

Engineer's Report

For the

Nipomo Community Services District

**Assessment District No. 2012-1
(Supplemental Water Project)**

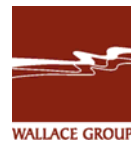
State of California



March 14, 2012

Prepared by:

**Wallace Group
a California Corporation
612 Clarion Court
San Luis Obispo, California 93401**



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**NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS**

James Harrison, President
Larry Vierheilig, Vice President
Michael Winn, Director
Ed Eby, Director
Dan A. Gaddis, Director

**NIPOMO COMMUNITY SERVICES DISTRICT
STAFF MEMBERS**

Michael S. LeBrun, P.E., General Manager
Lisa Bognuda, Assistant General Manager
Peter Sevcik, P.E., District Engineer
Jon Seitz, General Counsel

PROFESSIONAL SERVICES

Assessment Engineer
Wallace Group
a California Corporation

Financial Advisor
C.M. De Crinis & Co., Inc.

Bond Counsel
Fulbright & Jaworski, L.L.P.

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CERTIFICATES

1. I, the Secretary of the Board of Directors of the Nipomo Community Services District, hereby certify that the enclosed Engineer's Report, together with the Assessment and Assessment Roll, in the amounts set forth in each, and with the Assessment Diagram attached hereto, was filed with me on _____, 2012.

By: _____
Michael S. LeBrun, P.E.,
Secretary of the Board of Directors

2. I, the Secretary of the Board of Directors of the Nipomo Community Services District, hereby certify that the enclosed Engineer's Report, together with the Assessment Roll and the Assessment Diagram thereto attached received preliminary approval by the Board of Directors on ____, 2012, by Resolution No. _____.

By: _____
Michael S. LeBrun, P.E.,
Secretary of the Board of Directors

3. I, the Secretary of the Board of Directors of the Nipomo Community Services District, hereby certify that the enclosed Engineer's Report, together with the Assessment and the Assessment Diagram thereto attached was approved and confirmed by the Board of Directors on ____, 2012, by Resolution No. _____.

By: _____
Michael S. LeBrun, P.E.,
Secretary of the Board of Directors

4. I, the District Engineer of the Nipomo Community Services District, acting as the Superintendent of Streets, hereby certify that the enclosed Engineer's Report, together with the Assessment and the Assessment Diagram thereto attached was recorded in my office on _____, 2012.

By: _____
Peter Sevcik, P.E.,
District Engineer

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NIPOMO COMMUNITY SERVICES DISTRICT
COUNTY OF SAN LUIS OBISPO, CALIFORNIA

ENGINEER'S REPORT

PURSUANT TO THE PROVISIONS OF DIVISION 12
OF THE STREETS AND HIGHWAYS CODE FOR THE
NIPOMO COMMUNITY SERVICES DISTRICT
ASSESSMENT DISTRICT NO. 2012-1
(SUPPLEMENTAL WATER PROJECT)

INTRODUCTION

Pursuant to the provisions of the Municipal Improvement Act of 1913, being Division 12 of the Streets and Highways Code of the State of California (the "Improvement Act"), Part 7.5 of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931, being Division 4 of the Streets and Highways Code of the State of California (the "Investigations Act"), Article XIID of the California Constitution ("Article XIID"), and the Proposition 218 Omnibus Implementation Act, being Article 4.6 of Chapter 4 of Part 1 of Division 2 of the Government Code of the State of California (the "Implementation Act"), and in accordance with the Resolution of Intention passed and adopted on _____, 2012 by the Board of Directors of the Nipomo Community Services District (the "Resolution of Intention") in connection with the financing, acquisition and construction of certain public improvements, together with appurtenances and appurtenant work in connection therewith, Kari E. Wagner, P.E. duly-authorized representative of Wallace Group, a California Corporation, submits herewith the report for the special assessment district known and designated as Nipomo Community Services District, Assessment District No. 2012-1 (Supplemental Water Project) (the "Assessment District"), consisting of six parts as follows:

PART I

The **plans and specifications** for the proposed improvements sufficient to describe the general nature, location and extent of the improvements are as set forth in separate bid packages listed below on file in the Office of the District Engineer and are herewith made a part of this report.

