

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*  
GENERAL MANAGER

DATE: JANUARY 6, 2012

**AGENDA ITEM  
E-1  
JANUARY 11, 2012**

## **APPROVE SUPPLEMENTAL WATER PROJECT PROPERTY OWNER LETTER**

### **ITEM**

Review a draft letter to property owners within the proposed assessment district.  
[RECOMMEND APPROVAL]

### **BACKGROUND**

In order to verify the Assessment Engineer's database prior to finalizing the Assessment Engineer's Report and developing the Assessment Ballot, a letter describing the process and benefit assignment to each property is scheduled to be mailed on January 13, 2012.

The draft letter has been under focused review and revision by the Outreach Ad Hoc Committee to insure the message conveyed by the letter is articulate.

At agenda posting, the draft letter remains under review by the Committee and will be posted prior to the meeting or brought directly to the meeting for Board review and action.

### **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 cost and are recoverable following a successful financing vote.

### **STRATEGIC PLAN**

Strategic Plan Goal 1.2 – Secure New Water Supplies

### **RECOMMENDATION**

Staff recommends your Board consider draft letter, direct any changes, and by motion and roll call vote approve the draft letter and direct staff to mail to property owners within the proposed assessment area.

### **ATTACHMENTS**

- NONE

TO: BOARD OF DIRECTORS  
FROM: MICHAEL S. LEBRUN *ML*  
GENERAL MANAGER  
DATE: JANUARY 6, 2012

**AGENDA ITEM  
E-2  
JANUARY 11, 2012**

## **APPROVE SUPPLEMENTAL WATER PROJECT BENEFIT ASSIGNMENT CHANGE POLICY**

### **ITEM**

Adopt a resolution approving a supplemental water project benefit assignment change policy. [RECOMMEND CONSIDER DRAFT BENEFIT ASSIGNMENT CHANGE POLICY, DIRECT CHANGES, BY MOTION AND ROLL CALL VOTE APPROVE RESOLUTION ADOPTING BENEFIT ASSIGNMENT CHANGE POLICY]

### **BACKGROUND**

The assignment of supplemental water project benefit to the nearly 8,000 parcels within the proposed assessment district requires a varying degree of interpretation depending on property complexity. The main area of ambiguity arises when a property is vacant or partially developed.

Staff seeks clear guidance from your Board on the review and approval of requests for changes to benefit assignment based on development potential. A draft policy and draft Resolution adopting the policy are provided for review.

### **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 cost and are recoverable following a successful financing vote.

### **STRATEGIC PLAN**

Strategic Plan Goal 1.2 – Secure New Water Supplies

### **RECOMMENDATION**

Staff recommends your Board consider draft policy and Resolution, direct any changes, and by motion and roll call vote approve Resolution adopting benefit assignment change Policy.

### **ATTACHMENTS**

- Draft Benefit Unit Assignment Change Request Policy
- Draft Resolution

**NIPOMO MESA SUPPLEMENTAL WATER PROJECT  
PROPOSED ASSESSMENT DISTRICT NO. 1**

**BENEFIT UNIT ASSIGNMENT CHANGE REQUEST POLICY**

All parcels served water within the proposed Nipomo Mesa Supplemental Water Project Assessment District No. 1 boundary shall have benefit units assigned based on the Basis of Assessment as approved by the NCS D Board of Directors on December 14, 2011. Any property owner within the proposed Nipomo Mesa Supplemental Water Project Assessment District No. 1 boundary may request a change to the benefit unit(s) assignment proposed for their property. Requests for change must be made prior to February 16, 2012. Changes based on the following reasons will be considered:

- Property Owner requests a change in benefit unit assignment related to future development potential changes on their property.
- An error has been made in determining the existing development or future development potential for the property.

A property owner may request either a decrease or an increase in their property's proposed benefit unit assignment. In addition, an owner of property inside the proposed Assessment District may request that their property be excluded from the Assessment District if water is not being provided and will not be provided in the future to the property by one of the four water purveyors: Nipomo Community Services District, Golden State Water Company, Rural Water Company, or Woodlands Mutual Water Company.

Where a property owner requests a decreased benefit unit assignment, the Board may reduce the benefit unit assignment if the property owner records a District approved "Deed Restriction" on the title of that lot in favor of NCS D limiting future development on the property. The Deed Restriction shall reflect the requested revision of benefit unit assignment in concurrence with the Basis of Assessment. The owner shall provide proof of such recordation to NCS D on or before close of business on March 14, 2012 or the benefit unit assignment will revert to that originally proposed by the Assessment Engineer.

Where a property owner requests an increased assignment of benefit units the Board may increase the benefit unit assignment up to the maximum number of dwelling unit equivalents allowed under the existing County General Plan and/or zoning, whichever is lesser, In such cases, the property owner must record on title a District approved "Waiver and Consent Form" for the increased benefit assignment. Property Owner shall provide proof of such Consent Form recordation to NCS D on or by March 14, 2012, or the benefit assignment will revert to that originally proposed by the Assessment Engineer.

## **BENEFIT UNIT ASSIGNMENT CHANGE REQUEST GUIDELINES**

***\*\*Only the property owner as stated on the title of the property, or legally authorized representative is eligible to request benefit unit assignment changes.***

The following steps will be followed by the property owner and NCSD for **Benefit Unit Assignment Change Requests**:

1. The Property owner shall complete a Benefit Unit Assignment Change Request Application and submit to the Assessment Engineer no later than close of business on February 16, 2012 for review. Applications received after close of business on February 16, 2012 will not be reviewed unless the application is due to an error by the Assessment Engineer.
2. The Assessment Engineer will evaluate the application request and submit a recommendation to the NCSD Board for approval at the February 29, 2012, or subsequent, NCSD Board Meeting. The Engineer's Report, with these approved amendments, will be adopted as Final at a subsequent NCSD Board meeting currently scheduled on March 14, 2012.
3. Upon approval of the request by the NCSD Board, the property owner must submit either the recorded "Deed Restriction" or the signed "Waiver and Consent Form" no later than close of business March 14, 2012 to fully execute the approval of the request. If the request application is denied, the property owner will be notified, in writing by the Assessment Engineer, the reason for the denial and the original assessment will remain on the Engineer's Report.

The Assessment Engineer contact information is as follows:

Kari Wagner, P.E.  
Wallace Group  
612 Clarion Court  
San Luis Obispo, CA 93401  
(805) 929-0411  
[Kariw@wallacegroup.us](mailto:Kariw@wallacegroup.us)

**RESOLUTION NO. 2012-XXX**

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE NIPOMO COMMUNITY SERVICES DISTRICT ADOPTING  
A BENEFIT UNIT ASSIGNMENT CHANGE REQUEST POLICY  
FOR THE NIPOMO MESA SUPPLEMENTAL WATER PROJECT  
ASSESSMENT DISTRICT #1**

**WHEREAS**, the Board of Directors (the “Board”) of the Nipomo Community Services District (the “District”) intends to form an Assessment District to be designated Nipomo Mesa Supplemental Water Project Assessment District No. 1 (the “Assessment District”), pursuant to the provisions of the Municipal Improvement Act of 1913 (the “Improvement Act”), being Division 12 (commencing with Section 10000) of the Streets and Highways Code of the State of California, Article XIID of the Constitution of the State of California (“Article XIID”) and the Proposition 218 Omnibus Implementation Act (commencing with Section 53750) of the Government Code of the State of California for the purpose of financing the acquisition or construction of certain public improvements (the “Improvements”) for the purposes of providing supplemental water to the properties located within the proposed Assessment District; and

**WHEREAS**, the territory proposed for inclusion in the proposed Assessment District includes parcels of land located within the District as well as certain other parcels of land located in whole or in part within The Woodlands Mutual Water Company, Rural Water Company and Golden State Water Company (herein collectively Water Companies) all of which are parties to the June 2005 Stipulation (the Stipulation) in that certain lawsuit commonly known as Santa Maria Valley Water Conservation District vs. City of Santa Maria, et. al.; Superior Court of California, County of Santa Clara Case No. 1-97-CV-770214 (herein the “Basin Litigation”); and

**WHEREAS**, the boundaries of the Water Companies are located in whole or in part within the Nipomo Mesa Water Conservation Area as established by the County of San Luis Obispo and the Nipomo Mesa Management Area as established in the Basin Litigation; and

**WHEREAS**, the territory proposed for inclusion in the proposed Assessment District, in the opinion of the Board, will be specifically benefitted by the Improvements; and

**WHEREAS**, the Board desires to adopt a policy that would allow property owner(s) within the proposed Assessment District to petition the Board to either decrease or increase their properties proposed benefit unit assignment.

**NOW THEREFORE BE IT RESOLVED, DETERMINED, AND ORDERED BY  
THE NIPOMO COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS  
AS FOLLOWS:**

The Nipomo Mesa Supplemental Water Project proposed Assessment District #1 Benefit Unit Assignment Change Request Policy attached hereto as Exhibit "A", is hereby approved and adopted.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_ and on the following roll call vote, to wit:

DIRECTORS

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

the foregoing resolution is hereby adopted this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
James Harrison, President  
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Michael S. LeBrun  
General Manager and  
Secretary to the Board

\_\_\_\_\_  
Jon S. Seitz  
District Legal Counsel

TO: BOARD OF DIRECTORS  
FROM: MICHAEL S. LEBRUN *MSL*  
GENERAL MANAGER  
DATE: JANUARY 7, 2012



**AUTHORIZE APPLICATION FOR USDA LOAN TO SUPPORT  
WOODLANDS MUTUAL WATER COMPANY FINANCING OF  
SUPPLEMENTAL WATER PROJECT**

**ITEM**

Authorize the application for USDA loan support on behalf of Woodlands Mutual Water Company [RECOMMEND BY MOTION AND ROLL CALL VOTE AUTHORIZE STAFF TO FILE APPLICATION WITH USDA].

**BACKGROUND**

Woodlands Mutual Water Company (WMWC) is pursuing a low interest loan (~3.75%) through the United States Department of Agriculture (USDA) to fund WMWC's portion of the Supplemental Water Project. Due to the high number of undeveloped land with the WMWC boundary, the area is considered a high risk in the bond market. WMWC contacted USDA to determine if they would qualify for a low interest loan through USDA rural load program. Based on the number of units within WMWC, USDA has tentatively confirmed that WMWC would qualify for the low interest loan with an assessment district formation and requested a pre-application be filed.

As project lead and assessment district lead, USDA requires NCSD to file the pre-application on behalf of WMWC. WMWC is requesting the attached pre-application be filed on their behalf to USDA by NCSD.

**FISCAL IMPACT**

Minor budgeted staff time used in preparation of these materials

**STRATEGIC PLAN**

Strategic Plan Goal 1.2 – Secure New Water Supplies

**RECOMMENDATION**

Staff recommends your Board, by motion and roll call vote, authorize staff to file application with USDA.

**ATTACHMENTS**

- USDA Loan Application

| Application for Federal Assistance SF-424   |   | Version 02  |   |
|---|---|---|---|
| <b>* 1. Type of Submission:</b><br><input checked="" type="checkbox"/> Preapplication<br><input type="checkbox"/> Application<br><input type="checkbox"/> Changed/Corrected Application |   | <b>* 2. Type of Application:</b><br><input checked="" type="checkbox"/> New<br><input type="checkbox"/> Continuation<br><input type="checkbox"/> Revision | <b>* If Revision, select appropriate letter(s):</b><br>_____<br><b>* Other (Specify)</b><br>_____ |
| <b>* 3. Date Received:</b><br>_____   | <b>4. Applicant Identifier:</b><br>_____      |   |   |
| <b>5a. Federal Entity Identifier:</b><br>_____  |   | <b>* 5b. Federal Award Identifier:</b><br>_____   |   |
| <b>State Use Only:</b>  |   |   |   |
| <b>6. Date Received by State:</b> _____   | <b>7. State Application Identifier:</b> _____ |   |   |
| <b>8. APPLICANT INFORMATION:</b>  |   |   |   |
| <b>* a. Legal Name:</b> Nipomo Community Services District  |   |   |   |
| <b>* b. Employer/Taxpayer Identification Number (EIN/TIN):</b><br>95-6133986  |   | <b>* c. Organizational DUNS:</b><br>06-624-0250   |   |
| <b>d. Address:</b>  |   |   |   |
| <b>* Street 1:</b>  | P.O. Box 326                                  |   |   |
| <b>Street 2:</b>  | _____   |   |   |
| <b>* City:</b>  | Nipomo  |   |   |
| <b>County:</b>  | San Luis Obispo                               |   |   |
| <b>* State:</b>   | CA  |   |   |
| <b>Province:</b>  | _____   |   |   |
| <b>* Country:</b>   | USA: UNITED STATES                            |   |   |
| <b>* Zip / Postal Code:</b>   | 93444   |   |   |
| <b>e. Organizational Unit:</b>  |   |   |   |
| <b>Department Name:</b>   | _____   |   |   |
| <b>Division Name:</b>   | _____   |   |   |
| <b>f. Name and contact information of person to be contacted on matters involving this application:</b>   |   |   |   |
| <b>Prefix:</b>  | _____   | <b>* First Name:</b> Kari   |   |
| <b>Middle Name:</b>   | _____   |   |   |
| <b>* Last Name:</b>   | Wagner  |   |   |
| <b>Suffix:</b>  | _____   |   |   |
| <b>Title:</b>   | Senior Civil Engineer                         |   |   |
| <b>Organizational Affiliation:</b><br>Wallace Group   |   |   |   |
| <b>* Telephone Number:</b>  | (805) 544-4011                                | <b>Fax Number:</b> (805) 544-4294   |   |
| <b>* Email:</b>   | kariw@wallacegroup.us                         |   |   |



**Application for Federal Assistance SF-424**

Version 02

**9. Type of Applicant 1 - Select Applicant Type:**

Special District

Type of Applicant 2- Select Applicant Type:

Type of Applicant 3- Select Applicant Type:

\* Other (specify):

**\* 10. Name of Federal Agency:**

NGMS Agency

**11. Catalog of Federal Domestic Assistance Number:**

10.760

CFDA Title:

Water and Waste Disposal Loan and Grant Program

**\* 12. Funding Opportunity Number:**

MBL-SF424 FAMILY-ALL FORMS

\* Title:

MBL-SF424 FAMILY - ALL FORMS

**13. Competition Identification Number:**

Title:

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

Nipomo Community Services District, Woodlands Mutual Water Company, Golden State Water Company, Rural Water Company

**\* 15. Descriptive Title of Applicant's Project:**

Nipomo Mesa Supplemental Water Supply Project

Attach supporting documents as specified in agency instructions.

**Application for Federal Assistance SF-424** Version 02

**16. Congressional Districts Of:**  
\* a. Applicant  \* b. Program/Project

Attach an additional list of Program/Project Congressional Districts if needed.

**17. Proposed Project:**  
\* a. Start Date:  \* b. End Date:

**18. Estimated Funding (\$):**

|                     |  |
|---------------------|--|
| * a. Federal        | <input type="text" value="\$4,104,906.00"/>  |
| * b. Applicant      | <input type="text" value="\$13,186,314.00"/> |
| * c. State          | <input type="text"/>                         |
| * d. Local          | <input type="text"/>                         |
| * e. Other          | <input type="text" value="\$4,172,094.00"/>  |
| * f. Program Income | <input type="text" value="\$8,300,000.00"/>  |
| * g. TOTAL          | <input type="text" value="\$29,763,314.00"/> |

**\* 19. Is Application Subject to Review By State Under Executive Order 12372 Process?**  
 a. This application was made available to the State under the Executive Order 12372 Process for review on .  
 b. Program is subject to E.O. 12372 but has not been selected by the State for review.  
 c. Program is not covered by E.O. 12372.

**\* 20. Is the Applicant Delinquent On Any Federal Debt? (if "Yes", provide explanation.)**  
 Yes  No

**21. \*By signing this application, I certify (1) to the statements contained in the list of certifications- and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances \*\*and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 218, Section 1001)**  
 \*\* I AGREE  
\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions.

**Authorized Representative:**

Prefix:  \* First Name:   
Middle Name:   
\* Last Name:   
Suffix:   
\* Title:   
\* Telephone Number:  Fax Number:   
\* Email:   
\* Signature of Authorized Representative:  \* Date Signed:

**Application for Federal Assistance SF-424**

**Version 02**

**\* Applicant Federal Debt Delinquency Explanation**

The following field should contain an explanation if the Applicant organization is delinquent on any Federal Debt. Maximum number of characters that can be entered is 4,000. Try and avoid extra spaces and carriage returns to maximize the availability of space.

**BUDGET INFORMATION - Construction Programs** NOTE: Certain Federal assistance programs require additional computations to arrive at the Federal share of project costs eligible for participation. If such is the case, you will be notified.

| COST CLASSIFICATION  | a. Total Cost | b. Costs Not Allowable for Participation | c. Total Allowable Costs (Columns a-b) |
|--|---------------|--|--|
| 1. Administrative and legal expenses   | \$ 1,007,000  | \$ 867,128                               | \$139,872                              |
| 2. Land, structures, rights-of-way, appraisals, etc.   | \$ 360,000    | \$309,996                                | \$50,004                               |
| 3. Relocation expenses and payments  | \$            | \$                                       | \$                                     |
| 4. Architectural and engineering fees  | \$ 1,523,605  | \$ 1,311,976                             | \$ 211,629                             |
| 5. Other architectural and engineering fees  | \$ 1,692,264  | \$ 1,457,208                             | \$235,056                              |
| 6. Project inspection fees   | \$ 2,299,460  | \$ 1,980,065                             | \$319,395                              |
| 7. Site work   | \$            | \$                                       | \$                                     |
| 8. Demolition and removal  | \$            | \$                                       | \$                                     |
| 9. Construction  | \$ 15,876,900 | \$13,671,599                             | \$2,205,301                            |
| 10. Equipment  | \$            | \$                                       | \$                                     |
| 11. Miscellaneous  | \$ 3,934,317  | \$ 3,097,589                             | \$836,728                              |
| 12. SUBTOTAL (sum of lines 1-11)   | \$ 26,693,546 | \$ 22,695,561                            | \$ 3,997,985                           |
| 13. Contingencies  | \$ 3,069,768  | \$2,643,377                              | \$426,391                              |
| 14. SUBTOTAL   | \$ 29,763,314 | \$ 25,338,938                            | \$ 4,424,376                           |
| 15. Project (program) income   | \$ 8,300,000  | \$7,980,530                              | \$319,470                              |
| 16. TOTAL PROJECT COSTS (subtract #15 from #14)  | \$ 21,463,314 | \$ 17,358,408                            | \$4,104,906                            |
| <b>FEDERAL FUNDING</b>   |               |  |  |
| 17. Federal assistance requested, calculate as follows: (Consult Federal agency for Federal percentage share.) Enter the resulting Federal share. Enter eligible costs from line 16c Multiply X 100% |               |  | \$ 4,104,906                           |

## ASSURANCES - CONSTRUCTION PROGRAMS

OMB Approval No. 4040-0009

Expiration Date 4/30/2008

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0042), Washington, DC 20503.

**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

**NOTE:** Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain Federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.
4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.
5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.
6. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
8. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
9. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
10. Will comply with all Federal statutes relating to non-discrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681 1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.

11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
12. Will comply with the provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
13. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333) regarding labor standards for federally-assisted construction subagreements.
14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the

National Environmental Policy Act of 1969 (P.L. 91- 190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).

16. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-1 33, "Audits of States, Local Governments, and Non-Profit Organizations."
19. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

|  |                          |
|--|--------------------------|
| SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL                  | TITLE<br>General Manager |
| APPLICANT ORGANIZATION<br>Nipomo Community Services District | DATE SUBMITTED           |

SF-424D (Rev. 7-97) Back

**PREAPPLICATION CERTIFICATION FOR  
WATER AND WASTEWATER PROJECTS**

**The undersigned certifies that:**

1. The organization is aware of and in compliance with other Federal statute requirements including but not limited to:
  - a. Section 504 of the Rehabilitation Act of 1973.
  - b. Civil Rights Act of 1964.
  - c. The Americans with Disabilities Act (ADA) of 1990
  - d. Age Discrimination Act of 1975.
2. The organization is unable to finance the proposed project from its own resources or through commercial credit at reasonable rates and terms.  
Note: If other lenders were contacted, provide the letter(s) indicating the reasons that such financing cannot be provided.
3. The organization has no known relatives or close associates that are current USDA Rural Development employees.
4. No outstanding judgment has been obtained and recorded by the United States of America in a Federal Court (other than in the United States Tax Court.)

---

Name of Organization

---

Signature of Authorized Official

---

Date

**FINANCIAL INFORMATION**

- 1. Attach a copy of your most recent annual audit or financial statements (including balance sheet and income statement).**
- 2. Provide the following information for all existing long-term debt (bonds, notes, contracts) on the facility:**

Lender: \_\_\_\_\_

Original Principal: \$\_\_\_\_\_ Original Date: \_\_\_\_\_

Current Principal Balance: \$\_\_\_\_\_

Interest Rate: \_\_\_\_\_ Original Term: \_\_\_\_\_

Annual Payment: \$\_\_\_\_\_ (principal and interest)

Lender: \_\_\_\_\_

Original Principal: \$\_\_\_\_\_ Original Date: \_\_\_\_\_

Current Principal Balance: \$\_\_\_\_\_

Interest Rate: \_\_\_\_\_ Original Term: \_\_\_\_\_

Annual Payment: \$\_\_\_\_\_ (principal and interest)

Lender: \_\_\_\_\_

Original Principal: \$\_\_\_\_\_ Original Date: \_\_\_\_\_

Current Principal Balance: \$\_\_\_\_\_

Interest Rate: \_\_\_\_\_ Original Term: \_\_\_\_\_

Annual Payment: \$\_\_\_\_\_ (principal and interest)



# 2009 TAX RETURN FILING INSTRUCTIONS

U.S. CORPORATION INCOME TAX RETURN

FOR THE YEAR ENDING

SEPTEMBER 30, 2010

|   |  |
|---|--|
| <b>Prepared for</b>                                 | THE WOODLANDS MUTUAL WATER COMPANY OF<br>SAN LUIS OBISPO COUNTY<br>31200 VIA COLINAS, SUITE 200<br>WESTLAKE VILLAGE, CA 91362  |
| <b>Prepared by</b>                                  | RADAKOVICH, SHAW & BLYTHE, LLP, C.P.A.'S<br>3220 S. HIGUERA STREET, SUITE 201<br>SAN LUIS OBISPO, CALIFORNIA 93401-6987  |
| <b>To be signed and dated by</b>                    | THE APPROPRIATE CORPORATE OFFICER(S).  |
| <b>Amount of tax</b>                                | Total tax \$ ..... 227<br>Less: payments and credits \$ ..... 290<br>Plus: other amount \$ ..... 0<br>Plus: interest and penalties \$ ..... 0<br>NO PMT REQUIRED \$ .....  |
| <b>Overpayment</b>                                  | Credited to your estimated tax \$ ..... 63<br>Other amount \$ ..... 0<br>Refunded to you \$ ..... 0  |
| <b>Make check payable to</b>                        | NOT APPLICABLE   |
| <b>Mail tax return and check (if applicable) to</b> | THIS RETURN HAS QUALIFIED FOR ELECTRONIC FILING. AFTER YOU HAVE REVIEWED THE RETURN FOR ACCURACY, PLEASE SIGN, DATE AND RETURN FORM 8879-C TO OUR OFFICE. WE WILL TRANSMIT YOUR RETURN ELECTRONICALLY TO THE IRS, AND NO FURTHER ACTION IS REQUIRED. |
| <b>Return must be mailed on or before</b>           | NOT APPLICABLE   |
| <b>Special Instructions</b>                         |  |

# IRS e-file Signature Authorization for Form 1120

## 2009

Department of the Treasury  
Internal Revenue Service

For calendar year 2009, or tax year beginning OCT 1, 2009, and ending SEP 30, 2010

▶ See instructions. Do not send to the IRS. Keep for your records.

