

TO: BOARD OF DIRECTORS

FROM: DON SPAGNOLO
GENERAL MANAGER



DATE: AUGUST 20, 2010

AGENDA ITEM E-1

AUGUST 25, 2010

WATER FUND FINANCIAL ANALYSIS/RATE STUDY

ITEM

Consider approval of the Water Fund Financial Analysis/Rate Study [RECOMMEND APPROVAL].

BACKGROUND

On August 11, 2010, Clayton Tuckfield of Tuckfield & Associates presented the Draft Water Fund Financial Analysis/Rate Study to the Board of Directors. The Board of Directors reviewed the draft report, selected Option 2 and directed Mr. Tuckfield to finalize the report (attached). The next task in the Scope of Work is Task 5. Excerpt from the Scope of Work:

Task 5 – Rate Structure Analysis and Design

The water revenue requirements will be recovered through a rate structure designed to stand alone as a separate revenue source. Tuckfield & Associates will evaluate the rate structures and develop appropriate pricing. Evaluation criteria will include items such as the District's existing billing system capability, equitability, ease of implementation and revenue stability. The following subtasks will be performed:

5.1 Analyze customer billing information and develop consumption curves and bill summaries by customer classification that will serve as a basis for selecting rate blocks for the rate structure alternatives and for establishing pricing.

5.2 Evaluate three alternative residential water rate structures and two non-residential rate structures in terms of equitability among users, revenue stability, and water conservation, and other criteria.

5.3 Develop appropriate rate blocks and pricing for the rate structure alternatives.

5.4 Prepare typical water bills for single-family customers under existing and proposed rates.

5.5 Compare the average single-family proposed water bill with neighboring cities and districts as selected by the District/Consultant.

Staff is requesting direction from the Board of Directors to authorize Mr. Tuckfield to complete Task 5. Based on Board direction, Mr. Tuckfield will prepare the proposed rate structures as outlined above and will present the draft rate structures at the September 8 Regular Board Meeting.

A year ago, on September 9, 2009, the Board of Directors approved the following motion:

Upon the motion of Director Vierheilig and seconded by Director Nelson, the Board agreed to propose a four-tiered water rate structure for future consideration on a vote of 3-2, with Directors Eby and Winn dissenting.

Proposed Time Line for Prop 218 Hearing:

September 8 – Final report with draft water rates presented to the Board of Directors based on water rate structure selected on August 25

September 22 – Final Report approved and initiate Prop 218 proceedings

September 30 – Prop 218 Notices mailed

November 17 – Prop 218 Hearing

AGENDA ITEM E-1
AUGUST 25, 2010

FISCAL IMPACT

The last water rate increase went into effect on January 1, 2009. The 2010-2011 Fiscal Year Budget for the Water Fund shows a deficit and Reserves are being used to balance the Water Fund budget. A rate increase is necessary to balance the budget.

RECOMMENDATION

Staff recommends that your Honorable Board approve the attached report and direct Mr. Tuckfield to present draft rate structures at the September 8 Regular Board Meeting.

ATTACHMENTS

- Water Fund Financial Analysis/Rate Study prepared by Tuckfield & Associates

t:\board matters\board meetings\board letter\2010\100825 rate study.doc

August 17, 2010

Mr. Don Spagnolo
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444

Dear Mr. Spagnolo:

On May 12, 2010 the Board of Directors of the Nipomo Community Services District (District) approved Tuckfield & Associates proposal to update previous work related to establishing water rates for the District. The scope of work of the proposal included tasks to identify the revenue increases necessary to meet the annual obligations of the District's Water Fund under four new options, and to ultimately design water rates for the selected option. This report presents the findings and results of the revenue increases required under those four options.

The analysis presented herein has been conducted for fiscal years (FY) 2010-11 through 2014-15 and includes a discussion of the assumptions of the study, projections of revenue and expense, proposed water system capital improvements (CIP), funding of CIP, and the preferred Water Fund financial plan. A matrix is presented for the four options of the financial plan, showing the impact of the Waterline Intertie Project on the revenue increase, as well as the impact of the annual replacement capital related to the Model 2 Service Life Savings Replacement identified in the 2007 Water and Sewer Replacement Study (Replacement Study). The four options analyzed include the following.

- **Option 1** - Waterline Intertie Project (Project) Assessment Financing with Model 2: Service Life Savings Replacement
- **Option 2** - Project Assessment Financing with 50 Percent of Model 2: Service Life Savings Replacement
- **Option 3** - No Project with Model 2: Service Life Savings Replacement
- **Option 4** - No Project with 50 Percent of Model 2: Service Life Savings Replacement

Option 2 is the preferred alternative and will be used for presentation and discussion in this report.

Assumptions

Several assumptions were used in the projection of revenue and revenue requirements of the Water Fund. These assumptions relate to a variety of aspects that are incorporated into the financial plan and are discussed below.

Customer Growth. The District's Water and Sewer Master Plan (master plan) indicate that customer growth for the 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. However, based on recent discussions with District staff and review of the economy within San Luis Obispo County, it is assumed that there will be no customer growth throughout the study period and that current customers will be remain connected to the system.

Use per Customer. The NCSO 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. In addition, the State of California adopted the 20x2020 Water Conservation Plan in February 2010, calling for a state-wide 20 percent reduction in per capita water consumption by the year 2020. The District has implemented a water conservation program, and the water sales projections include an assumed reduction in use per customer of 1 percent annually for residential classifications. Projected annual water sales volume is determined by multiplying the customer growth assumptions by the assumed use per customer.

O&M Cost Inflation Factors. Review of the District's FY 2010-11 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 – The Consumer Price Index for West B/C size cities indicates that the average cost per kWh of electricity has increased an annual average rate of 5.5 percent. It is assumed that future increases in the District's electric power cost per hundred cubic feet (Ccf) will increase similarly at 5 percent annually.

Chemicals – Chemical costs are a small part of the total operation and maintenance expense of the District's Budget. While total chemical costs have increased from \$2,900 in FY 2004-05 to a budgeted \$9,000 in FY 2010-11, future increases in unit chemical cost are projected at 3.0 percent annually.

Wages – The District's FY 2010-11 Budget does not contain any across-the-board CPI increase for salaries and wages over the previous year. Additionally, no other personnel are expected to be hired during the study period. For this study, inflation in wages is estimated to increase at 1 percent in FY 2011-12, 2 percent in FY 2012-13, and 3 percent annually thereafter, reflecting an effort by the District to control costs.

Benefits – Analysis of the Benefits expense on a Full-Time Equivalent (FTE) basis indicates that benefit costs have increased by approximately 7.2 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 5.3 percent annually from over the last five

years. Future cost escalations in employee benefits are assumed at 6.0 percent annually.

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 annual increase ranging between 2.5 and 2.9 percent over the last five years.

Fixed Asset Purchases. Historical expenditures for minor fixed assets have been somewhat sporadic, ranging from a low of \$16,000 in FY 2005-06 to \$204,000 in FY 2009-10 with 75,900 budgeted in FY 2010-11. For this study, future expenditures in FY 2011-12 are estimated at \$65,000 annually and are inflated at 3.0 percent per year thereafter.

Transfers. The District's FY 2010-11 Budget includes an annual Transfer to the Replacement Fund of \$700,000. Future transfers are assumed to follow the four options that are presented in this report.

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 0.5 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.

Water Fund Operating Reserve. The amount to be maintained as an operating reserve varies among cities and districts, however, is generally expressed as a percentage, or the number of days of operation and maintenance expense (O&M) of the enterprise. From the District's FY 2010-11 Budget, the Water Fund has an estimated 82 percent of O&M as a reserve. From District policy, the amount of the reserve to be maintained is established at 180 days of operation and maintenance expense (50 percent).

Beginning Water Fund Balance. The beginning fund balance for financial planning purposes of the Water Fund reflect the estimated amount shown in the District's adopted FY 2010-11 Budget of \$2,500,000.

Capital Improvement Program

The District has developed a capital improvement program (CIP) for the water utility that is presented in Table 1. The table includes the Waterline Intertie Project, Misty Glen to Hetrick and Hetrick to Sandydale waterlines (Willow Phase I and II), a new water storage tank, and other replacement projects. Estimates of improvement costs shown on line 18 include inflation and total over \$27,800,000 during the study period.

