

TO: BOARD OF DIRECTORS  
FROM: BRUCE BUEL *BB*  
DATE: OCTOBER 3, 2008

**AGENDA ITEM**  
**E-2**  
**OCTOBER 8, 2008**

## MERGER OF TOWN AND BLACKLAKE WATER DIVISIONS

### ITEM

Receive report from rate consultant regarding merger of Blacklake and Town Water Systems, provide policy guidance and authorize discussions with Blacklake Community [PROVIDE POLICY GUIDANCE AND AUTHORIZE INTERACTION].

### BACKGROUND

In September, your Honorable Board retained the Reed Group to develop a letter report outlining five-year financial plans for the Town Water Division as a stand-alone system, the Blacklake Water Division as a stand-alone system and a combined water fund with different aggregate buy-in values to determine the "tip-point" where the merger was revenue neutral to Town Water Division customers. Attached is a draft letter report from Bob Reed, in which Mr. Reed concludes that a zero Blacklake buy-in charge would be required to avoid an adverse impact to Town Water Division customers. In other words, the necessary future rates for a combined system would be less than either the stand-alone rates for either Town or Blacklake. Should the Board agree to merge the two systems based on this analysis, then no surcharge would be necessary.

This draft Letter Report was circulated to each Board Member on September 25, 2008. Director Eby questioned why Mr. Reed assumed that Blacklake's contribution to operating reserves was only 4% of the combined operating reserves when Blacklake comprises 15% of the combined system customer base. Mr. Eby calculated that Blacklake should contribute \$182,192 more than the \$60,040 assumed in the draft Reed Letter Report given a 15% contribution target. When staff asked Mr. Reed to evaluate the impact of this aggregate buy-in, Bob Reed responded that an infusion of \$182,192 spread over four years would result in a Combined System rate decrease of 1% in FY09-10 and FY10-11 as compared to the Combined System Rates set forth in the draft Reed Letter Report. Assuming a ten year term, a 3% interest rate, and 636 equivalent Blacklake Customers, the bi-monthly surcharge necessary to amortize the \$189,192 would be \$5.81 every other month per customer. If this amount were paid up front it would be \$297.47.

It should be noted that Director Eby's concern speaks only to operating cash reserve contributions and does not take into consideration the value of Blacklake's plumbing. As detailed in Bob Reed's September 2007 Combined Water System Financial Plans and User Rate Report, the June 30, 2006 Blacklake Water System Assets equaled \$1,829 per equivalent meter whereas Town System Assets equaled \$2,160 per Equivalent Meter (See attached excerpt). The difference between \$2,160 and \$1,829 is \$331.

President Winn also requested that staff evaluate the June 30, 2008 status of Fund 700 and comment on the potential Blacklake buy-in to these assets since at least some of these assets will provide future benefits to Blacklake Customers. Bob Reed's September 2007 Report concluded that the June 30, 2006 Blacklake buy-in would be \$1,672 per equivalent meter if Fund 700 were included in the computation (See attached excerpt). This value would likely increase if it were recomputed for June 30, 2008 (See attached update).



It should be noted that the Finance and Audit Committee did discuss Fund 700 with a sub-committee of Blacklake residents in August 2008. Attached is a memo summarizing the results of the Committee discussion (previously presented to the Board on August 13, 2008). One of the proposals (The Book Value Proposal) from the Blacklake participants was to delete \$4,701,295 from the June 30, 2006 Fund 700 Financial Reserves in Bob Reed's computation of the Town System Assets on the theory that these Reserves would not benefit Blacklake. Elimination of the \$4,701,295 from the computation lowers the aggregate buy-in from \$1,672 per equivalent meter down to \$359 per equivalent meter. This buy-in would likely increase if it were recomputed for June 30, 2008.

Bob Reed is scheduled to present his letter report at the Board Meeting.

### **RECOMMENDATION**

Staff recommends that the Board receive Mr. Reed's presentation, ask questions of Mr. Reed and then consider the issues raised by Director Eby and President Winn (per above). If the Board believes that no surcharge is needed, then the logical next move would be to formalize the combined rate increases set in the draft Reed Letter Report for a system-wide protest procedure next year. Should the Board decide that a surcharge is necessary to address Director Eby's concern, President Winn's concern or both concerns, then a separate protest proceeding will be necessary to approve a Blacklake Buy-In. In this case, staff would recommend that the Board create an Ad-Hoc Committee to interact with Blacklake and invite Blacklake to discuss the Buy-In options so that recommendations can be forwarded to the Board for subsequent consideration.

### **ATTACHMENTS**

- Reed Draft September 24, 2008 Letter Report
- Excerpt from Reed September 2007 Financial Plan
- Fund 700 Summary as of June 30, 2008
- Reprint of August 11, 2008 Staff Memo re Finance Committee Discussions

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Memo To: Bruce Buel, Nipomo Community Services District  
From: Bob Reed  
Subject: Water System Financial Plans and Equity Study  
Date: September 24, 2008



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This memo summarizes three financial plans prepared for the Nipomo Community Services District regarding the Blacklake and Town water systems. Two financial plans reflect current and estimated future financial conditions for the two water divisions with continued independent operations, and the third reflects estimated conditions based on the consolidation of the two systems into a single system.

### *Summary of Findings*

**Exhibit 1**, at the end of this memo, summarizes estimated water rate schedules for (1) Blacklake water division, (2) Town water division, and (3) a combined water system. The rate schedules are based on the following assumptions:

- Previously adopted water rates for January 2009 are implemented as scheduled.
- New rates would become effective each January beginning in 2010. These would require Board approval. Estimated future water rate schedules are presented through January 2013.
- Consolidation of the two water systems is assumed to occur at the beginning of FY 09-10. At that time, Blacklake customers would begin paying the Town's water rates (all rates are lower so I do not believe approval of those rates would be required).

Significant rate increases are estimated in all three financial plans. Primary reasons for the increases include (1) a phased implementation of transfers to the Funded Replacement Fund consistent with the *Replacement Study*<sup>1</sup>, and (2) assumed beginning of supplemental water deliveries through the Intertie Pipeline in January 2011. The water rate estimates for the Blacklake water system are also driven, in part, by the need to build operating reserves to the level established by District policy.

As shown in Exhibit 1, the estimated water rates with a combined water system are lower than the rates necessary for either stand-alone water system. Blacklake customers would see a significant reduction in water rates with the combined water system (relative to the stand-alone scenario). Town customers would see slightly lower water rates with the combined water system (relative to the stand-alone system). The table at the bottom of Exhibit 1 shows bi-monthly water bills for single-family customers based on average bi-monthly water use of 46 HCF.

We were asked to determine an equity surcharge that would offset the adverse impacts of combining the two water systems on Town customers. Because there appears to be no adverse

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<sup>1</sup> 2007 *Water and Sewer Replacement Study*, Nipomo Community Services District, prepared by Boyle Engineering, April 2008.



impact to Town customers (from a rate perspective) associated with combining the two water systems no equity surcharge has been included in the analysis.

### *General Financial Plan Assumptions and Underlying Information*

The financial plan models are based on FY 08-09 budgets and beginning of year fund/reserve balances. Operating and maintenance costs are increased annually at the rate of assumed inflation, except as noted below. Exhibit 2 summarizes a number of financial, customer account, water usage, and water supply assumptions used to develop each of the three financial plans. Specific comments regarding assumptions include:

- *Supplemental Water* - Supplemental water deliveries are assumed to begin in January 2011. A preliminary estimate of the net cost associated with water purchase and delivery (including pumping) was estimated by the District to be \$39 per equivalent meter per month. This should be viewed as a placeholder estimate only. No capital costs, or associated debt service, are reflected in the financial analysis.
- *Groundwater/Supplemental Water Supply Mix* - Analyses assume a supply mix of 44 percent groundwater and 56 percent supplemental water when supplemental water deliveries begin in January 2011. Energy costs for groundwater pumping have been reduced accordingly.
- *Capital Replacement Costs* - The financial plans include annual transfers from the Operating Fund to the Funded Replacement Fund based on recommendations contained in the recent *Replacement Study*. Transfer amounts are based on the Service Life Savings Program (Model 2), although funding is phased in and does not reach the full levels recommended until FY 12-13.
- *Blacklake Booster Station Rehabilitation Project* - The financial plan for a stand-alone Blacklake water system includes this \$800,000 project in FY 09-10. Because funds are not available for this project, debt financing would likely be required for most of the project. Financing assumptions are shown at the bottom of Exhibit 2. About \$140,000 of the project's costs would be covered by reserves in the Blacklake Funded Replacement Fund.
- *Funded Replacement Funds* - The Funded Replacement Funds for each water utility are not shown in the financial plan exhibits. While the *Master Plan Update*<sup>2</sup> identified projects needed to rehabilitate and upgrade the water systems, no timeline for constructing these projects has been provided. In preparing the financial plans I did the following:
  - Ensured sufficient funds to complete capital projects budgeted for FY 08-09
  - Incorporated the financing needed for the Blacklake Booster Station project (see above)
  - Built in the transfers from Operating Funds to the Funded Replacement Funds (see above). It is assumed that capital projects undertaken during the planning period would be limited to those that this funding would support.

