

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BSB*
DATE: JULY 18, 2008



BLACKLAKE WATER RATE ADJUSTMENT PROTEST HEARING

ITEM

PROTEST HEARING – receive Blacklake water rate adjustment protests; direct Secretary to tabulate protests; provide policy guidance and continue item to 8/13/08 Board Meeting [PROVIDE POLICY GUIDANCE].

BACKGROUND

On May 14, 2008, your Honorable Board set this Protest Hearing and directed staff to transmit notices to each parcel and non-owner customer in the Blacklake Division service area. Staff mailed notices on June 2, 2008 to the 586 parcels. The threshold for a majority protest is 50% of the 586 parcels or 293 valid protests. As of July 16, 2008, 353 apparent protests had been returned. Protests can be submitted up to the close of the July 23rd Protest Hearing. By the time of the Protest Hearing staff expects to review each pre-hearing submitted protest to determine if each such protest complies with the requirements set forth in the State Constitution and if there are any duplications. Staff expects to perform the same inspection of Protests submitted the day of the Protest Hearing after the Protest Hearing. The Registrar of Voters has agreed to perform a random sampling of the protest to confirm the signatures of those protesting property owners/customers who are also voters on a time and materials basis, if authorized by your Board. Staff believes that the inspection of the July 23rd protests and the signature verification can be completed before the August 13th Board Meeting.

Based on the number of apparent protests received as of July 16, 2008, staff believes that it is likely that there will be a majority protest. If that is the case, then NCSD will need to consult with the Blacklake Area Oversight Advisory Committee and develop a proposal for the next steps in resolving the water supply for the Blacklake Division. If the Board wishes to propose another merger proposal, then staff will need policy guidance regarding the next rate adjustment concept. If the Board wishes to provide the re-plumbing for Blacklake to operate as a stand-alone system without the interim 8" intertie, then staff should be instructed to develop a concept and timeline for subsequent Board Consideration. The Board could proceed with both options at the same time.

The Board has discussed getting more information regarding the fiscal impacts of a merger at different buy-in levels. Attached is a proposal from Bob Reed regarding this work. The Workplan set forth in the proposal is one way the Board might generate a new merger proposal.

At the July 9, 2008 Board Meeting, Director Vierheilg requested that staff report back with an evaluation of the merger buy-in calculation based on Blacklake bringing their operating reserves up to 50% of the FY08-09 Blacklake Water Fund Budget and their Replacement Fund up to the threshold proposed in Boyle's latest Replacement Study. Staff is unable to calculate the year end values for this concept since NCSD's FY07-08 Books are not yet closed, however, using the May 31, 2008 financials, the buy-in for this concept would be approximately \$393,000 or \$619 per equivalent one-inch meter. Attached is staff's calculation.

Another merger concept would be to solicit proposals from rate consultants to evaluate the buy-in charge.

RECOMMENDATION

Staff recommends that your Honorable Board receive a staff report on the status of protests received prior to July 23rd; Open the Protest Hearing; Receive any new protests; Close the Protest Hearing; Direct the Secretary to tabulate the protests; authorize retention of the Registrar of Voters to verify signatures; Provide policy guidance regarding next steps; and continue this item until the August 13, 2008 Board Meeting.

ATTACHMENTS

- Reed Proposal
- Calculation of Buy-In for Vierheilig II Proposal

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THE REED GROUP, INC.

July 14, 2008

Bruce Buel
Nipomo Community Services District
148 South Wilson Street
P. O. Box 326
Nipomo, CA 93444-0326

Subject: Proposed Contract Amendment for Water System Financial Plans and Equity Analyses

Dear Bruce,

The Reed Group, Inc. has been working with the District to prepare a variety of water and sewer financial plans and rate/fee updates. Recently, you asked that we amend the scope of services to include developing financial plans to evaluate the potential implications of combining the Town and Blacklake water systems, relative to maintaining two independent systems. A description of the proposed scope amendment, along with cost and schedule information, is presented below

Scope of Services - Water System Financial Plans and Equity Analyses

In 2007, The Reed Group, Inc. assisted the District in preparing a five-year financial plan and rate recommendations for a combined water system. Findings and recommendations of that effort were contained in a report dated September 14, 2007. Since that time, the District has been further evaluating the advantages, disadvantages, and potential impacts of the proposed consolidation of the Town and Blacklake water systems. As a result, further analyses are needed to fairly and comprehensively assess the potential financial implications of combining the two water systems (including assessing a potential Blacklake equity surcharge). At this time, the District would like to prepare 5-year financial plans for the Town and Blacklake water systems as independent utilities (status quo), as well as for a combined water system. The proposed contract amendment would cover this new task.