- Bid Package #1 – Santa Maria River Crossing
- Bid Package #2 – Nipomo Area Pipeline Improvements
- Bid Package #3 – Blosser Road Waterline and Flow Meter
- Bid Package #4 – Joshua Road Pump Station and reservoir & Wellhead Chloramination Improvements

The improvements (the "Improvements") to be financed, constructed or acquired by the Assessment District are generally described as follows:

The design and construction of certain public capital water facilities, together with appurtenances and appurtenant work related thereto, including construction of a waterline to connect the City of Santa Maria water distribution system with the Nipomo Community Services District water distribution system, involving an underground pipeline with a nominal capacity of 3000 acre-feet to be installed under the Santa Maria river using horizontal directional drilling technique, the construction of a storage tank and booster station to deliver the water into the District's system, and all related permits, fees, bonds, construction management, and construction engineering (e.g. soils, survey, archeological), and incidental and administrative costs associated therewith.

The Nipomo Mesa Supplemental Water 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 Nipomo Community Services District production wells, as well as the related back-up power, controls, power supply and instrumentation. The Improvements, as part of the Supplemental Water Project, benefit each zone, as further provided in the methodology of assessment.

PART II

A **description** of the project and general description of the improvements, rights-of way, and other property interests, if any, to be acquired is attached hereto and made a part hereof.

PART III

An **estimate of the cost** of the project, proposed improvements and of the cost of land, rights-or-way, and incidental expenses is attached hereto and is made a part hereof.

PART IV

The **assessment diagram** (hereinafter referred to as "Diagram") showing the exterior boundaries of the Assessment District, the exterior boundaries of any zones within the Assessment District and each parcel of land within the Assessment District is attached hereto and is made a part hereof. The location of the properties corresponding to the Assessment Numbers shown on the attached assessment roll can also be found on the Assessment Diagram. There are publicly-owned parcels to be assessed in the Assessment District.

PART V

A **description of the method of assessing costs** to the parcels in the Assessment District along with a list of parcels in the Assessment District and the assessments apportioned to those parcels (see Part VI) is attached hereto and made a part hereof.

PART VI

The **proposed assessment** of a portion of the costs and expenses of the proposed improvements in proportion to the estimated special benefits to be received by properties within each zone of the Assessment District, respectively, from said improvements, is set forth upon the **assessment roll** filed herewith and made a part hereof (the "Assessment Roll").

The Assessment Roll also includes the "Assessor APN" for each parcel which is the Assessor's Parcel Number corresponding to each property within the Assessment District as recorded in the San Luis Obispo County Assessor's Office.

Pursuant to the provisions of law and the Resolution of Intention, the costs and expenses of the Nipomo Mesa Supplemental Water Project have been assessed upon each of the parcels of land benefitted in direct proportion and relation to the estimated special benefits to be received by each of the parcels.

PART VII

A **proposed maximum annual administration assessment** upon each parcel to pay costs incurred by the Nipomo Community Services District resulting from the administration and collection of assessments and/or administration and registration of bonds and other funds.

PROPOSED ASSESSMENT

WHEREAS, on _____, 2012, the Board of Directors of the Nipomo Community Services District, California, pursuant to the provisions of the Improvement Act, Article XIID and the Implementation Act, adopted its Resolution of Intention for the construction of the public improvements more particularly therein described;

WHEREAS, said Resolution directed the undersigned to make and file a report presenting a general description of any works and appliances already installed and any other property necessary or convenient for the operation of the improvements, preliminary plans for the proposed construction, preliminary estimate of costs, maps and general descriptions of lands to be acquired, and diagram, including zones, therein and assessment of and upon the subdivisions of land within the assessment district, to which Resolution and the description of said proposed improvements therein contained reference is hereby made for further particulars;

NOW, THEREFORE, the undersigned, by virtue of the power vested in me under the Improvement Act, Article XIID and the Implementation Act and the order of the Board of Directors of the Nipomo Community Services District, hereby make the following assessment to cover the portion of the estimated costs of said acquisitions, work and improvements and the costs and expenses incidental thereto to be paid by the Assessment District.

The amount to be paid for said acquisitions, work and improvements, and the expenses incidental thereto, has been determined by the District assessment engineer of work for The Nipomo Mesa Supplemental Water Project and is summarized in the table, "Nipomo Mesa Supplemental Water Project Estimate of Costs".