Name of corporation **THE WOODLANDS MUTUAL WATER COMPANY OF SAN LUIS OBISPO COUNTY** Employer identification number **90-0201305**

| Part I Tax Return Information (Whole dollars only) |        |
|--|--------|
| 1 Total income (Form 1120, line 11)                | 700104 |
| 2 Taxable income (Form 1120, line 30)              | 1515   |
| 3 Total tax (Form 1120, line 31)                   | 227    |
| 4 Amount owed (Form 1120, line 34)                 |        |
| 5 Overpayment (Form 1120, line 35)                 | 63     |

### Part II Declaration and Signature Authorization of Officer (Be sure to get a copy of the corporation's return)

Under penalties of perjury, I declare that I am an officer of the above corporation and that I have examined a copy of the corporation's 2009 electronic income tax return and accompanying schedules and statements and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that the amounts in Part I above are the amounts shown on the copy of the corporation's electronic income tax return. I consent to allow my electronic return originator (ERO), transmitter, or intermediate service provider to send the corporation's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) an indication of any refund offset, (c) the reason for any delay in processing the return or refund, and (d) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the corporation's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the corporation's electronic income tax return and, if applicable, the corporation's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize RADAKOVICH, SHAW & BLYTHE, LLP, C.P.A.'S to enter my PIN 40190 as my signature on the corporation's 2009 electronically filed income tax return. ERO firm name do not enter all zeros

As an officer of the corporation, I will enter my PIN as my signature on the corporation's 2009 electronically filed income tax return.

Officer's signature  Date 12-20-10 Title TREASURER

### Part III Certification and Authentication

ERO's EFIN/PIN. Enter your six-digit EFIN followed by your five-digit self-selected PIN. 95125340190  
do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2009 electronically filed income tax return for the corporation indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 3112, IRS e-file Application and Participation, and Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature Edwin R. Shaw, C.P.A. Date 12/12/10

**ERO Must Retain This Form - See Instructions  
Do Not Submit This Form to the IRS Unless Requested To Do So**

For Paperwork Reduction Act Notice, see instructions.  
LHA

Form **8879-C** (2009)

# 2009 TAX RETURN FILING INSTRUCTIONS

CALIFORNIA FORM 100

FOR THE YEAR ENDING  
SEPTEMBER 30, 2010

|   |  |
|---|--|
| <b>Prepared for</b>                                 | THE WOODLANDS MUTUAL WATER COMPANY OF<br>SAN LUIS OBISPO COUNTY<br>31200 VIA COLINAS, SUITE 200<br>WESTLAKE VILLAGE, CA 91362  |
| <b>Prepared by</b>                                  | RADAKOVICH, SHAW & BLYTHE, LLP, C.P.A.'S<br>3220 S. HIGUERA STREET, SUITE 201<br>SAN LUIS OBISPO, CALIFORNIA 93401-6987  |
| <b>To be signed and dated by</b>                    | THE APPROPRIATE CORPORATE OFFICER(S).  |
| <b>Amount of tax</b>                                | Total tax \$ 800.00<br>Less: payments and credits \$ 800.00<br>Plus: other amount \$ 0.00<br>Plus: interest and penalties \$ 0.00<br>NO PMT REQUIRED \$  |
| <b>Overpayment</b>                                  | Credited to your estimated tax \$ 0.00<br>Other amount \$ 0.00<br>Refunded to you \$ 0.00  |
| <b>Make check payable to</b>                        | NOT APPLICABLE   |
| <b>Mail tax return and check (if applicable) to</b> | THIS RETURN HAS QUALIFIED FOR ELECTRONIC FILING. AFTER YOU HAVE REVIEWED YOUR RETURN FOR ACCURACY, PLEASE SIGN, DATE AND RETURN FORM 8453-C TO OUR OFFICE. WE WILL THEN TRANSMIT YOUR RETURN TO THE FTB. DO NOT MAIL A COPY OF THE RETURN. |
| <b>Return must be mailed on or before</b>           | NOT APPLICABLE   |
| <b>Special Instructions</b>                         |  |

TAXABLE YEAR

2009

California e-file Return Authorization for Corporations

FORM

8453-C

Corporation name

THE WOODLANDS MUTUAL WATER COMPANY OF

Identifying number

90-0201305

Part I Tax Return Information (whole dollars only)

|   |  |   |          |
|---|--|---|----------|
| 1 | Total income (Form 100, line 9, Form 100S, line 8 or Form 100W, line 9)      | 1 | 2,315.00 |
| 2 | Taxable income (Form 100, line 23, Form 100S, line 21 or Form 100W, line 23) | 2 | 2,315.00 |
| 3 | Total tax (Form 100, line 31, Form 100S, line 30 or Form 100W, line 31)      | 3 | 800.00   |
| 4 | Tax due (Form 100, line 37, Form 100S, line 36 or Form 100W, line 37)        | 4 | 00       |
| 5 | Overpayment (Form 100, line 38, Form 100S, line 37 or Form 100W, line 38)    | 5 | 00       |

Part II Settle Your Account Electronically for Taxable Year 2009

6  Direct deposit of refund

7  Electronic funds withdrawal      7a Amount      7b Withdrawal date (MM/DD/YYYY)

Part III Schedule of Estimated Tax Payments for Taxable Year 2010 These are NOT installment payments for the current amount the corporation owes.

|                   | First Payment | Second Payment | Third Payment | Fourth Payment |
|-------------------|---------------|----------------|---------------|----------------|
| 8 Amount          |               |                |               |                |
| 9 Withdrawal Date |               |                |               |                |

Part IV Banking Information (Have you verified the corporation's banking information?)

10 Routing number \_\_\_\_\_

11 Account number \_\_\_\_\_

12 Type of account:  Checking  Savings

Part V Declaration of Officer

I authorize the corporate account be settled as designated in Part II. If I check Part II, Box 6, I declare that the account specified in Part IV for the direct deposit refund agrees with the authorization stated on my return. If I check Part II, Box 7, I authorize an electronic funds withdrawal for the amount listed on 7a and any estimated payment amounts listed on line 8 from the account specified in Part IV.

Under penalties of perjury, I declare that I am an officer of the above corporation and that the information I provided to my Electronic return originator (ERO), transmitter, or intermediate service provider and the amounts in Part I above agree with the amounts on the corresponding lines of the corporation's 2009 California Income tax return. To the best of my knowledge and belief, the corporation's return is true, correct, and complete. If the corporation is filing a balance due return, I understand that if the Franchise Tax Board (FTB) does not receive full and timely payment of the corporation's tax liability, the corporation will remain liable for the tax liability and all applicable interest and penalties. I authorize the corporation return and accompanying schedules and statements be transmitted to the FTB by the ERO, transmitter, or intermediate service provider. If the processing of the corporation's return or refund is delayed, I authorize the FTB to disclose to the ERO, intermediate service provider, the reason(s) for the delay or the date when the refund was sent.

Sign Here

*[Signature]*  
Signature of Officer

12/20/10  
Date

TREASURER  
Title

Part VI Declaration of Electronic Return Originator (ERO) and Paid Preparer.

I declare that I have reviewed the above corporation's return and that the entries on form FTB 8453-C are complete and correct to the best of my knowledge. (If I am only an Intermediate Service Provider, I understand that I am not responsible for reviewing the corporation's return. I declare, however, that form FTB 8453-C accurately reflects the data on the return.) I have obtained the corporate officer's signature on form FTB 8453-C before transmitting this return to the FTB; I have provided the corporate officer with a copy of all forms and information that I will file with the FTB, and I have followed all other requirements described in FTB Pub. 1345B, 2009 Business e-file Handbook for Authorized e-file Providers, and in FTB Pub. 1345, 2009 e-file Handbook for Authorized e-file Providers. I will keep form FTB 8453-C on file for four years from the due date of the return or four years from the date the corporation return is filed, whichever is later, and I will make a copy available to the FTB upon request. If I am also the paid preparer, under penalties of perjury, I declare that I have examined the above corporation's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I make this declaration based on all information of which I have knowledge.

ERO Must Sign

ERO's signature: *Edwin R. Shaw, C.P.A.*      Date: 12/12/10      Check if also paid preparer:       Check if self-employed:       ERO's SSN/PTIN: P00115854

Firm's name (or yours if self-employed) and address: RADAKOVICH, SHAW & BLYTHE, LLP, C.P.A.  
3220 S. HIGUERA STREET, SUITE 201  
SAN LUIS OBISPO, CALIFORNIA      FEIN: 27-0039022      ZIP Code: 93401-6987

Under penalties of perjury, I declare that I have examined the above corporation's return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I make this declaration based on all information of which I have knowledge.

Paid Preparer Must Sign

Paid preparer's signature: \_\_\_\_\_      Date: \_\_\_\_\_      Check if self-employed:       Paid preparer's SSN/PTIN: \_\_\_\_\_

Firm's name (or yours if self-employed) and address: \_\_\_\_\_      FEIN: \_\_\_\_\_      ZIP Code: \_\_\_\_\_

For Privacy Notice, get form FTB 1131.

11:14 AM  
12/19/11  
Accrual Basis

Woodlands Mutual Water Company  
**Balance Sheet**  
As of September 30, 2011

|                                       | <u>Sep 30, 11</u>        |
|---------------------------------------|--------------------------|
| <b>ASSETS</b>                         |                          |
| <b>Current Assets</b>                 |                          |
| <b>Checking/Savings</b>               |                          |
| Rabobank - N Mesa Wtr Mng             | 108,482.59               |
| Wells Fargo - ACH Accout              | 890.94                   |
| Wells Fargo - Operating               | 121,967.20               |
| Wells Fargo - Suppl                   | 46,437.37                |
| Wells Fargo - Suppl Savings           | 197,426.45               |
| <b>Total Checking/Savings</b>         | <u>475,204.55</u>        |
| <b>Accounts Receivable</b>            |                          |
| Accounts Receivable                   | 66,503.93                |
| <b>Total Accounts Receivable</b>      | <u>66,503.93</u>         |
| <b>Total Current Assets</b>           | <u>541,708.48</u>        |
| <b>TOTAL ASSETS</b>                   | <b><u>541,708.48</u></b> |
| <b>LIABILITIES &amp; EQUITY</b>       |                          |
| <b>Liabilities</b>                    |                          |
| <b>Current Liabilities</b>            |                          |
| Accounts Payable                      |                          |
| Accounts Payable                      | 34,931.76                |
| <b>Total Accounts Payable</b>         | <u>34,931.76</u>         |
| <b>Total Current Liabilities</b>      | 34,931.76                |
| <b>Long Term Liabilities</b>          |                          |
| N/P Woodland Ventures LLC/WW Fe       | 54,345.73                |
| Supplemental Water Reserve            | 403,461.66               |
| <b>Total Long Term Liabilities</b>    | <u>457,807.39</u>        |
| <b>Total Liabilities</b>              | 492,739.15               |
| <b>Equity</b>                         |                          |
| Retained Earnings                     | 47,671.46                |
| Net Income                            | 1,297.87                 |
| <b>Total Equity</b>                   | <u>48,969.33</u>         |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b><u>541,708.48</u></b> |

11:16 AM  
12/19/11  
Accrual Basis

**Woodlands Mutual Water Company**  
**Profit & Loss**  
October 2010 through September 2011

|                                 | <u>Oct '10 - Sep 11</u> |
|---------------------------------|-------------------------|
| <b>Ordinary Income/Expense</b>  |                         |
| <b>Income</b>                   |                         |
| Bank Interest                   | 773.77                  |
| Sales                           | 66.60                   |
| Uncategorized Income            | 340.24                  |
| Waste Water System Revenue      | 360,812.12              |
| Water System Revenue            | 323,061.09              |
| <b>Total Income</b>             | <u>685,053.82</u>       |
| <b>Gross Profit</b>             | 685,053.82              |
| <b>Expense</b>                  |                         |
| Accountant                      | 1,395.00                |
| Administration                  | 107,061.10              |
| Alarm Service                   | 1,680.52                |
| Bank Service Charges            | 964.39                  |
| Call Outs / Emergencies         | 5,006.55                |
| Cross Connection Control Progra | 1,707.16                |
| Electrical Power                | 135,600.51              |
| Gas Services                    | 565.68                  |
| Groundwater Monitoring          | 19,540.00               |
| Insurance Expense               | 10,443.00               |
| Lab Testing                     | 18,539.40               |
| Landscape Maintenance           | 7,750.00                |
| Legal Services                  | 395.00                  |
| Major Repairs/Contingency       | 44,515.00               |
| Misc                            | 61.94                   |
| Office Supplies                 | 587.90                  |
| Permits & Fees                  | 4,727.18                |
| Professional Fees               | -129.59                 |
| Repairs & Maintenance           | 18,040.32               |
| South County Sanitation         | 1,423.32                |
| System Operations               | 227,952.05              |
| Taxes                           | 967.00                  |
| Telephone Expense               | 4,266.68                |
| US Postmaster                   | 62.00                   |
| Website Services                | 2,906.00                |
| <b>Total Expense</b>            | <u>616,028.11</u>       |
| <b>Net Ordinary Income</b>      | 69,025.71               |
| <b>Other Income/Expense</b>     |                         |
| <b>Other Income</b>             |                         |
| Supplemental Water Revenue      | 0.00                    |
| <b>Total Other Income</b>       | 0.00                    |
| <b>Other Expense</b>            |                         |
| NMMA Tech Group                 | 67,727.84               |
| <b>Total Other Expense</b>      | <u>67,727.84</u>        |
| <b>Net Other Income</b>         | <u>-67,727.84</u>       |
| <b>Net Income</b>               | <u><u>1,297.87</u></u>  |

# **Offering Circular for The Woodlands Mutual Water Company Of San Luis Obispo**

**December 8, 2005**

**Contents:**

**Company Summary**

**Exhibit A: Second Amended and Restated Articles of Incorporation**

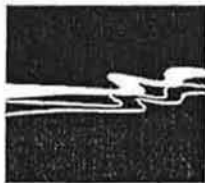
**Exhibit B: Bylaws of the Company**

**Exhibit C: Engineer's Executive Summary**

**Exhibit D: Specimen Stock Certificate**

**Exhibit E: Budget**

Prepared by:



**WALLACE GROUP**

4115 Broad Street, Suite B-5, San Luis Obispo, CA 93401

# Company Summary



## SUMMARY OF THE COMPANY AND ITS OPERATIONS

### **What is the Company and what area does it serve?**

The Woodlands Mutual Water Company of San Luis Obispo County ("Company"), is a corporation organized under the laws of California for the purpose of providing water and sewer service to property owners within a geographical service area which is defined as approximately 957 acres situated on the Nipomo Mesa in San Luis Obispo County, California, commonly known as "The Woodlands".

The Company is a special type of corporation known as a "mutual water company". A mutual water company is formed for the purpose of serving water to its shareholders at cost. The purpose of a "mutual water company" is not to make a profit, but to charge such fees and rates for the services it provides as are necessary to acquire water and to build, operate and maintain a water system in a defined geographical area. In addition to water service, the Company is also providing these functions in The Woodlands with respect to sewer service and maintenance of the local fire protection system.

The Company is governed by two documents, its Articles of Incorporation and its Bylaws. The Articles of Incorporation set forth the basic purpose of the Company and its service area. A copy of the Second Amended and Restated Articles of Incorporation of the Company filed with the California Secretary of State on May 9, 2005, is attached to this Offering Circular as Exhibit "A". The Bylaws of the Company provide the rules by which the Company is managed and operated and set forth the various rights and obligations of the shareholders. A copy of the Bylaws of the Company adopted on May 4, 2005, is attached to this Offering Circular as Exhibit "B".

### **Who manages the Company?**

The Company is managed a Board of Directors which is elected each year in April at the annual meeting of the shareholders. The Board of Directors is responsible for the management and operation of the Company, it approves the rules and regulations for providing water and sewer service and sets the fees, charges and rates for such service. There are currently four members of the Board of Directors, all of whom were appointed by Woodlands Ventures, LLC, the developer of The Woodlands ("Developer"). The Developer shall retain voting control over the Company and thereby the ability to appoint the Board of Directors until such time as 75% of the lots or parcels within the Company's service area have been transferred to new owners other than the Developer.

The Company also has corporate officers (President, Vice President, Treasurer and Secretary) who are appointed by the Board of Directors. These officers serve a corporate function, but are not actively involved in the operation of the Company. The current Board of Directors has engaged the services of Fluid Resource Management, Inc., a corporation that specializes in the operation of water systems, to operate and maintain the facilities and equipment of the Company and to provide the Company with certain administrative services.

### **What resources does the Company have to provide water and sewer service?**

The Developer has transferred to the Company all of the distribution and treatment facilities and infrastructure that are described in the Executive Summary of the Engineer's Report which is attached to this Offering Circular as Exhibit "C" ("Engineer's Summary"). A full copy of the Engineer's Report with all maps, diagrams and attachments ("Engineer's Report") is available to prospective shareholders upon request at the sales office for The Woodlands.

The water distribution system will include 15.7 miles of water distribution mains, three 510,000 gallon reservoirs, a booster pump station, and three wells. The Engineer's Report contains a detailed discussion of the distribution system, as well as maps depicting the service area. Fluid Resource Management, as the operating contractor for the Company, shall maintain and repair such infrastructure.

As described in the Engineer's Summary, the Company will extract groundwater from the Nipomo Mesa unit of the Santa Maria Groundwater Basin, which underlies The Woodlands. The Company does not own water rights, but shall pump and distribute water to its shareholders pursuant to the water rights which are appurtenant to the land within the service area of the Company.

The Company has further entered into a Memorandum of Understanding with the Nipomo Community Services District ("NCSD") for the safe and efficient use of water on the Nipomo Mesa, as well as the sharing of certain costs associated therewith. The NCSD has proposed the use of some supplemental water for its existing and future users and the Company has agreed to participate in the costs thereof, provided, however, that the terms are fair and reasonable to the Company and that a portion of the supplemental water would be made available to The Woodlands in the case of emergency.

Recycled water generated by the sewage treatment facility shall also be provided by the Company to irrigate the golf course, common areas and a potential future elementary school.

### **Is the Company regulated as a utility?**

Although the purpose of the Company is to provide water and sewer service to its shareholders in a manner very similar to that of public or private utilities, the Company is not a public or private utility and is not currently regulated by the California Public Utilities Commission.

### **Who are the shareholders?**

Each owner of a "lot" or "parcel" of land within the geographical service area of the Company is entitled to be a shareholder. This includes residential, commercial, recreational and governmental properties, although the majority of shareholders will be the owners of residential homes built in The Woodlands. For more information, see Article

IV of the Bylaws.

**What kind of shares are issued and can they be transferred?**

The Company has a single class of common stock authorized by the Articles of Incorporation which is issued to the shareholders. This common stock is unique from the stock of other corporations in that it is issued with a lot or parcel designation and is “appurtenant” to the land. Appurtenant is a legal term that means that the stock becomes inseparable from the land. For practical purposes, this means that the share of stock issued to the owner of a lot or parcel *cannot* be transferred, sold or assigned to any party other than a party who acquires that lot or parcel.

**How will the shares be issued?**

As the Company commences operations within The Woodlands, one share of the common stock of the Company shall be issued in the name of the owner of each “lot” or “parcel” of land. Upon presenting evidence of ownership of a lot or parcel of land within the Company’s service area, typically in connection with signing up for water and sewer service, an owner shall be entitled to become a shareholder of the Company and the Company shall issue a single share of stock to such owner. If there is more than one owner of a lot or parcel, then the share of stock in the Company shall be jointly owned by such multiple owners. In no event can less than one share of stock be transferred or assigned because fractional shares of stock are not allowed in the Company. If there is joint ownership of a share of stock, then the Company will require the consent of each owner to any action taken by the shareholder unless such joint owners have appointed one individual to act on their behalf and provided a written copy of such appointment to the Company.

The Bylaws of the Company provide for several sub-classes of common stock based upon the underlying use of the lot or parcel for which a share is being issued. These sub-classes are for residential (single family home and condominium), commercial, recreational and governmental uses. All sub-classes of common stock have the same rights and obligations, however, the rates charged for water and sewer service may vary depending on the sub-class of a shareholder’s stock.

The name and address of all shareholders shall be kept on the stock register of the Company. A copy of the form of stock certificate that will be issued to each shareholder is attached to this Offering Circular as Exhibit “D”. For more information, see Article V of the Bylaws.

**What are the rights and obligations of shareholders?**

A. Water Service

First and foremost, being a shareholder of the Company entitles the shareholder to apply for and receive water and sewer service pursuant to the terms set forth in the

Bylaws. The Bylaws authorize the Board of Directors to condition water and sewer service on the timely payment of all amounts charged for water and sewer service and compliance with any rules and regulations of the Company. The Board is further authorized to set fees, charges and rates based upon the character of the shareholder's use of water and sewer service, with different rate structures for residential, commercial, recreational and governmental uses. If a shareholder does not make timely payment of fees, charges and rates for water and sewer service or does not abide by the rules and regulations, then the Company may suspend water and/or sewer service.

#### B. Assessments and Forfeiture of Rights

In addition to payment of regular fees, charges and rates for water service, the Board of Directors has the authority to make assessments on the share held by each shareholder to pay for items, such as capital improvements or major repairs, which are not covered by the regular rate structure of the Company. If a shareholder fails to pay an assessment when due, then the Company may suspend water and sewer service to the shareholder and the shareholder's rights as a shareholder may be forfeit. The procedures for notifying a shareholder of that an assessment is delinquent, that service will be suspended or that a shareholder's right are forfeit is set forth in Article IX of the Bylaws. Notwithstanding the forfeiture of a shareholder's rights for non-payment, such rights can always be reinstated upon the payment of all sums that are due and owing to the Company. In no circumstance will a share of common stock which is tied to a particular lot or parcel be sold or transferred separate from that lot or parcel.

#### C. Voting and Access to Records

Each shareholder of the Company has the following rights:

(i) to attend the annual meeting and any special meetings of the shareholders of the Company (the annual shareholder's meeting is held in April and special meetings of the shareholders may be called by the president of the Company, the Board of Directors or 10% of the shareholders upon no less than 35 days notice);

(ii) to vote on matters placed before the shareholder by the Board of Directors (the Board may from time to time seek the approval of the shareholders before undertaking major action such as a capital improvement or an expansion of the service area of the Company);

(iii) to vote at the annual meeting for the election of the Board of Directors of the Company; and

(iv) to view the financial statements and stock register of the Company at the request of a shareholder during normal business hours, together with such other books and records as a shareholder may be entitled to review pursuant to the Corporations Code of the State of California.

