

TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BB*  
DATE: AUGUST 8, 2008

**AGENDA ITEM  
F  
AUGUST 13, 2008**

**MANAGER'S REPORT**

**ITEM**

Standing report to your Honorable Board --*Period covered by this report July 16, 2008 through August 6, 2008.*

**DISTRICT BUSINESS**

**Administrative**

Maria Vista Estates has set a total of ten water meters.

Pete Davison has started his employment as a NCSO Maintenance/Customer Service Worker, but the other candidate has postponed accepting the position pending the sale of his business.

The Board of Supervisors, on July 15, 2008, set a public hearing on the Perrett detachment proposal for August 26, 2008. District Legal Counsel is developing an opinion regarding the requirements for the County to perform an environmental review of the detachment.

Staff received five Proposals from engineering firms to perform CM activities for the Waterline Intertie Project on August 5, 2008. These proposals will be reviewed by the Supplemental Water Project (SWP) Design and Construction Committee at their August 11, 2008 meeting. Boyle, Hamner-Jewell, Padre and Reeder Gilman are all making progress in their respective tasks.

SCAC has invited me to present an overview of WIP Funding at its August 25<sup>th</sup> meeting. I have developed a summary that will be reviewed by the SWP Design and Construction Committee at its August 11, 2008 Meeting. The Committee will also review WIP debt service schedules prepared by the CSDA Finance Corporation.

R. Baker, Inc. is proceeding to remove portions of select water mains in Tefft and Thompson where they conflict with the County's drainage works. These mains will be re-installed once the County does its work.

Attached is a listing of upcoming meetings and events per the request of Director Vierheilig.

**Safety Program**

No injury reports during the period.

**Project Activity**

Staff will provide a verbal projects update to the Board at the Board Meeting.

**Conservation Program Activities**

Staff has initiated implementation of the Water Conservation Program.

**RECOMMENDATION**

Staff seeks direction and input from your Honorable Board.

**ATTACHMENTS**

- Listing of Upcoming Meetings and Events

## LISTING OF UPCOMING MEETINGS AND EVENTS

8/11/08 @ 1pm @ NCS D – SWP Design and Construction Committee Meeting  
8/25/08 @ 6:30pm @ NCS D – SCAC (Bruce Buel WIP Funding Presentation)  
8/26/08 @ ?? @ BoS Chambers – Perrett Detachment Proposal Hearing  
8/26/08 @ ?? @ BoS Chambers – Willow Road Funding Discussion  
8/27/08 @ 9am @ NCS D – Board Meeting  
9/1/08 – Labor Day – Office Closed  
9/3/08 @ 1:30pm @ City/County Library – WRAC  
9/5/08 @ 9 am @ Santa Clara Court – Water Rights Hearing on Cost Recover  
9/22 to 9/26 – SCSS Clean Up Event  
9/23/08 @ ?? @ BoS Chambers – SLO County Retrofit Program  
9/27/08 All Day – Creek Clean Up Day  
10/11/08 @ 9am @ Nipomo Community Park – Chamber October Festival

\* \* \* \*

Board of Supervisors – Most Tuesdays  
WRAC – 1<sup>st</sup> Wed  
SLO County Planning Commission – 2<sup>nd</sup> Thursday  
LAFCO – 3<sup>rd</sup> Thursday  
SCAC – 4<sup>th</sup> Monday  
Chamber – Last Wed Lunch + Quarterly Tues Breakfast  
SLO County Planning Commission – 4<sup>th</sup> Thursday

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COMMITTEE REPORTS

**ITEM**

Review Committee Matters.

**BACKGROUND**

Attached are minutes from the 7/21/08 Water Conservation Committee Meeting. Director Winn or Director Vierheilig may wish to add comments at the Board Meeting.

Attached are minutes from the August 4, 2008 Southland WWTF Upgrade Project Committee Meeting. Director Winn or Director Harrison may wish to add comments at the Board Meeting.

Attached are minutes from the August 5, 2008 Finance and Audit Committee Meeting. Director Vierheilig or Director Harrison may wish to add comments at the Board Meeting.

The Finance and Audit Committee is scheduled to meet again at 1pm on Friday August 8, 2008.

The Supplemental Water Project Design and Construction Committee is scheduled to meet again at 1pm on Monday August 11, 2008.

**RECOMMENDATION**

It is recommended that your Honorable Board discuss the meetings as appropriate.

**ATTACHMENT**

- 7/21/07 WATER CONSERVATION COMMITTEE MEETING MINUTES
- 8/4/08 SOUTHLAND WWTF COMMITTEE MEETING MINUTES
- 8/5/08 FINANCE AND AUDIT COMMITTEE MEETING MINUTES

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# NIPOMO COMMUNITY SERVICES DISTRICT

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## MINUTES OF THE 7/21/08 SPECIAL MEETING OF THE WATER CONSERVATION COMMITTEE

### 1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Winn called the Special Meeting to order at 9am in the NCSD Conference Room. Both Chairman Winn and Director Vierheilig were in attendance along with staff members Bruce Buel and Celeste Whitlow. No members of the public were present.

