

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MGL*
GENERAL MANAGER
DATE: NOVEMBER 10, 2011



FINANCIAL AUDIT REPORT FOR FISCAL YEAR 2010-2011

ITEM

Review financial Audit Report for Fiscal Year 2010-2011 [RECOMMEND BY MOTION AND ROLL CALL VOTE ACCEPT AND DIRECT STAFF TO FILE 2010-2011 AUDIT REPORT]

BACKGROUND

The District is required by law to have an independent audit performed annually on its financial statements. Robert Crosby, CPA, of Crosby Company conducted the annual audit for the fiscal year ending June 30, 2011, in accordance with Generally Accepted Accounting Principles.

On November 1, 2011, the Finance and Audit Committee (Director Vierheilig and Director Eby), Mr. Crosby, and District Staff met and reviewed the draft audit report in detail.

Mr. Crosby, CPA will present the attached audit report to your Honorable Board and will answer any questions you may have regarding the audit.

RECOMMENDATION

Upon completion of the presentation and public comments, a motion would be in order to accept and file the Audit Report for Fiscal Year 2010-2011.

ATTACHMENT

Independent Auditor's Report and Financial Statement – For Fiscal Year End June 30, 2011

**NIPOMO
COMMUNITY SERVICES DISTRICT**

**Independent Auditor's Report
and
Financial Statements**

For the Year Ended
June 30, 2011

NIPOMO COMMUNITY SERVICES DISTRICT
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

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BOARD MEMBERS

JAMES HARRISON, **PRESIDENT**
LARRY VIERHEILIG, **DIRECTOR**
MICHAEL WINN, **DIRECTOR**
ED EBY, **DIRECTOR**
DAN GADDIS, **DIRECTOR**

STAFF

MICHAEL S. LEBRUN, **GENERAL MANAGER**
LISA BOGNUDA, **FINANCE DIRECTOR**
JON SEITZ, **GENERAL COUNSEL**

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MANAGEMENT DISCUSSION AND ANALYSIS

The Nipomo Community Services District's Management Discussion and Analysis is an overview of the most recent completed fiscal year's activities designed to:

- Assist the reader in identifying significant financial issues
- Provide an overview of the District's fiscal year financial activity
- Identify changes in the District's financial position
- Identify any material deviations from the financial plan (the approved budget)
- Identify individual fund issues or concerns

Since the Management's Discussion and Analysis (MD & A) is designed to focus on the most recent completed fiscal year's activities, resulting changes and currently known facts, please read it in conjunction with the Independent Auditor's Report (beginning on page 2) and the District's financial statements (beginning on page 3).

A. DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

The Nipomo Community Services District's enabling legislation is found in §61000 et seq. of the Government Code and is commonly referred to as Community Services District law. Pursuant to Government Code §§61100 the District supplies water, sewer, solid waste, street lighting and drainage within the District boundaries.

Pursuant to Community Services District law the District:

- On or before July 1st of each year, adopts a preliminary budget or final budget that conforms to generally accepted accounting and budgeting procedures for Special Districts (Government Code §61110);
- On or before July 1st of each year, adopts a Resolution establishing the District's appropriations limit, if any, and makes other necessary determinations for the following fiscal year, pursuant to Article XIII B of the California Constitution;
- Annually provides for audits of the District's accounts and records (Government Code §61118);
- Provides annual financial reports to the Controller (Government Code §61118);
- Adopts rates and charges to cover costs reasonably borne by the District in providing water, sewer and solid waste collection services within the District boundaries pursuant to the guidelines identified in Water Code §71616 and Article XIII D of the California Constitution (Government Code Section §61123).

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

District Staff performs the accounting functions of the District. The District utilizes the Fund Accounting method. The National Council on Government defines the term **fund** as follows:

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities, or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following is the list of Funds used by the District:

#110	Administration Fund
#125	Water Fund
#130	Sewer Fund-Town Division
#150	Sewer Fund-Blacklake Division
#200	Blacklake Street Lighting Fund
#250	Street Landscape Maintenance District Fund
#300	Solid Waste Fund
#400	Drainage Fund
#500	Supplemental Water Fund
#600	Property Tax Fund
#700	Water Capacity Charges Fund
#710	Sewer Capacity Charges Fund-Town Division
#805	Funded Replacement-Water Fund
#810	Funded Replacement-Town Sewer Fund
#830	Funded Replacement-Blacklake Sewer Fund
#880	Town Sewer Sinking fund

The Administration Fund accounts for all of the assets and resources used for the general administration of the District. The remaining operating funds are "enterprise funds". The purpose of enterprise funds is to account for operations in a manner similar to private business enterprises. The policy defined by the elected Board of Directors is that the costs of providing service (expenses, including depreciation of providing goods and services) be financed or recovered primarily through user charges.

Financial statements (Consolidated Balance and Income Statements) are presented and reviewed quarterly by the Board of Directors, and confirmed annually by an outside independent audit. The footnotes, contained as supplemental information in the annual Audit Report, provide specific accounting details about Nipomo Community Services District such the basis of accounting, capital assets, and long-term debt. There were no significant accounting process changes during the fiscal year.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

CONDENSED FINANCIAL INFORMATION

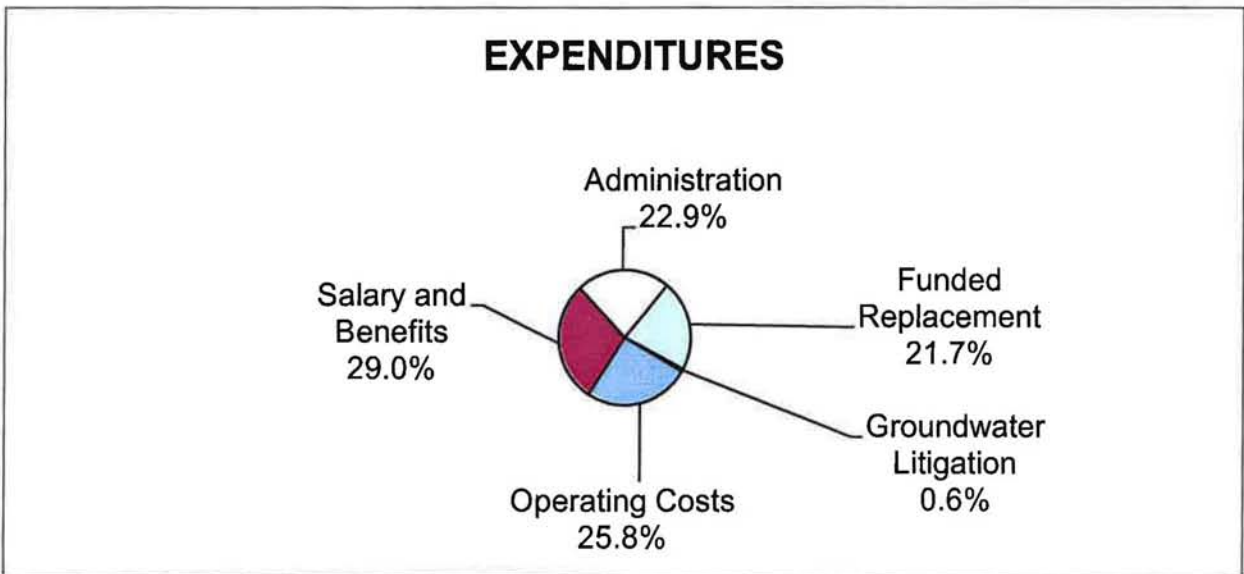
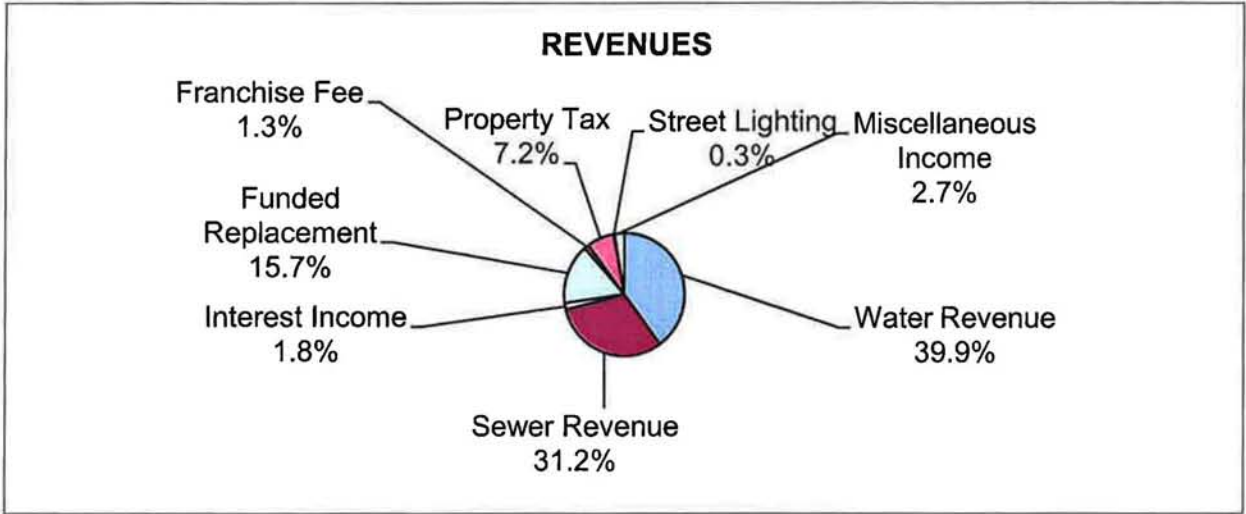
STATEMENT OF NET ASSETS

	<u>Fiscal Year</u>	<u>Fiscal Year</u>
<u>Assets</u>	<u>7/1/10 – 6/30/11</u>	<u>7/1/09 – 6/30/10</u>
Current and other assets	\$ 25,358,844	\$ 25,638,213
Capital assets, net	32,611,674	31,342,793
Total Assets	<u>57,970,518</u>	<u>56,981,006</u>
 <u>Liabilities</u>		
Other liabilities	653,202	606,408
Long-term debt outstanding	4,674,988	4,942,607
Total Liabilities	<u>5,328,190</u>	<u>5,549,015</u>
 <u>Net Assets</u>		
Invested in capital assets, net of debt	28,120,434	26,400,186
Restricted	14,429,872	15,349,110
Unrestricted	10,092,022	9,682,695
Total Net Assets	<u>\$ 52,642,328</u>	<u>\$ 51,431,991</u>

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

<u>Operating Revenues</u>		
Charges for services	\$ 4,952,837	\$ 4,909,684
Miscellaneous	208,228	164,734
Total Operating Revenues	<u>5,161,065</u>	<u>5,074,418</u>
 <u>Operating Expenses</u>		
Water	3,197,163	3,019,506
Sewer	1,424,512	1,413,767
Other	109,085	175,414
Total Operating Expenses	<u>4,730,760</u>	<u>4,608,687</u>
 <u>Non-Operating Revenues and (Expenses)</u>		
Interest income	125,994	167,857
Miscellaneous revenues	609,449	771,858
Interest expense	(181,873)	(179,462)
Total Non-operating revenues (expenses)	<u>553,570</u>	<u>760,253</u>
Income Before Contributions	<u>983,875</u>	<u>1,225,984</u>
Capital Contributions	<u>226,462</u>	<u>168,472</u>
Change in Net Assets	<u>1,210,337</u>	<u>1,394,456</u>
Total Net Assets - Beginning of fiscal year	<u>51,431,991</u>	<u>50,037,535</u>
Total Net Assets – End of fiscal year	<u>\$ 52,642,328</u>	<u>\$ 51,431,991</u>

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011



NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

B. ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATION
(Comparison of Fiscal Year 2010-11 to Fiscal Year 2009-10)

- Overall revenues increased 1.7%.
- Overall operating expenditures increased 2.6%.
- Total assets increased 1.7%.
- Total liabilities decreased 3.9%.
- Capital contributions, including water and sewer capacity fees and developer donated assets increased 134%.

C. ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

- Water revenues decreased 5.6% for the fiscal year. The decrease is attributable a decrease in water consumption.
- Sewer revenues for the Town Division increased 12.6% and the Blacklake Division increased 3%. The increase in the Town Division is attributable to new sewer connections and the rate increase that went into effect January 1, 2010. The increase in the Blacklake Division is attributable to a rate increase that went into effect on January 1, 2011.

D. ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN THE BUDGET AND ACTUAL YEAR END RESULTS

COMPARISON OF BUDGET AMOUNTS TO ACTUAL

	2010-11 <u>BUDGET</u>	2010-11 <u>ACTUAL</u>	% ACTUAL IS OVER(+)/UNDER(-) <u>BUDGET</u>	POSITIVE (+) OR NEGATIVE (-) IMPACT ON <u>BUDGET</u>
Total Revenues	\$ 5,284,344	\$ 5,161,065	-2.4%	-
Total Expenditures	\$ 4,916,524	\$ 4,730,760	-3.8%	+
Net Non Operating Income (Expenses)	\$ 572,187	\$ 553,570	-3.3%	-

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

DESCRIPTION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

All assets purchased by the District are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received by the District. Donated or contributed fixed assets from developers account for the largest increase in capital assets this year.

CAPITAL ASSETS CONTRIBUTED	FAIR MARKET VALUE
Water Division	\$168,201
Town Division Sewer	58,261
Blacklake Division Sewer	0
TOTAL	\$226,462

The total long-term debt as of June 30, 2011 is as follows (for more detail see Note 6 of the Notes to the Financial Statements found on Pages 13 and 14):

Water Division	Eureka Well development and Inter-Fund loan for the Blacklake Buy-In	\$258,949
Town Division Sewer	Sewer plant expansion, lease purchase of sewer vacuum truck and Inter-Fund Loan for Blacklake Sewer	996,039
Property Tax Secured	Water improvements and Supplemental Water	3,420,000
Total Long-term debt		\$4,674,988

E. DISCUSSION OF USE OF THE MODIFIED APPROACH TO REPORT INFRASTRUCTURE ASSETS

Not applicable. Nipomo Community Services District does not use the modified approach.

DESCRIPTION OF FACTS OR CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON FINANCIAL POSITION OR RESULTS OF OPERATION

- The Supplemental Water Project expenditures are on-going with the assessment district vote expected to take place in Spring 2012.
- The Southland Wastewater Treatment Facility Upgrade is expected to begin Summer 2012.
- The legal and professional services fees continue due to the groundwater adjudication and Nipomo Mesa Management Area (NMMA) Technical Group.

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

F. ECONOMIC FACTORS

The Nipomo Community Services District's water and sewer operations rely solely on user fees. The last water rate increases was on January 1, 2009. New water rates will go into effect November 1, 2011.

The sewer rates for the Blacklake Divisions will increase on January 1, 2012.

In order to develop and purchase supplemental water, the Board of Directors adopted Resolution 2008-1102 which provides for the collection of a supplemental water capacity charge for new development. The funds collected are restricted for supplemental water use.

Nine year summary of Water and Sewer Rates for a single family residence with a one inch meter:

WATER RATES AND CHARGES

As of June 30,	Bi-Monthly Availability Charge	Bi-Monthly Usage Rates	
		0 – 40 Units	41 + Units
2011	\$30.84	\$1.64	\$2.80
2010	\$30.84	\$1.64	\$2.80
2009	\$30.84	\$1.64	\$2.80
2008	\$29.03	\$1.52	\$2.59
2007	\$26.96	\$1.38	\$2.35
2006	\$24.75	\$1.23	\$2.10
2005	\$21.04	\$1.07	\$1.64
2004	\$19.26	\$1.01	\$1.51
2003	\$17.50	\$0.95	\$1.42

TOWN DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2011	\$88.32
2010	\$88.32
2009	\$70.66
2008	\$56.53
2007	\$43.27
2006	\$41.60
2005	\$37.22
2004	\$36.86
2003	\$36.50

BLACKLAKE DIVISION- SEWER CHARGES

As of June 30,	Bi-Monthly Sewer Charge
2011	\$131.98
2010	\$118.90
2009	\$107.12
2008	\$77.55
2007	\$74.56
2006	\$71.70
2005	\$64.40
2004	\$63.66
2003	\$46.00

NIPOMO COMMUNITY SERVICES DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING JUNE 30, 2011

G. REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Nipomo Community Services District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Nipomo Community Services District, P. O. Box 326, Nipomo, CA 93444.