#### D. Golf Course Shareholders

Pursuant to the Dedication Agreement between the Developer and the Company, the Developer and Company have agreed that the golf course(s) within the Company's service area who are Sub-class "G" shareholders of the Company will take all recycled water produced by the sewage treatment plant operated by the Company, except for recycled water used for the common areas of The Woodlands. At no charge to the Company, the golf courses shall further maintain the infrastructure necessary to take, store and use recycled water delivered from the Company in accordance with all applicable laws. In consideration of these obligations, the Company has agreed (i) that recycled water shall be provided at no charge to the golf course(s); (ii) that the Company shall provide untreated well water to meet golf course irrigation needs in excess of recycled water at a special wholesale rate equal to the actual cost of utilities and regular maintenance for the well from which the water is being pumped, provided, however, that the golf course shall use reasonable efforts to first obtain such irrigation water from its own dedicated well; (iii) that each golf course will be treated as a single shareholder with the same obligations as the holder of a single share of common stock of the Company and subject to the same charges and assessments; and (iii) that each golf course shall have the right to regular domestic water service for the any clubhouse facilities on the same terms as residential shareholders.

**Who maintains the fire protection system for The Woodlands?**

The water distribution system operated by the Company includes a fire protection system. The San Luis Obispo County Fire Department required The Woodlands fire hydrants to be spaced no more than 300 feet apart in residential zones, with no building more than 250 feet away from any fire hydrant, and that hydrants be spaced no more than 500 feet apart in commercial and industrial zones, with no building more than 150 feet from any fire hydrant. The Woodlands will have 183 fire hydrants upon build-out.

**Did the Company receive an expert opinion with respect to its water system?**

Yes, the opinion of the engineer of the water system, the Wallace Group of San Luis Obispo, is contained in the Engineer's Summary and the Engineer's Report and is summarized therein as follows:

"The water supply, distribution, and fire protection system of the Woodlands Mutual Water Company of San Luis Obispo (Company) System will adequately, dependably, and safely meet the total requirements for all water consumers under maximum consumption as defined by County of San Luis Obispo standards, County Health requirements, and California Division of Forestry (CDF) requirements, and will meet the requirements of Section 14314."

**Has the State Director of Health Services issued a certificate certifying that the water is fit for domestic use?**

Yes. The State of California Department of Health Services issued on September

27, 2005, a Certificate of Issuance, for Water Supply Permit No. 05-06-04P-006, to the Company. A copy of this certificate can be found in the Engineer's Report.

**Is there a limitation imposed on salaries to be paid to personnel operating, or employed by, the Company, including officers and directors?**

Yes. Article VIII, Section 6, of the Bylaws of the Company, provides that the Board of Directors may fix, to the extent advisable in their judgment, the compensation of officers, agents and employees of the Company. This provision states further that:

"Salaries paid to the persons operating, or employed by, the Company, including officers and directors, shall be limited to a reasonable amount as determined by the Board of Directors in its reasonable discretion in light of salaries and compensation paid in the market in which the area to be served is located to persons with comparable skills, experiences and responsibilities."

**Does the Company have a financial track record and a budget for its operations?**

As the Company is commencing operations, it does not have a financial track record or historical financial statements, however, the Company has prepared a detailed budget for its operations going forward. A copy of this budget is attached to this Offering Circular as Exhibit "E". A detailed financial analysis with respect to the operation of the Company is contained in Chapter 8 of the Engineer's Report.

**Has the operating, repair, and replacement fund been established and will it be maintained?**

The operating, repair and replacement reserve funds shall be established and maintained in accordance with the budget which is attached hereto as Exhibit "E".

**What are the Developer's duties with respect to maintenance and repair or replacement of the water supply, distribution, or fire protection system?**

Developer has agreed to loan funds to the Company to cover its budgeted operating deficits during years 2005, 2006 and 2007 in order to ensure that the Company has sufficient resources to operate and maintain the water, sewer and fire protection systems. Such loans shall be repaid to Developer out of subsequent budgeted surpluses, with all loans payable to Developer in the year 2012. This financial commitment exceeds the statutory obligation of Developer pursuant to the California Corporations Code, Section 14312(a)(6), to pay monthly a proportional part of the repair and replacement fund for the mutual according to a ratio of the number of lots owned or controlled by the Developer to the total number of lots in The Woodlands.

**Exhibit A:  
Second Amended and Restated Articles of  
Incorporation**

A0627834

**State of California**  
**Secretary of State**



A handwritten signature in black ink, appearing to read "Bruce McPherson", is written over the seal.

I, BRUCE McPHERSON, Secretary of State of the State of California, hereby certify:

That the attached transcript of 5 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



**IN WITNESS WHEREOF**, I execute this certificate and affix the Great Seal of the State of California this day of

MAY 10 2005

A handwritten signature in black ink, appearing to read "Bruce McPherson", is written over a horizontal line.

**BRUCE McPHERSON**  
Secretary of State



A0627834

ENDORSED - FILED  
In the office of the Secretary of State  
of the State of California

MAY - 9 2003

SECOND AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
THE WOODLANDS MUTUAL WATER COMPANY  
OF SAN LUIS OBISPO COUNTY

The undersigned certify that:

1. They are the president and the secretary, respectively, of The Woodlands Mutual Water Company of San Luis Obispo County.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

"First: The name of this corporation shall be:

The Woodlands Mutual Water Company of  
San Luis Obispo County

Second: The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by California Corporations Code. Without limiting the foregoing, the specific purpose of the corporation is to develop, distribute, supply and deliver water for irrigation, domestic, municipal or commercial use, at cost plus necessary expenses, only to the land area consisting of approximately 957 acres of portions of the standard Eucalyptus and Los Berros Tracts situated in San Luis Obispo County, California, commonly known as The Woodlands and legally described as follows:

PARCEL 1:

Lot D of the standard Eucalyptus Tract, in the County of San Luis Obispo, State of California, as per map filed in Book 1, Page 12 of Maps, in the Office of the County Recorder of said County.

PARCEL 2:

Lot 20 of the subdivisions of Lot E of the standard Eucalyptus Tract, in the County of San Luis Obispo, State of California, as per map filed in Book 1, Page 17 of Maps, in the Office of the County Recorder of said County.

PARCEL 3:

Those portions of Lots C, I, J, G and H of the Los Berros Tract of the Rancho Nipomo, in the County of San Luis Obispo, State of California, as per map filed in Book A, Page 108 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at Post No. 4 in the Southerly line of Lot C of the Los Berros Tract, according to a map thereof filed in the office of the County Recorder of said County, on November 24, 1888, said stake being at the East corner of the Rancho Bolsa de Chemical and the Southwest corner of a tract of land conveyed by the County Bank of San Luis Obispo and A. E. Pomeroy to E. T. Hargraves, by Deed dated October, 1907 and recorded in Volume 74, Page 66 of Deeds, San Luis Obispo County records, and from said stake running North  $20\ 1/4^\circ$  East, 15.46 chains to a stake; thence North 19.55 chains to a stake; thence West 11.77 chains; thence North 60 chains to post marked 74; thence North 27.94 chains to a post marked 64; thence West 81.20 chains to post marked W.H.B.2; thence South  $45^\circ$  East, 45.00 chains to a post marked W.H.B.1; thence South 42.96 chains to a post marked W.H.B. standing in the Southerly line of Lot J of the Los Berros Tract; thence along the Southerly line of Lots J, I and C of said Tract, South  $49\ 3/4^\circ$  East, 72.72 chains to the place of beginning.

Except therefrom that portion of said land lying Westerly of courses numbered (1), (2) and (3) in Parcel 3357 I of the deed to the State of California, recorded October 22, 1974 in Book 1802, Page 742 of Official Records, in the Office of the County Recorder of said County.

Also except therefrom that portion of said land conveyed to the State of California by deed recorded January 8, 1997 as document number 1176 of Official Records of said County.

**PARCEL 4:**

That portion of Lots C and I of the Los Berros Tract of the Rancho Nipomo, in the County of San Luis Obispo, State of California, according to the map filed in Book A, Page 108 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at a point which is North  $20\ 1/4^\circ$  East, 15.01 chains and North 19.55 chains from Post No. 4 on the Southerly line of said Lot C, said Point of Beginning, being the Northwest corner of the property conveyed to E. T. Hargraves by deed dated October 9, 1906 and recorded in Book 74, Page 66 of Deeds, records of said County; thence North  $89\ 1/2^\circ$  East along the North line of the property so conveyed, 40 chains to the East line of said Lot C; thence North along said East line, 59.80 chains to Post B9; thence West 51.77 chains to Post 74 in the East line of the property conveyed to the Flintkote Company, a Massachusetts Corporation, by Executor's Deed dated November 23, 1943 and recorded in Book 350, Page 332 of Official Records of said County; thence South  $8^\circ\ 30'$  West along

the East line of the property so conveyed, 60 chains; thence North 89 1/2° East, 11.77 chains to the Point of Beginning.

In addition to the delivery of water, the Board of Directors may, in its discretion, develop and offer to shareholders residing within the Woodlands additional related services such as sewer service, wastewater treatment and delivery of reclaimed water.

Third: The number of directors will be as prescribed in the bylaws of the corporation.

Fourth: The corporation is authorized to issue 10,000 shares of capital stock, all of one class, no par value, to be designated "common stock." Shares of capital stock may be transferred only to, and held only by, owners of real property within the land area described above in San Luis Obispo County, California. All shares of common stock shall be appurtenant to the parcel of real property with respect to which they are originally issued and may be transferred only in connection with a transfer of such parcel of real property.

Fifth: The Board of Directors may, in its discretion, levy and collect from the shareholder assessments, rates and charges (collectively, "assessments") for the performance of its lawful activities as a mutual water company. Such assessments shall be a lien upon the shares assessed from the time of the levy. The levies of assessments shall be in conformity with Corporations Code sections 423 and 14303. The Board of Directors may make assessments a lien against a shareholder's shares; withhold delivery of water and/or other related services from any shareholder while any such assessments against such shareholder are delinquent; and withhold transfer of any shares while subject to the lien of any unpaid assessments. In the event of non-payment of any assessment, the corporation may sell or forfeit the shares against which the assessment was levied, in the manner now or as may be hereafter provided by Corporations Code section 14303 or any successor statute under the laws of the State of California or in the Bylaws of the corporation; except that shares may not be sold without the lands to which they are appurtenant and shares forfeited to the corporation may not be sold or transferred without the lands to which they are appurtenant.

Sixth: The corporation shall deliver to its shareholders water owned by the shareholders; the water shall not be owned by the corporation, which shall serve as agent or trustee for the shareholders. The purpose of this restriction is to ensure that the corporation is not deemed an appropriator of water underlying the lands owned by the shareholders of the corporation.

Seventh: The Board of Directors may adopt, repeal, modify, from time to time change, and enforce all rules and regulations which it may deem advisable for carrying out any or all of the foregoing purposes and powers, including without limitation the right to provide and determine when, where and in what manner delivery of water and/or other related services is to be made, the right to provide for and enforce the imposition of penalties for violation of such rules and regulations, and the right to discontinue the delivery of water and/or other related services for such violation or for failure to pay any assessments.

Eighth: The foregoing purposes and powers are subject to the express limitation and condition that the corporation shall carry on its business without the distribution of any gains, profits or dividends to its shareholders except upon dissolution.

Ninth: Notwithstanding any other provision in these Articles, twenty percent (20%) of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders.

Tenth: The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

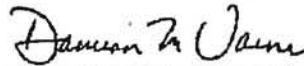
Eleventh: The corporation is authorized to provide indemnification of agents (as defined in Corporations Code section 317) for breach of duty to the corporation and its shareholders through by-law provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Corporations Code section 317, subject to the limits on such excess indemnification set forth in Corporations Code section 204."

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by unanimous written consent of the board of directors.

4. No shares of capital stock have been issued.

We further declare under penalty of perjury under the laws of the state of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: May 4, 2005



Name: Damian M. Varni  
Title: President

Name: John Scardino  
Title: Secretary

Ninth: Notwithstanding any other provision in these Articles, twenty percent (20%) of the votes entitled to be cast, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders.

Tenth: The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

Eleventh: The corporation is authorized to provide indemnification of agents (as defined in Corporations Code section 317) for breach of duty to the corporation and its shareholders through by-law provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Corporations Code section 317, subject to the limits on such excess indemnification set forth in Corporations Code section 204."


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Dated: May 4, 2005

\_\_\_\_\_  
Name: Damian M. Varni  
Title: President

  
\_\_\_\_\_  
Name: John Scardino  
Title: Secretary



**Exhibit B:  
Bylaws of the Company**

WRITTEN CONSENT OF THE DIRECTORS  
OF  
THE WOODLANDS MUTUAL WATER COMPANY OF SAN LUIS OBISPO COUNTY  
Actions as of May 4, 2005

The undersigned, constituting all of the directors of The Woodlands Mutual Water Company of San Luis Obispo County, a California corporation (the "Corporation"), consent to the adoption of the following resolutions:

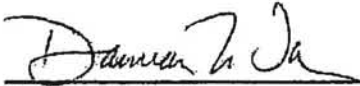
Amendment of Bylaws

Resolved that the Bylaws of the Corporation are amended and restated to read as set forth in the form attached as Exhibit A to this unanimous written consent, and the Secretary of the Corporation is authorized to certify those Bylaws as the Bylaws of the Corporation.

Resolved further that the Secretary of the Corporation is directed to keep the original or a copy of the Bylaws as amended to date at the principal office of the Corporation.

This Written Consent of The Woodlands Mutual Water Company of San Luis Obispo County is signed as of the date set forth below.

Dated: May 4, 2005

  
\_\_\_\_\_  
Damian M. Varni

\_\_\_\_\_  
Bryan P. Troxler

\_\_\_\_\_  
John Scardino

WRITTEN CONSENT OF THE DIRECTORS  
OF  
THE WOODLANDS MUTUAL WATER COMPANY OF SAN LUIS OBISPO COUNTY  
Actions as of May 4, 2005

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Dated: May 4, 2005

\_\_\_\_\_  
Damian M. Varni

  
\_\_\_\_\_  
Bryan P. Troxler

\_\_\_\_\_  
John Scardino



WRITTEN CONSENT OF THE DIRECTORS

OF

THE WOODLANDS MUTUAL WATER COMPANY OF SAN LUIS OBISPO COUNTY

Actions as of May 4, 2005

The undersigned, constituting all of the directors of The Woodlands Mutual Water Company of San Luis Obispo County, a California corporation (the "Corporation"), consent to the adoption of the following resolutions:

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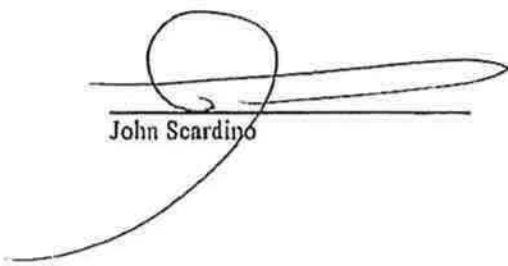
Resolved further that the Secretary of the Corporation is directed to keep the original or a copy of the Bylaws as amended to date at the principal office of the Corporation.

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Dated: May 4, 2005

\_\_\_\_\_  
Damian M. Varni

\_\_\_\_\_  
Bryan P. Troxler

  
\_\_\_\_\_  
John Scardino

**Exhibit B:  
Bylaws of the Company**

BYLAWS  
OF  
THE WOODLANDS MUTUAL WATER COMPANY  
OF SAN LUIS OBISPO COUNTY

**ARTICLE I**  
Name

The name of the corporation is and shall be "The Woodlands Mutual Water Company of San Luis Obispo County" and for convenience shall be referred to hereinafter as the "Company."

**ARTICLE II**  
Objects and Purposes

*Section 1.* The Company is intended to operate as a mutual water company. The objects and purposes of the Company shall be to develop, distribute, supply and deliver water for irrigation, domestic, municipal or commercial use, at cost plus necessary expenses, to the land area consisting of approximately 957 acres situated in San Luis Obispo County, California, commonly known as The Woodlands and more particularly described on Exhibit A, as agent or trustee for the owners of such land.

*Section 2.* The Company shall be authorized to do whatever may be deemed necessary, conducive, incidental or advisable to accomplish and promote these objects or purposes, including but not limited to:

- (a) constructing, leasing, maintaining and operating water system facilities at The Woodlands;
- (b) acquiring, leasing or developing water, water rights or water bearing lands as a contingent source of supply if the water belonging to the owners of the land described above should be insufficient for the reasonable needs of such land;
- (c) purchasing, acquiring, owning, leasing or developing lands, or any interest therein, for the present or future water system facilities;
- (d) paying all taxes, utilities, charges, assessments and other levies upon property owned or managed by the Company;
- (e) making and collecting assessments, rates and charges by which to further the foregoing objects and purposes; and to do any other act or thing in any way connected with the foregoing or related to the objects and purposes of the Company;
- (f) entering into one or more management contracts or other contracts with a third party or third parties, including PH Property Development Company and any successor or assignee of PH Property Development Company as developer of The Woodlands (the "Developer"), for the performance of any of the Company's objects or purposes.

*Section 3.* Notwithstanding any other provision of the Bylaws, the Company is not authorized to take any action that would cause the Company to be deemed an appropriator of the water

underlying the land described above or that would otherwise sever the ownership of such water and related water rights from ownership of such land.

*Section 4.* The Company shall be a separate corporation formed and organized for the purpose described in Section 14311 of the California Corporations Code.

*Section 5.* The Company may, at the discretion of the Board of Directors, offer to the shareholders of the Company other services which are related to the delivery of water, including without limitation, sewer service, wastewater treatment, and the delivery of reclaimed water. In connection with any such service, the Board of Directors shall have the right to exercise the same authority and powers granted pursuant to these Bylaws with respect to the furnishing of water, including without limitation, adopting rules and regulations for the delivery of the service and setting the assessments, rates and charges applicable to same. Furthermore, the Company shall have the benefit of a lien upon each share of stock as described in Article III, Section 3, with respect to all assessments, rates and charges charged in connection with a service offered to the shareholders pursuant to this Section. Notwithstanding the foregoing, the Company shall not provide any service which is prohibited by any law or regulation applicable to the Company as a Mutual Water Company.

### ARTICLE III Furnishing of Water

*Section 1.* Water shall be distributed, supplied or delivered only to the shareholders of the Company. If the subdivision has a homeowners' association, the Company shall also provide water to the common areas. Shares of the Company shall be appurtenant to those lands as described in Article II, Section 1 above. Notwithstanding the foregoing, pursuant to Corporations Code section 14300, the Company may sell water to the state, or any department or agency thereof, or to any school district, or to any public agency, or to any other mutual water company or, during any emergency resulting from fire or other disaster involving danger to public health or safety, to any person at the same rates as to holders of shares of the Company; and provided further, that the Company may enter into a contract with a county fire protection district to furnish water to fire hydrants and for fire suppression or fire prevention purposes at a flat rate per hydrant or other connection; provided, however, the Company shall not sell water to any entity if doing so would cause the Company to be deemed an appropriator so as to jeopardize any water rights of the shareholders as owners of the overlying land. If the sale of water to any third party other than the shareholders of the Company is otherwise permitted by these Bylaws, the Company shall obtain from any such purchaser a waiver of all rights to receive water from the Company as from a public utility.

*Section 2.* Representatives of the Company may enter upon the land of shareholders for the purpose of inspecting, repairing and replacing the Company's water delivery system or reading, connecting or disconnecting the Company's meters.

*Section 3.* There shall be a lien in favor of the Company upon each share of stock for all assessments, rates and charges of any nature imposed by the Company upon either such share(s) or the holder thereof, and all such assessments, rates and charges may be enforced by any remedy provided in these Bylaws or by law. The Board of Directors may cause a notice of such lien to be recorded in the County Recorder's Office.

### ARTICLE IV Shareholders

*Section 1.* Only persons owning at least one lot within The Woodlands shall be eligible to own shares of the Company's common stock. However, the Developer shall not become a shareholder.

A "lot" or "lots" shall mean those lots described and set forth in subdivision maps from time to time filed in the Office of the County Recorder of San Luis Obispo County, California, relating to The Woodlands and lots resulting from the further subdivision of any lots set forth and described in any of said subdivision maps initially filed or in any additional area later annexed to the subdivision. Any owner of a lot held as community property, or as a partnership, or as a company, or as a corporation, or as an association for fraternity, shall nevertheless be deemed only one owner.

*Section 2.* All owners of lots shall, by reason of such ownership, become shareholders of the Company and be issued one share of the Company's common stock for each such lot so owned. Any share certificate shall make reference to the lot with respect to which it was issued. Each share of the Company's common stock entitles the shareholder to receive from the Company that quantity of water that can be reasonably and beneficially used on the lot with respect to which the share was issued.

*Section 3.* Upon the issuance of shares of common stock, each share shall be appurtenant to the lot with respect to which it was issued, and such share shall only be transferred with such lot except upon the forfeiture to the Company for delinquent assessments thereon as provided in Corporations Code section 14303. No transfer of a share or shares shall be made until any established transfer fee is paid to the Company and until all unpaid assessments, rates and charges owed to the Company by the holder thereof have been paid.

*Section 4.* The Company shall prepare and deliver to each shareholder, within 105 days of the close of the fiscal year, financial statements showing the financial condition of the Company as of the last day of the fiscal year and results of operations of the Company for the year then ended.

*Section 5.* Shareholders shall have the right to inspect the books and records of the Company as provided in the Corporations Code.

*Section 6.* Upon dissolution of the Company, funds retained by the Company after satisfaction of or provision for all indebtedness will be distributed to shareholders on the basis of their shares.

#### **ARTICLE V Share Certificates and Transfers**

*Section 1.* Share certificates of the Company shall be in such form as the Board of Directors shall designate and shall be issued over the signature of the president and secretary.

*Section 2.* There shall be only one class of shares. However, the Board of Directors may, designate shares by subclass for purposes of identification, as follows:

- Subclass A - Representing owners of unimproved lots.
- Subclass B - Representing owners of lots improved by single family residences.
- Subclass C - Representing owners of lots improved by multi-family residences (where permitted), apartments and cooperative dwelling units.
- Subclass D - Representing owners of lots improved by condominiums.
- Subclass E - Representing owners of lots improved by commercial structures.

- Subclass F - Representing lots owned and occupied by governmental structures.
- Subclass G - Representing lots improved with golf courses and similar recreational facilities.
- Subclass H - Representing owners of lots not falling into any of the above subclasses.

The Board of Directors may, by amendment to these Bylaws or by resolution, designate other subclasses of lot ownership, including subcategories of the above, to indicate the nature, extent and degree of services requested or provided, or to facilitate the assessment of assessments, rates and charges, as provided in Article IX.

*Section 3.* A certificate book shall be maintained which shall reflect for each certificate issued, the owner, date of issue, number of shares, designation of appurtenant lots and subclass.

*Section 4.* One share shall be issued for each lot in the subdivision. A share certificate shall be issued for each lot purchased. Shareholders shall be entitled to exercise all of the rights and privileges of such, and they shall be subject to all of the obligations and liabilities of such, even without the actual issuance of a share certificate.