Specifically, this contract amendment will include:

- Developing five-year financial plan models for (1) the Town water system, (2) the Blacklake water system, and (3) a combined water system using the FY 08-09 budgets, FY 07-08 year-end fund/reserve balances, capital improvement plans, and other



information provided by the District. The models will be extended through FY 12-13 and will be used to assess issues related to the proposed consolidation.

- Using the financial plans to determine annual water rate revenue requirements under each financial plan. Consideration will be given to operating and maintenance costs, capital program needs, debt obligations, reserves and reserve policies, potential equity surcharges, and other issues identified by the District.
- Developing water rate schedules for each financial plan. Rate schedules will be based on the current rate structures and revenue requirements determined from the financial plans.
- Making presentations in up to three meetings with the Board of Directors and/or community meetings with customers.
- Preparing a draft report describing financial plan assumptions and information, and describing findings and conclusions. The report will describe the potential financial impacts of combining the two water systems from perspectives of both Town and Blacklake customers.
- Finalizing the water system financial plan analyses and conclusions in a final report based on staff comments and Board direction.

Estimated Cost for Water Rate Structure Analysis

At this time, we estimate that the cost of the requested water system financial plans and equity analyses to be \$22,000, including expenses. Expenses for three trips to the District are included in this estimate. However, in an effort to minimize travel costs, we will strive to conduct the study such that an initial meeting with the Board of Directors to identify water system consolidation issues occurs on the same day the Board is considering water system capacity charges (currently scheduled for August 13, 2008). My hourly billing rate for 2008 is \$215 and is subject to revision each January. As you know, it is our practice to bill only for the actual time and expense required for the project subject to the not-to-exceed limit of our agreement.

Information Request

In order to facilitate the start of this project, below is a list of information that will be needed to begin the water system financial plan and equity analyses study. We have already received the proposed FY 08-09 budget document.

- Town and Blacklake customer data from the utility billing system including APN, location, water class code, and 12-month usage history (FY 07-08).
- Five-year Town and Blacklake water system capital improvement plans.



Other information may be requested once we begin the study.

* * * * *

If the above work is approved it would amend, and be completed in accordance with other terms of, the Agreement for Rate Studies approved by the District on May 9, 2007. Please let me know if you have any questions regarding this proposal. We appreciated the opportunity to be of continued service to the District.

Sincerely,

Robert Reed
The Reed Group, Inc.

BLACKLAKE BUY IN CHARGE CALCULATION - VIERHEILIG II PROPOSAL

	OPERATIONS	REPLACEMENT	TOTAL
REQUIRED	\$174,556	\$520,170	
AVAILABLE	\$26,183	\$274,704	
DIFFERENCE	\$148,373	\$245,466	\$393,839
CHARGE/1" METER			\$619.24

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: JULY 18, 2008



SCOPING HEARING FOR WATERLINE INTERTIE PROJECT EIR

ITEM

SCOPING HEARING – Receive feedback on scope for Waterline Intertie Project EIR [RECEIVE FEEDBACK].

BACKGROUND

CEQA requires that the Lead Agency for a Project of Regional Significance hold a Scoping Hearing in addition to circulation of a Notice of Preparation (NOP). Staff has noticed this hearing and mailed announcements to all Responsible Agencies, Trustee Agencies and parties on NCSD's NOP List. The purpose of the Hearing is to receive input regarding the topics to be covered in the Draft EIR; it is not intended to receive input on the project itself.

Doug Wood from DWA and Mike Nunley from Boyle will provide an overview of the EIR prior to opening the Scoping Hearing for public input.

RECOMMENDATION

Staff recommends that your Honorable Board receive input offered and direct staff to address new CEQA issues in the Draft EIR.

ATTACHMENTS

- None

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TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BBB*
DATE: JULY 18, 2008



SUSPEND CODE SECTIONS RE EMERGENCY WATER SHORTAGE STAGES

ITEM

Review current District Code Sections regarding emergency water shortage stages [SUSPEND CODE SECTIONS OR TAKE OTHER ACTION].

BACKGROUND

On June 25, 2008, the Board agreed to review the attached emergency water shortage code sections and to determine if they should be suspended until new triggers are developed. Also attached are a printout of recent water usage and a draft resolution suspending the relevant code sections. As detailed in the attached printout, NCSD current production is greater than the trigger points set forth in the Code and a strict interpretation of the Code would result in significant disruption to the community.

It should be noted that the NMMA Technical Group will be discussing triggers at their August meeting.

RECOMMENDATION

Staff recommends that your Honorable Board review the Code; review the current production printout and then consider adopting the attached resolution. Should your Honorable Board adopt the attached resolution, staff will monitor the Technical Group's progress and bring back whatever proposal is lodged with the Court for Board consideration. Should your Honorable Board reject the resolution, then staff respectfully requests policy guidance regarding the establishment of a Stage 3 Emergency Water Shortage program.

