the Alliance Executive Council, and establishes restrictions on dual directorships of Alliance Executive Council Members.

TO: BOARD OF DIRECTORS
FROM: DOUG JONES
DATE: DECEMBER 18, 2002

AGENDA ITEM
12
DECEMBER 18, 2002

SLO COUNTY STATE WATER PROJECT
CONTRACT VALUATION REPORT

ITEM

Review State Water Project Contract Valuation Report prepared by the consultant, Optimal Water, Inc.

BACKGROUND

At the regular Board meeting held on December 4, 2002, Director Blair requested that this item be put on the agenda for the Board's review.

San Luis Obispo County Flood Control Water Conservation District, which administers the State Water Project Contract, acquired the services of the consulting firm, Optimal Water Inc., to review the County's State Water Project contract concerning what could be done with the County's State Water allocations. Their report is attached.

RECOMMENDATION

This is an information item and requires no action.

November 2002

FINAL DRAFT



COUNTY OF SAN LUIS OBISPO

**SAN LUIS OBISPO COUNTY
FLOOD CONTROL & WATER CONSERVATION DISTRICT**

**STATE WATER PROJECT CONTRACT
VALUATION REPORT**

Materials Prepared for Discussion by:

OPTIMAL WATER, INC.

TABLE OF CONTENTS

1.	EXECUTIVE SUMMARY	1
2.	COUNTY OF SAN LUIS OBISPO	2
	COUNTY OBJECTIVES.....	2
	WATER SALES STRATEGIES.....	3
3.	BACKGROUND	3
	THE STATE WATER PROJECT.....	3
	SWP COASTAL BRANCH (PHASES I AND II).....	4
	CENTRAL COAST WATER AUTHORITY.....	5
	HISTORY OF SWP USE IN SAN LUIS OBISPO COUNTY.....	5
	BARRIERS FOR FULL UTILIZATION	6
	<i>Limited Capacity</i>	6
	<i>Capital Expense for Expansion</i>	6
	<i>Growth Inducement</i>	7
	<i>Timing of Alternatives</i>	7
4.	COST BASIS OF STATE WATER PROJECT WATER	7
	SWP FIXED & VARIABLE COSTS.....	7
	ALLOCATION OF COST.....	8
	TOTAL LONG-TERM SWP CONTRACT COST.....	10
5.	SWP TRANSFERS	11
	SHORT -TERM TRANSFERS.....	12
	<i>Turn-Back Pool</i>	12
	<i>CALFED Environmental Water Account</i>	13
	<i>Water Exchanges</i>	13
	PERMANENT SALES.....	14
	DISTRICT 'S WATER TRANSFERS HISTORY	14
6.	MARKETING STRATEGIES	14
	OPTION 1: PARTICIPATION IN TURN-BACK POOL	15
	<i>Description</i>	15
	<i>Estimate of Revenue</i>	15
	OPTION 2: ANNUAL SALE TO ENVIRONMENTAL WATER ACCOUNT	15
	<i>Description</i>	15
	<i>Estimate of Revenue</i>	16
	OPTION 3: PERMANENT SALE OF ENTITLEMENT	16

<i>Description</i>	16
<i>Estimate of Revenue</i>	17
OPTION 4: ENTITLEMENT EXCHANGE	17
<i>Description</i>	17
<i>Estimate of Revenue</i>	18
OPTION 5: GROUNDWATER BANKING (OUTSIDE COUNTY)	18
<i>Description</i>	18
<i>Estimate of Revenue</i>	19
OPTION 6: GROUNDWATER BANKING (IN-COUNTY)	19
<i>Description</i>	19
<i>Estimate of Revenue</i>	20
OPTION 7: SPECIFIC COASTAL BRANCH OPTIONS	20
<i>Retail Water Services Contract</i>	20
<i>Out-right Sale</i>	20
7. COMPARISON OF OPTIONS	21
8. CONCLUSION AND RECOMMENDATIONS	23
RESULTS OF STUDY	23
PREFERRED ALTERNATIVE(S) BY RANKING	23
NEXT STEP	24

APPENDICES

APPENDIX A:	Estimated DWR Charges, Financial Summary
APPENDIX A1	Contractor's Estimated DWR Charges, Financial Summary
APPENDIX A2	District's Estimated DWR Charges, Financial Summary
APPENDIX B:	State Water Project Overview Map
APPENDIX C:	The Coastal Branch Map
APPENDIX D:	Turn-Back Pool Participation, Financial Summary
APPENDIX E:	EWA Sale, Financial Summary
APPENDIX F:	Listing of Permanent Entitlement Transfers – Kern County Water Agency
APPENDIX G:	Permanent Entitlement Transfer, Financial Summary
APPENDIX H:	Entitlement Exchange, Financial Summary
APPENDIX I:	Groundwater Banking (Outside County), Financial Summary
APPENDIX J:	Groundwater Banking (In-County), Financial Summary



1. EXECUTIVE SUMMARY

On February 26, 1963, the San Luis Obispo County Flood Control and Water Conservation District ("District") entered into a water supply contract (the "SWP Contract" or "Entitlement") with the California Department of Water Resources ("DWR") for an annual supply of 25,000 acre-feet of State Water Project ("SWP") water. Due to operational and contractual constraints, the District has never had the physical capacity within the Coastal Branch to take delivery of more than 4,830 acre-feet of its annual SWP Entitlement.

According to District staff, the San Luis Obispo County Board of Supervisors (the "County Board") intends to proceed with either the permanent sale of the District's currently undeliverable SWP Entitlement or a lease thereof until such time as adequate capacity in the SWP system is developed. The County Board seeks alternatives in generating revenue to pay for the stranded costs associated with the undelivered SWP Entitlement. In keeping with this directive, the County of San Luis Obispo ("San Luis Obispo" or the "County") hired Optimal Water Inc. ("Optimal Water") to provide a preliminary valuation of the District's SWP Contract. It is expected that this report will become an action document for future decisions.

The first step of this study provides an evaluation of the SWP Contract and establishes the District's cost basis for SWP water. Over the next thirty-three years through 2035 (the estimated term of the SWP Contract), the District is expected to pay \$156.0 million (Appendix A2) in total payments or \$76.4 million (Appendix A2) in today's dollars for its SWP Contract. To cover the minimum cost of the annual SWP Contract (fixed component of DWR charges), the District must generate an average of \$153.00 per acre-foot of entitlement (Table 4-1) in water sales or from property taxes for 25,000 acre-feet of SWP water. Based on its 2002 contract water sales, the District's cost for the maintenance of the excess 20,170 acre-feet ($25,000 - 4,830 = 20,170$) is approximately \$1.70 million.

The second phase of the valuation study covers the development of options and strategies for the full utilization of the District's SWP Entitlement. Optimal Water has identified the following options available to San Luis Obispo:

- Continued participation in the DWR turn-back pool program ("Turn-Back Pool")
- Execution of an annual sale of surplus water supplies to the CALFED Environmental Water Account ("EWA")
- Permanent entitlement transfer
- Participation in an entitlement exchange
- Participation in a groundwater banking program located outside the District service area
- Development and participation in a groundwater banking program located within the District service area

A detailed description of each option, including the relative value per acre-foot, is provided in Section 6 of this report. As expected, the value of the District's SWP Entitlement varied greatly

when comparing short-term to long-term opportunities (\$3.1 million to \$91.6 million). These values were generated on a thirty-three year basis and discounted to present value. Given the financial value of the options, Optimal Water then analyzed each option with regard to the District's identified objective to obtain an immediate revenue stream to offset the cost while maintaining the right to utilize its full SWP Contract in the future. The analysis is summarized in Section 7 of this report.

The options analyzed in this report are based on recent developments in SWP policy regarding water transfers. The implementation of the EWA, a joint State/Federal effort to provide mitigation water for the Sacramento-San Joaquin Delta, has made it possible to look at alternatives other than the Turn-Back Pool. Over the last two years, SWP contractors have sold local water supplies to the EWA and delivered the water through an exchange of SWP entitlement. In addition, the San Bernardino Valley Municipal Water District and the Metropolitan Water District of Southern California entered into an agreement for the transfer of surplus SWP water. The contract between the parties was structured as a long-term lease for a period of twenty years. In both cases, DWR has encouraged the reallocation of surplus SWP entitlement to the benefit of SWP contractors.

Based on the analysis, Optimal Water believes that the District has multiple options to generate revenue or reduce costs associated with the SWP Contract. The options include a combination of short and long-term opportunities. The District has the ability to remarket its surplus Entitlement as long as sufficient supplies are reserved for current and projected demand.

The following sections of the report provide a list of the County's objectives with respect to the SWP Contract, a review of the District's SWP water supplies and infrastructure, a valuation of the District's SWP Entitlement and associated costs, and discussion of the options for full utilization identified by Optimal Water.

2. COUNTY OF SAN LUIS OBISPO

COUNTY OBJECTIVES

Given the County Board's directive, Optimal Water has identified San Luis Obispo's general objectives as (1) full utilization of the District's Entitlement based on its SWP Contract, and (2) maintaining the District's SWP water supplies for future use. Optimal Water believes that the County needs to approach the District's SWP Contract as an asset that has long-term value rather than view it from an annual cost perspective. From a water asset perspective, there are opportunities for the District to leverage its SWP Entitlement to provide short and/or long-term revenue. In addition, the District may bank its SWP water for future use. In this report, Optimal Water will provide the District with various options and the relative value of the surplus SWP Entitlement under each option.

In keeping with the County Board's directive, Optimal Water prepared the following scope of work to meet San Luis Obispo's general objectives in this report:



- ✓ Evaluate the District's SWP Contract
- ✓ Develop options for full utilization of the SWP Contract
- ✓ Retain the full 25,000 acre-foot Entitlement (or an equivalent water supply)
- ✓ Prepare an analysis of identified options
- ✓ Provide recommendations for next steps

San Luis Obispo's specific objective is to reduce and/or eliminate stranded SWP costs. The District needs to obtain an immediate revenue stream to offset such costs while maintaining the right to utilize the water in the future.

WATER SALES STRATEGIES

In meetings with Optimal Water, District staff have noted that the District would like to posture itself in a manner to take advantage of the short-term, mid-term, and long-term water markets. This diversified portfolio strategy will provide the District with a means of capitalizing on underutilized water assets. At the same time, the District will retain its SWP water supplies in the event a significant increase in demand arises.

Therefore, the preferred strategy will be one that provides an immediate revenue stream to offset the capital expense of the SWP Contract such that funds from the District's account can be freed up and utilized for the development of long-term capital water projects. Such long-term water projects may include, but are not limited to, the development of an "in-County" groundwater banking program or the Nacimiento Water Project.

3. BACKGROUND

Since February 26, 1963, when the initial agreement between the State of California and the District was executed, the SWP Contract has been amended fifteen times. The most significant amendment affecting the District's ability to maximize utilization of its SWP Entitlement through water transactions is Amendment No. 14 (the "Monterey Amendment"). Executed by the District and DWR on February 1, 1996, the Monterey Amendment affects the District in the following ways: 1) allows the District to store SWP water outside of its service area for future use within its service area, 2) creates the Turn-Back Pool for sale of surplus SWP water, and 3) eliminates the water allocation preference for urban contractors during dry years.

THE STATE WATER PROJECT

The State Water Project is a multi-use project managed by DWR that provides the collection, storage, and distribution of water throughout the State of California. The total allocation of SWP entitlements equals approximately 4.2 million acre-feet. However, the firm yield of the existing SWP facilities is only about 2.4 million acre-feet annually, with the average annual yield approaching 3.0 million acre-feet. The SWP provides water to 29 urban and agricultural



suppliers in Northern California, San Francisco Bay Area, the San Joaquin Valley, and Southern California.

DWR issued a report in August 2002 entitled "The State Water Project Delivery Reliability Report" that projected the reliability of the SWP. According to the report, the SWP should deliver an average of at least 72% of entitlement annually over the next twenty years. This means that the District should expect an average annual supply of approximately 18,000 acre-feet from its SWP Entitlement. This amounts to over 300% of the 4,830 annual entitlement contracted for by agencies in the District. This equates to approximately 100% reliability for the existing District contractors and excess entitlement is still available for sale.

SWP COASTAL BRANCH (PHASES I AND II)

SWP water is delivered south of the San Francisco Bay-Delta through the SWP's California Aqueduct. The Coastal Branch begins at Reach 8D of the California Aqueduct. From there, water is lifted via five (5) pump-stations: Las Perillas, Badger Hill, Devils Den, Bluestone, and Polonio Pass. Maps of the SWP system and the Coastal Branch are provided as Appendices B and C, respectively.

Phase I of the Coastal Branch, a 15-mile canal from the California Aqueduct to Devils Den in northwestern Kern County, was completed in 1968. At the request of both the San Luis Obispo and Santa Barbara County Flood Control and Water Conservation Districts, completion of the Coastal Branch and delivery of SWP water was delayed several times. In 1986, the two districts asked DWR to begin planning for Phase II construction. DWR finally commenced construction in December 1993, and Phase II of the Coastal Branch project was completed and dedicated on July 18, 1997.

According to DWR, the Coastal Branch was designed to deliver 4,830 acre-feet per year of SWP water to San Luis Obispo County and 42,486 acre-feet per year to Santa Barbara County. The Coastal Branch, Phase II, includes a 102-mile pipeline that starts at Devils Den, traverses San Luis Obispo County, extends 14 miles into Santa Barbara County, and terminates at Vandenberg Air Force Base. Three pumping plants lift the water approximately 1,500 feet to Polonio Pass, where the water is treated at a regional treatment plant, constructed and operated by the Central Coast Water Authority ("CCWA").

The facilities located upstream of the Polonio Pass Water Treatment Plant from the Devils Den pump station were intentionally upsized to provide adequate capacity for off-peak pumping. Therefore, each of the three pump stations (Devils Den, Bluestone, and Polonio Pass) and associated facilities were sized to provide a design flow of 100 cfs (72,400 acre-feet per year maximum capacity). The Polonio Pass Water Treatment Plant was then designed to treat 43 million gallons per day which is approximately 48,200 acre-feet per year.

A fourth pumping plant near Casmalia in Santa Barbara County lifts the water approximately 400 feet over the Casmalia Hills to Tank 5, the terminus of Phase II. From there, CCWA's local facilities convey the water 42 miles to Lake Cachuma, which serves the south coastal area of Santa Barbara County. A location has also been identified for a future power recovery plant east of the city of San Luis Obispo and south of the Cuesta Grade.

The Coastal Branch aqueduct is unique in that it is the only facility within the SWP system that is not operated by the State. The Coastal Branch aqueduct and facilities are operated by the CCWA.

CENTRAL COAST WATER AUTHORITY

In September 1991, the Santa Barbara County voters authorized issuance of revenue bonds to finance design and construction of Phase II of the Coastal Branch, and creation of the CCWA. The CCWA was initially tasked with the construction, management, and operation of Santa Barbara County's local facilities for the distribution and treatment of SWP water. The "Transfer of Financial Responsibility Agreement," executed on November 12, 1991, formally assigned Santa Barbara County's SWP contract to the CCWA with all financial responsibility related thereto, including debt service on the newly-issued bonds.

At that time, the CCWA also executed water service agreements (WSA's) with each of Santa Barbara County's SWP contractors. Although the District is not a member of the CCWA, it negotiated a contract with CCWA to participate in the CCWA revenue bond issuance for the design and construction of Phase II of the Coastal Branch.

HISTORY OF SWP USE IN SAN LUIS OBISPO COUNTY

The District's historical usage of SWP water has been limited due to its capacity within the Coastal Branch from the Polonio Pass Water Treatment Plant to the Lopez Turnout. The District has 4,830 acre-feet of total conveyance capacity within Phase II of the Coastal Branch project as completed by the CCWA. Based on this total available capacity, the District's SWP Entitlement is allocated among its water purveyors ("Contractors") as noted in Table 3-1 below.

Table 3-1

DISTRICT SWP CONTRACTORS

Contractor	Entitlement (AFY)
County of San Luis Obispo C.S.A. No. 16, I.D. #1	100
County of San Luis Obispo (Op. Ctr. & Reg. Park)	425
City of Pismo Beach	1,240
City of Morro Bay	1,313
Avila Beach Community Services District	100
Oceano Community Services District	750
California Men's Colony (State)	400
San Luis Obispo County Community College Dist. (Cuesta College)	200
Avila Valley Mutual Water Company, Inc.	20
San Miguelito Mutual Water Company	275
San Luis Coastal Unified School District	7
Total	4,830

The District's historical deliveries of SWP water are provided in Table 3-2 below.

Table 3-2

**SAN LUIS OBISPO COUNTY FC&WCD
HISTORICAL STATE WATER PROJECT DELIVERIES (IN AF)**

Year	Delivered	Entitlement	Available	Unused
2002 ¹⁾	4,830	25,000	17,500	12,670
2001	4,283	25,000	9,750	5,467
2000	3,985	25,000	9,761	5,776
1999	3,743	25,000	21,674	17,931
1998	3,592	6,215 ²⁾	3,863	271
1997	1,199	6,215 ²⁾	2,693	1,494
1996	100	25,000	14,679	14,579
Totals	21,732	137,430	79,920	58,188

- 1) Actual 2002 deliveries were not available at this time; therefore, it will be assumed that the District will maximize deliveries as limited by its contractual capacity within the Coastal Branch.
- 2) Amendment No. 15 to the Water Supply Contract between the State of California Department of Water Resources and San Luis Obispo County Flood Control and Water Conservation District, August 4, 1997.

BARRIERS FOR FULL UTILIZATION

With any water marketing approach, it is critical to identify the potential barriers to a successful transfer. In the District's case, numerous obstacles exist with respect to the construction of facilities that would allow the District to distribute its surplus supply to its service area. Some of these barriers to full utilization are discussed below:

Limited Capacity. Based on the 1992 decision of many local agencies and voters to not participate in the SWP, the District limited its participation in Phase II of the Coastal Branch to 4,830 acre-feet per year. As a result, the District does not have capacity to take delivery of the remaining 20,170 acre-feet per year of its contractual SWP Entitlement due to physical limitations from the Polonio Pass Water Treatment Facility to the Lopez Turnout. However, facilities upstream of the Polonio Pass Water Treatment Facility were sized to provide for off-peak pumping capabilities. The District's 4,830 acre-feet of annual SWP Entitlement is distributed among 11 Contractors, as delineated in Table 3-1 above.