*Section 5.* Shares of the Company are not transferable or assignable except as specifically provided in these Bylaws.

*Section 6.* Except as otherwise provided, transfers of shares shall be subject to a transfer fee and to the payment of all indebtedness to the Company of the shareholder whose share is transferred.

*Section 7.* The Company shall not issue any fractional shares.

## ARTICLE VI Meeting of Shareholders; Voting Agreement

*Section 1.* The annual meeting of shareholders of the Company shall be held at such hour and such day during the month of April each year or such later date as the Board of Directors may determine, and at such place in San Luis Obispo County, California, as shall be determined by the Board of Directors. The secretary shall mail or deliver to each shareholder written notice of the time and place of such meeting not less than 10 nor more than 60 days prior to the time appointed therefor. Notice mailed to the last address given the secretary of the Company by any shareholder shall be sufficient.

*Section 2.* Special meetings of shareholders may be called at any time by the president, a majority of the Board of Directors, or not less than ten percent (10%) of the shareholders of the Company, in good standing, at a convenient place in San Luis Obispo County, California. Upon receipt of a request in writing setting forth the purpose of such proposed special meeting, signed by the president, a majority of the Board of Directors or holders of not less than ten percent (10%) of the outstanding shares of the Company in good standing, the secretary shall fix a time and place for such meeting, which shall be not less than thirty-five (35) nor more than sixty (60) days after the receipt of such request, and shall cause written notice thereof, setting forth the time and place and purpose of the meeting, to be given each shareholder by personal delivery or by mailing to the last address given the secretary of the Company at least twenty (20) days prior to the time fixed for such meeting; and if the secretary shall neglect or refuse to issue such call, the president, directors or shareholders making the request may do so. An annual or special meeting of the shareholders may be held at any time without notice when all of the shareholders

are present in person or by proxy or when all of the shareholders waive notice and consent in writing to the holding thereof.

*Section 3.* All shareholders shall be entitled to one vote per share on all shareholder matters. In addition, the Developer shall be entitled to three votes for each lot owned by the Developer on all shareholder matters; provided, that the Developer's voting rights shall be reduced to one vote for each lot owned by the Developer from and after the date (the "Cut Over Date") on which the total number of shareholder votes equals or exceeds the number of Developer votes (before giving effect to such reduction). This Section 3 shall be deemed a voting agreement of all of the shareholders of the Company. Any person agreeing in writing to purchase a lot and the appurtenant share shall be deemed to have agreed to this voting agreement. If applicable law does not permit the Developer to cast a vote not represented by an actual share, each shareholder authorizes the Developer to vote the shares of the shareholder, or agrees to vote his or her own shares as directed by the Developer, in each case in such a manner as to reflect the relative weighting of voting power of the shareholders and the Developer described in this Section 3. The preceding sentence shall give the Developer the right to vote, or shall require the shareholders to vote as directed by the Developer, a percentage of all shares equal to a fraction, (a) the numerator of which is the number of lots owned by the Developer multiplied by three (before the Cut Over Date) or one (on and after the Cut Over Date), and (b) the denominator of which is the sum of the number of shares outstanding plus the numerator. The inspector of elections on any shareholder matter is authorized and directed to recognize the votes of or directed by the Developer in accordance with this Section 3. This voting agreement may permit the Developer to vote, or to direct the vote of, a fraction of each share.

*Section 4.* Voting shall be conducted in person or by proxy. The presence in person or by proxy of holders of twenty percent (20%) of the total number of votes eligible to be cast at the time of a meeting shall constitute a quorum for the transaction of business at any meeting of the shareholders. Shares that the Developer may vote or that are to be voted at the direction of the Developer under the voting agreement in Section 3 above shall be deemed present if the Developer is present.

*Section 5.* The Board of Directors shall appoint one or more inspectors of election and alternates for any annual or special meeting.

## ARTICLE VII Directors

*Section 1.* The business, property and affairs of the Company shall be managed by a Board of Directors, composed of not fewer than three (3) and not more than five (5) persons. The exact number within this range shall be fixed from time to time by resolutions of the Board of Directors. Directors shall be elected annually by shareholders in good standing at the annual meeting for a term of one year and shall serve until their successors are qualified and elected.

*Section 2.* The Board of Directors shall have the general management and control of the business and affairs of the Company and shall exercise any and all of the powers that may be exercised or performed by the Company under the law, the Articles of Incorporation and these Bylaws; provided, this provision shall not impair the terms of any management agreement between the Company and the Developer or other third party. The Board of Directors may make and enforce such rules and regulations as they deem necessary, conducive, incidental or advisable to accomplish or promote the objects and purposes of the Company and the uses of its property, assets and facilities. The Board of Directors in its discretion may establish committees and the scope of their authority. All committee members shall serve at the discretion of the Board of Directors.

*Section 3.* Regular meetings of the Board of Directors shall be held immediately after the annual meeting of shareholders and at such other regular times and places as may be established by the Board. The Board of Directors shall appoint one of the directors as a chair who shall preside at all meetings of the Board of Directors. The Board of Directors may appoint a new chair or vice-chair at any time. Meetings may be held by conference telephone or similar communication equipment if directors participating in the meeting can hear one another. Special meetings may be called at any time by the chair of the board, president, or any two directors at such times and places as shall be set forth in the notice thereof. At least 24 hours notice of such meeting shall be given to each director, which notice may be given by telephone. The transactions of any such meeting of the Board of Directors, however called and noticed and wherever held, shall be as valid as though it had been a meeting duly held after regular call and notice, if a quorum is present.

*Section 4.* A majority of the directors shall constitute a quorum of a meeting for the transaction of business, and a majority of such quorum shall determine any question except as otherwise provided by law, the Articles of Incorporation or these Bylaws; provided however, that if a quorum is not present, the majority of those directors present may adjourn to such future time and place as they shall determine, notice of such adjournment to be given to each director as herein provided for meetings of the Board of Directors.

*Section 5.* If an action of the Board of Directors is required or permitted to take place, it may be taken without a meeting if all directors consent in writing to that action. Such action by unanimous written consent shall have the same force and effect as any other validly approved action of the Board of Directors. Such consents shall be filed with the minutes of the proceedings of the Board of Directors.

*Section 6.* All vacancies of the Board of Directors, whether caused by resignation, incompetency, death or otherwise, shall be filled by unanimous written consent of the remaining directors or by a resolution adopted by a majority of the remaining directors at a regular or special meeting of the Board of Directors even though less than a quorum, or by the shareholders of the Company at any meeting thereof, held prior to the filling of such vacancy by the Board of Directors. Directors thus elected to fill any vacancy shall hold office for the unexpired term of predecessors.

*Section 7.* Subject to limitations of the Articles of Incorporation, these Bylaws and the General Corporation Law of California, the directors shall have the following powers:

- (a) to change the principal office for the transaction of the business of the Company from one location to another;
- (b) to prescribe the form of share certificates and to alter the form of the Company's share certificates from time to time as in their judgment they may deem best, provided such certificates shall at all times comply with the provisions of law;
- (c) to authorize the issue of shares of the Company from time to time upon such terms as may be lawful, but consistent with the requirement that each share shall be appurtenant to a parcel of land within The Woodlands;
- (d) to borrow money and incur indebtedness for the purposes of the Company, and to cause to be executed and delivered therefor, in the Company's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidence of debt and securities therefor; and



- (e) to utilize the committees authorized in Article VII for the preservation and enhancement of the Company.

## ARTICLE VIII Officers

*Section 1.* The officers of the Company shall be a president, one or more vice presidents, a secretary, and a treasurer and such other officers as the Board of Directors may appoint or designate. Such officers shall be appointed by the Board of Directors.

*Section 2.* The president shall be the executive head of the Company and shall preside at all meetings of the shareholders. The president, together with the secretary shall sign all share certificates, contracts, deeds, bonds and other obligations of the Company and other instruments authorized by the Board of Directors. This provision shall not preclude the Board of Directors from authorizing any individual officer or a different combination of officers to sign any such document on behalf of the Company.

*Section 3.* A vice president shall perform, in the absence of the president or in the event of the president's inability to act, the same duties and functions as are provided to be performed by the president.

*Section 4.* The secretary shall be the custodian of all records and documents pertaining to the Company and its property and shall keep fair and correct minutes and records of all meetings of shareholders and of the Board of Directors. The secretary shall give notice of all meetings of shareholders of the Company and or the Board of Directors as set forth in these Bylaws.

*Section 5.* The treasurer, subject to such limitations, controls and delegations as may be imposed by the Board, shall:

- (a) receive or cause to be received, for the Company's account all moneys, securities, valuable papers and other assets belonging to the Company for safe keeping.
- (b) disburse or cause to be disbursed all checks, drafts, and other orders for the disbursement of its funds, including any notes, as directed by the Board of Directors of the Company, in compliance with established budgets.
- (c) maintain or cause to be maintained full and complete records of all the assets, liabilities, income and expenses of the Company in accordance with forms and procedures prescribed in the Corporations Code.
- (d) perform such other duties as customarily pertain to the office of treasurer or as may be directed to perform by resolution of the Board.

*Section 6.* The Board of Directors may appoint, employ, terminate, discharge, fix the compensation and provide for the duties and powers of such officers, agents and employees, as in the judgment of the directors shall be advisable, and two or more of any officers, agents or employees may be combined in one person, except the office of the president and secretary. Any officer of the Company shall perform and discharge such duties, other than those enumerated in this Article VIII, as the Board of Directors may from time to time require. Salaries paid to the persons operating, or employed by, the Company, including officers and directors, shall be limited to a reasonable amount as determined by the

Board of Directors in its reasonable discretion in light of salaries and compensation paid in the market in which the area to be served is located to persons with comparable skills, experience and responsibilities.

*Section 7.* Any officer may be removed as such by the Board of Directors at a properly called meeting for any reason they deem sufficient.

## ARTICLE IX Assessments, Rates & Charges

*Section 1.* The actual costs of management and operation of the business of the Company shall be met by assessments, rates and charges to the shareholders of the Company pursuant to Corporations Code sections 14303 and 14312 and as provided herein.

*Section 2.* The Board of Directors shall from time to time fix the assessments, rates and charges by equitably prorating the costs of management and operations, for such period as the Board may select, which costs shall include, but are not limited to, the costs of furnishing water, the costs of acquisition, construction, repair and replacement of the water supply, distribution and fire protection system, the costs of improvements, additions, and replacements to the water supply, distribution and fire protection system, and the costs of funding, accumulating and maintaining capital reserves for the repair, replacement, improvement, and expansion of the water supply, distribution and fire protection system. The assessments, rates and charges shall bear a reasonable relationship to the costs described above. If the Company should purchase water for distribution from a public utility, municipal water company or water district, it shall charge each shareholder a pro rata amount of the cost of water supplied to an entity providing fire protection service.

*Section 3.* The Board of Directors shall adopt, and may amend from time to time, an equitable system of assessments, rates and charges on all shareholders, including those owning unimproved lots, for the purpose of meeting the expenses of the Company and bearing a proportionate share of the cost of repair and replacement of the water supply, distribution, and fire protection system, as well as a proportionate share of the cost of maintaining the reserve fund.

*Section 4.* All assessments, rates and charges shall be fixed in the manner required by law to preserve the private ownership of the shareholders' water rights by the shareholders, or by the Company as agent or trustee for the shareholders, and the delivery of underlying water by a mutual water company to its shareholders. Assessments, rates and charges shall represent the Company's actual costs, determined in a manner to ensure that the Company is not subject to regulation as a public utility under California Public Utilities Code section 2705.

*Section 5.* The Company shall have the power to enforce its assessments and the payment of all rates and charges assessed by the Company and shall not be required to transfer delinquent shares on its books or to furnish water to any shareholder or to any person claiming under the shareholder, or to the land to which any shares are appurtenant, unless and until all assessments, rates and charges to which the same are related shall be paid.

*Section 6.* The Board of Directors in each levy of an assessment shall specify the amount of such assessment, rate or charge made and levied and to whom and where payable. The Board shall set the date(s) on which the assessment, rate or charge is payable. The Board shall set the date(s) on which the assessment, rate or charge is delinquent, which date shall not be less than 30 days nor more than 60 days from the date on which it is payable. The Board shall set the date(s), time and place for the forfeiture of delinquent shares to the Company, which date shall not be less than 15 days not more than 60 days from the date on which the unpaid assessment becomes delinquent. The Company shall acquire a delinquent

share in the manner provided in the Corporations Code and shall not in any manner sell a delinquent share separate and apart from the lot to which it is appurtenant. Assessments not paid on or before the date made delinquent may be subject to a penalty in such amount as the Board of Directors may determine in its reasonable discretion in addition to the assessment. The levy of the assessment shall also set and specify any interest and costs of collection to be charged and the manner in which the same will be incurred.

*Section 7.* The secretary of the Company shall give notice of the levy of the assessment, in writing by mail to each shareholder addressed to the last address of the shareholder appearing on the records of the Company at least ten (10) days prior to the date such assessment becomes due and payable. The notice shall specify the date of the levy by the Board, the amount of the assessment, rate or charge made and levied, the designation of the class or subclass of stock assessed, the date(s) payable, and the manner of payment. The notice shall further specify the date(s) on which the assessment shall become delinquent if unpaid and the date(s) on which the delinquent share will be forfeited to the company if unpaid. The notice shall further provide notice of the imposition of the five (5) percent penalty charge and any other interest or costs set by the Board and the manner in which the same shall be incurred. The notice provided for in this Section may be served in any other manner provided for by law.

*Section 8.* Upon the giving of notice to the shareholders of the levy of an assessment or of the establishment of rates and charges as provided above, the Company may establish and set procedures for the billing of shareholders for the collection of assessments, rates or charges, or any part thereof, in the form and manner as may from time to time be authorized and adopted by the Board of Directors.

*Section 9.* Once assessments, rates or charges become delinquent, the Company may deny the delinquent shareholder the right to receive water and may suspend and physically shut off water service and the share may be removed from good standing and rights and privileges pertaining to the share suspended. A forfeited share may be subject to assessments, rates and charges levied during the period in which it is forfeited.

*Section 10.* If the Company takes action to collect assessments, rates and charges delinquent and not timely paid, the company shall be entitled to interest, costs of collection, and reasonable attorney's fees.

*Section 11.* A share forfeited to the Company for the collection of a delinquent assessment shall be subject to a right of redemption in the owner of the lot to which the share is appurtenant. A shareholder shall redeem the share forfeited to the Company upon application to the Company in the form and manner as may be established by the Company from time to time and upon payment to the Company of:

- (a) the charge which may be established by the Company for the application for redemption of forfeited shares;
- (b) the delinquent assessments, rates and charges including as applicable the penalty charge, interest and costs of collection due at the time of the forfeiture of the subject share;
- (c) the applicable assessments, rates and charges against the subject share levied or accrued between the date of forfeiture of the share and the date of redemption; and

- (d) the applicable interest and costs of collection accruing between the date of forfeiture and the date of redemption.

Upon redemption of a forfeited share, the share shall be returned to good standing, water service shall be restored, and all rights and privileges shall be reinstated.

*Section 12.* In accordance with Corporations Code section 14300, in the event lands to which any share is appurtenant are owned or purchased by the state, or any department or agency thereof, or any school district, or public agency, the share shall be canceled by the secretary, but shall be reissued to any person later acquiring title to the land from the state department, agency, or school district, or public agency.

#### **ARTICLE X Notice**

Any notice required to be given pursuant to these Bylaws shall be by written notice, unless otherwise specifically provided herein. Written notice may be given by depositing it in the United States mail in an envelope, postage prepaid, addressed to the recipient at his last known address, and the time when the notice is mailed shall be deemed the time of giving such notice. A written waiver of any notice, signed before or after the time stated in such waiver for holding a meeting, or attendance at a meeting, shall be equivalent to notice thereof required to be given by these Bylaws.

#### **ARTICLE XI Indemnification**

*Section 1.* To the fullest extent permitted by law, this Company shall indemnify its directors, officers, employees, and other persons described in the Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the Company by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in this By-Law, shall have the same meaning as in Section 317 of the Corporations Code.

*Section 2.* On written request to the Board of Directors by any person seeking indemnification under Corporations Code Section 317(b) or Section 317(c), the Board of Directors shall promptly determine under Section 317(e) whether the applicable standard of conduct set forth in Section 317(b) or Section 317(c) has been met and, if so, the Board of Directors shall authorize indemnification. If the Board of Directors cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the Board of Directors may seek an independent legal opinion or call a meeting of shareholders to seek approval of indemnification.

*Section 3.* To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these Bylaws in defending any proceeding covered by those Sections shall be advanced by the Company before final disposition of the proceeding, on receipt by the Company of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Company for those expenses.

*Section 4.* The Company may purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted

against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, or agent's status as such.

**ARTICLE XII**  
**Amending or Repealing Bylaws**

Bylaws may be adopted, amended or repealed by the shareholders and, except as provided in the Articles and Bylaws and the California Corporations Code, by the Board of Directors.

**CERTIFICATION OF SECRETARY**

I, the undersigned, do hereby certify:

1. That I am the duly elected and acting Secretary of The Woodlands Mutual Water Company of San Luis Obispo, a California corporation.

2. That the foregoing Bylaws, comprising twelve (12) pages, excluding this page, constitute the Bylaws of said corporation as duly amended and adopted by unanimous written consent of the directors on or as of May 4, 2005.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said corporation this 4th day of May, 2005.

---

John Scardino  
Secretary

**Exhibit C:  
Engineer's Executive Summary**

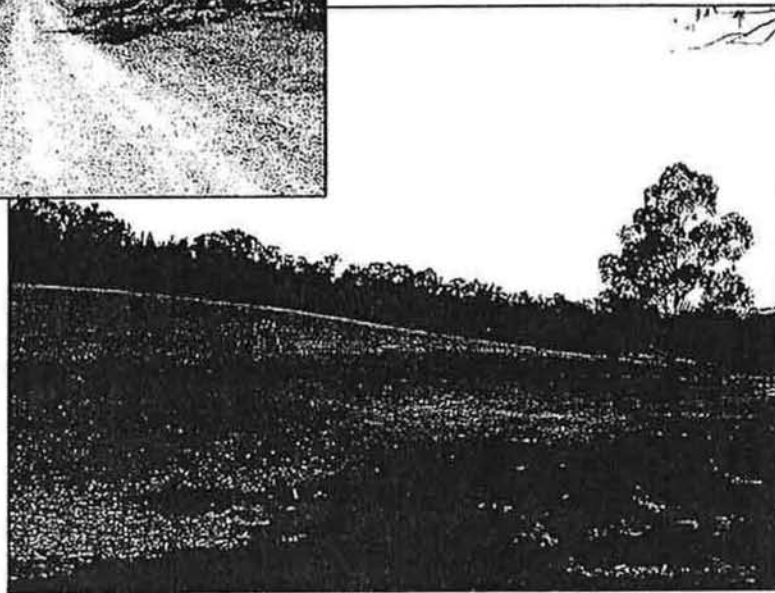


# THE WOODLANDS DEVELOPMENT

Tract 2341



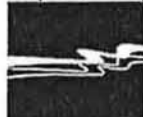
## ENGINEER'S REPORT



NOVEMBER 2005

Prepared for: J.H. Land Development Co.

Prepared by:



WALLACE GROUP

4115 Broad Street, Suite B-5, San Luis Obispo, CA 93401



## The Woodlands Mutual Water Company of San Luis Obispo

### Engineer's Statement

The water supply, distribution, and fire protection system for the Woodlands Mutual Water Company of San Luis Obispo (Company) System will adequately, dependably, and safely meet the total requirements for all water consumers under maximum consumption as defined by County of San Luis Obispo standards, County Health requirements, and California Division of Forestry (CDF) requirements, and will meet the requirements of Section 14314.

### Consent of Expert

I, Robert S. Miller, R.C.E. 57474, hereby consent to the inclusion of, or reference to the Engineer's Report and to the inclusion of my name in the prospectus or offering circular for the Woodlands Mutual Water Company of San Luis Obispo.



## EXECUTIVE SUMMARY

The Woodlands Development is a new housing and commercial development located on the Nipomo Mesa. The Woodlands Development must plan water services to meet Phase 1A development as well as full build-out development. This water master plan is tool used to analyze and determine the required facilities to provide an adequate distribution system for the customers. The following is a summary of the subsequent chapters.

### WATER DEMANDS

The water demand forecasts will form the basis for assessing water supply requirements and identifying distribution system requirements. The Woodlands Development is a planned community to be built over the next twenty years. The water demands have been projected in the Environmental Impact Report, dated September 1998, for each land use, and were confirmed and updated by JLWA. The potable water users and their demands are listed in Table ES-1. The total demand at build-out for the Woodlands Development is 540 gpm (871 afy).

**Table ES-1. Water Demand Factors for Potable Use**

| User                      | Units | Type of Unit | Demand, gpm | Total Usage, gpm (afy) |
|---------------------------|-------|--------------|-------------|------------------------|
| Residential Single Family | 1,220 | D.U.         | 0.3         | 366.00 (590.4)         |
| Residential Multi-Family  | 100   | D.U.         | 0.137       | 13.70 (22.1)           |
| Village: Mixed Use        | 10.46 | acres        | 1.3         | 13.60 (21.9)           |
| Resort: Hotel             | 500   | rooms        | 0.093       | 46.50 (75.0)           |
| Resort: Mixed Use         | 23.67 | acres        | 1.3         | 30.77 (49.6)           |
| Business Park             | 20.29 | acres        | 1           | 20.29 (32.7)           |
| Golf Clubhouse            | 2     | facilities   | 3.97        | 7.94 (12.8)            |
| School                    | 600   | students     | 0.019       | 11.40 (18.4)           |
| Maintenance/WWTP          | 1     | lump         | 4.53        | 4.53 (7.3)             |
| Parks                     | 16.64 | acre         | 1.55        | 25.79 (41.6)           |
| <b>Total</b>              |       |              |             | <b>540.48 (871.8)</b>  |

Water system demands are important characteristics of water systems, as these parameters are used to size pumping, storage, and distribution system facilities. Table ES-2 summarizes the hydraulic demand parameters that will be used as the basis for evaluation of the Woodlands system.

**Table ES-2. Hydraulic Demand Parameters**

| <b>Demand Condition</b> | <b>Build-out<br/>gpm<br/>(afy)</b> | <b>Comments</b>             |
|-------------------------|------------------------------------|-----------------------------|
| Average Day Demand      | 540 (871)                          | Based on industry standards |
| Night Time Demand       | 216 (349)                          | Based on ADD x 0.4          |
| Maximum Day Demand      | 1,080<br>(1,742)                   | Based on ADD x 2.0          |
| Peak Hour Demand        | 1,890<br>(3,049)                   | Based on ADD x 3.5          |

## **WATER SUPPLY AND QUALITY**

The Woodlands Development will extract groundwater from the Nipomo Mesa unit of the Santa Maria Groundwater Basin, which underlies the Development. Four potable water wells and one monitoring well were drilled between 1993 and 1994 to be tested and monitored to determine the available capacity, the water quality, and the impact to the groundwater basin. The wells are: No. 1 - Highway 1 Production and Monitoring, No. 2 - Homestead, No. 3 - Mesa Road, and No. 4 - Dawn Road.