ATTACHMENTS

- Current NCSD Code re Emergency Water Shortage Stages
- Printout of recent NCSD Water Use
- Draft Resolution suspending select Code Sections

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Chapter 3.24

WATER CONSERVATION AND EMERGENCY WATER SHORTAGE REGULATIONS

Sections:

- 3.24.010** Definitions.
- 3.24.020** Prohibition of certain uses.
- 3.24.030** Water conservation stages.
- 3.24.040** Stage implementation.
- 3.24.050** Water-saving devices.
- 3.24.060** Violation and enforcement.

3.24.010 Definitions.

"Applicant" means person who requests water from the district.

"Customer" means person receiving water from the district distribution system.

"District" means Nipomo Community Services District.

"HFC" means hundred cubic feet. (Ord. 92-65 § 1, 1992)

3.24.020 Prohibition of certain uses.

A. No customer shall waste water.

As used herein the term "waste water" means:

1. Use of potable water to irrigate grass, lawns, groundcover, shrubbery, crops, vegetation and trees between the hours of nine a.m. and six p.m. or in such a manner as to result in run-off for more than five minutes;
2. Use of potable water to wash sidewalks, walkways, driveways, parking lots, open ground or other hard surface areas by direct application;

3. Allow potable water to escape from breaks within the customers plumbing system for more than four hours after the customer is notified or discovers the break;
4. Use of potable water for sewer system maintenance or fire protection training without prior approval by the district. (Ord. 92-65 § 2, 1992)

3.24.030 Water conservation stages.

A. Stage I: Voluntary Conservation. Customers of the Nipomo Community Services District are requested to voluntarily limit the amount of water used from May 15th to October 15th of each year to that amount absolutely necessary for health and business. A fifteen percent reduction in water use is requested.

B. Stage II: Mandatory Conservation. In addition to prohibitions and resolutions previously listed:

1. All outdoor irrigation of vegetation shall occur only between the hours of six p.m. and nine a.m. on designated days and must utilize hand held hoses, drip irrigation or permanently installed automatic sprinkler systems;

2. The washing of automobiles, trucks, trailers, boats and other types or mobile equipment not occurring upon the immediate premises of commercial car washes and commercial service stations and not in the immediate interest of the public health, safety and welfare shall be prohibited;

3. Use of water from fire hydrants shall be limited to fire suppression and/or other activities immediately necessary to maintaining health, safety and welfare of the citizens within the boundaries of the Nipomo Community Services District.

C. Stage III: Mandatory Conservation. In addition to prohibitions and restrictions previously listed:

1. Use of potable water to irrigate grass, lawns, groundcover, shrubbery, crops, vegetation, trees, etc., shall be prohibited;
2. Quantity of water used shall not exceed seventy-five gallons per day per person. (Ord. 92-65 § 3, 1992)

3.24.040 Stage implementation.

The water department and manager shall monitor the supply and demand on a weekly basis during drought conditions and recommend to the board of directors the extent of the conservation required through implementation and/or termination of a particular conservation stage as outlined in Exhibit A, set out at the end of this chapter, in order for the district to continue to supply adequate water to the customers. Thereafter the board of directors may order that the appropriate phase of water conservation be implemented and/or terminated in accordance with the applicable section of this chapter. (Ord. 92-65 § 4, 1992)

3.24.050 Water-saving devices.

A. All customers are encouraged to install and use the following water conservation devices:

1. Low flush toilets 1.6 gallons per flush or less;
2. Low flow shower heads 2.0 gallons per minute or less;
3. Drip irrigation.

B. No person, corporation or association shall be given relief on appeal unless the customer has installed all water-saving devices which are feasible. (Ord. 92-65 § 5, 1992)

3.24.060 Violation and enforcement.

A. First Violation. A copy of the notice will be left with someone at the establishment, or left in a conspicuous place, at the time of the violation observance.

B. Second Violation. A copy of the violation notice will be sent to the address of the violator by certified mail, return receipt requested, with a letter explaining the gravity of the situation and the penalties for future violations.

C. Third Violation. A one gallon per minute flow restriction will be installed at the violators meter and left in place for seventy-two hours. Installation and removal charges of thirty dollars will be assessed to the account of the violator.

D. Fourth Violation. The water meter will be removed from the premises of the violator. The meter will be reinstalled after the payment of a fifty-dollar reconnection charge. (Ord. 92-65 § 6, 1992)

Exhibit A

**Policy for Implementing the
Emergency Conservation Plan**

Section 1.

The water department and general manager shall determine that conditions warrant implementation and/or termination of the plan and present the findings to the board of directors. The triggering events for each stage shall be as follows:

Stage I. Voluntary Conservation.

Voluntary conservation shall be requested annually on May 15th.

Requirements for Termination.