**NIPOMO MESA SUPPLEMENTAL WATER PROJECT
 ESTIMATE OF COSTS**

Construction	
Construction	\$15,876,900
Construction Contingency (15%)	\$2,381,535
Total Construction	\$18,258,435
Engineering, Design and Incidental Costs	
Right of Way/Property Acquisition	\$360,000
Design Engineering	\$2,274,055
Contingency	\$688,233
Construction Management/Inspection	\$2,821,274
EIR Preparation	\$275,000
Total Design Costs	\$6,418,562
District Planning & Formation Costs	
Legal, Bond & Financial Costs	\$672,125
Engineering, Planning & Administration	\$912,000
Total District Formation Costs	\$1,584,125
Financing Costs & Reserves	
Capitalized Interest – 1 Year	\$1,460,393
Underwriter's Discount -1.5%	\$322,125
Bond Reserve Fund	\$1,719,674
Total Financing Costs & Reserve	\$3,502,192
TOTAL ALL COSTS	\$29,763,314
Contributions	
Dept. of Water Resources Contribution (Grant)	\$2,300,000
NCSD Contribution ¹	\$6,000,000
Total Contributions	\$8,300,000
TOTAL ASSESSMENT AMOUNT	\$21,463,314

¹ Contribution from capital charges accumulated by NCSD and allocated to Developed Property only within Zone A.

And I do hereby assess and apportion said portion of said total amount of the cost and expenses of said project including acquisitions, work and improvements upon the zones, several lots, pieces or parcels or portions of lots or subdivisions of land liable therefore and benefited thereby, and hereinafter number to correspond with the numbers upon the attached Diagram, upon each, severally and respectively, in accordance with the special benefits to be received by such parcels, respectively, from the acquisitions and improvements, and more particularly set forth in the list hereto attached and by reference made a part hereof.

As required by the Improvement Act, Article XIIID and the Implementation Act, an Assessment Diagram is hereto attached showing the Assessment District and also the boundaries of the respective Zones and parcels of land within said Zones of the Assessment District as the same existed at the time of the passage of the Resolution of Intention, each of which parcels having been given a separate number upon the Diagram.

Said assessment is made upon the parcels of land within the Assessment District and the Zones therein in proportion to the estimated special benefits to be received by said parcels, respectively, from said improvement. The Diagram and assessment numbers appearing herein are the diagram numbers appearing on the Diagram, to which reference is hereby made for a more particular description of said property.

Each parcel of land assessed is described within the Assessment Roll by reference to its assessor's parcel number as shown on the Assessor's Maps of the County of San Luis Obispo (the "County") for the fiscal year 2011-12 and includes all of such parcels excepting those portions thereof within existing public roads. For a more particular description of said property, reference is hereby made to the deeds and maps on file and on record in the office of the County Recorder of said County.

Notice is hereby given that serial bonds or term bonds or other financing instruments, to represent unpaid assessments and bear interest at the rate of not to exceed twelve percent (12%) per annum, or such higher rate of interest as may be authorized by applicable law at the time of sale of such bonds, will be issued hereunder in the manner provided by Division 10 of the Streets and Highways Code, the Improvement Bond Act of 1915 (the "1915 Act", and together with the Improvement Act, the Investigations Act, Article XIIID and the Implementation Act, are collectively referred to herein as "Assessment Law"), and the last installment of such bonds shall mature not to exceed thirty (30) years from the second day of September next succeeding twelve (12) months from their date.

SPECIAL ASSESSMENT INVESTIGATION

Under the Resolution of Intention, the requirements of the Investigations Act shall be satisfied with Part 7.5 of the Investigations Act. The total amount of the principal sum of the special assessments proposed to be assessed for the financing,

construction and acquisition of the Nipomo Mesa Supplemental Water Project in the current proceedings is \$21,463,314. The total amount, as near as may be determined, of the total principal sum of all unpaid special assessments and special assessments requires or proposed to be levied under any completed or pending assessment proceedings, other than that contemplated in the instant proceedings, has been investigated and analyzed. The total true value, as near as may be determined, of the parcels of land and improvements which are proposed to be assessed have investigated and is estimated as the full cash value of the parcels as shown upon the last equalized assessment roll of the County. Certification as required under the Investigations Act is attached hereto as Appendix A.

The undersigned respectively submits the enclosed report as directed by the Board of Directors of the Nipomo Community Services District.

Dated this _____ day of _____, 20_____.

Kari E. Wagner, P.E.
RCE No. 66026, Expires 06-30-12
Wallace Group, a California Corporation

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PART I

PRELIMINARY PLANS AND SPECIFICATIONS

The plans and specifications for the improvements for this Assessment District are voluminous and are not bound in this Engineer's Report. Reference is hereby made to the body of evidence and summary cost information contained within the preliminary design plans for the Nipomo Mesa Supplemental Water Project as four separate bid packages, which are as follows:

- Bid Package #1 – Santa Maria River Crossing
- Bid Package #2 – Nipomo Area Pipeline Improvements
- Bid Package #3 – Blosser Road Waterline and Flow Meter
- Bid Package #4 – Joshua Road Pump Station and reservoir & Wellhead Chloramination Improvements

Each set prepared by AECOM, previously referenced and incorporated as if attached to and part a part of this Engineer's Report, is on file in the Office of the District Engineer of the Nipomo Community Services District where they are available for inspection.