Capital Expense for Expansion. There are significant capital costs associated with upgrading existing facilities to provide enough capacity to deliver the District's full SWP Entitlement to purveyors within the its service area. This is primarily due to the fact that a parallel pipeline would have to be constructed from Polonio Pass Water Treatment Plant to the Lopez Turnout.

Capacity of the Polonio Pass Water Treatment Plant and pump station would have to be increased to permit the distribution of the additional District SWP water. The design and construction of these facilities would be very capital-intensive and would also require a significant amount of time and resources to address environmental issues. Although this option is technically feasible, the District is not financially capable of solely implementing a project of this magnitude and would need to partner with local agencies and water purveyors who have a customer base willing to pay for the costs.

Growth Inducement. The infusion of new water supply is typically associated with growth. Therefore, the growth inducement aspect of water projects must be addressed in accordance with the California Environmental Quality Act, and it is highly unlikely that a project of this nature will move forward until such time as a definitive need is identified.

Timing of Alternatives. To date, no environmental work or preliminary/conceptual design exists with respect to a project to deliver the District's remaining SWP Entitlement to its service area. The District has been moving forward with the completion of the Nacimiento Project as its primary source for future supplemental water supply.

4. COST BASIS OF STATE WATER PROJECT WATER

To determine the marketability of the District's surplus SWP water, it is first necessary to determine the cost basis for the SWP Contract. The current cost of the SWP Contract sets the benchmark for alternative uses. This includes the projected cost over the remaining term of the SWP Contract (estimated at thirty-three years). The following section analyzes the District's SWP costs on both an annual and long-term basis.

SWP FIXED & VARIABLE COSTS

DWR's annual charges for SWP operations are broken down into two basic categories: fixed and variable. The fixed component includes the costs of facilities for the conservation and development of the water supply and the conveyance of such supply to the SWP contractors' respective service areas. These fixed costs are calculated based on each contractor's proportionate allocation of the system and supply, and must be paid every year whether or not a contractor takes delivery of any portion of its SWP entitlement. The variable component consists of the variable operations, maintenance, power, and repair costs. The variable charges are based on a contractor's actual deliveries in a given year.

For the SWP fixed costs, the District is required to pay a fixed component based on the total contract entitlement. In 2002, the payment for the fixed cost component prior to allocation was \$3,609,374 (\$2,474,023 + \$1,135,351, from Table 4-1 as provided by District staff). For the District's SWP Contract, this equates to approximately \$144 per acre-foot of Entitlement (25,000 acre-feet) or \$747 per acre-foot delivered (4,830 acre-feet). This payment is made every year by the District (with slight annual adjustments made for operations and maintenance of SWP facilities).

For the SWP variable costs, the District pays for water delivered. Power costs represent the majority of variable costs (conveyance of water from the Sacramento-San Joaquin Delta to San

Luis Obispo). In 2002, the District paid \$1,178,972 (\$615,300 + 563,672, from Table 4-1 as provided by District staff) for variable costs. This amounts to approximately \$47 per acre-foot based upon the 25,000 acre-feet of SWP Entitlement (or \$244 per acre-foot for 4,830 acre-feet delivered).

Total fixed and variable costs were \$4,788,346.05 or approximately \$192 per acre-foot of SWP Entitlement (or \$991 per acre-foot for 4,830 delivered).

ALLOCATION OF COST

The District allocates the cost of the SWP Contract to two separate categories. First, the District charges its Contractors for the delivery of SWP water pursuant to established contracts. Based on the SWP cost allocation structure established by the District, approximately 65-75% of the total annual cost associated with the SWP Contract is levied against the Contractors taking delivery of the 4,830 acre-feet.

Second, the District assumes payment of costs associated with the remaining 20,170 AF of Entitlement. Of the charges paid by the District, 40% to 60% is funded through the imposition of a special SWP tax incorporated into the County's property tax system. To date, the District has utilized cash reserves and other funding mechanisms to minimize the burden on the County taxpayers not taking delivery of SWP water. The balance is then paid via the following District revenue streams:

1. Interest on reserves
2. Homeowners' property relief
3. Water Contract reimbursement (revenue from sale of drought buffer to District Contractors @ \$30 to \$50/acre-foot)
4. Other sources

Table 4-1 on the following page summarizes the allocation of costs among the Contractors and the District. This is the cost allocation for the District's annual Entitlement of 25,000 acre-feet.

Table 4-1
**SAN LUIS OBISPO COUNTY FC&WCD
DWR COST ALLOCATION**

Contractors (Entitlement = 4,830)						
Year	AFY Delivered	Fixed Unit (\$/AF)	Fixed Total	Variable Unit (\$/AF)	Variable Total	Contractor Cost⁽¹⁾
2002	4,830	\$ 512.22	\$ 2,474,023	\$ 127.39	\$ 615,300	\$ 3,089,323
2001	4,283	502.90	2,429,016	38.91	166,672	2,595,688
2000	3,985	571.66	2,761,122	109.15	434,980	3,196,102
1999	3,743	535.78	2,587,811	69.22	259,107	2,846,918
1998	3,592	526.50	2,542,983	109.84	394,530	2,937,513
1997	1,199	512.25	2,474,145	255.50	306,349	2,780,494
1996	100	389.31	1,880,355	--	--	1,880,355
Total	21,732.00	\$ 789.13	\$ 17,149,455	\$ 100.17	\$ 2,176,938	\$ 19,326,393

FC&WCD (Entitlement = 20,170)						
Year	AFY Delivered	Fixed Unit (\$/AF)	Fixed Total	Variable Unit (\$/AF)	Total Variable Subsidy	District Cost⁽¹⁾
2002	0	\$ 56.29	\$ 1,135,351	\$ --	\$ 563,672	\$ 1,699,023
2001	0	54.43	1,097,872	--	612,487	1,710,359
2000	0	43.81	883,575	--	--	883,575
1999	0	36.90	744,298	--	--	744,298
1998	0	29.28	590,505	--	--	590,505
1997	0	41.92	845,527	--	99,226	944,753
1996	0	44.61	899,858	--	--	899,858
Total	0	\$ 43.89	\$ 6,196,986	\$ --	\$ 1,275,385	\$ 7,472,371

Total (Entitlement = 25,000)						
Year	Fixed Total	Fixed Unit⁽²⁾ (\$/AF)	Variable Total	Variable Unit⁽³⁾ (\$/AF)	Total Cost	Total Unit⁽⁴⁾ (\$/AF)
2002	\$ 3,609,374	\$ 144.37	\$ 1,178,972	\$ 244.09	\$ 4,788,346	\$ 991.38
2001	3,526,888	141.08	779,159	181.92	4,306,047	1,005.38
2000	3,644,697	145.79	434,980	109.15	4,079,677	1,023.76
1999	3,332,109	133.28	259,107	69.22	3,591,216	959.45
1998	3,133,488	125.34	394,530	109.84	3,528,018	982.19
1997	3,319,672	132.79	405,575	338.26	3,725,247	3,106.96
1996	2,780,213	111.21	--	--	2,780,213	27,802.13
					Total Payments to DWR =	\$ 26,798,764
					Average Per AF Delivered (Fixed and Variable) =	\$ 1,233.15
					Average Per AF Entitlement (Fixed and Variable) =	\$ 153.14
					2002 Per AF Entitlement (Fixed and Variable) =	\$191.53

Notes:

- (1) Provided by District staff
- (2) Fixed Unit cost is based upon allocation of Entitlement and not delivered water
- (3) Variable Unit cost is based upon quantity of water delivered
- (4) Total Unit per AF is determined by Total Cost divided by Total Delivered

A breakdown of the allocation of budgeted funds as noted in the District's internal budget for the payment of DWR charges is provided in Table 4-2 below:

Table 4-2

**SAN LUIS OBISPO COUNTY FC&WCD
FISCAL YEAR BUDGETING FOR PAYMENT OF DWR CHARGES**

	Fiscal Year			
	1999/00	2000/01	2001/02	2002/03
Fund Balance Available	\$ 315,530	\$ 169,511	\$ (313,467)	\$ 589,479
Cancelled Reserves	--	20,489	825,367	--
Revenue				
Property Tax Allocation	703,609	514,360	525,000	550,000
Interest on Reserves	157,247	176,767	125,000	100,000
Homeowners Property Relief	11,230	7,803	--	7,800
Water Contract Reimbursement	1,009	--	--	112,600
Operating Transfer In	--	--	--	--
Total Revenue	\$ 873,095	\$ 698,930	\$ 650,000	\$ 770,400
Total Financing Sources	\$ 1,188,625	\$ 888,930	\$ 1,161,900	\$ 1,359,879

Fund Balance Available	26.6%	19.1%	-27.0%	43.4%
Canceled Reserves	0.0%	2.3%	71.0%	0.0%
Property Tax Allocation	59.2%	57.8%	45.2%	40.4%
Interest	13.2%	19.9%	10.8%	7.3%
Homeowners Property Relief	0.9%	0.9%	0.0%	0.6%
Water Contract Reimbursement	0.1%	0.0%	0.0%	8.3%
Operating Transfer In	0.0%	0.0%	0.0%	0.0%
Total Revenue	100.0%	100.0%	100.0%	100.0%

TOTAL LONG-TERM SWP CONTRACT COST

To provide a basis for comparison, the total estimated cost for the continued maintenance of the District's 25,000 acre-feet per year of annual Entitlement and the delivery of 4,830 acre-feet of water to the District's Contractors for the remaining 33 years of the SWP Contract was determined to be approximately \$156 million. For purposes of this analysis, the total estimated cost for the remaining contract term was then discounted at the District's estimated cost of capital (5%) to generate a net present value asset calculation such that the value of the District's SWP Contract could be presented in today's dollars.

Given a 5% cost of capital and annual deliveries of 4,830 acre-feet from the 25,000 acre-feet annual Entitlement, the net present value of the District's remaining SWP Contract is approximately \$76.4 million. This is the value of the District's total DWR payments in today's dollars for the remainder of the SWP Contract given the present operating conditions. The

sellers to offer surplus water for sale by March 15th and requires buyers to place requests for allocation from Pool "B" by April 1st. Sellers may not withdraw from participation in Pool "B" after March 15th

The District has participated in the Turn-Back Pool since its inception in 1996. To date, the District has contributed 20,041 acre-feet to Pool "A" and 25,136 acre-feet to Pool "B," resulting in a total of \$385,757 in surplus water sales since 1996.

CALFED Environmental Water Account. The EWA is an active government water acquisition program whose focus is to purchase water from willing sellers in order to manage the acquired water asset "in a way that benefits fish, wildlife, and other ecological resources" (*Source: CALFED Environmental Water Program web site*). Environmental water may be applied either in-stream, which could benefit those organisms and functions associated with rivers and streams (such as anadromous fish), or off-stream, which could benefit organisms and functions associated with wetlands (such as migratory waterfowl).

While the EWA focuses on enhancing in-stream conditions, program managers also consider the potential for EWA water to benefit off-stream resources. At this time, CALFED is embarking on a two year pilot program initiated in 2001 to assess the efficacy of such a purchasing program. However, this program is solely reliant upon funding from the joint State/Federal effort, which may vary from year to year.

Water Exchanges. Water exchanges can take many forms. An entity often will utilize a water exchange program to insulate itself from hydrological fluctuations common with regional water supplies. To effectuate an exchange of this nature, a SWP contractor can exchange all or a portion of its annual entitlement for a more reliable alternate water supply that is re-regulated through a third party. This is commonly done in coordination with a groundwater banking program or similar storage facility (e.g., the Semitropic Water Storage District on behalf of various SWP contractors). Typically, the third party has a firm annual water supply that is surplus to its existing needs or has adequate banked reserves to allow for re-regulation.

Participation in a storage program gives the re-regulating third party the ability to take advantage of short-term interruptible supplies that can be acquired for a fraction of the cost associated with the SWP contract supply deliveries. Such interruptible short-term programs include the Turn-Back Pool and Article 21 water (surplus SWP water).

Another water exchange program is the utilization of a local water source (surface or groundwater) in lieu of deliveries from a regional water program. Such an exchange allows a contractor the ability to transfer surplus local water supplies to another agency while utilizing the SWP entitlement as the vehicle for the transfer.

In implementing a water exchange program, the District would trade its unused SWP Entitlement to a third party for a specified quantity of firm water deliveries. For example, based on DWR's long-term SWP reliability factor of 72%, the District would exchange 20,170 acre-feet of SWP Entitlement for 14,522 acre-feet of firm water deliveries. Under this scenario, the District will have effectively eliminated its exposure to years when SWP deliveries are less than 72%.

financial summary for the calculation of the estimated total SWP Contract value is presented in Appendix A.

Table 4-3

**SAN LUIS OBISPO COUNTY FC&WCD
ALLOCATION OF FUTURE PAYMENTS**

Total Payments			
	District	Contractor	Total
Fixed	\$ 41,417,541.29	\$ 96,640,929.68	\$ 138,058,470.97
Variable	-	17,959,329.39	17,959,329.39
Total	\$ 41,417,541.29	\$ 114,600,259.06	\$ 156,017,800.35
NPV of Payments			
	District	Contractor	Total
Fixed	\$ 20,492,210.65	\$ 47,815,158.18	\$ 68,307,368.84
Variable	-	8,097,905.90	8,097,905.90
Total	\$ 20,492,210.65	\$ 55,913,064.08	\$ 76,405,274.73
Note: Detailed financial summaries for calculation of NPV provided in Appendix A, A1 and A2			

With the net present value of the remaining SWP Contract, the District is in the position to compare the relative value of the options to be presented in the following sections of this report. Each option identified by Optimal Water (long or short-term) will be structured for a 33 year period with the net present value of the total revenue from the transaction discounted at 5% to provide a basis for comparison to the present value of the current SWP Contract.

5. SWP TRANSFERS

Water transfers have long been recognized by DWR and the State Water Resources Control Board (the "State Board") as a necessary and permanent part of the California water industry. Over the years, the California legislature has adopted several laws that support voluntary transfers and direct State agencies to encourage and facilitate such transfers within existing guidelines.

In conjunction with the CALFED Record of Decision, DWR, the State Board and the U.S. Bureau of Reclamation executed a Memorandum of Understanding in August 2000 that established objectives for implementing a Water Transfers Program. Those stated objectives, which the DWR Water Transfers Office has incorporated into its mission statement, are as follows:

1. Facilitate water transfers in a manner consistent with existing law.
2. Address the institutional, regulatory, and assurance issues that need to be resolved to provide for a more effective water transfer system.

3. Address the physical constraints that need to be resolved to provide for a more effective water transfer system, particularly cross-Delta transfers.
4. Encourage transfers that result in overall improvements in CALFED objectives for water supply reliability, ecosystem health, and water quality, and that have no significant re-directed impacts.
5. Develop a water transfer framework that seeks to avoid injury to other legal users of water, avoids or adequately mitigates adverse impacts that may occur, and publicly disseminates information on general transfer rules as well as specific water transfer proposals.
6. Promote and encourage uniform rules for transfers using State and federal project facilities and cross-Delta conveyance capacity.
7. Promote and encourage the development of standardized rules for transfers based on replacement with groundwater and other conjunctive use-type transfers, so that water transfers do not cause degradation of groundwater basins or impair the correlative rights of overlying users and historical groundwater levels are sustained or improved.

Under the present terms of its long-term water supply contracts with the SWP contractors, DWR will approve only two types of water transfers: 1) short-term transfers, and 2) permanent sales.

SHORT-TERM TRANSFERS

Short-term transfers can be grouped into three general categories: 1) DWR's Turn-Back Pool, 2) the CALFED EWA, and 3) water exchanges. These three categories are described in more detail below.

Turn-Back Pool. The Turn-Back Pool was established by DWR for SWP contractors who do not use or need their full annual entitlement. DWR designed the program as a mechanism by which selling contractors could recover a portion of their fixed costs while promoting the more efficient utilization of water within the SWP system. The Turn-Back Pool was first outlined by DWR in the December 1, 1994 Monterey Agreement – Statement of Principles, and was incorporated by amendment as Article 56 of the SWP contractors' respective long-term water supply contracts with DWR. The program is only available to contractors that have signed the Monterey Amendment.

Per Article 56 of the District's Monterey Amendment, the Turn-Back Pool "shall constitute the exclusive means of selling portions of annual entitlements not desired by the contractor." Furthermore, Article 56 states that "the price per acre-foot to be paid by the state to the contractors selling water in the pool ... shall be equal to fifty percent (50%) of the Delta water rate as of that date." This cost per acre-foot also holds true for those contractors who request to purchase water from the Turn-Back Pool.

DWR established two pools within the Turn-Back Pool program, identified as Pool "A" and Pool "B." The two pools allow the contractors to offer to buy and/or sell water during two separate periods. Pool "A" requires sellers to offer surplus SWP water for sale by February 15th and buyers must put in their requests for allocation of surplus SWP supplies from Pool "A" by March 1st. Sellers may not withdraw from the program after February 15th. Pool "B" requires

sellers to offer surplus water for sale by March 15th and requires buyers to place requests for allocation from Pool "B" by April 1st. Sellers may not withdraw from participation in Pool "B" after March 15th

The District has participated in the Turn-Back Pool since its inception in 1996. To date, the District has contributed 20,041 acre-feet to Pool "A" and 25,136 acre-feet to Pool "B," resulting in a total of \$385,757 in surplus water sales since 1996.

CALFED Environmental Water Account. The EWA is an active government water acquisition program whose focus is to purchase water from willing sellers in order to manage the acquired water asset "in a way that benefits fish, wildlife, and other ecological resources" (*Source: CALFED Environmental Water Program web site*). Environmental water may be applied either in-stream, which could benefit those organisms and functions associated with rivers and streams (such as anadromous fish), or off-stream, which could benefit organisms and functions associated with wetlands (such as migratory waterfowl).

While the EWA focuses on enhancing in-stream conditions, program managers also consider the potential for EWA water to benefit off-stream resources. At this time, CALFED is embarking on a two year pilot program initiated in 2001 to assess the efficacy of such a purchasing program. However, this program is solely reliant upon funding from the joint State/Federal effort, which may vary from year to year.