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

Line No.	Project Description	Fiscal Year Ending June 30					Total
		2010-11	2011-12	2012-13	2013-14	2014-15	
1	Waterline Intertie Project	\$11,597,300	\$6,940,200	\$0	\$0	\$0	\$18,537,500
2	Desalination	0	0	300,000	500,000	500,000	1,300,000
3	Water Storage Tank	315,000	1,280,000	0	0	0	1,595,000
4	Misty Glen to Hetrick (Willow Phase 1)	1,050,000	0	0	0	0	1,050,000
5	Hetrick to Sandydale (Willow Phase 2)	315,000	1,050,000	0	0	0	1,365,000
6	SCADA Upgrades - Water Fund Share	147,000	20,000	20,000	20,000	20,000	227,000
7	Urban Water Management Plan Update	52,500	0	0	0	0	52,500
8	Shop Equipment Storage Building	73,500	0	0	0	0	73,500
9	Standpipe Mixing	157,500	0	0	0	0	157,500
10	Fire Hydrants	72,600	72,600	72,600	72,600	72,600	363,000
11	Valves	184,000	184,000	184,000	184,000	184,000	920,000
12	Air/Vac's	16,500	16,500	16,500	16,500	16,500	82,500
13	Well Refurbishment	200,000	100,000	100,000	100,000	100,000	600,000
14	Cathodic Protection	5,000	0	0	0	0	5,000
15	Well Buildings	30,000	0	0	0	0	30,000
16	Tank Coating and Repairs	325,000	175,000	300,000	0	0	800,000
17	Total Capital Improvements (Uninflated)	\$14,540,900	\$9,838,300	\$993,100	\$893,100	\$893,100	\$27,158,500
18	Total Capital Improvements (Inflated)⁽¹⁾	\$14,540,900	\$10,182,600	\$1,063,900	\$990,300	\$1,024,900	\$27,802,600

⁽¹⁾ Projects inflated at 3.5% per year based on 5-year average annual increase in the historical ENR Index.

Capital Improvement Program Financing

Table 2 shows the sources of funds to finance the CIP listed in Table 1. Several sources of funding are used to complete the CIP improvements that generally follow the District's adopted FY 2010-11 Budget. The Waterline Intertie Project is financed from an assessment debt issue providing proceeds of \$12,200,000 and from District reserves of \$6,000,000 earmarked for this project.

Transfers from the Water Replacement Fund, Water Capacity Fund, and Supplemental Water Fund follow the adopted Budget with the exception of the Water Capacity Fund. The Water Capacity Fund is depleted by the end of FY 2011-12. It is proposed that the Water Replacement Fund will loan sufficient amounts as necessary to the Water Capacity Fund to complete the CIP identified for that fund. The Water Capacity Fund will repay the borrowed amount back to the Water Replacement Fund when such funds become available.

Table 2 **With Assessment Financing**
Nipomo Community Services District
Water Utility
Water Capital Improvement Financing

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Source of Funds						
1	Funds on Hand at Beginning of Year	\$0	\$6,602,700	\$0	\$0	\$0
2	Water Replacement Fund	833,100	567,200	721,100	413,700	428,100
3	Water Capacity Fund	2,110,500	2,432,300	21,400	22,200	23,000
4	Supplemental Water Fund	0	580,400	321,400	554,400	573,800
5	Reserves	6,000,000	0	0	0	0
6	Assessment District Debt Issue ^[1]	12,200,000	0	0	0	0
7	Total Sources of Funds	21,143,600	10,182,600	1,063,900	990,300	1,024,900
Use of Funds						
8	Major Capital Improvements ^[2]	14,540,900	10,182,600	1,063,900	990,300	1,024,900
9	Total Use of Funds	14,540,900	10,182,600	1,063,900	990,300	1,024,900
10	Funds on Hand at End of Year	\$6,602,700	\$0	\$0	\$0	\$0

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

^[2] From Table 1.

Revenue

The Water Fund receives revenue from several sources. These sources include water sales revenue, miscellaneous revenue, and interest income. Revenue from water sales was projected through application of the January 1, 2009 water rates to projections of customer growth and water sales volume. Projections of customer growth and water sales volume follow the discussion under the assumptions above.

Miscellaneous revenue includes fees and penalties related to service turn-on, service turn-off, late fees, and interest income on reserve balances. Interest income is projected based on the average fund balance available in each of the District's funds assuming an annual interest earnings rate of 0.5 percent.

Revenue Requirements

Revenue requirements of the District's Water Fund include operation and maintenance expense, existing debt service, annual minor (routine) capital expenditures, and Transfers to the Replacement Fund. The

revenue requirement projections presented herein reflect the District's FY 2010-11 Budget for the first year. The revenue requirements are then escalated into the future based on known conditions regarding proposed operating and capital improvement plans, expected changes to system operations, and inflation.

Operation and Maintenance Expense

Operation and maintenance (O&M) expense includes the cost of personnel, utilities, chemicals, and miscellaneous materials and supplies needed to operate the water system on an annual basis. Table 3 summarizes the historical and projected O&M expense for the water system, excluding debt service. Annual minor (routine) capital is stated separately. The expenses for FY 2010-11 are shown as budgeted, then are escalated into the future based upon the assumed inflation factors presented above.

The projected O&M expenses include additional costs related to the Waterline Intertie Project in FY 2012-13 shown on lines 5 and 6. The Project will deliver 2,000 ac-ft of water to the District at an estimated cost of \$1,250 per ac-ft. Of this amount, it is assumed that Golden State Water Company, Woodlands, and Rural Water Company will sign contracts to take 320 ac-ft, 170 ac-ft, and 170 ac-ft of water respectively, leaving a net delivery of 1,340 ac-ft of water to the District at a cost of \$1,675,000.

Approximately 31 percent of this amount, or \$519,300, will be included into the District's water operation and maintenance expense while the remaining annual costs will be recovered through the assessment. The District will also incur additional expenses for chemicals, labor, and energy related to the Project, estimated as annual expense of 9 percent of the cost of the 1,340 ac-ft of supplemental water delivery. Additionally in FY 2012-13, electricity and chemical costs related to water pumped from the District's wells will decrease, as future operational plans include using all of the allocation of the supplemental water first, then pumping well water as needed to meet demand.

Debt Service

The District has an outstanding debt obligation from a 1978 Safe Drinking Water Loan. Annual debt service payments on this loan average approximately \$15,300 annually. The loan will be retired in FY 2018-19.

Minor Annual (Routine) Capital Outlay

Minor (routine) annual capital outlays are financed from annual system revenues and include estimates for relatively small additions of fixed asset purchases, utility vehicles, office/technical equipment, and other assets. Future projections reflect budgeted capital outlay in FY 2010-11 of \$75,900 with estimated expenditures of \$65,000 in FY 2012-13, increasing at 3 percent annually through the study period.

Table 3 **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			
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Operation and Maintenance Expense ⁽¹⁾										
	Operations and Maintenance										
1	Salaries	\$204,368	\$227,082	\$211,455	\$240,500	\$282,000	\$337,030	\$340,700	\$347,500	\$357,400	\$367,600
2	Benefits	103,181	105,110	94,736	157,000	158,000	183,700	194,800	206,300	218,900	231,900
3	Electricity - Pumping	264,294	361,242	252,680	405,000	500,000	565,000	588,400	283,900	292,800	302,000
4	Natural Gas - Pumping	65,252	82,140	52,393	36,100	11,565	0	0	0	0	0
5	Supplemental Water	0	0	0	0	0	0	0	519,300	534,800	550,900
6	Supplemental Water Other	0	0	0	0	0	0	0	150,800	155,300	159,900
7	Chemicals	2,908	5,068	2,375	6,000	7,000	9,000	9,200	4,400	4,400	4,500
8	Repairs and Maintenance	103,791	175,330	124,512	180,000	150,000	200,000	206,000	212,200	218,600	225,200
9	Meters - New Installations	7,549	3,739	13,599	0	0	5,000	0	0	0	0
10	Meters - Replacement Program	5,302	22,620	14,550	20,000	45,000	48,000	49,400	50,900	52,400	54,000
11	Other	154,723	188,883	251,987	271,500	244,100	428,130	434,300	447,400	460,700	474,400
12	Subtotal	911,368	1,171,214	1,018,287	1,316,100	1,397,665	1,775,860	1,822,800	2,222,700	2,295,300	2,370,400
	General and Administrative										
13	Salaries	96,373	100,217	137,335	159,300	221,000	245,520	248,000	252,900	260,400	268,100
14	Benefits	46,105	44,655	64,119	154,010	169,100	180,320	191,200	202,600	214,800	227,600
15	Operating Transfer Out - Admin	129,371	142,769	177,410	226,072	320,390	297,581	306,500	315,700	325,200	335,000
16	Other	393,268	491,301	526,573	450,852	426,094	537,120	553,400	569,900	587,200	604,900
17	Subtotal	665,117	778,942	905,437	990,234	1,136,584	1,260,541	1,299,100	1,341,100	1,387,600	1,435,600
18	Total Operation and Maintenance Expense	\$1,576,485	\$1,950,156	\$1,923,724	\$2,306,334	\$2,534,249	\$3,036,401	\$3,121,900	\$3,563,800	\$3,682,900	\$3,806,000
	Minor Capital⁽¹⁾										
19	Fixed Asset Purchases	16,497	0	43,773	51,000	204,044	75,900	65,000	67,000	69,000	71,100
20	Total Minor Capital	\$16,497	\$0	\$43,773	\$51,000	\$204,044	\$75,900	\$65,000	\$67,000	\$69,000	\$71,100
21	Total O&M and Minor Capital	\$1,592,982	\$1,950,156	\$1,967,497	\$2,357,334	\$2,738,293	\$3,112,301	\$3,186,900	\$3,630,800	\$3,751,900	\$3,877,100

⁽¹⁾ Expenses are inflated as follows: Salaries - 1% in FY 2011-12, 2% in FY 2012-13, 3% annually thereafter; Benefits - 6% annually; Unit Electricity Cost - 5% annually; Unit Chemical Cost - 3% annually; Supplemental Water Cost per ac-ft - 3% annually; all other expenses are inflated at 3% annually.