NIPOMO COMMUNITY SERVICES DISTRICT
SCHEDULE OF DIRECTORS
June 30, 2011

BOARD OF DIRECTORS

<u>NAME</u>	<u>TERM EXPIRES</u>
James Harrison, President	December 5, 2014
Larry Vierheilig, Vice-President	December 5, 2014
Michael Winn, Director	December 7, 2012
Ed Eby, Director	December 7, 2012
Dan Gaddis, Director	December 5, 2014

CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

1457 MARSH STREET, SUITE 100 - SAN LUIS OBISPO, CA 93401

PHONE: (805)543-6100 FAX: (805)858-9505

Independent Auditor's Report

Board of Directors
Nipomo Community Services District
Nipomo, California

I have audited the accompanying financial statements of the business-type activities of the Nipomo Community Services District as of and for the year ended June 30, 2011 and 2010, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits in accordance with U.S. Generally Accepted Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nipomo Community Services District as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through viii, are not a required part of the basic financial statements but are supplementary information required by U.S. Generally Accepted Accounting Principles. I have applied certain limited procedures, which consisted principally of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nipomo Community Services District basic financial statements. The combining financial statement schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

 CPA

CROSBY COMPANY
Certified Public Accountant

August 11, 2011

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

ASSETS	Enterprise Funds	
	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 23,856,776	\$ 23,922,242
Accounts receivable	208,515	297,406
Unbilled utilities receivable	680,000	725,000
Accrued interest receivable	26,376	31,876
Prepaid expenses	41,362	58,678
Accrued franchise fees	11,820	12,110
Notes receivable (current portion)	39,445	38,192
Total current assets	<u>24,864,294</u>	<u>25,085,504</u>
Non-current assets		
Capital assets:		
Land and construction in progress	7,454,032	5,851,476
Property, plant and equipment, net accumulated depreciation	25,157,642	25,491,317
Total noncurrent assets	<u>32,611,674</u>	<u>31,342,793</u>
Other assets		
Loan fees, net accumulated amortization	183,748	201,864
Notes receivable (less current portion)	310,802	350,845
Total other assets	<u>494,550</u>	<u>552,709</u>
Total assets	<u>\$ 57,970,518</u>	<u>\$ 56,981,006</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 396,289	\$ 350,607
Accrued liabilities	159,315	161,994
Deposits	91,298	87,507
Current portion long term debt	257,089	234,551
Total current liabilities	<u>903,991</u>	<u>834,659</u>
Noncurrent liabilities		
Long term debt	4,417,899	4,708,056
Deferred revenues	6,300	6,300
Total noncurrent liabilities	<u>4,424,199</u>	<u>4,714,356</u>
Total liabilities	<u>\$ 5,328,190</u>	<u>\$ 5,549,015</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 28,120,434	\$ 26,400,186
Restricted for system expansion and replacement	14,429,872	15,349,110
Unrestricted	10,092,022	9,682,695
Total net assets	<u>\$ 52,642,328</u>	<u>\$ 51,431,991</u>

The accompanying notes are an integral part of these financial statements

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Enterprise Funds	
	<u>2011</u>	<u>2010</u>
Operating revenues		
Charges for services	\$ 4,952,837	\$ 4,909,684
Miscellaneous	208,228	164,734
Total operating revenues	5,161,065	5,074,418
Operating expenses		
Personnel	1,475,273	1,448,688
Contractual services	518,736	468,541
Utilities	556,145	607,219
Repairs and maintenance	316,935	296,920
Other supplies and expenses	624,970	614,681
Insurance	79,754	58,191
Depreciation and amortization	1,158,947	1,114,447
Total operating expenses	4,730,760	4,608,687
Operating income (loss)	430,305	465,731
Non-operating revenues (expenses)		
Interest	125,994	167,857
Property taxes	557,041	520,576
Cell site income	32,838	31,702
Gain on disposal of equipment		101,982
Miscellaneous income	19,570	117,598
Interest expense	(181,873)	(179,462)
Total non-operating revenues (expenses)	553,570	760,253
Income before contributions	983,875	1,225,984
Capital contributions	226,462	168,472
Changes in net assets	1,210,337	1,394,456
Net assets-beginning of year	51,431,991	50,037,535
Net assets-end of year	\$ 52,642,328	\$ 51,431,991

NIPOMO COMMUNITY SERVICES DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
As of June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	Enterprise Funds	
	<u>2011</u>	<u>2010</u>
<i>Cash flows from operating activities</i>		
Cash received from operating revenue	\$ 5,249,956	\$ 4,976,305
Payments to suppliers	(1,924,920)	(2,756,325)
Payments to employees	(1,475,273)	(1,448,688)
Net cash provided by operating activities	1,849,763	771,292
<i>Cash flows from non-capital financing activities</i>		
Property tax revenues	557,041	520,576
Net cash provided by non-capital financing activities	557,041	520,576
<i>Cash flows from capital and related financing activities</i>		
Capital contributions	226,462	168,472
Acquisition of capital assets	(2,427,642)	(2,735,378)
Proceeds from capital debt		633,340
Principal paid on capital debt	(267,619)	(208,399)
Interest paid on capital debt	(181,873)	(179,462)
Proceeds from disposal of property, plant and equipment		101,982
Other cash flows	52,408	149,300
Net cash used by capital and related financing activities	(2,598,264)	(2,070,145)
<i>Cash flows from investing activities</i>		
Interest income	125,994	167,857
Net cash provided by investing activities	125,994	167,857
<i>Net change in cash</i>	(65,466)	(610,420)
<i>Cash and cash equivalents-beginning</i>	23,922,242	24,532,662
<i>Cash and cash equivalents-ending</i>	\$ 23,856,776	\$ 23,922,242
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 430,305	\$ 465,731
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,158,947	1,114,447
Loss on disposal of capital assets	17,930	
Net changes in assets and liabilities		
Accounts receivable	88,891	(98,113)
Unbilled utility receivable	45,000	(82,500)
Accrued interest receivable	5,500	54,265
Prepaid expenses	17,316	(17,555)
Accrued franchise fees	290	(593)
Notes receivable	38,790	(389,037)
Accounts payable	45,682	(285,007)
Accrued liabilities	(2,679)	35,429
Deposits	3,791	(25,775)
Net cash provided by operating activities	\$ 1,849,763	\$ 771,292

The accompanying notes are an integral part of these financial statements

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1: ORGANIZATION

The Nipomo Community Services District (District) is a multi-purpose special district and was formed on January 28, 1965 and began operations in November 1966. The District is a political subdivision of the State of California and operates under a Board of Directors – General Manager form of government. The District provides water, sewer, street lighting, solid waste, street landscape maintenance, drainage and general administrative services.

The District complies with U.S. Generally Accepted Accounting Principles (GAAP) and all relevant U.S. Governmental Accounting Standards Board (GASB) pronouncements. These technical pronouncements establish criteria for determining the organization's activities and functions that are included in the financial statements of a governmental unit. The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is presented for comparative purposes only. Additional detailed information is presented in the prior year financial statements from which the summarized information was derived.

Reporting Entity

For financial reporting purposes, the District would include in this report all funds and account groups of all agencies and boards that are controlled by, or dependent upon, the District's legislative body. The criteria of control is determined on the basis of financial accountability, imposition of will, and financial benefit or burden.

The Nipomo Community Services District Public Facilities Corporation is a component unit of the District. This Corporation was formed to issue Revenues Certificates of Participation (COP'S) in May of 2003. The financial activity of the corporation is blended into the financial statements of the District.

The District is a member of the Special District Authority Risk Management Joint Powers Agency, which was organized for the purpose of providing general liability, automobile, errors and omissions, and property loss insurance coverage to special districts. This organization is financed through premium charges to each member. This organization does not meet the aforementioned reporting entity criteria and therefore is not included in the accompanying financial statements.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Financial Statements

The accounts of the District are organized into proprietary/enterprise funds. Enterprise funds use the economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. All assets and liabilities associated with an enterprise fund's activities are included on the balance sheet.

Basis of Accounting

The enterprise funds of the District are accounted for using the accrual basis of accounting. Revenues, including user fees and service charges, are recognized when earned, and expenses are recognized when incurred.

Budgets and Budgetary Accounting

An annual budget is adopted by the Board of Directors at the start of each fiscal year. Any changes or revisions to that budget throughout the year must be approved by the Board of Directors.

Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Water and sewer charges are billed bi-monthly for all residential and commercial customers. Customer accounts receivable are placed on the tax roll when the receivable is deemed uncollectible by the District. The District did not experience any significant bad debt losses and therefore a zero provision has been made for doubtful accounts. Accounts receivable is shown at full value.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

All fixed assets are valued at historical cost or estimated historical cost if actual costs are not available. Other donated fixed assets are valued at their estimated fair market value on the date received. Depreciation has been provided over the estimated useful life of the asset using the straight-line method. The estimated useful lives are as follows:

Wastewater Treatment Plant and Collection System	50 years
Water Supply/Distribution System	20-50 years
Buildings/Blowers	20 years
General Plant Machinery and Equipment	5-10 years

Compensated Absences

Depending on the length of continuous services, a range of 10-20 vacation and 12 days of sick leave per year may be accumulated by each employee. The District accrues a liability for compensated absences which meet the following criteria:

1. The District's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonable estimated.

In accordance with above criteria, the District has accrued a liability for vacation and sick pay which has been earned, but not taken by District employees, and is recorded as a liability.

Capital Contributions

Capital contributions are recorded when cash for capacity fees or fixed assets are received from developers, customers, or other governmental entities, and the purpose is for other than operating expenses.

Property Taxes

The County of San Luis Obispo bills and collects property taxes for the District. The County charges the District for these services. Tax revenues are recognized by the District in the year received.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 3: CASH AND CASH EQUIVALENTS

The values of cash and cash equivalents at June 30, 2011 are summarized as follows:

Cash on hand	\$	350
Bank deposits		79,282
Certificate of deposit		2,069,068
Deposits with bond trustees		249,026
Cash and investments in pooled funds		21,559,561
Less: Cash held in Trust in pooled funds		<u>(100,511)</u>
 Total	 \$	 <u>23,856,776</u>

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure district deposits by pledging first trust deed mortgage notes having a value of 150% of a district's total deposits. The District may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Effective October 3, 2008, the FDIC temporarily increased insured deposits up to \$250,000 and is scheduled to return to \$100,000 after December 31, 2013.

Credit Risk, Carrying Amount, and Market Value

Cash is classified in three categories of credit risk as follows:

- Category 1 -insured or collateralized with securities held by the entity or by its agent in the entity's name;
- Category 2 -collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name; and
- Category 3 -uncollateralized.

Investments in pools managed by other governments (LAIF) or in mutual funds are not required to be categorized.

As of June 30, 2011, the carrying amount of the District's cash deposits was \$2,296,865. The bank's balance was \$2,224,944. This difference is due to the normal deposits in transit and outstanding checks. District cash deposits by category as of June 30, 2011, are as follows:

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Bank accounts	\$ <u>2,224,944</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,224,944</u>	\$ <u>2,296,865</u>

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 4: INVESTMENTS

Investments Authorized by the District's Investment Policy

The District is authorized to invest in the following institutions:

1. County pooled funds (California Government Code Section 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code Section 16429.1)
3. One or more FDIC insurance banks and/or savings and loan associations that are designated as District depositories by resolution of the Board of Directors (California Government Code Section 61737.02)
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

The District's investment policy does contain specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee and governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>
Money Market Mutual Funds	N/A

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investment contained in the LAIF investment pool is approximately 8 months.

Information about the sensitivity of the fair values of the District's investment to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

	<u>Maturity Date</u>
State investment pool	\$ <u>21,537,895</u> 8 months average maturity

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 4: INVESTMENTS (continued)

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized costs basis.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by the state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgages notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 5: PROPERTY, PLANT, EQUIPMENT AND CONSTRUCTION IN PROGRESS

A summary of fixed assets by major classifications is as follows:

	June 30, <u>2010</u>	<u>Additions</u>	<u>(Deletions)</u>	June 30, <u>2011</u>
Collection and treatment Facilities	\$ 18,188,957	\$ 215,199		\$ 18,404,156
Source of supply and Pumping	4,771,771	130,432	(106,921)	4,795,282
Transmission and distribution lines	13,709,338	260,826	(319,099)	13,651,065
Machinery and equipment	910,903	89,167		1,000,070
Vehicles	280,965			280,965
Building	1,149,447	107,805		1,257,252
Computer equipment	424,999	36	(19,310)	405,725
Office furniture and fixtures	186,363	21,621	(23,602)	184,382
Land and land rights	735,401			735,401
Construction in progress	5,116,075	2,380,557	(778,001)	6,718,631
Subtotal	<u>45,474,219</u>	<u>\$ 3,205,643</u>	<u>\$ (1,246,933)</u>	<u>47,432,929</u>
Less: Accumulated depreciation	<u>14,131,426</u>	<u>\$ 1,140,831</u>	<u>\$ (451,002)</u>	<u>14,821,255</u>
Totals	<u>\$ 31,342,793</u>			<u>\$ 32,611,674</u>

Depreciation expense for the period ended June 30, 2011 was \$1,140,831.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 6: LONG TERM DEBT

Long term debt consisted of the following:

	<u>Balance at</u> <u>June 30, 2010</u>	<u>Balance at</u> <u>June 30, 2011</u>
In August 1978, the District issued and sold Water Revenue Bonds amounting to \$270,000. The loan is payable over 40 years and bear interest at 5% per annum. Interest is paid semi-annually.	\$ 100,000	\$ 76,000
The District entered into a loan contract for \$697,367 on April 30, 1998, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion – Phase I. The loan was funded during the year ended June 30, 1999. Loan interest is zero percent, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$34,868 starting May 1, 2000.	313,815	278,947
The District entered into a loan contract for \$843,605 on February 24, 1999, with the State Water Resources Control Board for the construction of the Southland Wastewater Treatment Plant Expansion–Phase II. The loan was funded during the year ended June 30, 2000. The loan interest is zero percent, however, a loan fee of 16.667% was charged. The loan is payable over 20 years. It calls for annual payments of \$42,180 starting March 1, 2001.	421,803	379,622
The District issued \$4,000,000 of Revenue Certificate of Participation (COP'S) on May 1, 2003. The proceeds are to be used for pipeline and storage facility project costs. The COP'S bear interest ranging from 3.00% to 4.93% per annum. Principal is to be paid annually starting September 1, 2004 through September 1, 2033. Annual principal payments range from \$75,000 to \$225,000.	3,510,000	3,420,000
The District entered into a lease purchase agreement of \$207,952 on October 20, 2009, with the Municipal Finance Corporation for a sewer vacuum truck. Installment payments in the amount of \$23,607 are due in ten consecutive semi-annual payments and includes interest at the rate of 4.75% per annum on the principal component of the unpaid installment payments.	207,952	170,172

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 6: LONG TERM DEBT (continued)

Long term debt consisted of the following:

