

TO: BOARD OF DIRECTORS
FROM: MICHAEL LEBRUN
DATE: APRIL 9, 2010

AGENDA ITEM
E-2
APRIL 14, 2010

**REVIEW PRIOR BOARD DIRECTION ON TUCKFIELD & ASSOCIATES WATER
FUND FINANCIAL ANALYSIS/RATE STUDY**

ITEM

Review Board direction on Tuckfield & Associates Water Fund Financial Analysis/Rate Study

BACKGROUND

On May 13, 2009, the Board of Directors contracted with Tuckfield & Associates to develop a water fund financial analysis and rate study. The Finance and Audit Committee met on July 23 and the July 19, 2009 draft report was presented. A updated draft final report was presented to the Board of Directors on September 9, 2009. On that date, the Board of Directors approved the following motions:

- The Board agreed to finance the capital portion of the WIP through an assessment district. Mr. Buel was directed to work with Mr. Tuckfield to break out the costs of the project versus the O & M. Vote 5-0.
- The Board agreed to propose a 19.5% increase in the cost of water per year for five years assuming assessment funding and the full repayment method of replacement. Vote 5-0.
- The Board agreed to propose a four-tiered water rate structure for future consideration. Vote 3-2 with Directors Eby and Winn dissenting.

No action has been taken on this item since September 9 since it was assumed the Rate Study would need to be finalized following the outcome of the WIP Assessment vote. In September, staff was optimistic the Assessment process would be completed within 6 months leading to a final Rate Study and rate increases by July 2010.

Pursuant to Section 3.2(b) of the Board By-Laws and Policies, prior to the passage of 9 months, any member of the Board of Directors or the General Manager may request the Board of Directors, by motion, to agree to reconsider a prior Board action at a subsequent meeting of the Board.

As the Assessment timeline continued to slip due to stalled negotiations with the County, staff became concerned by the impact on rates of the extreme acceleration (13 fold increase in funding over 4-years) of Replacement Fund transfers assumed in the July 2009 Draft. In an effort to bring the projected rate increase down to what staff hopes will be considered a reasonable level, staff further scrutinized the rate study assumptions and Capital Improvement Program. Staff set a somewhat arbitrary goal of a 10% per year increase over the five-year study period, as a tough yet hopefully acceptable level of rate burden to our customers.

Mr. Tuckfield was contacted and asked to update the rate sheets given the following assumptions:

- Funded Replacement transfers limited to \$500,000.00 per year
- Revised Capital Improvement Program (see Attached Table 1)
- Assumption that WIP Partners will take their full share of Supplemental Water

Table 2 shows the financing plan for the Capital Improvement Plan and Table 3 is the Fund Flow Statement with Assessment Financing, Table 3-2 is the Fund Flow Statement with COP

funding for the WIP. Making the changes outlined above, the annual projected rate increase is 11% per year and 22% per year if COPs are used to finance WIP capital costs.

Prior to producing these revised draft rate sheets, Mr. Tuckfield had expended \$24,072 (94%) of his \$25,600 original budget. This budget has now been fully expended. Staff is extending Mr. Tuckfield's contract to allow for ongoing support while the Assessment timing continues to be fluid.

Possible recommendations:

- Finalize the original report projecting a 20% per year water rate increase.
- Revise the July 17, 2009 report with the recent work.
- Update the study with new financial information, fund balances, consumption, and any other changes for an updated study.

The first two recommendations would be least expensive and could be completed within a month. The third recommendation would be most costly and could take up to three months to complete. Originally, it was assumed the Rate Study would be made final following the outcome of the Assessment vote.

The Preliminary Assessment report is currently scheduled to be completed on May 18, 2010. However that date is now being jeopardized by the lack of an agreement with the County for conducting assessment proceedings.

Regardless of the Assessment vote outcome, rates and rate schedules will likely need to be reviewed and finalized at that time. The District last completed a rate study in 2005. The last water rate increase dictated by the 2005 Study took place on January 1, 2009. Currently, there are no scheduled increases in District's water rates. A rate increase takes up to six months to implement once a Rate Study is finalized.

RECOMMENDATION

It is recommended that the Board provide direction to Staff.

ATTACHMENTS

- Table 1, Proposed Capital Improvement Program
- Table 2, Water Capital Improvement Financing
- Table 3, Water Fund Flow of Funds Statement, Assessment
- Table 3-2, Water Fund Flow of Funds Statement, COPs
- Board Packet from September 9, 2009
- Funded Replacement History

Table 1

ARRIL 2010

Nipomo Community Services District
Water Utility**Proposed Capital Improvement Program**

Line No.	Project Description	Fiscal Year Ending June 30					Total
		2009-10	2010-11	2011-12	2012-13	2013-14	
1	Waterline Intertie Project	\$385,200	\$9,745,000	\$0	\$0	\$0	\$10,130,200
2	GIS Upgrades	50,000	0	0	0	0	50,000
3	Second Connection to Blacklake	100,000	0	0	0	0	100,000
4	Sundale Electrification	230,000	0	0	0	0	230,000
5	Eureka Well Antenna	17,000	0	0	0	0	17,000
6	Water Storage Tank	0	300,000	1,280,000	0	0	1,580,000
7	Misty Glen to Hetrick (Willow Phase 1)	709,900	1,000,000	0	0	0	1,709,900
8	Hetrick to Sandydale (Willow Phase 2)	0	300,000	1,050,000	0	0	1,350,000
9	SCADA Upgrades - Water Fund Share	0	140,000	20,000	20,000	20,000	200,000
10	Urban Water Management Plan Update	40,000	50,000	0	0	0	90,000
11	Shop Equipment Storage Building	0	70,000	0	0	0	70,000
12	Standpipe Mixing	0	150,000	0	0	0	150,000
13	Fire Hydrants	0	72,600	72,600	72,600	72,600	290,400
14	Valves	0	184,000	184,000	184,000	184,000	736,000
15	Air/Vac's	0	16,500	16,500	16,500	16,500	66,000
16	Well Refurbishment	0	200,000	100,000	100,000	100,000	500,000
17	Cathodic Protection	0	5,000	0	0	0	5,000
18	Well Buildings	0	30,000	0	0	0	30,000
19	Tank Coating and Repairs	0	325,000	175,000	300,000	0	800,000
20	Total Capital Improvements (Uninflated)	\$1,532,100	\$12,588,100	\$2,898,100	\$693,100	\$393,100	\$18,104,500
21	Total Capital Improvements (Inflated) ^[1]	\$1,532,100	\$13,091,700	\$3,134,500	\$779,800	\$459,900	\$18,998,000

^[1] Projects inflated at 4.0% per year based on 5-year average annual increase in the historical ENR Index.

Table 2

With Assessment Financing

Nipomo Community Services District

APRIL 2010

Water Utility

Water Capital Improvement Financing

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Source of Funds						
1	Funds on Hand at Beginning of Year	\$0	\$0	\$0	\$0	\$0
2	Transfer In from Water Fund	0	0	0	0	0
3	Transfer In from Replacement Fund	247,000	866,500	2,201,900	714,900	393,100
4	Transfer In from Water Capacity Fund	899,900	2,090,400	932,600	64,900	66,800
5	Transfer In from Supplemental Water Fund	385,200	389,800	0	0	0
6	Assessment District Proceeds ^[1]	0	9,745,000	0	0	0
7	Total Sources of Funds	1,532,100	13,091,700	3,134,500	779,800	459,900
Use of Funds						
8	Major Capital Improvements ^[2]	1,532,100	13,091,700	3,134,500	779,800	459,900
9	Total Use of Funds	1,532,100	13,091,700	3,134,500	779,800	459,900
10	Funds on Hand at End of Year	\$0	\$0	\$0	\$0	\$0

^[1] Assumes Waterline Intertie Project is financed with an Assessment District.

^[2] From Table 1.

Table 3

With Assessment Financing

Nipomo Community Services District
Water Utility

APRIL 2010

Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	11.0%	July 1, 2010	0	345,400	344,800
3	2010-11	11.0%	Jan 1, 2011		191,700	344,200
4	2011-12	11.0%	Jan 1, 2012			382,000
5	2012-13	11.0%	Jan 1, 2013			212,400
6	2013-14	11.0%	Jan 1, 2014			235,400
7	Total Additional Water Sales Revenue	0	537,100	939,900	1,385,700	1,878,700
8	Total Water Sales Revenue	3,145,800	3,677,200	4,074,300	4,514,500	5,001,800
9	Transfer In Supplemental Water Fees	0	0	0	0	0
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	20,700	20,600	21,100	26,300
12	Total Revenue	\$3,247,000	\$3,774,400	\$4,171,400	\$4,612,100	\$5,104,600
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$3,720,000	\$3,864,500	\$4,015,800
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	0	0	0	0
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4][7]}	700,000	500,000	500,000	500,000	500,000
18	Transfers for Capital Improvement Financing	0	0	0	0	0
19	Total Revenue Requirements	3,908,200	3,676,600	4,286,300	4,432,700	4,586,100
20	Net Funds Available	(\$661,200)	\$97,800	(\$114,900)	\$179,400	\$518,500
21	Beginning Water Fund Balance	1,992,000	1,330,800	1,428,600	1,313,700	1,493,100
22	Cumulative Water Fund Balance	\$1,330,800	\$1,428,600	\$1,313,700	\$1,493,100	\$2,011,600
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$1,860,000	\$1,932,300	\$2,007,900
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$697,600	\$1,123,000	\$886,900	\$1,178,000	\$1,534,500
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$0	\$0	\$0	\$0
27	Coverage	4415%	7340%	5993%	7750%	9774%

^[1] Estimated revenue based on number of customers and projected water sales volume.^[2] Includes penalties and miscellaneous income.^[3] Assumes an interest rate of 1.5% on the average fund balance.^[4] Projected expense from Work Product #1.^[5] Existing 1978 Revenue Bonds debt service.^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.^[8] Estimated at 180 days of operation and maintenance expense.^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.^[10] Debt service from line 14 above.^[11] Debt service from line 15 above.

Table 3 -2

Nipomo Community Services District
Water Utility

Water Fund Flow of Funds Statement

With COPs Financing

April 2010

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	22.0%	July 1, 2010	0	690,800	687,100
3	2010-11	22.0%	Jan 1, 2011		421,400	838,200
4	2011-12	22.0%	Jan 1, 2012		513,200	1,022,600
5	2012-13	22.0%	Jan 1, 2013			1,247,600
6	2013-14	22.0%	Jan 1, 2014			761,000
7	Total Additional Water Sales Revenue	0	1,112,200	2,044,100	3,177,600	4,556,500
8	Total Water Sales Revenue	3,145,800	4,252,300	5,178,500	6,306,400	7,679,600
9	Transfer In Supplemental Water Fees	249,400	271,200	279,300	287,700	296,300
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	28,800	29,200	22,900	32,700
12	Total Revenue	\$3,496,400	\$4,628,800	\$5,563,500	\$6,693,500	\$8,085,100
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$4,875,700	\$5,055,000	\$5,241,900
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	0	1,012,400	1,012,400	1,012,400
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4][7]}	700,000	500,000	500,000	500,000	500,000
18	Transfers for Capital Improvement Financing	0	0	0	0	0
19	Total Revenue Requirements	3,908,200	3,676,600	6,454,400	6,635,600	6,824,600
20	Net Funds Available	(\$411,800)	\$952,200	(\$890,900)	\$57,900	\$1,260,500
21	Beginning Water Fund Balance	1,992,000	1,580,200	2,532,400	1,641,500	1,699,400
22	Cumulative Water Fund Balance	\$1,580,200	\$2,532,400	\$1,641,500	\$1,699,400	\$2,959,900
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$2,437,900	\$2,527,500	\$2,621,000
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$695,700	\$1,703,300	\$839,800	\$1,772,700	\$2,979,500
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$0	\$1,012,400	\$1,012,400	\$1,012,400
27	Coverage	4403%	11133%	82%	173%	290%

^[1] Estimated revenue based on number of customers and projected water sales volume.^[2] Includes penalties and miscellaneous income.^[3] Assumes an interest rate of 1.5% on the average fund balance.^[4] Projected expense from Work Product #1.^[5] Existing 1978 Revenue Bonds debt service.^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.^[8] Estimated at 180 days of operation and maintenance expense.^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.^[10] Debt service from line 14 above.^[11] Debt service from line 15 above.

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BB*
DATE: SEPT. 4, 2009

AGENDA ITEM
E-5
SEPT. 9, 2009

REVIEW DRAFT WATER FUND FINANCIAL ANALYSIS/RATE STUDY

ITEM

Review draft water fund financial analysis/rate study and propose future rate increase [PROVIDE POLICY GUIDANCE]

BACKGROUND

Your Honorable Board hired Clayton Tuckfield on May 13, 2009 to develop a water fund financial analysis and rate study. Mr. Tuckfield submitted a rough draft of his report, which was reviewed by the Budget, Audit and Personnel Committee (See attached Minutes). Mr. Tuckfield then published the attached draft revised to respond to the Committee's requests. Staff is NOT requesting adoption of the study or initiation of the rate increase process at this time. Staff believes that the assessment vote should precede any user fees protest proceeding. Staff is asking for Board feedback on policy issues set forth below.

The draft illustrates the impact to NCSD's existing customers if the construction cost of the Waterline Intertie Project is financed through an assessment district with assessments collected separately or through a Certificate of Participation with the debt service folded into the user fees. Attached is a staff memo to complete the comparison. It is clear that the assessment district results in much lower costs to the existing rate payers, but the Board may wish to request additional comparisons. If the Board wishes additional comparisons, those comparisons should be described at this meeting.

The draft proposes a 19.5% increase in the cost of water per year for five years assuming assessment funding and the full repayment method for replacement. The Board should determine if that increase is palatable. If not, the Board should specify the reductions in personnel, services or projects that are acceptable to reduce the increase.

The draft shows a two tiered rate structure, a three tiered rate structure and a four tiered rate structure. The FAP Committee has recommended the four tier rate structure. The Board should propose one rate structure for future consideration.

FISCAL IMPACT

The not-to-exceed total for Mr. Tuckfield's scope was \$25,600. Development of this draft did also use previously budgeted staff time cost.

RECOMMENDATION

Staff recommends that the Board

ATTACHMENTS

- FAP Committee Minutes
- Draft Tuckfield Report
- Staff Memo

NIPOMO COMMUNITY SERVICES DISTRICT

JULY 23, 2009

MINUTES

FINANCE AND AUDIT COMMITTEE

1. CALL TO ORDER, ROLL CALL AND FLAG SALUTE

Chairman Vierheilig called the meeting to order at 1:00 p.m. Both Chairman Vierheilig and Director Harrison were in attendance along with staff members Bruce Buel and Lisa Bognuda.