Transfers

The Water Fund makes an annual Transfer to the Water Replacement Fund to provide replacement capital for the water system. The District commissioned a Replacement Study in 2007 to study the amount that should be included annually in the District's Budget as a transfer for water system replacement. The study analyzed three replacement program funding methods of which the District's preference is the Model 2: Service Life Savings Replacement program.

For FY 2010-11, the District has budgeted a Transfer to the Water Replacement Fund in the amount of \$700,000. Future transfers have been estimated to increase at 50 percent of the levels identified in the Replacement Study for Model 2: Service Life Savings Replacement.

Financial Plan

The preferred financial plan for the Water Fund has been prepared to include revenue projected using the January 1, 2009 water rates and the revenue requirements identified above. The preferred plan is Option 2, Project Assessment Financing with 50 percent of Model 2: Service Life Savings Replacement, and is presented as Table 4.

Analysis of the financial plan indicates that the Water Fund will be deficient in meeting its future obligations. The deficiency is due to an existing operating deficiency, inflation in O&M expenses, and the additional expense obligations related to supplemental water from the Waterline Intertie Project. The statement indicates that revenue from water service rates will need to increase by 12.5 percent annually, shown on lines 2 through 6, to meet the future obligations of the fund.

The adjustments to revenue were determined based on financial planning criteria developed for the Water Fund. The criteria included a target Water Fund operating reserve of 180 days of O&M expense and a debt service coverage ratio that meets the requirements of Resolution No. 137. The operating reserve balance is allowed to decrease from the target level in interim years of the financial plan so that revenue adjustments could be established as equal annual increases. The operating reserve target fund balance is met by the last year of the study.

Alternative Financial Plans

Additional financial plans were prepared that coincide with the options discussed at the beginning of this report. These options illustrate the impacts to the Water Fund of transferring 100 percent of the annual replacement amounts identified for the Model 2: Service life Savings Replacement (Options 1 and 3), and the impact of excluding the Waterline Intertie Project (Options 2 and 4).

Table 4 **With Assessment Financing**
Nipomo Community Services District **50 percent of Model 2: Service Life Savings Replacement**
Water Utility **Option 2**
Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue						
1	Water Sales Revenue Under Existing Rates ^[1]	\$2,930,900	\$2,913,800	\$2,896,900	\$2,880,200	\$2,863,500
	Additional Water Sales Revenue Required:					
	Fiscal Year Revenue Increase Effective Date					
2	2010-11 12.5% Jan 1, 2011	183,200	364,200	362,100	360,000	357,900
3	2011-12 12.5% Jan 1, 2012		204,900	407,400	405,000	402,700
4	2012-13 12.5% Jan 1, 2013			229,200	455,700	453,000
5	2013-14 12.5% Jan 1, 2014				256,300	509,600
6	2014-15 12.5% Jan 1, 2015					286,700
7	Total Additional Water Sales Revenue	183,200	569,100	998,700	1,477,000	2,009,900
8	Total Water Sales Revenue	3,114,100	3,482,900	3,895,600	4,357,200	4,873,400
9	Other Revenue ^[2]	70,800	70,800	70,800	70,800	70,800
10	Interest Income From Operations ^[3]	10,900	8,800	7,700	7,400	8,900
11	Total Revenue	\$3,195,800	\$3,562,500	\$3,974,100	\$4,435,400	\$4,953,100
Revenue Requirements						
12	Operation and Maintenance Expense ^[4]	\$3,036,400	\$3,121,900	\$3,563,800	\$3,682,900	\$3,806,000
13	1978 Water Revenue Bonds ^[5]	15,300	14,800	15,200	15,700	15,100
14	Minor Capital Expenditures	75,900	65,000	67,000	69,000	71,100
15	Transfers to Water Replacement Fund ^{[4][6]}	700,000	566,000	566,000	566,000	571,000
16	Total Revenue Requirements	3,827,600	3,767,700	4,212,000	4,333,600	4,463,200
17	Net Funds Available	(\$631,800)	(\$205,200)	(\$237,900)	\$101,800	\$489,900
18	Beginning Water Fund Balance	2,500,000	1,868,200	1,663,000	1,425,100	1,526,900
19	Cumulative Water Fund Balance	\$1,868,200	\$1,663,000	\$1,425,100	\$1,526,900	\$2,016,800
20	Minimum Desired Balance ^[7]	\$1,518,200	\$1,561,000	\$1,781,900	\$1,841,500	\$1,903,000
Annual Debt Service Coverage						
21	Net Revenue ^[8]	\$216,500	\$485,900	\$439,500	\$779,600	\$1,172,100
22	Existing Debt Service Payments ^[9]	15,300	14,800	15,200	15,700	15,100
23	Coverage	1415%	3283%	2891%	4966%	7762%

^[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 0.5% on the average fund balance.

^[4] Projected expense from Table 3.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Annual amount for water system replacement. As budgeted for FY 2010-11.

^[7] Estimated at 180 days of operation and maintenance expense.

^[8] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[9] Debt service from line 13 above.

This illustration is presented in a matrix format in Table 5. Option 1 includes the Waterline Intertie Project and an annual replacement transfer that equals the amounts identified for Model 2: Service Life Savings Replacement. Option 2 is the preferred financial plan discussed in this report and includes 50

percent of the Model 2: Service Life Savings Replacement amount. Options 3 and 4 are the same as Option 1 and 2 except do not include the Waterline Intertie Project. The tables showing the financial plans related to Options 1, 3, and 4 are provided in Appendix A.

Table 5
 Nipomo Community Services District
 Water Utility
**Summary of Annual Revenue Adjustments Required With and Without
 Waterline Intertie Project Under Replacement Program Funding Options**

WITH WATERLINE INTERTIE PROJECT		
	OPTION 1	OPTION 2
	Model 2	50 Percent of Model 2
Date of Increase	Service Life Savings	Service Life Savings
	Revenue Increases <u>(Table 4a) ⁽¹⁾</u>	Revenue Increases <u>(Table 4)</u>
Jan 1, 2011	17.0%	12.5%
Jan 1, 2012	17.0%	12.5%
Jan 1, 2013	17.0%	12.5%
Jan 1, 2014	17.0%	12.5%
Jan 1, 2015	17.0%	12.5%
WITHOUT WATERLINE INTERTIE PROJECT		
	OPTION 3	OPTION 4
	Model 2	50 Percent of Model 2
Date of Increase	Service Life Savings	Service Life Savings
	Revenue Increases <u>(Table 4c) ⁽¹⁾</u>	Revenue Increases <u>(Table 4d) ⁽¹⁾</u>
Jan 1, 2011	12.0%	7.0%
Jan 1, 2012	12.0%	7.0%
Jan 1, 2013	12.0%	7.0%
Jan 1, 2014	12.0%	7.0%
Jan 1, 2015	12.0%	7.0%

⁽¹⁾ Table presented in Appendix A.

From inspection of Table 5, if the annual replacement transfer was 100 percent of the Model 2: Service Life Savings Replacement amount in addition to the Waterline Intertie Project (Option 1), the revenue increases required would increase by 4.5 percent annually above those stated for the preferred financial plan (Option 2). Additionally, if the Waterline Intertie Project was excluded from the preferred financial plan (Option 4), the revenue increases required would decrease by 5.5 percent annually. If the Waterline Intertie Project was excluded and the annual replacement was restored to 100 percent of the Model 2: Service Life Savings Replacement amount (Option 3), the revenue increases required would decrease by 0.5 percent annually.