### **Water Quality**

The water quality data provided for the four wells was from the original drill date. The results indicate the Woodlands Development water supplies meet primary and secondary standards, except for Dawn Rd Well. Dawn Rd Well exceeds the secondary MCL for iron.

### **Water Supply**

The Woodlands Development has a build-out maximum day demand of 1,080 gpm (1,742 AFY). To ensure adequate water supply, it is recommended that the wells be capable of supplying the maximum day demand with the largest well out of service. The Highway 1 well is located in the design thoroughfare for the proposed golf course. The well will need to be placed in a vault and therefore, the Highway 1 well will be used solely as a non-potable irrigation well, to be used by

the golf course. The Woodlands Development will utilize the Homestead well as the primary well, capable of meeting maximum day demand at build-out on its own. The Mesa well will be the back-up well to the Homestead well. The Mesa well is unable to meet build-out maximum day demand on its own and therefore, it is recommended to develop the Dawn well as a third back-up well in the event the Homestead well is taken out of service. The three wells will have a combined capacity of 2,800 gpm. It is also recommended to stub-out piping to the Highway 1 well (approximately 1,300 feet) under Phase 1A to allow for the potential of using this well or a newly drilled well within the same vicinity for potable use. This recommendation is due to the potential impact the Dawn well and the Mesa well have on the NCSD and neighboring wells. In the future, the Dawn and Mesa wells may be limited in production or unable to be used.

### **Water Treatment**

The groundwater water will be centrally disinfected with Chlorination at the water storage site.

## **RECYCLED WATER USE FEASIBILITY STUDY**

The recycled water element focuses on two major potential customers of recycled water in The Woodlands community, the golf course and a future elementary school.

### **Golf Course**

The golf course is spread out between the housing tracts. The golf course in Phase 1A consists of a total area of 156 acres. Approximately 130 acres will be irrigated with the recycled water in Phase 1A. There is a total area of 389 acres for the golf courses at build-out, including the total area for Phase 1A. For each phase, the recycled water will be delivered to a single pond and the golf course irrigation system will distribute the water from the pond.

### **Elementary School**

The elementary school is part of Phase 1B of the Woodlands development. It is located on the east side of the property. The total area of the elementary school site is approximately 12 acres. There are about 4 acres for the school buildings and an estimated 8 acres of land available to irrigate.

### **Water and Recycled Water Quality**

The chemical make-up of water used for irrigation purposes is very important in ensuring maintenance of the quality of the landscaping being irrigated. Irrigation water quality parameters for the Woodland's water supply are summarized in Table ES-3. Since actual treatment plant effluent quality data is not available, actual recycled water effluent quality could not be determined. However, in general, mineral quality of treated wastewater, as compared to source

**Table ES-3. Summary of Potable Water Quality, Woodlands Area Wells**

|                   | Well  |       |         |         |           |          |
|-------------------|-------|-------|---------|---------|-----------|----------|
|                   | MCL   | Hwy 1 | Dawn Rd | Mesa Rd | Homestead | Average: |
| Boron, mg/L       | none  | <0.1  | 0.44    | 0.38    | 0.75      | 0.39     |
| Chlorides, mg/L   | 500   | 42    | 68      | 56      | 58        | 56       |
| TDS, mg/L         | 1,000 | 442   | 700     | 616     | 840       | 649.5    |
| EC, $\mu$ mhos/cm | 1,600 | 610   | 1185    | 1060    | 1425      | 1070     |
| pH                | none  | 6.9   | 7.7     | 7.6     | 7.2       | 7.35     |
| Magnesium, mg/L   | none  | 21    | 38      | 29      | 43        | 32.75    |
| Sodium, mg/L      | none  | 43    | 48      | 41      | 53        | 46.25    |
| Calcium, mg/L     | none  | 54    | 120     | 115     | 150       | 109.75   |

Notes: 1. All water quality data extracted from USI Water Resources Management Study, April 1996.

drinking water, can degrade by several hundred mg/L (or higher) TDS. Table ES-4 also shows the limitations that the recycled water will not exceed as stated in the waste discharge requirements (WDR's).

#### **Recycled Water Demand Projection Criteria**

Recycled water demands must be projected on the basis of sound engineering judgment and established duty factors for the various uses. Turf and landscape irrigation projections are usually estimated by a combination of actual water use records, consideration of climate and evapotranspiration for the geographic area, peaking factors and others.

Given that no use data is available, an estimated 2.5 acre-ft per acre per year was assumed for the average demand for irrigation of the golf course and the elementary school. Peak demand was based on the difference in irrigation between summer and winter months and the evaporation data. Demand projections are summarized in Table ES-5.

The WWTP flow for Phase 1A is 32.2 acre-ft/month. The WWTP flow for Build-Out is 64.5 acre-ft/mo. The demand for recycled water is less than the WWTP flow during Phase 1A so the irrigation water will have to be stored in the ponds during the winter months during Phase 1A. As the phases are being developed, however, the recycled water will need to be supplemented with potable water from the irrigation supply well. The demand for recycled water is more than the WWTP flow at Build-Out so the recycled water will have to be supplemented with potable water during periods of intensive irrigation.

Table ES-4. Woodlands Recycled Water Quality and WDR Limitations

| Parameter               | Woodlands Recycled Water Quality <sup>1</sup> | WDR Limitations             |                |
|-------------------------|---|-----------------------------|----------------|
|                         |   | Mean                        | Maximum        |
| BOD <sub>5</sub> , mg/L |   | 10                          | 30             |
| Suspended Solids, mg/L  |   | 10                          | 30             |
| TDS, mg/L               | 949.5   |                             | 710            |
| Settleable Solids, mg/L |   | 0.1                         | 0.3            |
| Turbidity, mg/L         |   | 2 <sup>2</sup>              | 5 <sup>2</sup> |
| pH                      | 7.35  | Within the range of 6.5-8.4 |                |
| Boron, mg/L             | 0.57  |                             |                |
| Chlorides, mg/L         | 81.9  |                             |                |
| EC, $\mu$ mhos/cm       | 1564.3  |                             |                |
| Magnesium, mg/L         | 47.9  |                             |                |
| Sodium, mg/L            | 67.6  |                             |                |
| Calcium, mg/L           | 160.4   |                             |                |

<sup>1</sup> Estimated on proportion of TDS increase.

<sup>2</sup> Shall not exceed a daily average of 2 NTU or 5 NTU for more than 5% of the time over a 24 hour period.

Table ES-5. Recycled Water Demand

| Demand              | Average Monthly Demand (acre-ft/mo) |           | Peak Monthly Demand (acre-ft/mo) |           |
|---------------------|-------------------------------------|-----------|----------------------------------|-----------|
|                     | Phase 1A                            | Build-Out | Phase 1A                         | Build-Out |
| Golf Course         | 27.1                                | 67.7      | 41.5                             | 103.4     |
| School              | 0                                   | 2.0       | 0                                | 3.6       |
| <b>Total Demand</b> | 27.1                                | 69.7      | 41.5                             | 107       |
| WWTP Flow           | 32.2                                | 64.5      | 32.2                             | 64.5      |

## **Recycled Water Quantity/Availability**

For reuse projects which involve predominantly landscape irrigation of public landscaped areas, the irrigation demand is typically high during the night-time, and low to zero during the daytime. The available flow of recycled water from treatment plants, however, is opposite the demand of recycled water. Typical wastewater flows are high during morning hours, and evening hours, and very low during the night-time hours (when recycled water demands are highest). The recycled water will be continually pumped to the golf course ponds for storage. Projected flow characteristics (at build-out) are as follows:

- Average dry weather flow (ADWF), 0.700 mgd (486.1 gpm)
- Peak hourly flow (summer ADWF), 2.07 mgd (1437.5 gpm)
- Peak Daily Flow (PDF), 1.05 mgd (730.0 gpm)

## **WATER STORAGE**

There are three types of storage commonly evaluated in a storage analysis: emergency, fire and operational. The sum of these three are recommended to be the total storage volume available for the system. The total storage recommended is the sum of the emergency, fire, and operational storage. Table ES-6 summarizes each component's recommendations for the Woodlands Development to meet storage demands for each phase. The total recommended storage for build-out is 1.53 mg.

## **WATER DISTRIBUTION SYSTEM**

At build-out of the Woodlands Development, the water distribution system will include 15.7 miles of water distribution mains, three 510,000 gal reservoirs, a booster pump station, and three wells.

The design requirements for the water distribution system relate primarily to the flow and pressure delivered by the system to the residences. Pressures below 20 psi are not acceptable in a municipal water system. Ideally, normal operating (static) pressures will be within the range of 40 to 80 psi. This is the range that most people find comfortable and will serve most fire sprinkler systems. Pressures higher than 80 psi are acceptable within the distribution system, but should be reduced to 80 psi at the service connection to prevent water hammer effects or leakage through rapidly-weakening washers and seats. The hydraulic design parameters and criteria for the Woodlands Development water distribution system evaluation are summarized in Table ES-7. To evaluate the performance of the water distribution system, identify adequate pipe sizes and booster pumps, a computer model was developed using Haestad's WaterCAD computer program.

**Table ES-6. Total Storage Recommendations**

| Phase                        | Storage Component, gallons |         |             | Total Recommended Storage, gallons |
|------------------------------|----------------------------|---------|-------------|------------------------------------|
|                              | Emergency                  | Fire    | Operational |                                    |
| IA                           | 256,800                    | 270,000 | 69,840      | 600,000                            |
| IA & IB                      | 370,350                    | 720,000 | 128,160     | 1,220,000                          |
| IA, IB, & IIA                | 543,150                    | 720,000 | 176,040     | 1,440,000                          |
| IA, IIA, IB, & IIB           | 619,500                    | 720,000 | 194,400     | 1,530,000                          |
| EIR Recommendation           |                            |         |             | 1,415,000 <sup>1</sup>             |
| Final Storage Recommendation |                            |         |             | 1,530,000 <sup>2</sup>             |

<sup>1</sup> Normal Daily Use: 1,100,000 gal  
 Fire Storage: 270,000 gal  
 Business Park & Commercial: 45,000 gal  
 Total: 1,415,000 gal

<sup>2</sup> Three reservoirs at 510,000 gal each.

The performance of the Development's distribution system was evaluated based on all 8-inch water distribution mains. The distribution system was re-evaluated using the design requirements stated previously to up-size the water distribution mains that were unable to meet these design requirements. Additional pipes were up-sized based on looping, consistency, and land use. In addition, the pumping head was adjusted to determine the lowest required head to also meet these design requirements. Table ES-8 provides a detailed list, by phase, of the sizes and length of pipes recommended.



**Table ES-7. Summary of Hydraulic Parameters and Design Criteria**

| Hydraulic Parameters and Design Criteria          | Value   |
|---|---|
| Fire Flow Requirements                            | Residential – 1,000 gpm (<3,600 s.f)<br>Residential – 1,500 gpm (>3,600 s.f)<br>Commercial/Industrial – 1,500 gpm<br>Resort - 3,000 gpm         |
| Maximum Day Demand Factor                         | 2.0 times ADD   |
| Peak Hour Demand Factor                           | 3.5 times ADD   |
| Minimum Service Pressure @ ADD, MDD, PHD          | 40 psi  |
| Minimum Residual Pressure @ MDD and fire flow     | 20 psi  |
| Pipeline Velocity @ ADD                           | < 5 ft/s  |
| Pipeline Velocity @ Fire Flow plus MDD conditions | < 10 ft/s (< 15 fps near source of fire)  |
| Minimum Pipe Diameter                             | all new water mains must be 8-inch or greater   |
| Fire Hydrant Spacing                              | At every intersection, at intervals not more than 300 feet in commercial and industrial zones, and not more than 500 feet in residential zones. |

**Table ES-8. Water Main Distribution System Breakdown**

| Phase        | IA            | IB            | IIA           | IIB          | Total, feet   | Total, miles |
|--------------|---------------|---------------|---------------|--------------|---------------|--------------|
|              | Length, feet  |               |               |              |               |              |
| 8-inch       | 35,560        | 17,040        | 11,060        | 8,520        | 72,180        | 13.7         |
| 12-inch      | 7,880         | 0             | 2,410         | 0            | 10,290        | 1.9          |
| 18-inch      | 570           | 0             | 0             | 0            | 570           | 0.1          |
| <b>Total</b> | <b>44,010</b> | <b>17,040</b> | <b>13,470</b> | <b>8,520</b> | <b>83,040</b> | <b>15.7</b>  |

STATE OF CALIFORNIA  
DEPARTMENT OF HEALTH SERVICES

*Certificate of Issuance*

OF A

*Water Supply Permit*

TO

**WOODLANDS MUTUAL WATER COMPANY**

*This is to certify that a water supply permit (Permit # 05-06-04P-006) has been issued to the Woodlands Mutual Water Company on September 27, 2005, to supply water for domestic purposes, serving Nipomo Mesa bluff area of San Luis Obispo County. The permit was issued by the California Department of Health Services, pursuant to the provisions of Division 104, Part 12, Chapter 4, Article 7, of the California Health and Safety Code. The permit is subject to the requirements of Title 22, California Code of Regulations, and to the conditions provided in the water supply permit.*



*A copy of the water supply permit is on file with the County of San Luis Obispo or may be obtained by contacting the Santa Barbara District Office of the Department of Health Services, Drinking Water Field Operations Branch, 1180 Eugenia Place, Suite 200, Carpinteria, CA 93013-2000.*

  
Kurt Souza, P.E., Regional Engineer, Santa Barbara District

## EXECUTIVE SUMMARY

(Full Report on File With the Water Company)

**Exhibit D:  
Specimen Stock Certificate**

INCORPORATED UNDER THE LAWS

OF THE STATE OF CALIFORNIA

NUMBER

SHARES



**THE WOODLANDS MUTUAL WATER COMPANY  
OF SAN LUIS OBISPO COUNTY**

**CAPITAL STOCK: 10,000 SHARES COMMON STOCK @ NO PAR VALUE**

Shares appurtenant to Lot \_\_\_\_\_ as recorded in Book \_\_\_\_\_ of Maps Page \_\_\_\_\_ Official Records of San Luis Obispo County

**This Certifies that** \_\_\_\_\_ *is the*  
*registered holder of* \_\_\_\_\_ *Shares*  
*of the Capital Stock of* **THE WOODLANDS MUTUAL WATER COMPANY**  
**OF SAN LUIS OBISPO COUNTY**  
*transferable only on the books of the Corporation by the holder hereof in*  
*person or by Attorney upon surrender of this Certificate properly endorsed.*

*In Witness Whereof, the said Corporation has caused this certificate to be signed*  
*by its duly authorized officers and its Corporate Seal to be hereunto affixed*  
*this* \_\_\_\_\_ *day* \_\_\_\_\_ *of* \_\_\_\_\_ *A. D. 20* \_\_\_\_\_  
*President* \_\_\_\_\_ *Secretary* \_\_\_\_\_

# **Exhibit E: Budget**

## BUDGET

A budget was completed for the Woodlands Development as part of the Technical, Managerial, and Financial Capacity Assessment (TMF). The entire TMF is on file with the Board. The following tables provide the financial analysis for the Woodlands Development.

A description of the contents of relevant financial tables follows:

### **Table 1**

Table 1 presents a summary of the established water and sewer charges as of November 2005. The supplemental water charges were derived from anticipated costs as indicated in Table 5. In the event that the Company begins to generate excessive reserves starting in 2009, the rates may be reduced subject to the approval of the Board of Directors.

### **Table 2**

Table 2 summarized the anticipated schedule for various components of the development. The Company will need to be subsidized for at least the first two years based on the schedule of occupancies.

### **Table 3**

Table 3 describes the anticipated revenues and expenses by calendar year for the Company.

### **Table 4**

Table 4 lists the proposed monthly water charge as a function of water consumption.

### **Table 5**

Table 5 describes the estimated annual cost of supplemental water. It should be noted that the Company intends to collect revenue for supplemental water starting in 2006 in anticipation of future expenses. The final costs will not be known until the Board executes an agreement with Nipomo Community Services District and construction is completed.

### **Table 6**

Table 6 lists the cost and useful life of various system components for the purpose of estimating reserve requirements.

### **Table 7**

Table 7 presents an approximate cash flow analysis for the accumulation and expenditure of reserves. The reserve contribution required should be set annually by the Board of Directors to keep pace with inflation.

Table 1

| <b>Water Use Factors:</b>                     |  |
|---|--|
| Min. water use for base rate                  | 9 ccf per month  |
| Minimum base rate charge                      | \$16.65 per metered connection per month                       |
| Water rate (1st tier - 0 to 40 ccf)           | \$2.35 per ccf   |
| Water rate (2nd tier - 41 ccf and over)       | \$4.11 per ccf (applicable only to RSF, RMF, VC, and BP users) |
| <b>Average water use estimates per month:</b> |  |
| RSF per lot                                   | 18 ccf per month   |
| RMF per unit                                  | 12 ccf per month   |
| Resort  | 1067.43 ccf per month  |
| Golf  | 300 ccf per month  |
| Tour center                                   | 20 ccf per month   |
| Trilogy center                                | 900 ccf per month  |
| <b>Average RSF water rate at average use</b>  |  |
| Base rate + water use                         | \$37.80  |
| Supplemental water charge                     | \$24.34  |
| Total average monthly bill                    | \$62.14  |
| <b>Sewer Factors:</b>                         |  |
| RSF per lot                                   | \$67.00 per month  |
| RMF per unit                                  | \$67.00 per month  |
| Commercial per connection                     | \$100.00 per month   |
| Resort  | \$4,000.00 per month (based on use compared to RSF)            |
| Golf  | \$1,120.00 per month (based on use compared to RSF)            |
| Tour center                                   | \$67.00 per month  |
| Trilogy center                                | \$2,000.00 per month (est. based on use, loading)              |



Table 2

| Development Schedule  | 2005 | 2006   | 2007   | 2008   | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|---|------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|
| RSF (lots)  | 10   | 160    | 160    | 130    | 130     | 130     | 130     | 130     | 120     | 120     | 80      |
| RMF (units)   |      | 40     | 40     |        |         |         |         |         |         |         |         |
| Commercial - Village (SF)   |      |        |        | 20,000 | 20,000  | 20,000  | 20,000  | 20,000  | 20,000  | 20,000  |         |
| Commercial - BP (SF)  |      |        |        | 50,000 | 50,000  | 50,000  | 50,000  | 50,000  | 50,000  | 50,000  |         |
| Resort (units)  |      |        |        |        | 250     |         |         |         |         |         |         |
| Golf  | X    |        |        |        |         |         |         |         |         |         |         |
| Tour Center   | X    |        |        |        |         |         |         |         |         |         |         |
| Trilogy Center (SF)   |      |        | 31,000 |        |         |         |         |         |         |         |         |
| Common area irrigation  |      |        |        |        |         |         |         |         |         |         |         |
| \$ Residential  |      | 12,000 | 30,000 | 47,400 | 63,000  | 78,600  | 94,200  | 109,800 | 124,800 | 146,400 | 146,400 |
| Estimated use at \$1.87/ccf   |      | 6,417  | 16,043 | 25,348 | 33,690  | 42,032  | 50,374  | 58,717  | 66,738  | 78,289  | 78,289  |
| \$ Commercial   |      |        |        | 753    | 2,000   | 3,746   | 5,987   | 8,723   | 11,897  | 16,266  | 16,266  |
| Estimated use at \$1.87/ccf   |      |        |        | 403    | 1,070   | 2,003   | 3,202   | 4,665   | 6,362   | 8,698   | 8,698   |
| Total common area use   |      | 6,417  | 16,043 | 25,750 | 34,759  | 44,035  | 53,576  | 63,381  | 73,100  | 86,987  | 86,987  |
| LS charge at new rate   |      | 15,080 | 37,701 | 60,513 | 81,684  | 103,483 | 125,903 | 148,946 | 171,785 | 204,420 | 204,420 |
| <b>Average cumulative develop. and water data (taken at mid-year)</b> |      |        |        |        |         |         |         |         |         |         |         |
| RSF (lots)  | N/A  | 90     | 250    | 395    | 525     | 655     | 785     | 915     | 1,040   | 1,160   | 1,260   |
| RMF (units)   |      | 20     | 60     | 80     | 80      | 80      | 80      | 80      | 80      | 80      | 80      |
| Commercial - Village - 10 lots (SF)                                   |      |        |        | 10,000 | 30,000  | 50,000  | 70,000  | 90,000  | 110,000 | 130,000 | 140,000 |
| Commercial - BP - 19 lots (SF)  |      |        |        | 25,000 | 75,000  | 125,000 | 175,000 | 225,000 | 275,000 | 325,000 | 350,000 |
| Resort (0/1)  | 0    | 0      | 0      | 0      | 1       | 1       | 1       | 1       | 1       | 1       | 1       |
| Golf  | 1    | 1      | 1      | 1      | 1       | 1       | 1       | 1       | 1       | 1       | 1       |
| Tour Center   | 1    | 1      | 1      | 1      | 1       | 1       | 1       | 1       | 1       | 1       | 1       |
| Trilogy Center (SF)   | 0    | 0      | 1      | 1      | 1       | 1       | 1       | 1       | 1       | 1       | 1       |
| Total commercial (V, BP, excludes Trilogy)                            |      |        | 0      | 35,000 | 105,000 | 175,000 | 245,000 | 315,000 | 385,000 | 455,000 | 490,000 |
| Total commercial meters (est V, BP)                                   |      |        | 0      | 3      | 8       | 12      | 16      | 20      | 24      | 28      | 29      |
| Estimated comm. use in CCF (V, BP)<br>(demand factor 0.10 gpd/SF)     |      |        | 0      | 142    | 427     | 712     | 996     | 1,281   | 1,566   | 1,850   | 1,993   |
| Chargeable water units above base use:                                |      |        | 0      | 115    | 355     | 604     | 852     | 1,101   | 1,350   | 1,598   | 1,732   |
| Minimum NCSD supplemental water delivery                              |      |        | 600    | 685    | 770     | 855     | 940     | 1,025   | 1,072   | 1,119   | 1,166   |
| Minimum Woodlands supplemental water                                  |      |        | 80     | 91     | 103     | 114     | 125     | 137     | 143     | 149     | 155     |
| Normal delivery based on cost allocation                              |      |        | 87     | 129    | 179     | 216     | 255     | 293     | 330     | 370     | 392     |