2. REVIEW WORK PRODUCTS #1 AND #2 FOR WATER RATE STUDY PREPARED BY RATE CONSULTANT, CLAYTON TUCKFIELD AND ASSOCIATES

Rate Consultant, Clayton Tuckfield, reviewed Work Products #1 and #2 with the Committee. The Committee asked questions, made comments and recommended corrections to the Work Products. There was no public comment. Upon motion of Director Vierheilig and seconded by Director Harrison, the Committee unanimously agreed to send the corrected Work Products to the full Board with the recommendation of adopting a four tier water rate structure. Mr. Tuckfield agreed to have the final draft report ready for delivery to the Board of Directors on August 26, 2009. The final draft report will be considered by the Board of Directors on September 9, 2009.

3. SET NEXT MEETING DATE

No meeting date was set
The meeting was adjourned at 2:25 p.m.

June 19, 2009

Mr. Bruce Buel
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444

Dear Mr. Buel:

Presented in this interim report (Work Product #1) is our review, evaluation, and projection of the revenue requirements for the water utility of the Nipomo Community Services District (District). Our analysis has been conducted for fiscal years (FY) 2009-10 through 2013-14, the study period, and includes a discussion of the assumptions utilized in making the projections. Throughout this study, references to a particular fiscal year always use the end date. Thus, Fiscal Year 2009-2010 is termed FY 2010 herein.

Assumptions

The revenue requirements of the water utility were projected recognizing several assumptions. These assumptions relate to a variety of elements that effect the total level of the revenue requirements to be recovered through water rates and charges. These assumptions are discussed below.

Customer Growth. Review of the Water and Sewer Master Plan (master plan) indicate that customer growth for the District's service area follows the San Luis Obispo County Growth Management Ordinance. The master plan assumed an average annual population growth rate of 2.3 percent. Discussions with District staff have resulted in an assumption of growth of 0.5 percent for the near term. This growth rate is applied to all customers for the study, however, due to rounding, only the number of residential customers is projected to increase.

Use per Customer. The NCSD Waterline Intertie Final EIR stated that the San Luis Obispo Local Agency Formation Commission (LAFCO) required that prior to any annexation to the District, that a water conservation program be implemented with the goal of reducing consumption by 15 percent. The District has implemented a water conservation program, and the rate study will include an assumed reduction in use per customer of 1 percent annually for residential classifications. Future water demand is determined by multiplying customer growth assumptions by the use per customer assumptions, resulting in the projected water demand.

O&M Cost Inflation Factors. Review of the District's FY 2010 budget by line item indicated that several inflation factors could be used to refine the projection of future operation and maintenance expense. The assumptions for future cost escalation include the following inflation factors.

Electricity – Dividing historical annual electric power cost by annual well water production provides an average cost per Ccf of water pumped. The unit cost of electricity shows an average annual increase of approximately 6.6 percent. However, after natural gas was eliminated as a power source in FY 2008, budgeted electric power expense in FY 2010 is projected to increase by 5.9 percent over actual expense in FY 2009. Future increases in unit electric power cost are projected at 5 percent annually.

Chemicals – Calculated in a similar manner as for electricity unit cost, historical unit chemical cost shows an average annual increase of approximately 4.0 percent over the last 3 years. Future increases in unit chemical cost are projected at 4.0 percent annually.

Wages – Wages expense was analyzed on a Full-Time Equivalent (FTE) basis, meaning that wages expense was correlated with the percentage of personnel allocated to the Water Fund. The analysis showed that historical costs increased at an average annual rate of approximately 6.9 percent, however the correlation was with budgeted personnel and actual wages. The analysis may be biased, as new personnel proposed in the budgets may not have been hired at the time each budget was implemented. The District plans to hire two additional employees and these are reflected in the District's FY 2010 budget. Inflation in wages is estimated to increase at 4.0 percent annually per FTE, reflecting the recent Cost of Living Adjustment applied by the District.

Benefits – Analysis of the Benefits expense on a Full-Time Equivalent (FTE) basis indicates that historical costs have increased by approximately 8.7 percent annually, exclusive of Other Post Employee Benefits. The Bureau of Labor Statistics Employment Cost Index for Total Benefits for State and Local Governments indicates an average change in benefit costs of 23.3 percent annually from FY 2001 to FY 2005. Recent trends from FY 2005 to FY 2009 indicate an average annual downward trend of -15.6 percent annually. Future cost escalations in employee benefits of 8.0 percent annually is assumed for this study.

All Other – All other expenses not discussed above are projected to increase by 3.0 percent annually to reflect the Consumer Price Index (CPI) for all items for San Francisco/Oakland/San Jose and CPI for all items for Los Angeles /Anaheim/ Riverside. Such indices showed an average increase in the April months ranging between 2.5 and 2.9 percent annually.

Future Debt Service. The proposed funding plan for the District's Waterline Intertie Project (Project) includes assessment financing. If the assessment fails to be implemented, the District would issue Certificates of Participation (COPs) to finance the Project. The amount and terms for the COPs include an issue amount of \$10,995,000 at an interest rate of 6.0 percent with a 20-year term, yielding an annual

debt service payment of \$953,200. The issue amount is intended to fund approximately \$9,745,000 of the Project cost, debt issuance costs, and a reserve fund.

Fixed Asset Purchases. Historical expenditures for minor fixed assets have been somewhat sporadic, ranging from a low of \$16,000 in FY 2006 to a budgeted \$204,000 in FY 2010. For this study, future expenditures in FY 2011 are estimated at \$50,000 annually and are inflated at 3.0 percent per year thereafter.

Water Fund Operating Reserve. The amount to be maintained for an operating reserve varies among cities and districts, however, is generally expressed as a percentage, or as the number of days of operation and maintenance expense (O&M) of the enterprise. The District currently has about a 66 percent (of O&M) reserve in the Water Fund. From the consultant's experience, typical reserves of most cities and districts range between 30 to 180 days (out of 360 days) of the total O&M amount. For Work Product #1, it is assumed that the reserve level to be maintained is 135 days of O&M. Further discussion on this level is expected with the District as the study progresses.

Interest Earnings Rate. The District invests available funds in the Local Agency Investment Fund (LAIF). Current interest earnings paid by LAIF on invested funds are approximately 2 percent and will be used in this study for interest income calculations.

Capacity Charges. Water and Supplemental Capacity Charges are projected to increase from current levels at 3.0 percent annually reflecting the CPI and District policy.

Beginning Water Fund Balance. It is reasonable that the beginning fund balance for financial planning purposes of the Water Fund reflect the amount available as of June 30 of the prior fiscal year. The most recent information available for the fund balance is as of April 30, 2009 in an amount of \$1,992,000. This amount is used for the beginning balance of the Water Fund until such time as the June 30, 2009 fund balance may be determined.

Revenue Requirements

Revenue requirements of the District's Water Fund include operation and maintenance expense, existing debt service, proposed debt service, annual minor (routine) capital expenditures, major capital expenditures that are funded by cash or rate revenue, and transfers into and out of the fund. The projections presented herein reflect the District's FY 2010 Budget for the first year, and then are escalated into the future based on the assumptions discussed above and known conditions regarding proposed operating and capital improvement plans, and expected changes to system operations.

In addition, the District is interested in evaluating several scenarios that include financing the Project with an assessment and with COPs, while also varying the amount of annual replacement to correspond to the

three replacement programs identified in the 2007 Water and Wastewater Replacement Study (Replacement Study). The revenue requirements change based on these scenarios and are further discussed below.

Operation and Maintenance Expense

Operation and maintenance (O&M) expense includes cost of personnel, utilities, chemicals, and miscellaneous materials and supplies needed to operate the water system on an annual basis. Forecasted expenditures are based upon the District's FY 2010 budget and the inflation factors presented above.

The projected O&M expenses include the addition of Supplemental Water expense from the delivery of water from the Waterline Intertie Project in FY 2011. The expense includes delivery of approximately 2,000 ac-ft of water, estimated to cost \$1,250 per ac-ft for a total cost of \$2,500,000. Of this amount, Golden State Water Company and the Woodlands will take 167 ac-ft and 40 ac-ft, respectively, reducing the cost to the District to \$2,242,500 in FY 2011. The District will also incur additional costs for chemicals, labor, and energy related to the Project expected to total \$201,800 in the same year.

If the Project is financed with an assessment, approximately 69 percent of the annual expense related to the Waterline Intertie Project will be included in the assessment, leaving approximately 31 percent to be included in the District's Water Fund expenses (31 percent of \$2,500,000 = \$695,200). This scenario is presented in Table 1. If the Project is financed with a COPs issue, then the full amount of \$2,242,500 will be included in the District's Water Fund expenses. This scenario is presented in Table 2.

Operational plans of the District include using all of the allocation of the Supplemental Water first, then pumping well water as needed to meet demand. Therefore, electricity and chemical costs related to well pumping decrease in FY 2011 in both Tables 1 and 2.

Debt Service

The District currently has an outstanding debt obligation from a 1978 Safe Drinking Water Loan. Annual debt service payments on this loan average approximately \$15,300 annually. Additional debt service may be incurred if the District finances the Waterline Intertie Project with a COPs debt issue. The new debt would have an issue amount of \$10,935,000 with an interest rate of 6.0 percent and a 20-year term.

Minor Annual (Routine) Capital Outlay

Minor (routine) annual capital outlays, which are financed from annual system revenues, include estimates for relatively small additions of fixed asset purchases, utility vehicles, office/technical equipment, and other assets. Future projections reflect capital outlay of \$204,000 budgeted in FY 2010

with estimated expenditures of \$50,000 in FY 2011, increasing at 3 percent annually through the study period.

Transfers

There are two transfers proposed for the study period. These include a Transfer to the Replacement Fund and transfers to aid in capital improvement financing. The District has budgeted a Transfer to the Replacement Fund in the amount of \$700,00 in FY 2010. Future transfers correspond to the annual replacement amounts identified in the 2007 Water and Sewer Replacement Study. These consist of the 20-Yr Savings program (Model 1), the Service Life Savings Program (Model 2), and the Pay-As-You-Go Program (Model 3). For each of the scenarios that the District intends to evaluate, Tables 3 through 3f present the revenue requirements including the appropriate transfers that correspond to the replacement programs identified in the Replacement Study. Each scenario is identified in the upper right corner of the table.

It may be necessary to fund a portion of the capital improvement program expenditures through Water Fund revenues and reserves through a transfer for this purpose. The amounts presented on line 6 of Tables 3 through 3f are shown as placeholders for the future financial plans that will be developed in Work Product #2.

Comments

The revenue requirements presented herein are intended to be representative of those necessary for the rate study as of the date of this report. It is anticipated that these will be refined as the study proceeds through the financial planning process.

I appreciate the opportunity to serve the District in this matter. If you have any questions regarding the assumptions or projected revenue requirements, please call me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield
Principal

Table 1

With Assessment Financing

Nipomo Community Services District

Water Utility

Historical and Projected Operation and Maintenance Expense and Minor Capital

Line No.	Description	Fiscal Year Ending June 30									
		Historical (Actual)					Budget		Projected		
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Operation and Maintenance Expense ⁽¹⁾										
	Operations and Maintenance										
1	Salaries	\$184,239	\$204,368	\$227,082	\$211,455	\$240,500	\$371,250	\$386,500	\$402,100	\$418,600	\$435,700
2	Benefits	88,316	103,181	105,110	94,736	157,000	220,620	238,200	257,300	278,000	300,200
3	Electricity - Pumping	259,381	264,294	361,242	252,680	405,000	448,000	468,400	172,000	178,500	185,200
4	Natural Gas - Pumping	94,857	65,252	82,140	52,393	0	0	0	0	0	0
5	Supplemental Water	0	0	0	0	0	0	0	695,200	716,000	737,500
6	Supplemental Water Other	0	0	0	0	0	0	0	201,800	207,900	214,100
7	Chemicals	3,542	2,908	5,068	2,375	6,000	7,000	7,200	2,600	2,700	2,800
8	Repairs and Maintenance	73,894	103,791	175,330	124,512	180,000	200,000	206,000	212,200	218,600	225,200
9	Meters - New Installations	6,314	7,549	3,739	13,599	0	10,000	10,300	10,600	10,900	11,200
10	Meters - Replacement Program	4,392	5,302	22,620	14,550	20,000	48,000	49,400	50,900	52,400	54,000
11	Other	137,126	154,723	188,883	251,987	271,500	379,310	390,700	402,300	414,200	426,700
12	Subtotal	852,061	911,368	1,171,214	1,018,287	1,280,000	1,684,180	1,756,700	2,407,000	2,497,800	2,592,600
	General and Administrative										
13	Salaries	93,711	96,373	100,217	137,335	159,300	231,360	240,600	250,200	260,200	270,700
14	Benefits	41,952	46,105	44,655	64,119	89,600	109,400	118,200	127,600	137,800	148,800
15	Operating Transfer Out - Admin	113,307	129,371	142,769	177,410	226,072	320,390	330,000	339,900	350,100	360,600
16	Other	459,698	393,268	491,301	526,573	515,262	643,095	665,800	689,400	714,100	739,800
17	Subtotal	708,668	665,117	778,942	905,437	990,234	1,304,245	1,354,600	1,407,100	1,462,200	1,519,900
18	Total Operation and Maintenance Expense	\$1,560,729	\$1,576,485	\$1,950,156	\$1,923,724	\$2,270,234	\$2,988,425	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,500
	Minor Capital ⁽¹⁾										
19	Operating Transfer Out - Replacement	\$187,354	\$93,678	\$88,000	\$392,000	\$750,000	\$700,000	\$971,000	\$1,029,000	\$1,088,000	\$1,159,000
20	Fixed Asset Purchases	0	16,497	0	43,773	51,000	204,044	50,000	51,500	53,000	54,600
21	Total Minor Capital	\$187,354	\$110,175	\$88,000	\$435,773	\$801,000	\$904,044	\$1,021,000	\$1,080,500	\$1,141,000	\$1,213,600
22	Total O&M and Minor Capital	\$1,748,083	\$1,686,660	\$2,038,156	\$2,359,497	\$3,071,234	\$3,892,469	\$4,132,300	\$4,894,600	\$5,101,000	\$5,326,100

⁽¹⁾ Expenses are inflated annually as follows: Salaries - 4%; Benefits - 8%; Unit Electricity Cost - 5%; Unit Chemical Cost - 4%; Supplemental Water Cost per ac-ft - 3%; all other expenses are inflated at 3%.