Water Exchanges. Water exchanges can take many forms. An entity often will utilize a water exchange program to insulate itself from hydrological fluctuations common with regional water supplies. To effectuate an exchange of this nature, a SWP contractor can exchange all or a portion of its annual entitlement for a more reliable alternate water supply that is re-regulated through a third party. This is commonly done in coordination with a groundwater banking program or similar storage facility (e.g., the Semitropic Water Storage District on behalf of various SWP contractors). Typically, the third party has a firm annual water supply that is surplus to its existing needs or has adequate banked reserves to allow for re-regulation.

Participation in a storage program gives the re-regulating third party the ability to take advantage of short-term interruptible supplies that can be acquired for a fraction of the cost associated with the SWP contract supply deliveries. Such interruptible short-term programs include the Turn-Back Pool and Article 21 water (surplus SWP water).

Another water exchange program is the utilization of a local water source (surface or groundwater) in lieu of deliveries from a regional water program. Such an exchange allows a contractor the ability to transfer surplus local water supplies to another agency while utilizing the SWP entitlement as the vehicle for the transfer.

In implementing a water exchange program, the District would trade its unused SWP Entitlement to a third party for a specified quantity of firm water deliveries. For example, based on DWR's long-term SWP reliability factor of 72%, the District would exchange 20,170 acre-feet of SWP Entitlement for 14,522 acre-feet of firm water deliveries. Under this scenario, the District will have effectively eliminated its exposure to years when SWP deliveries are less than 72%.



PERMANENT SALES

In accordance with the Monterey Agreement, Article 53 was added to the SWP contractors' respective long-term water supply contracts with DWR to allow the permanent transfer of entitlement among individual contractors. Article 53(h) of the District's amended SWP Contract specifically states:

"Individual contractors may transfer entitlements among themselves in amounts in addition to those otherwise provided in this article. The State shall expeditiously execute any necessary documents and approve all contracts involving permanent sales of entitlements among contractors, including permanent sales among urban contractors."

A permanent transfer is a permanent sale of a water right and/or asset. A permanent SWP transfer would involve the outright sale of all or a portion of the contractor's annual contract entitlement for the remainder of the contract period (which expires in 2035). With the sale of the entitlement contract, the selling SWP contractor eliminates the stranded cost (fixed cost component) associated with the SWP contract, but also loses the ability to renew the SWP contract at termination in 2035. This is typically only an option for those agencies who do not foresee a possibility for the future utilization of their surplus Entitlement.

DISTRICT'S WATER TRANSFERS HISTORY

As noted in the previous section, the District has participated in water transfers in the past. This participation in water transfers has historically been limited to the Turn-Back Pool. The exception to the Turn-Back Pool occurred when the District transferred 100 acre-feet of SWP water to the Tulare Lake Basin Water Storage District, a SWP contractor in Kings County. This transfer was conducted on behalf of the Avila Beach Community Services District ("Avila"). The letter of agreement detailing the transfer is dated March 19, 1997. (This transfer is unrelated to the 2002 Turn-Back Pool sale on behalf of Avila.)

In providing Optimal Water with an explanation for the Avila transfer, District staff explained that oil contamination had been discovered at Avila Beach. All access to the beach facilities was restricted during Unocal's subsequent clean-up operation, and Unocal assumed responsibility for Avila's SWP water for a 5 year period. Unocal transferred the 100 acre-feet of SWP water to one of its facilities in Kings County. District staff further noted that the Unocal transfer only took place on a short-term basis.

6. MARKETING STRATEGIES

The primary objective of this section of the report is to provide the District with alternative marketing strategies for the full utilization of its SWP Contract. Based on the findings discussed in Section 4, the District can benefit both its Contractors and the District by marketing surplus SWP Entitlement. Each of the options reviewed in this section provides a means for the District to reduce the future cost basis on its SWP Contract.

Each option – whether long or short term – was analyzed on a “long-term” basis such that the “long-term” value could then be calculated and utilized as the basis for comparison. The net present value for each option was then computed to allow the District to compare options without adjusting for time and the future value of money. The following financial assumptions were used: 1) a thirty-three year term (SWP Contract term through 2035), 2) District cost of capital at 5.0%, and 3) inflationary cost increases at 3.0%. At the end of each option, a net present value calculation is provided.

OPTION 1: PARTICIPATION IN TURN-BACK POOL

Description. The first option for the District is to continue its participation in the Turn-Back Pool. Participation in the Turn-Back Pool will provide a guaranteed return to offset a portion of the significant capital expenditure associated with the District’s annual SWP fixed costs. This fixed component of the District’s DWR charges ranged from \$2.8 million in 1996 to \$3.6 million in 2002. The District is required to budget for and pay this obligation every year regardless of whether or not it receives delivery of SWP water.

Optimal Water utilized the following assumptions in performing a valuation analysis for this option:

1. The average of future SWP deliveries will be 72% annually, as stated in the State Water Project Delivery Reliability Report released by DWR in August 2002.
2. 100% of the District’s available surplus SWP Entitlement will be contributed to Turn-Back Pool “A.” There are no sales to Pool “B.” The price paid by DWR is based on the 2002 sales with an annual escalator for the remainder of the SWP Contract period, which terminates in 2035.
3. The Delta rate will escalate at approximately 1.5% annually through 2035.

Estimate of Revenue. Given these assumptions, the District could realize a first-year revenue of approximately \$154,000, with total revenues of over \$7 million if it maximizes participation in the Turn-Back Pool for the remainder of its SWP Contract term. A financial summary for Option 1 is attached as Appendix D.

Option 1 net present value is estimated at \$3.1 million.

OPTION 2: ANNUAL SALE TO ENVIRONMENTAL WATER ACCOUNT

Description. In order to participate in an annual sale to the EWA, the District must first identify a transferable local water supply. The District must request its full SWP Entitlement by October 1st of the year preceding the transfer to ensure that the exchange can occur. On average, the amount of surplus SWP Entitlement will be 13,170 acre-feet. The calculation is as follows:

Step 1: 25,000 AF SWP Contract multiplied by 72% reliability equals 18,000 AF

Step 2: 18,000 AF minus 4,830 to District Contractors equals 13,170 AF

Therefore, the exchange is limited to the 13,170 AF in allocation available from DWR. For the analysis, it is assumed that the District will provide its surplus stored surface water from the Nacimiento Reservoir to the EWA as the local water for exchange.

This sale is subject to DWR approval of Nacimiento Reservoir water as a local water supply. This concept has been submitted to EWA for comment. In addition, the sale would be subject to the existence of the EWA program from year to year and the negotiated terms of the transaction. However, given current political views and public sentiment toward environmental programs, it is highly probable that the EWA program will be in existence in some form for the remainder of the District's SWP Contract term.

For the EWA, water that can be regulated south of the Sacramento-San Joaquin Delta is worth a premium (as compared to Sacramento Valley water transfers). As a SWP contractor, the District meets these requirements. Therefore, Optimal Water estimates that the EWA will pay at least \$125.00 per acre-foot for transferable water (based on estimated 2003 prices).

Estimate of Revenue. Given these assumptions, the District could expect revenue of \$1,646,250 in the first year (based on \$125.00 per acre-foot) with total revenue through 2035 of approximately \$90,672,000. A financial summary for Option 2 is attached as Appendix E.

Option 2 net present value is estimated at \$38.7 million.

OPTION 3: PERMANENT SALE OF ENTITLEMENT

Description. Opportunities exist for the District to sell all or a portion of its surplus SWP Entitlement. Permanent transfers of SWP Entitlement have been successfully completed in the past, and Optimal Water has had direct experience in structuring and negotiating this type of transfer. A permanent transfer can offer the District direct relief in payment of its SWP Contract obligations.

This is a viable option if the District reinvests the sale proceeds into other water projects that reduce the need to develop additional water supplies in the future. The proceeds of a permanent sale could be applied to other projects under the discretion of the District, such as water conservation and management plans, the development of a local groundwater bank, or the Nacimiento Project. In this way, the District effectively leverages its SWP Contract (with surplus water) for the development of local water programs.

Based on its Contractors' identified long-term need of 4,830 acre-feet annually, the District could market up to 18,292 acre-feet of its SWP Contract. (It takes 6,708 AF of Entitlement at 72% reliability to maintain annual deliveries of 4,830 AF.) This assumes that there are other dry year options. Currently, the District can experience an allocation as low as 19.32% from DWR before reducing deliveries to its Contractors. However, the annual payments associated with maintaining such coverage place a significant financial burden on the District.

Historical precedents exist for the permanent transfer of surplus SWP entitlement. The Monterey Agreement authorized the sale of up to 130,000 acre-feet of surplus SWP entitlement by the Kern

County Water Agency ("KCWA"). To date, KCWA has sold nearly 112,000 acre-feet to other SWP contractors. The prices ranged from \$1,000 to \$1,150 per acre-foot as a transfer fee. In addition, the buyers assumed all future fixed and variable costs for the transferred entitlement (fixed based on KCWA costs and variable based on actual delivery to buyer). Currently, there are two pending sales totaling approximately 18,000 acre-feet, at \$1,500 and \$1,600 per acre-foot, respectively, for the transfer fee with the assumption of all future costs. A list of the KCWA transactions is attached as Appendix F.

Estimate of Revenue. Based on the KCWA permanent SWP entitlement sales, the District can expect a transfer price of up to \$1,600 per acre-foot in today's market. (This assumes that the District would consider a permanent transfer). In addition, the transfer would include the assumption of an estimated \$145.00 per acre-foot in annual fixed costs associated with the SWP Contract. This represents the upper price limit of value in transaction options available to the District. A financial analysis of this option is attached as Appendix G.

Option 3 net present value is estimated at \$91.6 million. This includes \$29.3 million in an up-front transfer payment and \$62.3 million in avoided fixed cost payments (net present value).

OPTION 4: ENTITLEMENT EXCHANGE

Description. Another option available to the District is to participate in an entitlement exchange. As previously noted, entitlement exchanges typically involve the combination of water supplies from two agencies to create a new allocation. More specifically, given the unique situation of the two SWP contractors on the Coastal Branch, it may be possible for the District to exchange surplus SWP Entitlement for additional conveyance capacity within the Coastal Branch downstream from the Polonio Pass Water Treatment Facility.

An analysis of historic SWP deliveries indicates that many Santa Barbara County agencies have historically not used their full SWP entitlement. As a result, the contracted capacity in the Coastal Branch system has not been and currently is not fully utilized. Based on this analysis, it may be concluded that many of the Santa Barbara County agencies view their SWP contracts as purely supplemental. If this assumption is correct, certain Santa Barbara County agencies may prefer to firm up SWP deliveries by acquiring additional SWP entitlement as a drought buffer through a non-monetary exchange for unused conveyance capacity. It should be noted, however, that the CCWA projects increased utilization of SWP entitlement among Santa Barbara County agencies in the future.

Under this scenario, the District would identify those Santa Barbara County agencies wishing to exchange SWP Entitlement for Coastal Branch capacity. Once the additional Coastal Branch capacity is acquired through the exchange of SWP Entitlement, the District will be in a position to market additional SWP Entitlement to agencies within its service area. Given the District's current cost basis and redistribution of DWR fees to its existing Contractors, it is highly likely that the sale of additional SWP water within its service area would provide the District with enough revenue to relieve any burden associated with the fixed costs for its surplus SWP Entitlement.

It is estimated that the District will have to exchange two acre-feet of SWP Entitlement for the acquisition of each acre-foot of conveyance capacity within the Coastal Branch downstream of the Polonio Pass Water Treatment Plant (*this is negotiable*). The exchange values are derived by comparing the value of the SWP Contract to the capital costs for the surplus conveyance capacity in the Santa Barbara County reach of the Coastal Branch. Given DWR's estimated SWP long-term reliability of 72%, the District must maintain on average 6,708 acre-feet Entitlement to ensure delivery of 4,830 to the Contractors as determined below:

Contractual obligation of SLO County Contractors = 4,830 acre-feet per year
Long-term reliability of SWP per DWR = 72%

$$4,830 \div 72\% = 6,708 \text{ acre-feet}$$

Therefore, the District has approximately 18,292 acre-feet of SWP Entitlement available for exchange as calculated below:

$$25,000 - 6,708 = 18,292 \text{ acre-feet}$$

Assuming a 2-to-1 exchange, it is estimated that the District would be able to obtain an additional 6,097 acre-feet of Coastal Branch conveyance capacity through the transfer of 12,195 acre-feet of SWP Entitlement to participating Santa Barbara County agencies.

Estimate of Revenue. The District will greatly enhance its existing cost structure for the SWP Contract through an exchange of SWP Entitlement for Coastal Branch capacity. By utilizing a stranded asset (surplus SWP Entitlement) and exchanging it for conveyance capacity (needed to provide additional wholesale water service to other District water purveyors), the District can sell more water. The revenue from the water sales, if structured properly, should make the SWP Contract self supporting. In addition, the District will avoid significant capital costs associated with the design, construction, and operation of a parallel system.

Assuming water sales at its Contractors' 2002 fixed rate of \$512.22 per acre-foot of Entitlement, the District can generate an additional \$3,123,000 in revenue each year for the sale of up to 6,097 acre-feet of Entitlement. This option assumes full utilization of the surplus Entitlement. A financial analysis of this option is attached as Appendix H.

Option 4 net present value is estimated at \$73.4 million.

OPTION 5: GROUNDWATER BANKING (OUTSIDE COUNTY)

Description. Article 56 of the SWP Contract, which was added by the Monterey Amendment, provides that the District "may elect to store water outside of its service area for later use within its service area." Article 56 further states that "there shall be no limit on the amount of project water a contractor can store outside of its service area during any year in a then existing and operational groundwater storage program." It is noted, however, that "any contractor electing to store project water outside of its service area pursuant to this subdivision may not sell project water during the year in which it has elected to store project water."



Participation in a groundwater banking program outside its service area would allow the District to firm up reliability of its Entitlement by insulating it from fluctuations of the regional hydrology. Furthermore, through the participation in such a program, the District could in effect reduce the quantity of Entitlement maintained as a drought buffer on behalf of its Contractors. This drought buffer Entitlement could then be freed up for future water marketing opportunities. Numerous groundwater banking programs currently exist along the SWP.

Estimate of Revenue. No direct revenues will be generated as a result of participating in an out-of-County groundwater banking program. The value of participation in such a program results from the ability to insulate the District and its Contractors from the fluctuations of SWP deliveries and thereby increasing the reliability of the import supply. Additional value could also be created through the remarketing of surplus supplies that historically have been held as drought buffer for the District's Contractors.

Although there are no annual revenues, the District is creating a water asset that will be marketable. When the District does not take water available under its SWP Contract, it loses all value associated with the water supply. By banking the surplus water, a groundwater account is created. In the San Joaquin Valley, stored groundwater has a net value of \$100.00 per acre-foot. A financial analysis of this option is attached as Appendix I.

Option 5 net present value is estimated at \$0.9 million. This value does not represent payments to the District, but the value of the water asset created.

OPTION 6: GROUNDWATER BANKING (IN-COUNTY)

Description. If water is banked within a SWP contractor's service area, there are minimal restrictions with regard to how this supply can be used in the future. In essence, such a program "transforms" the imported SWP water to local groundwater, which can be subsequently used within the contractor's service area or later sold as surplus supplies.

An in-County program would also create a groundwater account that would allow the District to participate in the acquisition and re-regulation of other surplus/interruptible SWP supplies, as available. These surplus/interruptible supplies include water available within the Turn-Back Pool as well as Article 21 surplus water supplies. These surplus/interruptible supplies can typically be acquired for a fraction of the cost associated with SWP entitlement deliveries. Once these sources of additional water are banked, the District would be in a position to take advantage of other water marketing opportunities.

The Paso Robles Groundwater Basin (the "Paso Robles Basin") is an example of an in-County groundwater banking opportunity. According to the recently completed Phase I Paso Robles Groundwater Basin Study, significant storage capacity exists within the Paso Robles Basin. Furthermore, the Basin lies in close proximity to the Coastal Branch. If the District should choose to pursue the development of an in County groundwater banking program, the Paso Robles Basin may be the ideal location. However, additional study is required to verify the feasibility of this option.

Estimate of Revenue. No direct revenue is expected to be generated through the implementation of an in-County groundwater banking program. The value associated with such a program is generated through the ability to re-regulate imported water supplies, thereby increasing the supply reliability while positioning the District to take advantage of future water marketing opportunities. Given the premium for water within the District's service area, it is expected that stored groundwater within the County will have a value of at least \$150.00 per acre-foot. A financial analysis of this option is attached as Appendix J.

Option 6 net present value is estimated at \$46.4 million. This value does not represent payments to the District, but the value of the water asset created.

OPTION 7: SPECIFIC COASTAL BRANCH OPTIONS

Retail Water Services Contract. With an increase of new development within the County, the District may wish to enter into an agreement to sell additional SWP Entitlement to local water purveyors. This would ensure that adequate supplies would be available in the future to support the additional demand associated with the new development. This option may require the improvement/development of turnouts on the Coastal Branch and acquisition of additional conveyance capacity. Implementation of this option, when combined with Option 4 above, will allow the District to expand its current base of Contractors with minimal capital expense.

Out-right Sale. To eliminate many of the institutional issues associated with a water transfer, it may be advantageous for the District to contact those agencies that are already taking deliveries of SWP water through the Coastal Branch with the focus of leasing surplus Entitlement for increased system reliability (*i.e.*, drought buffer). This is an existing program that has been limited to the District's Contractors. However, it could easily be expanded to include CCWA member agencies in Santa Barbara County. Such an arrangement would provide the District with a market for the surplus SWP water without the need for obtaining additional Coastal Branch capacity.

7. COMPARISON OF OPTIONS

The following table provides a comparison of the first six options described above (Option 7 is not included as it is limited to specific Coastal Branch opportunities).