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PART II

PROJECT DESCRIPTION

Background

The Improvements, generally described as the construction of a waterline to connect the City of Santa Maria water distribution system with the Nipomo Community Services District water distribution system, involving an underground pipeline, storage tank and booster station, will facilitate the importation of a reliable source of fresh water to the Nipomo Mesa to relieve the single diminishing supply of groundwater. The additional water from the Improvements will allow groundwater levels to rise, reduce the threat of seawater intrusion, and satisfy the Santa Clara County Superior Court-approved Stipulation and Judgment (described below) to import an additional supply of water from the City of Santa Maria.

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 Nipomo Community Services District 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 Memorandum Of Understanding (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 Company² - 8.33%
Rural Water Company - 8.33%”

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 Nipomo Community Services District developed the Supplemental Water Project to bring supplemental water, combined with current sources, to the above referenced Stipulating Parties within the NMMA. The Supplemental Water 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 and the other Stipulating Parties. In summary, the Judgment mandates the financing, construction and acquisition of the Supplemental Water Project and has apportioned among the Stipulating Parties the allocation of the costs and benefits of the financing, construction and acquisition of the Supplemental Water Project. Therefore, the parcels within the boundaries of each Stipulating Party will be treated as a separate zone with the Assessment District and the special benefits afforded to each parcel therein as determined by the Assessment Engineer in conjunction with the determination established by the Judgment.

Project Description

The Nipomo Mesa Supplemental Water 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 Nipomo Community Services District production wells, as well as the related back-up power, controls, power supply and instrumentation. The Supplemental Water

² The proceedings reference Golden State Water Company in its previous name, Southern California Water Company.

Project is an integrated approach to the mandate of the Judgment and is to be viewed as a single project benefitting the zones in the manner allocation described in the Judgment. The Supplemental Water Project shall be constructed, owned and operated by the Nipomo Community Services District. The Nipomo Community Services District completed the Concept Design in April 2009 (Nipomo Waterline Intertie Project, Concept Design Report, AECOM). The report is available for viewing at the Nipomo Community Services District office and for download on the Nipomo Community Services 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 (24-inch bid option available). 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 of Santa Maria 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 Nipomo Community Services District system in several locations.

NCSD System Pipeline Improvements

Dedicated 12-inch waterlines will be installed to deliver water to the system's back-bone 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 Nipomo Community Services 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 Nipomo Community Services 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 Nipomo Community Services 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.

Land and Easements

To complete the Project it is estimated that 8.36 acres of permanent easement property and 5.74 acres of temporary construction easement property will need to be acquired for \$150,900. The cost of the property acquisition as well as the costs of preparing the plats and legal description are necessary for the Project and are included in the cost estimate.

Incidental Expenses

Incidental expenses proposed to be included as part of the assessment include costs related to, but not limited to, planning, design engineering, construction engineering, right-of-way engineering, assessment engineering, bond counsel, financial advising, construction management, construction administration, environmental

mitigation, soils testing, bond issuance, capitalized interest and contingencies. The expenses are incidental and necessary to accomplish the works of improvement.

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PART III

ESTIMATE OF COSTS

An estimate of the cost of the proposed improvements for the Nipomo Mesa Supplemental Water Project and of the cost of lands, rights-of-way, and incidental expenses is shown in the table below "Nipomo Mesa Supplemental Water Project Estimate of Costs". The estimated cost is based on the 90% plan set and engineer's opinion of probable cost prepared by AECOM in December 2011 and additional input from Nipomo Community Services District Staff on incidental expenses also provided in December 2011.

The Nipomo Community Services District has received a grant from the State Department of Water Resources in the amount of \$2,300,000 to offset the cost of the Project and as a contribution for general benefit should any be determined to exist. Additionally, within Zone A (served by Nipomo Community Services District), developed properties have been charged a facility fee which Nipomo Community Services District shall contribute in the amount of \$6,000,000 to the cost of the Project for the specific benefit and allocation to such developed properties within Zone A.

The annual operation, maintenance and replacement cost of the Project will not be funded by the proposed Assessment District. Instead, NCSD will recover such costs through rates and fees charged to its customers and water purchase rates charged to the three other participating water purveyors.