Table 2

With COPs Financing

Nipomo Community Services District

Water Utility

Historical and Projected Operation and Maintenance Expense and Minor Capital

Line No.	Description	Fiscal Year Ending June 30									
		Historical (Actual)				Budget			Projected		
		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Operation and Maintenance Expense ¹¹¹										
	Operations and Maintenance										
1	Salaries	\$184,239	\$204,368	\$227,082	\$211,455	\$240,500	\$371,250	\$386,500	\$402,100	\$418,600	\$435,700
2	Benefits	88,316	103,181	105,110	94,736	157,000	220,620	238,200	257,300	278,000	300,200
3	Electricity - Pumping	259,381	264,294	361,242	252,680	405,000	448,000	468,400	172,000	178,500	185,200
4	Natural Gas - Pumping	94,857	65,252	82,140	52,393	0	0	0	0	0	0
5	Supplemental Water	0	0	0	0	0	0	0	2,242,500	2,309,800	2,379,100
6	Supplemental Water Other	0	0	0	0	0	0	0	201,800	207,900	214,100
7	Chemicals	3,542	2,908	5,068	2,375	6,000	7,000	7,200	2,600	2,700	2,800
8	Repairs and Maintenance	73,894	103,791	175,330	124,512	180,000	200,000	206,000	212,200	218,600	225,200
9	Meters - New Installations	6,314	7,549	3,739	13,599	0	10,000	10,300	10,600	10,900	11,200
10	Meters - Replacement Program	4,392	5,302	22,620	14,550	20,000	48,000	49,400	50,900	52,400	54,000
11	Other	137,126	154,723	188,883	251,987	271,500	379,310	390,700	402,300	414,200	426,700
12	Subtotal	852,061	911,368	1,171,214	1,018,287	1,280,000	1,684,180	1,756,700	3,954,300	4,091,600	4,234,200
	General and Administrative										
13	Salaries	93,711	96,373	100,217	137,335	159,300	231,360	240,600	250,200	260,200	270,700
14	Benefits	41,952	46,105	44,655	64,119	89,600	109,400	118,200	127,600	137,800	148,800
15	Operating Transfer Out - Admin	113,307	129,371	142,769	177,410	226,072	320,390	330,000	339,900	350,100	360,600
16	Other	459,698	393,268	491,301	526,573	515,262	643,095	665,800	689,400	714,100	739,800
17	Subtotal	708,668	665,117	778,942	905,437	990,234	1,304,245	1,354,600	1,407,100	1,462,200	1,519,900
18	Total Operation and Maintenance Expense	\$1,560,729	\$1,576,485	\$1,950,156	\$1,923,724	\$2,270,234	\$2,988,425	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,100
	Minor Capital ¹¹¹										
19	Operating Transfer Out - Replacement	\$187,354	\$93,678	\$88,000	\$392,000	\$750,000	\$700,000	\$971,000	\$1,029,000	\$1,088,000	\$1,159,000
20	Fixed Asset Purchases	0	16,497	0	43,773	51,000	204,044	50,000	51,500	53,000	54,600
21	Total Minor Capital	\$187,354	\$110,175	\$88,000	\$435,773	\$801,000	\$904,044	\$1,021,000	\$1,080,500	\$1,141,000	\$1,213,600
22	Total O&M and Minor Capital	\$1,748,083	\$1,686,660	\$2,038,156	\$2,359,497	\$3,071,234	\$3,892,469	\$4,132,300	\$6,441,900	\$6,694,800	\$6,967,700

¹¹¹ Expenses are inflated annually as follows: Salaries - 4%; Benefits - 8%; Unit Electricity Cost- 5%; Unit Chemical Cost - 4%; Supplemental Water Cost per ac-ft- 3%; all other expenses are inflated at 3%.

Table 3
Nipomo Community Services District
Water Utility
Water Fund Revenue Requirements

With Assessment Financing
Model 1: 20-Yr Savings Replacement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirements						
1	Operation and Maintenance Expense ^[1]	\$2,988,400	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,500
2	1978 Water Revenue Bonds ^[2]	15,800	15,300	14,800	15,200	15,700
3	Proposed Certificates of Participation ^[3]	0	0	0	0	0
4	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
5	Transfers to Replacement Fund ^{[1][4]}	700,000	971,000	1,029,000	1,088,000	1,159,000
6	Transfers for Capital Improvement Financing	0	54,400	1,336,000	43,700	78,300
7	Total Revenue Requirements	3,908,200	4,202,000	6,245,400	5,159,900	5,420,100
8	Beginning Water Fund Balance	1,992,000				
9	Minimum Desired Balance ^[5]	\$1,120,700	\$1,166,700	\$1,430,300	\$1,485,000	\$1,542,200

^[1] From Table 1.

^[2] Existing 1978 Revenue Bonds debt service.

^[3] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[4] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[5] Estimated at 135 days of operation and maintenance expense.

Table 3b
Nipomo Community Services District
Water Utility
Water Fund Revenue Requirements

With Assessment Financing
Model 2: Service Life Savings Replacement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirements						
1	Operation and Maintenance Expense ^[1]	\$2,988,400	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,500
2	1978 Water Revenue Bonds ^[2]	15,800	15,300	14,800	15,200	15,700
3	Proposed Certificates of Participation ^[3]	0	0	0	0	0
4	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
5	Transfers to Replacement Fund ^{[1][4]}	700,000	1,131,000	1,132,000	1,132,000	1,132,000
6	Transfers for Capital Improvement Financing	0	54,400	1,336,000	43,700	78,300
7	Total Revenue Requirements	3,908,200	4,362,000	6,348,400	5,203,900	5,393,100
8	Beginning Water Fund Balance	1,992,000				
9	Minimum Desired Balance ^[5]	\$1,120,700	\$1,166,700	\$1,430,300	\$1,485,000	\$1,542,200

^[1] From Table 1.

^[2] Existing 1978 Revenue Bonds debt service.

^[3] Certificates of Participation assume and interest rate of 6.0% and a 20 year term.

^[4] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[5] Estimated at 135 days of operation and maintenance expense.

Table 3c
Nipomo Community Services District
Water Utility
Water Fund Revenue Requirements

With Assessment Financing
Model 3: Pay-As-You-Go Replacement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirements						
1	Operation and Maintenance Expense ^[1]	\$2,988,400	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,500
2	1978 Water Revenue Bonds ^[2]	15,800	15,300	14,800	15,200	15,700
3	Proposed Certificates of Participation ^[3]	0	0	0	0	0
4	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
5	Transfers to Replacement Fund ^{[1][4]}	700,000	133,000	146,000	177,000	243,000
6	Transfers for Capital Improvement Financing	0	54,400	1,336,000	43,700	78,300
7	Total Revenue Requirements	3,908,200	3,364,000	5,362,400	4,248,900	4,504,100
8	Beginning Water Fund Balance	1,992,000				
9	Minimum Desired Balance ^[5]	\$1,120,700	\$1,166,700	\$1,430,300	\$1,485,000	\$1,542,200

^[1] From Table 1.

^[2] Existing 1978 Revenue Bonds debt service.

^[3] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[4] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[5] Estimated at 135 days of operation and maintenance expense.

Table 3d
Nipomo Community Services District
Water Utility
Water Fund Revenue Requirements

With COPs Financing
Model 1: 20-Yr Savings Replacement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirements						
1	Operation and Maintenance Expense ^[1]	\$2,988,400	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,100
2	1978 Water Revenue Bonds ^[2]	15,800	15,300	14,800	15,200	15,700
3	Proposed Certificates of Participation ^[3]	0	953,200	953,200	953,200	953,200
4	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
5	Transfers to Replacement Fund ^{[1][4]}	700,000	971,000	1,029,000	1,088,000	1,159,000
6	Transfers for Capital Improvement Financing	0	54,400	1,336,000	43,700	78,300
7	Total Revenue Requirements	3,908,200	5,155,200	8,745,900	7,706,900	8,014,900
8	Beginning Water Fund Balance	1,992,000				
9	Minimum Desired Balance ^[5]	\$1,120,700	\$1,166,700	\$2,010,500	\$2,082,700	\$2,157,800

^[1] From Table 2.

^[2] Existing 1978 Revenue Bonds debt service.

^[3] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[4] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[5] Estimated at 135 days of operation and maintenance expense.

Table 3e
Nipomo Community Services District
Water Utility
Water Fund Revenue Requirements

With COPs Financing
Model 2: Service Life Savings Replacement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirements						
1	Operation and Maintenance Expense ^[1]	\$2,988,400	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,100
2	1978 Water Revenue Bonds ^[2]	15,800	15,300	14,800	15,200	15,700
3	Proposed Certificates of Participation ^[3]	0	953,200	953,200	953,200	953,200
4	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
5	Transfers to Replacement Fund ^{[1][4]}	700,000	1,131,000	1,132,000	1,132,000	1,132,000
6	Transfers for Capital Improvement Financing	0	54,400	1,336,000	43,700	78,300
7	Total Revenue Requirements	3,908,200	5,315,200	8,848,900	7,750,900	7,987,900
8	Beginning Water Fund Balance	1,992,000				
9	Minimum Desired Balance ^[5]	\$1,120,700	\$1,166,700	\$2,010,500	\$2,082,700	\$2,157,800

^[1] From Table 2.

^[2] Existing 1978 Revenue Bonds debt service.

^[3] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[4] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[5] Estimated at 135 days of operation and maintenance expense.

Table 3f
Nipomo Community Services District
Water Utility
Water Fund Revenue Requirements

With COPs Financing
Model 3: Pay-As-You-Go Replacement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue Requirements						
1	Operation and Maintenance Expense ^[1]	\$2,988,400	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,100
2	1978 Water Revenue Bonds ^[2]	15,800	15,300	14,800	15,200	15,700
3	Proposed Certificates of Participation ^[3]	0	953,200	953,200	953,200	953,200
4	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
5	Transfers to Replacement Fund ^{[1][4]}	700,000	133,000	146,000	177,000	243,000
6	Transfers for Capital Improvement Financing	0	54,400	1,336,000	43,700	78,300
7	Total Revenue Requirements	3,908,200	4,317,200	7,862,900	6,795,900	7,098,900
8	Beginning Water Fund Balance	1,992,000				
9	Minimum Desired Balance ^[5]	\$1,120,700	\$1,166,700	\$2,010,500	\$2,082,700	\$2,157,800

^[1] From Table 2.

^[2] Existing 1978 Revenue Bonds debt service.

^[3] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[4] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[5] Estimated at 135 days of operation and maintenance expense.

July 17, 2009

Mr. Bruce Buel
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444

Dear Mr. Buel:

This interim report corresponds to Work Product #2 of our scope of work and presents the findings and results for water rates of the Nipomo Community Services District (District). This report builds upon the assumptions and projections detailed in our June 19, 2009 letter of which have been incorporated herein.

The analysis has been conducted for fiscal years (FY) 2009-10 through 2013-14, the study period, and includes a discussion of the proposed water system capital improvement program (CIP), CIP funding, an assumed preferred Water Fund financial plan, and water rate structures and rates. A matrix is presented for the financial plan under alternative scenarios, showing the impact of financing the Waterline Intertie Project under two methods, and the impacts for three replacement funding programs identified in the 2007 Water and Sewer Replacement Study (Replacement Study). These scenarios include the following.

- Option 1 – Assessment Financing with Model 1: 20-Yr Savings Replacement
- Option 2 – Assessment Financing with Model 2: Service Life Savings Replacement
- Option 3 – Assessment Financing with Model 3: Pay-As-You-Go Replacement

- Option 4 – Certificates of Participation Financing with Model 1: 20-Yr Savings Replacement
- Option 5 – Certificates of Participation Financing with Model 2: Service Life Savings Replacement
- Option 6 – Certificates of Participation Financing with Model 3: Pay-As-You-Go Replacement

In addition, water rates are presented that include three residential structures and two non-residential structures for each financing method and replacement program. A water rate survey is also included that shows water rates for each customer classification identified through the survey.

Capital Improvement Program

The District has developed a capital improvement program (CIP) for the water utility that is shown in Table 1. Major project expenditures include those related to the Waterline Intertie Project, Hetrick to

Table 1
Nipomo Community Services District
Water Utility
Proposed Capital Improvement Program

Line No.	Project Description	Fiscal Year Ending June 30					Total
		2009-10	2010-11	2011-12	2012-13	2013-14	
1	Waterline Intertie Project	\$9,745,000	\$0	\$0	\$0	\$0	\$9,745,000
2	Desalination	100,000	100,000	100,000	500,000	500,000	1,300,000
3	Camino Caballo - Blue Gum to Existing 16"	200,000	0	0	0	0	200,000
4	Grande - Cyclone to Orchard	0	0	100,000	0	0	100,000
5	Second Connection to Blacklake	100,000	0	0	0	0	100,000
6	Water Storage Tank	0	0	300,000	200,000	1,080,000	1,580,000
7	Misty Glen to Pomeroy to Hetrick	1,000,000	0	0	0	0	1,000,000
8	Hetrick to Sandydale	300,000	1,650,000	0	0	0	1,950,000
9	SCADA Upgrades - Water Fund Share	110,000	20,000	20,000	20,000	20,000	190,000
10	GIS Upgrades - Water Fund Share	27,500	10,000	10,000	10,000	10,000	67,500
11	Standpipe Mixing	150,000	0	0	0	0	150,000
12	Security Upgrades	20,000	20,000	20,000	20,000	20,000	100,000
13	Reset Valves for County Road Projects	25,000	25,000	25,000	25,000	25,000	125,000
14	Relocate Water Mains for County Projects	50,000	50,000	50,000	50,000	50,000	250,000
15	State Title 22 Requirements	10,000	10,000	10,000	10,000	10,000	50,000
16	Brytec Court Dead End Main	0	0	0	0	3,000	3,000
17	N. Blume Dead End Main	51,800	0	0	0	0	51,800
18	N. Crosby Dead End Main	0	0	0	14,000	0	14,000
19	Eve Dead End Main	0	0	0	66,500	0	66,500
20	Grove Dead End Main	0	0	100,000	0	0	100,000
21	Branch Dead End Main	0	0	0	0	111,000	111,000
22	Valves	184,000	184,000	184,000	184,000	184,000	920,000
23	Fire Hydrants	72,600	72,600	72,600	72,600	72,600	363,000
24	Air/Vac's	16,500	16,500	16,500	16,500	16,500	82,500
25	Water Meters	150,000	150,000	150,000	150,000	150,000	750,000
26	Well Refurbishment	100,000	100,000	100,000	100,000	100,000	500,000
27	Tank Coating and Repairs	325,000	175,000	300,000	0	0	800,000
28	Total Capital Improvements (Uninflated)	\$12,737,400	\$2,583,100	\$1,558,100	\$1,438,600	\$2,352,100	\$20,669,300
29	Total Capital Improvements (Inflated)¹¹	\$12,737,400	\$2,686,500	\$1,685,200	\$1,618,100	\$2,751,600	\$21,478,800

¹¹ Projects inflated at 4.0% per year based on 5-year average annual increase in the historical ENR Index.