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<sup>2</sup> *Water and Sewer Master Plan Update*, Nipomo Community Services District, prepared by Cannon Associates, December 2007.



- *Customer Account and Water Usage Data* – Data on the number of customer accounts (by customer class and meter size) were not updated from the 2007 financial planning study. However, FY 07-08 water usage data was obtained and analyzed to update water usage by customer class and by tier for single-family customers. Water rate revenue estimates are based on this data.
- *Operating Reserve* – Current District policy is to maintain an operating reserve in the Operating Fund equal to 50 percent of annual operating and maintenance costs. The reserve target calculation excludes general and administrative costs, transfers to the Funded Replacement Fund, and debt service costs. At present, the Blacklake water system is well below the target minimum, while the Town water system is well above the target minimum.

The delivery of supplemental water will introduce a new and significant operational cost to each water system. The increase in operating costs creates the need for a larger operating reserve. Rather than fully funding a larger operating reserve at the same time supplemental costs begin, I have allowed the operating reserve to be below target levels for a one-year period. For all practical purposes, minimum operating reserves are re-established by the end of FY 12-13.

- *Combined Water System Financial Plan* – The beginning balance (July 1, 2009) for the combined water system is based on the sum of the ending balance (June 30, 2009) for both the Blacklake and Town water systems. Operating and maintenance costs, non-rate revenues, debt service, and replacement transfers of combined water system are based on the sum of these amounts from each stand-alone system<sup>3</sup>. The one exception is the exclusion of debt service associated with the Blacklake Booster Station Rehabilitation project. That project would not be needed if the two water systems are combined.

#### *Financial Plan Exhibits*

Exhibits 3, 4, and 5 present the financial plans for the stand-alone Blacklake water system, the stand-alone Town water system, and the combined water system, respectively. These exhibits are in a format similar to previous financial planning analyses.

It should be noted that rate increases are scheduled for January of each year, or midway through each fiscal year. Therefore, fiscal year revenue increases do not directly correspond to the calendar year rate increases. In addition, with the last rate increase in January 2013, revenues at that time should slightly exceed annual costs. So while the fund balance at the end of FY 12-13 is very close to the minimum operating reserve target, the rates in place at that time should result in positive net income.

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I look forward to the opportunity to discuss the results of these analyses with you and the Board of Directors during the Board meeting scheduled for October 8, 2008.

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<sup>3</sup> Some operational efficiencies may be gained as a result of combining the two water systems. However, no attempt was made to identify or quantify them.



Exhibit 1 Nipomo Community Services District						
Current and Estimated Future Water Rates - Blacklake Division						
	Previously Approved (1)		Estimated Future Water Rates			
	Jan. 1, 2008	Jan. 1, 2009	Jan. 1, 2010	Jan. 1, 2011	Jan. 1, 2012	Jan. 1, 2013
		18%	40%	40%	10%	5%
<b>Bi-Monthly Service Charges</b>						
Up to 1"	\$ 26.06	\$ 30.75	\$ 43.05	\$ 60.27	\$ 66.30	\$ 69.62
1 1/2"	\$ 72.08	\$ 85.06	\$ 119.08	\$ 166.71	\$ 183.38	\$ 192.55
2"	\$ 113.57	\$ 134.01	\$ 187.61	\$ 262.65	\$ 288.92	\$ 303.37
3"	\$ 210.43	\$ 248.31	\$ 347.63	\$ 486.68	\$ 535.35	\$ 562.12
4"	\$ 348.78	\$ 411.56	\$ 576.18	\$ 806.65	\$ 887.32	\$ 931.69
6"	\$ 694.34	\$ 819.32	\$ 1,147.05	\$ 1,605.87	\$ 1,766.46	\$ 1,854.78
8"	\$ 1,109.18	\$ 1,308.83	\$ 1,832.36	\$ 2,565.30	\$ 2,821.83	\$ 2,962.92
<b>Water Usage Rates (\$/HCF)</b>						
Single Family Residential						
Tier 1 (0-40 HCF)	\$ 1.68	\$ 1.98	\$ 2.77	\$ 3.88	\$ 4.27	\$ 4.48
Tier 2 (>40 HCF)	\$ 2.94	\$ 3.47	\$ 4.86	\$ 6.80	\$ 7.48	\$ 7.85
Multi-Family and Non-Resid.						
All Water Usage	\$ 2.04	\$ 2.41	\$ 3.37	\$ 4.72	\$ 5.19	\$ 5.45
<b>Notes:</b>						
(1) Previously adopted with Ordinance 2005-103. Litigation charge related to groundwater issues not shown.						
Current and Estimated Future Water Rates - Town Division						
	Previously Approved (1)		Estimated Future Water Rates			
	Jan. 1, 2008	Jan. 1, 2009	Jan. 1, 2010	Jan. 1, 2011	Jan. 1, 2012	Jan. 1, 2013
		8%	30%	30%	15%	5%
<b>Bi-Monthly Service Charges</b>						
Up to 1"	\$ 22.71	\$ 24.52	\$ 31.88	\$ 41.44	\$ 47.66	\$ 50.04
1 1/2"	\$ 64.46	\$ 69.61	\$ 90.49	\$ 117.64	\$ 135.29	\$ 142.05
2"	\$ 102.09	\$ 110.25	\$ 143.33	\$ 186.33	\$ 214.28	\$ 224.99
3"	\$ 189.95	\$ 205.15	\$ 266.70	\$ 346.71	\$ 398.72	\$ 418.66
4"	\$ 315.45	\$ 340.68	\$ 442.88	\$ 575.74	\$ 662.10	\$ 695.21
6"	\$ 628.91	\$ 679.22	\$ 882.99	\$ 1,147.89	\$ 1,320.07	\$ 1,386.07
8"	\$ 1,005.21	\$ 1,085.63	\$ 1,411.32	\$ 1,834.72	\$ 2,109.93	\$ 2,215.43
<b>Water Usage Rates (\$/HCF)</b>						
Single Family Residential						
Tier 1 (0-40 HCF)	\$ 1.52	\$ 1.64	\$ 2.13	\$ 2.77	\$ 3.19	\$ 3.35
Tier 2 (>40 HCF)	\$ 2.59	\$ 2.80	\$ 3.64	\$ 4.73	\$ 5.44	\$ 5.71
Multi-Family and Non-Resid.						
All Water Usage	\$ 1.91	\$ 2.06	\$ 2.68	\$ 3.48	\$ 4.00	\$ 4.20
<b>Notes:</b>						
(1) Previously adopted with Ordinance 2005-103. Litigation charge related to groundwater issues not shown.						
Estimated Future Water Rates - Combined Water Systems						
	Prev. Adptd. (1)		Estimated Combined Water System Water Rates			
	Jan. 1, 2009	Jan. 1, 2010	Jan. 1, 2011	Jan. 1, 2012	Jan. 1, 2013	
			28%	28%	15%	5%
<b>Bi-Monthly Service Charges</b>						
Up to 1"	\$ 24.52	\$ 31.39	\$ 40.18	\$ 46.21	\$ 48.52	
1 1/2"	\$ 69.61	\$ 89.10	\$ 114.05	\$ 131.16	\$ 137.72	
2"	\$ 110.25	\$ 141.12	\$ 180.63	\$ 207.72	\$ 218.11	
3"	\$ 205.15	\$ 262.59	\$ 336.12	\$ 386.54	\$ 405.87	
4"	\$ 340.68	\$ 436.07	\$ 558.17	\$ 641.90	\$ 674.00	
6"	\$ 679.22	\$ 869.40	\$ 1,112.83	\$ 1,279.75	\$ 1,343.74	
8"	\$ 1,085.63	\$ 1,389.61	\$ 1,778.70	\$ 2,045.51	\$ 2,147.79	
<b>Water Usage Rates (\$/HCF)</b>						
Single Family Residential						
Tier 1 (0-40 HCF)	\$ 1.64	\$ 2.10	\$ 2.69	\$ 3.09	\$ 3.24	
Tier 2 (>40 HCF)	\$ 2.80	\$ 3.58	\$ 4.58	\$ 5.27	\$ 5.53	
Multi-Family and Non-Resid.						
All Water Usage	\$ 2.06	\$ 2.64	\$ 3.38	\$ 3.89	\$ 4.08	
<b>Notes:</b>						
(1) Previously adopted for the Town Division with Ordinance 2005-103. Assumed to apply for a combined water system until new rates are adopted. Litigation charge related to groundwater issues not shown.						
Impact of Consolidation on Single Family Water Bills						
	Single Family Bi-Monthly Water Bills w/ Average Usage (1)					
	CY 2008	CY 2009 (2)	CY 2010	CY 2011	CY 2012	CY 2013
Blacklake w/o Consolidation	\$ 117.22	\$ 137.09	\$ 189.33	\$ 262.59	\$ 288.30	\$ 302.24
Town w/o Consolidation	\$ 105.37	\$ 113.24	\$ 145.24	\$ 186.94	\$ 214.22	\$ 224.62
Combined Water System		\$ 113.24	\$ 143.19	\$ 181.58	\$ 207.75	\$ 217.62
<b>Notes:</b>						
(1) Assumes 1" water meter, 46 HCF, and continuation of litigation charge.						
(2) Consolidation assumed to occur in July 2009.						