In accordance with the May 12, 2010 proposal scope of work, it is intended that this report will be presented to the District Board of Directors for discussion and then selection of an option on which to establish water rates. If there are any questions regarding this report, please call me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield
Principal

Appendix A

Alternative Financial Plans

Option 1, 3, and 4

Table 4a **With Assessment Financing**
Nipomo Community Services District **Model 2: Service Life Savings Replacement**
Water Utility **Option 1**
Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30						
		2010-11	2011-12	2012-13	2013-14	2014-15		
Revenue								
I	Water Sales Revenue Under Existing Rates ^[1]	\$2,930,900	\$2,913,800	\$2,896,900	\$2,880,200	\$2,863,500		
	Additional Water Sales Revenue Required:							
	Fiscal Year	Revenue Increase	Effective Date					
2	2010-11	17.0%	Jan 1, 2011	249,100	495,300	492,500	489,600	486,800
3	2011-12	17.0%	Jan 1, 2012		289,800	576,200	572,900	569,600
4	2012-13	17.0%	Jan 1, 2013			337,100	670,300	666,400
5	2013-14	17.0%	Jan 1, 2014				392,100	779,700
6	2014-15	17.0%	Jan 1, 2015					456,100
7	Total Additional Water Sales Revenue			249,100	785,100	1,405,800	2,124,900	2,958,600
8	Total Water Sales Revenue			3,180,000	3,698,900	4,302,700	5,005,100	5,822,100
9	Other Revenue ^[2]			70,800	70,800	70,800	70,800	70,800
10	Interest Income From Operations ^[3]			11,100	8,300	5,900	5,400	8,000
11	Total Revenue			\$3,261,900	\$3,778,000	\$4,379,400	\$5,081,300	\$5,900,900
Revenue Requirements								
12	Operation and Maintenance Expense ^[4]			\$3,036,400	\$3,121,900	\$3,563,800	\$3,682,900	\$3,806,000
13	1978 Water Revenue Bonds ^[5]			15,300	14,800	15,200	15,700	15,100
14	Minor Capital Expenditures			75,900	65,000	67,000	69,000	71,100
15	Transfers to Water Replacement Fund ^{[4],[6]}			700,000	1,132,000	1,132,000	1,132,000	1,142,000
16	Total Revenue Requirements			3,827,600	4,333,700	4,778,000	4,899,600	5,034,200
17	Net Funds Available			(\$565,700)	(\$555,700)	(\$398,600)	\$181,700	\$866,700
18	Beginning Water Fund Balance			2,500,000	1,934,300	1,378,600	980,000	1,161,700
19	Cumulative Water Fund Balance			\$1,934,300	\$1,378,600	\$980,000	\$1,161,700	\$2,028,400
20	Minimum Desired Balance ^[7]			\$1,518,200	\$1,561,000	\$1,781,900	\$1,841,500	\$1,903,000
Annual Debt Service Coverage								
21	Net Revenue ^[8]			\$282,600	\$702,800	\$849,100	\$1,432,600	\$2,129,900
22	Existing Debt Service Payments ^[9]			15,300	14,800	15,200	15,700	15,100
23	Coverage			1847%	4749%	5586%	9125%	14105%

^[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 0.5% on the average fund balance.

^[4] Projected expense from Table 3.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Annual amount for water system replacement. As budgeted for FY 2010-11.

^[7] Estimated at 180 days of operation and maintenance expense.

^[8] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[9] Debt service from line 13 above.

Table 4c **Without Waterline Intertie Project**
Nipomo Community Services District **Model 2: Service Life Savings Replacement**
Water Utility **Option 3**
Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30						
		2010-11	2011-12	2012-13	2013-14	2014-15		
Revenue								
1	Water Sales Revenue Under Existing Rates ^[1]	\$2,930,900	\$2,913,800	\$2,896,900	\$2,880,200	\$2,863,500		
	Additional Water Sales Revenue Required:							
	Fiscal Year	Revenue Increase	Effective Date					
2	2010-11	12.0%	Jan 1, 2011	175,900	349,700	347,600	345,600	343,600
3	2011-12	12.0%	Jan 1, 2012		195,800	389,300	387,100	384,900
4	2012-13	12.0%	Jan 1, 2013			218,000	433,500	431,000
5	2013-14	12.0%	Jan 1, 2014				242,800	482,800
6	2014-15	12.0%	Jan 1, 2015					270,300
7	Total Additional Water Sales Revenue			175,900	545,500	954,900	1,409,000	1,912,600
8	Total Water Sales Revenue			3,106,800	3,459,300	3,851,800	4,289,200	4,776,100
9	Other Revenue ^[2]			70,800	70,800	70,800	70,800	70,800
10	Interest Income From Operations ^[3]			10,900	7,300	4,900	4,800	6,500
11	Total Revenue			\$3,188,500	\$3,537,400	\$3,927,500	\$4,364,800	\$4,853,400
Revenue Requirements								
12	Operation and Maintenance Expense ^[4]			\$3,036,400	\$3,121,900	\$2,893,700	\$2,992,800	\$3,095,200
13	1978 Water Revenue Bonds ^[5]			15,300	14,800	15,200	15,700	15,100
14	Minor Capital Expenditures			75,900	65,000	67,000	69,000	71,100
15	Transfers to Water Replacement Fund ^{[4][6]}			700,000	1,132,000	1,132,000	1,132,000	1,142,000
16	Total Revenue Requirements			3,827,600	4,333,700	4,107,900	4,209,500	4,323,400
17	Net Funds Available			(\$639,100)	(\$796,300)	(\$180,400)	\$155,300	\$530,000
18	Beginning Water Fund Balance			2,500,000	1,860,900	1,064,600	884,200	1,039,500
19	Cumulative Water Fund Balance			\$1,860,900	\$1,064,600	\$884,200	\$1,039,500	\$1,569,500
20	Minimum Desired Balance ^[7]			\$1,518,200	\$1,561,000	\$1,446,900	\$1,496,400	\$1,547,600
Annual Debt Service Coverage								
21	Net Revenue ^[8]			\$209,200	\$462,200	\$1,067,300	\$1,406,200	\$1,793,200
22	Existing Debt Service Payments ^[9]			15,300	14,800	15,200	15,700	15,100
23	Coverage			13.67%	31.23%	70.22%	89.57%	118.75%

^[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 0.5% on the average fund balance.

^[4] Projected expense from Table 3, excluding lines 5 and 6.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Annual amount for water system replacement. As budgeted for FY 2010-11.

^[7] Estimated at 180 days of operation and maintenance expense.

^[8] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[9] Debt service from line 13 above.

Table 4d **Without Waterline Intertie Project**
Nipomo Community Services District **50 Percent of Model 2: Service Life Savings Replacement**
Water Utility **Option 4**
Water Fund Flow of Funds Statement

Line No.	Description	Fiscal Year Ending June 30						
		2010-11	2011-12	2012-13	2013-14	2014-15		
Revenue								
1	Water Sales Revenue Under Existing Rates ^[1]	\$2,930,900	\$2,913,800	\$2,896,900	\$2,880,200	\$2,863,500		
	Additional Water Sales Revenue Required:							
	Fiscal Year	Revenue Increase	Effective Date					
2	2010-11	7.0%	Jan 1, 2011	102,600	204,000	202,800	201,600	200,400
3	2011-12	7.0%	Jan 1, 2012		109,100	217,000	215,700	214,500
4	2012-13	7.0%	Jan 1, 2013			116,100	230,800	229,500
5	2013-14	7.0%	Jan 1, 2014				123,500	245,600
6	2014-15	7.0%	Jan 1, 2015					131,400
7	Total Additional Water Sales Revenue			102,600	313,100	535,900	771,600	1,021,400
8	Total Water Sales Revenue			3,033,500	3,226,900	3,432,800	3,651,800	3,884,900
9	Other Revenue ^[2]			70,800	70,800	70,800	70,800	70,800
10	Interest Income From Operations ^[3]			10,700	7,800	6,500	6,700	7,400
11	Total Revenue			\$3,115,000	\$3,305,500	\$3,510,100	\$3,729,300	\$3,963,100
Revenue Requirements								
12	Operation and Maintenance Expense ^[4]			\$3,036,400	\$3,121,900	\$2,893,700	\$2,992,800	\$3,095,200
13	1978 Water Revenue Bonds ^[5]			15,300	14,800	15,200	15,700	15,100
14	Minor Capital Expenditures			75,900	65,000	67,000	69,000	71,100
15	Transfers to Water Replacement Fund ^{[4][6]}			700,000	566,000	566,000	566,000	571,000
16	Total Revenue Requirements			3,827,600	3,767,700	3,541,900	3,643,500	3,752,400
17	Net Funds Available			(\$712,600)	(\$462,200)	(\$31,800)	\$85,800	\$210,700
18	Beginning Water Fund Balance			2,500,000	1,787,400	1,325,200	1,293,400	1,379,200
19	Cumulative Water Fund Balance			\$1,787,400	\$1,325,200	\$1,293,400	\$1,379,200	\$1,589,900
20	Minimum Desired Balance ^[7]			\$1,518,200	\$1,561,000	\$1,446,900	\$1,496,400	\$1,547,600
Annual Debt Service Coverage								
21	Net Revenue ^[8]			\$135,700	\$228,900	\$645,600	\$763,600	\$892,900
22	Existing Debt Service Payments ^[9]			15,300	14,800	15,200	15,700	15,100
23	Coverage			887%	1547%	4247%	4864%	5913%

^[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 0.5% on the average fund balance.

^[4] Projected expense from Table 3, excluding lines 5 and 6.

^[5] Existing 1978 Revenue Bonds debt service.

^[6] Annual amount for water system replacement. As budgeted for FY 2010-11.

^[7] Estimated at 180 days of operation and maintenance expense.

^[8] As defined in Resolution No. 137. Includes all charges and all other income including interest income of the Enterprise.