Sandydale waterline, desalination project, and water storage tank construction. Estimates of improvement costs on line 29 include inflation and total over \$21,478,000 during the study period.

Capital Improvement Program Financing

Table 2 shows the sources of funds to finance the CIP listed in Table 1. There are several sources of funding for the projects including assessment district financing for the Water line Intertie Project, and transfers from the Water Fund, Replacement Fund, Capital Fund, and Supplemental Water Fund. The

Table 2
 Nipomo Community Services District
 Water Utility
 Water Capital Improvement Financing

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Source of Funds						
1	Funds on Hand at Beginning of Year	\$0	\$0	\$0	\$0	\$0
2	Transfer In from Water Fund	0	0	34,700	261,800	1,341,700
3	Transfer In from Replacement Fund	1,230,600	856,100	1,025,300	729,000	758,200
4	Transfer In from Water Capacity Fund	1,661,800	1,726,400	517,000	64,900	66,800
5	Transfer In from Supplemental Water Fund	100,000	104,000	108,200	562,400	584,900
6	Assessment District Proceeds ^[1]	9,745,000	0	0	0	0
7	Total Sources of Funds	12,737,400	2,686,500	1,685,200	1,618,100	2,751,600
Use of Funds						
8	Major Capital Improvements ^[2]	12,737,400	2,686,500	1,685,200	1,618,100	2,751,600
9	Total Use of Funds	12,737,400	2,686,500	1,685,200	1,618,100	2,751,600
10	Funds on Hand at End of Year	\$0	\$0	\$0	\$0	\$0

^[1] Assumes Waterline Intertie Project is financed with an Assessment District.

^[2] From Table 1.

funding of the improvements has been designed to minimize debt financing that would be paid from the Water Fund and to match improvement expenditures to available funds for the appropriate year.

Financial Plan

An assumed preferred financial plan for the Water Fund has been prepared that includes revenue projected using the existing water rates, and revenue requirements from Work Product #1. The preferred plan is Option 2, Assessment Financing with Model 2: Service Life Savings Replacement. Water sales revenue has been projected through application of the July 1, 2009 water rates to projections of customer growth and water sales volume per account, both of which are based on the assumptions in Work Product #1. Future customer growth was estimated to increase by 0.5 percent annually for residential accounts only, or about 19 new single-family residential accounts and 2 multifamily accounts.

Water sales volume was projected assuming a 1 percent decrease in the average usage per dwelling unit for single family and multifamily customers, reflecting on-going conservation efforts and customer resistance. All other customer classifications assume constant use per account/unit at FY 2008-09 levels.

Water system operation and maintenance expense (O&M) is projected to increase based on historical expense increases and expectation of future inflation rates. The detailed historical, budgeted, and projected O&M and associated inflation rates are presented in Work Product #1.

Currently, the Water Fund pays annual debt service on a 1978 revenue bond issue totaling approximately \$15,000 annually. The bonds will be retired in FY 2017-18.

Minor capital expenditures are also included as a revenue requirement. These expenditures include fixed asset purchases, utility vehicles, office/technical equipment, and other assets.

Capital improvement financing shown in Table 2 will have impacts to the Water Fund. Transfers of about \$1,638,200 are planned to pay for capital expenditures out of the Water Fund. These transfers are used to pay for improvements as shown on line 2 of Table 2.

A key revenue requirement in the financial plan includes the Transfer to the Replacement Fund. The District commissioned a Water and Sewer Replacement Study in 2007 to study the amount that should be included annually as a transfer for water system replacement. The study analyzed three replacement program funding methods. The District's preference is the Service Life Savings Replacement program. Alternative financial plan scenarios for the three funding programs are presented in Appendix A of this report, and exclude any "Catch-Up" amount as identified in the Replacement Study so as to make a fair comparison among the replacement programs.

Table 3 presents the assumed preferred financial plan of the Water Fund that includes proposed adjustments to revenue. Analysis of the financial plan indicates that the Water Fund will be deficient in meeting future obligations. The deficiency is due to inflation in expenses and additional expense obligations including supplemental water and cash funding of CIP. The statement indicates that revenue from water service rates will need to increase by 19.5 percent annually, shown on lines 2 through 6.

The adjustments to revenue were determined based on financial planning criteria developed for the Water Fund. The criteria included maintaining a Water Fund working capital reserve of 180 days of O&M expense, while also maintaining a debt service coverage ratio that meets the requirements of Resolution No. 137.

Alternative Financial Plans

Part of the scope of work for the water rate study includes identifying the impacts to the Water Fund for financing the Waterline Intertie Project through Certificates of Participation (COPs) instead of an assessment. Additionally, the District is interested in evaluating the impacts associated with the three replacement funding programs for each of the two Waterline Intertie Project financing options.

Table 3 **With Assessment Financing**
Nipomo Community Services District **Model 2: Service Life Savings Replacement**
Water Utility
Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year Revenue Increase Effective Date					
2	2009-10 19.5% July 1, 2010	0	612,300	611,200	610,100	609,000
3	2010-11 19.5% Jan 1, 2011		365,900	730,400	729,100	727,800
4	2011-12 19.5% Jan 1, 2012			436,400	871,300	869,700
5	2012-13 19.5% Jan 1, 2013				520,600	1,039,300
6	2013-14 19.5% Jan 1, 2014					621,000
7	Total Additional Water Sales Revenue	0	978,200	1,778,000	2,731,100	3,866,800
8	Total Water Sales Revenue	3,145,800	4,118,300	4,912,400	5,859,900	6,989,900
9	Transfer In Supplemental Water Fees	0	0	0	0	0
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	19,300	18,200	22,000	29,200
12	Total Revenue	\$3,247,000	\$4,214,100	\$5,007,100	\$5,958,400	\$7,095,600
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,400
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	0	0	0	0
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4][7]}	700,000	1,132,000	1,132,000	1,132,000	1,142,000
18	Transfers for Capital Improvement Financing	0	0	34,700	261,800	1,341,700
19	Total Revenue Requirements	3,908,200	4,308,600	5,047,100	5,422,000	6,666,400
20	Net Funds Available	(\$661,200)	(\$94,500)	(\$40,000)	\$536,400	\$429,200
21	Beginning Water Fund Balance	1,992,000	1,330,800	1,236,300	1,196,300	1,732,700
22	Cumulative Water Fund Balance	\$1,330,800	\$1,236,300	\$1,196,300	\$1,732,700	\$2,161,900
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$1,907,100	\$1,980,000	\$2,056,200
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$686,600	\$1,550,200	\$1,641,500	\$2,458,500	\$3,457,100
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$0	\$0	\$0	\$0
27	Coverage	4346%	10132%	11091%	16174%	22020%

^[1] Estimated revenue based on number of customers and projected water sales volume.

^[2] Includes penalties and miscellaneous income.

^[3] Assumes an interest rate of 1.5% on the average fund balance.

^[4] Projected expense from Work Product #1.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[8] Estimated at 180 days of operation and maintenance expense.

^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[10] Debt service from line 14 above.

^[11] Debt service from line 15 above.

This analysis is presented in a matrix format in Table 4. Options 1 through 3 include financing the Waterline Intertie Project with assessment financing while Options 4 through 6 include COPs financing. The COPs financing assumes a 6 percent interest rate with a 20-year term, a reserve equal to one year's principal and interest, and issuance costs of 4 percent of the debt issue amount. For each option, the annual replacement amount corresponds to the levels defined in the 2007 Water and Sewer Replacement Study. Alternative financial plans for each option are provided in Appendix A.

Table 4

Nipomo Community Services District

Water Utility

**Summary of Annual Revenue Adjustments Required for Waterline Intertie Project
 Financing Assumptions and Fixed Asset Replacement Program Funding**

WITH ASSESSMENT FINANCING			
	OPTION 1	OPTION 2	OPTION 3
	Model 1	Model 2	Model 3
Date of Increase	20-Yr Savings	Service Life Savings	Pay-As-You-Go
	Revenue Increases (Table 3a) ^[1]	Revenue Increases (Table 3)	Revenue Increases (Table 3c) ^[1]
July 1, 2010	19.5%	19.5%	13.0%
Jan 1, 2011	19.5%	19.5%	13.0%
Jan 1, 2012	19.5%	19.5%	13.0%
Jan 1, 2013	19.5%	19.5%	13.0%
Jan 1, 2014	19.5%	19.5%	13.0%

WITH COPs FINANCING			
	OPTION 4	OPTION 5	OPTION 6
	Model 1	Model 2	Model 3
Date of Increase	20-Yr Savings	Service Life Savings	Pay-As-You-Go
	Revenue Increases (Table 3d) ^[1]	Revenue Increases (Table 3e) ^[1]	Revenue Increases (Table 3f) ^[1]
July 1, 2010	30.5%	30.5%	25.5%
Jan 1, 2011	30.5%	30.5%	25.5%
Jan 1, 2012	30.5%	30.5%	25.5%
Jan 1, 2013	30.5%	30.5%	25.5%
Jan 1, 2014	30.5%	30.5%	25.5%

^[1] Table presented in Appendix A.

Water Rate Structures and Rates

An analysis of the overall water system was evaluated to determine a methodology for which to design rates. The District has less than 4,500 accounts with non-residential customers making up about 4 percent of those accounts. This information lends support to using a commodity-demand method of cost allocation.

In the commodity-demand method, revenue requirements are assigned as commodity costs, capacity costs, and customer costs. Commodity costs are characterized by those costs that vary with the quantity of water produced, such as pumping power, chemicals, purchased water, and other costs. Demand costs are generally those costs associated with providing facilities to meet peak rates of use. Such costs may include all transmission and distribution system pumping and all treatment, transmission, and distribution mains and storage facilities that are sized to meet peak demands. Customer costs include those incurred to serve the customer, regardless of the amount of water consumed. These costs include meter and service maintenance, meter reading, billing, collecting, and accounting costs.

Fixed Charge Component

A review and analysis was conducted of the current fixed charges of the District. The fixed charges are established recognizing meter capacity ratios and are priced such that revenue from fixed charges is slightly above 25 percent of the total system revenue. The cost of service analysis produced a similar result for the existing charges. Because the fixed charges reflect industry practice, it is proposed that future charges be established by increasing the current fixed charges by the annual percentages shown in Table 4 for each option. Doing so will maintain the current ratio of fixed charge revenue to total revenue (25 percent of total revenue) and provide a fair comparison among the alternatives. Table 5 presents the proposed fixed charges by meter size for the July 1, 2010 increase.

Variable Rate Component

Water service rates are typically composed of a fixed charge and a volume charge (variable charge). All costs not recovered in the fixed charge are recovered in the volume charge. The volume charge may be a uniform charge per unit of consumption, or established as a series of block rates, where a block of water is a defined amount of water consumption, such as zero to 500 cubic feet (0 to 5 Ccf).

Rate blocks are designed based on an analysis of the bills rendered by customer classification for various levels of consumption. This analysis includes tabulating the number of bills and their consumption, then developing cumulative consumption of bills rendered at each consumption level. The result of this tabulation is the determination of the percentage of the total water volume that is consumed in each block, allowing consumption curves to be drawn to illustrate usage patterns. Such curves allow pricing to be established for various rate blocks and the determination of revenue impacts from such pricing.

Table 5
 Nipomo Community Services District
 Water Utility
 Summary of Proposed Residential Water Bi-monthly Fixed Charges By Financing Option and Replacement Funding Program

Meter Size	Existing Charges	WITH ASSESSMENT FINANCING			WITH COPs FINANCING		
		OPTION 1	OPTION 2	OPTION 3	OPTION 4	OPTION 5	OPTION 6
		Model 1: 20-Yr Savings	Model 2: Service Life Savings	Model 3: Pay-As-You-Go	Model 1: 20-Yr Savings	Model 2: Service Life Savings	Model 3: Pay-As-You-Go
5/8	\$30.84	\$36.85	\$36.85	\$34.85	\$40.25	\$40.25	\$38.70
3/4	30.84	36.85	36.85	34.85	40.25	40.25	38.70
1	30.84	36.85	36.85	34.85	40.25	40.25	38.70
1 1/2	83.97	100.34	100.34	94.89	109.58	109.58	105.38
2	124.61	148.91	148.91	140.81	162.62	162.62	156.39
3	233.07	278.52	278.52	263.37	304.16	304.16	292.50
4	376.68	450.13	450.13	425.65	491.57	491.57	472.73
6	738.80	882.87	882.87	834.84	964.13	964.13	927.19
8	\$1,153.71	\$1,378.68	\$1,378.68	\$1,303.69	\$1,505.59	\$1,505.59	\$1,447.91

A bill tabulation and analysis was performed for the District's customer classifications using 5 year's of historical information from billing system records. Several findings can be drawn from the bill tabulation and analysis.

- Over 82 percent of the water consumed is related to residential customers (single-family, multifamily).
- The average bi-monthly consumption of a single-family residential customer is 40 Ccf.
- The average bi-monthly consumption of a multifamily dwelling unit is 12 Ccf.
- The average bi-monthly water consumption of the commercial classification is 60 Ccf.
- Commercial accounts consist of less than 3 percent of the total accounts.

From the tabulation, customer classification usage patterns were drawn and evaluated and are presented in Appendix B. Figure B-1 shows consumption patterns of the various customer classifications of the District. Review of all the curves indicate that it is appropriate to recognize these as separate classes, because of the wide separation of the curves from one another.

The curve for single family customers exhibits a typical consumption pattern for this classification. The multifamily curve has been determined on an individual dwelling unit basis and displays a more uniform use per unit than single family.

Residential Rate Structures

As desired by the District, three alternative residential rate structures have been designed for each of the Options 1 through 6 of Table 4. The residential alternatives consist of a two-block, three-block, and a four-block variable rate structure for each of the single family and multifamily classifications. Water rates within each block of the three alternatives for both residential classes have been established recognizing a reasonable escalation in pricing that reflects water conservation practice.

All multifamily rate structures presented have been established on an individual dwelling unit basis so as to develop rates that places multifamily consumption on a similar basis as single family customers. For multifamily customers that have one meter serving multiple units, it is necessary to multiply the number of dwelling units on the meter by the block rate break points, then applying the usage through the blocks. This effectively charges each dwelling unit the average use per unit for the water consumed through the meter. The District may need to program the billing system to perform this task.

The current two-block rate structure is designed such that the first block is set at the average water use of single family customers. The findings of the bill tabulation analysis confirmed that 40 Ccf is the average for single family while the analysis determined 12 Ccf is the average multifamily. The price differential from the first to the second block maintains the District's current 170 percent increase. While a two-block rate structure is adequate for water conservation, it does not necessarily address excess use that may occur in the top of the consumption curve.

The three-block rate structure is designed such that the first block break point is set at the average water consumption for each of the residential classifications. This also corresponds to the District's existing two-block rate structure design. The third block was established to capture slightly less than 20 percent of the highest water usage. The highest block is typically established to capture 80 to 90 percent of the top water consumption. The second block captures the remaining use.