<b>Exhibit 2</b>							
<b>Nipomo Community Services District</b>							
<b>Summary of Financial Plan Assumptions</b>							
	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	<b>FY 12-13</b>
<b>General Assumptions</b>							
Interest Earnings			3.0%	3.5%	4.0%	4.0%	4.0%
General Inflation			3.0%	3.0%	3.0%	3.0%	3.0%
Construction Inflation			5.0%	5.0%	5.0%	5.0%	5.0%
Operating Reserve	50% of annual O&M expenditures (excludes G&A, replac. transfers, and debt service)						
Customer Growth Rate							
Town Division		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Blacklake Division		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Combined Water System		0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Water Conservation Factor		-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Unaccounted for Losses	10%	10%	10%	10%	10%	10%	10%
<b>Customer Account and Water Usage</b>							
No. of Customer Accounts							
Town Division	3,428	3,462	3,497	3,532	3,567	3,603	3,639
Blacklake Division	589	589	589	589	589	589	589
Total Accounts	4,017	4,051	4,086	4,121	4,156	4,192	4,228
No. of 1" Equiv. Meters							
Town Division	3,579	3,615	3,651	3,688	3,725	3,762	3,799
Blacklake Division	636	636	636	636	636	636	636
Total Equiv. Mtrs.	4,215	4,251	4,287	4,323	4,360	4,397	4,435
Water Sales (HCF)							
Town Division	823,393	827,000	831,000	835,000	839,000	843,000	847,000
Blacklake Division	115,648	115,100	114,500	113,900	113,300	112,700	112,100
Total Water Sales	939,041	942,100	945,500	948,900	952,300	955,700	959,100
<b>Water Supplies</b>							
Groundwater	100%	100%	100%	100%	78%	44%	44%
Town Division	914,881	919,000	923,000	928,000	723,000	412,000	414,000
Blacklake Division	128,498	128,000	127,000	127,000	98,000	55,000	55,000
Total Groundwater (HCF)	1,043,379	1,047,000	1,050,000	1,055,000	821,000	467,000	469,000
Total Groundwater (AF)	2,395	2,404	2,410	2,422	1,885	1,072	1,077
Supplemental Water	0%	0%	0%	0%	22%	56%	56%
Town Division	-	-	-	-	209,000	525,000	527,000
Blacklake Division	-	-	-	-	28,000	70,000	70,000
Total Suppl. Water (HCF)	-	-	-	-	237,000	595,000	597,000
Total Suppl. Water (AF)	-	-	-	-	544	1,366	1,371
Total Water Supplies (AF)	2,395	2,404	2,410	2,422	2,429	2,438	2,447
Net Suppl. Water O&M Cost (\$/Eq.Mtr. Per month)					\$ 39	\$ 39	\$ 39
<b>Financing Assumptions for Blacklake Booster Station Rehab. Project (stand alone system)</b>							
Par Amount	\$ 750,000						
Interest Rate	5.5%						
Term	30						
Issuance Costs	5%						
Net Proceeds	\$ 661,000						
Annual Payment	\$ 51,600						