	<u>Balance at June 30, 2010</u>	<u>Balance at June 30, 2011</u>
<p>The District adopted a water rate adjustment and Buy-In Charge of \$277,742 for the merger of Blacklake and Town Water Division on June 1, 2009, for the purposes of meeting operation, maintenance and capital replacement expenses for providing water service for the merged water systems. Prepayments in the amount of \$55,499 from Blacklake water customers was applied to the total Buy-In Charge. A loan of \$222,243 shall be repaid through a bi-monthly surcharge applied to Blacklake customers' water utility bills for a ten-year period with interest rate at 3%.</p>	\$ 203,512	\$ 182,949
<p>The District entered into an Inter-Fund Loan for \$275,000 on April 1, 2009, with the Blacklake Division for the operation, maintenance and the replacement of existing sewer facilities. Prepayments in the amount of \$68,949 from Blacklake sewer customers was applied to the total. A loan of \$206,501 shall be repaid through a bi-monthly surcharge applied to Blacklake customers' sewer utility bills for a ten-year period with interest rate at 3.5%.</p>	<u>185,525</u>	<u>167,298</u>
Total long-term debt	4,942,607	4,674,988
Less current maturities	<u>234,551</u>	<u>257,089</u>
Total long-term maturities	<u>\$ 4,708,056</u>	<u>\$ 4,417,899</u>

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 6: LONG TERM DEBT (continued)

Future required principal and interest payments are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 257,089	\$ 176,478	\$ 433,567
2013	266,288	169,582	435,870
2014	274,621	162,137	436,758
2015	279,093	154,289	433,382
2016	239,937	146,609	386,546
2017 – 2021	1,027,960	631,478	1,659,438
2022 – 2026	740,000	472,961	1,212,961
2027 – 2031	935,000	274,018	1,209,018
2032 – 2033	655,000	47,429	702,429
Totals	<u>\$ 4,674,988</u>	<u>\$ 2,234,981</u>	<u>\$ 6,909,969</u>

NOTE 7: RESTRICTED NET ASSETS

Restricted cash and investments were provided by, and are to be used for the following as of June 30, 2011:

<u>Funding Source</u>	<u>Use</u>		
Water capacity charges	For the expansion of the water system	\$	3,408,053
Water sales	Funded replacement		3,964,904
Town Sewer capacity charges	For the expansion of sewer system		2,462,527
Town Sewer sales	Funded replacement		4,531,116
Blacklake sewer sales	Funded replacement		<u>63,272</u>
	Totals	\$	<u>14,429,872</u>

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 8: JOINT POWERS AUTHORITY

The District is a member of the Special District Risk Management Authority (S.D.R.M.A.), an intergovernmental risk sharing joint powers authority, created pursuant to California Government Code Sections 6500 et.seq. In becoming a member of the S.D.R.M.A., the District elected to participate in the risk financing program(s) listed below for the program periods July 1, 2010 through June 30, 2011 and July 1, 2009 through June 30, 2010.

General Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per occurrence.

Public Officials and Employees Errors: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per occurrence/general aggregate.

Personal Liability Coverage for Board Members: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$500,000 per occurrence/general aggregate.

Employment Practices Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per wrongful employment practice/aggregate limits per member.

Employee Benefits Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This covers \$10,000,000 per occurrence/general aggregate.

Employee Dishonesty Coverage: Special District Risk Management Authority, coverage number EDC SDRMA 201011. This policy includes a \$400,000 Public Employees Dishonesty Blanket Coverage.

Auto Liability: Special District Risk Management Authority, coverage number LCA SDRMA 201011. This policy covers \$10,000,000 per occurrence with personal injury and property damage.

Automobile Physical Damage: Special District Risk Management Authority, coverage number LCA SDRMA 201011. The coverage is on file with SDRMA.

Uninsured/Under Insured Motorist: Special District Risk Management Authority, coverage number UMI SDRMA 201011. This covers \$750,000 each accident.

Trailer Coverage: District Risk Management Authority, coverage number LCA SDRMA 201011. The coverage is on file with SDRMA.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 8: JOINT POWERS AUTHORITY (continued)

Property Coverage: Special District Risk Management Authority, coverage number PPC SDRMA 201011. This policy covers the replacement cost for scheduled property, \$1,000,000,000 per occurrence. Deductible is on file with SDRMA.

Boiler and Machinery: Special District Risk Management Authority, coverage number BMC SDRMA 201011. This covers the replacement cost for scheduled property, \$100,000,000 per occurrence. Deductible is on file with SDRMA.

Workers Compensation Coverage and Employer's Liability: Special District Risk Management Authority, coverage number WCP SDRMA 201011. This coverage is statutory per occurrence, respectively for workers' compensation and \$5,000,000 for employers' liability coverage.

The annual member contribution was \$68,880 for the Package Program, \$8,374 for the Comp/Collision Program and \$22,773 for the worker's compensation program. Members are subject to dividends and/or assessments, in accordance with Fourth Amended Joint Powers Agreement and amendments thereto, on file with the District. No such dividends have been declared, nor have any assessments been levied. Presently, there are no known refunds or credits due to the District. There has been no reduction in insurance coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

Condensed financial information for S.D.R.M.A. for the most recent year available is as follows:

	<u>June 30, 2010</u>
Total assets	\$ 93,151,195
Total liabilities	<u>48,064,871</u>
Risk margin	<u>\$ 45,086,324</u>
Total revenues	\$ 39,472,791
Total expenses	<u>27,232,663</u>
Net income	<u>\$ 12,240,128</u>

Complete audited financial statements on the S.D.R.M.A. are on file with the general manager of the District.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The Nipomo Community Services District contributes to the California Public Employees' Retirement System (CALPERS), an agent multiple-employer public employee defined benefit pension plan. CALPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CALPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of CALPERS' annual financial report may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

Employee membership in CALPERS is compulsory for all regular full-time and part-time employees except those specifically excluded.

Benefits fully vest on reaching five years of services. Employees who retire at or after age 60 with five years of credited services, are entitled to a retirement benefit payable monthly for life. An employee's monthly service benefit is determined by computing the product: years of credited service multiplied by three percent multiplied by final-average monthly compensation. Final-average monthly compensation is the employee's average monthly salary during the last year of credited services, or the last three years, whichever is greater. Vested employees may retire at or after age 50 and receive reduced retirement benefits. CALPERS also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute. Employees are required to contribute to the plan, however, the District agreed to pay the employees' portion. This amount is based upon a payroll contribution rate of eight percent. The District is required to contribute the remaining amounts necessary to fund CALPERS, using the actuarial basis specified by statute.

Funding Policy

Participants are required to contribute eight percent of their annual covered salary. The District makes the contribution required of District employees on their behalf and for their account. The District is required to contribute at an actuarially determined rate; the current rate is 18.015% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CALPERS.

NIPOMO COMMUNITY SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 9: DEFINED BENEFIT PENSION PLAN (continued)

Actual Pension Cost

For the fiscal year ending June 30, 2011, the District's annual pension cost of \$202,749 for CALPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases. The actuarial value of CALPERS assets was determined using techniques that smooth the effects if short-term volatility in the market value of investments over a two to three year period (smoothed market value).

Actuarial information concerning this pension plan is now combined with several other local districts and individual district information and three year trend information is no longer made available to the Nipomo Community Services District.

Post-employment Benefits

In addition to pension benefits, the District provides post-retirement health care benefits through the California Public Employees' Retirement System. Employees who retire on or after attaining age 50 and are vested, are eligible for District paid health insurance. On January 1, 2010, the District conducted an actuarial valuation to determine the required funding for this health care benefits program.

The actuarial liability for the District's retiree health benefits program on this measurement date was determined to be \$1,402,420. This value is based on a discount rate of 7.75%. The District's funding policy is to fund 100% of the annual required contribution determined through the California Employers' Retiree Benefit Trust (CERBT). Based on this valuation, the District contributed \$103,000 to an irrevocable trust to meet the current obligations of this program and to fully fund the annual liability. Currently, five retired employees are receiving 100% paid health care benefits totaling \$4,762 per month.

Below are the required disclosures for this plan:

Number of active participants	12
Employer's actuarially required contributions	\$ 102,298
Employer's actual contributions	\$ 113,000
Actuarial Accrued Liability(AAL)	\$ 1,157,759
Actuarial Valuation of Assets(AVA)	\$ 200,164
Unfunded Actuarial Accrued Liability(UAAL)=(AAL less AVL)	\$ 957,595
Funded Ratio(AVA/AAL)	17%
Estimated Payroll	\$ 638,000
UAAL as a Percentage of Covered Payroll	150%

SUPPLEMENTAL INFORMATION

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

ASSETS

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>	<u>Blacklake Lighting</u>
Current Assets				
Cash and cash equivalents	\$ 11,386,758	\$ 9,621,813	\$ 352,902	\$ 33,746
Accounts receivable	117,415	54,221	36,879	
Unbilled utilities receivable	443,000	202,000	35,000	
Accrued interest receivable	11,893	11,545	404	40
Prepaid expenses	39,507			
Accrued franchise fees				
Notes receivable (current portion)	20,546			
Total current assets	<u>12,019,119</u>	<u>9,889,579</u>	<u>425,185</u>	<u>33,746</u>
Noncurrent Assets				
Capital assets:				
Land and construction in progress	4,845,697	2,608,335		
Property, plant and equipment, net	10,639,018	11,035,081	1,790,720	
Total noncurrent assets	<u>15,484,715</u>	<u>13,643,416</u>	<u>1,790,720</u>	<u>-</u>
Other Assets				
Loan fees, net accumulated amortization		53,883		
Notes receivable (less current portion)	162,403			
Total other assets	<u>162,403</u>	<u>53,883</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 27,666,237</u>	<u>\$ 23,586,878</u>	<u>\$ 2,215,905</u>	<u>\$ 33,746</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 191,632	\$ 194,763	\$ 7,562	\$ 1,814
Accrued liabilities	75,173	23,108	8,362	
Deposits	87,640			
Current portion long term debt	31,546	116,644	18,899	
Total current liabilities	<u>385,991</u>	<u>334,515</u>	<u>34,823</u>	<u>1,814</u>
Noncurrent Liabilities				
Long term debt	227,403	712,097	148,399	
Deferred revenue		6,300		
Total noncurrent liabilities	<u>227,403</u>	<u>718,397</u>	<u>148,399</u>	<u>-</u>
Total liabilities	<u>\$ 613,394</u>	<u>\$ 1,052,912</u>	<u>\$ 183,222</u>	<u>\$ 1,814</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 15,225,766	\$ 12,868,558	\$ 1,623,422	\$ -
Restricted for system expansion and replacement	7,372,957	6,993,833	63,082	
Unrestricted	4,454,120	2,671,575	346,179	31,932
Total net assets	<u>\$ 27,052,843</u>	<u>\$ 22,533,966</u>	<u>\$ 2,032,683</u>	<u>\$ 31,932</u>

See Auditor's Report

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

Solid Waste	Drainage	Landscape Maintenance District	Property Taxes	Total
\$ 220,009	\$ 5,000	\$ 19,114	\$ 2,217,474	\$ 23,856,776
				208,515
250	19	22	2,203	680,000
			1,855	26,376
11,820				41,362
			18,899	11,820
<u>232,079</u>	<u>5,019</u>	<u>19,136</u>	<u>2,240,431</u>	<u>24,864,294</u>
				7,454,032
4,807			1,688,016	25,157,642
<u>4,807</u>	<u>-</u>	<u>-</u>	<u>1,688,016</u>	<u>32,611,674</u>
			129,865	183,748
			148,399	310,802
<u>-</u>	<u>-</u>	<u>-</u>	<u>278,264</u>	<u>494,550</u>
\$ <u>236,886</u>	\$ <u>5,019</u>	\$ <u>19,136</u>	\$ <u>4,206,711</u>	\$ <u>57,970,518</u>
				396,289
\$ -	\$ -	\$ 518	\$ -	\$ 159,315
995			51,677	91,298
			3,658	257,089
			90,000	903,991
<u>995</u>	<u>-</u>	<u>518</u>	<u>145,335</u>	
			3,330,000	4,417,899
			6,300	4,424,199
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,330,000</u>	<u>4,424,199</u>
\$ <u>995</u>	\$ <u>-</u>	\$ <u>518</u>	\$ <u>3,475,335</u>	\$ <u>5,328,190</u>
				28,120,434
\$ 4,807	\$ -	\$ -	\$ (1,602,119)	\$ 14,429,872
<u>231,084</u>	<u>5,019</u>	<u>18,618</u>	<u>2,333,495</u>	<u>10,092,022</u>
\$ <u>235,891</u>	\$ <u>5,019</u>	\$ <u>18,618</u>	\$ <u>731,376</u>	\$ <u>52,642,328</u>

See Auditor's Report

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>	<u>Blacklake Lighting</u>
Operating Revenues				
Charges for services	\$ 2,771,928	\$ 1,759,842	\$ 402,163	\$ 18,904
Miscellaneous	106,766	1,070		
Total operating revenues	<u>2,878,694</u>	<u>1,760,912</u>	<u>402,163</u>	<u>18,904</u>
Operating expenses				
Personnel	1,083,144	275,090	95,654	
Contractual services	486,370	29,828	1,869	
Utilities	369,512	125,160	39,629	21,725
Repairs and maintenance	199,784	100,298	16,853	
Other supplies and expenses	444,996	112,738	54,921	46
Insurance	61,596	13,381	2,277	500
Depreciation and amortization	551,761	477,345	79,469	
Total operating expenses	<u>3,197,163</u>	<u>1,133,840</u>	<u>290,672</u>	<u>22,271</u>
Operating income (loss)	<u>(318,469)</u>	<u>627,072</u>	<u>111,491</u>	<u>(3,367)</u>
Non operating revenues (expenses)				
Interest	61,450	46,149	1,234	167
Property taxes	25,072		24,437	
Cell site	32,838			
Miscellaneous income	19,570			
Interest expense	<u>(10,489)</u>	<u>(9,659)</u>	<u>(6,230)</u>	
Total non operating revenues	<u>128,441</u>	<u>36,490</u>	<u>19,441</u>	<u>167</u>
Income (loss) before contributions	<u>(190,028)</u>	<u>663,562</u>	<u>130,932</u>	<u>(3,200)</u>
Transfers (to) from other funds	139,286	325,148	40,718	
Capital contributions	<u>168,201</u>	<u>58,261</u>		
Change in net assets	117,459	1,046,971	171,650	(3,200)
Total net assets - beginning	<u>26,935,384</u>	<u>21,486,995</u>	<u>1,861,033</u>	<u>35,132</u>
Total net assets - ending	<u>\$ 27,052,843</u>	<u>\$ 22,533,966</u>	<u>\$ 2,032,683</u>	<u>\$ 31,932</u>

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

<u>Solid Waste</u>	<u>Drainage</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	4,952,837
91,892	-	8,500	-	208,228
<u>91,892</u>	<u>-</u>	<u>8,500</u>	<u>-</u>	<u>5,161,065</u>
21,385	-	-	-	1,475,273
669	-	119	-	518,736
2,201	-	6,133	3,935	556,145
2,000	-	-	-	316,935
1,696	-	-	48,676	624,970
<u>27,951</u>	<u>-</u>	<u>6,252</u>	<u>52,611</u>	<u>1,158,947</u>
63,941	-	2,248	(52,611)	4,730,760
2,420	51	83	14,440	430,305
-	13,185	-	494,347	125,994
-	-	-	(155,495)	557,041
<u>2,420</u>	<u>13,236</u>	<u>83</u>	<u>353,292</u>	<u>32,838</u>
66,361	13,236	2,331	300,681	19,570
<u>66,361</u>	<u>13,236</u>	<u>2,331</u>	<u>300,681</u>	<u>(181,873)</u>
(505,158)	(13,239)	-	13,245	553,570
<u>(505,158)</u>	<u>(13,239)</u>	<u>-</u>	<u>13,245</u>	<u>983,875</u>
(438,797)	(3)	2,331	313,926	-
<u>(438,797)</u>	<u>(3)</u>	<u>2,331</u>	<u>313,926</u>	<u>226,462</u>
674,688	5,022	16,287	417,450	1,210,337
<u>674,688</u>	<u>5,022</u>	<u>16,287</u>	<u>417,450</u>	<u>51,431,991</u>
<u>\$ 235,891</u>	<u>\$ 5,019</u>	<u>\$ 18,618</u>	<u>\$ 731,376</u>	<u>\$ 52,642,328</u>

