

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.

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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, Vierheilg 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, Vierheilg 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 Vierheilg, the Board of Directors unanimously approved staff's recommendation. Vote 4-0

YES VOTES	NO VOTES	ABSENT
Directors Winn, Vierheilg, 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, Vierheilg, 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

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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



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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.

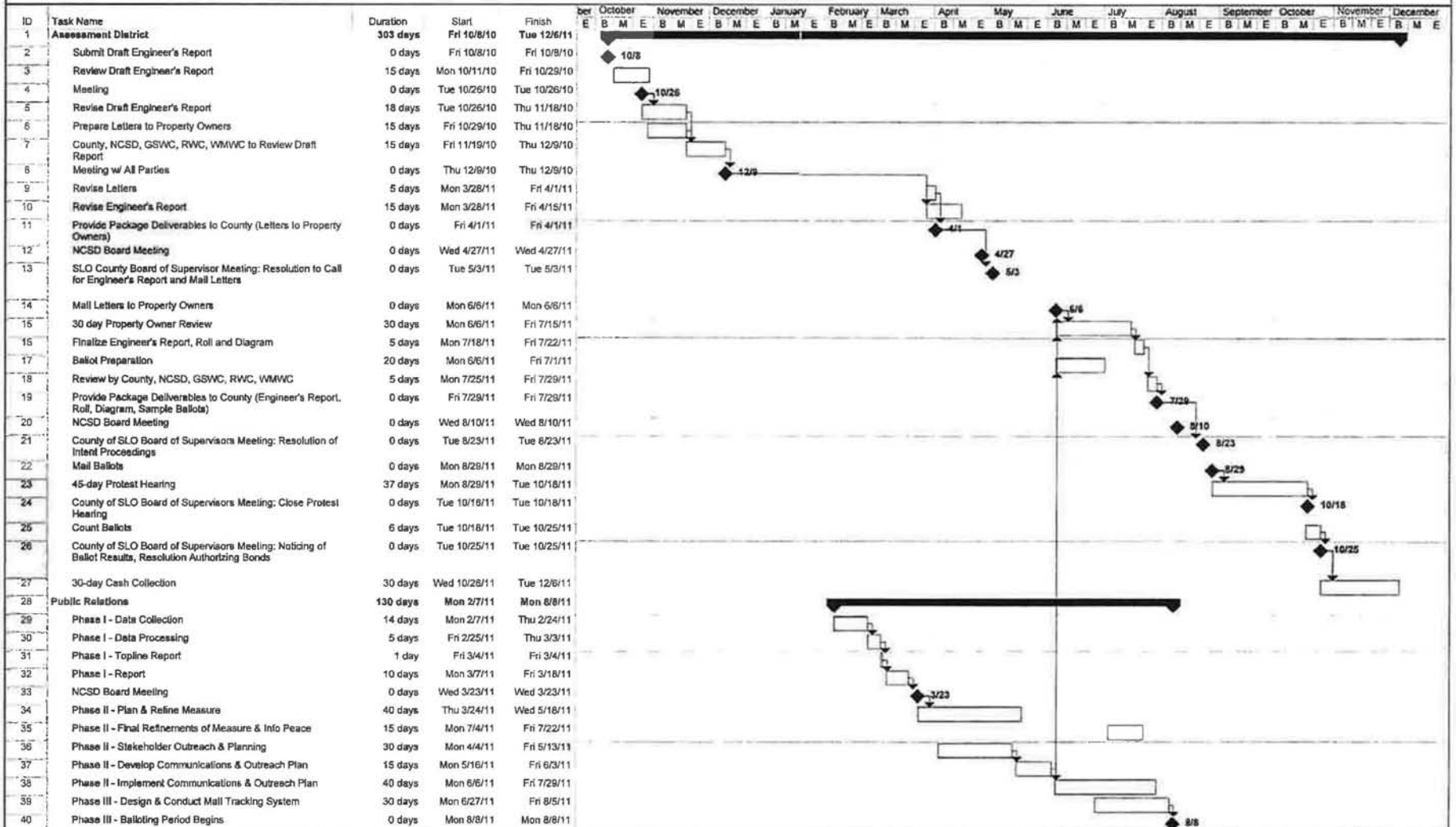
**RECOMMENDATION**

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
<b>Construction</b>			
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	
<b>Additional Expenses</b>			
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	\$20,000 allowance for EIR Addendum plus expenses to date
Attorney Fees	Do we need to add more for anticipated attorney fees throughout A	\$123,662.00	\$40,000 allowance for attorney fees 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
<b>Construction Subtotal</b>			
Construction Subtotal		\$18,258,435.00	
Additional Expenses Subtotal		\$7,014,361.20	
<b>Grand Project Total</b>		<b>\$25,272,796.20</b>	
<b>SM Capital Costs of Water</b>			
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 4<sup>th</sup> 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) <sup>1</sup>
<p><b>SCENARIO 1:</b> 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"> <li>➤ Provides a uniform approach and time schedule for collection of construction funding in all four water supplier areas.</li> <li>➤ Impact to customer water rates minimized.</li> <li>➤ Includes participation by vacant and under-developed land owners.</li> </ul>	<ul style="list-style-type: none"> <li>➤ In order to pass an assessment district the majority of the vote cast must be in support of the assessment.</li> <li>➤ Property secured financing may be more expensive than rate secured financing in the current bond market.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Would require a Prop 218 Rate hearing and rate increase.</li> </ul>	<ul style="list-style-type: none"> <li>➤ \$239 annual property tax assessment for 30 years (or \$3,000 onetime payment)</li> <li>➤ \$8 monthly average increase in water bill.<sup>2</sup></li> </ul>
<p><b>SCENARIO 2:</b> 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"> <li>➤ Consistent approach and schedule for obtaining time-sensitive Construction Capital.</li> <li>➤ Removes complexity introduced by linking cost of Santa Maria water to capital.</li> <li>➤ Reduces potential for challenge to assessment district formation and is better for bond sale.</li> <li>➤ Lower property tax levy than Option 1 increasing chance of assessment district approval by property owners.</li> <li>➤ Vacant land participates in construction capital.</li> <li>➤ Paying for Santa Maria water is more directly linked to water rates and usage.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Relies on property secured financing (more expensive than rate secured) for construction capital.</li> <li>➤ Requires '50+1' vote in support to pass property tax assessment.</li> <li>➤ Vacant lands do not participate in cost of water from Santa Maria.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Once the property tax measure to fund capital passes, all partners will have ~2 years to get rates that support water purchase in place.</li> </ul>	<ul style="list-style-type: none"> <li>➤ \$103 annual property tax assessment for 30 years (or \$1,200 on time payment)</li> <li>➤ \$ 12 monthly average increase in water bill.<sup>2</sup></li> </ul>
<p><b>SCENARIO 3:</b> Rate increases are used to secure bonding and cover water costs.</p>	<ul style="list-style-type: none"> <li>➤ Rate based financing is most favorable in today's bond market – therefore cost of financing is lowest.</li> <li>➤ Prop. 218 protest vote requires a majority of customers to vote against the proposed rate increase to defeat.</li> <li>➤ No Assessment District Formation/Property Tax measure</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ Alternative would be for District to 'cover' PUC (RWC and GSWC) capital portion and recoup through future water charges.</li> <li>➤ Vacant land does not participate – unless a separate 'Standby' charge is adopted (Supplemental Water connection charges would apply)</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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.</li> </ul>	<ul style="list-style-type: none"> <li>➤ \$0 annual property tax assessment.</li> <li>➤ \$23 monthly average increase in water bill.<sup>2</sup></li> </ul>

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).