<b>Exhibit 3</b>							
<b>Nipomo Community Services District</b>							
<b>Blacklake Water Division Financial Plan</b>							
	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	<b>FY 12-13</b>
	<b>Actual</b>	<b>Est. Actual</b>	<b>Budget</b>				
	<b>CY Rate Increases --&gt;</b>		<b>18%</b>	<b>40%</b>	<b>40%</b>	<b>10%</b>	<b>5%</b>
<b>OPERATING FUND (Fund 140)</b>							
<b>Beginning Balance</b>	(56,294)	41,449	58,000	60,040	90,560	150,650	216,930
<b>Revenues</b>							
Water Availability Charges	96,830	111,083	131,000	168,000	235,000	288,000	310,000
Water Usage Charges	262,297	288,390	348,000	403,000	561,000	699,000	750,000
Fee and Penalties	2,320	1,000	2,200	2,300	2,400	2,500	2,600
Meter & Connection Fees	-	-	-	-	-	-	-
Plan Check & Insp. Fees	-	-	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-	-	-
Interest Earnings	-	-	-	2,100	3,600	6,000	8,700
<b>Total Revenue</b>	<b>361,447</b>	<b>400,473</b>	<b>481,200</b>	<b>575,400</b>	<b>802,000</b>	<b>995,500</b>	<b>1,071,300</b>
<b>Expenditures</b>							
<b>Operations &amp; Maintenance</b>							
Wages	41,862	48,000	51,355	52,900	54,500	56,100	57,800
Wages - Overtime	8,814	10,000	10,540	10,900	11,200	11,500	11,800
Payroll Taxes	957	1,200	1,330	1,370	1,410	1,450	1,490
Retirement	11,865	14,000	17,780	18,300	18,800	19,400	20,000
Medical and Dental	12,796	15,000	18,735	19,300	19,900	20,500	21,100
Workers Comp. Insurance	2,981	3,600	4,120	4,200	4,300	4,400	4,500
Electricity - Pumping	52,378	90,000	94,500	97,300	77,300	44,700	46,000
Natural Gas - Pumping	-	-	-	-	-	-	-
Supplemental Water	-	-	-	-	148,700	297,500	297,500
Chemicals	2,534	2,500	3,000	3,100	3,200	3,300	3,400
Lab Tests and Sampling	3,803	4,500	6,000	6,200	6,400	6,600	6,800
Operating Supplies	9,776	13,000	25,000	25,800	26,600	27,400	28,200
Outside Services	8,273	5,000	5,640	5,800	6,000	6,200	6,400
Permits and Operating Fees	1,217	1,400	1,600	1,650	1,700	1,750	1,800
Repairs and Maintenance	11,086	15,000	32,850	33,800	34,800	35,800	36,900
Repairs and Maint. - Vehicles	687	700	960	990	1,020	1,050	1,080
Engineering	-	11,000	500	520	540	560	580
Fuel	2,007	2,700	3,200	3,300	3,400	3,500	3,600
Paging and Cellular Services	413	500	575	590	610	630	650
Meters - New Installations	-	-	-	-	-	-	-
Meters - Replac. Program	-	-	4,500	4,600	4,700	4,800	4,900
Uniforms	405	500	590	610	630	650	670
Wtr. Conserv./Recyc. Program	868	5,300	20,735	21,400	22,000	22,700	23,400
Trans. To Funded Replac.	-	-	-	-	56,430	115,240	172,000
<b>Total Oper. &amp; Maint.</b>	<b>172,722</b>	<b>243,900</b>	<b>303,510</b>	<b>312,630</b>	<b>504,140</b>	<b>685,730</b>	<b>750,570</b>
<b>General &amp; Administration</b>							
Wages	13,066	19,500	17,035	17,500	18,000	18,500	19,100
Payroll Taxes	405	350	295	300	310	320	330
Retirement	2,966	4,500	4,950	5,100	5,300	5,500	5,700
Medical and Dental	2,072	3,100	3,400	3,500	3,600	3,700	3,800
Other Post-Empl. Benes. (OPEB)	-	-	7,910	8,100	8,300	8,500	8,800
Workers Comp. Insurance	117	160	155	160	160	160	160
Audit	296	560	595	610	630	650	670
Bank Charges and Fees	-	-	-	-	-	-	-
Computer Expense	1,949	2,000	3,290	3,400	3,500	3,600	3,700
Director Fees	1,330	1,400	1,765	1,800	1,900	2,000	2,100
Dues and Subscriptions	725	1,100	840	870	900	930	960
Education and Training	436	700	2,450	2,500	2,600	2,700	2,800
Elections	292	-	350	360	370	380	390
Insurance - Liability	2,124	2,500	2,765	2,800	2,900	3,000	3,100
Landscape and Janitorial	1,698	1,800	2,230	2,300	2,400	2,500	2,600
Legal - Gen. & Spec. Counsel	420	15,000	11,500	11,800	12,200	12,600	13,000
Legal - Water Counsel	20,812	12,500	13,500	13,900	14,300	14,700	15,100
Professional Services	20,919	40,000	43,600	44,900	46,200	47,600	49,000
Miscellaneous	300	500	500	520	540	560	580
Newsletter and Mailers	-	200	770	790	810	830	850
Office Supplies	1,201	900	1,350	1,390	1,430	1,470	1,510
Outside Services	407	350	1,715	1,800	1,900	2,000	2,100
Postage	1,052	1,400	1,570	1,620	1,670	1,720	1,770
Public Notices	170	500	1,000	1,030	1,060	1,090	1,120
Repairs and Maint. - Office Equip.	96	400	500	520	540	560	580
Property Taxes	-	-	-	-	-	-	-
Telephone	660	800	915	940	970	1,000	1,030
Travel and Mileage	673	600	1,400	1,440	1,480	1,520	1,570
Trans. To Funded Administration	16,796	21,202	37,990	39,100	40,300	41,500	42,700
<b>Total Oper. &amp; Maint.</b>	<b>90,982</b>	<b>132,022</b>	<b>164,340</b>	<b>169,050</b>	<b>174,270</b>	<b>179,590</b>	<b>185,120</b>
<b>Other Expenditures</b>							
Booster Station Debt Service	-	-	-	51,600	51,600	51,600	51,600
Fixed Asset Purchases	-	8,000	11,310	11,600	11,900	12,300	12,700
<b>Total Other Expenditures</b>	<b>-</b>	<b>8,000</b>	<b>11,310</b>	<b>63,200</b>	<b>63,500</b>	<b>63,900</b>	<b>64,300</b>
<b>Total Expenditures</b>	<b>263,704</b>	<b>383,922</b>	<b>479,160</b>	<b>544,880</b>	<b>741,910</b>	<b>929,220</b>	<b>999,990</b>
<b>Ending Balance</b>							
Operating Reserve (50% of O&M)	86,000	122,000	152,000	156,000	224,000	285,000	289,000
Uncommitted Fund Balance	(44,551)	(64,000)	(91,960)	(65,440)	(73,350)	(68,070)	(760)



<b>Exhibit 4</b>							
<b>Nipomo Community Services District</b>							
<b>Town Water Division Financial Plan</b>							
	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13
	Actual	Est. Actual	Budget				
	CY Rate	Increases -->	8%	30%	30%	15%	5%
<b>OPERATING FUND (Fund 140)</b>							
<i>Beginning Balance</i>	944,266	1,526,043	1,803,000	1,372,650	1,235,380	1,173,460	1,214,190
<i>Revenues</i>							
Water Availability Charges	545,647	605,253	642,000	768,000	1,008,000	1,237,000	1,369,000
Water Usage Charges	1,740,368	1,824,004	2,007,000	2,257,000	2,949,000	3,648,000	4,058,000
Fee and Penalties	43,923	39,000	40,000	41,200	42,400	43,700	45,000
Meter & Connection Fees	8,483	12,750	6,875	7,100	7,300	7,500	7,700
Plan Check & Insp. Fees	-	-	-	-	-	-	-
Miscellaneous Income	33,688	41,000	26,200	27,000	27,800	28,600	29,500
Interest Earnings	-	63,000	49,000	48,000	49,400	46,900	48,600
<b>Total Revenue</b>	<b>2,372,109</b>	<b>2,585,007</b>	<b>2,771,075</b>	<b>3,148,300</b>	<b>4,083,900</b>	<b>5,011,700</b>	<b>5,557,800</b>
<i>Expenditures</i>							
<i>Operations &amp; Maintenance</i>							
Wages	143,085	165,000	167,500	174,300	181,300	188,600	196,200
Wages - Overtime	28,046	32,000	32,550	33,900	35,300	36,700	38,200
Payroll Taxes	4,318	4,300	4,500	4,700	4,900	5,100	5,300
Retirement	34,976	46,000	56,600	58,900	61,300	63,800	66,400
Medical and Dental	33,788	45,000	58,700	61,100	63,600	66,200	68,900
Workers Comp. Insurance	8,704	12,000	13,105	13,600	14,100	14,700	15,300
Electricity - Pumping	308,864	275,000	320,000	331,400	265,900	156,100	161,600
Natural Gas - Pumping	82,140	75,000	86,000	89,100	71,500	42,000	43,500
Supplemental Water	-	-	-	-	871,500	1,760,500	1,778,100
Chemicals	2,534	2,500	3,000	3,100	3,200	3,300	3,400
Lab Tests and Sampling	15,585	12,000	25,000	26,000	27,000	28,100	29,200
Operating Supplies	57,851	82,000	75,000	78,000	81,100	84,400	87,800
Outside Services	36,257	30,000	32,710	34,000	35,400	36,800	38,300
Permits and Operating Fees	7,495	7,200	7,600	7,900	8,200	8,500	8,800
Repairs and Maintenance	164,244	142,000	180,750	188,000	195,600	203,500	211,700
Repairs and Maint. - Vehicles	5,226	5,000	7,200	7,500	7,800	8,100	8,400
Engineering	11,712	35,000	10,000	10,400	10,800	11,200	11,700
Fuel	15,055	19,000	23,760	24,700	25,700	26,700	27,800
Paging and Cellular Services	3,095	3,500	4,320	4,500	4,700	4,900	5,100
Meters - New Installations	3,739	15,000	20,000	20,800	21,600	22,500	23,400
Meters - Replac. Program	22,620	16,000	40,000	41,600	43,300	45,000	46,800
Uniforms	3,038	3,800	4,400	4,600	4,800	5,000	5,200
Wtr. Conserv./Recyc. Program	6,120	30,000	117,500	122,200	127,100	132,200	137,500
Trans. To Funded Replac.	88,000	392,000	750,000	750,000	750,000	750,000	960,000
Total Oper. & Maint.	1,086,492	1,449,300	2,040,195	2,090,300	2,915,700	3,703,900	3,978,600
<i>General &amp; Administration</i>							
Wages	84,564	130,000	180,800	186,200	191,800	197,600	203,500
Payroll Taxes	2,182	2,500	3,100	3,200	3,300	3,400	3,500
Retirement	20,842	40,000	52,500	54,100	55,700	57,400	59,100
Medical and Dental	17,893	28,000	36,150	37,200	38,300	39,400	40,600
Other Post-Emp. Benes. (OPEB)	-	-	56,500	58,200	59,900	61,700	63,600
Workers Comp. Insurance	765	1,200	1,650	1,700	1,750	1,800	1,850
Audit	2,113	4,000	4,250	4,400	4,500	4,600	4,700
Bank Charges and Fees	600	400	600	620	640	660	680
Computer Expense	13,995	15,000	23,500	24,200	24,900	25,600	26,400
Director Fees	9,500	9,825	12,600	13,000	13,400	13,800	14,200
Dues and Subscriptions	5,087	7,800	6,000	6,200	6,400	6,600	6,800
Education and Training	2,876	7,000	17,500	18,000	18,500	19,100	19,700
Elections	2,086	-	2,500	2,600	2,700	2,800	2,900
Insurance - Liability	15,173	17,500	19,750	20,300	20,900	21,500	22,100
Landscape and Janitorial	3,558	4,500	6,500	6,700	6,900	7,100	7,300
Legal - Gen. & Spec. Counsel	172,922	55,000	62,500	64,400	66,300	68,300	70,300
Legal - Water Counsel	109,264	70,000	76,500	78,800	81,200	83,600	86,100
Professional Services	70,476	200,000	154,250	158,900	163,700	168,600	173,700
Miscellaneous	523	400	500	520	540	560	580
Newsletter and Mailers	-	1,500	5,500	5,700	5,900	6,100	6,300
Office Supplies	8,579	7,500	9,500	9,800	10,100	10,400	10,700
Outside Services	2,169	2,000	12,250	12,600	13,000	13,400	13,800
Postage	7,824	9,000	11,660	12,000	12,400	12,800	13,200
Public Notices	970	-	1,000	1,030	1,060	1,090	1,120
Repairs and Maint. - Office Equip.	684	3,000	3,570	3,700	3,800	3,900	4,000
Property Taxes	812	930	1,065	1,100	1,130	1,160	1,190
Telephone	2,018	2,900	3,300	3,400	3,500	3,600	3,700
Travel and Mileage	4,492	4,000	10,000	10,300	10,600	10,900	11,200
Trans. To Funded Administration	125,973	159,020	284,925	293,500	302,300	311,400	320,700
Total Oper. & Maint.	687,940	782,975	1,060,420	1,092,370	1,125,120	1,158,870	1,193,520
<i>Other Expenditures</i>							
Wtr. Rev. Bond Debt Service	15,900	15,775	16,000	15,500	15,000	15,500	15,950
Fixed Asset Purchases	-	60,000	84,810	87,400	90,000	92,700	95,500
Total Other Expenditures	15,900	75,775	100,810	102,900	105,000	108,200	111,450
<b>Total Expenditures</b>	<b>1,790,332</b>	<b>2,308,050</b>	<b>3,201,425</b>	<b>3,285,570</b>	<b>4,145,820</b>	<b>4,970,970</b>	<b>5,283,570</b>
<b>Ending Balance</b>	<b>1,526,043</b>	<b>1,803,000</b>	<b>1,372,650</b>	<b>1,235,380</b>	<b>1,173,460</b>	<b>1,214,190</b>	<b>1,488,420</b>
Operating Reserve (50% of O&M)	499,000	529,000	645,000	670,000	1,083,000	1,477,000	1,509,000
Uncommitted Fund Balance	1,027,043	1,274,000	727,650	565,380	90,460	(262,810)	(20,580)