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Table 3

|   | Calendar Year for Budget |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
|---|--------------------------|-------------------|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | 2005                     | 2006              | 2007             | 2008             | 2009               | 2010               | 2011               | 2012               | 2013               | 2014               | 2015               |
| <b>Water system expenses</b>                    |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| <b>Contract services</b>                        |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Routine operations                              | \$6,000                  | \$23,400          | \$29,200         | \$34,900         | \$40,600           | \$48,540           | \$56,480           | \$64,420           | \$72,360           | \$80,300           | \$80,300           |
| System maintenance                              | \$1,000                  | \$4,000           | \$4,500          | \$5,000          | \$5,400            | \$6,060            | \$6,720            | \$7,380            | \$8,040            | \$8,700            | \$8,700            |
| Facility maintenance                            | \$7,800                  | \$7,800           | \$8,400          | \$9,000          | \$9,600            | \$10,960           | \$12,520           | \$14,080           | \$15,640           | \$17,200           | \$17,200           |
| Call outs / emergencies                         | \$3,000                  | \$12,000          | \$7,000          | \$8,000          | \$9,000            | \$10,600           | \$12,200           | \$13,900           | \$15,500           | \$17,100           | \$18,700           |
| Administration (mgmt, bookkeeping, billing)     | \$3,000                  | \$12,000          | \$15,000         | \$18,000         | \$20,000           | \$22,000           | \$24,000           | \$26,000           | \$27,000           | \$27,000           | \$27,000           |
| Engineering                                     | \$1,000                  | \$2,000           | \$3,000          | \$3,000          | \$3,000            | \$5,000            | \$5,000            | \$7,000            | \$7,000            | \$10,000           | \$10,000           |
| Groundwater reports / supply consulting         | \$4,000                  | \$4,000           | \$4,000          | \$4,000          | \$4,000            | \$4,000            | \$4,000            | \$4,000            | \$4,000            | \$4,000            | \$4,000            |
| Legal services                                  | \$2,000                  | \$4,000           | \$4,000          | \$4,000          | \$4,000            | \$6,000            | \$6,000            | \$6,000            | \$8,000            | \$8,000            | \$8,000            |
| Accountant / taxes                              | \$1,000                  | \$2,000           | \$2,000          | \$2,000          | \$3,000            | \$3,000            | \$3,000            | \$3,000            | \$4,000            | \$4,000            | \$4,000            |
| Lab testing                                     | \$1,000                  | \$4,000           | \$6,000          | \$6,000          | \$6,000            | \$8,000            | \$8,000            | \$8,000            | \$8,000            | \$8,000            | \$8,000            |
| Landscape maintenance                           | \$450                    | \$1,800           | \$1,800          | \$1,800          | \$1,800            | \$1,800            | \$1,800            | \$1,800            | \$1,800            | \$1,800            | \$1,800            |
| Communications / SCADA                          | \$500                    | \$500             | \$1,000          | \$1,000          | \$2,000            | \$2,000            | \$3,000            | \$3,000            | \$3,000            | \$3,000            | \$3,000            |
| Cross connection control                        | \$1,500                  | \$1,500           | \$1,500          | \$2,500          | \$2,500            | \$3,000            | \$3,000            | \$3,000            | \$3,000            | \$3,000            | \$3,000            |
| <b>Utilities</b>                                |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Electrical power                                | \$5,000                  | \$40,000          | \$70,000         | \$100,000        | \$140,000          | \$170,000          | \$200,000          | \$220,000          | \$240,000          | \$260,000          | \$260,000          |
| Telephone service                               | \$150                    | \$600             | \$600            | \$600            | \$600              | \$600              | \$600              | \$600              | \$600              | \$600              | \$600              |
| Alarm service                                   | \$120                    | \$500             | \$500            | \$500            | \$500              | \$500              | \$500              | \$500              | \$500              | \$500              | \$500              |
| <b>Chemicals and Materials</b>                  |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Sodium hypochlorite                             | \$1,500                  | \$6,000           | \$8,000          | \$11,000         | \$14,200           | \$17,400           | \$20,600           | \$23,800           | \$26,000           | \$30,000           | \$30,000           |
| Misc. oils, diesel fuel                         | \$500                    | \$500             | \$700            | \$900            | \$1,000            | \$1,100            | \$1,100            | \$1,300            | \$1,500            | \$1,500            | \$1,500            |
| Maintenance materials (parts, coatings etc)     | \$500                    | \$1,500           | \$2,500          | \$3,700          | \$4,800            | \$5,900            | \$7,100            | \$8,200            | \$9,300            | \$10,400           | \$10,400           |
| <b>Other expenses</b>                           |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Permits and fees                                | \$0                      | \$1,000           | \$1,500          | \$1,500          | \$1,500            | \$1,500            | \$1,500            | \$1,500            | \$1,500            | \$1,500            | \$1,500            |
| Insurance (D&O, liability, facility)            | \$20,000                 | \$20,000          | \$20,000         | \$20,000         | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           |
| <b>Subtotal - Operations and Administration</b> | <b>\$47,720</b>          | <b>\$149,100</b>  | <b>\$191,200</b> | <b>\$237,300</b> | <b>\$293,300</b>   | <b>\$345,960</b>   | <b>\$397,120</b>   | <b>\$437,480</b>   | <b>\$476,740</b>   | <b>\$516,600</b>   | <b>\$496,700</b>   |
| 10.0% Operating contingency                     | \$4,772                  | \$14,910          | \$19,120         | \$23,730         | \$29,330           | \$34,596           | \$39,712           | \$43,748           | \$47,674           | \$51,660           | \$49,670           |
| Reserve account                                 | \$0                      | \$5,000           | \$10,000         | \$15,000         | \$20,000           | \$25,000           | \$35,000           | \$100,000          | \$139,345          | \$143,525          | \$147,831          |
| <b>Total Water System Expenses</b>              | <b>\$52,492</b>          | <b>\$169,010</b>  | <b>\$220,320</b> | <b>\$278,030</b> | <b>\$342,630</b>   | <b>\$405,556</b>   | <b>\$471,832</b>   | <b>\$581,228</b>   | <b>\$663,759</b>   | <b>\$711,785</b>   | <b>\$694,201</b>   |
| <b>Total Water System Revenues</b>              | <b>\$0</b>               | <b>\$70,508</b>   | <b>\$202,407</b> | <b>\$300,531</b> | <b>\$418,475</b>   | <b>\$507,052</b>   | <b>\$506,252</b>   | <b>\$686,073</b>   | <b>\$773,423</b>   | <b>\$868,301</b>   | <b>\$917,621</b>   |
| <b>Loss (-) or gain (+)</b>                     | <b>-\$52,492</b>         | <b>-\$98,502</b>  | <b>-\$17,913</b> | <b>\$24,501</b>  | <b>\$75,845</b>    | <b>\$101,496</b>   | <b>\$124,420</b>   | <b>\$104,845</b>   | <b>\$109,665</b>   | <b>\$156,516</b>   | <b>\$223,420</b>   |
| <b>Supplemental water expenses</b>              |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Water purchases from NCSD                       | \$0                      | \$0               | \$108,347        | \$161,306        | \$223,203          | \$270,539          | \$318,161          | \$366,132          | \$412,727          | \$462,909          | \$469,969          |
| Bond P&I for transmission                       | \$0                      | \$0               | \$62,449         | \$62,449         | \$62,449           | \$62,449           | \$62,449           | \$62,449           | \$62,449           | \$62,449           | \$62,449           |
| OM&R for transmission                           | \$0                      | \$0               | \$20,000         | \$20,000         | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           |
| <b>Total Supplemental Water Expenses</b>        | <b>\$0</b>               | <b>\$0</b>        | <b>\$190,796</b> | <b>\$243,755</b> | <b>\$305,652</b>   | <b>\$352,988</b>   | <b>\$400,631</b>   | <b>\$448,581</b>   | <b>\$495,177</b>   | <b>\$545,358</b>   | <b>\$572,418</b>   |
| <b>Total Supplemental Water Revenue</b>         | <b>\$0</b>               | <b>\$44,058</b>   | <b>\$126,213</b> | <b>\$187,905</b> | <b>\$260,009</b>   | <b>\$315,150</b>   | <b>\$370,649</b>   | <b>\$426,506</b>   | <b>\$480,786</b>   | <b>\$539,242</b>   | <b>\$570,764</b>   |
| <b>Loss (-) or gain (+)</b>                     | <b>\$0</b>               | <b>\$44,058</b>   | <b>-\$64,583</b> | <b>-\$55,850</b> | <b>-\$45,643</b>   | <b>-\$37,838</b>   | <b>-\$29,982</b>   | <b>-\$22,075</b>   | <b>-\$14,391</b>   | <b>-\$8,116</b>    | <b>-\$1,654</b>    |
| <b>Water + Supplemental loss or gain</b>        | <b>-\$52,492</b>         | <b>-\$54,443</b>  | <b>-\$82,497</b> | <b>-\$31,350</b> | <b>\$30,201</b>    | <b>\$63,658</b>    | <b>\$94,438</b>    | <b>\$82,771</b>    | <b>\$95,274</b>    | <b>\$150,400</b>   | <b>\$221,766</b>   |
| <b>Sewer system expenses</b>                    |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| <b>Contract services</b>                        |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Routine operations                              | \$20,000                 | \$54,800          | \$74,900         | \$95,200         | \$110,000          | \$124,300          | \$138,900          | \$153,400          | \$168,000          | \$182,500          | \$182,500          |
| System maintenance                              | \$1,500                  | \$9,000           | \$10,450         | \$11,900         | \$13,300           | \$14,700           | \$16,100           | \$17,500           | \$18,900           | \$20,200           | \$20,200           |
| Facility maintenance                            | \$1,000                  | \$17,200          | \$19,550         | \$21,900         | \$24,800           | \$27,600           | \$30,500           | \$33,300           | \$36,200           | \$39,000           | \$39,000           |
| Administration (shared w/ water)                | \$3,000                  | \$12,000          | \$15,000         | \$18,000         | \$20,000           | \$22,000           | \$24,000           | \$26,000           | \$27,000           | \$27,000           | \$27,000           |
| Call outs / emergencies                         | \$3,000                  | \$7,000           | \$10,000         | \$14,000         | \$15,000           | \$16,000           | \$17,000           | \$17,500           | \$18,700           | \$18,700           | \$18,700           |
| Engineering                                     | \$1,500                  | \$1,500           | \$2,000          | \$3,000          | \$3,000            | \$5,000            | \$5,000            | \$7,000            | \$7,000            | \$9,000            | \$9,000            |
| Groundwater monitoring                          | \$3,000                  | \$3,000           | \$3,000          | \$3,000          | \$4,500            | \$4,500            | \$4,500            | \$4,500            | \$4,500            | \$4,500            | \$4,500            |
| Lab testing                                     | \$2,500                  | \$9,300           | \$14,000         | \$18,800         | \$23,500           | \$23,500           | \$25,000           | \$25,000           | \$27,000           | \$30,000           | \$30,000           |
| Landscape maintenance                           | \$450                    | \$1,800           | \$2,400          | \$2,400          | \$2,400            | \$2,400            | \$2,400            | \$2,400            | \$2,400            | \$2,400            | \$2,400            |
| Communications / SCADA                          | \$0                      | \$500             | \$2,000          | \$3,000          | \$3,000            | \$3,500            | \$4,000            | \$4,500            | \$4,500            | \$4,500            | \$4,500            |
| Sewer cleaning / jet rodder                     | \$0                      | \$0               | \$3,000          | \$3,000          | \$3,000            | \$5,000            | \$7,000            | \$8,000            | \$9,000            | \$10,000           | \$10,000           |
| Commercial / Industrial discharge program       | \$0                      | \$1,200           | \$1,200          | \$1,200          | \$1,200            | \$1,200            | \$1,200            | \$1,200            | \$1,200            | \$1,200            | \$1,200            |
| <b>Utilities</b>                                |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Electrical power                                | \$6,450                  | \$28,400          | \$50,400         | \$72,300         | \$94,300           | \$115,440          | \$136,580          | \$157,720          | \$178,860          | \$200,000          | \$200,000          |
| Telephone service                               | \$150                    | \$600             | \$600            | \$600            | \$600              | \$600              | \$600              | \$600              | \$600              | \$600              | \$600              |
| Alarm service                                   | \$120                    | \$500             | \$500            | \$500            | \$500              | \$500              | \$500              | \$500              | \$500              | \$500              | \$500              |
| Gas services                                    | \$300                    | \$1,500           | \$1,500          | \$1,500          | \$1,500            | \$1,500            | \$1,500            | \$1,500            | \$1,500            | \$1,500            | \$1,500            |
| <b>Chemicals and Materials</b>                  |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Sodium hypochlorite                             | \$1,500                  | \$5,000           | \$7,000          | \$1,000          | \$13,000           | \$15,600           | \$18,200           | \$20,800           | \$23,400           | \$26,000           | \$26,000           |
| Pall system chemicals                           | \$1,500                  | \$1,500           | \$2,000          | \$2,000          | \$2,000            | \$3,000            | \$3,000            | \$3,000            | \$4,000            | \$4,000            | \$4,000            |
| Misc. oils, diesel fuel                         | \$500                    | \$700             | \$9,000          | \$1,000          | \$1,000            | \$1,000            | \$1,100            | \$1,100            | \$1,200            | \$1,300            | \$1,300            |
| Maintenance materials (parts, coatings etc)     | \$500                    | \$1,000           | \$2,000          | \$3,000          | \$4,000            | \$5,000            | \$6,000            | \$8,000            | \$9,000            | \$10,000           | \$10,000           |
| Lab materials and equipment                     | \$5,000                  | \$500             | \$500            | \$500            | \$500              | \$500              | \$500              | \$500              | \$500              | \$500              | \$500              |
| <b>Other expenses</b>                           |                          |                   |                  |                  |                    |                    |                    |                    |                    |                    |                    |
| Permits and fees                                | \$0                      | \$1,000           | \$1,000          | \$2,000          | \$2,000            | \$5,000            | \$5,000            | \$7,000            | \$7,000            | \$9,000            | \$9,000            |
| Insurance (D&O, liability, facility)            | \$20,000                 | \$20,000          | \$20,000         | \$20,000         | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           | \$20,000           |
| <b>Subtotal - Operations and Administration</b> | <b>\$71,970</b>          | <b>\$177,800</b>  | <b>\$252,000</b> | <b>\$299,800</b> | <b>\$363,100</b>   | <b>\$417,840</b>   | <b>\$488,580</b>   | <b>\$521,020</b>   | <b>\$570,980</b>   | <b>\$622,400</b>   | <b>\$622,400</b>   |
| 10.0% Operating contingency                     | \$7,197                  | \$17,780          | \$25,200         | \$29,980         | \$36,310           | \$41,784           | \$48,858           | \$52,102           | \$57,098           | \$62,240           | \$62,240           |
| Sludge disposal reserve account                 | \$0                      | \$3,000           | \$5,000          | \$12,000         | \$12,000           | \$12,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           | \$15,000           |
| Reserve account                                 | \$0                      | \$5,000           | \$10,000         | \$15,000         | \$20,000           | \$25,000           | \$35,000           | \$100,000          | \$139,345          | \$143,525          | \$147,831          |
| <b>Total Wastewater System Expenses</b>         | <b>\$79,167</b>          | <b>\$203,580</b>  | <b>\$292,200</b> | <b>\$356,780</b> | <b>\$431,410</b>   | <b>\$496,624</b>   | <b>\$565,438</b>   | <b>\$688,122</b>   | <b>\$782,401</b>   | <b>\$843,165</b>   | <b>\$847,471</b>   |
| <b>Total Wastewater System Revenues</b>         | <b>\$0</b>               | <b>\$102,884</b>  | <b>\$267,484</b> | <b>\$423,744</b> | <b>\$582,264</b>   | <b>\$691,584</b>   | <b>\$800,904</b>   | <b>\$910,224</b>   | <b>\$1,015,524</b> | <b>\$1,116,804</b> | <b>\$1,198,404</b> |
| <b>Loss (-) or gain (+)</b>                     | <b>-\$79,167</b>         | <b>-\$100,696</b> | <b>-\$4,716</b>  | <b>\$66,964</b>  | <b>\$150,854</b>   | <b>\$194,960</b>   | <b>\$235,466</b>   | <b>\$222,102</b>   | <b>\$233,123</b>   | <b>\$273,639</b>   | <b>\$350,933</b>   |
| <b>Total Water Company Expenses</b>             | <b>\$131,659</b>         | <b>\$372,590</b>  | <b>\$703,316</b> | <b>\$876,565</b> | <b>\$1,079,692</b> | <b>\$1,255,168</b> | <b>\$1,437,901</b> | <b>\$1,717,931</b> | <b>\$1,941,336</b> | <b>\$2,100,308</b> | <b>\$2,114,090</b> |
| <b>Total Water Company Revenues</b>             | <b>\$0</b>               | <b>\$217,251</b>  | <b>\$616,104</b> | <b>\$912,180</b> | <b>\$1,260,747</b> | <b>\$1,513,786</b> | <b>\$1,767,806</b> | <b>\$2,022,804</b> | <b>\$2,269,733</b> | <b>\$2,524,347</b> | <b>\$2,686,789</b> |
| <b>Estimated total net income or loss</b>       | <b>-\$131,659</b>        | <b>-\$155,339</b> | <b>-\$87,213</b> | <b>\$35,614</b>  | <b>\$181,055</b>   | <b>\$258,618</b>   | <b>\$329,904</b>   | <b>\$304,873</b>   | <b>\$326,397</b>   | <b>\$424,039</b>   | <b>\$572,699</b>   |

Table 4

| Water charges as a function of use for RSF, RMF, and small commercial users |                               |                         |              |                           |                               |                         |              |
|---|-------------------------------|-------------------------|--------------|---------------------------|-------------------------------|-------------------------|--------------|
| 1st Tier Rates (0 to 40 ccf)  |                               |                         |              | 2nd Tier Rates (> 40 ccf) |                               |                         |              |
| Monthly water use in ccf  | Fixed charge (incl. 9 ccf/mo) | Additional water charge | Monthly cost | Monthly water use in ccf  | Fixed charge (incl. 9 ccf/mo) | Additional water charge | Monthly cost |
| 0   | \$16.65                       | \$0.00                  | \$16.65      | 41                        | \$16.65                       | \$76.96                 | \$93.61      |
| 1   | \$16.65                       | \$0.00                  | \$16.65      | 42                        | \$16.65                       | \$81.08                 | \$97.73      |
| 2   | \$16.65                       | \$0.00                  | \$16.65      | 43                        | \$16.65                       | \$85.19                 | \$101.84     |
| 3   | \$16.65                       | \$0.00                  | \$16.65      | 44                        | \$16.65                       | \$89.30                 | \$105.95     |
| 4   | \$16.65                       | \$0.00                  | \$16.65      | 45                        | \$16.65                       | \$93.41                 | \$110.06     |
| 5   | \$16.65                       | \$0.00                  | \$16.65      | 46                        | \$16.65                       | \$97.53                 | \$114.18     |
| 6   | \$16.65                       | \$0.00                  | \$16.65      | 47                        | \$16.65                       | \$101.64                | \$118.29     |
| 7   | \$16.65                       | \$0.00                  | \$16.65      | 48                        | \$16.65                       | \$105.75                | \$122.40     |
| 8   | \$16.65                       | \$0.00                  | \$16.65      | 49                        | \$16.65                       | \$109.86                | \$126.51     |
| 9   | \$16.65                       | \$0.00                  | \$16.65      | 50                        | \$16.65                       | \$113.98                | \$130.63     |
| 10  | \$16.65                       | \$2.35                  | \$19.00      | 51                        | \$16.65                       | \$118.09                | \$134.74     |
| 11  | \$16.65                       | \$4.70                  | \$21.35      | 52                        | \$16.65                       | \$122.20                | \$138.85     |
| 12  | \$16.65                       | \$7.05                  | \$23.70      | 53                        | \$16.65                       | \$126.31                | \$142.96     |
| 13  | \$16.65                       | \$9.40                  | \$26.05      | 54                        | \$16.65                       | \$130.43                | \$147.08     |
| 14  | \$16.65                       | \$11.75                 | \$28.40      | 55                        | \$16.65                       | \$134.54                | \$151.19     |
| 15  | \$16.65                       | \$14.10                 | \$30.75      | 56                        | \$16.65                       | \$138.65                | \$155.30     |
| 16  | \$16.65                       | \$16.45                 | \$33.10      | 57                        | \$16.65                       | \$142.76                | \$159.41     |
| 17  | \$16.65                       | \$18.80                 | \$35.45      | 58                        | \$16.65                       | \$146.88                | \$163.53     |
| 18  | \$16.65                       | \$21.15                 | \$37.80      | 59                        | \$16.65                       | \$150.99                | \$167.64     |
| 19  | \$16.65                       | \$23.50                 | \$40.15      | 60                        | \$16.65                       | \$155.10                | \$171.75     |
| 20  | \$16.65                       | \$25.85                 | \$42.50      | 61                        | \$16.65                       | \$159.21                | \$175.86     |
| 21  | \$16.65                       | \$28.20                 | \$44.85      | 62                        | \$16.65                       | \$163.33                | \$179.98     |
| 22  | \$16.65                       | \$30.55                 | \$47.20      | 63                        | \$16.65                       | \$167.44                | \$184.09     |
| 23  | \$16.65                       | \$32.90                 | \$49.55      | 64                        | \$16.65                       | \$171.55                | \$188.20     |
| 24  | \$16.65                       | \$35.25                 | \$51.90      | 65                        | \$16.65                       | \$175.66                | \$192.31     |
| 25  | \$16.65                       | \$37.60                 | \$54.25      | 66                        | \$16.65                       | \$179.78                | \$196.43     |
| 26  | \$16.65                       | \$39.95                 | \$56.60      | 67                        | \$16.65                       | \$183.89                | \$200.54     |
| 27  | \$16.65                       | \$42.30                 | \$58.95      | 68                        | \$16.65                       | \$188.00                | \$204.65     |
| 28  | \$16.65                       | \$44.65                 | \$61.30      | 69                        | \$16.65                       | \$192.11                | \$208.76     |
| 29  | \$16.65                       | \$47.00                 | \$63.65      | 70                        | \$16.65                       | \$196.23                | \$212.88     |
| 30  | \$16.65                       | \$49.35                 | \$66.00      | 71                        | \$16.65                       | \$200.34                | \$216.99     |
| 31  | \$16.65                       | \$51.70                 | \$68.35      | 72                        | \$16.65                       | \$204.45                | \$221.10     |
| 32  | \$16.65                       | \$54.05                 | \$70.70      | 73                        | \$16.65                       | \$208.56                | \$225.21     |
| 33  | \$16.65                       | \$56.40                 | \$73.05      | 74                        | \$16.65                       | \$212.68                | \$229.33     |
| 34  | \$16.65                       | \$58.75                 | \$75.40      | 75                        | \$16.65                       | \$216.79                | \$233.44     |
| 35  | \$16.65                       | \$61.10                 | \$77.75      | 76                        | \$16.65                       | \$220.90                | \$237.55     |
| 36  | \$16.65                       | \$63.45                 | \$80.10      | 77                        | \$16.65                       | \$225.01                | \$241.66     |
| 37  | \$16.65                       | \$65.80                 | \$82.45      | 78                        | \$16.65                       | \$229.13                | \$245.78     |
| 38  | \$16.65                       | \$68.15                 | \$84.80      | 79                        | \$16.65                       | \$233.24                | \$249.89     |
| 39  | \$16.65                       | \$70.50                 | \$87.15      | 80                        | \$16.65                       | \$237.35                | \$254.00     |
| 40  | \$16.65                       | \$72.85                 | \$89.50      | 81                        | \$16.65                       | \$241.46                | \$258.11     |