^[9] Debt service from line 13 above.

TO: BOARD OF DIRECTORS

FROM: DON SPAGNOLO
GENERAL MANAGER 

DATE: AUGUST 20, 2010

AGENDA ITEM E-2

AUGUST 25, 2010

SEMI-ANNUAL WATER ALLOCATION REVIEW

ITEM

Consider Semi-Annual Water Allocation review and discuss transfer of water between use groups [RECEIVE REPORT AND PROVIDE DIRECTION TO STAFF].

BACKGROUND

Section 3.05.040B of the District Code provides for semi-annual reviews of the Water Allocation at the end of the second quarter in February and in the middle of the fourth quarter in August of each allocation year. At that time the Board has the option to transfer water between the three categories of user groups where there is an over-subscription in one group and under-subscription in others. Section 3.05.040C also provides for 2.2 acre feet per year for proposed housing developments which help meet the County's share of regional housing for lower income housing.

The attached Water allocation Accounting Summary for this year's allocation shows that 33.3 AF out of 34.3 AF is available. Given the current economic situation, it is unlikely that new applications for any projects will be tendered by September 30, 2010. Since there are no over subscriptions in any one category there is no need to make any adjustments at this time.

FISCAL IMPACT

None.

RECOMMENDATION

Based on the amount of water available it is recommended the Board not make any transfers between user groups.

ATTACHMENTS

- District Code Section 3.05.040
- Water Allocation Accounting Summary

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lies living independently of each other under a common roof, including apartment houses, apartment hotels and flats, but not including automobile courts, or boarding-houses.

E. "Two-family dwelling unit (duplex)" means a building with a common roof containing not more than two kitchens, designed and/or used to house not more than two families living independently of each other.

F. "Single-family dwelling unit" means a building designed for or used to house not more than one family.

G. "Secondary dwelling units" means an attached or detached secondary residential dwelling unit on the same parcel as an existing single-family (primary) dwelling. A secondary unit provides for complete independent living facilities for one or more persons.
(Ord. No. 2007-106, § 2(Exh. A), 6-13-2007)

3.05.030 Limitations on water use.

The following total demand certifications, including landscaping, are established for the following uses:

A. 0.33 AFY per multi-family dwelling unit;

B. 0.24 AFY per dwelling unit for duplexes and secondary dwellings;

C. 0.29 AFY per single-family dwelling unit located on a parcel size of four thousand five hundred square feet or less;

D. 0.39 AFY per single-family dwelling unit located on a parcel size between four thousand five hundred and ten thousand square feet;

E. 0.69 AFY per single-family dwelling unit located on a parcel size that exceeds ten thousand square feet.
(Ord. No. 2007-106, § 2(Exh. A), 6-13-2007)

3.05.035 Nonresidential/commercial/industrial limitations on water use.

Total water demand for nonresidential/commercial projects will be established on a case-by-case basis by the district board of directors with consideration of the applicant's request and best management practices for project low water use.
(Ord. No. 2008-110, § 1, 12-10-2008)

3.05.040 Water allocation per allocation year.

A total of 34.3 acre feet (total allocation) per allocation year is allocated to projects on a first come, first served basis as follows:

A. 34.3 for residential projects as follows:

1. Category 1: A total of 21.86 AFY, including landscaping, is reserved for:

- a. For single-family dwelling units; and
- b. Two-family dwelling units (duplexes).

2. Category 2: A total of 6.86 AFY, including landscaping, is reserved for multifamily dwelling units.

3. Category 3: A total of 3.36 AFY is reserved for secondary dwelling units and local agency maintained landscaping projects.

B. During the end of the second quarter and in the middle of the fourth quarter of each allocation year the unused allotments for categories referenced in Section A, above, may be re-allocated by the board of directors to other categories referenced in Section A, above.

C. Notwithstanding subparagraph B, above, the district shall reserve 2.22 AFY for proposed housing developments which help meet the County of San Luis Obispo's share of regional housing needs for lower income housing as identified in the housing element adopted by the San Luis Obispo County Board of Supervisor's. Said reser-

vation shall be applied only to Category 1 and Category 2 projects referenced in Subparagraph A, above. Further, said reservation may only be re-allocated during the fourth quarter of each allocation year. (Ord. No. 2007-106, § 2(Exh. A), 6-13-2007)

3.05.050 Water demand certifications required.

A. Will-Serve Letters: All applications for will-serve Letters for residential projects referenced in Section 3.05.040 require an engineer's or architect's certification that:

1. Low-water use landscape and irrigation systems will be installed to irrigate landscaping; and
2. The maximum total water demand, including landscaping does not:

a. Exceed the limitations established in Section 3.05.030, above;

b. For family dwelling units with secondary dwelling units—Exceed a total water demand of 0.8 AFY, combined, for both the secondary and the primary dwelling unit.

B. Intent-to-Serve Letters: All applications for intent-to-serve letters require a registered engineer's or architect's certification that:

1. Low-water use landscape irrigation systems will be installed to irrigate landscaping; and

2. The design maximum total water demand, including landscaping, does not exceed the limitations on water use established in Section 3.05.030, above.

3. For nonresidential/commercial/industrial projects, intent-to-serve applications shall include the following: an irrigation plan, a plant material layout plan, a plant material list (if not included in the plant material layout plan), and a hardscape plan shall be submitted if there are any water features (such as fountains and swimming pools) included in the project design.

C. Will-serve letters will not be issued to nonresidential/commercial/industrial projects until general manager verifies that the landscape irrigation and plant material layout plans and/or hardscape plan comply with the total project water demand established by Section 3.05.035.

(Ord. No. 2007-106, § 2(Exh. A), 6-13-2007; Ord. No. 2008-110, §§ 2—5, 12-10-2008)

3.05.060 Reduction in total allocation by residential categories.

The total allocation, per allocation year, for each residential category designated in Section 3.05.040 shall be reduced (or accounted for) by the observed actual use by category plus a multiplier of 1.05 to account for commercial growth in water demand resulting from residential development as follows:

		Observed Actual Use	Commercial Multiplier	Accounted for Reduction
A.	Multi-Family	0.47 AFY	1.05	0.50 AFY
B.	Duplex	0.34 AFY	1.05	0.36 AFY
C.	SF (<4,500 sf lot)	0.41 AFY	1.05	0.43 AFY
D.	SF (4,500 to 10,000 sf)	0.55 AFY	1.05	0.58 AFY
E.	SF (>10,000 sf)	0.98 AFY	1.05	1.03 AFY

(Ord. No. 2007-106, § 2(Exh. A), 6-13-2007)

3.05.070 Application for intent-to-serve letters, will-serve letters and termination.

The following procedures, are in addition to other district rules and regulations relating to intent-to-serve letters and will-serve letters, and shall apply to all applications for intent-to-serve letters and will-serve letters approved by the district:

A. Application shall be made on district's application for intent-to-serve let-

Nipomo Community Services District
Water Allocation Accounting Summary

WATER YEAR 2009-2010												
Project	Dwelling units per category				Water allotment (acre-feet)					Total	Tally	Notes:
	SFR	SFR	SFR	MF	Low I	SFR	MF	Low I	Low I			
	>12,768	12.7 to 25.5	25.5+									
CO 06-0225; Blume at Flint; Kengle; Phase 2/2				2		20.8	6.5	2		2	34.3	Low I (low income) pulls from SFR/DUP and MF, proportional to their allotment. BOD Approved 9/9/2009
						0.0	(1.0)	0.0		0.0	(1.0)	
Totals	0	0	0	2	0	0.0	(1.0)	0.0	0.0	(1.0)		
Abbreviations defined:												
SFR = single family residence												
SEC = secondary dwelling (a.k.a. Granny Unit)												
DUP = Duplex												
MF = multi-family development (e.g. multiple dwelling units sharing a common roof)												
Low I = Low income housing in accordance with County housing definition.												
Phasing Limit Check (Max 50% of annual allocation or 17.15 AF)												
Phased allocation = 1												

TO: BOARD OF DIRECTORS

FROM: DON SPAGNOLO
GENERAL MANAGER



DATE: AUGUST 20, 2010

**AGENDA ITEM
E-3**

AUGUST 25, 2010

SEMI-ANNUAL WATER CONSERVATION PLAN REVIEW

ITEM

NCSD Conservation Coordinator and Public Outreach Specialist, Celeste Whitlow, to present program summary and update. [NO ACTION REQUESTED].

BACKGROUND

Celeste Whitlow is scheduled to summarize the attached summary.

RECOMMENDATION

Staff recommends that your Honorable Board receive the presentations and ask questions as appropriate.