Exhibit 5 Nipomo Community Services District Combined Water System Financial Plan					
		FY 09-10	FY 10-11	FY 11-12	FY 12-13
	CY Rate Increases -->	28%	28%	15%	5%
<b>OPERATING FUND (Fund 140)</b>					
<i>Beginning Balance</i>		1,432,690	1,463,820	1,480,720	1,555,810
<b>Revenues</b>					
Water Availability Charges		999,000	1,264,000	1,541,000	1,706,000
Water Usage Charges		2,684,000	3,452,000	4,243,000	4,728,000
Fee and Penalties		43,500	44,800	46,100	47,500
Meter & Connection Fees		7,100	7,300	7,500	7,700
Plan Check & Insp. Fees		-	-	-	-
Miscellaneous Income		27,000	27,800	28,600	29,500
Interest Earnings		50,100	58,600	59,200	62,200
Blacklake Equity Surcharge		-	-	-	-
<b>Total Revenue</b>		<b>3,810,700</b>	<b>4,854,500</b>	<b>5,925,400</b>	<b>6,580,900</b>
<b>Expenditures</b>					
<i>Operations &amp; Maintenance</i>					
Wages		227,300	236,100	245,300	254,800
Wages - Overtime		44,800	46,500	48,300	50,200
Payroll Taxes		6,100	6,300	6,500	6,800
Retirement		77,300	80,300	83,400	86,600
Medical and Dental		80,400	83,500	86,700	90,100
Workers Comp. Insurance		17,900	18,600	19,300	20,000
Electricity - Pumping		429,000	343,900	201,500	208,400
Natural Gas - Pumping		89,000	71,300	41,800	43,200
Supplemental Water		-	1,020,300	2,058,000	2,075,600
Chemicals		6,200	6,400	6,600	6,900
Lab Tests and Sampling		32,200	33,400	34,700	36,000
Operating Supplies		103,900	107,900	112,100	116,500
Outside Services		39,800	41,300	42,900	44,600
Permits and Operating Fees		9,600	10,000	10,400	10,800
Repairs and Maintenance		221,900	230,500	239,400	248,700
Repairs and Maint. - Vehicles		8,500	8,800	9,100	9,500
Engineering		10,900	11,300	11,700	12,200
Fuel		28,000	29,100	30,200	31,400
Paging and Cellular Services		5,100	5,300	5,500	5,700
Meters - New Installations		20,800	21,600	22,400	23,300
Meters - Replac. Program		46,200	48,000	49,900	51,800
Uniforms		5,200	5,400	5,600	5,800
Wtr. Conserv./Recyc. Program		143,600	149,200	155,000	161,000
Trans. To Funded Replac.		750,000	806,430	865,240	1,132,000
<b>Total Oper. &amp; Maint.</b>		<b>2,403,700</b>	<b>3,421,430</b>	<b>4,391,540</b>	<b>4,731,900</b>
<i>General &amp; Administration</i>					
Wages		203,800	209,900	216,200	222,700
Payroll Taxes		3,500	3,600	3,700	3,800
Retirement		59,200	61,000	62,800	64,700
Medical and Dental		40,700	41,900	43,200	44,500
Other Post-Emp. Benes. (OPEB)		66,300	68,300	70,300	72,400
Workers Comp. Insurance		1,860	1,920	1,980	2,040
Audit		5,000	5,200	5,400	5,600
Bank Charges and Fees		620	640	660	680
Computer Expense		27,600	28,400	29,300	30,200
Director Fees		14,800	15,200	15,700	16,200
Dues and Subscriptions		7,000	7,200	7,400	7,600
Education and Training		20,500	21,100	21,700	22,400
Elections		2,900	3,000	3,100	3,200
Insurance - Liability		23,200	23,900	24,600	25,300
Landscape and Janitorial		9,000	9,300	9,600	9,900
Legal - Gen. & Spec. Counsel		76,200	78,500	80,900	83,300
Legal - Water Counsel		92,700	95,500	98,400	101,400
Professional Services		203,800	209,900	216,200	222,700
Miscellaneous		1,030	1,060	1,090	1,120
Newsletter and Mailers		6,500	6,700	6,900	7,100
Office Supplies		11,200	11,500	11,800	12,200
Outside Services		14,400	14,800	15,200	15,700
Postage		13,600	14,000	14,400	14,800
Public Notices		2,060	2,120	2,180	2,250
Repairs and Maint. - Office Equip.		4,200	4,300	4,400	4,500
Property Taxes		1,100	1,130	1,160	1,190
Telephone		4,300	4,400	4,500	4,600
Travel and Mileage		11,700	12,100	12,500	12,900
Trans. To Funded Administration		332,600	342,600	352,900	363,500
<b>Total Oper. &amp; Maint.</b>		<b>1,261,370</b>	<b>1,299,170</b>	<b>1,338,170</b>	<b>1,378,480</b>
<i>Other Expenditures</i>					
Wtr. Rev. Bond Debt Service		15,500	15,000	15,500	15,950
Fixed Asset Purchases		99,000	102,000	105,100	108,300
<b>Total Other Expenditures</b>		<b>114,500</b>	<b>117,000</b>	<b>120,600</b>	<b>124,250</b>
<b>Total Expenditures</b>		<b>3,779,570</b>	<b>4,837,600</b>	<b>5,850,310</b>	<b>6,234,630</b>
<b>Ending Balance</b>		<b>1,463,820</b>	<b>1,480,720</b>	<b>1,555,810</b>	<b>1,902,080</b>
Operating Reserve (50% of O&M)		827,000	1,308,000	1,763,000	1,800,000
Uncommitted Fund Balance		636,820	172,720	(207,190)	102,080



Financial information used in preparing the District's audited financial statements ending June 30, 2006 was used for the equity analysis. **Exhibit III-5** presents asset and financial resource information and the resulting calculation of a proposed equity surcharge.