Table 6

## Water System Equipment Replacement Costs

| Item                                | Units | Quantity<br>(Phase 1A) | Quantity<br>(Buildout) | Estimated Life<br>Span | Estimated<br>Unit Cost | Total Base Cost |                 | Replacement Cost |               |  |
|-------------------------------------|-------|------------------------|------------------------|------------------------|------------------------|-----------------|-----------------|------------------|---------------|--|
|                                     |       |                        |                        |                        |                        | Phase 1A        | Build-Out       | Phase 1A         | Build-Out     |  |
| Water Storage Reservoir             | ea    | 2                      | 3                      | 50                     | \$ 240,000.00          | \$ 480,000.00   | \$ 720,000.00   | \$ 9,600.00      | \$ 14,400.00  |  |
| Well Pumps                          |       |                        |                        |                        |                        |                 |                 |                  |               |  |
| 800 gpm-125 Hp                      | ea    | 2                      | 2                      | 15                     | \$ 12,000.00           | \$ 24,000.00    | \$ 24,000.00    | \$ 1,600.00      | \$ 1,600.00   |  |
| 1200 gpm - 200 Hp                   | ea    | 1                      | 1                      | 15                     | \$ 15,000.00           | \$ 15,000.00    | \$ 15,000.00    | \$ 1,000.00      | \$ 1,000.00   |  |
| Fire Hydrant Assemblies             | ea    | 86                     | 183                    | 50                     | \$ 3,500.00            | \$ 301,000.00   | \$ 640,500.00   | \$ 6,020.00      | \$ 12,810.00  |  |
| Booster Station                     |       |                        |                        |                        |                        |                 |                 |                  |               |  |
| Structure                           | sf    | 1                      | 1                      | 50                     | \$ 186,000.00          | \$ 186,000.00   | \$ 186,000.00   | \$ 3,720.00      | \$ 3,720.00   |  |
| Scada, controls, electrical         | ls    | 1                      | 1                      | 20                     | \$ 125,000.00          | \$ 125,000.00   | \$ 125,000.00   | \$ 6,250.00      | \$ 6,250.00   |  |
| Mechanical                          | ls    | 1                      | 1                      | 20                     | \$ 60,000.00           | \$ 60,000.00    | \$ 60,000.00    | \$ 3,000.00      | \$ 3,000.00   |  |
| Booster Station Pumps               | ls    | 1                      | 1                      | 15                     | \$ 20,000.00           | \$ 20,000.00    | \$ 20,000.00    | \$ 1,333.33      | \$ 1,333.33   |  |
| Hypochlorite System                 |       |                        |                        |                        |                        |                 |                 |                  |               |  |
| Pumps                               | ea    | 1                      | 1                      | 10                     | \$ 1,800.00            | \$ 1,800.00     | \$ 1,800.00     | \$ 180.00        | \$ 180.00     |  |
| Distribution System                 | ls    | 1                      | 2                      | 70                     | \$ 2,901,105.00        | \$ 2,901,105.00 | \$ 5,802,210.00 | \$ 41,444.36     | \$ 82,888.71  |  |
| On Site Distribution                |       |                        |                        |                        |                        |                 |                 |                  |               |  |
| Piping - 10"                        | ls    | 1                      | 1                      | 70                     | \$ 15,000.00           | \$ 15,000.00    | \$ 15,000.00    | \$ 214.29        | \$ 214.29     |  |
| Piping - 12"                        | ls    | 1                      | 1                      | 70                     | \$ 20,500.00           | \$ 20,500.00    | \$ 20,500.00    | \$ 292.86        | \$ 292.86     |  |
| Piping - 16"                        | ls    | 1                      | 1                      | 70                     | \$ 32,000.00           | \$ 32,000.00    | \$ 32,000.00    | \$ 457.14        | \$ 457.14     |  |
| Piping - 18"                        | ls    | 1                      | 1                      | 70                     | \$ 8,000.00            | \$ 8,000.00     | \$ 8,000.00     | \$ 114.29        | \$ 114.29     |  |
| Concrete Vault                      | ls    | 1                      | 1                      | 50                     | \$ 12,000.00           | \$ 12,000.00    | \$ 12,000.00    | \$ 240.00        | \$ 240.00     |  |
| 12" Static Mixer                    | ls    | 1                      | 1                      | 20                     | \$ 11,000.00           | \$ 11,000.00    | \$ 11,000.00    | \$ 550.00        | \$ 550.00     |  |
| Storm Drain Piping                  |       |                        |                        |                        |                        |                 |                 |                  |               |  |
| 12"                                 | ls    | 1                      | 1                      | 70                     | \$ 6,800.00            | \$ 6,800.00     | \$ 6,800.00     | \$ 97.14         | \$ 97.14      |  |
| 15"                                 | ls    | 1                      | 1                      | 70                     | \$ 4,500.00            | \$ 4,500.00     | \$ 4,500.00     | \$ 64.29         | \$ 64.29      |  |
| 18"                                 | ls    | 1                      | 1                      | 70                     | \$ 7,900.00            | \$ 7,900.00     | \$ 7,900.00     | \$ 112.86        | \$ 112.86     |  |
| Manhole                             | ls    | 1                      | 1                      | 50                     | \$ 3,600.00            | \$ 3,600.00     | \$ 3,600.00     | \$ 72.00         | \$ 72.00      |  |
| Sewer Piping                        | ls    | 1                      | 1                      | 50                     | \$ 810.00              | \$ 810.00       | \$ 810.00       | \$ 16.20         | \$ 16.20      |  |
| Generators                          |       |                        |                        |                        |                        |                 |                 |                  |               |  |
| Booster Station - 300 KW, permanent | ea    | 1                      | 1                      | 20                     | \$ 59,000.00           | \$ 59,000.00    | \$ 59,000.00    | \$ 2,950.00      | \$ 2,950.00   |  |
| Wells - portable                    | ea    | 1                      | 1                      | 20                     | \$ 30,000.00           | \$ 30,000.00    | \$ 30,000.00    | \$ 1,500.00      | \$ 1,500.00   |  |
| SUBTOTAL                            |       |                        |                        |                        |                        | \$ 4,325,015.00 | \$ 7,805,620.00 | \$ 80,828.75     | \$ 133,863.10 |  |

Table 6, Continued

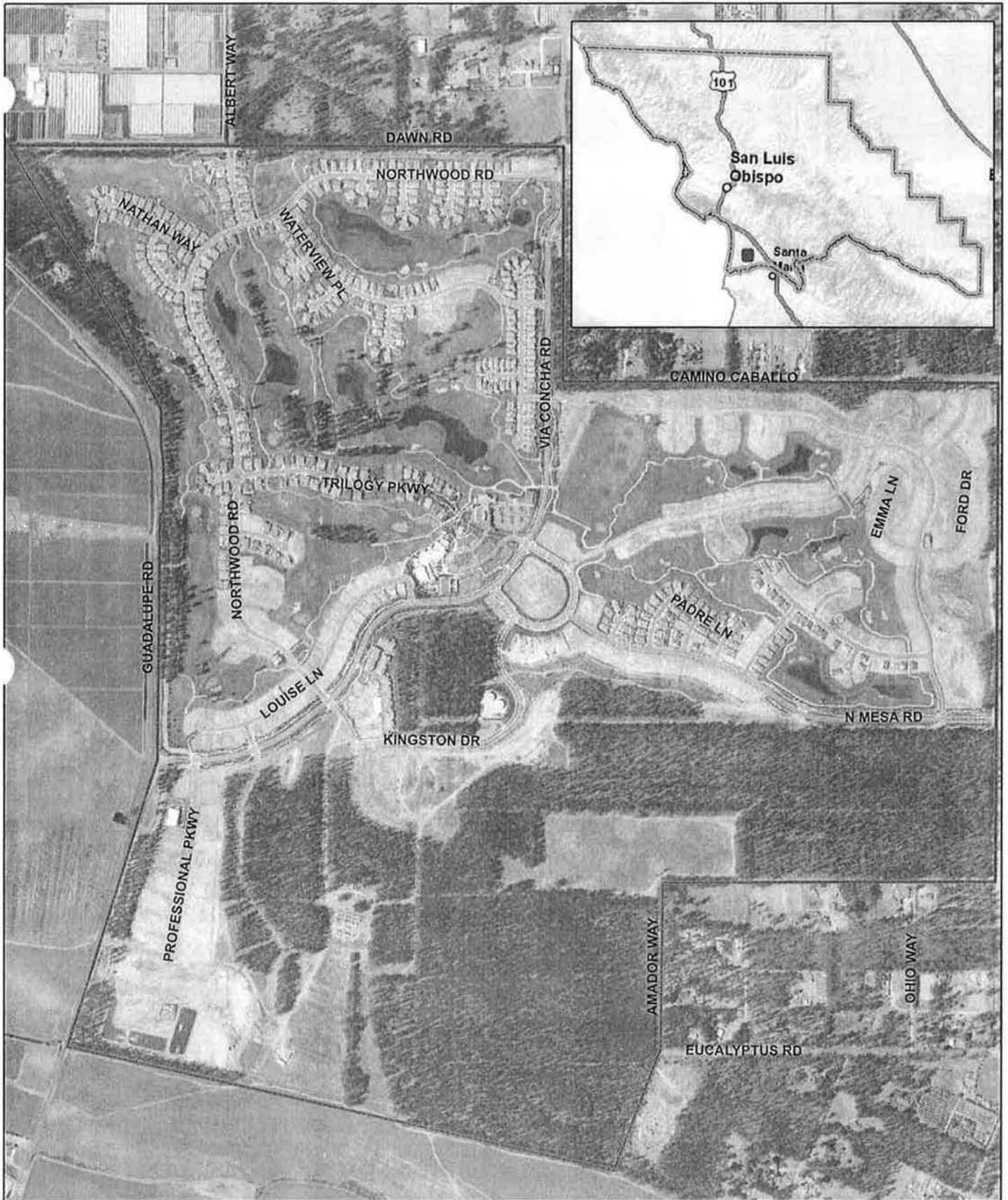
Wastewater System Equipment Replacement Costs

| Item  | Units | Quantity |           | Estimated Life Span | Estimated Unit Cost | Total Base Cost |                 | Replacement Cost |               |
|---|-------|----------|-----------|---------------------|---------------------|-----------------|-----------------|------------------|---------------|
|   |       | Phase 1A | Build-Out |                     |                     | Phase 1A        | Build-Out       | Phase 1A         | Build-Out     |
| <b>WWTP Building</b>                            |       |          |           |                     |                     |                 |                 |                  |               |
| Structure                                       | sf    | 3,400    | 3,400     | 50                  | \$ 150.00           | \$ 510,000.00   | \$ 510,000.00   | \$ 10,200.00     | \$ 10,200.00  |
| Electrical, Controls, Scada                     | ls    | 1        | 1         | 20                  | \$ 453,850.00       | \$ 453,850.00   | \$ 453,850.00   | \$ 22,692.50     | \$ 22,692.50  |
| <b>Headworks Facility (not including below)</b> |       |          |           |                     |                     |                 |                 |                  |               |
| Auger Monster                                   | ea    | 1        | 1         | 15                  | \$ 98,440.00        | \$ 98,440.00    | \$ 98,440.00    | \$ 6,562.67      | \$ 6,562.67   |
| Flume   | ea    | 1        | 1         | 20                  | \$ 10,095.00        | \$ 10,095.00    | \$ 10,095.00    | \$ 504.75        | \$ 504.75     |
| Secondary Control Structure                     | ea    | 2        | 4         | 50                  | \$ 41,865.00        | \$ 83,730.00    | \$ 167,460.00   | \$ 1,674.60      | \$ 3,349.20   |
| Influent Control Structure                      | ea    | 1        | 1         | 50                  | \$ 18,773.00        | \$ 18,773.00    | \$ 18,773.00    | \$ 375.46        | \$ 375.46     |
| <b>Ponds</b>                                    |       |          |           |                     |                     |                 |                 |                  |               |
| Structure (w/o liner)                           | ls    | 3        | 5         | 50                  | \$ 5,861.00         | \$ 17,583.00    | \$ 29,305.00    | \$ 351.66        | \$ 586.10     |
| Liner   | sf    | 16,790   | 33,580    | 20                  | \$ 9.00             | \$ 151,110.00   | \$ 302,220.00   | \$ 7,555.50      | \$ 15,111.00  |
| DO Sensor & Controls                            | ea    | 2        | 4         | 10                  | \$ 5,250.00         | \$ 10,500.00    | \$ 21,000.00    | \$ 1,050.00      | \$ 2,100.00   |
| <b>Aerators</b>                                 |       |          |           |                     |                     |                 |                 |                  |               |
| 7.5 IIP   | ea    | 4        | 8         | 15                  | \$ 20,000.00        | \$ 80,000.00    | \$ 160,000.00   | \$ 5,333.33      | \$ 10,666.67  |
| 10 HP   | ea    | 2        | 4         | 15                  | \$ 23,000.00        | \$ 46,000.00    | \$ 92,000.00    | \$ 3,066.67      | \$ 6,133.33   |
| <b>Recirculation Pump Station</b>               |       |          |           |                     |                     |                 |                 |                  |               |
| Pump - 1.5 IIP                                  | ea    | 1        | 2         | 15                  | \$ 6,850.00         | \$ 6,850.00     | \$ 13,700.00    | \$ 456.67        | \$ 913.33     |
| <b>Effluent Pump Station</b>                    |       |          |           |                     |                     |                 |                 |                  |               |
| Pump - 25HP                                     | ea    | 2        | 3         | 15                  | \$ 7,750.00         | \$ 15,500.00    | \$ 23,250.00    | \$ 1,033.33      | \$ 1,550.00   |
| <b>Tertiary Filter System</b>                   |       |          |           |                     |                     |                 |                 |                  |               |
| Aria AP-4 Filter Unit                           | ea    | 1        | 2         | 20                  | \$ 300,000.00       | \$ 300,000.00   | \$ 600,000.00   | \$ 15,000.00     | \$ 30,000.00  |
| Chemical Supply Skid                            | ea    | 1        | 1         | 20                  | \$ 5,000.00         | \$ 5,000.00     | \$ 5,000.00     | \$ 250.00        | \$ 250.00     |
| <b>Hypochlorite System</b>                      |       |          |           |                     |                     |                 |                 |                  |               |
| Metering Pumps                                  | ea    | 2        | 2         | 10                  | \$ 1,000.00         | \$ 2,000.00     | \$ 2,000.00     | \$ 200.00        | \$ 200.00     |
| <b>Neutralization Tank System</b>               |       |          |           |                     |                     |                 |                 |                  |               |
| Pumps - 10 Hp                                   | ea    | 1        | 1         | 10                  | \$ 5,000.00         | \$ 5,000.00     | \$ 5,000.00     | \$ 500.00        | \$ 500.00     |
| Tank - 3000 gallon w/ double containme          | ea    | 1        | 1         | 10                  | \$ 6,000.00         | \$ 6,000.00     | \$ 6,000.00     | \$ 600.00        | \$ 600.00     |
| <b>Collection System</b>                        |       |          |           |                     |                     |                 |                 |                  |               |
| 8" pipe   | ls    | 5        | 15        | 70                  | \$ 50.00            | \$ 1,201,200.00 | \$ 3,960,000.00 | \$ 17,160.00     | \$ 56,571.43  |
| <b>Lift Station</b>                             |       |          |           |                     |                     |                 |                 |                  |               |
| Pumps-30 HP                                     | ea    | 2        | 3         | 15                  | \$ 7,000.00         | \$ 14,000.00    | \$ 21,000.00    | \$ 933.33        | \$ 1,400.00   |
| Intermediate Lift Station                       | ea    | 1        | 1         | 20                  | \$ 3,058.00         | \$ 3,058.00     | \$ 3,058.00     | \$ 152.90        | \$ 152.90     |
| Pumps - 5HP                                     | ea    | 2        | 3         | 15                  | \$ 8,250.00         | \$ 16,500.00    | \$ 24,750.00    | \$ 1,100.00      | \$ 1,650.00   |
| <b>Generators</b>                               |       |          |           |                     |                     |                 |                 |                  |               |
| Lift Station 125KW - permanent                  | ea    | 1        | 1         | 20                  | \$ 30,000.00        | \$ 30,000.00    | \$ 30,000.00    | \$ 1,500.00      | \$ 1,500.00   |
| WWTF - permanent                                | ea    | 1        | 1         | 20                  | \$ 59,000.00        | \$ 59,000.00    | \$ 59,000.00    | \$ 2,950.00      | \$ 2,950.00   |
| Mechanical Piping                               | ls    | 1        | 1         | 50                  | \$ 14,200.00        | \$ 14,200.00    | \$ 14,200.00    | \$ 284.00        | \$ 284.00     |
| Flow Meter                                      | ea    | 1        | 1         | 10                  | \$ 2,000.00         | \$ 2,000.00     | \$ 2,000.00     | \$ 200.00        | \$ 200.00     |
| <b>SUBTOTAL</b>                                 |       |          |           |                     |                     | \$ 3,362,744.00 | \$ 6,834,456.00 | \$ 106,941.73    | \$ 182,257.70 |

Table 7

|  |              |             |    |              |              |               |              |               |
|--|--------------|-------------|----|--------------|--------------|---------------|--------------|---------------|
| Inflation factor applied to construction | 0.03         | Life Span   | 10 | \$           | 27,300.00    | \$            | 37,800.00    |               |
| Annual inflator for reserve contribution | 0.03         | Phase IA    | 15 | \$           | 336,290.00   | \$            | 492,140.00   |               |
| Return on savings investments            | 0.05         |             | 20 | \$           | 1,337,355.00 | \$            | 1,788,465.00 |               |
| Initial annual reserve contribution      | \$220,000.00 |             | 50 | \$           | 1,789,809.00 | \$            | 2,464,761.00 |               |
|  |              |             | 70 | \$           | 4,197,005.00 | \$            | 9,856,910.00 |               |
|  |              | Check total | \$ | 7,687,759.00 | \$           | 14,640,076.00 | \$           | 22,327,835.00 |

| Replacement Year Number | Callender Year | Replacement Cost | Inflated Cost    | Reserve Cont. | Cum Reserves |
|-------------------------|----------------|------------------|------------------|---------------|--------------|
| 1                       | 2006           |                  |                  | \$10,000      | \$10,000     |
| 2                       | 2007           |                  |                  | \$20,000      | \$30,500     |
| 3                       | 2008           |                  |                  | \$30,000      | \$62,025     |
| 4                       | 2009           |                  |                  | \$40,000      | \$105,126    |
| 5                       | 2010           |                  |                  | \$50,000      | \$160,383    |
| 6                       | 2011           |                  |                  | \$70,000      | \$238,402    |
| 7                       | 2012           |                  |                  | \$200,000     | \$450,322    |
| 8                       | 2013           |                  |                  | \$278,689     | \$751,527    |
| 9                       | 2014           |                  |                  | \$287,050     | \$1,076,154  |
| 10                      | 2015           | \$ 37,800.00     | \$ 50,800.04     | \$295,662     | \$1,374,823  |
| 11                      | 2016           |                  |                  | \$304,531     | \$1,748,096  |
| 12                      | 2017           |                  |                  | \$313,667     | \$2,149,168  |
| 13                      | 2018           |                  |                  | \$323,077     | \$2,579,704  |
| 14                      | 2019           |                  |                  | \$332,770     | \$3,041,458  |
| 15                      | 2020           | \$ 492,140.00    | \$ 766,738.08    | \$342,753     | \$2,769,546  |
| 16                      | 2021           |                  |                  | \$353,035     | \$3,261,059  |
| 17                      | 2022           |                  |                  | \$363,626     | \$3,787,738  |
| 18                      | 2023           |                  |                  | \$374,535     | \$4,351,661  |
| 19                      | 2024           |                  |                  | \$385,771     | \$4,955,015  |
| 20                      | 2025           | \$ 1,826,265.00  | \$ 3,298,437.73  | \$397,344     | \$2,301,672  |
| 21                      | 2026           |                  |                  | \$409,265     | \$2,826,021  |
| 22                      | 2027           |                  |                  | \$421,543     | \$3,388,865  |
| 23                      | 2028           |                  |                  | \$434,189     | \$3,992,497  |
| 24                      | 2029           |                  |                  | \$447,215     | \$4,639,336  |
| 25                      | 2030           |                  |                  | \$460,631     | \$5,331,934  |
| 26                      | 2031           |                  |                  | \$474,450     | \$6,072,981  |
| 27                      | 2032           |                  |                  | \$488,684     | \$6,865,314  |
| 28                      | 2033           |                  |                  | \$503,344     | \$7,711,924  |
| 29                      | 2034           |                  |                  | \$518,444     | \$8,615,964  |
| 30                      | 2035           | \$ 529,940.00    | \$ 1,286,303.47  | \$533,998     | \$8,294,457  |
| 31                      | 2036           |                  |                  | \$550,018     | \$9,259,197  |
| 32                      | 2037           |                  |                  | \$566,518     | \$10,288,675 |
| 33                      | 2038           |                  |                  | \$583,514     | \$11,386,623 |
| 34                      | 2039           |                  |                  | \$601,019     | \$12,556,973 |
| 35                      | 2040           |                  |                  | \$619,050     | \$13,803,871 |
| 36                      | 2041           |                  |                  | \$637,621     | \$15,131,686 |
| 37                      | 2042           |                  |                  | \$656,750     | \$16,545,020 |
| 38                      | 2043           |                  |                  | \$676,452     | \$18,048,724 |
| 39                      | 2044           |                  |                  | \$696,746     | \$19,647,906 |
| 40                      | 2045           | \$ 1,826,265.00  | \$ 5,957,345.45  | \$717,648     | \$15,390,604 |
| 41                      | 2046           |                  |                  | \$739,178     | \$16,899,312 |
| 42                      | 2047           |                  |                  | \$761,353     | \$18,505,631 |
| 43                      | 2048           |                  |                  | \$784,194     | \$20,215,106 |
| 44                      | 2049           |                  |                  | \$807,720     | \$22,033,581 |
| 45                      | 2050           | \$ 492,140.00    | \$ 1,861,074.58  | \$831,951     | \$22,106,136 |
| 46                      | 2051           |                  |                  | \$856,910     | \$24,068,353 |
| 47                      | 2052           |                  |                  | \$882,617     | \$26,154,387 |
| 48                      | 2053           |                  |                  | \$909,095     | \$28,371,202 |
| 49                      | 2054           |                  |                  | \$936,368     | \$30,726,130 |
| 50                      | 2055           | \$ 2,502,561.00  | \$ 10,970,992.23 | \$964,459     | \$22,255,904 |
| 51                      | 2056           |                  |                  | \$993,393     | \$24,362,092 |
| 52                      | 2057           |                  |                  | \$1,023,195   | \$26,603,392 |
| 53                      | 2058           |                  |                  | \$1,053,891   | \$28,987,452 |
| 54                      | 2059           |                  |                  | \$1,085,507   | \$31,522,332 |
| 55                      | 2060           |                  |                  | \$1,118,073   | \$34,216,521 |
| 56                      | 2061           |                  |                  | \$1,151,615   | \$37,078,962 |
| 57                      | 2062           |                  |                  | \$1,186,163   | \$40,119,074 |
| 58                      | 2063           |                  |                  | \$1,221,748   | \$43,346,776 |
| 59                      | 2064           |                  |                  | \$1,258,401   | \$46,772,515 |
| 60                      | 2065           | \$ 2,318,405.00  | \$ 13,659,122.09 | \$1,296,153   | \$36,748,172 |
| 61                      | 2066           |                  |                  | \$1,335,037   | \$39,920,617 |
| 62                      | 2067           |                  |                  | \$1,375,088   | \$43,291,737 |
| 63                      | 2068           |                  |                  | \$1,416,341   | \$46,872,665 |
| 64                      | 2069           |                  |                  | \$1,458,831   | \$50,675,129 |
| 65                      | 2070           |                  |                  | \$1,502,596   | \$54,711,482 |
| 66                      | 2071           |                  |                  | \$1,547,674   | \$58,994,730 |
| 67                      | 2072           |                  |                  | \$1,594,104   | \$63,538,571 |
| 68                      | 2073           |                  |                  | \$1,641,927   | \$68,357,427 |
| 69                      | 2074           |                  |                  | \$1,691,185   | \$73,466,483 |
| 70                      | 2075           | \$ 9,894,710.00  | \$ 78,344,551.65 | \$1,741,921   | \$537,177    |
| 71                      | 2076           |                  |                  | \$1,794,178   | \$2,358,214  |
| 72                      | 2077           |                  |                  | \$1,848,004   | \$4,324,128  |
| 73                      | 2078           |                  |                  | \$1,903,444   | \$6,443,779  |
| 74                      | 2079           |                  |                  | \$1,960,547   | \$8,726,515  |
| 75                      | 2080           | \$ 492,140.00    | \$ 4,517,316.48  | \$2,019,364   | \$6,664,888  |
| 76                      | 2081           |                  |                  | \$2,079,945   | \$9,078,077  |
| 77                      | 2082           |                  |                  | \$2,142,343   | \$11,674,323 |
| 78                      | 2083           |                  |                  | \$2,206,613   | \$14,464,653 |
| 79                      | 2084           |                  |                  | \$2,272,812   | \$17,460,697 |
| 80                      | 2085           | \$ 1,826,265.00  | \$ 19,433,085.99 | \$2,340,996   | \$1,241,642  |




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## WOODLANDS MUTUAL WATER COMPANY

FIGURE 1



1 inch = 1,000 feet

NOTES:  
 BASEMAP PROVIDED BY  
 GLOBEXPLORER 2008. WALLACE  
 GROUP DID NOT PERFORM  
 BOUNDARY SURVEY SERVICES  
 FOR THIS MAP. NOT A LEGAL  
 DOCUMENT. MAP PRODUCED  
 DECEMBER 2011.