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

	<u>Water</u>	<u>Town Sewer</u>	<u>Blacklake Sewer</u>
<i>Other supplies and expenses</i>			
Chemicals	\$ 18,311	\$ 5,523	\$ 16,264
Lab testing	14,402	29,840	14,602
Operating supplies	70,934	25,129	6,215
Outside services	49,170	3,292	1,051
Permits and operating fees	9,162	5,469	4,239
Fuel	19,489	6,496	3,544
Paging service	5,890	2,435	1,071
Meters - replacement program	70,978	2,781	1,517
Uniforms	5,096	1,699	926
Conservation program	26,753		
Bank charges and fees	4,914		
Computer expenses	46,611	11,742	1,642
Director fees	16,120	3,426	605
Dues and subscriptions	11,015	2,868	328
Education and training	4,678	713	171
Elections	284	60	11
Landscape and janitorial	12,214	2,595	458
LAFCO funding	20,029		
Miscellaneous	4,928		
Newsletters and mailers	651		162
Office supplies	8,733	1,649	359
Postage	9,041	4,769	900
Public notices	3,549		
Property taxes	1,025		
Telephone	7,520	1,508	725
Travel and mileage	3,499	744	131
Bond administration			
	<hr/>	<hr/>	<hr/>
Total other supplies and expenses	\$ 444,996	\$ 112,738	\$ 54,921

NIPOMO COMMUNITY SERVICES DISTRICT
COMBINING STATEMENT OF OTHER SUPPLIES AND EXPENSES
PROPRIETARY FUNDS
As of June 30, 2011

Business Type Activities - Enterprise Funds

<u>Blacklake Lighting</u>	<u>Solid Waste</u>	<u>Landscape Maintenance District</u>	<u>Property Taxes</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 40,098
				58,844
				102,278
				53,513
				18,870
				29,529
				9,396
				75,276
				7,721
				26,753
				4,914
				59,995
				20,151
				14,211
				5,562
				355
		5,864		21,131
	2,029			20,029
				6,957
				813
				10,741
46	172	269		14,710
				4,036
				1,025
				9,753
				4,374
			3,935	3,935
<u>\$ 46</u>	<u>\$ 2,201</u>	<u>\$ 6,133</u>	<u>\$ 3,935</u>	<u>\$ 624,970</u>

See Auditor's Report

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2011

FUND 500 – SUPPLEMENTAL WATER FUND

Beginning balance July 1, 2010	\$2,409,880
Ending balance June 30, 2011	\$2,094,583
Interest earned	\$9,468
Amount of charges collected in fiscal year	\$136,288

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #500	Project completed during fiscal year
Supplemental Water Project	\$449,183	100%	No

Anticipated projects for 2011-2012 fiscal year

Supplemental Water Project (including, but not limited to, Engineering, Right-of-Way, Funding/Assessment District, Permits and Construction)

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at www.ncsd.ca.gov.

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2011

FUND 700 – WATER CAPACITY FUND

Beginning balance July 1, 2010	\$4,052,461
Ending balance June 30, 2011	\$3,408,053
Interest earned	\$17,718
Amount of charges collected in fiscal year	\$31,913

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #700	Project completed during fiscal year
Willow Road Phase 1	\$154,119	100%	No
Willow Road Phase 2	\$274,632	100%	No
Tank Site	\$13,680	100%	No
SCADA Upgrades	\$9,925	100%	No
Metal Storage Building	\$71,151	65%	Yes

Anticipated projects for 2011-2012 fiscal year

- SCADA Upgrade
- Standpipe Mixing
- Electrical for Shop Equipment Storage Building
- Willow Road Water Line (Phase 1 and 2)
- Water Tank Site

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at www.ncsd.ca.gov.

NIPOMO COMMUNITY SERVICES DISTRICT
REQUIRED DISCLOSURE UNDER GOVERNMENT CODE SECTION 66013
For the Year Ended June 30, 2011

FUND 710 – SEWER CAPACITY FUND (TOWN DIVISION)

Beginning balance July 1, 2010	\$4,157,726
Ending balance June 30, 2011	\$2,462,527
Interest earned	\$17,765
Amount of charges collected in fiscal year	\$58,261

Public improvements on which charges were expended and the amount of the expenditure for each improvement:

Public Improvement	Amount of the expenditure for each improvement	Percentage of the total cost that was funded from Fund #710	Project completed during fiscal year
GIS Upgrades	\$7,744	100%	No
Bio-Solids Disposal	\$161,690	100%	Yes
Work In Process – Southland WWTF Upgrade	\$818,878	100%	No
Frontage Road Sewer Main Upgrade/ Replacement	\$25,962	53%	No
Metal Storage Building	\$23,717	21%	Yes

Anticipated projects for 2011-2012 fiscal year

- Southland WWTF Upgrades
- Bio-Solids Removal
- SCADA System Upgrade
- Electrical for Shop Equipment Storage Building
- Frontage Road Trunk Sewer Upgrade

Note: Methodology of calculating capacity charges is included in Section V of the Nipomo Community Services District Water and Sewer Financial Plans, User Rates and Capacity Charges Report. The report is available on the District website at www.ncsd.ca.gov.

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

DATE: NOVEMBER 10, 2011

**AGENDA ITEM
E-2
NOVEMBER 16, 2011**

REVIEW SUPPLEMENTAL WATER PROJECT FINANCING OPTIONS

ITEM

Review Three Options for Financing Supplemental Water Project Capital Costs and Water Costs [RECOMMEND CONSIDER INFORMATION PRESENTED AND DIRECT STAFF]

BACKGROUND

In 2009, your Board considered a number of preliminary policy decisions related to funding the construction of a supplemental water project and purchasing supplemental water from the City of Santa Maria.

On May 9, 2009, your Board approved:

- Dedicating \$6M in District reserve funds to lower the cost of the project to current customers.
- Including 69% of the Santa Maria charge for supplemental water in the assessment district funding.
- Reduction in District Supplemental Water capacity charge once property assessment measure is passed.

The staff report (less attachments) and minutes from the May 9, 2009 meeting are attached for reference. On September 9, 2009, your Board considered additional information concerning the cost of project benefit units specific to each water provider service area (staff report attached). In 2009, the project construction cost estimate stood at \$23M and cost of water was \$1,250 per acre-foot.

On January 26, 2011, your Board reviewed an updated project cost estimate and approved using 2,000 acre-feet of water per year versus 3,000 acre-feet of water per year, as the basis for project cost projections. The staff report and minutes from the January 2011 meeting are attached for reference.

In recent months, staff worked with the District Bond Counsel, Financial Advisor, and Rate Consultant to refine previous financing assumptions in preparation for a project-financing vote in early 2012. An up-to-date summary table outlining three funding scenarios is attached. Scenario 1 represents your Board current policy direction. A final decision on the approach to project funding is needed in order to proceed with the preparation of a draft-final Assessment Engineer's report.

The updated summary table information is based on the January 2011 construction cost estimate of \$25.3M (includes design engineering, CEQA compliance, assessment engineering and other 'soft' cost) and the current cost of Santa Maria water based on the Wholesale Water Agreement (\$1,500 per acre-foot). Additionally, a \$100/acre-foot operations and maintenance cost increase is assumed for operation of the new water facilities and the cost of water is escalated by 3% per year to estimate future year rate increases that may be required.

AGENDA ITEM E-2
NOVEMBER 16, 2011

While project costs escalated by 10% from May 2009 until January 2011 and cost of water increased by 20% over the cost previously estimated, estimated cost of the project per benefit unit and impact to customer rates have remained in a similar range as those projected back in 2009. This cost moderation is linked to current financing rates and basing costs on delivering 2,000 acre-feet of water annually (minimum required by Wholesale Agreement) versus 3,000 acre-feet annually (maximum allowed by Wholesale Agreement).

It is important to understand that the cost figures provided are ESTIMATES and final cost per benefit unit will be defined after a letter is sent informing each property owner within the proposed assessment district of the proposed assessment on their property. This letter to property owners is scheduled to be reviewed and approved by your Board in January 2012. A thirty-day period is provided for property owner review of the letter and proposed assessments. The Assessment Engineer will then revise the Assessment Report and bring a final report and assessment ballot to your Board for review and approval in March 2012. Upon approval by your Board, ballots will be mailed and a 45-day voting period will commence. The maximum amount of assessment to each property will be defined by this ballot and pursuant to a Board approved assessment engineer's report.

The estimates of assessment and rate charges included for each of the three financing options are generated using the same set of assumptions and are therefore comparable.

FISCAL IMPACT

Staff time and professional consulting services related to supplemental water project development are included in the 2011-2012 budget. These costs are capitalized and included in the project construction cost, currently estimated to be \$25.3M, which are recoverable following a successful financing vote.

RECOMMENDATION

Staff recommends your Board consider the information provided, by motion and roll call vote either affirm Scenario 1 or approve an alternative Scenario (2 or 3).

ATTACHMENTS

- May 20, 2009, Item B, Staff Report
- May 20, 2009, Adopted Minutes
- September 9, 2009, E-2, Staff Report
- January 26, 2011, E-1, Staff Report
- January 26, 2011, Adopted Minutes
- November 2011 Funding Alternatives Analysis

TO: BOARD OF DIRECTORS
FROM: BRUCE BUEL *BBY*
DATE: MAY 15, 2009

**AGENDA ITEM
B
MAY 20, 2009**

BASIS OF ASSESSMENT FOR FUNDING WIP CAPITAL COST

ITEM

Review the basis of assessment for financing the capital cost of the Waterline Intertie Project
[PROVIDE POLICY GUIDANCE]

BACKGROUND

Your honorable Board has previously agreed, in concept, to use assessments to cover the WIP debt service and indicated that developed properties should pay a lower assessment than undeveloped and underdeveloped properties with a reduction in the Supplemental Water Capacity Charge for new development. On April 22, 2009, you directed staff to evaluate alternative formulas for spreading the assessment amongst developed and underdeveloped properties. Attached is a letter report from the Wallace Group providing this evaluation of alternatives. The letter report also evaluates the impact of pledging reserves instead of borrowing the full amount of the capital cost and evaluates the possibility of using assessment proceeds to pay for the capital portion of the Santa Maria Water Purchase instead of using rates and charges. Staff is seeking Board guidance on the following issues at this meeting:

1. How much of NCSD's Water Reserves should be pledged to offset borrowing?
2. What formula should be used to determine the split between developed and underdeveloped properties?
3. Should the assessment cover the WIP capital cost or should it cover both the WIP capital cost and the capital portion of the Santa Maria Water Purchase?
4. How much should the Supplemental Water Capacity Charge be reduced?

Kari Wagner from the Wallace Group is scheduled to present her report and to discuss the results with your Board.

FISCAL IMPACT

The letter report was paid with Supplemental Water Project funds out of the last authorization to the Wallace Group. Previously budgeted staff time and legal counsel time were also expended.

RECOMMENDATION

Staff recommends that the Board discuss each of the following four issues and provide policy direction.

1. How much of NCSD's Water Reserves should be pledged to offset borrowing?

Staff has previously recommended that the Board dedicate \$6 million in reserves to the capital cost of the project. As of March 31, 2009 NCSD had already spent \$1,907,152 on the project. As detailed in the attached Cash Balance of Each Fund as of March 31, 2009, the remaining COP proceeds total \$2,045,394 and the Supplemental Water Capacity

Charges total \$1,285,633. Adding these totals yields \$5,238,179. The addition of \$761,821 in property taxes would result in \$6 million.

As detailed in the Wallace Group Letter Report, the cost per benefit unit is directly related to the amount of the borrowing. With no reserve contribution (and no Santa Maria Cost), the Scenario I cost per benefit unit would be \$198.24 per year. With \$6 million in reserves, the cost per benefit unit drops to \$124.17 per year. The difference is \$74.07 per year. With no reserve contribution (and no Santa Maria Cost), the Scenario II cost per benefit unit would be \$237.55 per year. With \$6 million in reserves, the cost per benefit unit drops to \$148.81 per year. The difference is \$88.74 per year.

The Board could opt to contribute additional property taxes, some or all of the Water Capacity fund, or some or all of the Funded Replacement, however, there are competing uses for these reserves and the District needs to retain some reserves in case the final cost of the Waterline Intertie Project is greater than \$23 million.

It should be noted that if the Board does transfer \$761,821 out of the Property Tax Reserve Fund, the remaining balance would be \$573,436. In addition to this balance, staff expects that an additional \$250,000 will be posted to the account by the end of June.

STAFF RECOMMENDATION

Staff recommends that the Board pledge \$6 million of reserves toward the capital cost of the project.

2. What formula should be used to determine the split between developed and underdeveloped properties?

The Wallace Group Letter Report describes six alternatives for allocation of the WIP Capital Cost between developed and underdeveloped properties with two different scenarios. Scenario I assumes maximum build-out with no voluntary density reductions. Scenario II assumes that 50% of potential new growth is voluntarily restricted.

Alternative SA6 shows the cost per benefit unit if developed properties and underdeveloped properties are weighted equally. Case 2 shows the cost per benefit unit if \$6 million in reserves are dedicated to drawing down the amount of the capital cost borrowed by NCSD, whereas Case 1 shows the cost per benefit unit if \$0 reserves are dedicated.

Should NCSD charge a higher per benefit unit charge for Underdeveloped Property, then the Current Supplemental Water Capacity Charge should be decreased by a comparable amount. Please see issue #4 for a discussion and recommendation on the potential magnitude of such a reduction in the Supplemental Water Capacity Charge.

Alternative SA1 Case 2 shows the impact to the two classes of properties if the \$6 million is posted to the repayment obligation of Developed Property. For Scenario I, the Cost per Benefit Unit of Developed Properties drops from \$124.18 to \$88.60 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$124.18 to \$194.37. For Scenario II, the Cost per Benefit Unit of Developed Properties drops from \$148.81 to \$127.15 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$148.81 to \$232.92.

Alternative SA2 Case 2 shows the impact to the two classes of properties if the Developed Properties pay 20% of the debt service and the Underdeveloped Properties pay 80% of the Debt Service. For Scenario I, the Cost per Benefit Unit of Developed Properties drops from

\$124.18 to \$37.43 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$124.18 to \$295.33. For Scenario II, the Cost per Benefit Unit of Developed Properties drops from \$148.81 to \$37.43 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$148.81 to \$581.33.

Alternative SA2 Case 3 shows the impact to the two classes of properties if the Developed Properties pay 25% of the debt service and the Underdeveloped Properties pay 75% of the Debt Service. For Scenario I, the Cost per Benefit Unit of Developed Properties drops from \$124.18 to \$46.78 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$124.18 to \$276.88. For Scenario II, the Cost per Benefit Unit of Developed Properties drops from \$148.81 to \$46.78 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$148.81 to \$545.

Alternative SA2 Case 4 shows the impact to the two classes of properties if the Developed Properties pay 33% of the debt service and the Underdeveloped Properties pay 67% of the Debt Service. For Scenario I, the Cost per Benefit Unit of Developed Properties drops from \$124.18 to \$62.31 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$124.18 to \$246.31. For Scenario II, the Cost per Benefit Unit of Developed Properties drops from \$148.81 to \$62.31 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$148.81 to \$484.69.

Alternative SA2 Case 5 shows the impact to the two classes of properties if the Developed Properties pay 50% of the debt service and the Underdeveloped Properties pay 50% of the Debt Service. For Scenario I, the Cost per Benefit Unit of Developed Properties drops from \$124.18 to \$93.56 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$124.18 to \$184.58. For Scenario II, the Cost per Benefit Unit of Developed Properties drops from \$148.81 to \$93.56 and the Cost per Benefit Unit of Underdeveloped Properties increases from \$148.81 to \$363.33.