**NIPOMO MESA SUPPLEMENTAL WATER PROJECT
 ESTIMATE OF COSTS**

Construction	
Construction	\$15,876,900
Construction Contingency (15%)	\$2,381,535
Total Construction	\$18,258,435
Engineering, Design and Incidental Costs	
Right of Way/Property Acquisition	\$360,000
Design Engineering	\$2,274,055
Contingency	\$688,233
Construction Management/Inspection	\$2,821,274
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Total Design Costs	\$6,418,562
District Planning & Formation Costs	
Legal, Bond & Financial Costs	\$672,125
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Financing Costs & Reserves	
Capitalized Interest – 1 Year	\$1,460,393
Underwriter's Discount -1.5%	\$322,125
Bond Reserve Fund	\$1,719,674
Total Financing Costs & Reserve	\$3,502,192
TOTAL ALL COSTS	\$29,763,314
Contributions	
Dept. of Water Resources Contribution (Grant)	\$2,300,000
NCSD Contribution ³	\$6,000,000
Total Contributions	\$8,300,000
TOTAL ASSESSMENT AMOUNT	\$21,463,314

³ Contribution from capital charges accumulated by NCSD and allocated to Developed Property only within Zone A.

PART IV

ASSESSMENT DIAGRAM

The Assessment District is divided into four (4) separate zones, each zone corresponding to the boundaries or service areas of the following water purveyors: Nipomo Community Services District – Zone A, Golden State Water Company – Zone B, Rural Water Company – Zone C, and Woodlands Mutual Water Company – Zone D. The boundaries of the proposed Assessment District, including the zones, are as established by the Board of Directors of the Nipomo Community Services District with its Resolution of Intention adopted on _____, 2012, and are incorporated herein by reference.

The lines and dimensions of each lot or parcel within each Zone within the Assessment District are those lines and dimensions shown on the maps of the Assessor of the County of San Luis Obispo for the year when this Engineer's Report was prepared, and are incorporated by reference herein and made part of this Engineer's Report. The Diagram for the Assessment District is shown in a separately bound document which is on file with the Secretary of the Board; said material being too bulky to be bound with this Engineer's Report. The Proposed Boundary/Diagram are shown in a reduced scale format as Exhibit "A".

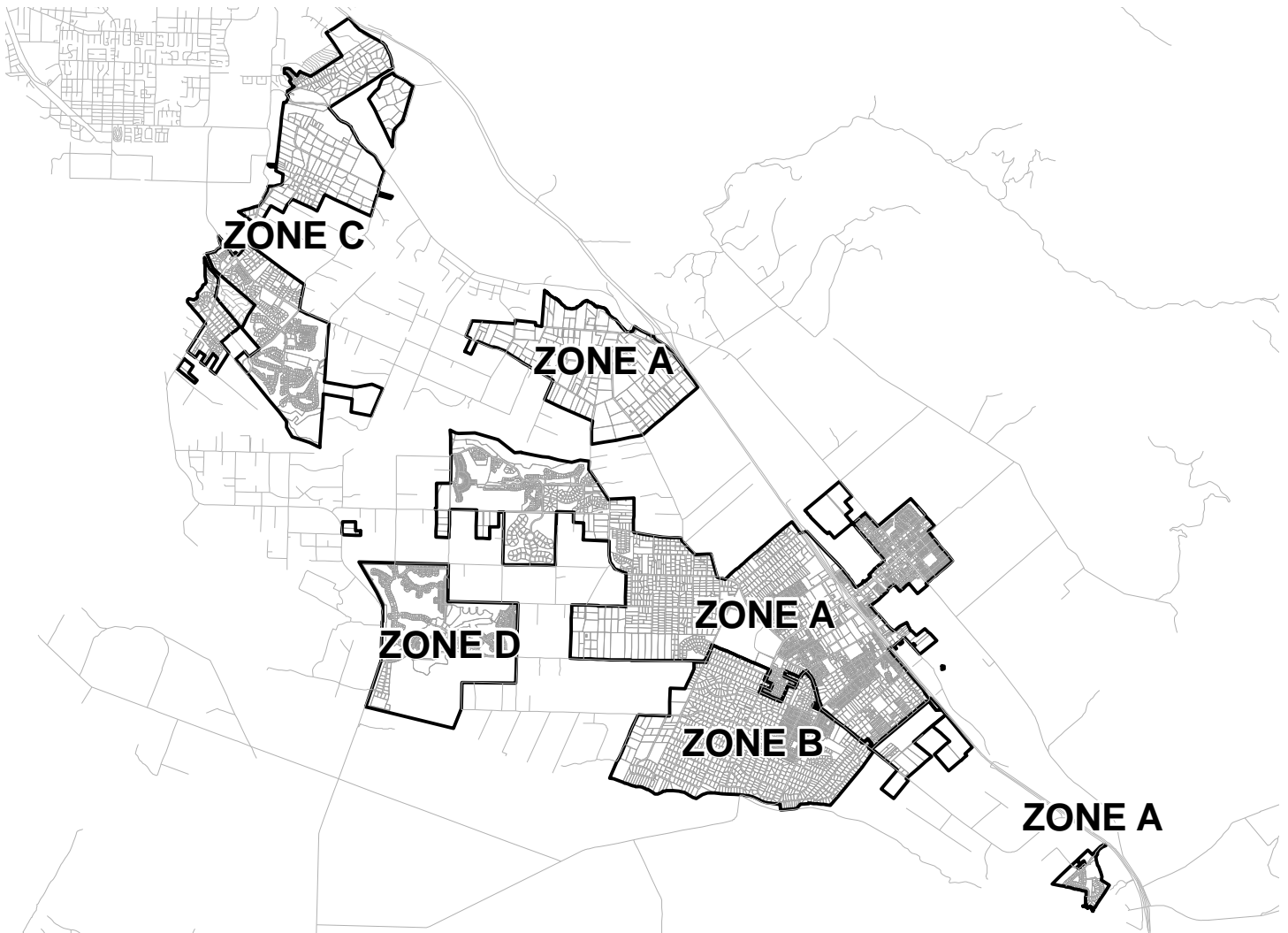
The Proposed Boundary Map was recorded on _____, 2012 in Book _____, Pages _____, Recording Number _____, in the office of the County Recorder of the County San Luis Obispo, State of California.