Exhibit III-5  
Nipomo Community Services District  
Summary of Water System Assets and Financial Reserves as of June 30, 2006

	Town Division				Blacklake Division		
	Water Operating Town (Fund 120)	Water Capacity (Fund 700)	Funded Depreciation Town Water (Fund 800)	Town Division Totals	Water Operating Blacklake (Fund 140)	Funded Depreciation Blacklake Water (Fund 820)	Blacklake Division Totals
<b>Water System Assets</b>							
1520 Water - Pumping	\$ 1,598,264	\$ 774,742	\$ 192,373	\$ 2,565,379	\$ 1,576,268	\$ 39,670	\$ 1,615,938
1525 Water - Transmission	\$ 1,157,964	\$ 1,238,291		\$ 2,396,255			\$ -
1530 Water - Distribution	\$ 475,714	\$ 79,365	\$ 116,603	\$ 671,682	\$ 68,047	\$ 2,749	\$ 70,796
1535 Water - Contributed	\$ 6,147,216			\$ 6,147,216	\$ 505,732		\$ 505,732
1540 Buildings	\$ 55,188			\$ 55,188			\$ -
1545 Machinery & Equipment	\$ 82,129		\$ 126,822	\$ 208,951	\$ 9,800	\$ 30,645	\$ 40,445
1550 Computer Equipment	\$ 65,759			\$ 65,759	\$ 7,442		\$ 7,442
1555 Office Furniture & Fixtures	\$ 9,310			\$ 9,310			\$ -
1560 Land and Land Rights	\$ 43,500	\$ 235,739		\$ 279,239			\$ -
1570 Vehicles	\$ 102,507			\$ 102,507	\$ 15,667		\$ 15,667
1590 Work in Progress		\$ 30,125		\$ 30,125		\$ 13,593	\$ 13,593
1595 Accumulated Depreciation	\$ (4,396,254)	\$ (371,827)	\$ (33,851)	\$ (4,801,932)	\$ (1,103,130)	\$ (4,104)	\$ (1,107,234)
<b>Book Value of Water System Assets</b>	<b>\$ 5,341,297</b>	<b>\$ 1,986,435</b>	<b>\$ 401,947</b>	<b>\$ 7,729,679</b>	<b>\$ 1,079,826</b>	<b>\$ 82,553</b>	<b>\$ 1,162,379</b>
<b>Financial Reserves</b>							
1099 Cash Balance	\$ 899,909	\$ 4,654,295	\$ 1,776,215	\$ 7,330,419	\$ (25,287)	\$ 491,609	\$ 466,322
1210 A/R - Utility Billing	\$ 36,852			\$ 36,852	\$ 30,479		\$ 30,479
1220 Unbilled A/R - Utility Billing	\$ 331,000			\$ 331,000	\$ 29,000		\$ 29,000
1240 Receivable - Other	\$ 9,902			\$ 9,902			\$ -
2135 Accrued Interest Receivable	\$ 10,750	\$ 51,732	\$ 19,919	\$ 82,401	\$ 90	\$ 5,514	\$ 5,604
2100 Accounts Payable	\$ (47,143)	\$ (4,594)		\$ (51,737)	\$ (11,333)	\$ (2,160)	\$ (13,493)
2110 Refunds Payable - MQ	\$ (939)			\$ (939)			\$ -
2120 Construction Meter Deposits	\$ (11,500)			\$ (11,500)			\$ -
2130 Compensated Absences Payable	\$ (23,005)			\$ (23,005)	\$ (2,397)		\$ (2,397)
2320 Accrued Wages	\$ (4,352)			\$ (4,352)	\$ (958)		\$ (958)
2450 Deposit - Pomeroy Water Line				\$ -	\$ (24,170)		\$ (24,170)
2510 Revenue Bonds - Current Portion	\$ (9,000)			\$ (9,000)			\$ -
2610 Revenue Bonds Payable	\$ (129,000)			\$ (129,000)			\$ -
<b>Financial Reserves</b>	<b>\$ 1,063,474</b>	<b>\$ 4,701,433</b>	<b>\$ 1,796,134</b>	<b>\$ 7,561,041</b>	<b>\$ (4,586)</b>	<b>\$ 494,963</b>	<b>\$ 490,377</b>
<b>Total of Assets and Reserves</b>	<b>\$ 6,404,771</b>	<b>\$ 6,687,868</b>	<b>\$ 2,198,081</b>	<b>\$ 15,290,720</b>	<b>\$ 1,075,240</b>	<b>\$ 577,516</b>	<b>\$ 1,652,756</b>
No. of Equivalent Meters				3,579			636
Water System Assets per Equivalent Meter				\$ 2,160			\$ 1,829
Financial Reserves per Equivalent Meter				\$ 2,112			\$ 772
Total Assets and Reserves per Equivalent Meter				\$ 4,272			\$ 2,600
<b>Alternative Bi-Monthly Payments Over:</b>							
	<b>Lump Sum</b>	<b>1 Year</b>	<b>2 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>Interest</b>	
<b>Blacklake Equity Surcharge (\$/ Eq. Mtr.)</b>	\$ 1,672	\$ 286.82	\$ 146.98	\$ 63.21	\$ 35.52	5.0%	
<b>Annual Revenue from Each Alternative</b>	\$ 1,062,594	\$ 1,093,801	\$ 560,514	\$ 241,069	\$ 135,462		

The book value (original cost less accumulated depreciation) of water system assets of the Town Division totals about \$7.73 million. The book value of water system assets of the Blacklake Division totals about \$1.16 million. Cash reserves, adjusted for short term receivables, short term payables, deposits, and outstanding long-term debt, for the Town Division totals about \$7.56 million. Adjusted cash reserves for the Blacklake Division totals about \$490,000.

The denominator used to determine the equity surcharge is the number of 1" equivalent meters. This is similar to the number of accounts, but reflects the relative capacities of different meter sizes.



NIPOMO COMMUNITY SERVICES DISTRICT  
SUMMARY OF FUND 700 AS OF JUNE 30, 2008

	Water Capacity (Fund 700)
Water System Assets	
1520 - Water-Pumping	774,742
1525 - Water-Transmission	1,508,590
1530 - Water Distribution	79,365
1535 - Water Contributed	
1540 - Buildings	225,875
1545 - Machinery & Equipment	16,544
1550 - Computer Equipment	32,378
1555 - Office Furniture & Fixtures	36,445
1560 - Land & Land Rights	235,739
1570 - Vehicles	
1590 - Work in Process	7,645
1595 - Accumulated Depreciation	(518,511)
Book Value of water System Assets	<u>2,398,812</u>
 Financial Reserves	
1099 - Cash Balance	4,857,333
1210 - A/R - Utility Billing	
1220 - Unbilled A/r-Utility Billing	
1240 - Receivable - Other	
2135 - Accrued Interest Receivable	36,960
2100 - Accounts Payable	(1,455)
2110 - Refunds Payable - MQ	
2120 - Construction Meter Deposit	
2130 - Compensated Absences Payable	
2320 - Accrued Wages	
2450 - Deposit - Pomeroy Water Line	
2510 - Revenue Bonds - Current Portion	
2610 - Revenue Bonds Payable	
Financial Reserves	<u>4,892,838</u>
 Total of Assets and Reserves	<u>7,291,650</u>
Removal of Old Town Laterals	<u>(75,662)</u>
	<u>7,215,988</u>





# NIPOMO COMMUNITY SERVICES DISTRICT

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NIPOMO, CA 93444 - 0326  
(805) 929-1133 FAX (805) 929-1932  
Web site address [www.nipomocsd.com](http://www.nipomocsd.com)

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TO: HONORABLE BOARD  
FROM: BRUCE BUEL *BBB*  
DATE: AUGUST 11, 2008  
RE: FINANCE COMMITTEE BLACKLAKE WATER OPTIONS  
CC: JON SEITZ, LISA BOGNUDA

Attached is a set of minutes from the 8/8/08 Finance and Audit Committee Meeting. As set forth in the minutes the Committee discussed three options for calculating the buy-in charge that Blacklake Water Customers would pay prior to combining the two Water Divisions along with a 4<sup>th</sup> option to secure a legal analysis regarding any "implicit agreement" between the parties for NCSD to not collect a buy-in charge. Following is staff's calculation of the buy-in charge for the three collection options:

OPTION	CHARGE (per equivalent 1" Meter)
Book Value (Reed Modified)	\$359
Pat Eby Proposal	\$324
Larry Vierheilig II Proposal	\$435-\$445

Attached are worksheets for each of the Options.