The three-block structure maintains the same price differential between the first and second block of 170 percent. Third block pricing is increased by 200 percent over the first block price. The three-block rate structure is considered reasonable for sending appropriate price signals to residential customers while addressing excess water consumption.

The four-block residential structure is established with a first block that corresponds to average indoor water consumption to provide a signal of when an average residential customer may be starting to use water for outdoor uses. The average indoor water consumption was determined using water billing information from the months of December through March. The remaining blocks follow the three-block methodology with the second block break point set at the average consumption and the top block set to capture slightly less than 20 percent of the highest use.

A four-block rate effectively lowers the pricing in the first block, thereby allowing lower bills in the first block than under the three-block rate structure. Block prices for this alternative have been set to increase by 150 percent, 175 percent, and 225 percent, respectively, for each block after the first.

Commercial Rate Structures

The District requested that two rate structures be designed for the commercial classification. A uniform structure and a block rate structure were analyzed. The District currently has a uniform structure in place, which is common for the commercial class. It is a practical rate for these customers, especially when there is a coordinated effort to place commercial irrigation use on a separate meter.

Block rate structures are generally not appropriate for commercial customers because of the disparity of use within this classification. Exploring this type of structure for the District's commercial class included an analysis of the commercial use by meter size. Figure B-2 in Appendix B shows this wide range of the use, illustrated by the consumption patterns. For example, if a block rate structure were designed that applied to all commercial customers with a block break point set at the average use of 60 Ccf, from Figure B-2, those with a 1½ inch meter would have nearly 80 percent of their use over 60 Ccf and would be unfairly penalized. Customers with a ¾ inch meter would have consumed nearly 90 percent of their use by the block break point, and would seldom be over the first block. This is an example of why block rate structures that apply to all commercial customers are rarely used.

However, to design an equitable commercial block rate structure requires the use of individual block rates for each commercial meter size. This analysis has been completed and a three-block rate structure has been designed that is equated to the residential classifications. The first block is set at the average consumption for that individual meter size, with a top block that captures about 20 percent of the use. This alternative also recognizes the Irrigation classification separately. The Irrigation class is generally recognized by the relatively high demands it places on the water system, from landscape systems, parks, and other uses. Because such loads can be significant, the irrigation rate has been set as a uniform rate that equals the second block of the single family residential three-block rate, reflecting the rate that is charged for residential landscape irrigation uses.

Rates Summary

Tables 6 through 6c present a summary of the three residential and two non-residential water rate structures, and pricing, for each of the six options for the July 1, 2010 increase. The three residential rate structures are presented in Tables 6 and 6a. The two non-residential alternatives are presented in Table 6b and 6c. The commercial block rate structure is presented as Alternative 1 while the uniform structure is presented as Alternative 2.

Fixed charges and volume rates for future years are planned to increase annually by the percentages listed in Table 4 to maintain the relationship between fixed charge revenue and the total revenue. Example bi-

monthly bills are presented in Table 7 for each rate structure for Options 1 through 6 at various levels of consumption. Table 8 presents proposed fixed charges for private fire protection service. The private fire protection charges for July 1, 2010 have been escalated at the same increases as the fixed charges by meter size.

Rate Survey

A rate survey of other local water purveyors in San Luis Obispo County has been conducted and is included in tabular form in Appendix C. From inspection of the table, 2 of the 13 agencies have rate structures without fixed charges. Of the remaining 11, there are 4 that have fixed charges that remain constant with meter size while 7 have fixed charges that increase with meter size. For the residential classification, there are 4 agencies that have a two-block variable rate structure, 2 that have a three-block structure, 4 that have a four-block structure, 1 that has a five-block structure, and 1 that has a ten-block structure. One agency has a single volume charge for all use while one other agency has a multifamily rate structure separate from single family.

Also, included in Appendix C is a bi-monthly bill comparison with other local water purveyors in San Luis Obispo County. The chart indicates that the District's current bi-monthly bill at 40 Ccf is in the lower half of the agencies listed.

I appreciate the opportunity to serve the District in this matter. If there are any questions regarding this report, please call me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield
Principal

Table 6

Nipomo Community Services District
Water Utility

Summary of Proposed Residential Water Consumption Rates By Financing Option and Replacement Funding Program ^[1]

WITH ASSESSMENT FINANCING													
Customer Classification	Rate Block	Approx # of DU's in Block	Approx % Consump in Block	Increase Over First Rate Block	OPTION 1			OPTION 2			OPTION 3		
					Model 1: 20-Yr Savings			Model 2: Service Life Savings			Model 3: Pay-As-You-Go		
					2 Block	3 Block	4 Block	2 Block	3 Block	4 Block	2 Block	3 Block	4 Block
Single Family	0 to 40 Ccf	2,433	66.0%		\$1.96			\$1.96			\$1.85		
	Over 40 Ccf	1,258	34.0%	170%	\$3.33			\$3.33			\$3.15		
	0 to 40 Ccf	2,433	66.0%			\$1.89		\$1.89			\$1.79		
	41 to 64 Ccf	694	14.8%	170%		\$3.21		\$3.21			\$3.04		
	Over 64 Ccf	564	19.3%	200%		\$3.78		\$3.78			\$3.58		
	0 to 24 Ccf	1,498	47.1%				\$1.70		\$1.70			\$1.61	
	25 to 40 Ccf	936	18.8%	150%			\$2.55		\$2.55			\$2.42	
	41 to 64 Ccf	694	14.8%	175%			\$2.98		\$2.98			\$2.82	
	Over 64 Ccf	564	19.3%	225%			\$3.83		\$3.83			\$3.62	
	Multifamily	0 to 12 Ccf	448	70.1%		\$1.96			\$1.96			\$1.85	
Over 12 Ccf		281	29.9%		\$3.33			\$3.33			\$3.15		
0 to 12 Ccf		448	70.1%			\$1.89		\$1.89			\$1.79		
13 to 16 Ccf		133	10.6%	170%		\$3.21		\$3.21			\$3.04		
Over 16 Ccf		147	19.3%	200%		\$3.78		\$3.78			\$3.58		
0 to 9 Ccf		348	57.7%				\$1.70		\$1.70			\$1.61	
10 to 12 Ccf		100	12.4%	150%			\$2.55		\$2.55			\$2.42	
13 to 16 Ccf		133	10.6%	175%			\$2.98		\$2.98			\$2.82	
Over 16 Ccf		147	19.3%	225%			\$3.83		\$3.83			\$3.62	

^[1] Does not include fixed charges.

Table 6a

Nipomo Community Services District
Water Utility

Summary of Proposed Residential Water Consumption Rates By Financing Option and Replacement Funding Program ^[1]

WITH COPs FINANCING													
Customer Classification	Rate Block	Approx # of DU's in Block	Approx % Consump in Block	Increase Over First Rate Block	OPTION 4			OPTION 5			OPTION 6		
					Model 1: 20-Yr Savings			Model 2: Service Life Savings			Model 3: Pay-As-You-Go		
					2 Block	3 Block	4 Block	2 Block	3 Block	4 Block	2 Block	3 Block	4 Block
Single Family	0 to 40 Ccf	2,433	66.0%		\$2.14			\$2.14			\$2.06		
	Over 40 Ccf	1,258	34.0%	170%	\$3.64			\$3.64			\$3.50		
	0 to 40 Ccf	2,433	66.0%					\$2.06			\$1.98		
	41 to 64 Ccf	694	14.8%	170%				\$3.50			\$3.37		
	Over 64 Ccf	564	19.3%	200%				\$4.12			\$3.96		
	0 to 24 Ccf	1,498	47.1%										
	25 to 40 Ccf	936	18.8%	150%									
	41 to 64 Ccf	694	14.8%	175%									
	Over 64 Ccf	564	19.3%	225%									
	Over 64 Ccf	564	19.3%	225%									
Multifamily	0 to 12 Ccf	448	70.1%		\$2.14			\$2.14			\$2.06		
	Over 12 Ccf	281	29.9%		\$3.64			\$3.64			\$3.50		
	0 to 12 Ccf	448	70.1%					\$2.06			\$1.98		
	13 to 16 Ccf	133	10.6%	170%				\$3.50			\$3.37		
	Over 16 Ccf	147	19.3%	200%				\$4.12			\$3.96		
	0 to 9 Ccf	348	57.7%										
	10 to 12 Ccf	100	12.4%	150%									
	13 to 16 Ccf	133	10.6%	175%									
	Over 16 Ccf	147	19.3%	225%									
	Over 16 Ccf	147	19.3%	225%									

^[1] Does not include fixed charges.

Table 6b

Nipomo Community Services District

Water Utility

Summary of Proposed Non-residential Water Consumption Rates By Financing Option and Replacement Funding Program^{III}

Customer Classification	Meter Size	Rate Block	Approx Customers in Block	Approx % Consump in Block	Increase Over First Rate Block	WITH ASSESSMENT FINANCING		
						OPTION 1	OPTION 2	OPTION 3
						Model 1: 20-Yr Savings	Model 2: Service Life Savings	Model 3: Pay-As-You-Go
Alternative 1:								
Commercial								
5/8" Meter	0 to 28 Ccf	16	50.7%			\$1.89	\$1.89	\$1.79
	29 to 68 Ccf	9	29.8%	170%		\$3.21	\$3.21	\$3.04
	Over 68 Ccf	4	19.6%	200%		\$3.78	\$3.78	\$3.58
3/4" Meter	0 to 30 Ccf	1	51.6%			\$1.89	\$1.89	\$1.79
	31 to 52 Ccf	0	28.2%	170%		\$3.21	\$3.21	\$3.04
	Over 52 Ccf	1	20.1%	200%		\$3.78	\$3.78	\$3.58
1" Meter	0 to 55 Ccf	30	50.9%			\$1.89	\$1.89	\$1.79
	56 to 140 Ccf	5	29.0%	170%		\$3.21	\$3.21	\$3.04
	Over 140 Ccf	4	20.1%	200%		\$3.78	\$3.78	\$3.58
1 1/2" Meter	0 to 205 Ccf	12	50.7%			\$1.89	\$1.89	\$1.79
	206 to 445 Ccf	2	29.3%	170%		\$3.21	\$3.21	\$3.04
	Over 445 Ccf	1	20.0%	200%		\$3.78	\$3.78	\$3.58
2" Meter	0 to 105 Ccf	5	51.0%			\$1.89	\$1.89	\$1.79
	106 to 210 Ccf	2	29.0%	170%		\$3.21	\$3.21	\$3.04
	Over 210 Ccf	3	20.0%	200%		\$3.78	\$3.78	\$3.58
3" Meter	0 to 52 Ccf	0	50.3%			\$1.89	\$1.89	\$1.79
	53 to 90 Ccf	0	30.1%	170%		\$3.21	\$3.21	\$3.04
	Over 90 Ccf	1	19.6%	200%		\$3.78	\$3.78	\$3.58
4" Meter	0 to 15 Ccf	0	51.1%			\$1.89	\$1.89	\$1.79
	16 to 30 Ccf	1	28.4%	170%		\$3.21	\$3.21	\$3.04
	Over 30 Ccf	0	20.5%	200%		\$3.78	\$3.78	\$3.58
Other Non-Residential								
	Irrigation					\$3.21	\$3.21	\$3.04
	Agriculture					\$2.24	\$2.24	\$2.07
	All Other					\$2.46	\$2.46	\$2.28
Alternative 2:								
All Non-residential								
	All Other					\$2.46	\$2.46	\$2.28

^{III} Does not include fixed charges.

Table 6c
Nipomo Community Services District
Water Utility
Summary of Proposed Non-residential Water Consumption Rates By Financing Option and Replacement Funding Program¹¹⁾

Customer Classification	Meter Size	Rate Block	Approx Customers in Block	Approx % Consump in Block	Increase Over First Rate Block	WITH COPs FINANCING		
						OPTION 4	OPTION 5	OPTION 6
						Model 1: 20-Yr Savings	Model 2: Service Life Savings	Model 3: Pay-As-You-Go
Alternative 1:								
Commercial								
5/8" Meter		0 to 28 Ccf	16	50.7%		\$2.06	\$2.06	\$1.98
		29 to 68 Ccf	9	29.8%	170%	\$3.50	\$3.50	\$3.37
		Over 68 Ccf	4	19.6%	200%	\$4.12	\$4.12	\$3.96
3/4" Meter		0 to 30 Ccf	1	51.6%		\$2.06	\$2.06	\$1.98
		31 to 52 Ccf	0	28.2%	170%	\$3.50	\$3.50	\$3.37
		Over 52 Ccf	1	20.1%	200%	\$4.12	\$4.12	\$3.96
1" Meter		0 to 55 Ccf	30	50.9%		\$2.06	\$2.06	\$1.98
		56 to 140 Ccf	5	29.0%	170%	\$3.50	\$3.50	\$3.37
		Over 140 Ccf	4	20.1%	200%	\$4.12	\$4.12	\$3.96
1 1/2" Meter		0 to 205 Ccf	12	50.7%		\$2.06	\$2.06	\$1.98
		206 to 445 Ccf	2	29.3%	170%	\$3.50	\$3.50	\$3.37
		Over 445 Ccf	1	20.0%	200%	\$4.12	\$4.12	\$3.96
2" Meter		0 to 105 Ccf	5	51.0%		\$2.06	\$2.06	\$1.98
		106 to 210 Ccf	2	29.0%	170%	\$3.50	\$3.50	\$3.37
		Over 210 Ccf	3	20.0%	200%	\$4.12	\$4.12	\$3.96
3" Meter		0 to 52 Ccf	0	50.3%		\$2.06	\$2.06	\$1.98
		53 to 90 Ccf	0	30.1%	170%	\$3.50	\$3.50	\$3.37
		Over 90 Ccf	1	19.6%	200%	\$4.12	\$4.12	\$3.96
4" Meter		0 to 15 Ccf	0	51.1%		\$2.06	\$2.06	\$1.98
		16 to 30 Ccf	1	28.4%	170%	\$3.50	\$3.50	\$3.37
		Over 30 Ccf	0	20.5%	200%	\$4.12	\$4.12	\$3.96
Other Non-Residential								
		Irrigation				\$3.50	\$3.50	\$3.37
		Agriculture				\$2.52	\$2.52	\$2.39
		All Other				\$2.77	\$2.77	\$2.63
Alternative 2:								
All Non-residential								
		All Other				\$2.77	\$2.77	\$2.63

¹¹⁾ Does not include fixed charges.