Table 7-1

COMPARISON OF OPTIONS

	<u>Option 1</u> Turn-Back Pool	<u>Option 2</u> EWA Transfer	<u>Option 3</u> Permanent Sale	<u>Option 4</u> Entitlement Exchange	<u>Option 5</u> GW Banking (Outside County)	<u>Option 6</u> GW Banking (In-County)
County Objectives	Yes	Yes	No	Yes	Yes	Yes
Max Quantity (Entitlement)	18,292 afy	18,292 afy	18,292 af	18,292 afy	18,292 afy	18,292 afy
Reliability	High	High	High	Moderate	High	High
Delivery Requirements	None	None	None	None	None	Infrastructure Req'd
Transferability	High	High	Moderate	Moderate	Low	High
Probability of Completion	High	Moderate	High	Moderate	High	Moderate
NPV	\$3,127,000	\$38,676,000	\$91,580,000	\$73,370,000	\$30,942,000	\$46,412,000
Per AF (Long- Term)	\$171	\$2,114	\$5,007	\$4,011	\$1,692	\$2,537
Return	Low	Moderate	High	High	Deferred	Deferred
Annual Payments	Yes	Yes	No	Yes	No	No
Ranking:						
Short-Term	2	1	6	3	5	4
Long-Term	6	4	3	1	5	2

The above table qualitatively and quantitatively compares Options 1-6. The first line of the table addresses whether or not the identified option adheres to the stated County objectives as noted in the Section 2 of this report. The second line of the table identifies the maximum quantity of excess entitlement to be marketed given the long term reliability of the SWP and the District's obligations to provide 4,830 acre-feet per year to its Contractors. The reliability of the water supply option is then assessed noting the likelihood that the given program will be in existence each year for the remainder of the SWP Contract. Each option was also analyzed as to the need of infrastructure to complete the transfer option. The probability of completion for each option was then determined, noting the current transfer policies of DWR as well as the environmental, institutional, political, and financial aspects of the given option. Lastly, the NPV, long-term per acre-foot value and relative return was presented to address the relative return of each option.

Each option was then ranked with regard to the above criteria, noting short-term and long-term time horizons. For this analysis, Optimal Water believes that the long-term rankings are more important in determining which options should be considered by the District for full development. The short-term rankings are provided as interim marketing opportunities for the District to pursue while proceeding with the development of a long-term strategy.

After the general comparison as provided in Table 7-1, a comparison of the relative impact of implementation of the various options with regard to the DWR base cost, estimated option revenue, and impact to the District's budget is provided in Table 7-2 below:

Table 7-2

COMPARISON OF OPTIONS

SWP Costs	Base	Option 1	Option 2	Option 3
Existing Contractors	\$55,913,064.08	\$55,913,064.08	\$55,913,064.08	\$55,913,064.08
District	20,492,210.65	17,365,166.44	(18,184,047.69)	(71,087,874.41)
Option Revenue	--	3,127,044.21	38,676,258.34	91,580,085.06
Total	\$76,405,274.73	\$76,405,274.73	\$76,405,274.73	\$76,405,274.73

SWP Costs	Base	Option 4	Option 5	Option 6
Existing Contractors	\$55,913,064.08	\$55,913,064.08	\$55,913,064.08	\$55,913,064.08
District	20,492,210.65	(52,878,274.58)	(10,449,359.86)	(25,920,145.12)
Option Revenue	--	73,370,485.23	30,941,570.51	46,412,355.77
Total	\$76,405,274.73	\$76,405,274.73	\$76,405,274.73	\$76,405,274.73

The ranking of Option 1 will be discussed to illustrate the methodology used to create the above table:

Option 1, *Turn-Back Pool*, meets the stated County objective of providing a mechanism to fully utilize the SWP Contract while maintaining the District's entitlement for future use. Under Option 1, it is noted that a maximum of 18,292 afy of entitlement (13,170 afy of delivered water assuming DWR's projected long-term SWP reliability of 72%) can be contributed to the Turn-Back Pool and no additional infrastructure is needed to effectuate this transaction. As a DWR-sponsored program that has traditionally shown active buyer participation among SWP contractors, this option's reliability, transferability and probability of completion factors rank very high. From a financial standpoint, provided the District maximizes participation in the Turn-Back Pool for the remainder of the SWP Contract (2035), the net present value (NPV) of all participation proceeds is approximately \$3.1 million. This NPV is low when compared to the other options identified. Therefore, participation in the Turn-Back Pool is an attractive option for the short-term (*Rank: 2*) given the high probability of completion, but very unattractive (*Rank: 6*) as a long-term option given the NPV and rate of return.

8. CONCLUSION AND RECOMMENDATIONS

RESULTS OF STUDY

The options identified in the preceding section have been analyzed to provide the District with alternative strategies for the use of its Entitlement. Based on this analysis, Optimal Water has identified multiple options for the District to pursue. To develop a comprehensive marketing plan, it may be necessary for the District to combine options. Optimal Water's conclusions and recommendations are provided below.

PREFERRED ALTERNATIVE(S) BY RANKING

As previously noted each option was ranked with regard to long-term and short-term planning horizons, given the County's stated objectives and a thorough analysis of the identified options, Optimal Water believes the following combination of long and short-term options represent the best alternatives for the District (in order of preference):

1. Option 4: Entitlement Exchange (Long-Term)
2. Option 6: "In-County" Groundwater Banking Program (Long-Term)
3. Option 3: Permanent Sale of Entitlement (Long-Term)
4. Option 2: Annual Sale to Environmental Water Account (Short-Term)

Optimal Water believes that the District should utilize a multi-faceted strategy that will, in effect, diversify its SWP water supplies with regard to short and long-term opportunities. We recommend that the District immediately pursue a series of short-term water sales to the EWA, beginning in 2003. In the event a sale to the EWA cannot be completed, the District should maximize its participation in the Turn-Back Pool. (*Note: As explained below, the Turn-Back Pool is recommended as an option only if no other sales can be accomplished.*) In addition, the District should seek a long-term transaction that allows it to exchange Entitlement for conveyance capacity within the Coastal Branch of the California Aqueduct while also pursuing the development of an "in-County" groundwater banking program.

The following discussion provides an explanation for why Optimal Water did not include the "Turn-Back Pool" and "Groundwater Banking (Outside County)" options in the list of recommended alternatives.

Option 1: Turn-Back Pool. Due to the low value obtained from participation in the Turn-Back Pool, it should only be considered if other options are not available. Optimal Water believes that the District can make ten to fifteen times the value of the annual sales to the Turn-Back Pool with alternative options. Therefore, the Turn-Back Pool is the sale of last resort for the District.

Option 5: Groundwater Banking (Outside County). While this is a viable option, the limitations on remarketing water stored outside of the District's service area made this option unappealing given the County's stated objectives. Pursuant to Article 56 of the SWP Contract, water stored outside of the District's service area can only be stored for later use within its service area. Therefore, this stored water supply cannot be remarketed to entities located outside of the District's service area, which severely limits the pool of prospective buyers. This option,

however, is attractive if the District's intent is to firm up reliability of the SWP deliveries to its Contractors.

NEXT STEP

Optimal Water recommends that the District commence the work required to formally structure a comprehensive marketing plan based on the strategy outlined above. Optimal Water proposes to work with the District to further develop a plan and implement it for the District. With proven experience in structuring and completing EWA sales and long-term transactions, as well as the development, marketing and management of groundwater banking programs, Optimal Water believes that it can provide invaluable assistance to the District in developing and implementing a successful strategy for maximizing use of the District's SWP Entitlement.

Appendix A Estimated DWR Charges, Financial Summary

Assumptions:

<u>Water Resource</u>	<u>Transportation</u>
Annual AF	SWP Reliability Fact
Discount Rate	72.00%
25,000	5.0%

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
										*(8) - (9)			-(10) + (11) + (12)	*(5) + (13)	[(14) - (9)]	*(9)
0	2002	70.00%	25000	17,500	\$ -	\$ 1,816,045.00	\$ 801,467.00	\$ 683,224.00	\$ 495,748.00	\$ 3,896,484.00	\$ 531,361.00	\$ 360,501.00	\$ 4,788,346.00	\$ 4,788,346.00	\$ 4,292,598.00	\$ 495,748.00
1	2003	72.00%	25000	18,000	-	1,587,042.00	1,439,567.00	689,062.00	290,795.75	4,006,466.75	605,765.00	370,913.00	4,984,144.75	4,984,144.75	4,693,349.00	290,795.75
2	2004	72.00%	25000	18,000	-	2,179,420.99	782,851.00	570,963.00	397,520.98	3,930,755.97	604,289.00	362,766.00	4,897,810.97	4,897,810.97	4,500,289.99	397,520.98
3	2005	72.00%	25000	18,000	-	2,179,616.89	781,343.00	616,999.00	459,523.11	4,039,462.00	604,289.00	360,906.00	5,004,677.00	5,004,677.00	4,545,153.89	459,523.11
4	2006	72.00%	25000	18,000	-	2,179,808.21	782,406.00	617,599.00	469,962.67	4,049,766.88	604,289.00	355,106.00	5,009,161.88	5,009,161.88	4,539,199.21	469,962.67
5	2007	72.00%	25000	18,000	-	2,180,002.64	781,514.00	617,916.00	456,830.67	4,036,583.31	604,289.00	352,861.00	4,994,713.31	4,994,713.31	4,537,862.64	456,830.67
6	2008	72.00%	25000	18,000	-	2,180,002.64	782,066.75	730,995.00	412,579.84	4,105,744.04	604,289.00	358,601.00	5,068,634.04	5,068,634.04	4,655,954.39	412,679.64
7	2009	72.00%	25000	18,000	-	2,180,002.64	781,919.74	731,788.00	424,062.69	4,117,783.06	604,289.00	359,317.00	5,081,399.08	5,081,399.08	4,657,316.38	424,062.69
8	2010	72.00%	25000	18,000	-	2,180,002.64	781,794.87	728,977.00	454,452.00	4,145,226.50	604,289.00	359,895.00	5,109,410.50	5,109,410.50	4,654,958.51	454,452.00
9	2011	72.00%	25000	18,000	-	2,180,002.64	784,826.65	727,041.00	451,483.09	4,143,353.38	604,289.00	360,642.00	5,108,264.38	5,108,264.38	4,656,801.29	451,483.09
10	2012	72.00%	25000	18,000	-	2,180,002.64	784,975.40	727,659.00	487,120.51	4,159,957.55	604,289.00	381,291.00	5,125,537.55	5,125,537.55	4,658,417.05	487,120.51
11	2013	72.00%	25000	18,000	-	2,180,002.64	785,404.80	337,993.00	526,005.35	3,829,405.80	604,289.00	359,200.00	4,792,894.80	4,792,894.80	4,266,889.44	526,005.35
12	2014	72.00%	25000	18,000	-	2,173,946.06	785,886.44	118,263.00	558,838.73	3,638,734.23	604,289.00	372,971.00	4,813,994.23	4,813,994.23	4,055,155.50	558,838.73
13	2015	72.00%	25000	18,000	-	2,168,578.95	786,127.13	52,470.00	573,381.86	3,580,557.94	604,289.00	364,786.00	4,549,632.94	4,549,632.94	3,976,251.08	573,381.86
14	2016	72.00%	25000	18,000	-	2,159,822.76	785,357.23	33,635.00	588,858.18	3,567,473.17	604,289.00	363,671.00	4,535,433.17	4,535,433.17	3,946,774.99	588,858.18
15	2017	72.00%	25000	18,000	-	2,142,029.15	785,673.16	22,265.00	571,815.97	3,521,784.28	604,289.00	362,226.00	4,488,299.28	4,488,299.28	3,816,483.31	571,815.97
16	2018	72.00%	25000	18,000	-	2,128,281.80	783,177.12	22,361.00	589,064.29	3,525,980.81	604,289.00	362,654.00	4,492,843.81	4,492,843.81	3,903,778.72	589,064.29
17	2019	72.00%	25000	18,000	-	2,124,960.22	785,353.61	22,422.00	612,643.19	3,645,379.81	604,289.00	364,193.00	4,513,881.81	4,513,881.81	3,901,217.62	612,643.19
18	2020	72.00%	25000	18,000	-	2,123,318.93	785,861.51	22,584.00	572,150.21	3,583,914.69	604,289.00	365,084.00	4,473,287.69	4,473,287.69	3,901,137.44	572,150.21
19	2021	72.00%	25000	18,000	-	2,122,327.33	786,114.88	14,054.00	570,002.02	3,492,498.33	604,289.00	418,335.00	4,515,122.33	4,515,122.33	3,945,120.31	570,002.02
20	2022	72.00%	25000	18,000	-	2,121,753.06	786,038.74	14,065.00	547,395.49	3,469,252.29	604,289.00	318,302.00	4,389,843.29	4,389,843.29	3,842,447.80	547,395.49
21	2023	72.00%	25000	18,000	-	2,121,478.91	785,395.11	22,231.00	554,987.87	3,484,090.89	604,289.00	403,872.00	4,492,251.89	4,492,251.89	3,937,284.02	554,987.87
22	2024	72.00%	25000	18,000	-	2,121,286.47	785,662.24	22,200.00	581,814.27	3,510,982.98	604,289.00	352,878.00	4,468,228.98	4,468,228.98	3,886,415.71	581,814.27
23	2025	72.00%	25000	18,000	-	2,121,037.82	786,266.00	-	588,656.57	3,475,960.39	604,289.00	205,421.00	4,285,870.39	4,285,870.39	3,717,013.82	588,656.57
24	2026	72.00%	25000	18,000	-	2,014,290.78	785,181.47	-	585,799.21	3,385,271.47	604,289.00	81,519.00	4,071,079.47	4,071,079.47	3,485,280.26	585,799.21
25	2027	72.00%	25000	18,000	-	2,012,577.05	787,062.86	-	569,983.47	3,389,823.38	604,289.00	49,914.00	4,023,826.38	4,023,826.38	3,453,842.91	569,983.47
26	2028	72.00%	25000	18,000	-	2,007,056.19	785,141.22	-	574,982.91	3,367,180.32	604,289.00	-	3,971,469.32	3,971,469.32	3,396,488.41	574,982.91
27	2029	72.00%	25000	18,000	-	2,005,964.92	785,882.64	-	564,717.80	3,358,585.38	604,289.00	-	3,880,854.38	3,880,854.38	3,396,136.98	564,717.80
28	2030	72.00%	25000	18,000	-	2,004,795.80	785,293.55	-	571,701.98	3,381,781.33	604,289.00	-	3,866,880.33	3,866,880.33	3,394,378.34	571,701.98
29	2031	72.00%	25000	18,000	-	1,999,532.81	787,295.19	-	558,059.75	3,344,887.75	604,289.00	-	3,949,176.75	3,949,176.75	3,391,117.00	558,059.75
30	2032	72.00%	25000	18,000	-	2,000,318.74	784,812.51	-	574,278.11	3,359,493.38	604,289.00	-	3,963,898.38	3,963,898.38	3,389,420.25	574,278.11
31	2033	72.00%	25000	18,000	-	2,000,109.75	785,927.06	-	606,711.38	3,394,748.19	604,289.00	-	3,999,037.19	3,999,037.19	3,390,325.81	606,711.38
32	2034	72.00%	25000	18,000	-	1,998,468.85	786,083.27	-	581,023.30	3,383,578.42	604,289.00	-	3,989,864.42	3,989,864.42	3,388,841.11	581,023.30
33	2035	72.00%	25000	18,000	-	1,996,662.23	784,892.12	-	574,456.37	3,354,941.38	604,289.00	-	3,959,230.35	3,959,230.35	3,386,771.96	574,456.37
Total			850,000.00	811,500.00	\$ -	\$ 70,870,547.05	\$ 27,457,721.38	\$ 17,959,329.39	\$ 128,835,491.35	\$ 128,835,491.35	\$ 20,475,374.00	\$ 6,708,825.00	\$ 158,017,800.35	\$ 158,017,800.35	\$ 138,058,470.97	\$ 17,959,329.39
NPV					\$ -	\$ 33,781,541.35	\$ 13,406,455.93	\$ 5,938,763.59	\$ 8,097,805.90	\$ 61,689,314.35	\$ 9,717,884.34	\$ 4,897,876.84	\$ 76,405,274.73	\$ 76,405,274.73	\$ 68,307,366.84	\$ 8,097,805.90

- (1) Year
- (2) % of Table A Delivered
- (3) TABLE B-4. Annual Entitlements to Project Water
- (4) TABLE B-5B. Annual Water Quantities Delivered to Each Contractor
- (5) TABLE B-14. Capital Cost of Transportation Facilities Allocated to Each
- (6) TABLE B-15. Capital Cost Component of Transportation Charge for Each
- (7) TABLE B-16A. Minimum OMP&R Component of Transportation Charge for TABLE B-16B. Minimum OMP&R Component of Transportation Charge for
- (8) Each Contractor for Off-Aqueduct Power Facilities
- (9) Variable OMP&R Component of Transportation Charge for SLO FC&WCD (4830 afy)
- (10) Total Transportation Charge for Each Contractor
- (11) TABLE B-21. Total Delta Water Charge for Each Contractor
- (12) TABLE B-22. Water System Revenue Bond Surcharge for Each Contractor
- (13) Total Transportation and Delta Water Charge for Each Contractor
- (14) Total Charge
- (15) DWR Total Fixed Cost (25000 AFY)
- (16) DWR Variable (4830 AFY)

Appendix A1 Contractor's Estimated DWR Charges, Financial Summary

Assumptions:

<u>Water Resource</u>	<u>Transportation</u>
Annual AF 25,000	SWP Reliability Factor 72.00%
Discount Rate 5.0%	
Percentage Fixed Cost Funded by Contractor 70%	
Percentage Variable Cost Funded by Contractor 100%	