STAFF RECOMMENDATION

Staff recommends that the Board select Alternative SA1. Staff believes that SA1 logically relates the contribution of the developed properties to the amount of their assessment and that it is less judgmental than Alternatives SA2 through SA5.

3. Should the assessment cover the WIP capital cost or should it cover both the WIP capital cost and the capital portion of the Santa Maria Water Purchase?

As detailed in the Wallace Letter Report, NCSD has the option of using assessment proceeds to pay for the 69% of the \$1,250 per acre foot charge for Santa Maria's water since this amount reflects Santa Maria's Capital Cost to deliver its water to NCSD. Should NCSD buy 2,000 acre feet at \$1,250 per acre foot, then its annual cost would be \$2.5 Million and if the capital portion of this purchase is 69% then the annual assessment necessary to pay for this share would be \$1,725,000. Cases 3 and 4 of the analysis show the cost per benefit unit impact of adding the extra \$1,725,000 to each of the Scenarios and each of the Alternatives.

Should NCSD use assessments to pay for the capital portion of Santa Maria Water, then the Current Supplemental Water Capacity Charge should be decreased by a comparable amount. Please see issue #4 for a discussion and recommendation on the potential magnitude of such a reduction in the Supplemental Water Capacity Charge.

For Scenario I, Alternative SCA1 (Staff's recommended distribution), adding the Santa Maria Debt Service increases the annual assessment per benefit unit cost for developed properties by \$140.14 from \$88.60 to \$228.74 and the annual assessment per benefit unit

cost for underdeveloped properties by \$307.43 from \$194.37 to 501.80. At the same time, however, this proposal would reduce the future annual average water bill by \$431.25.

For Scenario II, Alternative SCA1 (Staff's recommended distribution), adding the Santa Maria Debt Service Increases the annual assessment per benefit unit cost for developed properties by \$201.10 from \$127.15 to \$328.25 and the annual assessment per benefit unit cost for underdeveloped properties by \$368.40 from \$232.92 to \$601.32. At the same time, however, this proposal would reduce the future annual average water bill by \$431.25.

STAFF RECOMMENDATION

Staff recommends that the Board use Assessment Proceeds to pay for the capital portion of the Santa Maria Water Purchase Cost. Staff believes that the average annual cost per current customer will be lower and that the revenue stream to pay the City will be more secure. As witnessed by the recent absence of capacity charge payments, relying on Supplemental Water Charges to pay for 69% of the cost of purchasing water is extremely risky. The downside of adding this charge is that the Assessment appears to be more expensive and thus will be more difficult to pass.

4. How much should the Supplemental Water Capacity Charge be reduced?

NCSD's current Supplemental Water Capacity Charge for a 1" meter is \$13,404 and this amount increases by the CPI every year on July 1. This basis of this charge is set forth in the attached spreadsheet from the August 21, 2008 Reed report titled NCSD Capacity Charges for Supplemental Water. Of the total, 23.76% of the charge relates to the cost of a future desalination project and \$76.24 relates to the Waterline Intertie Project INCLUDING the cost of purchasing 69% of the \$1,250 per acre foot cost of 2,000 acre feet per year of Santa Maria Water. Thus, \$10,219.21 out of the \$13,404 relates to the Waterline Intertie Project. Of the WIP \$10,219.21 share of the Charge, 39.68% or \$4,054.99 relates to the construction cost of the Waterline Intertie Project and 60.32% or \$6,164.23 relates to the purchase of Santa Maria Water. Thus, the Supplemental Water Capacity Charge should be decreased by \$4,054.99 if the Board uses assessment proceeds to pay for the capital cost of constructing the project instead of relying on Supplemental Capacity Charges. In addition, the Supplemental Water Capacity Charge should be reduced by another \$6,164.23 if the assessment is used to pay for the purchase of the 69% of the purchase price of the Santa Maria Water.

STAFF RECOMMENDATION

If the Board agrees with Staff Recommendations 1, 2 and 3, then the Supplemental Water Capacity Charge should be reduced from \$13,404 down to \$3,184.79.

ATTACHMENTS

- Wallace Group Letter Report
- Printout of Reserve Balances as of 3/31/09
- Excerpt from August 21, 2008 Reed Report

NIPOMO COMMUNITY SERVICES DISTRICT

Wednesday, May 20, 2009

9:00 A. M.

SPECIAL MEETING MINUTES

BOARD of DIRECTORS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, VICE PRESIDENT
ED EBY, DIRECTOR
MICHAEL WINN, DIRECTOR

PRINCIPAL STAFF

BRUCE BUEL, GENERAL MANAGER
LISA BOGNUDA, ASSIST. GENERAL MANAGER
DONNA JOHNSON, BOARD SECRETARY
JON SEITZ, GENERAL COUNSEL
PETER SEVCIK, DISTRICT ENGINEER

MEETING LOCATION

District Board Room
148 S. Wilson Street
Nipomo, California

Public comment received on Agenda items.

00:00:00

A. CALL TO ORDER, ROLL CALL, AND FLAG SALUTE

President Harrison called the May 20, 2009 Special Board Meeting of the Nipomo Community Services District to order at 9:00 a.m. and led the flag salute.

B. REVIEW THE BASIS OF ASSESSMENT FOR FINANCING THE CAPITAL COST OF WATERLINE INTERTIE PROJECT

BOARD ACTION REQUESTED: Provide Policy Guidance

Mr. Buel, General Manager, presented the third research report to raise the capital portion of the supplemental water intertie project. The Infrastructure Committee met on Monday, May 18, 2009, and recommended approval of Staff recommendations #1 and #2 and requested Board additional information and input on Staff recommendations #3 and #4. A letter from the Home Builders Association was presented to the Board of Directors in support of the assessment district.

District Legal Counsel, Jon Seitz, stated the Board of Directors is being asked to provide policy guidelines for a course of action for Staff to follow. These policy guidelines do not prohibit the Board of Directors from changing their minds or course of action in the future. The policy guidelines will be given will be put into the draft Engineer's Report.

The Board of Directors asked many questions of Staff and Kari Wagner of Wallace Group.

Greg Nester, NCSA resident, thanked Staff and Mr. Setiz for spending time with the Home Builders Association and stated they support the assessment district approach to spread the cost across the community.

Bill Kengel, developer, asked if the assessment district include the entire mesa and stated that landscape irrigation should be limited or charged heavily because they are the biggest users.

Mr. Buel suggested the Board of Directors review each Staff recommendation individually.

NIPOMO COMMUNITY SERVICES DISTRICT
Wednesday, May 20, 2009
SPECIAL MEETING MINUTES

B. REVIEW THE BASIS OF ASSESSMENT FOR FINANCING THE CAPITAL COST OF WATERLINE INTERTIE PROJECT (CONT)

Recommendation #1 – How much of NCSD's Water Reserves should be pledged to offset borrowing?

There was no public comment.

Upon motion of Director Winn and seconded by Director Eby, the Board of Directors unanimously approved staff's recommendation. Vote 4-0

YES VOTES	NO VOTES	ABSENT
Directors Winn, Eby, Vierheilig and Harrison	None	None

Recommendation #2 – What formula should be used to determine the split between developed and underdeveloped properties?

There was no public comment.

Upon motion of Director Eby and seconded by Director Winn, the Board of Directors unanimously approved staff's recommendation. Vote 4-0

YES VOTES	NO VOTES	ABSENT
Directors Eby, Winn, Vierheilig and Harrison	None	None

Recommendation #3 – Should the assessment cover the WIP capital cost or should it cover both the WIP capital cost and the capital portion of the Santa Maria water purchase?

Bill Kengel, developer, stated landscaping should be limited.

Upon motion of Director Winn and seconded by Director Vierheilig, the Board of Directors unanimously approved staff's recommendation. Vote 4-0

YES VOTES	NO VOTES	ABSENT
Directors Winn, Vierheilig, Eby and Harrison	None	None

Recommendation #4 – How much should the Supplemental Water Capacity Charge be reduced?

Mr. Buel stated that his computation was an estimate and that with any AB 1600 fee, an Engineering Study would have to be completed to determine the exact amount. Mr. Buel would recommend that Wallace Group perform that study when the time comes. The remaining Supplemental Water Capacity Charge would be contributed to the desalination project.

There was no public comment.

Upon motion of Director Harrison and seconded by Director Winn, the Board of Directors directed the General Manager to request bids to prepare an engineering report to determine the new Supplemental Water Capacity Charge. Vote 4-0

YES VOTES	NO VOTES	ABSENT
Directors Harrison, Winn, Vierheilig, and Eby	None	None

NIPOMO COMMUNITY SERVICES DISTRICT
Wednesday, May 20, 2009
SPECIAL MEETING MINUTES

At 10:30 a.m. the Board of Directors took a ten-minute break.

01:30:45

C. REVIEW DRAFT FISCAL YEAR 2009-2010 BUDGET


BOARD ACTION REQUESTED: Give direction to Staff to prepare final draft fiscal year 2009-2010 Budget for Public Hearings set for June 10 and June 24.

Staff reviewed the budget preparation process and presented the budget to the Board. The Board of Directors asked questions and suggested minor corrections. The Public Hearings are set for June 10 and June 24.

There was no public comment. No action was taken.

D. ADJOURNMENT

The meeting was adjourned at 11:05 a.m.

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

**AGENDA ITEM
E-2
SEPT. 9, 2009**

WIP CONSTRUCTION FUNDING -- ASSESSMENT RESEARCH

ITEM

Review preliminary assessment research for partner purveyors for WIP construction funding
[PROVIDE POLICY GUIDANCE]

BACKGROUND

Your Honorable Board previously reviewed the potential basis of assessment and potential assessment roll for the properties inside NCSD. You then hired the Wallace Group to evaluate the respective basis of assessment and the potential assessment rolls for the properties inside the Woodlands Mutual Water Company (WMWC), Golden State Water Company (GSWC) and Rural Water Company (RWC). Attached is a draft of that report.

As set forth in the attached draft report, the parcels inside WMWC would pay a cost per benefit unit of \$376.13 per year, GSWC at \$106.79 per year, and RWC at 167.60 per year. Each service area has its own chart depicting the basis of assessment. The Service Area maps used for GSWC and RWC have been confirmed with the CA PUC.

For reference, the cost/benefit unit for properties inside NCSD has been estimated at \$228.74.

Copies of this research have been shared with the three purveyor partners. Thus far, neither SWC or RWC have commented. The WMWC has objected to covering the City of Santa Maria's Infrastructure Costs (69% of the annual cost of the water from the City of Santa Maria) in the assessment. District Legal Counsel is reviewing this matter and may have comments to share at the Board Meeting.

Kari Wagner from the Wallace Group is scheduled to present this research at the meeting.

FISCAL IMPACT

This research was paid for by WMWC, GSWC and RWC.

RECOMMENDATION

This item is being presented for information at this time. If the Board has issues or concerns, staff respectfully requests feedback so that the report can be finalized for subsequent adoption.

ATTACHMENTS

- Draft Assessment District Research

T:\BOARD MATTERS\BOARD MEETINGS\BOARD LETTER\2009\WIP ASSESSMENT RESEARCH 090909.DOC

TO: BOARD OF DIRECTORS
FROM: MICHAEL LEBRUN *MSL*
INTERIM GENERAL MANAGER

AGENDA ITEM
E-1
JANUARY 26, 2011

DATE: JANUARY 21, 2011

**REVIEW WATERLINE INTERTIE PROJECT – CONSIDER THE
FOLLOWING: (A) DELIVERY VOLUME FOR PROPOSED
ASSESSMENT; AND (B) NEXT STEPS AND SCHEDULE**

ITEM

Review Waterline Intertie Project (WIP) Delivery Volume for Proposed Assessment and Schedule [CONSIDER INFORMATION PRESENTED AND ESTABLISH DELIVERY VOLUME FOR PROPOSED ASSESSMENT AND PROVIDE INSTRUCTION TO STAFF]

BACKGROUND

The District has been pursuing a Waterline Intertie Project with the City of Santa Maria for a number of years. The Project is intended to diversify the Districts supply portfolio and thereby increase supply dependability through the foreseeable yet uncertain future and consistent with the project objectives listed in the Project EIR. The Project design phase is nearing completion and Project funding efforts via an Assessment District and rate charges are now being evaluated in detail. Education and Outreach efforts will be coordinated with the Assessment proceedings in order to inform the affected property owners about the Project and proposed charges.

The outreach program has been delayed to allow staff to revisit project costs and the apportionment of those costs between assessment and rates.

Today, staff is presenting a revised project schedule, revised project costs (construction and soft costs), and a proposal for reducing the amount of supplemental water included in the proposed assessment.

SCHEDULE

Up until recently, the Project schedule was dictated by design elements. In the coming months the assessment schedule and coordinated outreach efforts will lead project timing. A schedule showing the integration of assessment proceedings and outreach efforts is attached. The next step in this process is to provide the outreach consultant final assessment numbers with which to base survey questions on and then commence survey (Step 29, Phase I – Data Collection). The results of this initial survey are scheduled to be presented to your Board on March 23, 2011. Following the survey, the Assessment Engineer's Report and letters to property owners will be revised as necessary. The final Draft Engineer's Report and property owner letters are scheduled to be brought before your Board on April 25 and the County Board of Supervisors on May 3.

Following approval by both agencies, letters describing the assessment and providing property owners and estimate for assessment will be circulated and a 30-day public review period will commence. After the public review, the Assessment Engineer's report will be finalized and the assessment ballots will be prepared. Ballots are tentatively scheduled to be mailed on August

AGENDA ITEM E-1
January 26, 2011

29, 2011 and the assessment hearing is tentatively scheduled to be closed by the County Board of Supervisors on October 18, 2011.

The most challenging aspect of staying on schedule will be the coordination of outreach efforts and assessment proceedings. Staff has scheduled a conference call with the Assessment Engineer and Outreach team for January 27 during which the schedule will be reviewed and discussed in detail to identify 'tight spots' and key milestones. It is envisioned that the District General Manager, and to a lesser degree representatives from the other purveyors, will lead the outreach effort.

PROJECT COSTS

The cost of building the intertie pipeline has remained relatively stable at near \$23.6 Million, as design has progressed during the past year. In an effort to provide the Assessment Engineer a final cost estimate for inclusion in the Assessment Report, and with an understanding that this value would set the ceiling for property assessments, staff reviewed project soft costs and increased budget estimates where justified. A table highlighting these changes and the basis for them is attached. Staff will review this table during the Board Meeting. The current estimated grand total for the project is **\$25.3 Million** dollars. This project total is the basis for the Assessment values presented today.

Staff feels the current cost estimate is conservatively high, yet reasonable. The estimate represents a balance between insuring the assessment generates enough revenue to complete the project while at the same time keeping the cost to property owners as reasonable as possible.

ASSESSMENT BASIS

Monies raised via the assessment process must be used for capital infrastructure and related expenses. The District intends to fund the Waterline Intertie Project cost outlined above and a *portion* of the capital cost of the water charge from City of Santa Maria, through assessment of property owners who will receive a special benefit from the Project. Up to this point, the District used 3000 acre-feet of water per year (AFY) at \$1,270 acre/foot with a 69% capital factor for Santa Maria water costs as the basis for assessment calculation. This resulted in a charge of approximately **\$35 Million** in water-charge related capital costs over the 30-year bond period and in effect 'drove' the assessment costs.

Staff investigated scenarios where the *capital portion* of water costs from Santa Maria were split between rate charges and assessment. Staff believes the bi-monthly water rates and charges could not be further increased without negatively impacting water sales (due to excessive rates) and thus impact the entire rate-revenue model. District bi monthly water rates and charges are currently envisioned to require a 7% increase per year to cover existing operating revenue deficiencies and 5.5% per year to cover costs associate with the non-capital portion of Santa Maria Water cost. This results in an estimated 12.5% rate increase yearly over the 5-year rate study period. This is an estimate of the average rate increase across the customer base. The District intends to convert from a two-tier to four-tier rate structure when these rate changes are adopted. The rate increase experienced by customers whose water demands put them in the higher tiers of the new structure will be significantly greater than this estimated average.