The Diagram was recorded on _____, 2012 in Book _____, Pages _____, Recording Number _____, in the office of the County Recorder of the County San Luis Obispo, State of California.

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Assessment District No. 2012-1 (Supplemental Water Project)

Nipomo Community Services District State of California



**WALLACE GROUP**
CIVIL ENGINEERING
CONSTRUCTION MANAGEMENT
LANDSCAPE ARCHITECTURE
MECHANICAL ENGINEERING
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March 14, 2012



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PART V

METHOD OF ASSESSMENT APPORTIONMENT

A. BACKGROUND

The law requires that assessments imposed pursuant to Assessment law be based on the special benefit properties receive from the works of improvement. However, the law does not specify the method or formula that should be used to apportion the assessments in assessment district proceedings. In addition, Article XIID requires that only special benefits are assessable, that no assessment may exceed the proportional special benefit conferred on the parcel assessed, and that publicly-owned parcels shall not be exempt from the assessment unless clear and convincing evidence demonstrates that such publicly-owned parcels receive no special benefits from the improvements for which the improvements are imposed. Special Benefit is a particular and distinct benefit over and above general benefits conferred on real property located in the Assessment District or to the public at-large. General enhancement of property does not constitute special benefit.

It is necessary to identify the special benefit that the works of improvement will render to the properties within each Zone within the Assessment District. It is also necessary that the properties receive a special and direct benefit as distinguished from benefit to the general public.

The Assessment Engineer is appointed for the purpose of analyzing the facts and determining the method or formula for apportionment of the assessment obligation to the benefited properties. For these proceedings, Nipomo Community Services District retained the firm of The Wallace Group as the Assessment Engineer.

The Assessment Engineer makes his or her recommendation for the method of apportionment of the improvement at the public hearing. The final authority and action rests with the Board of Directors after hearing all testimony and evidence presented at the public hearing and the tabulation of the assessment ballots. Upon conclusion of the public hearing, the board of Directors must make the final action in determining that the assessment has been made in direct proportion to the special benefit received. Ballot tabulation will then be completed, and if a majority protest, weighted by assessment amount, do not protest the assessment, then the Board of Directors may establish the Assessment District.

GENERAL BENEFIT

The Assessment Engineer reviewed whether the Project conveys any public general benefit or conveys special benefit to parcels beyond the properties within the Assessment District. All properties outside of the boundaries of the Assessment District or those exempt within the Assessment District do not receive special benefit because such parcels are subject, to Ordinance No. 3090 of the County of San Luis Obispo, which requires parcels within the Nipomo Mesa Water Conservation Area with general plan amendments or land divisions to offset their impact and need for supplemental water by paying a supplemental water development fee that will increase, not supplant the existing planned supplemental water provided by the Project. Therefore, those parcels which are not subject to the Assessment or which are

restricted in their benefit, will not receive any special benefit beyond what is determined since water will not be available until future improvements and the costs associated therewith have been made by such parcels. General benefit to the public at large, if any, of lessening the threat of seawater intrusion into the fresh water supply or special benefit to properties not covered by Ordinance No. 3090, has been quantified to be much less than the contribution provided by the State Department of Water Resources grant in the amount of \$2,300,000.