San Luis Obispo County FC&WCD																
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
									(9) + (8) - (9)				(10) + (11) + (12)	(5) + (13)	(14) - (9)	(16) - (9)
0 2002 70.00%	25000	17,500	-	\$ 1,816,045.00	\$ 901,467.00	\$ 683,224.00	\$ 495,748.00	\$ 3,896,484.00	\$ 531,361.00	\$ 360,501.00	\$ 4,788,346.00	\$ 4,788,346.00	\$ 3,094,818.60	\$ 495,748.00		
1 2003 72.00%	25000	18,000	-	1,587,042.00	1,439,567.00	689,052.00	290,795.75	4,006,466.75	606,755.00	370,913.00	4,984,144.75	4,984,144.75	3,285,344.30	290,795.75		
2 2004 72.00%	25000	18,000	-	2,179,420.99	782,851.00	576,963.00	397,520.98	3,930,755.97	604,289.00	362,766.00	4,897,810.97	4,897,810.97	3,150,203.00	397,520.98		
3 2005 72.00%	25000	18,000	-	2,178,616.89	781,343.00	618,999.00	459,523.11	4,039,482.00	604,289.00	360,906.00	5,004,677.00	5,004,677.00	3,181,607.73	459,523.11		
4 2006 72.00%	25000	18,000	-	2,179,808.21	782,406.09	617,550.00	469,962.67	4,049,766.88	604,289.00	355,106.00	5,009,161.88	5,009,161.88	3,177,439.44	469,962.67		
5 2007 72.00%	25000	18,000	-	2,180,002.64	781,814.00	617,916.00	456,830.67	4,036,563.31	604,289.00	353,861.00	4,994,713.31	4,994,713.31	3,176,517.85	456,830.67		
6 2008 72.00%	25000	18,000	-	2,180,002.64	782,066.75	730,895.00	412,679.64	4,105,744.04	604,289.00	358,601.00	5,068,634.04	5,068,634.04	3,259,168.08	412,679.64		
7 2009 72.00%	25000	18,000	-	2,180,002.64	781,919.74	731,768.00	424,082.69	4,117,793.08	604,289.00	359,317.00	5,081,399.08	5,081,399.08	3,260,121.47	424,082.69		
8 2010 72.00%	25000	18,000	-	2,180,002.64	781,794.67	728,977.00	454,452.00	4,145,226.50	604,289.00	359,695.00	5,109,410.50	5,109,410.50	3,258,470.96	454,452.00		
9 2011 72.00%	25000	18,000	-	2,180,002.64	784,026.65	727,041.00	451,483.09	4,143,353.38	604,289.00	360,642.00	5,108,284.38	5,108,284.38	3,259,760.91	451,483.09		
10 2012 72.00%	25000	18,000	-	2,180,002.64	784,975.40	727,859.00	467,120.51	4,159,857.55	604,289.00	361,291.00	5,125,337.55	5,125,337.55	3,260,891.93	467,120.51		
11 2013 72.00%	25000	18,000	-	2,180,002.64	785,404.80	737,993.00	526,005.35	3,839,405.80	604,289.00	359,200.00	4,792,894.80	4,792,894.80	2,968,822.81	526,005.35		
12 2014 72.00%	25000	18,000	-	2,173,946.96	785,686.44	718,263.00	558,838.73	3,636,734.23	604,289.00	372,971.00	4,613,994.23	4,613,994.23	2,838,608.65	558,838.73		
13 2015 72.00%	25000	18,000	-	2,468,578.95	786,127.13	52,470.00	573,381.86	3,580,557.94	604,289.00	364,786.00	4,549,632.94	4,549,632.94	2,783,375.16	573,381.86		
14 2016 72.00%	25000	18,000	-	2,159,822.75	785,357.23	31,635.00	568,658.16	3,567,473.17	604,289.00	363,671.00	4,535,433.17	4,535,433.17	2,762,742.49	568,658.16		
15 2017 72.00%	25000	18,000	-	2,142,029.15	785,673.10	22,266.00	571,815.97	3,521,784.28	604,289.00	362,226.00	4,488,299.28	4,488,299.28	2,741,538.32	571,815.97		
16 2018 72.00%	25000	18,000	-	2,128,281.60	786,177.12	22,367.00	589,064.29	3,525,890.01	604,289.00	362,664.00	4,492,843.01	4,492,843.01	2,732,645.10	589,064.29		
17 2019 72.00%	25000	18,000	-	2,124,860.22	785,353.61	22,422.00	612,643.19	3,545,379.01	604,289.00	364,193.00	4,513,861.01	4,513,861.01	2,730,852.48	612,643.19		
18 2020 72.00%	25000	18,000	-	2,123,318.93	785,861.51	22,584.00	572,150.21	3,503,914.63	604,289.00	365,084.00	4,473,287.63	4,473,287.63	2,730,796.21	572,150.21		
19 2021 72.00%	25000	18,000	-	2,122,327.33	786,114.98	14,054.00	570,002.02	3,492,498.33	604,289.00	418,335.00	4,515,122.33	4,515,122.33	2,761,584.22	570,002.02		
20 2022 72.00%	25000	18,000	-	2,121,753.06	786,038.74	14,065.00	547,395.49	3,469,252.29	604,289.00	316,302.00	4,389,843.29	4,389,843.29	2,689,713.46	547,395.49		
21 2023 72.00%	25000	18,000	-	2,121,476.91	785,395.11	22,231.00	554,987.87	3,484,090.89	604,289.00	403,872.00	4,492,251.89	4,492,251.89	2,756,084.81	554,987.87		
22 2024 72.00%	25000	18,000	-	2,121,286.47	785,662.24	72,200.00	581,814.27	3,510,982.08	604,289.00	352,978.00	4,468,229.98	4,468,229.98	2,720,491.00	581,814.27		
23 2025 72.00%	25000	18,000	-	2,121,037.82	786,266.09	-	568,656.57	3,475,960.39	604,289.00	205,421.00	4,285,670.39	4,285,670.39	2,601,909.67	568,656.57		
24 2026 72.00%	25000	18,000	-	2,014,290.78	785,183.47	-	585,799.21	3,385,271.47	604,289.00	81,519.00	4,071,079.47	4,071,079.47	2,439,696.18	585,799.21		
25 2027 72.00%	25000	18,000	-	2,012,577.05	787,062.86	-	569,983.47	3,389,823.38	604,289.00	49,914.00	4,023,826.38	4,023,826.38	2,417,690.04	569,983.47		
26 2028 72.00%	25000	18,000	-	2,017,056.19	785,141.22	-	574,982.91	3,367,180.32	604,289.00	-	3,971,469.32	3,971,469.32	2,377,540.49	574,982.91		
27 2029 72.00%	25000	18,000	-	2,005,964.92	785,882.64	-	564,717.80	3,356,565.36	604,289.00	-	3,860,854.36	3,860,854.36	2,377,295.59	564,717.80		
28 2030 72.00%	25000	18,000	-	2,004,795.80	785,293.55	-	571,701.58	3,361,791.33	604,289.00	-	3,866,080.33	3,866,080.33	2,376,064.84	571,701.58		
29 2031 72.00%	25000	18,000	-	1,999,512.81	787,245.19	-	558,059.75	3,344,887.75	604,289.00	-	3,949,176.75	3,949,176.75	2,373,781.90	558,059.75		
30 2032 72.00%	25000	18,000	-	2,000,318.74	784,812.51	-	574,278.11	3,359,409.36	604,289.00	-	3,863,698.36	3,863,698.36	2,372,594.18	574,278.11		
31 2033 72.00%	25000	18,000	-	2,000,104.75	785,927.06	-	606,711.38	3,394,748.19	604,289.00	-	3,898,037.19	3,898,037.19	2,373,226.07	606,711.38		
32 2034 72.00%	25000	18,000	-	1,998,468.85	786,083.27	-	581,023.30	3,365,575.42	604,289.00	-	3,869,864.42	3,869,864.42	2,372,188.78	581,023.30		
33 2035 72.00%	25000	18,000	-	1,996,662.23	784,892.12	-	574,458.37	3,334,911.35	604,289.00	-	3,859,230.35	3,859,230.35	2,369,340.39	574,458.37		
Total	850,000.00	611,300.00	\$ -	\$ 70,870,547.95	\$ 27,457,721.38	\$ 6,148,964.00	\$ 17,959,329.39	\$ 128,835,491.35	\$ 20,473,374.00	\$ 6,706,935.00	\$ 158,617,869.35	\$ 158,617,869.35	\$ 88,640,828.68	\$ 17,959,329.39		
NPV	\$ -	\$ -	\$ -	\$ 33,791,541.35	\$ 13,406,455.93	\$ 5,936,763.50	\$ 8,097,905.90	\$ 61,689,314.35	\$ 9,717,984.34	\$ 4,997,076.04	\$ 76,405,274.73	\$ 76,405,274.73	\$ 47,815,158.18	\$ 8,097,905.90		

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| <ul style="list-style-type: none"> (1) Year (2) % of Table A Delivered (3) TABLE B-4. Annual Entitlements to Project Water (4) TABLE B-5B. Annual Water Quantities Delivered to Each Contractor (5) TABLE B-14. Capital Cost of Transportation Facilities Allocated to Each Contractor (6) TABLE B-15. Capital Cost Component of Transportation Charge for Each Contractor (7) TABLE B-16A. Minimum OMP&R Component of Transportation Charge for Each Contractor (8) TABLE B-16B. Minimum OMP&R Component of Transportation Charge for Each Contractor for Off-Aqueduct Power Facilities | <ul style="list-style-type: none"> (9) Variable OMP&R Component of Transportation Charge for SLO FC&WCD (4830 afy) (10) Total Transportation Charge for Each Contractor (11) TABLE B-21. Total Delta Water Charge for Each Contractor (12) TABLE B-22. Water System Revenue Bond Surcharge for Each Contractor (13) Total Transportation and Delta Water Charge for Each Contractor (14) Total Charge (15) DWR Total Fixed Cost (25000 AFY) (16) DWR Variable (4830 AFY) |
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Appendix A2

District's Estimated DWR Charges, Financial Summary

Assumptions:

Water Resource		Transportation	
Annual AF	25,000	SWP Reliability Factor	72.00%
Discount Rate	5.0%		
Percentage Fixed Cost Funded by Contractor	30%		
Percentage Variable Cost Funded by Contractor	0%		

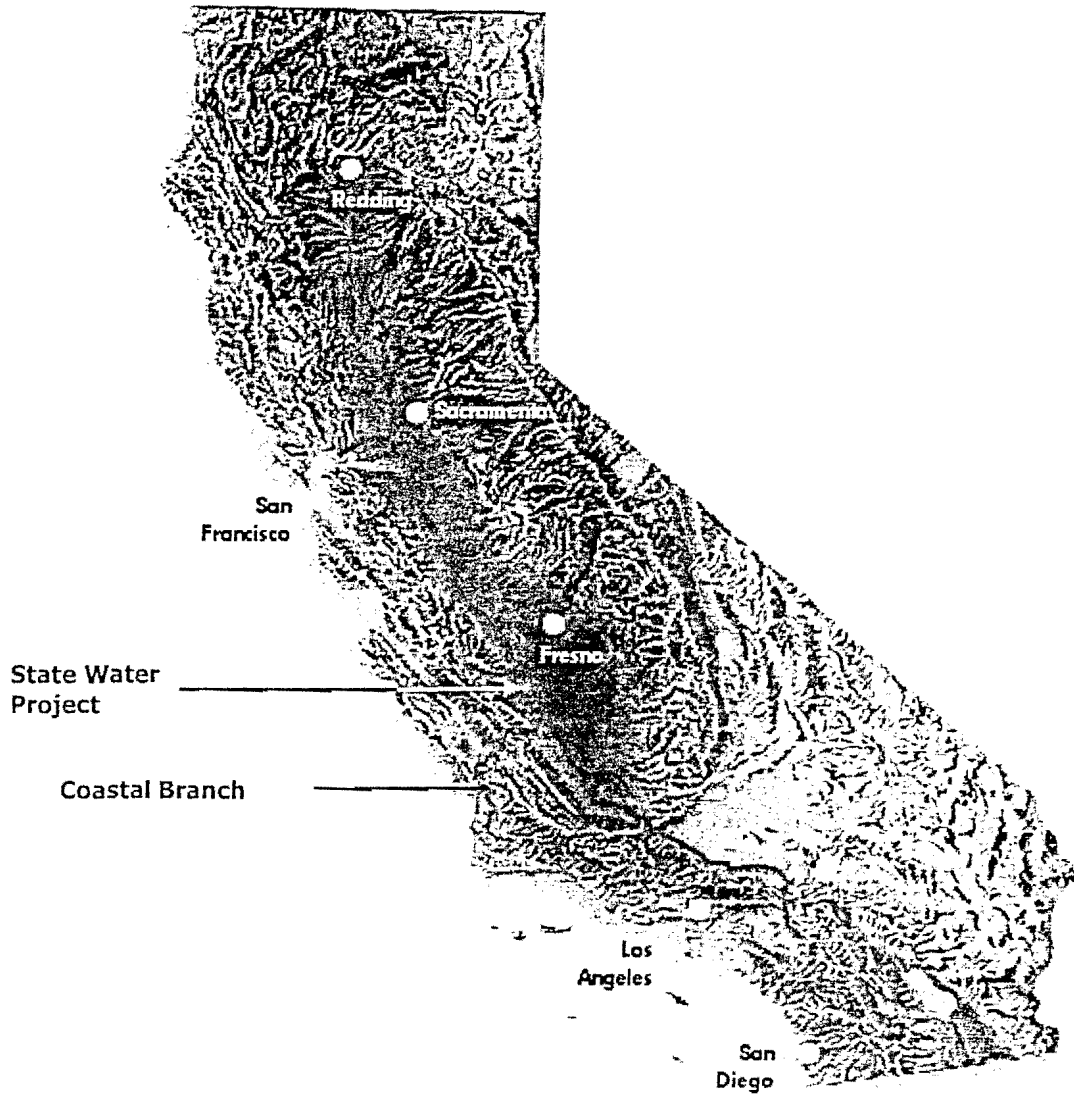
San Luis Obispo County FC&WCD

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
									(8) * (9)			=(10) * (11) * (12)	=(5) * (13)	[(14) - (8)]	*(9)
0	2007	70.00%	25000	17,500	\$ -	\$ 1,818,045.00	\$ 901,467.00	\$ 883,324.00	\$ 489,748.00	\$ 2,896,484.84	\$ 831,381.00	\$ 340,501.00	\$ 4,788,348.89	\$ 4,743,348.89	\$ 1,287,776.00
1	2003	72.00%	25000	18,000	-	1,887,043.00	1,439,597.00	889,092.00	790,745.78	4,808,488.78	806,785.00	370,513.00	4,984,144.78	4,984,144.78	1,408,004.70
2	2004	72.00%	25000	18,000	-	2,179,420.99	762,851.00	387,320.88	387,320.88	2,836,788.97	804,248.00	342,788.00	4,987,818.87	4,881,418.87	1,310,047.00
3	2005	72.00%	25000	18,000	-	2,178,818.89	781,343.00	816,898.00	459,523.11	4,838,462.88	804,788.00	360,908.00	6,064,877.88	6,064,877.88	1,382,548.17
4	2006	72.00%	28000	18,000	-	2,179,808.21	782,408.00	817,890.00	488,947.87	4,948,788.88	804,288.00	388,108.04	6,088,181.88	6,088,181.88	1,361,738.74
5	2007	72.00%	28000	18,000	-	2,180,002.84	781,814.00	817,818.00	458,930.87	4,938,862.31	804,388.00	351,891.00	4,964,712.31	4,964,712.31	1,361,364.72
6	2008	72.00%	25000	18,000	-	2,188,002.84	782,055.78	730,895.00	412,878.84	4,188,744.84	804,788.00	358,801.00	6,066,834.84	6,066,834.84	1,398,748.31
7	2009	72.00%	25000	18,000	-	2,180,002.84	781,818.74	731,788.00	424,002.88	4,157,788.88	804,288.00	358,311.00	6,061,388.88	6,061,388.88	1,387,184.31
8	2010	72.00%	25000	18,000	-	2,188,002.84	781,794.87	728,877.00	454,457.00	4,148,288.88	804,288.00	338,885.00	6,168,418.88	6,168,418.88	1,398,487.35
9	2011	72.00%	25000	18,000	-	2,188,002.84	784,878.88	727,841.00	451,488.88	4,148,288.88	804,288.00	360,842.00	6,168,288.88	6,168,288.88	1,387,040.38
10	2012	72.00%	25000	18,000	-	2,188,002.84	784,878.88	727,838.00	487,720.81	4,168,807.88	804,288.00	361,281.00	6,138,837.88	6,138,837.88	1,387,825.11
11	2012	72.00%	25000	18,000	-	2,166,002.84	766,484.88	527,887.00	828,008.38	3,828,488.88	804,288.00	338,300.00	4,782,888.88	4,782,888.88	1,388,088.88
12	2014	72.00%	25000	18,000	-	2,173,848.88	788,884.84	118,792.00	888,834.72	3,836,734.32	804,288.00	373,871.00	4,813,884.32	4,813,884.32	1,318,848.88
13	2016	72.00%	28000	18,000	-	2,188,878.88	788,127.12	85,878.00	872,281.88	3,868,878.88	804,288.00	384,788.00	4,848,878.88	4,848,878.88	1,182,878.12
14	2018	72.00%	28000	18,000	-	2,188,828.78	788,387.82	33,838.00	888,838.18	3,887,473.12	804,288.00	383,871.00	4,838,433.12	4,838,433.12	1,184,833.80
15	2017	72.00%	28000	18,000	-	2,182,828.18	788,878.18	22,288.00	871,818.87	3,821,788.88	804,288.00	382,288.00	4,808,288.88	4,808,288.88	1,174,848.88
16	2018	72.00%	28000	18,000	-	2,128,881.88	788,177.12	888,088.88	888,088.88	3,828,888.88	804,288.00	383,888.00	4,808,888.88	4,808,888.88	1,171,128.88
17	2018	72.00%	28000	18,000	-	2,124,888.22	788,383.81	22,422.00	812,841.88	3,848,378.81	804,288.00	384,183.00	4,813,881.81	4,813,881.81	1,178,888.18
18	2020	72.00%	28000	18,000	-	2,122,318.82	788,881.81	22,388.00	818,188.21	3,848,814.88	804,288.00	388,888.00	4,823,888.88	4,823,888.88	1,178,881.12
19	2021	72.00%	28000	18,000	-	2,122,327.32	788,114.88	14,094.00	870,003.92	3,882,488.88	804,288.00	418,334.00	4,818,123.32	4,818,123.32	1,183,838.00
20	2022	72.00%	28000	18,000	-	2,125,752.00	788,838.74	14,088.00	847,388.48	3,888,282.88	804,288.00	318,382.00	4,888,842.88	4,888,842.88	1,152,734.84
21	2023	72.00%	28000	18,000	-	2,125,478.81	788,388.11	22,231.00	858,887.87	3,888,888.88	804,288.00	403,873.00	4,883,881.88	4,883,881.88	1,181,128.11
22	2024	72.00%	25000	18,000	-	2,121,288.42	788,882.24	22,288.00	861,814.27	3,818,882.84	804,288.00	382,878.00	4,888,288.84	4,888,288.84	1,182,824.11
23	2028	72.00%	28000	18,000	-	2,121,837.82	788,288.00	-	868,818.87	3,878,814.38	804,288.00	288,411.00	4,833,818.88	4,833,818.88	1,153,184.18
24	2028	72.00%	28000	18,000	-	2,814,288.78	788,181.47	-	868,798.21	3,888,277.47	804,288.00	81,818.00	4,871,878.47	4,871,878.47	1,848,884.84
25	2027	72.00%	28000	18,000	-	2,812,377.08	787,882.88	-	868,982.47	3,888,833.38	804,288.00	48,814.00	4,823,833.38	4,823,833.38	1,828,182.87
26	2028	72.00%	28000	18,000	-	2,007,838.18	788,141.22	-	874,881.81	3,887,188.32	804,288.00	-	3,871,488.32	3,871,488.32	1,818,842.88
27	2028	72.00%	25000	18,000	-	2,008,884.82	788,882.84	-	884,717.88	3,888,888.88	804,288.00	-	3,888,888.88	3,888,888.88	1,818,848.88
28	2030	72.00%	25000	18,000	-	2,004,788.80	788,282.58	-	871,781.32	3,881,781.32	804,288.00	-	3,888,888.32	3,888,888.32	1,818,812.50
29	2031	72.00%	25000	18,000	-	1,999,532.81	787,288.18	-	858,838.18	3,848,887.75	804,288.00	-	3,848,178.78	3,848,178.78	1,817,328.18
30	2032	72.00%	28000	18,000	-	2,000,518.74	784,278.81	-	874,278.11	3,838,488.88	804,288.00	-	3,888,888.88	3,888,888.88	1,818,878.88
31	2033	72.00%	25000	18,000	-	2,000,188.78	788,827.08	-	888,711.38	3,884,748.18	804,288.00	-	3,888,837.18	3,888,837.18	1,817,887.74
32	2034	72.00%	25000	18,000	-	1,998,488.88	788,882.77	-	881,882.30	3,884,878.48	804,288.00	-	3,888,884.42	3,888,884.42	1,818,852.32
33	2035	72.00%	25000	18,000	-	1,928,882.23	784,887.12	-	874,458.37	3,734,841.35	804,288.00	-	6,258,328.32	6,258,328.32	1,735,451.58
Total			858,888.88	611,388.88	\$ -	\$ 78,878,547.88	\$ 27,451,731.38	\$ 1,848,388.88	\$ 12,888,328.38	\$ 128,888,481.38	\$ 38,478,374.88	\$ 1,788,838.88	\$ 188,817,888.38	\$ 188,817,888.38	\$ 45,478,541.38
NPV					\$ -	\$ 53,781,541.38	\$ 13,428,458.82	\$ 5,834,783.58	\$ 8,817,888.88	\$ 81,888,814.38	\$ 19,717,884.34	\$ 4,887,878.84	\$ 78,488,274.72	\$ 78,488,274.72	\$ 28,482,218.88