Staff revisited the purchase Agreement with the City of Santa Maria to explore other options. This Agreement puts forth a minimum delivery schedule of 2,000 AFY for the first ten years of the agreement, 2,500 AFY for the second ten years and 3,000 AFY for next ten years. The Agreement also defines the cost of water based on Tier I of the City's rate (variable) and a

AGENDA ITEM E-1
January 26, 2011

delivery cost factor which is set on a consumer price index (variable) value that tracks the cost of energy in the southern part of the state. Staff verified with the City of Santa Maria that their rates are currently on a 5% per year increase schedule that continues through July 2012. City water rates are subject to escalation throughout the Agreement period. Staff has not yet been able to verify any changes in the CPI value. The current cost of Santa Maria water, without consideration for changes in the CPI during the past two-years (relatively stable energy costs) is \$1,324/AF. This value resulted in an increase of approximately \$15 per year in the assessment and is used in the updated assessment values summarized below.

The delivery of supplemental water to the District and Mesa is also governed by the June 30, 2005 Stipulation filed with the court overseeing Santa Maria Groundwater Basin adjudication. The stipulation envisions a flow rate of 2,500 AFY and apportions that flow between the four purveyors.

Staff is recommending a 2000 AFY delivery schedule be used as a basis for assessment, with the purveyor partners (Golden State Water Company, Rural Water Company, Woodlands Mutual Water Company) taking their full apportionment relative to 2,500 AFY throughout the assessment period (30-years) and the District taking the balance. This change lowers the cost per benefit unit to District property owners by nearly \$130/year and does not impact the cost per benefit unit to purveyor partners. In year ten of water delivery and again in year twenty, the District will be required by Agreement with Santa Maria to increase water delivery by 500 AFY. Since the timing of these increases will be known (based on date of first delivery of Santa Maria water via the intertie) the District will have ample time to plan for the increased costs associated with the increase delivery. Since the purveyor partners will already be receiving full allotments, the District will be on its own to consider funding models (Assessment, rates, development fees) for the water. The NMMA-TG is empowered to seek a court order to require the District to import more water. If the Technical Group makes such demands it is assumed that water severity triggers (Groundwater Index) and other physical evidence (seawater intrusion) are present and the import of additional water would be discussed in this context with District customers and property owners.

Estimated assessment cost per Benefit Unit (NCSD only)

Developed Property	\$213 – 267	(previously \$345 – 410)
Undeveloped Property	\$358 – 412	(previously \$429 – 496)

FISCAL IMPACT

Budgeted staff time was used to prepare this report. The Santa Maria Waterline Intertie Project is, by far, the largest capital improvement project ever undertaken by the District.

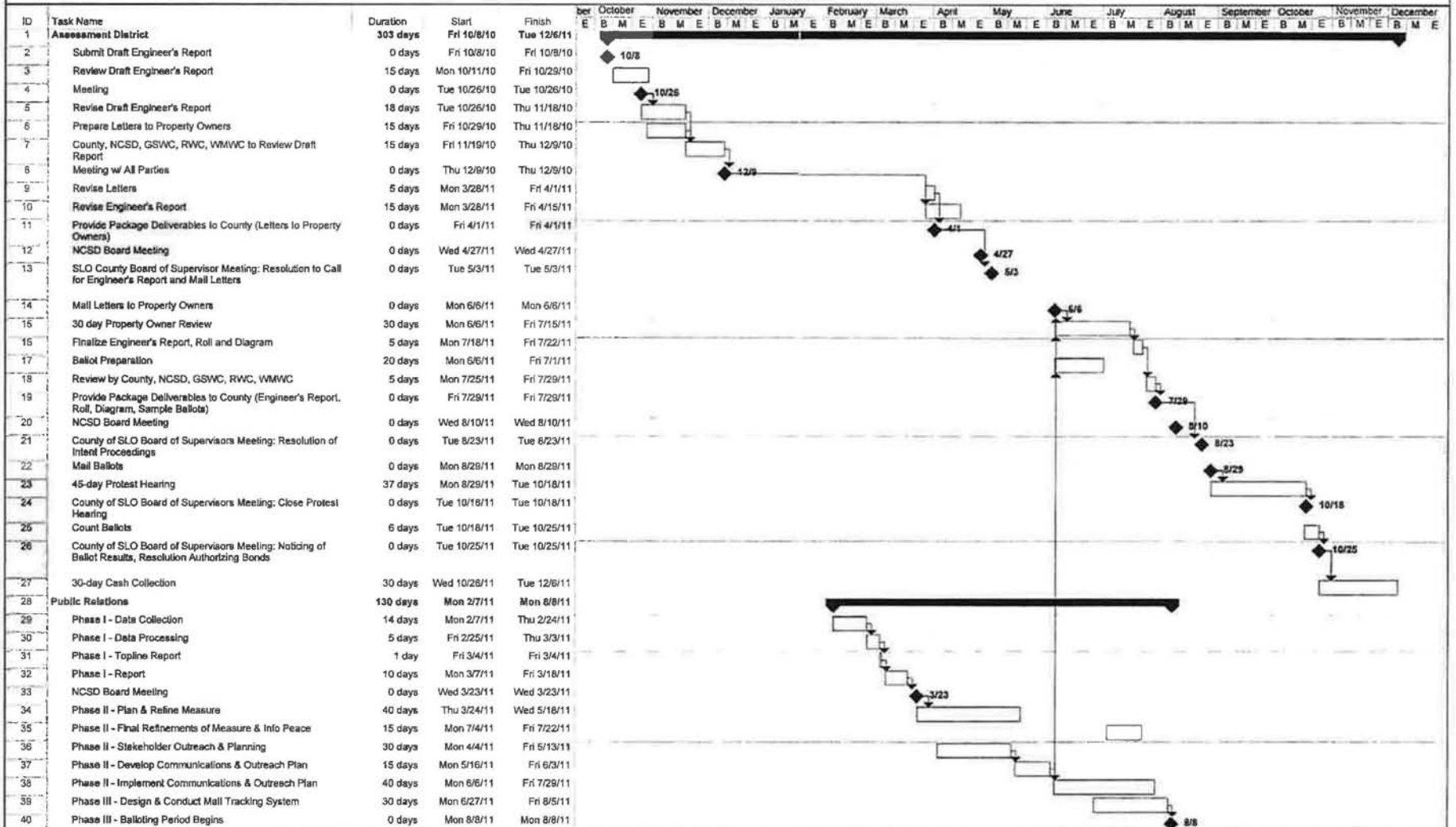
RECOMMENDATION

Staff recommends that the Board consider the information presented and provide staff policy direction to use 2000 AFY as the delivery basis for Assessment proceedings.

ATTACHMENTS

WIP Assessment and Outreach Timeline
WIP Cost Summary

San Luis Obispo County
Nipomo Mesa Water Infiltration Project
Assessment District No. 1 Schedule



	Notes	UPDATED NCSD COSTS	NCSD NOTES
Construction			
Construction		\$15,876,900.00	
Construction Contingency (15%)	Need to update from AECOM 90% Opinion of Probable Cost	\$2,381,535.00	\$15,876,900 plus 15% contingency based on 90% Complete Design Cost Option
Construction Subtotal		\$18,258,435.00	
Additional Expenses			
Right of Way/Property Acquisition	Does this include expenses to date (\$34,170, \$40,529, \$3,445)	\$357,144.00	Property allowance plus expenses to date
Preliminary Engineering		\$601,355.00	No Change
Testing/Polishing/Peer Review		\$69,095.00	No Change
Permits	Need additional County permitting fees and any other fees known	\$80,000.00	\$75,000 allowance (SLO County encroachment, CDFG, etc.) plus expenses to date
Design Engineering		\$1,260,180.00	\$521,814 Anticipated Design Revision #10 \$68,580 plus current contract
Office Engineering During Construction		\$521,814.00	Anticipated Additional construction support (\$270,043) and Ops Plan (\$75,831) plus current contract
Construction Management/Inspection	Includes Environ. Monitoring (Need costs for Archeological Monitor)	\$2,299,460.00	Current contract (\$53,700) plus estimated construction CM (\$2,245,760)
EIR Preparation	Need costs for additional EIR work	\$275,000.00	
Attorney Fees	Do we need to add more for anticipated attorney fees throughout A	\$123,662.00	\$20,000 allowance for EIR Addendum plus expenses to date
Financial Advisor		\$17,000.00	No Change
Public Outreach	Need costs for mailings, postage, etc	\$120,000.00	\$40,000 allowance for mailings, postage, etc. plus contract amount
District Administration Expenses	Do we need to add more for anticipated District expenses	\$371,982.00	\$120,000 allowance for additional capitalized District Costs plus expenses to date
County of San Luis Obispo	Do we need to add more for additional anticipated County expense	\$100,000.00	\$40,000 allowance for additional County costs plus expenses to date
Assessment Engineering		\$180,000.00	
Sub Total		\$6,376,692.00	
Contingency (10%)		\$637,669.20	
Additional Expenses Subtotal		\$7,014,361.20	\$24,455,092
			\$619,669
			10% Contingency excluding estimated construction costs
			\$25,074,761
Construction Subtotal			
Construction Subtotal		\$18,258,435.00	
Additional Expenses Subtotal		\$7,014,361.20	
Grand Project Total		\$25,272,796.20	
SM Capital Costs of Water			
Cost per AF		\$1,324	
Minimum Water Delivery (AF)		2,000	
Total Annual Water Allocation Costs		\$2,648,000	
Estimated Capital Expenses of Annual Costs		69%	
Capital Expenses for Minimum Delivery		\$1,827,120	
Capital Cost per AF of Delivered Water		\$913.56	

NIPOMO COMMUNITY SERVICES DISTRICT

SERVING THE COMMUNITY SINCE 1965

MINUTES

JANUARY 26, 2011 AT 9:00 A.M.

BOARD ROOM 148 SOUTH WILSON STREET, NIPOMO, CA

BOARD of DIRECTORS

JAMES HARRISON, PRESIDENT
LARRY VIERHEILIG, VICE PRESIDENT
MICHAEL WINN, DIRECTOR
ED EBY, DIRECTOR
DAN A. GADDIS, DIRECTOR

PRINCIPAL STAFF

MICHAEL LEBRUN, INTERIM GENERAL MANAGER
LISA BOGNUDA, ASSIST. GENERAL MANAGER
MERRIE WALLRAVIN, SECRETARY/CLERK
JON SEITZ, GENERAL COUNSEL
PETER SEVCIK, DISTRICT ENGINEER

Mission Statement: The Nipomo Community Services District's mission is to provide its customers with reliable, quality, and cost-effective services now and in the future.

00:00:00

A. CALL TO ORDER AND FLAG SALUTE

President Harrison called the Regular Meeting of January 26, 2011, to order at 9:00 a.m. and led the flag salute.

00:00:49

B. ROLL CALL

At Roll Call, all Board members were present.

00:01:38

C. PRESENTATIONS AND PUBLIC COMMENT

C-1) PRESENT RESOLUTION RECOGNIZING FORMER DIRECTOR BILL NELSON'S SERVICE TO NCSD

President Harrison presented former Director Bill Nelson with a Resolution recognizing him for his service with NCSD.

C-2) MIKE NUNLEY OF AECOM Update re: Waterline Intertie Project

Mike Nunley, AECOM Project Manager, reviewed the report as presented in the Board packet. Michael LeBrun, Interim General Manager, and Mr. Nunley answered questions from the Board. The Board thanked Mr. Nunley for the report.

C-3) ALTERNATIVE ENERGY OPPORTUNITIES PRESENTATION Charles Gulyash

Charles Gulyash, Solar Pacific Owner, gave a presentation on alternative energy opportunities. Mr. Gulyash answered questions from the Board. The Board thanked Mr. Gulyash for the presentation.

C-4) NCSD SUPERINTENDENT TINA GRIETENS Update re: 2010 Summary of Utility Division Activities

Tina Grietens, NCSD Utility Superintendent, reviewed the report as presented in the Board packet and answered questions from the Board. The Board thanked Ms. Grietens for the report.

**Nipomo Community Services District
REGULAR MEETING
MINUTES**

C-5) DIRECTORS' ANNOUNCEMENTS OF DISTRICT & COMMUNITY INTEREST
Receive Announcements from Directors Items of District & Community Interest

Director Vierheilig

- ◇ February 17, 2011 – San Luis Obispo County will host a Climate Action Plan Event at the County Government Center from 6:30-8:30 p.m.

Director Eby

- ◇ January 27, 2011 – At 11:00 a.m. The San Luis Obispo Planning Commission will have a presentation on the proposed Solar Power Plant at Carrizo.
- ◇ My LAFCO term ended in December 2010. LAFCO elections for the Special District seat will be coming up on February 28, 2011.
- ◇ The Climate Prediction center NOAA's National Weather Service predicts less than normal rainfall for both February and March.

Director Winn

- ◇ On Wednesday, January 19, 2011, SLO County Management Oversight Committee had a meeting on the particulate matter that's coming off the Oceano Dunes, discussing the initial project to reduce PM10.
- ◇ I attended the Annual Land Use and Water Law Seminar at UCLA. The new water laws, legislation on the water laws, and new CEQA laws were discussed. A copy of the materials are in the District office.
- ◇ On Monday, January 24, 2011, SCAC named Dan Woodson Chairperson. During the meeting it became clear that the public needs accurate information on the Waterline Intertie Project.
- ◇ February 2, 2011 – The WRAC will meet in San Luis Obispo. The WRAC re-elected me for the fifth year, but I will be seated as a representative for the Nipomo CSD, not the 4th District.

Director Harrison

- ◇ January 27, 2011 – Fire Safe Counsel Meeting at 10:00 a.m. will be discussing the new Fire Protection Laws.
- ◇ The Rotary Club and the Nipomo High School Drama Club will have a Taste of Italy Dinner Fundraiser. It will be at 5:00 p.m. on January 30, 2011, at St. Joseph's Catholic Church.
- ◇ February 2, 2011 – The Olde Towne Nipomo Association will meet. They will be discussing the status of the proposed Miller Park.

C-6) PUBLIC COMMENT ON ITEMS NOT ON AGENDA

Daniel Diaz, NCSD customer, had questions about NCSD's meters and staff.

Michael LeBrun, Interim General Manager, commented that any member of the District can ask questions to our staff and he explained the process of our contracted meter reading services.

Nipomo Community Services District
REGULAR MEETING
MINUTES

01:10:22

D. CONSENT AGENDA

- D-1) APPROVE WARRANTS
- D-2) APPROVE BOARD MEETING MINUTES
Approve Minutes of January 12, 2011 Regular Meeting
- D-3) INVESTMENT POLICY-FOURTH QUARTER REPORT
- D-4) AMEND PERSONNEL POLICIES AND PROCEDURES MANUAL RELATED TO PART-TIME POSITIONS
- D-5) APPROVE ADDITIONAL WORK AUTHORIZATION FOR DOUG WOOD & ASSOCIATES, SOUTHLAND WASTEWATER TREATMENT FACILITY UPGRADE ENVIRONMENTAL CONSULTANT

Director Harrison pulled Items D-4 and D-5 for separate consideration.

Upon the motion of Director Winn and seconded by Director Eby, the Board members unanimously approved Items D-1, D-2, and D-3. There was no public comment.
Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Winn, Eby, Vierheilig, Gaddis, and Harrison	None	None

The Board took a break from 10:30 to 10:40 a.m.

Item D-4

Michael LeBrun, Interim General Manager, and Lisa Bognuda, Finance Director, answered questions from the Board. There was no public comment.