Stage I will be rescinded on October 15th or at any time that prevailing conditions indicate a more restrictive stage is necessary.

Stage II. Mandatory Conservation.

Mandatory (Stage II) conservation shall be required when pumpage is in excess of 1.5 mgd for four consecutive days or pumpage in excess of 1.9 mgd for one day.

Upon termination of Stage II, Stage I becomes operative.

Stage III. Mandatory Conservation.

Mandatory (Stage III) conservation shall be required when pumpage is in excess of 1.9 mgd for four consecutive days; or

2.1 mgd for one day; or continually falling reservoir levels which do not refill above fifty percent overnight.

Stage III shall be terminated when all of the conditions listed as triggering events have ceased to exist for a period of five consecutive days.

Upon termination of Stage III, Stage II becomes operative.

NIPOMO COMMUNITY SERVICES DISTRICT
DAILY WATER PRODUCTION
JUNE 15, 2008 TO JUNE 23, 2008

	Sundale	Eureka	Via Concha	BL 4	Bevington	Knollwood	BL 3	Olympic	Church	Total
Date	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons	Gallons
6/15/2008	1,270,274	0	93,513	276,273	246,125	112,963	237,671	20,869	0	2,257,688
6/16/2008	1,270,104	0	69,573	280,238	311,210	157,325	242,534	22,215	0	2,353,200
6/17/2008	1,309,748	0	70,321	249,641	234,903	108,699	222,784	21,991	0	2,218,088
6/18/2008	1,133,220	433,840	163,086	174,906	341,134	107,652	245,227	20,869	0	2,619,933
6/19/2008	1,063,656	344,828	165,330	122,988	496,738	110,270	234,829	21,767	0	2,560,406
6/20/2008	1,133,220	959,684	172,063	136,827	504,219	102,415	230,190	19,822	0	3,258,441
6/21/2008	1,395,768	514,624	148,124	211,189	492,250	148,124	226,674	25,432	0	3,162,184
6/22/2008	1,300,024	0	0	241,487	463,074	177,300	202,361	23,263	0	2,407,508
6/23/2008	1,467,576	0	0	279,715	353,851	147,226	219,268	23,412	0	2,491,048

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
SUSPENDING VARIOUS SECTIONS OF CHAPTER 3.24 OF THE DISTRICT
CODE RELATED TO WATER CONSERVATION AND EMERGENCY WATER
SHORTAGE REGULATIONS**

WHEREAS, in 1992 the Nipomo Community Services District (“District”) adopted Ordinance 92-65 that established the District’s Water Conservation and Emergency Water Shortage Regulations (herein “Water Shortage Regulations”) that are consolidated into the District Code as Chapter 3.24; and

WHEREAS, under the Water Shortage Regulations the Trigger Points for Stage II and Stage III (Mandatory Water Conservation) are based on total well pumpage capacity of then existing District wells; and

WHEREAS, the District has added wells since 1992, making certain provisions of the Water Shortage Regulations outdated; and

WHEREAS, the District is a participant in the Nipomo Mesa Management Area (“NMMA”) Technical Group (“NMMA Technical Group”) pursuant to a Stipulation dated June 30, 2005 (“Stipulation”), and Judgment entered January 25, 2008 (“Judgment”), in a lawsuit titled *Santa Maria Valley Water Conservation District v. City of Santa Maria et al.*; and

WHEREAS, Section VI C and D of the Stipulation, that is incorporated into the Judgment, requires that NMMA Technical Group to establish and maintain a monitoring program that includes the setting of well elevation and water quality criteria that trigger Potentially Severe Water Shortage Conditions and Severe Water Shortage Conditions underlying the NMMA; and

WHEREAS, assuming the Nipomo Mesa Management Area Technical Group timely establishes trigger points, then the District desires to consider the trigger points in revising its Water Shortage Regulations.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AS FOLLOWS:

1. The following Sections of Chapter 3.24 of the District Code are hereby suspended:
 - a. Section 3.24.030(B) and (C) related to Stage II and Stage III Mandatory Conservation;
 - b. Section 3.24.04 related to Stage implementation;

- c. Section 3.24.060 related to violation and enforcement; and
- d. Exhibit "A" to Chapter 3.24 that establishes the policy for implementing the Emergency Conservation Plan.

2. The Board of Directors retains the discretion to revoke or amend this Resolution. The suspension of the Code Sections referenced in Section 1, above, shall remain in effect until further order of the Board of Directors.

3. The above Recitals are incorporated herein by this reference.

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

DIRECTORS

AYES: _____
NOES: _____
ABSENT: _____
ABSTAIN: _____

the foregoing resolution is hereby adopted this _____ day of _____, 2008.

Michael Winn, President
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

Donna K. Johnson
Secretary to the Board

Jon S. Seitz
District Legal Counsel