## Comparative Bi-Monthly Rates for Town and Black Lake Water Systems

### Service Fee Comparison

Date Begun	Town Svc. Fee	BL Svc. Fee	Difference	Total \$\$	Comments
<b>Up to 1" meter</b>					
1/1/93	13.00	13.00	0.00	0	
7/1/99 <sup>1</sup>	17.50	13.00	4.50	7,763	3 Billings, 575 meters
1/1/00 <sup>1</sup>	17.50	13.00	4.50	15,525	6 Billings, 575 meters
1/1/01 <sup>1</sup>	17.50	13.00	4.50	15,525	6 Billings, 575 meters
1/1/02 <sup>1</sup>	17.50	13.00	4.50	16,605	6 Billings, 615 meters
1/1/03 <sup>2</sup>	17.50	13.00	4.50	16,605	6 Billings, 615 meters
1/1/04 <sup>2</sup>	19.26	16.22	3.04	11,218	6 Billings, 615 meters
1/1/05 <sup>2</sup>	21.04	17.86	3.18	5,867	3 Billings, 615 meters
8/1/05 <sup>2</sup>	23.08	21.41	1.67	3,186	3 Billings, 636 meters
1/1/06 <sup>2</sup>	24.75	24.42	0.33	1,259	6 Billings, 636 meters
1/1/07 <sup>2</sup>	26.96	28.04	-1.08	-4,121	6 Billings, 636 meters
1/1/08 <sup>2</sup>	29.03	32.38	-3.35	-12,784	6 Billings, 636 meters
<b>Total difference for Service Fees</b>				<b>\$76,648</b>	

<sup>1</sup> BL litigation charges for 1/2 of 1999 and 2000 - 2003 were taken from BL reserves

<sup>2</sup> Litigation fee of \$6.32 was applied to both Town and Blacklake water rates starting in 2003.

Total amount of litigation fees paid from Blacklake reserves is \$55,418

### Water Usage Rate Comparison

Date Begun	Town Use	BL Use	Difference	Total \$\$	Comments
1/1/93	0.75	0.75	0.00	0	Year of BL merger
7/1/99	0.80	0.75	0.05	3,278	3 Billings, 575 mtrs, 38 units
1/1/00	0.80	0.75	0.05	13,110	6 Billings, 575 mtrs, 38 units
1/1/01	0.85	0.75	0.10	13,110	6 Billings, 575 mtrs, 38 units
1/1/02	0.90	0.75	0.15	21,033	6 Billings, 615 mtrs, 38 units
1/1/03	0.95	0.75	0.20	28,044	6 Billings, 615 mtrs, 38 units
1/1/04	1.01	0.75	0.26	36,457	6 Billings, 615 mtrs, 38 units
1/1/05	1.07	0.75	0.32	22,435	6 Billings, 615 mtrs, 38 units
8/1/05	1.12	0.97	0.15	10,876	3 Billings, 636 mtrs, 38 units
1/1/06	1.23	1.16	0.07	10,151	6 Billings, 636 mtrs. 38 units
1/1/07	1.38	1.42	-0.04	-5,800	6 Billings, 636 mtrs. 38 units
1/1/08	1.52	1.68	-0.16	-23,201	6 Billings, 636 mtrs. 38 units

**Total Town and BL Water Usage Difference**

**\$129,491**

**Total Service Fees from above**

**\$76,648**

**Combined Total**

**\$206,139**

**Cost per 1" Equivalent meter**

**\$324 As of 12/31/08**

The service fees and rates above are extracted from NCS Water Rate History document

Reed 2005 report states median water use in Blacklake is 38 units per bi-monthly billing period.

Blacklake had ~575 1" equiv. meters prior to 2001; ~40 were added in 2001/2 and 21 in 2005.

**NOTE: If 2009 rates take effect, Blacklake rates are much higher and will rapidly decrease the amount owed.**

Prepared by Pat Eby 2/10/2008



## Comparative Bi-Monthly Rates for Town and Black Lake Water Systems

### Service Fee Comparison as of 6/30/2009

Date Begun	Town Svc. Fee	BL Svc. Fee	Difference	Total \$\$	Comments
<b>Up to 1" meter</b>					
1/1/93	13.00	13.00	0.00	0	
7/1/99 <sup>1</sup>	17.50	13.00	4.50	7,763	3 Billings, 575 meters
1/1/00 <sup>1</sup>	17.50	13.00	4.50	15,525	6 Billings, 575 meters
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1/1/06 <sup>2</sup>	24.75	24.42	0.33	1,259	6 Billings, 636 meters
1/1/07 <sup>2</sup>	26.96	28.04	-1.08	-4,121	6 Billings, 636 meters
1/1/08 <sup>2</sup>	29.03	32.38	-3.35	-12,784	6 Billings, 636 meters
1/1/09 <sup>2</sup>	30.84	37.07	-6.23	-11,887	3 Billings, 636 meters
<b>Total difference for Service Fees</b>				<b>\$64,761</b>	

<sup>1</sup> BL litigation charges for 1/2 of 1999 and 2000 - 2003 were taken from BL reserves

<sup>2</sup> Litigation fee of \$6.32 was applied to both Town and Blacklake water rates starting in 2003.

Total amount of litigation fees paid from Blacklake reserves is \$55,418

### Water Usage Rate Comparison

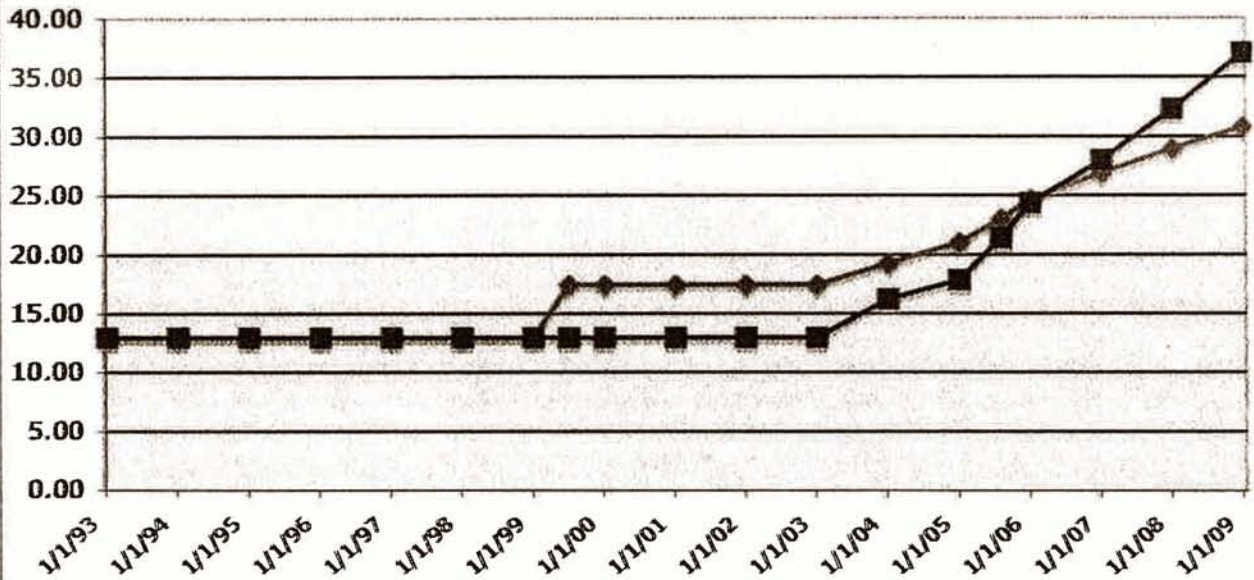
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1/1/07	1.38	1.42	-0.04	-5,800	6 Billings, 636 mtrs. 38 units
1/1/08	1.52	1.68	-0.16	-23,201	6 Billings, 636 mtrs. 38 units
1/1/09	1.64	1.98	-0.34	-24,651	3 Billings, 636 mtrs. 38 units
<b>Total Town and BL Water Usage Difference</b>				<b>\$104,840</b>	
<b>Total Service Fees from above</b>				<b>\$64,761</b>	
<b>Combined Total</b>				<b>\$169,601</b>	
<b>Cost per 1" Equivalent meter</b>				<b>\$267 As of 6/30/09</b>	

The service fees and rates above are extracted from NCS D Water Rate History document Reed 2005 report states median water use in Blacklake is 38 units per bi-monthly billing period. Blacklake had ~575 1" equiv. meters prior to 2001; ~40 were added in 2001/2 and 21 in 2005.