Upon the motion of Director Vierheilig and seconded by Director Gaddis, the Board unanimously approved item D-4 as presented.
Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Vierheilig, Gaddis, Winn, Eby, and Harrison	None	None

RESOLUTION NO. 2011-1207

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING THE DISTRICT PERSONNEL POLICY
REGARDING PART-TIME POSITIONS

Item D-5

Michael LeBrun, Interim General Manager answered questions from the Board. There was no public comment.

Upon the motion of Director Eby and seconded by Director Vierheilig, the Board approved additional work authorization #2 (3) and directed staff to issue a task order budget augmentation in the amount of \$1,460 and revise the project not to exceed to \$104,530.
Vote 3-2.

YES VOTES	NO VOTES	ABSENT
Directors Eby, Vierheilig, and Gaddis	Directors Winn and Harrison	None

E. ADMINISTRATIVE ITEMS

The Board considered Item E-3 next.

01:46:24

E-3) RECEIVE BEST MANAGEMENT PRACTICES FOR WATER CONSERVATION CHECKLIST; AUTHORIZE CIRCULATION OF DRAFT 2010 URBAN WATER MANAGEMENT PLAN UPDATE

Peter Sevcik, District Engineer, reviewed the report presented in the Board packet. Jeffery Szytel, of Water Systems Consulting, and Mr. Sevcik answered questions from the Board. There was no public comment.

Upon the motion of Director Winn and seconded by Director Vierheilig, the Board received the BMP reports and directed staff to circulate the Public Review Draft 2010 Urban Water Management Plan Update as required.

Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Winn, Vierheilig, Eby, Gaddis, and Harrison	None	None

The Board considered Item E-4 next.

01:55:05

E-4) CONSIDER TRANSFER OF OUTSIDE USERS AGREEMENT TRACT 2650

Peter Sevcik, District Engineer, reviewed the report as presented in the Board packet. Greg Nester, of Greg Nester Homes, Jon Seitz, District Legal Counsel, and Mr. Sevcik answered questions from the Board. There was no public comment.

Upon the motion of Director Winn and seconded by Director Vierheilig, the Board adopted the Resolution approving the consent to the transfer of outside user agreement providing water and solid waste service to tract 2650.

Vote 4-1. (Director Eby abstained, pursuant to section 2.9 of the NCSD's by-laws; an abstained vote is counted as a no vote.)

YES VOTES	NO VOTES	ABSENT
Directors Winn, Vierheilig, Gaddis, and Harrison	Director Eby	None

RESOLUTION NO. 2011-1208

A RESOLUTION OF THE BOARD OF DIRECTORS
 OF THE NIPOMO COMMUNITY SERVICES DISTRICT
 APPROVING CONSENT TO THE TRANSFER OF THE OUTSIDE USER AGREEMENT
 FOR WATER AND SOLID WASTE SERVICE TO TRACT 2650

The Board considered Item E-1 next.

02:13:20

E-1) REVIEW WATERLINE INTERTIE PROJECT – CONSIDER THE FOLLOWING: (A) DELIVERY VOLUME FOR PROPOSED ASSESSMENT; AND (B) NEXT STEPS AND SCHEDULE

Michael LeBrun, Interim General Manager, reviewed the report as presented in the Board packet. Jon Seitz, District Legal Counsel, Peter Sevcik, District Engineer, and Mr. LeBrun answered questions from the Board.

The Board considered closed session next and will resume Item E-1 after Item E-6.

Nipomo Community Services District
REGULAR MEETING
MINUTES

I. CLOSED SESSION ANNOUNCEMENTS

Jon Seitz, District Legal Counsel, announced the following to be considered in Closed Session.

- 1. CONFERENCE WITH DISTRICT LEGAL COUNSEL RE: PENDING LITIGATION PURSUANT TO GC §54956.9 SMWWCD VS. NCSD (SANTA CLARA COUNTY CASE NO. CV 770214, SIXTH APPELLATE COURT CASE NO. H032750 AND ALL CONSOLIDATED CASES).

J. PUBLIC COMMENT ON CLOSED SESSION ITEMS

There was no public comment.

03:14:39

K. ADJOURN TO CLOSED SESSION

President Harrison adjourned to Closed Session at 12:25 p.m.

03:15:22

L. OPEN SESSION

ANNOUNCEMENT OF ACTIONS, IF ANY, TAKEN IN CLOSED SESSION

The Board came back into Open Session at 1:15 p.m.

Jon Seitz, District Legal Counsel, announced that the Board discussed the one item listed above for closed session, but took no reportable action. There was no public comment.

03:16:13

- E-6) WORKSHOP PRESENTATION ADMINISTRATIVE DRAFT EIR SOUTHLAND WASTE WATER TREATMENT FACILITY UPGRADE PROJECT BY DOUG WOOD AND ASSOCIATES

Douglas Wood, Douglas Wood and Associates, reviewed the report as presented in the Board packet. Jon Seitz, District Legal Counsel, Mike Nunley, AECOM Project Manager, and Mr. Wood answered questions from the Board. Mr. Wood took comments from the Board. There was no public comment.

The Board took a break from 2:52 to 3:00 p.m.

04:57:15

The Board considered continuing Item E-1.

- E-1) REVIEW WATERLINE INTERTIE PROJECT – CONSIDER THE FOLLOWING: (A) DELIVERY VOLUME FOR PROPOSED ASSESSMENT; AND (B) NEXT STEPS AND SCHEDULE

Michael LeBrun, Interim General Manager, continued to review the report as presented in the Board packet.

The following member of the public spoke:

Vince McCarthy, NCSD customer, gave his analysis and questioned the cost of water per acre foot.

Jon Seitz, District Legal Counsel, Peter Sevcik, District Engineer, and Mr. LeBrun answered questions from the Board.

Upon the motion of Director Eby and seconded by Director Winn, the Board directed staff to use 2,000 acre feet per year as the delivery basis for the Assessment proceedings. Vote 3-2.

YES VOTES	NO VOTES	ABSENT
Directors Eby, Winn, and Gaddis	Directors Vierheilig and Harrison	None

**Nipomo Community Services District
REGULAR MEETING
MINUTES**

06:09:39

E-2) APPROVE LICENSE AGREEMENT WITH SANTA BARBARA COUNTY FOR SANTA MARIA RIVER ACCESS FOR THE WATERLINE INTERTIE PROJECT

Michael LeBrun, Interim General Manager, reviewed the report as presented in the Board packet. Jon Seitz, District Legal Counsel, Peter Sevcik, District Engineer, and Mr. LeBrun answered questions from the Board. There was no public comment.

Upon the motion of Director Winn and seconded by Director Vierheilig, the Board approved the agreement and directed staff to forward it to Santa Barbara County Board of Supervisors for approval.

Vote 4-1.

YES VOTES	NO VOTES	ABSENT
Directors Winn, Vierheilig, Eby, and Harrison	Director Gaddis	None

06:22:00

E-5) CONSIDER DESIGNATING A BOARD/DISTRICT REPRESENTATIVE TO ATTEND FEB. 12, 2011 NIPOMO INCORPORATION COMMITTEE FOR EDUCATION WORKSHOP

Michael LeBrun, Interim General Manager, reviewed the report as presented in the Board packet. Jon Seitz, District Legal Counsel, and Mr. Lebrun answered questions from the Board. There was no public comment.

Upon the motion of Director Winn and seconded by Director Vierheilig, the Board directed staff to draft a letter thanking them for the invitation; however, at this time NCS D does not wish to send an official representative. Board members are encouraged to attend as private citizens.

Vote 5-0.

YES VOTES	NO VOTES	ABSENT
Directors Winn, Vierheilig, Eby, Gaddis, and Harrison	None	None

E-7) CONSIDER LETTER OF SUPPORT FOR CA RURAL WATER ASSOCIATION

Michael LeBrun, Interim General Manager, reviewed the report as presented in the Board packet and answered questions from the Board. There was no public comment.

Upon the motion of Director Winn and seconded by Director Vierheilig, the motion of approving the draft letter of support as amended and directing staff to forward the letter to CRWA did not pass.

Vote 2-3.

YES VOTES	NO VOTES	ABSENT
Directors Winn and Vierheilig	Directors Eby, Gaddis, and Harrison	None

06:43:51

F. GENERAL MANAGER'S REPORT

Michael LeBrun, Interim General Manager, reviewed the Manager's Report as presented in the Board packet. Peter Sevcik, District Engineer, and Mr. LeBrun answered questions from the Board. There was no public comment.

G. COMMITTEE REPORT

There were no Committee reports.

06:59:35

H. DIRECTORS' REQUESTS TO STAFF AND SUPPLEMENT REPORTS

Director Gaddis

- ◇ Requested a critical path be on the construction schedule that is more obvious.

Director Eby

- ◇ Requested a comparison on how our supplemental water rates from the City of Santa Maria will track Santa Maria's Tier I rates are for each year, as many years as we know.
- ◇ Questioned why we would be paying any capital costs, in our water rates, after 30 years.

Director Winn

- ◇ Supervisor Paul Teixeira's office might approach staff regarding the lighting funding in the Olde Towne and elsewhere.
- ◇ Working on the \$100,000 commitment for the restrooms at Miller Park.
- ◇ Requested the coordination of a Board tour the J. Lohr Winery to see their installation of solar electricity.

07:10:01

ADJOURN

President Harrison adjourned the meeting at 5:20 p.m.

**NCS D Supplemental Water Project
November 2011 Funding Alternatives Analysis**

Supplemental Water Project Defined:

- 3000 AFY capacity pipeline and appurtenances; Construction Cost ("Construction Capital") of \$25.3M.
- 2000 AFY water at \$1500/af. (Cost of water is set by Wholesale Agreement and is variable based on Santa Maria's Tier I water rate and an Energy Consumer Price Index Charge. \$1,500/AF is approx. cost as of October 2011).

Financing Options	Pros	Cons	Notes	ESTIMATED Cost (NCS D Customer) ¹
<p>SCENARIO 1: Property secured financing (Assessment District) for Construction Capital and 69% of water cost. Remainder of water cost in user rates.</p>	<ul style="list-style-type: none"> ➤ Provides a uniform approach and time schedule for collection of construction funding in all four water supplier areas. ➤ Impact to customer water rates minimized. ➤ Includes participation by vacant and under-developed land owners. 	<ul style="list-style-type: none"> ➤ In order to pass an assessment district the majority of the vote cast must be in support of the assessment. ➤ Property secured financing may be more expensive than rate secured financing in the current bond market. 	<ul style="list-style-type: none"> ➤ Would require a Prop 218 Rate hearing and rate increase. 	<ul style="list-style-type: none"> ➤ \$239 annual property tax assessment for 30 years (or \$3,000 onetime payment) ➤ \$8 monthly average increase in water bill.²
<p>SCENARIO 2: Property secured financing for Construction Capital. Cost of water is fully covered by user rates of all project customers.</p>	<ul style="list-style-type: none"> ➤ Consistent approach and schedule for obtaining time-sensitive Construction Capital. ➤ Removes complexity introduced by linking cost of Santa Maria water to capital. ➤ Reduces potential for challenge to assessment district formation and is better for bond sale. ➤ Lower property tax levy than Option 1 increasing chance of assessment district approval by property owners. ➤ Vacant land participates in construction capital. ➤ Paying for Santa Maria water is more directly linked to water rates and usage. 	<ul style="list-style-type: none"> ➤ Relies on property secured financing (more expensive than rate secured) for construction capital. ➤ Requires '50+1' vote in support to pass property tax assessment. ➤ Vacant lands do not participate in cost of water from Santa Maria. 	<ul style="list-style-type: none"> ➤ Once the property tax measure to fund capital passes, all partners will have ~2 years to get rates that support water purchase in place. 	<ul style="list-style-type: none"> ➤ \$103 annual property tax assessment for 30 years (or \$1,200 on time payment) ➤ \$ 12 monthly average increase in water bill.²
<p>SCENARIO 3: Rate increases are used to secure bonding and cover water costs.</p>	<ul style="list-style-type: none"> ➤ Rate based financing is most favorable in today's bond market – therefore cost of financing is lowest. ➤ Prop. 218 protest vote requires a majority of customers to vote against the proposed rate increase to defeat. ➤ No Assessment District Formation/Property Tax measure 	<ul style="list-style-type: none"> ➤ Rates would need to be adopted by all four project partners prior to selling bonds to raise construction capital. This could delay project start by 1-2 years. ➤ Alternative would be for District to 'cover' PUC (RWC and GSWC) capital portion and recoup through future water charges. ➤ Vacant land does not participate – unless a separate 'Standby' charge is adopted (Supplemental Water connection charges would apply) 	<ul style="list-style-type: none"> ➤ The potential project delay of 1-2 years or District customers assuming capital cost burden of PUC customers are both considered 'fatal' flaws of this approach. 	<ul style="list-style-type: none"> ➤ \$0 annual property tax assessment. ➤ \$23 monthly average increase in water bill.²

Footnotes

1. Cost Estimate is based on an NCS D customer who uses 40 units of water every two months and lives on a .35 acre or smaller residential lot with a single home (one benefit unit assigned).
2. Monthly cost increase values are for the first year. A similar level of rate increase would be required for a total of three years and then begin to level off in year four (level off begins in year three for Scenario 3).

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *msl*
GENERAL MANAGER
DATE: NOVEMBER 9, 2011

**AGENDA ITEM
E-3
NOVEMBER 16, 2011**

CONSIDER A \$11,500 BUDGET AUGMENTATION FOR WAGNER & BONSIGNORE CONSULTING ENGINEERS TO PROVIDE LITIGATION SUPPORT FOR 2011

ITEM

Approve budget \$11,500 budget augmentation with Wagner & Bonsignore Consulting Engineers increasing the 2011 not to exceed limit for on-going litigation support services to \$106,500 [RECOMMEND BY MOTION AND ROLL CALL VOTE APPROVE \$11,500 BUDGET AUGMENTATION AND DIRECT STAFF TO ISSUE TASK ORDER TO WAGNER BONSIGNORE].

BACKGROUND

Brad E. Newton, Ph.D., P.G. has provided litigation support services to the District throughout the on-going Santa Maria Groundwater Basin adjudication. Wagner & Bonsignore Consulting Engineers employ Dr. Newton. On December 15, 2010, your Board approved Task Order 200-11 with Wagner Bonsignore (Attached) for \$80,000 for Litigation Support Services during calendar year 2011. On July 28, 2011, your Board approved Task Order 200-11A approving \$15,000 of additional expenditure in litigation support services.

The focus of work under this Task Order is representation of the District at Nipomo Mesa Management Technical Group and related tasks. The requirement for additional funding is detailed in the attached November 2, 2011 Memorandum from Dr. Newton.

FISCAL IMPACT

Funds for Professional Services are included in the adopted 2011-2012 Budget.

RECOMMENDATION

Staff recommends your Board, by motion and roll call vote, approve \$11,500 budget augmentation and direct staff to issue a Task Order and revise the project Not to Exceed to \$106,500.

ATTACHMENTS

- Task Order 200-11
- November 2, 2011 Wagner & Bonsignore Memorandum

EXHIBIT "A(2)"

to

AGREEMENT FOR PROFESSIONAL SERVICES

Between

**NIPOMO COMMUNITY SERVICES DISTRICT and WAGNER & BONSIGNORE
CONSULTING CIVIL ENGINEERS**

Dated January 01, 2011

"TASK ORDER # 200-11"

AUTHORIZATION TO PERFORM WORK:

At the request of the Nipomo Community Services District, Engineer-Consultant is to provide service as described herein. The terms and conditions of the Agreement for Professional Services, dated September 22, 2010 are incorporated herein by this reference. The scope of service requested along with the schedule and fees for said service are set forth below as follows:

SCOPE OF SERVICES REQUESTED (Additional information may be attached as an Attachment):

Litigation Support Services related to the Santa Maria Groundwater Adjudication – Attachment
"A"

TIME FOR PERFORMANCE (Additional information may be attached as an Attachment.):

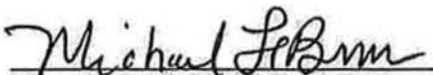
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COMPENSATION:

The Services will be provided for eighty thousand (\$80,000) dollars through December 31, 2011 (Not-to-Exceed Amount).