- (1) Year
- (2) % of Table A Delivered
- (3) TABLE B-4. Annual Entitlements to Project Water
- (4) TABLE B-5B. Annual Water Quantities Delivered to Each Contractor
- (5) TABLE B-14. Capital Cost of Transportation Facilities Allocated to Each Contractor
- (6) TABLE B-15. Capital Cost Component of Transportation Charge for Each Contractor
- (7) TABLE B-16A. Minimum OMP&R Component of Transportation Charge for Each Contractor
- (8) TABLE B-16B. Minimum OMP&R Component of Transportation Charge for Each Contractor for Off-Aqueduct Power Facilities
- (9) Variable OMP&R Component of Transportation Charge for SLO FC&WCD (4830 afy)
- (10) Total Transportation Charge for Each Contractor
- (11) TABLE B-21. Total Delta Water Charge for Each Contractor
- (12) TABLE B-22. Water System Revenue Bond Surcharge for Each Contractor
- (13) Total Transportation and Delta Water Charge for Each Contractor
- (14) Total Charge
- (15) DWR Total Fixed Cost (25000 AFY)
- (16) DWR Variable (4830 AFY)

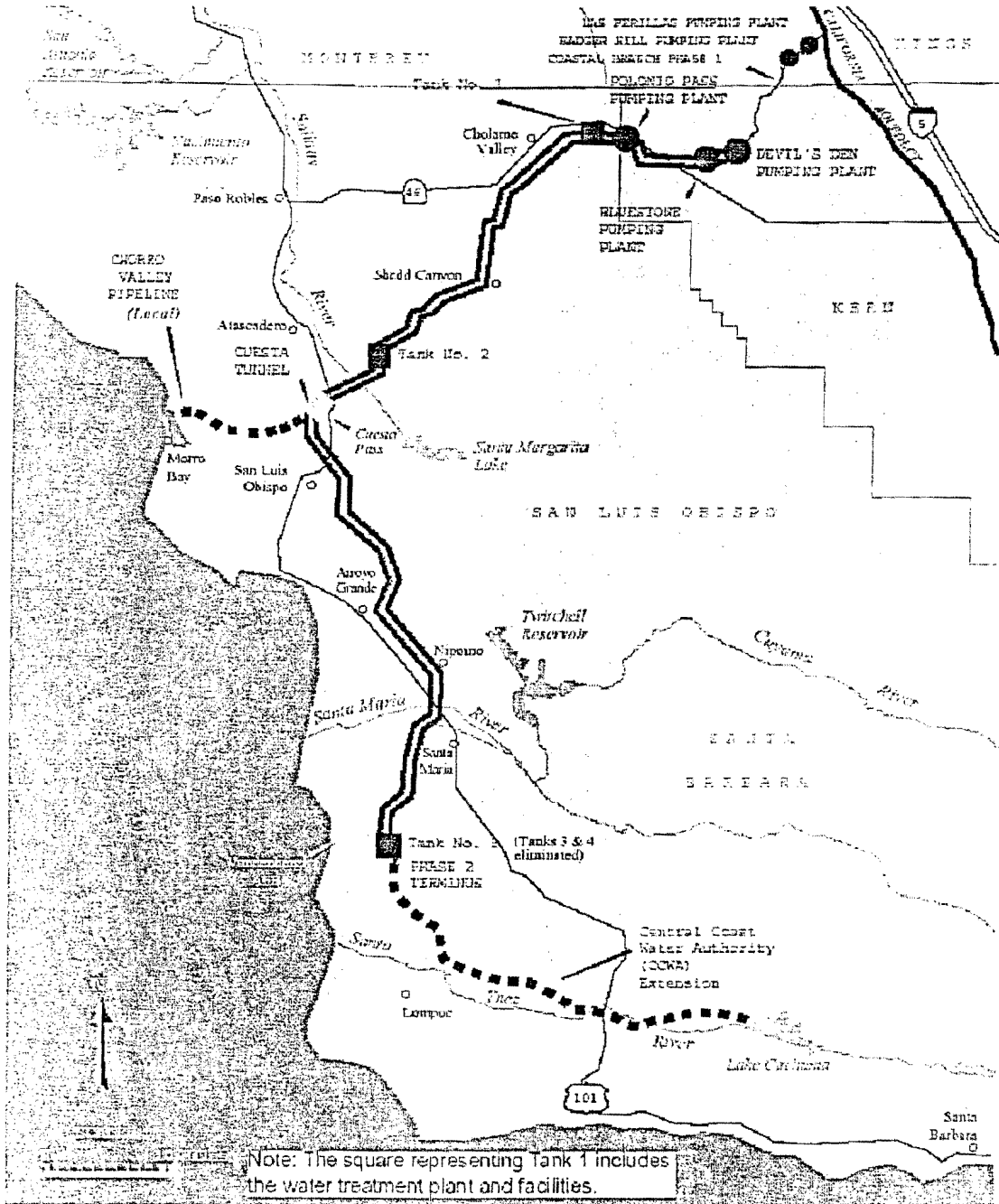
Appendix B

State Water Project Overview Map
(From DWR)



Appendix C

The Coastal Branch Map (from DWR Bulletin 132-98)

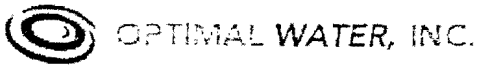


Appendix D San Luis Obispo County Flood Control & Water Conservation District Turn-Back Pool Participation, Financial Summary

Assumptions

Data per California Employment Development Department	2000 Population	1990-2000, Total % Growth	% Growth Annualized	2020 Population Projection	Longterm Growth Rate
San Luis Obispo County Population Statistics	246,700	13.6%	1.28%	390,900	0%
Discount Rate	5%				
Delta Rate Escalation Factor	1.5%				
Pool A Distribution of Available	100%				
Pool B Distribution of Available	0%				
Total Distribution of Available	100%				

Period	Year	% of Table A Delivered	TABLE B-4 Annual	TABLE B-5B Annual Water	Projected Demand	Total Estimated available for Turnback	Total Est. Pool A		Pool A Return	Total Est. Pool B		Pool B Return	Total Return	
			Entitlements to Project Water	Quantities Delivered to Each Contractor			Pool A Rate Per AF	Pool B Rate Per AF						
0	2002	0.72	25,000	17,500	4,830	12,670	\$12.16	\$	154,067.20	\$	\$	\$	154,067.20	
1	2003	0.72	25,000	18,000	4,830	13,170	\$12.34	\$	162,645.41	\$	\$	\$	162,645.41	
2	2004	0.72	25,000	18,000	4,830	13,170	\$12.53	\$	164,987.65	\$	\$	\$	164,987.65	
3	2005	0.72	25,000	18,000	4,830	13,170	\$12.72	\$	167,462.46	\$	\$	\$	167,462.46	
4	2006	0.72	25,000	18,000	4,830	13,170	\$12.91	\$	169,974.40	\$	\$	\$	169,974.40	
5	2007	0.72	25,000	18,000	4,830	13,170	\$13.10	\$	172,524.02	\$	\$	\$	172,524.02	
6	2008	0.72	25,000	18,000	4,830	13,170	\$13.30	\$	175,111.88	\$	\$	\$	175,111.88	
7	2009	0.72	25,000	18,000	4,830	13,170	\$13.50	\$	177,736.55	\$	\$	\$	177,736.55	
8	2010	0.72	25,000	18,000	4,830	13,170	\$13.70	\$	180,404.53	\$	\$	\$	180,404.53	
9	2011	0.72	25,000	18,000	4,830	13,170	\$13.90	\$	183,110.70	\$	\$	\$	183,110.70	
10	2012	0.72	25,000	18,000	4,830	13,170	\$14.11	\$	185,857.36	\$	\$	\$	185,857.36	
11	2013	0.72	25,000	18,000	4,830	13,170	\$14.32	\$	188,645.22	\$	\$	\$	188,645.22	
12	2014	0.72	25,000	18,000	4,830	13,170	\$14.54	\$	191,474.90	\$	\$	\$	191,474.90	
13	2015	0.72	25,000	18,000	4,830	13,170	\$14.76	\$	194,347.03	\$	\$	\$	194,347.03	
14	2016	0.72	25,000	18,000	4,830	13,170	\$14.98	\$	197,262.23	\$	\$	\$	197,262.23	
15	2017	0.72	25,000	18,000	4,830	13,170	\$15.20	\$	200,221.16	\$	\$	\$	200,221.16	
16	2018	0.72	25,000	18,000	4,830	13,170	\$15.43	\$	203,224.48	\$	\$	\$	203,224.48	
17	2019	0.72	25,000	18,000	4,830	13,170	\$15.66	\$	206,272.85	\$	\$	\$	206,272.85	
18	2020	0.72	25,000	18,000	4,830	13,170	\$15.90	\$	209,365.94	\$	\$	\$	209,365.94	
19	2021	0.72	25,000	18,000	4,830	13,170	\$16.14	\$	212,507.45	\$	\$	\$	212,507.45	
20	2022	0.72	25,000	18,000	4,830	13,170	\$16.38	\$	215,695.06	\$	\$	\$	215,695.06	
21	2023	0.72	25,000	18,000	4,830	13,170	\$16.62	\$	218,930.48	\$	\$	\$	218,930.48	
22	2024	0.72	25,000	18,000	4,830	13,170	\$16.87	\$	222,214.44	\$	\$	\$	222,214.44	
23	2025	0.72	25,000	18,000	4,830	13,170	\$17.13	\$	225,547.66	\$	\$	\$	225,547.66	
24	2026	0.72	25,000	18,000	4,830	13,170	\$17.38	\$	228,930.87	\$	\$	\$	228,930.87	
25	2027	0.72	25,000	18,000	4,830	13,170	\$17.64	\$	232,364.84	\$	\$	\$	232,364.84	
26	2028	0.72	25,000	18,000	4,830	13,170	\$17.91	\$	235,850.31	\$	\$	\$	235,850.31	
27	2029	0.72	25,000	18,000	4,830	13,170	\$18.18	\$	239,388.06	\$	\$	\$	239,388.06	
28	2030	0.72	25,000	18,000	4,830	13,170	\$18.45	\$	242,978.88	\$	\$	\$	242,978.88	
29	2031	0.72	25,000	18,000	4,830	13,170	\$18.73	\$	246,623.57	\$	\$	\$	246,623.57	
30	2032	0.72	25,000	18,000	4,830	13,170	\$19.01	\$	250,322.82	\$	\$	\$	250,322.82	
31	2033	0.72	25,000	18,000	4,830	13,170	\$19.29	\$	254,077.76	\$	\$	\$	254,077.76	
32	2034	0.72	25,000	18,000	4,830	13,170	\$19.58	\$	257,888.93	\$	\$	\$	257,888.93	
33	2035	0.72	25,000	18,000	4,830	13,170	\$19.88	\$	261,757.26	\$	\$	\$	261,757.26	
Total			850,000	611,500	164,220	447,280	447,280.00	\$	7,028,681.59	0	\$	\$	7,028,681.59	
													NPV = \$	3,127,044.21
													\$/AF (NPV) = \$	6.99
													\$/AF (Total) = \$	15.72

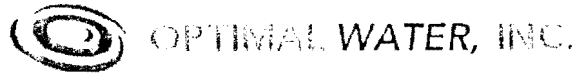


Appendix E EWA Sale, Financial Summary

Assumptions:

<u>Water Resource</u>		<u>Transportation</u>	
Annual AF	13,170	SWP Reliability Factor	72.0%
SWP Fixed/AF	\$125.00		
Annual Increase	3.0%		
Transfer Charge Escalator	0.0%		
Discount Rate	5.0%		

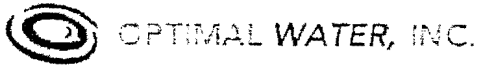
<u>Water Resource</u>								
		<u>Transfer Charge Acre-</u>			<u>Transfer Charge Annual</u>			
	June	Acre-Foot	Fixed Acre-Foot	Fixed Annual Cost	Foot	Cost	Annual Cost	
0	2002	-	-	-	-	-	-	\$0
1	2003	13,170	\$125.00	\$1,646,250	-	-	-	1,646,250
2	2004	13,170	128.75	1,695,638	-	-	-	1,695,638
3	2005	13,170	132.61	1,746,507	-	-	-	1,746,507
4	2006	13,170	136.59	1,798,902	-	-	-	1,798,902
5	2007	13,170	140.69	1,852,869	-	-	-	1,852,869
6	2008	13,170	144.91	1,908,455	-	-	-	1,908,455
7	2009	13,170	149.26	1,965,709	-	-	-	1,965,709
8	2010	13,170	153.73	2,024,680	-	-	-	2,024,680
9	2011	13,170	158.35	2,085,420	-	-	-	2,085,420
10	2012	13,170	163.10	2,147,983	-	-	-	2,147,983
11	2013	13,170	167.99	2,212,422	-	-	-	2,212,422
12	2014	13,170	173.03	2,278,795	-	-	-	2,278,795
13	2015	13,170	178.22	2,347,159	-	-	-	2,347,159
14	2016	13,170	183.57	2,417,574	-	-	-	2,417,574
15	2017	13,170	189.07	2,490,101	-	-	-	2,490,101
16	2018	13,170	194.75	2,564,804	-	-	-	2,564,804
17	2019	13,170	200.59	2,641,748	-	-	-	2,641,748
18	2020	13,170	206.61	2,721,000	-	-	-	2,721,000
19	2021	13,170	212.80	2,802,630	-	-	-	2,802,630
20	2022	13,170	219.19	2,886,709	-	-	-	2,886,709
21	2023	13,170	225.76	2,973,311	-	-	-	2,973,311
22	2024	13,170	232.54	3,062,510	-	-	-	3,062,510
23	2025	13,170	239.51	3,154,385	-	-	-	3,154,385
24	2026	13,170	246.70	3,249,017	-	-	-	3,249,017
25	2027	13,170	254.10	3,346,487	-	-	-	3,346,487
26	2028	13,170	261.72	3,446,882	-	-	-	3,446,882
27	2029	13,170	269.57	3,550,288	-	-	-	3,550,288
28	2030	13,170	277.66	3,656,797	-	-	-	3,656,797
29	2031	13,170	285.99	3,766,501	-	-	-	3,766,501
30	2032	13,170	294.57	3,879,496	-	-	-	3,879,496
31	2033	13,170	303.41	3,995,881	-	-	-	3,995,881
32	2034	13,170	312.51	4,115,757	-	-	-	4,115,757
33	2035	13,170	321.89	4,239,230	-	-	-	4,239,230
Total		434,610	\$6,884.73	\$90,671,896	-	\$	-	\$90,671,896
NPV		-	\$1,936.69	\$38,676,258	-	\$	-	\$38,676,258



Appendix F

Listing of Permanent Entitlement Transfers - Kern County Water Agency

Seller	Effective Date	Buyer	Quantity	Price/AF	Total Price
Belridge Water Storage District	Pending	Zone 7 Water Agency	2,219	\$1,500	\$3,328,500
	2001	Solano County Water Agency	5,756	1,000	5,756,000
	2001	Napa County FC & WSD	4,025	1,000	4,025,000
	2001	Zone 7 Water Agency	10,000	1,000	10,000,000
	2000	Palmdale Water Agency	4,000	1,000	4,000,000
<i>Belridge Subtotal</i>			26,000		\$27,109,500
Berrenda Mesa Water District	Pending	Castaic Lake Water Agency	16,000	1,600	25,600,000
	2000	Zone 7 Water Agency	7,000	1,000	7,000,000
	1998	Mojave Water Agency	25,000	1,000	25,000,000
<i>Berrenda Subtotal</i>			48,000		\$57,600,000
Lost Hills Water District	2000	Zone 7 Water Agency	15,000	1,000	\$15,000,000
Wheeler Ridge-Maricopa WSD	2000	Castaic Lake Water Agency	41,000	1,150	\$47,150,000
Total Completed Transfers			111,781		\$117,931,000
Total Pending Transfers			18,219		28,928,500
TOTAL TRANSFERS			130,000		\$146,859,500