Table 7

Nipomo Community Services District
 Water Utility

Summary of Example Residential Bi-monthly Water Bills For Each Financing Option and Replacement Funding Program ^[1]

WITH ASSESSMENT FINANCING											
Customer Classification	Consumption Ccf	Existing Rates	OPTION 1			OPTION 2			OPTION 3		
			Model 1: 20-Yr Savings			Model 2: Service Life Savings			Model 3: Pay-As-You-Go		
			2 Block	3 Block	4 Block	2 Block	3 Block	4 Block	2 Block	3 Block	4 Block
Single Family 5/8" meter	0	\$30.84	\$36.85	\$36.85	\$36.85	\$36.85	\$36.85	\$36.85	\$34.85	\$34.85	\$34.85
	5	\$39.04	\$46.65	\$46.30	\$45.35	\$46.65	\$46.30	\$45.35	\$44.10	\$43.80	\$42.90
	10	\$47.24	\$56.45	\$55.75	\$53.85	\$56.45	\$55.75	\$53.85	\$53.35	\$52.75	\$50.95
	15	\$55.44	\$66.25	\$65.20	\$62.35	\$66.25	\$65.20	\$62.35	\$62.60	\$61.70	\$59.00
	20	\$63.64	\$76.05	\$74.65	\$70.85	\$76.05	\$74.65	\$70.85	\$71.85	\$70.65	\$67.05
	30	\$80.04	\$95.65	\$93.55	\$92.95	\$95.65	\$93.55	\$92.95	\$90.35	\$88.55	\$88.01
	40	\$96.44	\$115.25	\$112.45	\$118.45	\$115.25	\$112.45	\$118.45	\$108.85	\$106.45	\$112.21
	50	\$124.44	\$148.55	\$144.55	\$148.25	\$148.55	\$144.55	\$148.25	\$140.35	\$136.85	\$140.41
	60	\$152.44	\$181.85	\$176.65	\$178.05	\$181.85	\$176.65	\$178.05	\$171.85	\$167.25	\$168.61
	70	\$180.44	\$215.15	\$212.17	\$212.95	\$215.15	\$212.17	\$212.95	\$203.35	\$200.89	\$201.61
80	\$208.44	\$248.45	\$249.97	\$251.25	\$248.45	\$249.97	\$251.25	\$234.85	\$236.69	\$237.81	
100	\$264.44	\$315.05	\$325.57	\$327.85	\$315.05	\$325.57	\$327.85	\$297.85	\$308.29	\$310.21	
Multifamily 1" meter 4 Units	0	\$30.84	\$36.85	\$36.85	\$36.85	\$36.85	\$36.85	\$36.85	\$34.85	\$34.85	\$34.85
	20	\$72.04	\$76.05	\$74.65	\$70.85	\$76.05	\$74.65	\$70.85	\$71.85	\$70.65	\$67.05
	40	\$113.24	\$115.25	\$112.45	\$108.25	\$115.25	\$112.45	\$108.25	\$108.85	\$106.45	\$102.49
	48	\$129.72	\$130.93	\$127.57	\$128.65	\$130.93	\$127.57	\$128.65	\$123.65	\$120.77	\$121.85
	60	\$154.44	\$170.89	\$166.09	\$164.41	\$170.89	\$166.09	\$164.41	\$161.45	\$157.25	\$155.69
	80	\$195.64	\$237.49	\$239.41	\$237.61	\$237.49	\$239.41	\$237.61	\$224.45	\$226.69	\$224.89
120	\$278.04	\$370.69	\$390.61	\$390.81	\$370.69	\$390.61	\$390.81	\$350.45	\$369.89	\$369.69	

^[1] Includes both fixed and consumption (variable) charges.

Table 7a

Nipomo Community Services District
Water Utility

Summary of Example Residential Bi-monthly Water Bills For Each Financing Option and Replacement Funding Program ^[1]

WITH COPs FINANCING

Customer Classification	Consumption Ccf	Existing Rates	OPTION 4			OPTION 5			OPTION 6		
			Model 1: 20-Yr Savings			Model 2: Service Life Savings			Model 3: Pay-As-You-Go		
			2 Block	3 Block	4 Block	2 Block	3 Block	4 Block	2 Block	3 Block	4 Block
Single Family 5/8" meter	0	\$30.84	\$40.25	\$40.25	\$40.25	\$40.25	\$40.25	\$40.25	\$38.70	\$38.70	\$38.70
	5	\$39.04	\$50.95	\$50.55	\$49.50	\$50.95	\$50.55	\$49.50	\$49.00	\$48.60	\$47.60
	10	\$47.24	\$61.65	\$60.85	\$58.75	\$61.65	\$60.85	\$58.75	\$59.30	\$58.50	\$56.50
	15	\$55.44	\$72.35	\$71.15	\$68.00	\$72.35	\$71.15	\$68.00	\$69.60	\$68.40	\$65.40
	20	\$63.64	\$83.05	\$81.45	\$77.25	\$83.05	\$81.45	\$77.25	\$79.90	\$78.30	\$74.30
	30	\$80.04	\$104.45	\$102.05	\$101.33	\$104.45	\$102.05	\$101.33	\$100.50	\$98.10	\$97.44
	40	\$96.44	\$125.85	\$122.65	\$129.13	\$125.85	\$122.65	\$129.13	\$121.10	\$117.90	\$124.14
	50	\$124.44	\$162.25	\$157.65	\$161.53	\$162.25	\$157.65	\$161.53	\$156.10	\$151.60	\$155.34
	60	\$152.44	\$198.65	\$192.65	\$193.93	\$198.65	\$192.65	\$193.93	\$191.10	\$185.30	\$186.54
	70	\$180.44	\$235.05	\$231.37	\$231.85	\$235.05	\$231.37	\$231.85	\$226.10	\$222.54	\$223.08
	80	\$208.44	\$271.45	\$272.57	\$273.45	\$271.45	\$272.57	\$273.45	\$261.10	\$262.14	\$263.18
	100	\$264.44	\$344.25	\$354.97	\$356.65	\$344.25	\$354.97	\$356.65	\$331.10	\$341.34	\$343.38
Multifamily 1" meter 4 Units	0	\$30.84	\$40.25	\$40.25	\$40.25	\$40.25	\$40.25	\$40.25	\$38.70	\$38.70	\$38.70
	20	\$72.04	\$83.05	\$81.45	\$77.25	\$83.05	\$81.45	\$77.25	\$79.90	\$78.30	\$74.30
	40	\$113.24	\$125.85	\$122.65	\$117.97	\$125.85	\$122.65	\$117.97	\$121.10	\$117.90	\$113.46
	48	\$129.72	\$142.97	\$139.13	\$140.21	\$142.97	\$139.13	\$140.21	\$137.58	\$133.74	\$134.82
	60	\$154.44	\$186.65	\$181.13	\$179.09	\$186.65	\$181.13	\$179.09	\$179.58	\$174.18	\$172.26
	80	\$195.64	\$259.45	\$261.05	\$258.61	\$259.45	\$261.05	\$258.61	\$249.58	\$251.02	\$248.90
	120	\$278.04	\$405.05	\$425.85	\$425.01	\$405.05	\$425.85	\$425.01	\$389.58	\$409.42	\$409.30

^[1] Includes both fixed and consumption (variable) charges.

Table 7b

Nipomo Community Services District
 Water Utility

Summary of Example Non-residential Bi-monthly Water Bills For Each Financing Option and Replacement Funding Program ^[1]

WITH ASSESSMENT FINANCING											
		OPTION 1			OPTION 2			OPTION 3			
		Model 1: 20-Yr Savings			Model 2: Service Life Savings			Model 3: Pay-As-You-Go			
		Alternative 1			Alternative 1			Alternative 1			
Customer Classification	Consumption	Existing Rates	Commercial 3 Block	Alternative 2 Uniform	Alternative 1 Irrigation	Commercial 3 Block	Alternative 2 Uniform	Alternative 1 Irrigation	Commercial 3 Block	Alternative 2 Uniform	Alternative 1 Irrigation
Ccf											
Commercial											
2" meter											
	100	\$330.61	\$337.91	\$394.91		\$337.91	\$394.91		\$319.81	\$368.81	
	200	\$536.61	\$652.31	\$640.91		\$652.31	\$640.91		\$617.56	\$596.81	
	300	\$742.61	\$1,024.61	\$886.91		\$1,024.61	\$886.91		\$970.16	\$824.81	
Irrigation											
2" meter											
	100	\$330.61		\$394.91	\$469.91		\$394.91	\$469.91		\$368.81	\$444.81
	200	\$536.61		\$640.91	\$790.91		\$640.91	\$790.91		\$596.81	\$748.81
	300	\$742.61		\$886.91	\$1,111.91		\$886.91	\$1,111.91		\$824.81	\$1,052.81

^[1] Includes both fixed and consumption (variable) charges.

Table 7c

Nipomo Community Services District

Water Utility

Summary of Example Non-residential Bi-monthly Water Bills For Each Financing Option and Replacement Funding Program ⁽¹⁾

WITH COPs FINANCING											
		OPTION 4			OPTION 5			OPTION 6			
		Model 1: 20-Yr Savings			Model 2: Service Life Savings			Model 3: Pay-As-You-Go			
		Alternative 1			Alternative 1			Alternative 1			
Customer	Consumption	Existing	Commercial	Alternative 2	Alternative 1	Commercial	Alternative 2	Alternative 1	Commercial	Alternative 2	Alternative 1
Classification	Ccf	Rates	3 Block	Uniform	Irrigation	3 Block	Uniform	Irrigation	3 Block	Uniform	Irrigation
Commercial											
2" meter	100	\$330.61	\$368.62	\$439.62		\$368.62	\$439.62		\$354.39	\$419.39	
	200	\$536.61	\$711.42	\$716.62		\$711.42	\$716.62		\$684.44	\$682.39	
	300	\$742.61	\$1,117.22	\$993.62		\$1,117.22	\$993.62		\$1,074.54	\$945.39	
Irrigation											
2" meter	100	\$330.61		\$439.62	\$512.62		\$439.62	\$512.62		\$419.39	\$493.39
	200	\$536.61		\$716.62	\$862.62		\$716.62	\$862.62		\$682.39	\$830.39
	300	\$742.61		\$993.62	\$1,212.62		\$993.62	\$1,212.62		\$945.39	\$1,167.39

⁽¹⁾ Includes both fixed and consumption (variable) charges.

Table 8
 Nipomo Community Services District
 Water Utility
 Summary of Proposed Bi-monthly Private Fire Protection Charges

Size	Existing Charges	WITH ASSESSMENT FINANCING			WITH COPs FINANCING		
		OPTION 1	OPTION 2	OPTION 3	OPTION 4	OPTION 5	OPTION 6
		Model 1: 20-Yr Savings	Model 2: Service Life Savings	Model 3: Pay-As-You-Go	Model 1: 20-Yr Savings	Model 2: Service Life Savings	Model 3: Pay-As-You-Go
3	\$10.00	\$11.95	\$11.95	\$11.30	\$13.05	\$13.05	\$12.55
4	12.00	14.34	14.34	13.56	15.66	15.66	15.06
6	18.00	21.51	21.51	20.34	23.49	23.49	22.59
8	25.00	29.88	29.88	28.25	32.63	32.63	31.38
10	\$30.00	\$35.85	\$35.85	\$33.90	\$39.15	\$39.15	\$37.65

Appendix A

Alternative Financial Plans Option 1 and Options 3 through 6

Table 3a

With Assessment Financing

Nipomo Community Services District

Model 1: 20-Yr Savings Replacement

Water Utility

Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	19.5%	July 1, 2010	0	612,300	611,200
3	2010-11	19.5%	Jan 1, 2011		365,900	730,400
4	2011-12	19.5%	Jan 1, 2012			436,400
5	2012-13	19.5%	Jan 1, 2013			520,600
6	2013-14	19.5%	Jan 1, 2014			621,000
7	Total Additional Water Sales Revenue			0	978,200	1,778,000
8	Total Water Sales Revenue	3,145,800	4,118,300	4,912,400	5,859,900	6,989,900
9	Transfer In Supplemental Water Fees	0	0	0	0	0
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	20,000	20,100	24,000	30,500
12	Total Revenue	\$3,247,000	\$4,214,800	\$5,009,000	\$5,960,400	\$7,096,900
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,400
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	0	0	0	0
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4][7]}	700,000	1,029,000	1,088,000	1,159,000	1,223,000
18	Transfers for Capital Improvement Financing	0	0	34,700	261,800	1,341,700
19	Total Revenue Requirements	3,908,200	4,205,600	5,003,100	5,449,000	6,747,400
20	Net Funds Available	(\$661,200)	\$9,200	\$5,900	\$511,400	\$349,500
21	Beginning Water Fund Balance	1,992,000	1,330,800	1,340,000	1,345,900	1,857,300
22	Cumulative Water Fund Balance	\$1,330,800	\$1,340,000	\$1,345,900	\$1,857,300	\$2,206,800
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$1,907,100	\$1,980,000	\$2,056,200
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$686,600	\$1,550,100	\$1,641,500	\$2,458,500	\$3,457,100
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$0	\$0	\$0	\$0
27	Coverage	4346%	10131%	11091%	16174%	22020%

^[1] Estimated revenue based on number of customers and projected water sales volume.

^[2] Includes penalties and miscellaneous income.

^[3] Assumes an interest rate of 1.5% on the average fund balance.

^[4] Projected expense from Work Product #1.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[8] Estimated at 180 days of operation and maintenance expense.

^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[10] Debt service from line 14 above.

^[11] Debt service from line 15 above.

Table 3c

Nipomo Community Services District
Water Utility

With Assessment Financing
Model 3: Pay-As-You-Go Replacement

Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	13.0%	July 1, 2010	0	408,200	407,500
3	2010-11	13.0%	Jan 1, 2011		230,600	460,400
4	2011-12	13.0%	Jan 1, 2012			260,100
5	2012-13	13.0%	Jan 1, 2013			
6	2013-14	13.0%	Jan 1, 2014			
7	Total Additional Water Sales Revenue	0	638,800	1,128,000	1,679,100	2,300,000
8	Total Water Sales Revenue	3,145,800	3,778,900	4,262,400	4,807,900	5,423,100
9	Transfer In Supplemental Water Fees	0	0	0	0	0
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	24,100	30,400	35,400	35,600
12	Total Revenue	\$3,247,000	\$3,879,500	\$4,369,300	\$4,919,800	\$5,535,200
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$3,814,100	\$3,960,000	\$4,112,400
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	0	0	0	0
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4] [7]}	700,000	146,000	177,000	243,000	367,000
18	Transfers for Capital Improvement Financing	0	0	34,700	261,800	1,341,700
19	Total Revenue Requirements	3,908,200	3,322,600	4,092,100	4,533,000	5,891,400
20	Net Funds Available	(\$661,200)	\$556,900	\$277,200	\$386,800	(\$356,200)
21	Beginning Water Fund Balance	1,992,000	1,330,800	1,887,700	2,164,900	2,551,700
22	Cumulative Water Fund Balance	\$1,330,800	\$1,887,700	\$2,164,900	\$2,551,700	\$2,195,500
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$1,907,100	\$1,980,000	\$2,056,200
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$686,600	\$1,208,100	\$981,500	\$1,383,400	\$1,847,000
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$0	\$0	\$0	\$0
27	Coverage	4346%	7896%	6632%	9101%	11764%

^[1] Estimated revenue based on number of customers and projected water sales volume.