Nipomo Community Services District

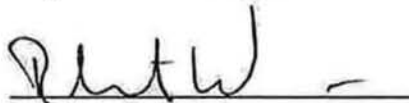
Engineer-Consultant



Approved By: Michael LeBrun

Title: General Manager, NCSD

Date:



Approved By: Robert Wagner

Title: President

Date:

Task 200 – Santa Maria Groundwater Adjudication

Task Order 200, is proposed to allow for Wagner & Bonsignore (Engineer-Consultant) to provide the following litigation support service related to the Groundwater Adjudication:

A. Preparation for, travel and attendance/participation at Nipomo Mesa Management Area (NMMA) Technical Group (TG) meetings.

B. Preparation for travel and attendance/participation at NMMA TG sub-committee meetings, including meetings with the NCMA representatives.

C. Preparation of reports and technical memorandums related to NMMA TG functions with the prior approval of either the District General Manager or District Legal Counsel.

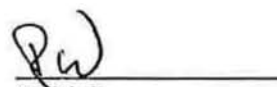
- It is understood that reports will, in whole or in part, be based on confidential information obtained in confidence from landowners related to private wells. (see specifically Section 26 of the Agreement related to confidential information).

D. Provide reports and other opinions requested by District Legal Counsel.

The estimated cost for each NMMA TG meeting under Task Order 200 is three thousand (\$3,000) dollars, which accounts for sixteen (16) hours of Dr. Newton's efforts plus budget for travel.

Budget

The budget for Task Order 200 through December 31, 2011, is eighty thousand (\$80,000) dollars to be billed on a time and material basis in accordance with the Agreement.


(Initial)
Engineer/Consultant

Wagner & Bonsignore

Consulting Civil Engineers, A Corporation

Nicholas F. Bonsignore, P.E.
Robert C. Wagner, P.E.
Paula J. Whealen
Henry S. Matsunaga

Brad E. Newton, Ph.D., P.G.
John Faux, P.E.
David Houston, P.E.
David P. Lounsbury, P.E.
Emily MacDonald
Ryan E. Stolfus

James C. Hanson
Consulting Civil Engineer
A Corporation

MEMORANDUM

To: **Michael LeBrun**, General Manager NCSD

From: Brad Newton

Date: November 02, 2011

Re: Budget Augmentation

Thank you for your email dated November 03, 2011 requesting an update to documentation of the previous budget augmentation, Task Order 200-11A, in the amount of \$15,000 authorized on July 28, 2011. In addition, you have requested a summarization of the current need for budget augmentation to Task Order 200-11. The terms and conditions of the Agreement for Professional Engineering Services, dated September 22, 2010, are incorporated herein by this reference.

Task Order 200-11, the 2011 annual scope and budget for litigation support services related to the Santa Maria Groundwater Adjudication, was authorized on January 1, 2011. The budget proposed was to allow for Wagner & Bonsignore (Engineer-Consultant) to provide the following litigation support service related to the Groundwater Adjudication:

- A. Preparation for, travel and attendance/participation at Nipomo Mesa Management Area (NMMA) Technical Group (TG) meetings.
- B. Preparation for travel and attendance/participation at NMMA TG sub-committee meetings, including meetings with the NCMA representatives.
- C. Preparation of reports and technical memorandums related to NMMA TG functions with the prior approval of either the District General Manager or District Legal Counsel.
 - It is understood that reports will, in whole or in part, be based on confidential information obtained in confidence from landowners related to private wells. (see specifically Section 26 of the Agreement related to confidential information).
- D. Provide reports and other opinions requested by District Legal Counsel.

The estimated cost for each NMMA TG meeting under Task Order 200 is three thousand (\$3,000) dollars, which accounts for sixteen (16) hours of Dr. Newton's efforts plus budget for travel. The budget for Task Order 200 through December 31, 2011, is eighty thousand (\$80,000) dollars to be billed on a time and material basis in accordance with the Agreement, dated September 22, 2010.

During the course of regular TG meetings, the needs for new technical evaluations are identified, scopes of work developed, schedules of completion are prepared, and assignments are distributed to TG participants. The General Manager of NCSO and/or District Counsel are present during these discussion and developments. Wagner and Bonsignore's participation in conducting these new technical evaluations is approved by the General Manager of NCSO. This technical work is not knowable prior to the preparation of the annual budget, and therefore constitutes out-of-scope work requests, and a budget augmentation is required to fund these activities.

Budget augmentation Task Order 200-11A in the amount of \$15,000 was requested and authorized on July 28, 2011 to fund out-of-scope services in the amount of eight thousand two hundred eighty (\$8,280) dollars conducted by Wagner & Bonsignore at the request of the NCSO's General Manager. The out-of-scope services were not anticipated in the original annual budget and included the preparation of percolation calculations for the NMMA TG, as reported in the May 05, 2011 monthly letter accompanying invoice number 05-11-6001.1 In addition, Wagner & Bonsignore conducted out-of-scope services in the amount of approximately seven thousand (\$7,000) dollars at the request of the NCSO's General Manager to evaluate monitoring well references points and monitoring well screened intervals for the NMMA TG. The sum of these services requested by the General Manager of NCSO was approximately fifteen thousand (\$15,000) dollars. The budget augmentation was to fund these activities which were charged against the initial annual budget of eighty thousand (\$80,000) dollars as authorized on January 01, 2011 and described in Task Order 200-11. At that time, Wagner & Bonsignore anticipated that funding these out-of-scope services would allow for the fulfillment of the 2011 year's remaining scope-of-services planned for the NMMA TG. The total budget for Task Order 200 including this augmentation is ninety five thousand (\$95,000) dollars. The following summarizes the budgeted work accomplished to date, the newly requested unfunded out-of-scope work conducted, and the anticipated work through December 31, 2011.

To-Date Budgeted Accomplishments in 2011:

- Fourteen TG meetings (includes October 2011) (\$42,000)
- Five Subcommittee meetings (\$5,700)
- Reference point evaluation (\$7,000)
- Percolation Calculations (\$8,280)
- Preparation of 2010 Annual Report (\$30,000)
- Public Presentation (\$1,500)

Total Cost Incurred = \$94,480

New Out-of-Scope work conducted:

- Preparation of 2011 Annual Report
 - i. Technical Memorandum defining wells to be used in contouring; (\$660)
 - ii. Preparation of S2011 groundwater elevations map; (\$2,670)
 - iii. Preparation of 2011 Key Well Index. (\$330)
 - Supplemental Water Project (\$1,320)
- Total Cost Incurred = \$5,000**

Total Cost of Work Conducted = \$100,000

The October 2011 invoice was prepared and professional services by Wagner & Bonsignore have exceeded our contract budget by \$7,015.65. In addition to the previously authorized out-of-scope work conducted, the following anticipated work is currently unfunded.

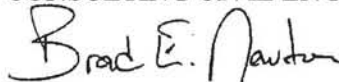
Anticipated work:

- Prepare for and participate in two NMMA TG meetings (\$6,000)
- Prepare for and participate in NCMA-NMMA Subcommittee meetings (\$500)

In part, some of the current budget stress is due to the “early” start to prepare the 4th Annual Report – Calendar Year 2011. These activities were not anticipated in the preparation of the 2011 annual budget. The remainder of the costs in excess of the planned budget is due to the challenging nature of estimating the cost of activities associated with the NMMA TG.

As always, please feel free to contact me at (805) 636-6619 if you have questions regarding this letter or the referenced invoices.

Very truly yours,
WAGNER & BONSIGNORE
CONSULTING CIVIL ENGINEERS



Brad Newton, Ph.D., P.G.

TO: BOARD OF DIRECTORS
FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER
DATE: NOVEMBER 9, 2011



APPROVE \$5,000 BUDGET AUGMENTATION WITH WAGNER & BONSIGNORE CONSULTING ENGINEERS FOR GROUNDWATER CONSULTING SERVICES

ITEM

Consider \$5,000 budget augmentation with Wagner & Bonsignore Consulting Engineers to provide ongoing general groundwater support services [RECOMMEND BY MOTION AND ROLL CALL VOTE APPROVE \$5,000 BUDGET AUGMENTATION AND DIRECT STAFF TO ISSUE TASK ORDER TO WAGNER BONSIGNORE].

BACKGROUND

Brad E. Newton, Ph.D., P.G. has general groundwater support services to the District throughout the ongoing Santa Maria Groundwater Basin adjudication. Wagner & Bonsignore Consulting Engineers employ Dr. Newton. On December 15, 2010, your Board approved Task Order 100-11 with Wagner Bonsignore (Attached) for \$10,000 for General Consultation Services during calendar year 2011. Task Order 100-11a

The focus of work under this Task Order is the presentation of the spring and fall Groundwater Index. Preparation of other Technical Memos as directed by the General Manager is also included under Task Order 100-11. The General Manager issued a \$5,000 augmentation to Task Order 100-11 in May 2011 to facilitate Dr. Newton's support in review of technical materials related to supplemental water project outreach efforts.

Task Order 100-11 is currently over expended by \$433 and Dr. Newton is requesting a \$5,000 budget augmentation to support preparation and presentation of the Fall 2011 Groundwater Index. Dr. Newton's November 3, 2011 Memorandum outlining Task Order 100-11 expenditure is attached.

This budget augmentation will provide for Dr. Newton's time providing groundwater consulting services to the District through December 2011.

FISCAL IMPACT

Funds for Professional Services are included in the adopted 2011/2012 Budget.

RECOMMENDATION

Staff recommends your Board, by motion and roll call vote, approve \$5,000 budget augmentation and direct staff to issue a Task Order and revise the project Not to Exceed to \$20,000.

ATTACHMENTS

- Task Order # 100-11
- November 3, 2011 Wagner Bonsignore Memorandum

EXHIBIT "A(1)"

to

AGREEMENT FOR PROFESSIONAL SERVICES

Between

**NIPOMO COMMUNITY SERVICES DISTRICT and WAGNER & BONSIGNORE
CONSULTING CIVIL ENGINEERS**

Dated January 01, 2011

"TASK ORDER # 100-11"

AUTHORIZATION TO PERFORM WORK:

At the request of the Nipomo Community Services District, Engineer-Consultant is to provide service as described herein. The terms and conditions of the Agreement for Professional Services, dated September 22, 2010 are incorporated herein by this reference. The scope of service requested along with the schedule and fees for said service are set forth below as follows:

SCOPE OF SERVICES REQUESTED (Additional information may be attached as an Attachment.):

General Consultation - Attachment "A"

TIME FOR PERFORMANCE (Additional information may be attached as an Attachment.):

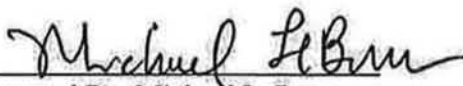
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COMPENSATION:

The Services will be provided for ten thousand (\$10,000) dollars (Not-to-Exceed Amount).

Nipomo Community Services District

Engineer-Consultant





Approved By: Michael LeBrun

Approved By: Robert Wagner

Title: General Manager, NCSD

Title: President

Date:

Date:

Task 100 – General Consultation


Task Order 100, General Consulting, is proposed to allow for Wagner & Bonsignore (Engineer-Consultant) to provide the following services, on an as-requested basis, that are not included within the scope other Task Orders. Such services may include:

- A. Preparation of Spring and Fall Groundwater Index (GWI) technical memorandum and presentation thereof to the District Board of Directors.
 - It is understood that reports will, in whole or in part, be based on confidential information obtained in confidence from landowners related to private wells. (see specifically Section 26 of the Agreement related to confidential information).
- B. Preparation of other technical memorandums at the request of either the General Manager or the District Board of Directors.

The proposed budget for Task Order 100 is forty (40) hours of Dr. Newton's effort, plus hours for his support staff and budget for his travel when requested.

Budget

The budget for Task Order 100, through December 31, 2011, is ten thousand (\$10,000) dollars to be billed on a time and material basis in accordance with the Agreement.



(Initial)
Engineer/Consultant

Wagner & Bonsignore

Consulting Civil Engineers, A Corporation

Nicholas F. Bonsignore, P.E.
Robert C. Wagner, P.E.
Paula J. Whealen
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David Houston, P.E.
David P. Lounsbury, P.E.
Emily MacDonald
Ryan E. Stolfus

James C. Hanson
Consulting Civil Engineer
A Corporation

MEMORANDUM

To: **Michael LeBrun**, General Manager NCS D

From: Brad Newton

Date: November 03, 2011

Re: Budget Augmentation, Task Order 100

Thank you for your email dated November 02, 2011 requesting documentation of the previous budget augmentation, Task Order 100-11A, in the amount of \$5,000 authorized on May 03, 2011. In addition, you have requested a summarization of the current need for budget augmentation to Task Order 100-11. The terms and conditions of the Agreement for Professional Engineering Services, dated September 22, 2010, are incorporated herein by this reference.

Task Order 100-11, General Consultation, was authorized on January 1, 2011. The budget proposed was to allow for Wagner & Bonsignore (Engineer-Consultant) to provide the following assignments:

- A. Preparation of Spring and Fall Groundwater Index (GWI) technical memorandum and presentation thereof to the District Board of Directors.
 - It is understood that reports will, in whole or in part, be based on confidential information obtained in confidence from landowners related to private wells. (see specifically Section 26 of the Agreement related to confidential information).
- B. Preparation of other technical memorandums at the request of either the General Manager or the District Board of Directors.

The initial budget allocated for the aforementioned assignments was ten thousand (\$10,000) dollars, which accounts for forty (40) hours of Dr. Newton's efforts plus budget for his support staff and his travel when requested, to be billed on a time and material basis in accordance with the Agreement, dated September 22, 2010. At that time, One thousand one

hundred ten (\$1110) dollars was available from the previous year's budget, giving a total available budget of eleven thousand one hundred ten (\$11,110) dollars on January 01, 2011.

Budget augmentation Task Order 100-11A in the amount of five thousand (\$5,000) dollars was requested and authorized on May 02, 2011 to fund the assistance in developing exhibits for public outreach efforts related to supplemental water project in the amount of two thousand five hundred (\$2,500) dollars, and to provide continuing general consultation at the request of the NCSD's General Manager. The total budget for Task Order 100 including this augmentation is sixteen thousand one hundred ten (\$16,110) dollars. The following summarizes the budgeted work accomplished to date.

To-Date Budgeted Accomplishments in 2011:

- Refinements to Fall 2010 GWI as directed by the NCSD Board of Directors,
- Presentation to the NCSD Board of Directors, January 12, 2011,
- Preparation of Saltwater Intrusion Presentation, March 04, 2011,
- Preparation of the Spring 2011 GWI and 2011 Key Well Index,
- Presentation to the NCSD Board of Directors, June 22, 2011,
- Begin preparation of Fall 2011 Groundwater Index.

Total Cost Incurred = \$16,542

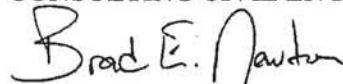
The October 2011 invoice was prepared and professional services by Wagner & Bonsignore have exceeded our contract budget by \$432.24. In addition to the previously authorized work conducted, the following anticipated work is currently unfunded.

Anticipated work:

- Prepare preparation of Fall 2011 Groundwater Index,
- Presentation to the NCSD Board of Directors, December 2011.

As always, please feel free to contact me at (805) 636-6619 if you have questions regarding this letter or the referenced invoices.

Very truly yours,
WAGNER & BONSIGNORE
CONSULTING CIVIL ENGINEERS



Brad Newton, Ph.D., P.G.