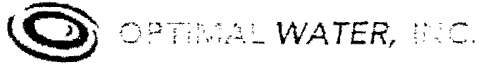


Appendix G Permanent Entitlement Transfer, Financial Summary

Assumptions:

<u>Water Resource</u>		<u>Transportation</u>	
Annual AF	18,292	SWP Reliability Factor	72.0%
SWP Fixed/AF	\$145.00		
Annual Increase	3.0%		
Transfer Charge Escalator	0.0%		
Discount Rate	5.0%		
Upfront Cost per AF	\$1,600.00		
Upfront Payment	\$29,267,200		

Water Resource								
		Transfer Charge Acre-			Transfer Charge Annual			
	June	Acre-Feet	Fixed Acre-Foot	Fixed Annual Cost	Foot	Cost	Annual Cost	
0	2002	-	-	-	-	\$29,267,200	\$29,267,200	
1	2003	18,292	\$145.00	\$2,652,340	-	-	2,652,340	
2	2004	18,292	149.35	2,731,910	-	-	2,731,910	
3	2005	18,292	153.83	2,813,868	-	-	2,813,868	
4	2006	18,292	158.45	2,898,284	-	-	2,898,284	
5	2007	18,292	163.20	2,985,232	-	-	2,985,232	
6	2008	18,292	168.09	3,074,789	-	-	3,074,789	
7	2009	18,292	173.14	3,167,033	-	-	3,167,033	
8	2010	18,292	178.33	3,262,044	-	-	3,262,044	
9	2011	18,292	183.68	3,359,905	-	-	3,359,905	
10	2012	18,292	189.19	3,460,702	-	-	3,460,702	
11	2013	18,292	194.87	3,564,523	-	-	3,564,523	
12	2014	18,292	200.71	3,671,459	-	-	3,671,459	
13	2015	18,292	206.74	3,781,603	-	-	3,781,603	
14	2016	18,292	212.94	3,895,051	-	-	3,895,051	
15	2017	18,292	219.33	4,011,902	-	-	4,011,902	
16	2018	18,292	225.91	4,132,259	-	-	4,132,259	
17	2019	18,292	232.68	4,256,227	-	-	4,256,227	
18	2020	18,292	239.66	4,383,914	-	-	4,383,914	
19	2021	18,292	246.85	4,515,431	-	-	4,515,431	
20	2022	18,292	254.26	4,650,894	-	-	4,650,894	
21	2023	18,292	261.89	4,790,421	-	-	4,790,421	
22	2024	18,292	269.74	4,934,134	-	-	4,934,134	
23	2025	18,292	277.83	5,082,158	-	-	5,082,158	
24	2026	18,292	286.17	5,234,622	-	-	5,234,622	
25	2027	18,292	294.76	5,391,661	-	-	5,391,661	
26	2028	18,292	303.60	5,553,411	-	-	5,553,411	
27	2029	18,292	312.71	5,720,013	-	-	5,720,013	
28	2030	18,292	322.09	5,891,614	-	-	5,891,614	
29	2031	18,292	331.75	6,068,362	-	-	6,068,362	
30	2032	18,292	341.70	6,250,413	-	-	6,250,413	
31	2033	18,292	351.95	6,437,925	-	-	6,437,925	
32	2034	18,292	362.51	6,631,063	-	-	6,631,063	
33	2035	18,292	373.39	6,829,995	-	-	6,829,995	
	Total	603,636	\$7,986.29	\$146,085,162	-	\$29,267,200	\$175,352,362	
	NPV	-	\$3,406.56	\$62,312,885	-	\$29,267,200	\$91,580,085	

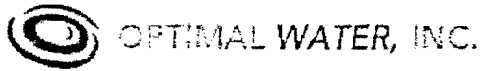


Appendix H Entitlement Exchange, Financial Summary

Assumptions:

<u>Water Resource</u>		<u>Transportation</u>	
Annual AF	6,097	SWP Reliability Factor	72.0%
SWP Fixed/AF	\$512.22		
Annual Increase	3.0%		
Transfer Charge Escalator	0.0%		
Discount Rate	5.0%		
Upfront Cost per AF	\$0.00		
Upfront Payment	\$0		

		Water Resource					
		Fixed Acre-		Transfer Charge Acre-			
		Acre-Feet	Foot	Fixed Annual Cost	Foot	Transfer Charge Annual Cost	Annual Cost
June	Year						
0	2002	-	-	-	-	\$0	\$0
1	2003	6,097	\$512.22	\$3,123,005	-	-	3,123,005
2	2004	6,097	527.59	3,216,696	-	-	3,216,696
3	2005	6,097	543.41	3,313,196	-	-	3,313,196
4	2006	6,097	559.72	3,412,592	-	-	3,412,592
5	2007	6,097	576.51	3,514,970	-	-	3,514,970
6	2008	6,097	593.80	3,620,419	-	-	3,620,419
7	2009	6,097	611.62	3,729,032	-	-	3,729,032
8	2010	6,097	629.97	3,840,903	-	-	3,840,903
9	2011	6,097	648.86	3,956,130	-	-	3,956,130
10	2012	6,097	668.33	4,074,814	-	-	4,074,814
11	2013	6,097	688.38	4,197,058	-	-	4,197,058
12	2014	6,097	709.03	4,322,970	-	-	4,322,970
13	2015	6,097	730.30	4,452,659	-	-	4,452,659
14	2016	6,097	752.21	4,586,239	-	-	4,586,239
15	2017	6,097	774.78	4,723,826	-	-	4,723,826
16	2018	6,097	798.02	4,865,541	-	-	4,865,541
17	2019	6,097	821.96	5,011,507	-	-	5,011,507
18	2020	6,097	846.62	5,161,852	-	-	5,161,852
19	2021	6,097	872.02	5,316,708	-	-	5,316,708
20	2022	6,097	898.18	5,476,209	-	-	5,476,209
21	2023	6,097	925.13	5,640,495	-	-	5,640,495
22	2024	6,097	952.88	5,809,710	-	-	5,809,710
23	2025	6,097	981.47	5,984,001	-	-	5,984,001
24	2026	6,097	1,010.91	6,163,521	-	-	6,163,521
25	2027	6,097	1,041.24	6,348,427	-	-	6,348,427
26	2028	6,097	1,072.47	6,538,880	-	-	6,538,880
27	2029	6,097	1,104.65	6,735,046	-	-	6,735,046
28	2030	6,097	1,137.79	6,937,097	-	-	6,937,097
29	2031	6,097	1,171.92	7,145,210	-	-	7,145,210
30	2032	6,097	1,207.08	7,359,567	-	-	7,359,567
31	2033	6,097	1,243.29	7,580,354	-	-	7,580,354
32	2034	6,097	1,280.59	7,807,764	-	-	7,807,764
33	2035	6,097	1,319.01	8,041,997	-	-	8,041,997
Total		201,261	\$28,211.97	\$172,008,392	-	-	\$172,008,392
NPV		-	\$12,033.87	\$73,370,485	-	-	\$73,370,485

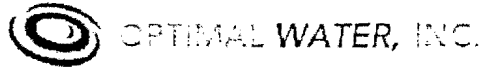


Appendix I
Groundwater Banking (Outside County), Financial Summary

Assumptions:

<u>Water Resource</u>		<u>Transportation</u>	
Annual AF	18,292	SWP Reliability Factor	72.0%
SWP Fixed/AF	\$100.00		
Annual Increase	3.0%		
Transfer Charge Escalator	0.0%		
Discount Rate	5.0%		
Upfront Cost per AF	\$0.00		
Upfront Payment	\$0		

Water Resource							
	June	Fixed Acre- Foot	Fixed Annual Cost	Transfer Charge Acre-Foot	Transfer Charge Annual Cost	Annual Cost	
0	2002	-	-	-	-	\$0	\$0
1	2003	13,170	\$100.00	\$1,317,024	-	-	1,317,024
2	2004	13,170	103.00	1,356,535	-	-	1,356,535
3	2005	13,170	106.09	1,397,231	-	-	1,397,231
4	2006	13,170	109.27	1,439,148	-	-	1,439,148
5	2007	13,170	112.55	1,482,322	-	-	1,482,322
6	2008	13,170	115.93	1,526,792	-	-	1,526,792
7	2009	13,170	119.41	1,572,596	-	-	1,572,596
8	2010	13,170	122.99	1,619,773	-	-	1,619,773
9	2011	13,170	126.68	1,668,367	-	-	1,668,367
10	2012	13,170	130.48	1,718,418	-	-	1,718,418
11	2013	13,170	134.39	1,769,970	-	-	1,769,970
12	2014	13,170	138.42	1,823,069	-	-	1,823,069
13	2015	13,170	142.58	1,877,761	-	-	1,877,761
14	2016	13,170	146.85	1,934,094	-	-	1,934,094
15	2017	13,170	151.26	1,992,117	-	-	1,992,117
16	2018	13,170	155.80	2,051,880	-	-	2,051,880
17	2019	13,170	160.47	2,113,437	-	-	2,113,437
18	2020	13,170	165.28	2,176,840	-	-	2,176,840
19	2021	13,170	170.24	2,242,145	-	-	2,242,145
20	2022	13,170	175.35	2,309,410	-	-	2,309,410
21	2023	13,170	180.61	2,378,692	-	-	2,378,692
22	2024	13,170	186.03	2,450,053	-	-	2,450,053
23	2025	13,170	191.61	2,523,554	-	-	2,523,554
24	2026	13,170	197.36	2,599,261	-	-	2,599,261
25	2027	13,170	203.28	2,677,239	-	-	2,677,239
26	2028	13,170	209.38	2,757,556	-	-	2,757,556
27	2029	13,170	215.66	2,840,282	-	-	2,840,282
28	2030	13,170	222.13	2,925,491	-	-	2,925,491
29	2031	13,170	228.79	3,013,256	-	-	3,013,256
30	2032	13,170	235.66	3,103,653	-	-	3,103,653
31	2033	13,170	242.73	3,196,763	-	-	3,196,763
32	2034	13,170	250.01	3,292,666	-	-	3,292,666
33	2035	13,170	257.51	3,391,446	-	-	3,391,446
Total	434,618	\$5,507.78	\$72,538,839	-	-	\$72,538,839	
NPV	-	\$2,349.36	\$30,941,571	-	-	\$30,941,571	



**Appendix J
Groundwater Banking (In-County), Financial Summary**

Assumptions:

<u>Water Resource</u>		<u>Transportation</u>	
Annual AF	18,292	SWP Reliability Factor	72.0%
SWP Fixed/AF	\$150.00		
Annual Increase	3.0%		
Transfer Charge Escalator	0.0%		
Discount Rate	5.0%		
Upfront Cost per AF	\$0.00		
Upfront Payment	\$0		

<u>Water Resource</u>							
	<u>June</u>	<u>Fixed Acre-</u>	<u>Foot</u>	<u>Fixed Annual Cost</u>	<u>Transfer Charge</u>	<u>Transfer Charge</u>	<u>Annual Cost</u>
		<u>Acre-Foot</u>			<u>Acre-Foot</u>	<u>Annual Cost</u>	
0	2002	-	-	-	-	\$0	\$0
1	2003	13,170	\$150.00	\$1,975,536	-	-	1,975,536
2	2004	13,170	154.50	2,034,802	-	-	2,034,802
3	2005	13,170	159.14	2,095,846	-	-	2,095,846
4	2006	13,170	163.91	2,158,722	-	-	2,158,722
5	2007	13,170	168.83	2,223,483	-	-	2,223,483
6	2008	13,170	173.89	2,290,188	-	-	2,290,188
7	2009	13,170	179.11	2,358,893	-	-	2,358,893
8	2010	13,170	184.48	2,429,660	-	-	2,429,660
9	2011	13,170	190.02	2,502,550	-	-	2,502,550
10	2012	13,170	195.72	2,577,626	-	-	2,577,626
11	2013	13,170	201.59	2,654,955	-	-	2,654,955
12	2014	13,170	207.64	2,734,604	-	-	2,734,604
13	2015	13,170	213.86	2,816,642	-	-	2,816,642
14	2016	13,170	220.28	2,901,141	-	-	2,901,141
15	2017	13,170	226.89	2,988,175	-	-	2,988,175
16	2018	13,170	233.70	3,077,821	-	-	3,077,821
17	2019	13,170	240.71	3,170,155	-	-	3,170,155
18	2020	13,170	247.93	3,265,260	-	-	3,265,260
19	2021	13,170	255.36	3,363,218	-	-	3,363,218
20	2022	13,170	263.03	3,464,114	-	-	3,464,114
21	2023	13,170	270.92	3,568,038	-	-	3,568,038
22	2024	13,170	279.04	3,675,079	-	-	3,675,079
23	2025	13,170	287.42	3,785,331	-	-	3,785,331
24	2026	13,170	296.04	3,898,891	-	-	3,898,891
25	2027	13,170	304.92	4,015,858	-	-	4,015,858
26	2028	13,170	314.07	4,136,334	-	-	4,136,334
27	2029	13,170	323.49	4,260,424	-	-	4,260,424
28	2030	13,170	333.19	4,388,236	-	-	4,388,236
29	2031	13,170	343.19	4,519,883	-	-	4,519,883
30	2032	13,170	353.48	4,655,480	-	-	4,655,480
31	2033	13,170	364.09	4,795,144	-	-	4,795,144
32	2034	13,170	375.01	4,938,999	-	-	4,938,999
33	2035	13,170	386.26	5,087,169	-	-	5,087,169
Total		434,618	\$8,261.68	\$108,808,258	-	-	\$108,808,258
NPV		-	\$3,524.03	\$46,412,356	-	-	\$46,412,356

TO: BOARD OF DIRECTORS
FROM: DOUG JONES
DATE: DECEMBER 18, 2002

AGENDA ITEM
13
DECEMBER 18, 2002

AGENDA PACKET DISTRIBUTION

ITEM

Results of survey of Community Services Districts and SLO County regarding agenda packet distribution to the press

BACKGROUND

The Board of Directors directed staff to survey the Community Services Districts in our area and SLO County regarding their policies on distribution of agenda packets to the press.

The following agencies were surveyed:

- Templeton CSD
- Oceano CSD
- Los Osos CSD
- Cambria CSD
- Heritage Ranch CSD
- Port San Luis Harbor District
- SLO County

All agencies surveyed do not charge the press for an agenda packet. All of the agencies surveyed do charge the public for copies, however, the charges do vary from agency to agency.

Section 54957.5 of the Government Code is entitled "Agendas and other writings distributed for discussion or consideration at public meetings; public records; inspection; closed sessions" is attached for your review.

Government Code §54950 states the policy and intent of the Brown Act as follows:

§ 54950. Declaration, intent and sovereignty

In enacting this chapter, the Legislature finds and declares that the public commissions, boards and councils and the other public agencies in this State exist to aid in the conduct of the people's business. It is the intent of the law that their actions be taken openly and that their deliberations be conducted openly. The people of this State do not yield their sovereignty to the agencies which serve them. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for them to know. The people insist on remaining informed so that they may retain control over the instruments they have created.

Nipomo CSD has always provided the press a packet or agenda items free of charge, if requested by the press. Providing the agenda packet to the press at no charge is clearly consistent with the legislative intent in enacting the Brown Act because the policy:

1. Facilitates public participation by providing District residents with greater opportunity to be aware of agenda items to be considered by the Board of Directors at regular and special meetings; and
2. Provides District residents with greater opportunity to know what the Board of Directors considered in taking action on items placed on the Agenda.

Recommendation

It is recommended that your Honorable Board make a finding to reaffirm that it is in the District's best interest to continue providing an agenda packet to the press free of charge to provide the best possible coverage of District business to the District ratepayers.

Board/agenda packet

§ 54957.5

CITIES, COUNTIES, & OTHER AGENCIES
Title 5

§ 54957.5. Agendas and other writings distributed for discussion or consideration at public meetings; public records; inspection; closed sessions

(a) Notwithstanding Section 6255 or any other provisions of law, agendas of public meetings and any other writings, when distributed to all, or a majority of all, of the members of a legislative body of a local agency by any person in connection with a matter subject to discussion or consideration at a public meeting of the body, are disclosable public records under the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), and shall be made available upon request without delay. However, this section shall not include any writing exempt from public disclosure under Section 6253.5, 6254, or 6254.7.

(b) Writings which are public records under subdivision (a) and which are distributed during a public meeting shall be made available for public inspection at the meeting if prepared by the local agency or a member of its legislative body, or after the meeting if prepared by some other person.

(c) Nothing in this chapter shall be construed to prevent the legislative body of a local agency from charging a fee or deposit for a copy of a public record pursuant to Section 6257.

(d) This section shall not be construed to limit or delay the public's right to inspect any record required to be disclosed under the requirements of the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1). Nothing in this chapter shall be construed to require a legislative body of a local agency to place any paid advertisement or any other paid notice in any publication.

(Added by Stats.1980, c. 1284, p. 4343, § 24. Amended by Stats.1981, c. 968, § 32; Stats.1993, c. 1136 (A.B.1426), § 14, operative April 1, 1994; Stats.1993, c. 1137 (S.B.36), § 14, operative April 1, 1994; Stats.1994, c. 32 (S.B.752), § 16, eff. March 30, 1994, operative April 1, 1994.)

Historical and Statutory Notes

Section affected by two or more acts at the same session of the legislature, see Government Code § 9605.

Operative effect of Stats.1993, c. 1137 (S.B.36), see Historical and Statutory Notes under Government Code § 54952.7.

Operative effect of Stats.1993, c. 1136 (A.B. 1426), see Historical and Statutory Notes under Government Code § 54952.7.

Forms

See West's California Code Forms, Government.

Law Review and Journal Commentaries

Review of selected 1993 California legislation. 25 Pac.L.J. 793 (1994).

United States Code Annotated

Open meetings, see 5 U.S.C.A. § 552b.

TO: BOARD OF DIRECTORS
FROM: DOUG JONES
DATE: DECEMBER 18, 2002

AGENDA ITEM
DECEMBER 18, 2002

AGENDA PACKET DISTRIBUTION

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Recommendation

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Open meetings, see 5 U.S.C.A. § 552b.