ATTACHMENTS

- *MEMO: WATER CONSERVATION PROGRAM SEMI-ANNUAL REVIEW*

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NIPOMO COMMUNITY SERVICES DISTRICT

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 POST OFFICE BOX 326
 NIPOMO, CA 93444 - 0326
 (805) 929-1133 FAX (805) 929-1932
 Web site address www.ncsd.com

MEMORANDUM

TO: DON SPAGNOLO, GENERAL MANAGER
 FROM: CELESTE WHITLOW, CONSERVATION COORDINATOR AND PUBLIC OUTREACH
 DATE: AUGUST 11, 2010
 RE: ITEM E-3 : WATER CONSERVATION PROGRAM SEMI-ANNUAL REVIEW

LIST OF WATER CONSERVATION PROGRAM DUTIES/ RESPONSIBILITIES.

Refer to Attachment: "List of Water Conservation Program Duties / Responsibilities"

REVIEW OF PROGRAM ACTIVITIES FROM JANUARY THROUGH JULY 2010

General. The District uses a bi-monthly billing cycle, with one section of the District billed one month, and the other section of the District billed the next month. Each month's billing is for water delivered in the previous two months. Example: Water use billed in January will be for water delivered in November and December).

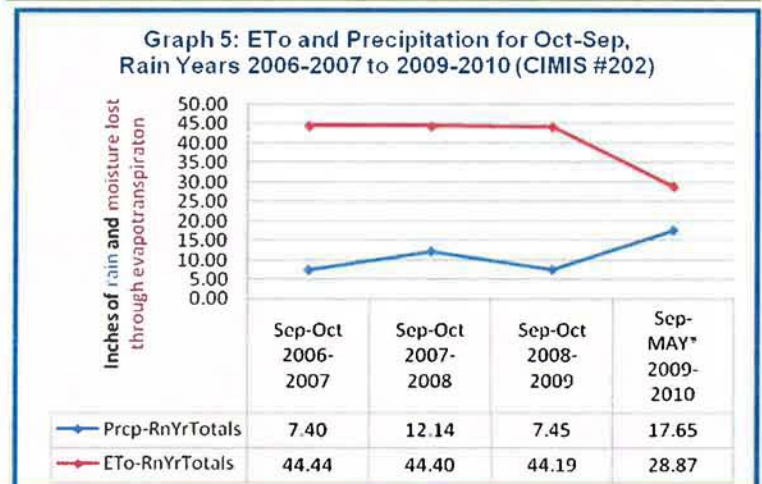
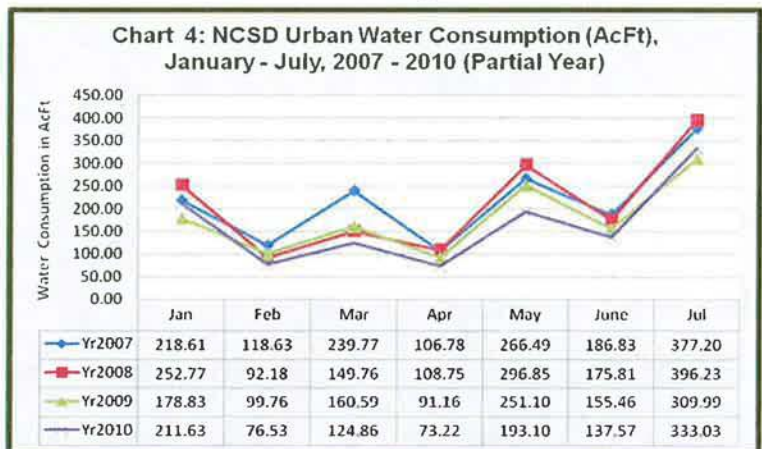
"Urban Water" consists of the Department of Water Resources' categories of single-family residence, multi-family residence, commercial-institutional, landscape, and other (example: metered construction water). See the attached "Department of Water Resources, Public Water System Statistics." In addition to the customer categories shown graphically, water is used for flushing water mains.

Water consumption expressed as "gallons-per-capita-per-day" (GPCD) allows more accurate tracking of water consumption between groups, regions, or time periods. The formula for GPCD is:

$$(\text{gallons-per-day}) / (\text{population\#})$$

The formula for "population" is:
 (#urban-water meters) X (population conversion factor).

Water consumption, expressed as the total water delivered to a group of customers, does not incorporate the number of meters and/or population, but is a gross number obtained from total usage



documented by meter readings. Logically, when comparing two years' water consumption by customers, if there are more customers using water in one of the years, it would likely increase the amount of water used in that year. If the population numbers are not part of the figure used for comparing use between two years, then the result may end up falsely indicating an increase or decrease in the amount of water used by each person.

Example: Total water delivered in 2003 compared to 2010 shows 2010 to 68.5 AcFt less than 2003. However, when the increase in population is factored in the calculation, the decrease is more accurate for the rate of customer consumption.

Table 3: NCS Urban Water Delivered, 2003-2009

	Total AcFt
Yr2003	2550.37
Yr2004	2792.40
Yr2005	2624.98
Yr2006	2591.55
Yr2007	2833.59
Yr2008	2716.65
Yr2009	2481.90

Summary. Reference Chart 4: Urban Water Consumption (AcFt), January – July 2007 – 2010 (Partial Year).

Reviewing NCS urban water consumption for the last seven months (January – July), and comparing with the same months in 2007, 2008 and 2009, in the years 2007 through 2010, there is a similar shape of the graphic lines representing the data series for all included months and years. The shape of the graphic lines is typical for urban water consumption in our region's Mediterranean climate. Water consumption for January through July 2007 through 2010, demonstrates an, overall, steady decrease in consumption.

Chart 1-A: NCS Urban Water Consumption in GPCD, Years 2003-2009



On review of the gallons-per-capita-per-day for 2003-2009 (Chart 1-A: NCS Urban Water Consumption in GPCD, Years 2003-2009), there has been an overall trend downward.

Chart 1-B: NCS Urban Water Consumption, %Change in GPCD, 2003-2009

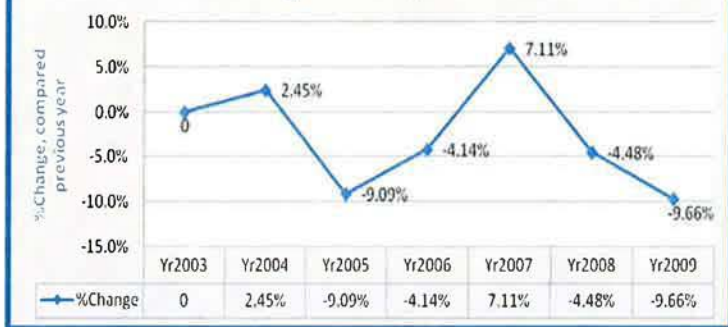
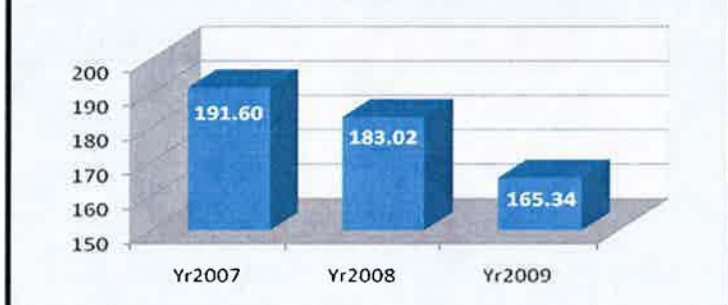


Chart 1-B: NCS Urban Water Consumption, %Change in GPCD, 2003-2009 shows a large %difference between 2004 and 2005 (-9.09%), and a larger change, steady decrease between 2007 and 2009 (approximately 14%).

This decrease is in spite of the lower-than-average precipitation rates (CIMIS #202 weather station) for the rain years 2006-2007 and 2008-2009, which was less than half the 16" average annual precipitation of Nipomo, and the precipitation of 2007-2008 which was approximately 75% of Nipomo's average annual precipitation. Since the majority of water use by residential customers occurs in the landscape, logically, if there was a decrease in precipitation, one would expect an increase in water use as the customers supplemented the decreased precipitation by increasing the irrigation of the landscape. This is not the case, however, over the last three years.

NCS Urban Water Consumption (Average Gallons-Per-Capita-Per-Day): Comparing 2007, 2008, 2009



Projected savings of imported water costs. The water to be imported from Santa Maria via the Waterline Intertie Project has a cost of \$1250/AcFt, plus delivery costs. If the delivery costs were \$250, the total cost per acre-foot would be \$1500. If 14% less water was imported, the savings per acre-foot would be \$210, and for 2000 acre-feet would be \$420,000.

Summary of retrofit-at-time-of-sale plumbing retrofit program.

Data not available at the time of Board Packet production.

SUMMARY OF ACTIVITIES, JANUARY THROUGH JULY 2010.

Rebate Programs.

- **Turf-Replacement Rebate Program.**

Refer to *Turf Replacement Rebate Program* attachment. There are eight participants in the program. One registrant has completed his project and will be issued a \$500 rebate check. The average predicted water saving is 62% for all participants. All but one of the registrants' projects are for more than the 500 square-foot rebate limit, and some were inspired to increase the total square-footage of their project after they started the program, even though they knew they would not receive any additional rebate funds. This has been a very positive program, and very gratifying to administer.