### 2. REVIEW MATERIALS FOR LAUNCH OF WATER CONSERVATION PROGRAM

Celeste Whitlow distributed copies of materials available from "Water – Use it Wisely" and copies of promotional materials for the High Efficiency Clothes Washer program. The Committee reviewed the "Water – Use it Wisely" materials and supported purchase of the Campaign Starter Package (minus the temporary tattoos), as well as the white banner. The Committee requested that Celeste Whitlow negotiate either a cost reduction or a substitution for the tattoos. The Committee further requested that staff use the August 27<sup>th</sup> Board Meeting as a presentation of the program together with the mailing of the postcard, the bill insert and the newsletter. The Committee also requested that the newsletter provide more details on the advantages of buying high-efficiency washers.

### 3. DISCUSS LANDSCAPE REVIEW OF DEVELOPMENT PROJECTS

Celeste Whitlow distributed copies of the District Ordinance regulating Intent-To-Serve Letters and Will-Serve Letters and expressed her concern that no one was reviewing development plans for irrigations system design and landscape plant material choice. The Committee concluded that the existing ordinance was restricted to residential projects and did not enable District control of landscape pallets. The Committee also concluded that the County's standard plant list included both non-drought tolerant species and invasive species, and that Celeste Whitlow and Larry Vierheilig should mark up a list so that these species can be eliminated. The Committee requested that staff work with District Legal Counsel to propose edits to the District Code regarding landscaping and irrigation system review so that all Intent-To-Serve and Will-Serve Letters require the applicant to comply with outdoor best management practices.

### 4. DISCUSS RATE STRUCTURE

Celeste Whitlow distributed a printout displaying customer water use patterns in May and June. Committee discussion followed on the report; the difficulty of educating the large users of the need to conserve and Supervisor Achadjian's efforts to encourage all purveyors to adopt multi-tier rate structures. The Committee agreed that, should Supervisor Achadjian formally submit such a request, the Board should consider that request and determine if a three-tier structure should be included in the next rate study.

**MINUTES OF THE 7/21/08 MEETING OF THE  
WATER CONSERVATION COMMITTEE  
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The Committee also discussed the research on water use by Ellen Hanek and agreed that the SLO County CSDA Chapter and the WRAC should consider inviting Ms. Hanek to make a presentation to the water purveyors in San Luis Obispo County.

**5. ADJOURNMENT**

Chairman Winn adjourned the meeting at 10:32am.

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## MINUTES OF THE 8/4/08 MEETING OF THE SOUTHLAND WWTF UPGRADE PROJECT COMMITTEE

### 1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Winn called the Special Meeting to order at 2:00pm in the NCSD Board Chambers. Both Chairman Winn and Director Harrison were in attendance along with General Manager Bruce Buel; Utility Superintendent Tina Grietens; District Engineer Peter Sevcik; Malcolm McEwen and Mike Nunley from Boyle Engineering; David Gardner and Jonathan Blanchard from Fugro West and seven members of the public. Bruce Buel provided an overview of District efforts to move forward with the upgrade. Committee discussion followed regarding the status of the project and the position of the RWQCB on timing.

### 2. REVIEW FUGRO REPORT ON SOUTHLAND DISPOSAL CAPACITY

Bruce Buel provided a summary of the Southland Disposal Capacity study attached to the packet and introduced David Gardner from Fugro. David Gardner reviewed the findings of the analysis and responded to the Committee's questions regarding subsurface flow to Nipomo Creek. There was no public comment.

Jim Harrison moved to recommend that the Board accept the Fugro Report. Mike Winn seconded the motion, which passed unanimously.

### 3. REVIEW FUGRO REPORT ON OFFSITE DISPOSAL RESEARCH

Bruce Buel provided a summary of the Offsite Disposal Research study attached to the packet and introduced David Gardner from Fugro. David Gardner reviewed the findings of the analysis and responded to the Committee's questions regarding the soil profile, the depth to groundwater and the relationship of disposal to bluff stability. Doug Lombardo inquired as to the feasibility of injecting treated wastewater and David Gardner responded that it depends on the specifics of the soil at the point of discharge.

Jim Harrison moved to recommend that the Board accept the Fugro Report. Mike Winn seconded the motion, which passed unanimously.