SPECIAL BENEFIT

In making the special benefit analysis, it was necessary to first identify the special and general benefits that the work of improvements render to the properties within the Assessment District and to determine that the zones, and the properties within the zones, receive a direct and special benefit distinguished from that of the general public. The special benefit for each zone has been measured in the quantity of the supplemental water available and the detailed analysis of the average water use for certain categories of parcels or parcels in particular. The special benefit to each property within the zone, as a result of the construction of the work of improvements, is the ability of each property to have reliable sources of fresh water from direct and/or supplemental water sources, the reduced risk of seawater intrusion and the satisfaction of obligations under the court-approved Judgment.

The properties within the Assessment District are only parcels that will receive a special benefit from the work of improvements. The work of improvements provide special benefit for each property within the Zones which are part of a service area to a water purveyor and are subject to or benefit by the availability of the supplemental water provided by the work of improvements, the risk of seawater intrusion and the satisfaction of court-approved Judgment. The improvements are for the use and benefit of the properties within the Assessment District only and will not serve or directly benefit the general public or those parcels not subject to the Assessment. Additionally, the improvements have been sized for the benefit of the properties within the Assessment District and does not contain additional capacity which would allow other areas to use the improvements without an additional cost and addition to the improvements.

GENERAL DESCRIPTION OF METHOD

All properties that stand to benefit from the construction of the Nipomo Mesa Supplemental Water Project, public or private, vacant or occupied, subdivided or un-subdivided, have been assessed a portion of the project costs. The benefits to an individual parcel are based on its service location, zoning, size, use of the property, whether it is currently developed, and its development potential. First, the proposed Assessment District is broken into four zones based on the boundaries of each water purveyor's water system boundary or service area: Nipomo Community Services District (NCSD) – Zone A, Golden State Water Company (GSWC) – Zone B, Rural Water Company (RWC) – Zone C, and Woodlands Mutual Water Company (WMWC) – Zone D. Each zone has a different share in the total project costs identified in Part III of this Engineer's Report, based on their percentage established in the Stipulation noted in Part V of this Engineer's Report, which apportionment and rationale has been reviewed by the Assessment Engineer and in which the Assessment Engineer concurs. Apportionment of the costs of the Project for each zone is based on the percentage of the projected quantity of available water due to the construction of the Project for such zone in relationship to the other zones' quantity of available water and constitutes the special benefit for such zone. The

following Table, "Nipomo Mesa Supplemental Water Project Apportioned Project Costs", provides a breakdown of the share for Zone and their financial share of the proposed project.

**Nipomo Mesa Supplemental Water Project
 Apportioned Project Costs**

Zone	Percentage of Share¹ (%)	Water Supply² (acre-ft)	Additional Water Supply Requested (acre-ft)	Equivalent Percentage Based on 3,000 acre-ft³ (%)	Project Cost (\$)
Zone A (NCSD)	66.68%	1,667	500	72.23%	13,186,314
Zone B (GSWC)	8.33%	208	0	6.94%	2,086,047
Zone C (RWC)	8.33%	208	0	6.94%	2,086,047
Zone D (WMWC)	16.66%	417	0	13.88%	4,104,906
Total	100.00%	2,500	500	100.00%	21,463,314

¹ Percentage based on stipulation agreement for 2,500 acre-feet of water.

² The amount of water supply for each zone based on a percentage of 2,500 acre-ft.

³ The equivalent percentage for each zone based on 3,000 acre-feet of water. This percentage will be used to calculate distributed cost to each zone.

The Basis of Assessment was established in a memorandum to the Nipomo Community Services District Board of Directors, dated April 15, 2009, prepared by Wallace Group. The development of the Basis of Assessment was based on a two-year review of average water use for all parcel sizes and land uses within Nipomo Community Services District, which report is attached hereto as Appendix C and incorporated herein.

Once a cost estimate and special benefit has been determined for a zone, then the further special benefit for each parcel is determined based on several factors for the parcel including its zoning, size, use of the property, whether it is currently developed, and its development potential. Although there are four (4) zones included in the same Assessment District, the governing codes and ordinances to determine the development potential, and thereby the method of assessment is different for each zone. The methods used for determining development potential for this Assessment District are as follows:

Development Potential Determination

To determine the number of potential lots for each vacant or underdeveloped property, reference was made to the Land Use Element and Land Use Ordinance provided by the San Luis Obispo Planning and Building Department. The South County Area Plan is the part of the County's Land Use Plan covering the Nipomo area. Various "Planning Areas" as designated in the Land Use Element are associated with particular minimum lot sizes within each group. Each are described in more detail below for each water purveyor's boundary.