- **High-Efficiency Clothes Washer Rebate Program.** To date, there have been 134 rebates issued for high-efficiency clothes-washers purchased by our customers: 52 through the CUWCC program, 27 originally submitted to CUWCC but later rebated by NCSD, and 55 submitted to, and rebated by, NCSD.

This "hardware-efficiency-upgrade" program is usually considered the one of the "low-hanging-fruit" methods, or the easy ways to help customers with water conservation, because once the "hardware" (or washer) is upgraded to a high-efficiency model, there is minimal behavior modification required for customers to reap the benefits of water conservation.

The program is currently very slow secondary to no advertising or other measures to stimulate interest, but with increased advertising and other prompts, the number of rebate requests submitted should increase again.

Community Events and Educational Workshops

- **Workshop planning:** The usual Spring Landscape Workshops were offered in 2010. These workshops are *Importance of Soil and Composting, Soils and Composting; Native and Drought-Tolerant Plants; Landscape Design with Drought-Tolerant Plants; Water-Efficient Landscape Irrigation*. In addition, we added a new workshop, *Go Wild with Container Gardening*, and the SLO County Environmental Services presented a workshop on less toxic disease and pest control. We hope to add a Fall workshop on *Lawn Replacement, Beginning to End*, to provide information to our customers in time for them to reap the benefits of installing their landscape conversions in the typically cooler, rainy winter months.
- **Site visits** to Landscape Maintenance District #1 (Vista Verde).
- **Meetings** with local activists and San Luis Obispo County personnel regarding Nipomo Creek.

NCSD Landscape

- Care and management of NCSD's "Compost Corral."
- Installed "temporary" landscape as demonstration.
- Monitor landscape.

Professional Development

- Attendance of bi-monthly San Luis Obispo County Partners for Water Conservation meetings.
- Scheduled testing for Water Conservation Specialist 2 Certification.
- Attended graywater reuse in the landscape workshop, and rainfall-harvesting workshop.

California Urban Water Conservation Council.

- Attended two teleconferences and one *20x2020 Workshop*.

Monitoring Legislation, Ordinances, Regulations.

NO CHANGE SINCE LAST UPDATE.

- 20 x 2020. Californians required to decrease water use by 20% in 2020.
- AB1366 (Chaptered) Authorizes local agencies providing wastewater treatment services to control salinity inputs from residential self-regenerating water softeners.
- AB2175. (20 x 2020) No change.
- AB474. (20 x 2020).
- AB1061. In support of the Model Landscape Ordinance, forbids a homeowner's association, city, etc. from having regulations, laws, etc. that can prohibit the use of low water-using plants.
- SB 407. Water-efficient plumbing requirements.
- SB6. Groundwater.
- AB474. Allows legislative body of any public agency to designate an area in which landowners and public agencies, community services districts, cities, counties, et al. AND property owners to enter into contractual assessments to finance the installation of water-efficiency improvements which are permanently fixed to real property.

Other

- Provided advice and support as needed for the Science Discovery Program for Nipomo's elementary schools; participated in discussion regarding modifications to add to program.
- Reviewed Department of Water Resources Urban Drought Workbook, *Environmental Protection Agency's Response to Urban Change Program* and books about implementation of water rates supporting water conservation.
- Reviewed and prepared reports for water-conservation related programs and legislature.

ATTACHMENTS

Department of Water Resources, Public Water System Statistics

List of Water Conservation Program Duties / Responsibilities

Turf Replacement Rebate Program spreadsheet

Turf Replacement Rebate Program, Before and After Pictures, Completed Project

T:\BOARD MATTERS\BOARD MEETINGS\BDMEMO\WCP BIENNIAL REVIEW 08-11-2010.DOC



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.ncsd.com

LIST OF WATER CONSERVATION PROGRAM DUTIES / RESPONSIBILITIES

1. **Rebate programs.**
 - a. Turf-Replacement Rebate Program.
 - b. High-Efficiency Clothes Washer Rebate Program.
2. **Events.**
 - a. Creek Day 2010.
 - b. October Festival 2010.
3. **Public education and outreach.**
 - a. Conservation newsletter.
 - b. Newspaper ads.
 - c. Postcard for Fall Clean-Up Days.
 - d. OOPs door-hangers.
 - e. Design, write, obtain quotes for printing, arrange for printing and mailing or other distribution, of brochures, bill inserts, information cards for give-aways (i.e., info cards accompanying the soil moisture meters), informational handouts, calendars, etc.).
 - f. Conservation web pages.
 - g. Maintain and update display boards in hallway and board room.
 - h. Water Conservation workshops.
 - i. Water audit/survey program.
 - j. Administer agreement with Science Discovery for presentations to Nipomo Elementary Schools.
 - k. Outreach to Nipomo High School science classes.
4. **SLO County Plumbing Retrofit-at-Time-of-Sale Program.**
5. **SLO County Developer Contribution to Nipomo Mesa Water Conservation Area fund for water conservation assistance for residents in the NMWCA.**
6. **NCSD Office Landscape.**
 - a. Long-Term: Monitor landscape for problems, disease, pests, damage.
 - b. Long-Term: Rehabilitation into a drought-tolerant educational landscape.
 - c. Short-Term: Replacement of decrepit hedge, north boundary of NCSD office property.
7. **Filing first every-two-year report (Best Management Practices Status and Progress) with the California Urban Water Conservation Council.**
8. **Landscape Maintenance District #1.**
9. **Professional Development / Course Work.**

PUBLIC WATER SYSTEM STATISTICS

Calendar Year 2010

Mailing Label

1. General Information

Please follow the provided instructions.

Contact: _____
 Title: _____
 Phone: _____
 Fax: _____
 E-mail: _____
 Website: _____
 County: _____
 Population served: _____
 Names of communities served: _____

2. Active Service Connections

Customer Class	Potable Water		Recycled Water	
	Metered	Unmetered	Metered	Unmetered
Single Family Residential				
Multi-family Residential				
Commercial/Institutional				
Industrial				
Landscape Irrigation				
Other				
Agricultural Irrigation				
TOTAL				

3. Total Water Into the System - Units of production: acre-feet million gallons hundred cubic feet

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Potable	Wells	124.88	82.97	153.62	168.81	250.87	286.22	285.12						1352.49
	Surface													
	Purchased ^{1/}													
	Total Potable	124.88	82.97	153.62	168.81	250.87	286.22	285.12						1352.49
Untreated Water														
Recycled ^{2/}														

1/ Potable wholesale supplier(s): _____

2/ Recycled wholesale supplier(s): _____

Level of treatment: _____

4. Metered Water Deliveries - Units of delivery: acre-feet million gallons hundred cubic feet

If recycled is included, <input checked="" type="checkbox"/> box ↓		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
A. Single Family Residential <input type="checkbox"/>		167.33	60.96	97.97	55.88	149.54	93.51	271.98						897.17
B. Multi-family Residential <input type="checkbox"/>		12.97	7.28	12.54	8.51	13.98	10.22	14.97						80.47
C. Commercial/Institutional <input type="checkbox"/>		8.19	4.61	6.18	4.8	7.3	8.18	8.12						47.38
D. Industrial <input type="checkbox"/>		0	0	0	0	0	0	0						0
E. Landscape Irrigation <input type="checkbox"/>		22.95	3.64	8.03	3.8	22.1	25.34	37.95						123.81
F. Other <input type="checkbox"/>		0.19	0.04	0.14	0.23	0.18	0.32	0.01						1.11
Total Urban Retail (A thru F)		211.63	76.53	124.86	73.22	193.1	137.57	333.03						1149.94
Agricultural Irrigation <input type="checkbox"/>		1.22	0.03	1.25	0.03	2.26	0.15	3.43						8.37
Wholesale (to other agencies) <input type="checkbox"/>														

Turf Replacement Rebate Program

Date: 08/20/2010

PROJECTED Water Costs Saved Over 10 Years by Turf-Replacement Rebate													
A	B	C	D	E	F	G	H	I	J	K	L	M	N
Cstmr	Prev H ₂ O Consmpt (Gal/Mo)	Prjctd- H ₂ O Consump. (Gal/Mo)	Net-H ₂ O Svgs (Gal/Mo)	% Savings	Net-H ₂ O Svgs (Gal/Yr)	Net-H ₂ O Svgs(Aft/Yr)	Net H ₂ O Svgs (Aft/10Yrs)	Ft ² Rplcd	\$Rebate eligible	Rebate Cost /Ft ² Rplcd	Next- Incrm Cost/AcFt	\$Savings after after 10 yrs	\$Savings after after 10yrs (- Rebate)
1XXX	3900	221	3679	94.30%	44,148	0.135	1.355	725	\$500	\$0.69	\$1,450.00	\$1,964.54	\$1,464.54
2XXX	2900	572	2418	80.00%	29,016	0.089	0.890	675	\$500	\$0.74	\$1,450.00	\$1,291.18	\$791.18
3XXX	2693	873	1820	67.00%	21,840	0.067	0.670	969	\$500	\$0.52	\$1,450.00	\$971.86	\$471.86
4****	2684	195	2489	93.00%	29,868	0.092	0.917	702	\$500	\$0.71	\$1,450.00	\$1,329.09	\$829.09
4XXX	1013	177	863	82.50%	10,356	0.032	0.318	210	\$210	\$1.00	\$1,450.00	\$460.83	\$250.83
6XXX	1300	1300	1300	100.00%	15,600	0.048	0.479	725	\$500	\$0.69	\$1,450.00	\$694.18	\$194.18
7XXX	2002	143	1859	92.86%	22,308	0.068	0.685	504	\$500	\$0.99	\$1,450.00	\$992.68	\$492.68