### 4. DISCUSS PROCESS TO FINALIZE MASTER PLAN & PHASE UPGRADES

Bruce Buel proposed that NCSD split the project into phases, retain Boyle Engineering to study a range of alternative disposal options, and to publish a draft EIR that looked at these disposal options at a programmatic level. Significant Committee discussion followed on the process and the timing with the conclusion that the alternatives study should include a fatal flaw evaluation to weed out infeasible options before significant

money was spent on unnecessary research. Mike Winn emphasized the importance of community input as one factor in the decision matrix and asked that Boyle work with District Legal Counsel to include an assessment of potential litigation costs in the various cost analysis.

Doug Lombardo asked about the specifics of disposal on Mesa Road; alternative treatment technologies; and health concerns related to pond disposal. John Snyder commented on the potential for litigation; the virtue of water conservation; and the possibility of disposing of water at new developments along the freeway or at ConocoPhillips.

Jim Harrison moved to recommend that the Board accept staff's recommendation as modified to include the fatal flaw analysis in the options report. Mike Winn seconded the motion, which passed unanimously.

**5. ADJOURNMENT**

Chairman Winn adjourned the meeting at 3:35 p.m.

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## MINUTES OF THE 8/5/08 MEETING OF THE FINANCE AND AUDIT COMMITTEE

### 1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Vierheilg called the Special Meeting to order at 1:00 p.m. in the NCSD Board Chambers. Both Chairman Vierheilg and Director Harrison were in attendance along with staff members Bruce Buel and Lisa Bognuda. There were also six members of the public present, including Ian Wallace, Curt Curtis and Bill Petrick as representatives of the Blacklake Village Master Association Board of Directors and Pat Eby, Cliff Trotter and Bill Nelson as individuals.

### 2. DEVELOPMENT OF MERGER STUDY SCOPE OF WORK

- A. RECOGNIZE BLACKLAKE REPRESENTATIVES – Chairman Vierheilg recognized Ian Wallace, Curt Curtis and Bill Petrick and thanked them for their service.
- B. SET GROUNDRULES FOR DISCUSSION – Chairman Vierheilg announced that this meeting was a “Brown Act” meeting and that the two NCSD Directors were compelled to comply with state law. He further stated that he was suspending the three-minute rule as it applies to public comment.
- C. DEFINE OUTCOME/GOAL FOR STUDY – Larry Vierheilg proposed that the goal of the study was to achieve an equal starting point so that neither fund subsidized the other. He also hoped that this process would produce a proposal acceptable to Blacklake’s property owners so that the second protest proceeding would be the last. Ian Wallace objected to the work “subsidize” and requested a definition. General Manager Buel indicated that the Board’s definition was a proposal that avoided an increase in combined system water user fees above the user fee that either fund would pay as a stand-alone system. Curt Curtis objected to that goal stating that it was beyond the group’s ability to calculate. Jim Harrison supported the goal of finding a buy-in charge that had no negative impacts. Bill Petrick objected to paying any more to consultants to achieve an outcome.
- Pat Eby objected to the work “Merger” and expressed her belief that the two systems were already merged. She proposed that the group use the word “Combined”.
- D. DEFINE STANDARDS FOR DETERMINING OUTCOME/GOAL – Chairman Vierheilg proposed that proposals focus on determining the amount of funding necessary for the two divisions to achieve an equal starting point. Bill Petrick proposed that the outcome be measured in hard data and not hearsay.

Pat Eby proposed that the group agree that Blacklake is fully built-out and that the Town has some expansion capability. Jim Harrison inquired about the Rossi



development proposal and questioned the relevance of making the requested findings. Committee discussion followed on Rossi's proposal.

- E. DISCUSS APPLICABILITY OF TOWN WATER CAPACITY FUND 700 – Curt Curtis expressed his opinion that inclusion of Fund 700 in the Town's Asset balance was not fair or equitable given that Blacklake had no ability to grow. Bill Petrick agreed with Curt Curtis but observed that Town's Fund 700 was only relevant if an asset evaluation methodology was used. Curt Curtis stated that Blacklake felt that there was an implied agreement between the NCSD Board and the Blacklake Village Master Association Board in early 2007 to merge the two systems without a Buy-In Charge and that NCSD had told Blacklake that there were sufficient funds in the Blacklake Water Fund to avoid a buy-in charge. Bill Petrick proposed that the NCSD Board cause District Legal Counsel to opine on whether or not there was an implied agreement and if so, whether Blacklake had any obligation to pay any buy-in charge. Bruce Buel summarized the history of NCSD's efforts to process the merger and indicated that Blacklake representatives participated in the development of the scope of work for the Reed Equity Surcharge calculation before the Blacklake Village Master Association Board wrote its April 2007 letter agreeing to further evaluation of the potential merger. Bill Petrick stated that the only cost that NCSD ever proposed for the merger was the \$180,000 in plumbing costs set forth in Boyle's February 12, 2007 Comparison Memo. Jim Harrison disagreed with Bill Petrick and expressed his opinion that the February 12, 2007 Comparison Memo focused only on plumbing and not the total merger cost. Bill Petrick argued that Blacklake would get no benefit from Town's Fund 700 assets. Jim Harrison disagreed and cited the proposed use of Fund 700 funds to pay for the Frontage Road upgrades as part of the Waterline Intertie Project as an example of how Blacklake would benefit from these assets if the two systems were merged. Chairman Vierheilig agreed to request that the NCSD Board pay District Legal Counsel to render an opinion on whether or not there was an implied agreement between NCSD and the Master Association such that the merger would occur without a buy-in charge.