# Nipomo Mesa Supplemental Water Supply Project Narrative

## Background

The Santa Maria Valley Groundwater Basin has been the subject of ongoing litigation since July 1997. Collectively called the Santa Maria Groundwater Litigation (Santa Maria Valley Water Conservation District vs. City of Santa Maria, et al. Case No. 770214), over 1,000 parties were involved with competing claims to pump groundwater from within the boundary of the Santa Maria Valley Groundwater Basin.

On June 30, 2005, the Court entered a Stipulated Judgment ("Stipulation") in the case. The Stipulation divides the Santa Maria Valley Groundwater Basin into three separate management sub-areas (the Northern Cities Management Area, the Nipomo Mesa Management Area (NMMA), and the Santa Maria Valley Management Area). The Stipulation contains specific provisions with regard to rights to use groundwater, development of groundwater monitoring programs, and development of plans and programs to respond to Potentially Severe and Severe Water Shortage Conditions.

The Technical Group (TG) was formed pursuant to a requirement contained in the Stipulation. Sections IV D (All Management Areas) and Section VI (C) (Nipomo Mesa Management Area) contained in the Stipulation were independently adopted by the Court in the Judgment After Trial (herein "Judgment"). The Judgment is dated January 25, 2008 and was entered and served on all parties on February 7, 2008.

The provisions in the Stipulation regarding Supplemental Water provide in relevant part:

"The NCSD agrees to purchase and transmit to the NMMA a minimum of 2,500 acre-feet of Nipomo Supplemental Water each Year. However, the NMMA Technical Group may require NCSD in any given Year to purchase and transmit to the NMMA an amount in excess of 2,500 acre-feet and up to the maximum amount of Nipomo Supplemental Water which the NCSD is entitled to receive under the MOU if the Technical Group concludes that such an amount is necessary to protect or sustain Groundwater supplies in the NMMA. The NMMA Technical Group also may periodically reduce the required amount of Nipomo Supplemental Water used in the NMMA so long as it finds that groundwater supplies in the NMMA are not endangered in any way or to any degree whatsoever by such a reduction".

"Once the Nipomo Supplemental Water is capable of being delivered, those certain Stipulating Parties listed below shall purchase the following portions of the Nipomo Supplemental Water Yearly:

Nipomo Community Services District - 66.68%  
Woodlands Mutual Water Company - 16.66%  
Golden State Water Company<sup>1</sup> - 8.33%  
Rural Water Company - 8.33%"

---

<sup>1</sup> The proceedings reference Golden State Water Company in its previous name, Southern California Water Company.

The final Judgment entered on January 24, 2008, states: "The court approves the Stipulation, orders the Stipulating Parties only to comply with each and every term thereof, and incorporates the same herein as though set forth on full."

The NCSD is developing the Waterline Intertie Project to bring supplemental water to the above referenced Stipulating Parties within the NMMA. The Waterline Intertie Project involves the construction of approximately five miles of new water main to transport up to 3,000 AF of new water from the City of Santa Maria to the Nipomo Community Services District.

## **Project Description**

The Nipomo Mesa Supplemental Water Supply Project consists of over 27,000 linear feet (LF) of pipeline, a 0.5 million gallon (MG) storage tank, a 2,000 gallon per minute (gpm) pump station, and chloramination systems at the pump station and at four existing NCSD production wells, as well as the related back-up power, controls, power supply and instrumentation. The District completed the Concept Design in April 2009 (Nipomo Waterline Intertie Project, Concept Design Report, AECOM). The report is available for viewing at the District office and for download on the District's website.

### Transmission Pipeline

The waterline design begins at the north end of the City of Santa Maria water distribution system at the intersection of Blosser Road and West Taylor Street with a new 18-inch waterline. The waterline runs north along Blosser Road to Atlantic Place and transitions to a 24-inch waterline to cross underneath the Santa Maria River levee. The 24-inch line will be installed underneath the levee and will cross under the Santa Maria River utilizing horizontal directional drilling technology, ending atop the Nipomo Mesa. From the end of the horizontal directional drill, a 24-inch pipeline will be installed via open trench construction to the reservoir.

### Reservoir

On the Nipomo Mesa, the 24-inch pipeline will connect to a 500,000-gallon, pre-stressed concrete reservoir. The reservoir will be partially buried to assist the delivery of water via City system pressures (without pumping). The primary reason for a partially buried tank is to eliminate the need for a pump station in Santa Maria. However, a secondary benefit to the partially buried tank design is that it will reduce visual impacts. The partially buried tank is designed with the bottom of the tank at approximately 22 feet below grade. Approximately 3 to 6 feet of tank wall will be visible above grade. "Native" colors will be selected for the tank color.

### Booster Pump Station

The booster pump station consists of three vertical turbine pumps and associated controls. The pumps will draw water from the reservoir and deliver it at flows ranging from 600 gallons per minute (gpm) to up to 2,000 gpm. A 24-inch pipeline will be installed to connect the pump station to an existing 12-inch waterline. Water will be pumped along

Orchard Road (in the existing 12-inch waterline) and branch into new dedicated pipelines that connect to the main District system in several locations.

#### NCSD System Pipeline Improvements

Dedicated 12-inch waterlines will be installed to deliver water to the system's backbone transmission mains in order to protect smaller existing waterlines and users from high pressures. These dedicated mains will be in five areas: 1) along Orchard Road, from Southland Street to Grande Street; 2) along Southland Street, from Orchard Road to Frontage Road; 3) along Frontage Road from Southland Street to Grande Street; 4) from Grande Street, northeast underneath Highway 101 to Darby Lane, continuing on Darby Lane to South Oakglen Avenue; and 5) along South Oakglen Avenue from Darby Lane to Tefft Street. The dedicated mains will connect to the existing system at Orchard Road and Grande Street, Frontage Road and Grande Street, and South Oakglen Avenue and Tefft Street.

#### Pressure Reducing Valve Stations

Pressure-reducing-valve (PRV) stations will protect downstream users from high pressures required for the supplemental water delivery. Five PRV stations will be installed around the District's system. One will be placed on Santa Maria Vista Way near the connection to the existing 12-inch waterline, lowering pressure for the Maria Vista Development. Three stations will be placed strategically to create a separate pressure zone in the southwest region of the District's system (on Grande Street, on Orchard Road, and on Oakglen Avenue). The fifth PRV station will be installed on Southland Street between the dedicated main and an existing waterline to allow high flows into the new pressure zone during an emergency (low pressure) situation.

#### Chloramination Disinfection Conversion

The project includes conversion of four production wells from chlorination to chloramination systems and a booster chloramination system at the pump station. The Preliminary Engineering Memorandum (Boyle/AECOM, May 2008) contains a detailed discussion of the project's disinfection options and water quality issues, and recommends the conversion to match the disinfection process of the supplemental water.

The District will install chloramination equipment at Sundale, Eureka, Via Concha, and Blacklake #4 wells. Production records indicate that these four wells, along with the Bevington or Knollwood Well (if a chloramination system is installed in the future) should produce sufficient water to meet the year 2007 maximum daily demand of 3,152 gpm (4.5 MGD). Other wells could be on standby until such time as they were needed, or they could be operated periodically, using a portable chloramination system.

**LOAN SECURITY**

Indicate the type of debt instrument that will be offered as security for the loan:

**Public Bodies:**

- General Obligation Bond
- Revenue Bond
- Special Assessment Bond
- Certificates of Participation (COP)

**Nonprofits:**

- Real Estate Mortgage
- Promissory Note
- UCC Financing Statement
- Assignment of Income
- Other

**Comments:**

The project will go to a vote to form an assessment district in March 2012.

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## USER INFORMATION

### SERVICE CONNECTIONS

|   |            |
|---|------------|
| Number of existing single-family residential connections            | <u>450</u> |
| Number of existing multi-family residential connections             | <u>81</u>  |
| Number of residences served by the multi-family connections         | <u>81</u>  |
| Number of commercial, industrial, and other connections             | <u>15</u>  |
| Number of additional connections possible after project completion: |            |
| Residential   | <u>770</u> |
| Commercial  | <u>35</u>  |
| Other   | <u>92</u>  |

### EQUIVALENT DWELLING UNIT (EDU) CALCULATION

An Equivalent Dwelling Unit (EDU) is defined as the level of service provided to a typical rural residential dwelling per year. Using the example below, calculate the number of EDUs that the project serves by the type of user. Wastewater systems can base EDU's on sewage flows or historical water data.

| <u>User Type</u> | <u>Annual Usage</u> | <u># of Users</u> | <u>Average Usage</u> | <u>No. of EDUs</u> |
|------------------|---------------------|-------------------|----------------------|--------------------|
| Residential      | 59.6 mg             | 531               | 308 gpd/user         | 531                |
| Commercial       | 3.8 mg              | 15                | 701 gpd/user         | 34                 |
| Industrial       | N/A                 |                   |                      |                    |
| Other            |                     |                   |                      |                    |
| <b>TOTALS</b>    | <b>63.4 mg</b>      | <b>308</b>        | <b>N/A</b>           | <b>565</b>         |

### EXAMPLE

| <u>User Type</u> | <u>Annual Usage</u> | <u># of Users</u> | <u>Average Usage</u> | <u>No. of EDUs</u> |
|------------------|---------------------|-------------------|----------------------|--------------------|
| Residential      | 182.30 MG           | 1,575 ÷           | <b>.1158 MG</b> =    | 1,575              |
| Commercial       | 16.02 MG            | 100 ÷             | .1602 MG =           | 138                |
| Industrial       | 32.05 MG            | 37 ÷              | .8663 MG =           | 277                |
| <b>TOTAL</b>     | <b>230.37MG</b>     | <b>÷</b>          | <b> [.1158 MG] =</b> | <b>1,990</b>       |

In the above example, 182.30 Million gallons (MG) annual usage divided by 1,575 residential users equals .1158 MG, which is the project's EDU factor. Then commercial and industrial annual usage are divided by the .1158 factor to determine the equivalent usages.

Using the above data, calculate the total EDU's as follows:

**230.37 (Total Annual Usage) divided by .1158 (EDU factor) = 1,990 Total EDUs**

## RATE STRUCTURE

1. Attach a copy of your current rate structure or ordinance showing your user charges.
2. Using the EDU data calculated on the previous page, determine the average monthly charge per EDU (divide the total usage by the total number of EDUs). Apply your rate (see example below) to arrive at:

The estimated average monthly charge per EDU      \$ 71.54

Show your calculations below or attach a separate sheet.

$308 \text{ gpd} \times 31 \text{ days} = 9,548 \text{ gal} = 1,276 \text{ ft}^3 = 13 \text{ ccf}$

Base Rate = \$16.65

Supplemental Water Charge = \$24.34

Water Rate (0 to 40 ccf) = \$2.35 per ccf

$\$2.35 \times 13 \text{ ccf} = \$30.55$

\$16.65

\$24.34

\$30.55

\$71.54

### EXAMPLE:

As shown in the example on page 17, the total annual water consumption is 230,370,000 gallons. If your rate structure charges customers based on cubic feet (c.f.), divide by 7.48 to convert to 30,798,128 c.f. Divide by the total number of EDUs (1,990) to find the c.f. per year per EDU (15,476). Divided by 12 will be 1,290 c.f. per month per EDU. Apply the 1,290 c.f. to your rate schedule to determine the average monthly charge per EDU. If the first 1,000 c.f. costs \$20.00 and the next 500 c.f. costs and additional \$1.50 per 100 c.f., then the calculation would be \$20.00 plus \$4.35 (2.90 X \$1.50) equals \$24.35.

Table 1

| <b>Water Use Factors:</b>                     |  |
|---|--|
| Min. water use for base rate                  | 9 ccf per month  |
| Minimum base rate charge                      | \$16.65 per metered connection per month                       |
| Water rate (1st tier - 0 to 40 ccf)           | \$2.35 per ccf   |
| Water rate (2nd tier - 41 ccf and over)       | \$4.11 per ccf (applicable only to RSF, RMF, VC, and BP users) |
| <b>Average water use estimates per month:</b> |  |
| RSF per lot                                   | 18 ccf per month   |
| RMF per unit                                  | 12 ccf per month   |
| Resort  | 1067.43 ccf per month  |
| Golf  | 300 ccf per month  |
| Tour center                                   | 20 ccf per month   |
| Trilogy center                                | 900 ccf per month  |
| <b>Average RSF water rate at average use</b>  |  |
| Base rate + water use                         | \$37.80  |
| Supplemental water charge                     | \$24.34  |
| <b>Total average monthly bill</b>             | <b>\$62.14</b>   |
| <b>Sewer Factors:</b>                         |  |
| RSF per lot                                   | \$67.00 per month  |
| RMF per unit                                  | \$67.00 per month  |
| Commercial per connection                     | \$100.00 per month   |
| Resort  | \$4,000.00 per month (based on use compared to RSF)            |
| Golf  | \$1,120.00 per month (based on use compared to RSF)            |
| Tour center                                   | \$67.00 per month  |
| Trilogy center                                | \$2,000.00 per month (est. based on use, loading)              |

## Be Water Wise

There are many ways to conserve water in and around your home. Individuals can help by taking steps to reduce their water use, lower their water bills, and help avoid rate increases.

- ⇒ Water your lawns before 10am or after 4pm so that water is less likely to be lost due to evaporation or wind.
- ⇒ Check your irrigation system, faucets, and hoses regularly and repair any leaks. Make sure your irrigation system is operating as efficiently as possible.
- ⇒ Run your washing machine and dishwasher only when they are full.
- ⇒ Turn off the water while brushing your teeth or while shaving.

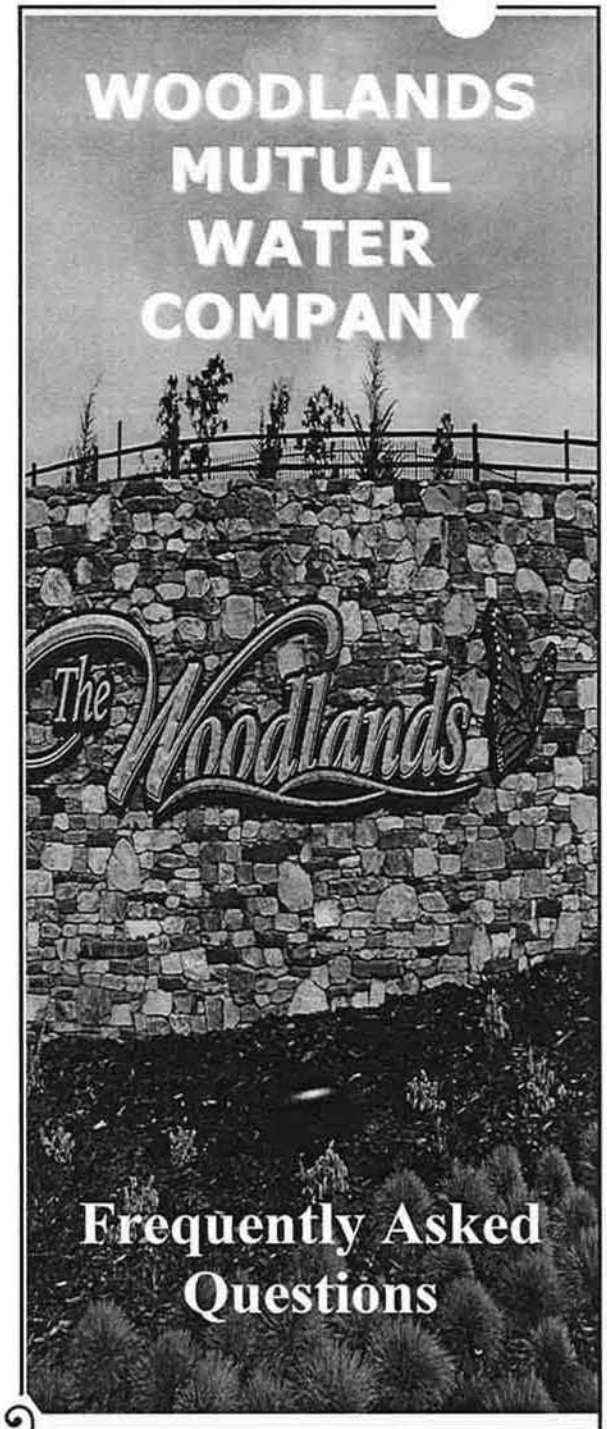
### We can all do our part.

At build out, recycled water generated by the sewage treatment facility will be provided by the WMWC to irrigate the golf course. The recycled water will be continually pumped to the golf course ponds for storage. The demand for recycled water will fluctuate with the seasons, therefore, at build out, the recycled water may have to be supplemented with well water during periods of intensive irrigation.

**To report a wastewater emergency call:**

**(805) 546-3618**

**Woodlands Mutual Water Company**  
P.O. Box 19  
Arroyo Grande, CA 93421  
(805) 540-5208 Telephone  
(805) 544-4294 Fax





Welcome to the Woodlands Mutual Water Company. The Woodlands Mutual Water Company of San Luis Obispo County (WMWC) is a corporation organized under the laws of California for the purpose of providing water and sewer service to property owners within a geographical service area which is defined as Approximately 957 acres situated on the Nipomo Mesa in San Luis Obispo County, California, commonly known as "The Woodlands".

A mutual water company is formed for the purpose of serving water to its shareholders at cost. The purpose of a mutual water company is not to make a profit, but to charge such fees and rates for the services it provides as are necessary to acquire water and to build, operate, and maintain a water and sewer system in our community.

#### Who Manages the Company?

WMWC is managed by a Board of Directors, which is elected each year in April at the annual meeting of the shareholders. The Board of Directors is responsible for the management and operation of the WMWC, it approves the rules and regulations for providing water and sewer service and sets the fees, charges, and rates for such service. There are currently four members of the Board of Directors, all of whom were appointed by Woodlands Ventures LLC, the developer of The Woodlands (Developer). The Developer shall retain voting control over the WMWC and thereby the ability to appoint the Board of Directors until such time as 75% of the planned lots or parcels within the company's service area have been transferred to new owners other than the Developer.

All shareholders are encouraged to attend the annual shareholders meeting in April. Notice is given to all shareholders prior to the meeting date each year.

#### Who are the Shareholders?

Each owner of a "lot" or "parcel" of land within the service area of the WMWC is entitled to be a shareholder. This includes residential, commercial, recreational and governmental properties, although the majority of shareholders will be the owners of residential homes built in the Woodlands.

#### When Will I Receive my Bills?

WMWC sends bills on a bi-monthly basis. This means that you will receive bills for a two month time period. You will receive a total of 6 bills per year, Jan/Feb, Mar/Apr, May/Jun, Jul/Aug, Sept/Oct, Nov/Dec.. Bills are generated within one week following the end of the billing period, and payment is due in full within 30 days upon receipt. It is important that you inform WMWC right away of any changes to your account.

#### What Charges Should I Expect to See on my Bills?

There are four components to your bi-monthly bills:

*Supplemental Water:* This is a fixed charge of \$24.34 per month.

*Base Water Rate:* This is a fixed charge of \$16.65 per month and includes 9 units of water.

*Sewer:* This is a fixed charge of \$67.00 per month.

*Water:* This is a charge for any water used over the 9 units per month. This amount varies by the number of units of water used. For a more detailed discussion of rate structure with examples, feel free to contact us and we will provide you with supplemental written information.

#### What is Supplemental Water?

WMWC has entered into a Memorandum of Understanding with the Nipomo Community Services District (NCS D) for the safe and efficient use of water on the Nipomo Mesa, as well as the sharing of certain costs associated therewith. The NCS D has proposed the use of some supplemental water for its existing and future users and WMWC has

agreed to participate in the costs, provided that a portion of the supplemental water would be made available to The Woodlands in the case of emergency. The cost set for this is \$24.34 per month.

#### What Does the Base Water Rate Include?

The base water rate of \$16.65 per month includes 9 units or 9 hundred cubic feet (CCF) of water per month. This is equivalent to 224 gallons per day. Additional water use above the nine units is outlined as follows:

The first 9 units are included in the base fixed charge. Any water used from 9-100 units will be billed at \$2.35 per CCF. Water use greater than 100 units will be billed at \$4.11 per CCF.

#### How much is a CCF?

A CCF is 100 cubic feet or 748 gallons. Most customers will use 18 CCF per month on an annual average, or 449 gallons per day.

#### Who do I call with Questions Regarding my Account?

Please contact the WMWC Billing Administration Department at (805) 540-5208. Office hours are Mon-Fri from 8am to 4:30pm. If you are unable to speak with an administrator directly, please leave your name, phone number and a short message, as we may be assisting other customers. We will make every attempt to return your call within the same business day. You may also email us at [lonniel@wallacegroup.us](mailto:lonniel@wallacegroup.us)

Ask questions! We are here to help you!

**If you have a water or wastewater emergency, please contact (805) 546-3618**