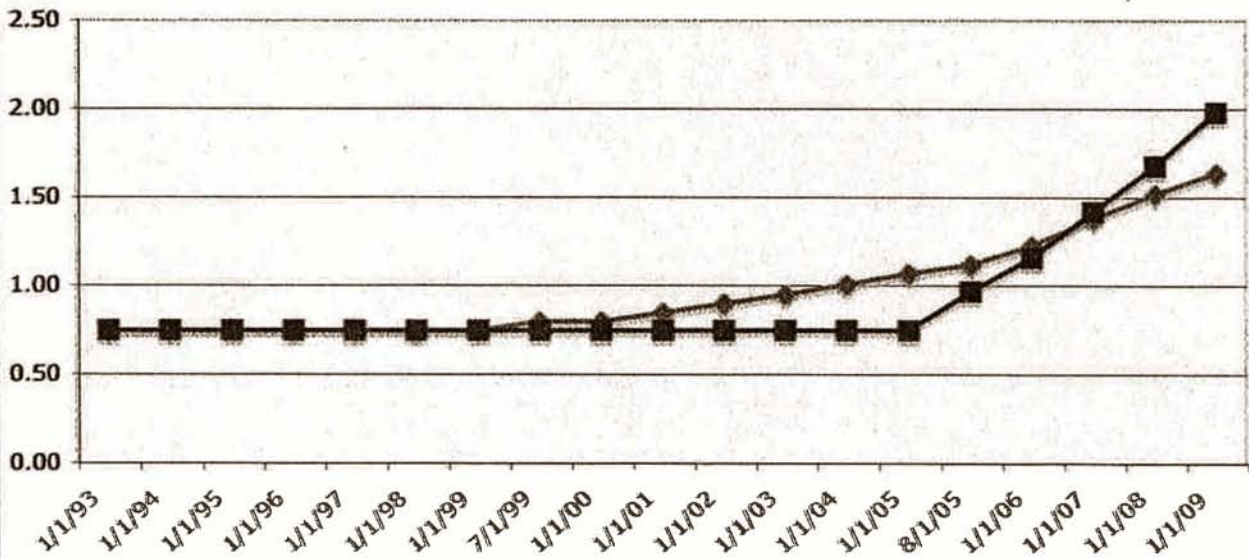
**NOTE: If 2009 rates take effect, Blacklake rates are much higher and will rapidly decrease the amount owed. Chart shows difference through 6/30/09**



**Water Service Fees Comparison**  
**Town in blue, Blacklake in red**



**Unit of Water Cost Comparison**





VIERHEILIG II PROPOSAL

7-Aug-08

Blacklake 5/31/08

	OPERATIONS	REPLACEMENT	TOTAL
REQUIRED	\$151,755	\$621,100	
AVAILABLE	\$26,183	\$274,704	
DIFFERENCE	\$125,572	\$346,396	\$471,968
CHARGE/1" METER (636 Equiv 1" Meters)		636	\$742.09

Town 5/31/08

	OPERATIONS	REPLACEMENT	TOTAL
REQUIRED	\$645,098	\$4,756,305	
AVAILABLE	\$1,764,265	\$2,341,433	
DIFFERENCE	(\$1,119,167)	\$2,414,872	\$1,295,705
CHARGE/1" METER		4215	\$307.40

Blacklake 6/30/06

	OPERATIONS	REPLACEMENT	TOTAL
REQUIRED	\$128,118	\$597,700	
AVAILABLE	(\$25,287)	\$491,609	
DIFFERENCE	\$153,405	\$106,091	\$259,496
CHARGE/1" METER (636 Equiv 1" Meters)		636	\$408.01

Town 6/30/06

	OPERATIONS	REPLACEMENT	TOTAL
REQUIRED	\$505,868	\$2,015,168	
AVAILABLE	\$899,909	\$1,776,215	
DIFFERENCE	(\$394,041)	\$238,953	(\$155,088)
CHARGE/1" METER		4215	(\$36.79)





# NIPOMO COMMUNITY SERVICES DISTRICT

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Web site address [www.ncsd.ca.gov](http://www.ncsd.ca.gov)

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## MINUTES OF THE 8/8/08 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 NCSD General Manager Bruce Buel. There were also nine members of the public present, including Ian Wallace, Curt Curtis and Bill Petrick as representatives of the Blacklake Village Master Association Board of Directors.

### 2. DEVELOPMENT DRAFT MERGER STUDY SCOPE OF WORK AND OPTIONS

Chairman Vierheilg summarized the four options that had been identified at the August 5, 2008 Committee Meeting. He indicated that the Options 1 (Implicit Agreement) and Option 3 (Pat Eby Proposal) had sufficient definition and proposed to focus on Option 2 (Reed Modified) and Option 4 (Vierheilg II) at this meeting.

Bruce Buel distributed the detailed analysis of the Reed Proposal previously developed by Finance Director Bognuda. Bill Petrick requested that the Group refer to the option as the Book Value Proposal instead of the Reed Proposal.

Discussion followed on this option with a consensus that the portion of the Town Fund 700 assets that were actual plumbing did provide some benefit to Blacklake. Bill Petrick indicated that the net number was \$1,986,435 instead of the \$6,687,868 previously proposed.

Jim Harrison asked if Bill Petrick thought that the Fund 700 Cash would not benefit Blacklake if the two funds were combined. Bill Petrick replied that Blacklake was already built-out and the Cash would provide no benefit. Larry Vierheilg and Jim Harrison disagreed and expressed their opinion that the cash would be used to upgrade plumbing to the benefit of Blacklake customers. Bill Petrick responded that the book value of assets did not account for the time value of money. Curt Curtis argued that Blacklake is built-out and does not need a capacity charge. Jim Harrison observed that if the two systems are combined that Blacklake will need additional interties to provide for looping and system flows.

Pat Eby reviewed the chronology of the equity surcharge. Mark Westfall supported the relaxation of the three minute rule in regards to public comment.

Jim Harrison recounted the discussions the Board had in regards to merging the two systems and calculation of the equity surcharge starting in December 2006.

Curt Curtis stated that the reason that Blacklake supported the merger was that they believed that the merger would be significantly cheaper than rebuilding the booster



station. He indicated that he was surprised when the Reed Report recommended a very high buy-in charge. Jim Harrison and Larry Vierheilig agreed that the Reed number was shocking.

Jim Harrison stated that numerous Town Customers were concerned that they not be asked to subsidize Blacklake.

Pat Eby commented on the need for a second intertie.

Chairman Vierheilig requested that staff describe the Vierheilig II Proposal. Bruce Buel distributed a handout comparing actual and required reserve balances for Town and Blacklake for 5/31/08 and 6/30/06. Bruce Buel then reviewed the basis for calculation.

Bill Petrick objected to the use of the 2000 Boyle Replacement Study as part of the calculation. He also observed that the required Replacement Reserve was predicated on Blacklake having its own Booster Station. He concluded that he could not support using the Vierheilig method. Curt Curtis agreed.

Committee discussion followed regarding the limitations of using the Vierheilig II proposal.

Pat Eby distributed a graphic representation of her proposal.

Committee discussion followed regarding the process to reach closure. It was agreed that if the Board wished for additional Blacklake feedback that they should tender any such requests to the Blacklake Village Master Association Board.

Bill Petrick urged the District to visualize the benefits of merger including access to the surplus water produced by the Blacklake Wells.

Stan Keck complimented the group for an open discussion.

The meeting was adjourned at 2:36 p.m.

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