^[2] Includes penalties and miscellaneous income.

^[3] Assumes an interest rate of 1.5% on the average fund balance.

^[4] Projected expense from Work Product #1.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[8] Estimated at 180 days of operation and maintenance expense.

^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[10] Debt service from line 14 above.

^[11] Debt service from line 15 above.

Table 3d **With COPs Financing**
Nipomo Community Services District **Model 1: 20-Yr Savings Replacement**
Water Utility
Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	30.5%	July 1, 2010	0	957,700	956,000
3	2010-11	30.5%	Jan 1, 2011		624,900	1,247,600
4	2011-12	30.5%	Jan 1, 2012			814,000
5	2012-13	30.5%	Jan 1, 2013			1,625,200
6	2013-14	30.5%	Jan 1, 2014			1,060,400
7	Total Additional Water Sales Revenue			0	1,582,600	3,017,600
8	Total Water Sales Revenue	3,145,800	4,722,700	6,152,000	8,014,000	10,439,200
9	Transfer In Supplemental Water Fees	249,400	271,200	279,300	287,700	296,300
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	21,000	12,800	8,000	21,700
12	Total Revenue	\$3,496,400	\$5,091,400	\$6,520,600	\$8,386,200	\$10,833,700
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,000
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	973,400	973,400	973,400	973,400
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4][7]}	700,000	1,029,000	1,088,000	1,159,000	1,223,000
18	Transfers for Capital Improvement Financing	0	0	34,700	261,800	1,341,700
19	Total Revenue Requirements	3,908,200	5,179,000	7,523,800	8,016,200	9,362,400
20	Net Funds Available	(\$411,800)	(\$87,600)	(\$1,003,200)	\$370,000	\$1,471,300
21	Beginning Water Fund Balance	1,992,000	1,580,200	1,492,600	489,400	859,400
22	Cumulative Water Fund Balance	\$1,580,200	\$1,492,600	\$489,400	\$859,400	\$2,330,700
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$1,907,100	\$1,980,000	\$2,056,200
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$934,100	\$2,420,800	\$1,595,700	\$3,275,900	\$5,533,200
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$973,400	\$973,400	\$973,400	\$973,400
27	Coverage	5912%	245%	161%	331%	559%
Additional Parity Bonds Debt Service Coverage						
28	Net Revenue ^[12]	\$1,497,099	\$2,364,575	\$4,935,025	\$5,518,450	\$9,029,600
29	Total Annual Debt Service Requirements ^[12]	988,651	\$988,651	\$988,651	\$988,651	\$988,651
30	Coverage ^[12]	151%	239%	499%	558%	913%

^[1] Estimated revenue based on number of customers and projected water sales volume.
^[2] Includes penalties and miscellaneous income.
^[3] Assumes an interest rate of 1.5% on the average fund balance.
^[4] Projected expense from Work Product #1.
^[5] Existing 1978 Revenue Bonds debt service.
^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.
^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.
^[8] Estimated at 180 days of operation and maintenance expense of the Assessment Financing Options, Tables 3a through 3c.
^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.
^[10] Debt service from line 14 above.
^[11] Debt service from line 15 above.
^[12] As defined in Resolution No. 137.

Table 3e

With COPs Financing

Nipomo Community Services District

Model 2: Service Life Savings Replacement

Water Utility

Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	30.5%	July 1, 2010	0	957,700	956,000
3	2010-11	30.5%	Jan 1, 2011		624,900	1,247,600
4	2011-12	30.5%	Jan 1, 2012			814,000
5	2012-13	30.5%	Jan 1, 2013			1,625,200
6	2013-14	30.5%	Jan 1, 2014			1,060,400
7	Total Additional Water Sales Revenue			0	1,582,600	3,017,600
8	Total Water Sales Revenue	3,145,800	4,722,700	6,152,000	8,014,000	10,439,200
9	Transfer In Supplemental Water Fees	249,400	271,200	279,300	287,700	296,300
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	20,200	10,900	5,900	20,400
12	Total Revenue	\$3,496,400	\$5,090,600	\$6,518,700	\$8,384,100	\$10,832,400
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,000
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	973,400	973,400	973,400	973,400
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^[7]	700,000	1,132,000	1,132,000	1,132,000	1,142,000
18	Transfers for Capital Improvement Financing	0	0	34,700	261,800	1,341,700
19	Total Revenue Requirements	3,908,200	5,282,000	7,567,800	7,989,200	9,281,400
20	Net Funds Available	(\$411,800)	(\$191,400)	(\$1,049,100)	\$394,900	\$1,551,000
21	Beginning Water Fund Balance	1,992,000	1,580,200	1,388,800	339,700	734,600
22	Cumulative Water Fund Balance	\$1,580,200	\$1,388,800	\$339,700	\$734,600	\$2,285,600
23	Minimum Desired Balance ^[8]	\$1,494,200	\$1,555,700	\$1,907,100	\$1,980,000	\$2,056,200
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$934,100	\$2,420,800	\$1,595,700	\$3,275,800	\$5,533,200
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$973,400	\$973,400	\$973,400	\$973,400
27	Coverage	5912%	245%	161%	331%	559%
Additional Parity Bonds Debt Service Coverage						
28	Net Revenue ^[12]	\$1,497,099	\$2,364,575	\$4,935,025	\$5,518,450	\$9,029,500
29	Total Annual Debt Service Requirements ^[12]	988,651	\$988,651	\$988,651	\$988,651	\$988,651
30	Coverage ^[12]	151%	239%	499%	558%	913%

^[1] Estimated revenue based on number of customers and projected water sales volume.

^[2] Includes penalties and miscellaneous income.

^[3] Assumes an interest rate of 1.5% on the average fund balance.

^[4] Projected expense from Work Product #1.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[8] Estimated at 180 days of operation and maintenance expense of the Assessment Financing Options, Tables 3a through 3c.

^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[10] Debt service from line 14 above.

^[11] Debt service from line 15 above.

^[12] As defined in Resolution No. 137.

Table 3f

Nipomo Community Services District
Water Utility

With COPs Financing
Model 3: Pay-As-You-Go Replacement

Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2009-10	2010-11	2011-12	2012-13	2013-14
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$3,145,800	\$3,140,100	\$3,134,400	\$3,128,800	\$3,123,100
	Additional Water Sales Revenue Required:					
	Fiscal Year	Revenue Increase	Effective Date			
2	2009-10	25.5%	July 1, 2010	0	800,700	799,300
3	2010-11	25.5%	Jan 1, 2011		502,500	1,003,100
4	2011-12	25.5%	Jan 1, 2012			629,400
5	2012-13	25.5%	Jan 1, 2013			
6	2013-14	25.5%	Jan 1, 2014			
7	Total Additional Water Sales Revenue			0	1,303,200	2,431,800
8	Total Water Sales Revenue	3,145,800	4,443,300	5,566,200	6,973,000	8,735,300
9	Transfer In Supplemental Water Fees	249,400	271,200	279,300	287,700	296,300
10	Other Revenue ^[2]	76,300	76,500	76,500	76,500	76,500
11	Interest Income From Operations ^[3]	24,900	25,600	24,400	21,300	27,900
12	Total Revenue	\$3,496,400	\$4,816,600	\$5,946,400	\$7,358,500	\$9,136,000
Revenue Requirements						
13	Operation and Maintenance Expense ^[4]	\$2,988,400	\$3,111,300	\$5,361,400	\$5,553,800	\$5,754,000
14	1978 Water Revenue Bonds ^[5]	15,800	15,300	14,800	15,200	15,700
15	Proposed Certificates of Participation ^[6]	0	973,400	973,400	973,400	973,400
16	Minor Capital Expenditures	204,000	50,000	51,500	53,000	54,600
17	Transfers to Replacement Fund ^{[4][7]}	700,000	146,000	177,000	243,000	367,000
18	Transfers for Capital Improvement Financing	0	0	34,700	261,800	1,341,700
19	Total Revenue Requirements	3,908,200	4,296,000	6,612,800	7,100,200	8,506,400
20	Net Funds Available	(\$411,800)	\$520,600	(\$666,400)	\$258,300	\$629,600
21	Beginning Water Fund Balance	1,992,000	1,580,200	2,100,800	1,434,400	1,692,700
22	Cumulative Water Fund Balance	\$1,580,200	\$2,100,800	\$1,434,400	\$1,692,700	\$2,322,300
23	Minimum Desired Balance^[8]	\$1,494,200	\$1,555,700	\$1,907,100	\$1,980,000	\$2,056,200
Annual Debt Service Coverage						
24	Net Revenue ^[9]	\$934,100	\$2,139,300	\$1,001,200	\$2,213,700	\$3,787,100
25	Existing Debt Service Payments ^[10]	15,800	15,300	14,800	15,200	15,700
26	Additional Debt ^[11]	\$0	\$973,400	\$973,400	\$973,400	\$973,400
27	Coverage	5912%	216%	101%	224%	383%
Additional Parity Bonds Debt Service Coverage						
28	Net Revenue ^[12]	\$1,497,099	\$2,155,025	\$4,214,175	\$4,143,200	\$6,689,475
29	Total Annual Debt Service Requirements ^[12]	988,651	\$988,651	\$988,651	\$988,651	\$988,651
30	Coverage ^[12]	151%	218%	426%	419%	677%

^[1] Estimated revenue based on number of customers and projected water sales volume.

^[2] Includes penalties and miscellaneous income.

^[3] Assumes an interest rate of 1.5% on the average fund balance.

^[4] Projected expense from Work Product #1.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Certificates of Participation assume an interest rate of 6.0% and a 20 year term.

^[7] Annual amount for water system replacement. As budgeted for FY 2009-10.

^[8] Estimated at 180 days of operation and maintenance expense of the Assessment Financing Options, Tables 3a through 3c.

^[9] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[10] Debt service from line 14 above.

^[11] Debt service from line 15 above.

^[12] As defined in Resolution No. 137.

Appendix B

Cumulative Billed Consumption Of Customer Classifications

Figure B-1
Cumulative Billed Usage of Customer Classifications
Nipomo Community Services District
FY 2004-05 thru FY 2008-09

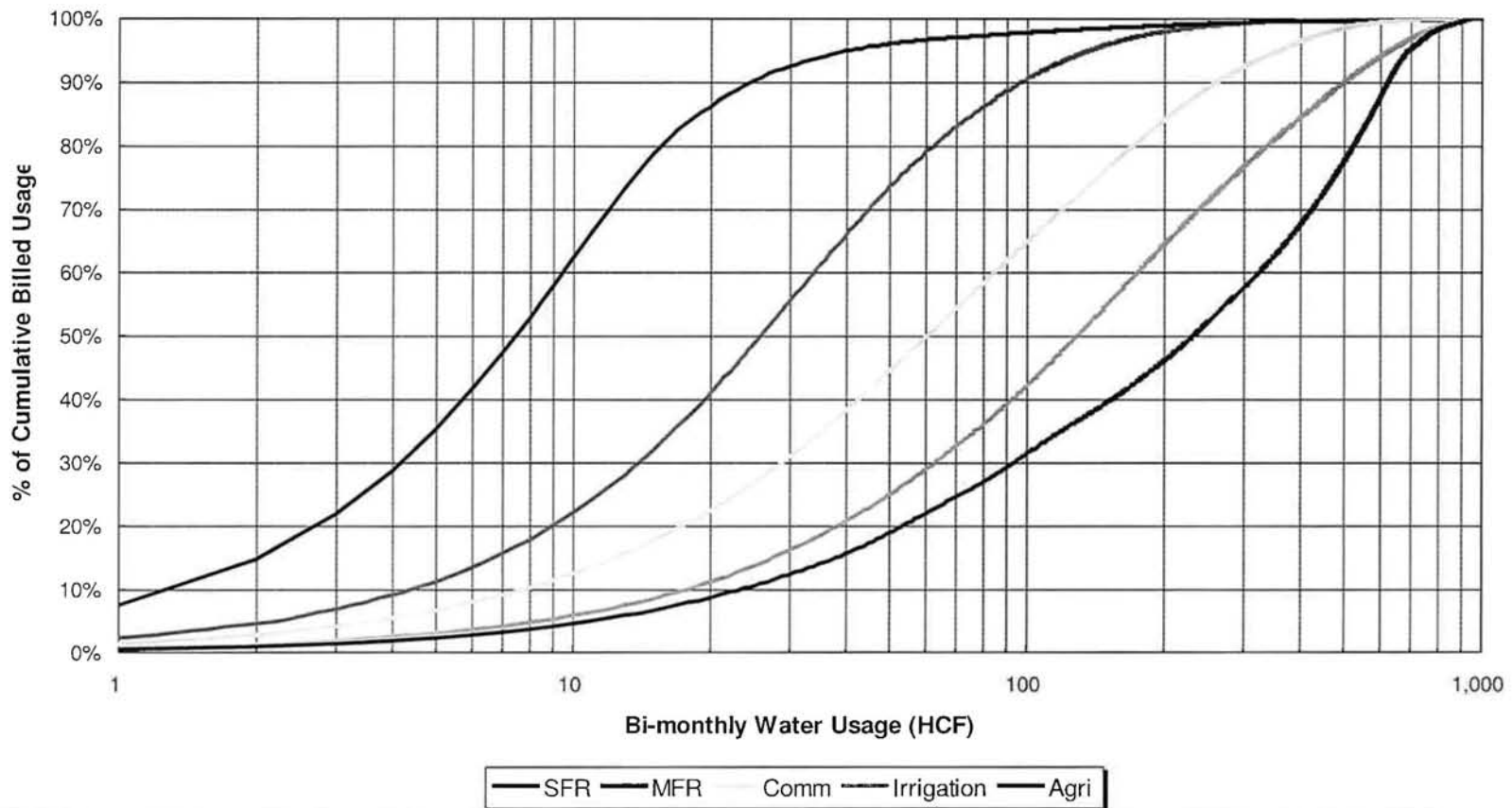
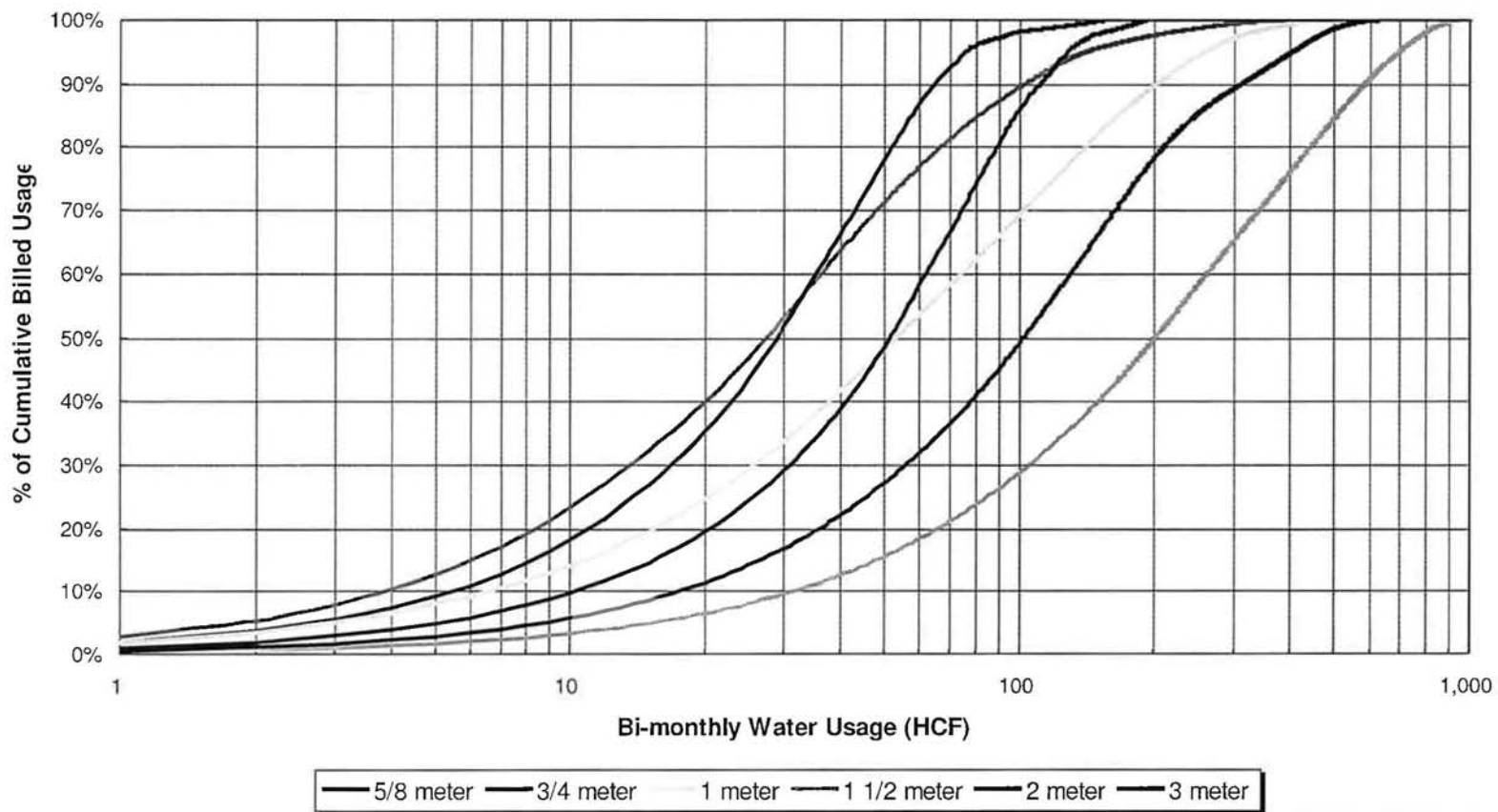