XXXXX



BEFORE

Water Use:
Approx. 2684 gal/mo

XXXXX



AFTER

Water Use:
Approximately 195 gal/mo

XXXXX



BEFORE
Water Use:
Approx. 2684 gal/mo

XXXXX



AFTER
Water Use:
Approximately 195 gal/mo

TO: BOARD OF DIRECTORS

FROM: DON SPAGNOLO
GENERAL MANAGER 

DATE: AUGUST 20, 2010

**AGENDA ITEM
E-4**

AUGUST 25, 2010

REVIEW LOBBYIST EFFORTS AND ASSOCIATED CONTRACT

ITEM

Consider reviewing ongoing lobbyist efforts and associated contract [PROVIDE DIRECTION].

BACKGROUND

From January 2007 to September 2008, the District retained the services of Marlowe & Company to lobby for federal funding for the Waterline Intertie Project. In September 2008, the District retained the services of Van Scoyoc Associates to lobby for federal funding. The District has incurred costs through July 2010 of \$133,450.00 for these efforts.

On August 11, 2010, Greg Burns of Van Scoyoc Associates, via teleconference, told the Board that the NCSD Waterline Intertie Project was not included in the Senate Bill to receive Federal Funding.

At the meeting of August 11, 2010, Staff was directed to place this item on the agenda to review lobbying efforts at the Federal and State level as well as possibly terminating the contract with Van Scoyoc Associates. Attached is Section 18 of the Van Scoyoc Associates Lobbyist Agreement regarding termination of the contract.

FISCAL IMPACT

The Fiscal Year 2010-2011 Budget includes \$60,000 for lobbying efforts.

RECOMMENDATION

Provide direction to Staff.

ATTACHMENTS

- Section 18 of Van Scoyoc Associates, Inc. Lobbyist Agreement

t:\board matters\board meetings\board letter\2010\100825 LOBBYIST CONTRACT.doc

J. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any contractor or subcontractor.

K. Lobbyist agrees to provide immediate notice to NCSD of any claim or loss against Lobbyist arising out of the work performed under this agreement. NCSD assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve NCSD.

18. TERMINATION.

A. If Lobbyist at any time refuses or neglects to perform the Services in a timely fashion or in accordance with the Schedules referenced in this Agreement, or is adjudicated a bankrupt, or commits any act of insolvency, or makes an assignment for the benefit of creditors without NCSD's written consent, or fails to make prompt payment to persons furnishing labor, equipment, or materials, or fails in any respect to properly and diligently prosecute the Services, or otherwise fails to perform fully any and all of the Agreements herein contained, Lobbyist shall be in default.

B. If Lobbyist fails to cure the default within seven (7) days after written notice thereof, NCSD may, at its sole option, take possession of any documents, files (including CAD and other electronic files), or other materials prepared or used by Lobbyist in connection with the Services and (a) provide any such services, labor, or materials as may be necessary to overcome the default and deduct the cost thereof from any money then due or thereafter to become due to Lobbyist under this Agreement; or (b) terminate Lobbyist's right to proceed with the Services.

C. In the event NCSD elects to terminate this Agreement, NCSD shall have the right to immediate possession of all Documents and other work in progress prepared by or on behalf of Lobbyist, whether located at the District Office, at Lobbyist's place of business, or at the offices of a subcontractor, and may employ any other person or persons to provide the Services and provide the materials therefore. In case of such default termination, Lobbyist shall not be entitled to receive any further payment under this Agreement until the Services are completely finished. At that time, if the unpaid balance of the amount to be paid under this Agreement exceeds the expenses incurred by NCSD in obtaining Services, such excess shall be paid by NCSD to Lobbyist, but, if such expense shall exceed such unpaid balance, then Lobbyist shall promptly pay to NCSD the amount by which the expenses exceeds the unpaid balance. The expense referred to in the last sentence shall include expenses incurred by NCSD in obtaining the Services from others, for attorneys' fees, and for any damages sustained by NCSD by reason of Lobbyist's default or defective Services.

D. In addition to the foregoing right to terminate for default, NCSD reserves the absolute right to terminate the Services authorized by this Agreement without cause ("Terminate for Convenience"), upon 72-hours' written notice to Lobbyist. In the event of termination without cause, Lobbyist shall be entitled to payment in an amount not to exceed 50% (fifty percent) of one month's payment referenced in this Agreement, which

shall be calculated as follows: (1) Payment for any Services then satisfactorily completed and accepted by NCSD, plus (2) reasonable termination costs incurred by Lobbyist solely on account of the termination for convenience. There shall be deducted from such sums as provided in this section the amount of any payment made to Lobbyist prior to the date of termination of the Services. Lobbyist shall not be entitled to any claim or lien against NCSD for any additional compensation or damages in the event of such termination and payment. In addition, the NCSD's right to hold funds pursuant to Section 6 G shall be applicable in the event of a termination for convenience.


E. If this Agreement is terminated by NCSD for default and it is later determined that the default termination was wrongful, such termination automatically shall be converted to and treated as a Termination for Convenience under Section D, above, and Lobbyist shall be entitled to receive only the amounts payable hereunder in the event of a Termination for Convenience.

F. Should NCSD fail to pay Lobbyist undisputed payments set forth in Section 6 above, Lobbyist may, at Lobbyist's option, suspend its services if such failure is not remedied by NCSD within thirty (30) days of written notice to NCSD of such late payment.

19. BREACH OF LAW. In the event the Lobbyist or any of its officers, directors, shareholders, employees, agents, subsidiaries or affiliates is convicted (i) of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of a contract or subcontract; (ii) under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or any other offense indicating lack of business integrity or business honesty which currently, seriously, and directly affects responsibility as a public Lobbyist or Lobbyist; (iii) under state or federal antitrust statutes arising out of the submission of bids or proposals; or (iv) of violation of Paragraphs 11, 23, 24, 25 of this Agreement; or for any other cause the NCSD determines to be so serious and compelling as to affect Lobbyist's responsibility as a public Lobbyist or Lobbyist, including but not limited to, debarment by another governmental agency, then the NCSD reserves the unilateral right to terminate this Agreement, seek indemnification and/or to impose such other sanctions (which may include financial sanctions, temporary suspensions or any other condition deemed appropriate short of termination) as it deems proper.

20. DISPUTE RESOLUTION.

A. The parties agree in good faith to attempt to resolve amicably, without litigation, any dispute arising out of or relating to this agreement. In the event that any dispute cannot be resolved through direct discussions, the parties agree to endeavor to settle the dispute by mediation. Either party may make a written demand for mediation, which demand shall specify the facts of the dispute. The matter shall be submitted to a mediator who shall hear the matter and provide an informal nonbinding opinion and advice in order to help resolve the dispute. The mediator's fee shall be shared equally.

TO: BOARD OF DIRECTORS
FROM: DON SAPGNOL.O
GENERAL MANAGER 
DATE: AUGUST 20, 2010

**AGENDA ITEM
F
AUGUST 25, 2010**

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is August 6, 2010 through August 20, 2010.*

DISTRICT BUSINESS

Administrative

- Water Intertie Project MOU with County on September 14th Board of Supervisors' agenda.
- Building permit has been issued by the County so work can begin on the equipment building.
- Working with County in preparation for hearing in late September for Jack Ready Park.
- Purchasing Policy update will be presented to the Board on Sept. 8th.
- 2010 Urban Water Mgmt. Plan admin. draft will be presented for Board action on Sept. 8th.

Operations

- Storage Tank Re-habilitation continuing on second tank.
- Traffic Control training held on August 19th.
- Defensive driving training scheduled for August 29th.
- Electrical panel schematic for lift stations and water wells is complete.
- Sludge removal to start at the beginning of September.
- Willow Road Waterline project is underway.
- Maria Vista Estates has set a total of ten water meters.

Meetings

Significant meetings attended or scheduled:

- August 23 - Waterline Intertie Committee
- August 24 – Meeting to discuss preparation of Emergency Plan
- September 7 – Southland Wastewater Treatment Facility Committee.
- September 13 – Water Conservation Committee.
- September 13 – Finance Committee.

Safety Program

- No incidents or accidents to report.

RECOMMENDATION

Staff seeks direction and input from your Honorable Board.