Pat Eby requested that NCSD document who paid what and when so that all Town System Fund 700 assets are tracked. She also expressed her opinion that Blacklake would derive no benefit from Town's Fund 700 assets should the two systems be merged.

- F. DISCUSS BLACKLAKE WATER CAPACITY FUND 700 – Chairman Vierheilig distributed a 7/29/08 memo from Lisa Bognuda documenting the history of funding for the construction of the Sundale Well and the 4" intertie. Discussion followed on the use of the fund and the short-term nature of the fund.
- G. DISCUSS SUNDALE WELL – DEFINE ISSUES; OBTAIN DATA – Committee discussion followed on water production from the Sundale Well and the limitations on that production. Curt Curtis objected to limiting Blacklake's access to the Sundale Well for emergency use only. Jim Harrison likened the Sundale Well to an insurance policy – the subscriber pays for the premium even though payout only occurs when there is an emergency. Bill Petrick expressed his opinion that the limitations were a gray area subject to interpretation.

Pat Eby requested more time to review the Bognuda Memo and asserted that NCSD should pay Blacklake for use of Blacklake's water. She also asserted that Blacklake has reduced its aggregate consumption by 15% and Blacklake should not be required to participate in payment of the Waterline Intertie Project. Bruce Buel noted that the Court Settlement called for NCSD to reduce its aggregate pumping by 83% and that all NCSD customers would be required to pay for the new supply.

Bill Petrick indicated that the Technical Group could increase or decrease the amount of supplemental water to be imported.

Bill Nelson indicated that his previous statements regarding Villagio's contribution to the Sundale Well should have been the Oaks and Estates.

- H. DEFINE APPROACHES TO ACHIEVE OUTCOME/GOAL – Ian Wallace asked that Defensibility be added to Applicability and Reasonability as review criteria. Curt Curtis proposed to re-look at the Reed Study with subtractions of all or some of the Town Water Fund 700 from the Town's asset total. Bill Petrick agreed with Curt Curtis and added that the Reed Study could be simplified by eliminating select rows and discounting the value of Town's Fund 700 assets.

Pat Eby distributed spread sheets illustrating her proposal to base the buy-in charge on the differential between what Blacklake and Town water customers paid historically.

- I. DISCARD NON-VIABLE APPROACHES – Curt Curtis proposed that NCSD look at modifying the Reed Study. Larry Vierheilg observed that agreement needed to be reached regarding the base period for evaluation of alternatives. Bill Petrick argued for June 2006 as the agreed upon base period and observed that later base periods included the expenditure of Blacklake funds on the 8" intertie.

Pat Eby indicated that modifications to the Reed Study would not be acceptable to Blacklake and that her proposal was simpler and more easily understood.

- J. EVALUATE REMAINING APPROACHES – Chairman Vierheilg asked Bruce Buel if the Committee had achieved the Board Goals. Bruce Buel answered that the Board had expected the Committee to propose options and to propose a mechanism to examine whether or not those options avoided subsidies. Jim Harrison and the Blacklake Representatives agreed that the Committee needed to at least list options so that the Board could comment.

- K. DISCUSS PROCESS FOR REACHING CLOSURE – Following extensive discussion, the Committee agreed to discuss at least the following four options:
1. Implied Agreement that there be no buy-in charge
  2. Modifications to Reed Study
  3. Pat Eby proposal
  4. Larry Vierheilg II Proposal

In regards to the Larry Vierheilg II Proposal, Bill Petrick requested that 2006 be used as the base period and that both the Blacklake and the Town reserves be evaluated.

Bill Petrick indicated that he favored #2 or #3 over #4 and he felt that #4 may not be necessary given that #2 and #3 would likely come out with the same approximate Buy-In Charge as #4. He indicated that the likely consensus Charge appeared to be around \$300 per equivalent 1" meter. Bruce Buel indicated that any such convergence would also need to be evaluated for subsidies to comply with the Board's objective. Curt Curtis objected to evaluation for a subsidy on the basis that such a study was beyond the capability of the Committee. Bill Petrick expressed his belief that it would not be possible to determine if rates would be higher given the magnitude of the budgets involved compared to the aggregate contribution resulting from a buy in charge.

**3. SET NEXT MEETING DATE**

The Committee agreed to meet again at 1:00 p.m. on Friday August 8, 2008.

The meeting was adjourned at 3:45 p.m.

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