Figure B-2
Cumulative Billed Usage of Commercial Classifications
Nipomo Community Services District
FY 2004-05 thru FY 2008-09



Appendix C

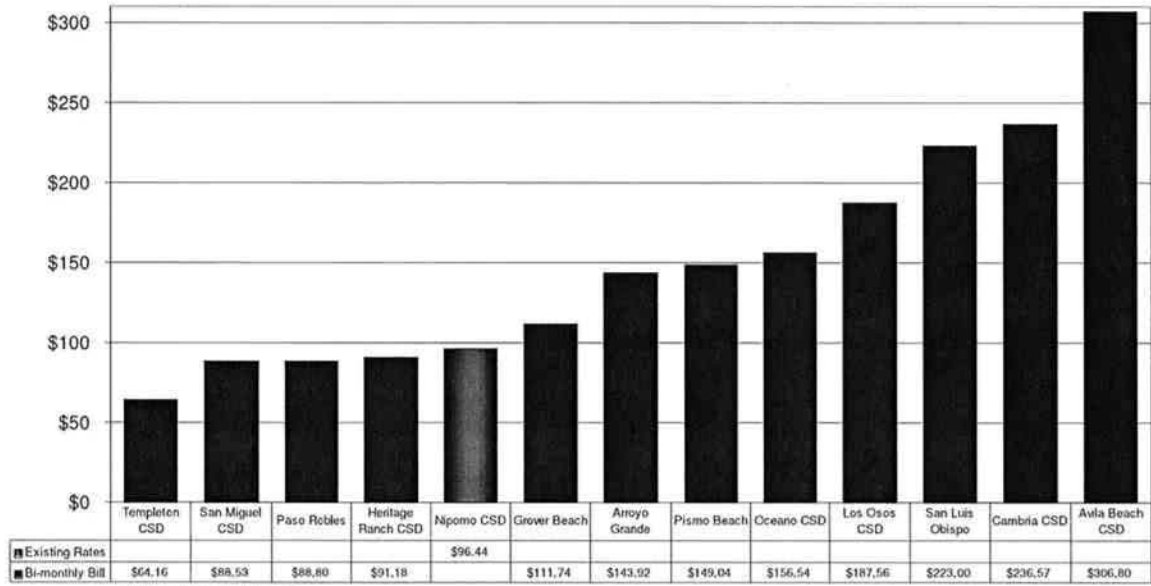
Rate Survey

**San Luis Obispo County Water Agencies
Summary of Water Rate Structures
As of July 1, 2009**

Charges	Arroyo Grande	Avila Beach	Cambria CSD		Grover Beach	Heritage Ranch	Los Osos CSD	San Miguel CSD	Nipomo CSD	Oceano CSD	Paso Robles	Pismo Beach	San Luis Obispo	Templeton CSD		
	[1]	[4]				[2]				[3]	[4]	[5]	[4]	[4]		
Fixed Charge																
<u>Meter Size</u>			Res	Comm						Res	Non-res					
5/8"	\$40.08	\$38.35	\$23.82	\$55.18	\$13.50	\$28.18	\$34.01	\$26.88	\$30.84	\$23.94	\$29.15	\$55.30		\$12.19		
3/4"	\$40.08	\$38.35	\$23.82	\$55.18	\$13.50	\$28.18	\$34.01	\$26.88	\$30.84	\$23.94	\$36.55	\$55.30		\$12.19		
1"	\$56.17	\$38.35	\$23.82	\$55.18	\$13.50	\$35.87	\$34.01	\$41.82	\$30.84	\$23.94	\$58.40	\$84.40		\$19.71		
1 1/2"	\$72.32	\$38.35	\$23.82	\$55.18	\$13.50	\$46.12	\$34.01	\$71.69	\$83.97	\$109.20		\$124.98		\$28.72		
2"	\$91.10	\$38.35	\$23.82	\$55.18	\$13.50	\$74.32	\$34.01	\$101.56	\$130.17	\$172.30		\$185.07		\$36.36		
3"	\$131.86	\$38.35	\$23.82	\$55.18	\$13.50	\$281.90	\$34.01	\$191.17	\$233.07	\$276.95		\$328.35		\$57.12		
4"	\$156.64	\$38.35	\$23.82	\$55.18	\$13.50		\$34.01	\$340.52	\$376.68	\$473.80		\$514.84		\$112.55		
6"	\$209.32	\$38.35	\$23.82	\$55.18	\$13.50		\$34.01	\$549.61	\$738.80	\$741.30		\$1,193.36		\$147.22		
8"	\$269.03	\$38.35	\$23.82	\$55.18	\$13.50		\$34.01		\$1,153.71							
Consumption Charges																
Single Family																
<u>Block Structure (\$ / HCF)</u>	<u>Block</u>	<u>Rate</u>	<u>Block</u>	<u>Rate</u>	<u>Block</u>	<u>Rate</u>	<u>Block</u>	<u>Rate</u>	<u>Block</u>	<u>Rate</u>	<u>Block</u>	<u>Rate</u>	<u>Block</u>	<u>Rate</u>		
Tier 1	0 - 12	\$1.44	0 - 5	\$0.00	0 - 6	\$0.00	\$0.00	0 - 12	\$2.28	0 - 4	\$0.00	0 - 9	\$0.00	0 - 10	\$0.00	
Tier 2	13 - 32	\$1.60	Over 5	\$7.67	7 - 15	\$6.05	\$6.69	12 - 20	\$2.41	Over 4	\$1.75	10 - 15	\$3.94	11 - 25	\$1.86	
Tier 3	33 - 64	\$1.81			16 - 20	\$6.18	\$6.83	20 - 42	\$2.58	Over 4	\$1.75	16 - 21	\$4.33	26 - 50	\$2.25	
Tier 4	Over 64	\$2.19			21 - 30	\$6.30	\$6.95	Over 42	\$2.76	Over 21	\$5.47	Over 25	\$4.09	Over 40	\$2.80	
Tier 5					31 - 40	\$6.44	\$7.08									
Tier 6					41 - 50	\$6.95	\$7.47									
Tier 7					51 - 60	\$7.22	\$7.73									
Tier 8					61 - 70	\$7.47	\$8.12									
Tier 9					71 - 80	\$7.73	\$8.37									
Tier 10					Over 80	\$7.86	\$9.02									
Multifamily																
<u>Block Structure (\$ / HCF)</u>	<u>Block</u>	<u>Rate</u>														
Tier 1	0 - 12	\$1.44														
Tier 2	13 - 18	\$1.60														
Tier 3	19 - 30	\$1.81														
Tier 4	Over 30	\$2.19														
Other Customers⁽¹⁾																
<u>Irrigation</u>	All Use	\$1.76										All Use	\$2.38	<u>Block</u>	<u>Rate</u>	
<u>Water Wheeling</u>	All Use	\$1.29														
<u>Construction</u>												All Use	\$4.32			
<u>All Other</u>	All Use	\$1.60										All Use	\$2.16	0 - 5	\$4.69	
Single Family																
<u>Tier Price Increase (%)</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>	<u>Block</u>	<u>%</u>
Tier 1	0 - 12	100.0%	0 - 5		0 - 6		0 - 12	100.0%	0 - 4		0 - 9		0 - 10		0 - 40	100.0%
Tier 2	13 - 32	111.1%	Over 5		7 - 15		12 - 20	105.7%	Over 4		10 - 15		11 - 25		Over 40	170.7%
Tier 3	33 - 64	125.7%			16 - 20	102.1%	20 - 42	113.2%			16 - 21	109.9%	26 - 50	121.0%	Over 25	120.6%
Tier 4	Over 64	152.1%			21 - 30	103.9%	Over 42	121.1%			Over 21	138.8%	Over 50	160.8%		
Tier 5					31 - 40	105.8%										
Tier 6					41 - 50	111.7%										
Tier 7					51 - 60	115.5%										
Tier 8					61 - 70	121.4%										
Tier 9					71 - 80	125.1%										
Tier 10					Over 80	134.8%										

⁽¹⁾ Fixed charges include Lopez Charge.
⁽²⁾ The rate blocks are different for each meter size. For example, a 5/8"x3/4" meter includes 4 units at no charge, whereas a 1" meter includes 6 units at no charge.
⁽³⁾ Lopez charge of \$1.14 per unit is included in the volume charge.
⁽⁴⁾ Rates shown are charged monthly.
⁽⁵⁾ Rates include Water Tax.
⁽⁶⁾ Where a specific customer classification is not stated, the single family consumption rates apply.

San Luis Obispo County Water Agencies
Comparison of Single Family Residential Bi-monthly Water Bills ^[1]
 at 40 Ccf Bi-monthly



[1] For rates in effect July 2009.



NIPOMO COMMUNITY SERVICES DISTRICT

148 SOUTH WILSON STREET
POST OFFICE BOX 326
NIPOMO, CA 93444 - 0326
(805) 929-1133 FAX (805) 929-1932
Web site address www.nipomocsd.com

TO: BOARD
FROM: BRUCE BUEL *BB*
DATE: JULY 27, 2009
RE: COMPARISON OF WIP ASSESSMENT VS COP FINANCING
CC: PETER SEVCIK, LISA BOGNUDA, CELESTE WHITLOW

Clayton Tuckfield's June 19, 2009 Letter Report (Work Product #1) estimates the FY2011-12 Annual Cost for financing the Waterline Intertie Project with a COP plus Annual Increase in O&M Cost at \$2,444,300. This translates into \$591.27 per year or \$49.27 per month for each of NCSD's 4,134 connections.

For the Assessment Proposal, the Wallace Group estimates the Assessment per a residential lot of 13,068 square feet or less at \$228.74 per year or \$18.69 per month. Clayton Tuckfield estimates the FY2011-12 Annual WIP O&M Cost for the balance of the City of Santa Maria Annual Cost at \$897,000. This translates into \$216.98 per year or \$18.08 per month for each of NCSD's 4,134 connections. Adding the Assessment from the Wallace Group to the User Fee from Tuckfield results in a WIP Cost of \$445.72 per year or \$37.14 per month.

More detailed comparison of the cost by volume of consumption will be possible when the Board selects a rate structure.

NIPOMO COMMUNITY SERVICES DISTRICT
FUNDED REPLACEMENT HISTORY
FY 1996-2010

	TOWN WATER	BLACKLAKE WATER	COMBINED WATER	TOWN SEWER	BLACKLAKE SEWER
6/30/1996	67,200	11,000	78,200	31,100	6,200
6/30/1997	103,100	10,000	113,100	93,750	6,504
6/30/1998	103,100	10,000	113,100	93,750	6,506
6/30/1999	103,100	10,000	113,100	93,750	6,504
6/30/2000	103,104	9,996	113,100	93,750	6,504
6/30/2001	141,163	24,750	165,913	91,663	8,250
6/30/2002	350,000	20,000	370,000	250,000	34,000
6/30/2003	358,050	20,000	378,050	255,750	34,000
6/30/2004	366,285	200,000	566,285	261,632	34,000
6/30/2005	187,354	0	187,354	245,345	31,167
6/30/2006	93,687	0	93,687	200,738	34,000
6/30/2007	88,000	0	88,000	256,000	23,000
6/30/2008	392,000	0	392,000	351,000	40,000
6/30/2009	687,500	0	687,500	114,583	0
6/30/2010	0	0	705,500	205,000	79,800
			<u>4,164,889</u>	<u>2,637,811</u>	<u>350,435</u>