TO: BOARD OF DIRECTORS
 FROM: DOUG JONES 
 DATE: DECEMBER 18, 2002

AGENDA ITEM
E4
DECEMBER 18, 2002

ELECTION OF OFFICERS
 BOARD OF DIRECTORS

ITEM

Election of Board President and Vice President

BACKGROUND

Paragraph 1.4 of the adopted by-laws of the Board of Directors requires the Board to elect a President and a Vice-President for the upcoming year at the last regular meeting of the calendar year. The term of office for the President and Vice-President shall commence January 1, 2003.

RECOMMENDATION

Staff recommends that the presiding Vice President administer the election of the officers of the Board of Directors.

The following is the recommended procedure:

- Nominations taken for the President of the Board
- Vote taken for the President
- Nominations taken for the Vice President of the Board
- Vote taken for the Vice President

These officers will conduct the January 8, 2003, Board meeting. At that time, the President may appoint ad hoc committee members, as deemed necessary or advisable. (Section 9 of the Board By-Laws)

The following committees were established for the year 2002. These committees may be revised for appointment or reappointment in January for the year 2003.

These committees require one member and an alternate.

<u>Committees for 2002</u>	<u>Present Member</u>	<u>Present Alternate</u>
Nipomo Community Advisory Committee (Will include NCAC Water Committee)	Mike Winn	Judy Wirsing
Water Resources Advisory Committee	Doug Jones	Bob Blair
Chamber of Commerce	Judy Wirsing	Mike Winn

These committees require two (2) members.

<u>Committees for 2002</u>	<u>Present Members</u>	
Finance Committee	OPEN	Cliff Trotter
Water Committee	Mike Winn	Bob Blair
High School Committee	OPEN	Bob Blair
Annexation Policy Committee	Mike Winn	Bob Blair
Personnel	OPEN	Mike Winn

TO: BOARD OF DIRECTORS
FROM: DOUG JONES
DATE: DECEMBER 18, 2002

**AGENDA ITEM
F
DECEMBER 18, 2002**

CONSENT AGENDA

The following items are considered routine and non-controversial by staff and may be approved by one motion if no member of the Board wishes an item be removed. If discussion is desired, the item will be removed from the Consent Agenda and will be considered separately. **Questions or clarification may be made by the Board members without removal from the Consent Agenda.** The recommendations for each item are noted in parenthesis.

F-1) WARRANTS [RECOMMEND APPROVAL]

F-2) BOARD MEETING MINUTES [RECOMMEND APPROVAL]

Minutes of December 4, 2002, Regular Board meeting
Minutes of December 11, 2002, Special Board meeting

WARRANTS DECEMBER 18, 2002

**AGENDA ITEM
F-1
DECEMBER 18, 2002**

HAND WRITTEN CHECKS

18577	12-06-02	POSTMASTER	145.03
18578	12-09-02	STATE COMP INS FUND	3,343.37
18579	12-11-02	POSTMASTER	479.43

COMPUTER GENERATED CHECKS

007577	12/16/02	BLA01	BLAIR, ROBERT L	100.00	.00	100.00	121602	SPECIAL BOARD MTG 12/16/0
007578	12/16/02	TRO01	TROTTER, CLIFFORD	100.00	.00	100.00	121602	SPECIAL BOARD MTG 12/16/0
007579	12/16/02	VIE01	VIERHEILIG, LARRY	100.00	.00	100.00	121602	SPECIAL BOARD MTG 12/16/0
007580	12/16/02	WIN01	WINN, MICHAEL	100.00	.00	100.00	121602	SPECIAL BOARD MTG 12/16/0
007581	12/16/02	WIR02	WIRSING, JUDY	100.00	.00	100.00	121602	SPECIAL BOARD MTG 12/16/0
007582	12/18/02	AME02	AMERICAN INDUSTRIAL SUPPL	390.42	.00	390.42	112676	2 SHELVING UNITS-SHOP
				297.34	.00	297.34	112774	RAIN GEAR/RUBBER BOOTS/PA
			Check Total.....:	687.76	.00	687.76		
007583	12/18/02	BLA01	BLAIR, ROBERT L	100.00	.00	100.00	121802	REGULAR BOARD MTG 12/18/0
007584	12/18/02	BOB01	BOB'S RUBBER STAMPS	13.04	.00	13.04	19623	SIGN ENGRAVING
007585	12/18/02	BRO01	BROOKS, JOANNA	412.50	.00	412.50	A21213	TRANSCRIPTION SERVICE-WOO
007586	12/18/02	CLA02	CLAY'S SEPTIC & JETTING	1785.60	.00	1785.60	28009	BLACKLAKE-JET MANHOLES/SE
007587	12/18/02	DEN01	DENDY & ASSOCIATES	1050.00	.00	1050.00	NOVEMBER	WOODLANDS CONSULTING
007588	12/18/02	FER01	FERGUSON ENTERPRISES INC	111.10	.00	111.10	417561	METER ADAPTOR
007589	12/18/02	FGL01	FGL ENVIRONMENTAL	44.80	.00	44.80	211938A	LAB TEST-NIPOMO WWTP
				44.80	.00	44.80	211939A	LAB TEST-BL WWTP
				44.80	.00	44.80	212266A	LAB TEST-BLWWTP
				44.80	.00	44.80	212274A	LAT TEST-NIPOMO WWTP
			Check Total.....:	179.20	.00	179.20		
007590	12/18/02	LIQ01	LIQUID HANDLING SYSTEMS	3804.58	.00	3804.58	1049987	PUMP-OAKGLEN LIFT STATION
007591	12/18/02	PRO01	PROTO DIE MANUFACTURING	205.00	.00	205.00	2667	ALIGNED/DRILLED FLANGE-CA
007592	12/18/02	QUIN01	QUINN RENTAL SERVICES	49.12	.00	49.12	2039332	ADAPTOR
007593	12/18/02	TRO01	TROTTER, CLIFFORD	100.00	.00	100.00	121802	REGULAR BOARD MTG 12/18/0
007594	12/18/02	VIE01	VIERHEILIG, LARRY	100.00	.00	100.00	121802	REGULAR BOARD MTG 12/18/0
007595	12/18/02	WHIT01	WHITAKER CONTRACTORS INC.	122646.60	.00	122646.60	0220-03	PROGRESS BILLING-TEFFT WA
007596	12/18/02	WIN01	WINN, MICHAEL	100.00	.00	100.00	121802	REGULAR BOARD MTG 12/18/0
007597	12/18/02	WIR02	WIRSING, JUDY	100.00	.00	100.00	121802	REGULAR BOARD MTG 12/18/0

NIPOMO COMMUNITY SERVICES DISTRICT

MINUTES

DECEMBER 4, 2002

REGULAR MEETING 9:00 A.M.
BOARD ROOM 148 S. WILSON STREET NIPOMO, CALIFORNIA

BOARD MEMBERS

RICHARD MOBRAATEN, PRESIDENT
MICHAEL WINN, VICE PRESIDENT
ROBERT BLAIR, DIRECTOR
JUDITH WIRSING, DIRECTOR
CLIFFORD TROTTER, DIRECTOR

STAFF

DOUGLAS JONES, GENERAL MANAGER
DONNA JOHNSON, SEC. TO THE BOARD
JON SEITZ, GENERAL COUNSEL

NOTE: All comments concerning any item on the agenda are to be directed to the Board Chairperson.

A. CALL TO ORDER AND FLAG SALUTE

President Mobraaten called the meeting to order at 9:01 a.m. and led the flag salute.

B. ROLL CALL

At Roll Call, all Board members were present.

C. PUBLIC COMMENTS PERIOD

PUBLIC COMMENTS

Any member of the public may address and ask questions of the Board relating to any matter within the Board's jurisdiction, provided the matter is not on the Board's agenda, or pending before the Board.

Presentations are limited to three (3) minutes or otherwise at the discretion of the Chair.

There was no public comment.

D. ADMINISTRATIVE ITEMS (The following may be discussed and action may be taken by the Board.)

D-1) RENEWAL OF INTENT TO SERVE LETTER – TRACT 2375 (HERNANDEZ)

Request for renewal of Intent-to-Serve for a 24-lot development at Orchard and Grande

Director Wirsing made a motion to table all Intent-to-Serve letters and renewals until February when report provided by staff is received. Director Trotter seconded the motion and asked that his comments be added to the minutes. He feels it is inappropriate to commit to more water service without having a defined source for that water.

The following members of the public spoke:

Larry Vierheilig, NCAC Vice Chair – believe lots 19-24 are an old dump site.

Terry Orton, Westland Engineering – believes that site is down about a block.

After public comments and Mr. Seitz comments, Director Wirsing changed her motion to be the following:

Director Wirsing made a motion to table this request for an Intent-to-Serve letter until February when report is received from staff. Director Trotter seconded the motion. Vote 2-3 with Directors Blair, Winn and Mobraaten voting no.

Upon motion of Director Winn and seconded by Director Blair, the Board approved an Intent-to-Serve letter for Hernandez Tract 2375.

There was no public comment on this motion. Vote 4-1 with Director Wirsing voting no.

D-2) RENEWAL OF INTENT TO SERVE LETTER – TRACT 2441 (MID STATE PROPERTIES)

Request for renewal of Intent-to-Serve for a 38-lot development at the intersection of Blume & Grande

Terry Orton, Westland Engineering, representing Mid State Properties – explained that there has been some problems with this tract and wished to get an extension.

Larry Vierheilig, Inside District and NCAC Vice Chair, suggested that the Board defer project until project comes before the NCAC.

D-2) RENEWAL OF INTENT TO SERVE LETTER – TRACT 2441 (MID STATE PROPERTIES)

Director Trotter made a motion to deny this request for a renewal until Aug. 2003, without prejudice for the applicant to return to the Board within 90 days of the expiration date. Director Winn seconded the motion. There was no public comment on this motion. Vote 5-0

D-3) RENEWAL OF INTENT TO SERVE LETTER – CO 97-0134 (BONITA HOMES)

Request for renewal of Intent-to-Serve for a 4-lot development on W. Tefft Street

Terry Orton, Westland Engineering, representing Bonita Homes – Willing to amend request to a new request rather than renewal.

Director Blair made a motion to renew the Intent-to-Serve letter for CO 97-0134. Motion died for a lack of a second.

Director Winn made a motion to issue an Intent-to-Serve letter with the conditions as outlined in the Board letter. Director Wirsing seconded the motion. There was no public comment on this motion. Vote 4-1 with Director Blair voting no.

D-4) RENEWAL OF INTENT TO SERVE LETTER – TRACT 2212 (TRINCON, INC.)

Request for renewal of Intent-to-Serve for an 8-lot development on Primrose & Manriquez

Erik Benham, representing Trincon, Inc. – commented on his project.

Director Winn made a motion to issue an Intent-to-Serve letter with the conditions as outlined in the Board letter. Director Wirsing seconded the motion. She is voting yes because these projects were probably counted and the number is small. There was no public comment. Vote 5-0

D-5) REQUEST FOR SERVICE – APN 090-385-015 (HOLDREDGE)

Request for water and sewer service for a 2-unit development at 119 E. Tefft St.

The following members of the public spoke:

Larry Holdredge, outside District resident, and developer of project - answered questions from the Board.

Director Blair made a motion to issue an Intent-to-Serve letter with the conditions as outlined in the Board letter. Director Winn seconded the motion. There was no public comment. Vote 5-0

D-6) REQUEST FOR SERVICE – APN 090-121-005 (FOX)

Request for water and sewer service for a commercial/residential development E. Tefft St.

The following members of the public spoke:

Homer Fox, Inside District and developer of project – answered questions from the Board.

Director Winn made a motion to issue an Intent-to-Serve letter with the conditions as outlined in the Board letter. Director Blair seconded the motion. There was no other public comment. Vote 5-0 with Director Wirsing abstaining.

D-7) REQUEST FOR SERVICE – TRACT 2312 (KING VENTURES)

Request for water and sewer service for a commercial/residential development at S. Frontage Rd. & Hill St.

The following member of the public spoke:

Dave Watson, representative from King Ventures – answered questions from the Board.

He told the Board there would be a property owners association for the entire project.

Upon motion of Director Winn and seconded by Director Blair the Board approved the Intent-to-Serve letter with the conditions as outlined in the Board letter.

There was no other public comment. Vote 3-2 with Directors Wirsing and Trotter voting no.

D-8) REQUEST FOR SERVICE – CO 02-0363 (HERNANDEZ)

Request for water and sewer service for a 4-lot residential/office building on W. Tefft Street

There was no representative from the project in the audience. Upon motion of Director Wirsing and seconded by Director Winn, the Board agreed to table this request until more detailed information about the water and sewer lines to the project.

The following members of the public spoke:

Larry Vierheilg, NCAC Vice Chair – Said this project has not come before the NCAC.

Homer Fox, Inside District – clarified fact about his project previously discussed.

Vote 4-1 with Director Trotter voting no.

D-9) REQUEST FOR SERVICE – TRACT 2496 (PAYETTE)

Request for water and sewer service for a 5-lot development on Theodora Street

The following members of the public spoke:

Larry Vierheilg, Vice Chair of the NCAC – Said project is on the agenda for a lot line adjustment.

Upon motion of Director Winn and seconded by Director Blair, the Board approved an Intent-to-Serve letter for Tract 2496 with the conditions as outlined in the Board letter.

Vote 5-0 with Director Wirsing abstaining.

D-10) INTENT-TO-SERVE – ADMINISTRATIVE APPROVAL OF 4 OR LESS RESIDENTIAL UNITS

Resolution for adopting Policy & Guidelines for District water and sewer service

The Board discussed the proposed resolution and made several changes to the text.

The following members of the public spoke:

Larry Vierheilg, Inside District – Suggested wording change in resolution.

Homer Fox, Inside District - Asked if there was a time limit on the Will Serve letters.

Erik Benham, outside District– Asked about significance to annexation agreement with him compared with Intent-to-Serve letters.

Upon motion of Director Blair and seconded by Director Winn, the Board unanimously approved Resolution 2002-842, adopting Policy & Guidelines for water and sewer service with the changes and corrections discussed. Vote 5-0

RESOLUTION NO. 2002-842

A RESOLUTION OF THE BOARD OF DIRECTORS

OF THE NIPOMO COMMUNITY SERVICES DISTRICT ADOPTING

THE POLICY AND GUIDELINES FOR DISTRICT WATER AND SEWER SERVICE

F. CONSENT AGENDA *(continued)*

Upon motion of Director Winn and seconded by Director Blair, the Board unanimously approve the items on the Consent Agenda, as amended. There are changes to Items D-2 and 3 in the Minutes for the Nov. 20, 2002. Vote 5-0

G. MANAGER'S REPORT

Doug Jones, General Manager, presented information on the following:
There will be a special meeting for December 20, 2002, with Perry Louck to discuss rates.
RALCO went out of business. Public is asking about recycling.
SLO County approved the 2.3% growth ordinance.

H. COMMITTEE REPORTS

There was no committee report.

I. DIRECTORS COMMENTS

Director Blair discussed a flyer from the Long Beach Groundwater Treatment facility.
Asked that the State Water project be put on next agenda.
Director Winn – WRAC meeting today, Dec. 4, 2002.
There will be no Water Forum meeting in December. Next meeting Jan. 20 in this Board room.
Director Trotter asked about the Santa Maria water supply.

Jon Seitz, District Legal Counsel, announced the need to go into Closed Session to discuss the following.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNSEL Pending Litigation GC§54956.9

- A. SMVWCD VS NCSD SANTA CLARA COUNTY CASE NO. CV 770214 AND ALL CONSOLIDATED CASES.
- B. SAVE THE MESA VS. NCSD CV 020181
- C. ANTICIPATE/INITIATION OF LITIGATION, ONE CASE

CONFERENCE WITH NEGOTIATOR GC§54956.8

- D. WATER LINE EASEMENT ACROSS COUNTY PARK - DISTRICT NEGOTIATOR - DOUG JONES, COUNTY NEGOTIATOR - PETE JENNY, REGARDING TERMS & PRICE. POSSIBLE LITIGATION INITIATION GC§54956.9

The Board came back into Open Session and had not reportable action.

ADJOURN

President Mobraaten adjourned the meeting at 12:50 p.m.

***The next regular Board Meeting will be held on December 18, 2002, at 9:00 a.m.
Special Meeting, December 20, 2002 at 9:00 a.m.***

NIPOMO COMMUNITY SERVICES DISTRICT

F 2

MINUTES

SPECIAL MEETING

DECEMBER 11, 2002 WEDNESDAY 3:00 P. M.

BOARD ROOM 148 S. WILSON STREET NIPOMO, CA

BOARD MEMBERS

MICHAEL WINN, VICE PRESIDENT
ROBERT BLAIR, DIRECTOR
JUDITH WIRSING, DIRECTOR
CLIFFORD TROTTER, DIRECTOR
LARRY VIERHEILIG, DIRECTOR

STAFF

DOUGLAS JONES, GENERAL MANAGER
DONNA JOHNSON, SECRETARY TO THE BOARD
JON SEITZ, GENERAL COUNSEL

CALL TO ORDER AND FLAG SALUTE

Vice President Winn called the meeting to order at 3:07 p.m. and led the flag salute.

ROLL CALL

At Roll Call, all Board members were present.

Public Comment on Agenda Items

The public has the right to comment on any item on the Special Meeting Agenda. Comments are limited to 3 minutes or otherwise at the discretion of the Chair.

The following members of the public spoke:

Jesse Hill, 1910 Grant Ave, AG – Outside District – Is willing to try to get a discussion arranged with Abel Maldonado concerning a settlement

John Snyder, Outside District – Welcomed the new Board members and cautioned the Board of a very difficult time ahead. He suggested there is some misinformation concerning the groundwater litigation. Some information avenues: a) SC.comp.org b) Court transcripts c) Court hearings

ADMINISTRATIVE ITEM

Warrants [RECOMMEND APPROVAL]

Upon motion of Director Vierheilig and seconded by Director Blair the Board unanimously approved the Warrants presented.

Jon Seitz, District Legal Counsel, announced the need to go into Closed Session to discuss the following.

CLOSED SESSION

CONFERENCE WITH LEGAL COUNCIL PENDING LITIGATION GC§54956.9
SMVWCD VS. NCSD SMVWCD VS NCSD SANTA CLARA COUNTY CASE NO. CV 770214 AND ALL CONSOLIDATED CASES.

The Board came back into Open Session and had no reportable action.

ADJOURN

Vice President Winn adjourned the meeting at 5:05 p.m.

MINUTES SUBJECT TO BOARD APPROVAL