ZONE A

There are 4,593 parcels within Zone A, which is served by Nipomo Community Services District. The parcels are governed by the following current land use policies as of the date of this report:

- San Luis Obispo County Land Use Ordinance Title 22
- South County Planning Area Standards Chapter 22.112
- Blacklake Village Specific Plan
- Resource Management System Policies

The development potential for the parcels within Zone A are based on the evaluation of the assumptions and thresholds of water use and availability identified in a report prepared by Wallace Group for Nipomo Community Service District on April 15, 2009 attached as Appendix C. The following are various ordinances and assumptions used to determine development potential for all parcels within Zone A:

- Residential single family (RSF) parcels 12,000 square foot (sf) in size are potentially allowed by ordinance to subdivide to 6,000 sf lots. For parcels less than or equal to 2.0 acres, if a residential unit is existing, it was assumed that the parcel would not subdivide and was only assessed based on its existing use. For parcels on greater than 2.0 acres, the parcel was assessed for its full development potential, based on its ability to subdivide or build secondary "granny" units.
- Residential single family lots of less than 6,000 sf do not have secondary dwelling unit capability.
- Residential parcels on less than 2.0 acres on septic systems do not have secondary dwelling unit capability unless determined by the County of San Luis Obispo to have "favorable" conditions.
- Blacklake Village residential parcels do not have secondary dwelling unit capability, regardless of parcel size.
- Residential Multi-Family (RMF) parcels do not have secondary dwelling unit capability, regardless of parcel size.
- Minimum lot size for an existing legally created lot to establish a single family residence is 1,750 sf.
- Minimum newly created lot size in Agriculture (AG) zoning is 20 acres.
- Minimum newly created lot size in Residential Rural (RR) zone is 5 acres.
- Minimum newly created lot size in Residential Suburban (RS) is 1 acre.

- Minimum newly created lot size in RSF is 6,000 sf, except where density is dictated by the Area Plan standards or where limited by wastewater service.
- Development potential for parcels with split zoning will be evaluated per Section 22.02.020.D, and/or in consult with County of San Luis Obispo staff.

Zone B

There are 1,492 parcels within Zone B, which is served by Golden State Water Company. The parcels are governed by the following current land use policies as of the date of this report:

- San Luis Obispo County Land Use Ordinance Title 22
- South County Planning Area Standards Chapter 22.112
- Resource Management System Policies

The development potential for the parcels within Zone B are based on the evaluation of the assumptions and thresholds of water use and availability identified in a report prepared by Wallace Group for Nipomo Community Service District on April 15, 2009 attached as Appendix C and described above under the Development Potential for Nipomo Community Services District. The following are additional assumptions made specifically for Zone B parcels:

- All lots outside of Specific Plan areas are assumed to be on septic systems for density purposes, with exceptions as noted. Regardless of zoning and lot size, for properties on septic, a secondary unit requires 2 acres minimum. Where properties are on community sewer, the secondary unit is allowed on each existing lot over 6,000 square feet, or on any potential lot that could be created by subdivision at the required minimum lot size.
- Minimum newly created parcel in Rural Lands (RL) is 20 acres.

Zone C

There are 1,085 parcels within Zone C, which is served by Rural Water Company. Zone C includes Cypress Ridge, a master planned community governed by the Cypress Ridge Specific Plan in addition to Falcon Ridge Development and other surrounding properties. The parcels are governed by the following current land use policies as of the date of this report:

- San Luis Obispo County Land Use Ordinance Title 22
- South County Planning Area Standards Chapter 22.112
- Resource Management System Policies

The development potential for the parcels within Zone C are based on the evaluation of the assumptions and thresholds of water use and availability identified in a report prepared by Wallace Group for Nipomo Community Service District on August 19, 2009 attached as Appendix C. The following are some assumptions made specifically for Zone C parcels:

- Cypress Ridge has sewer service; all parcels outside of Cypress Ridge are assumed to be on septic.
- Residential parcels on less than 2.0 acres on septic systems do not have secondary dwelling unit capability.

- The resort site has an existing golf club and restaurant. There is an approved Vesting Tentative Tract Map for a new hotel condo resort with restaurant which includes 7 residential lots at Brant and Tattler. These lots are being graded for residential sale, and will not be part of the resort.
- The resort will be redesigned to fit the smaller area. The allowed resort uses are:
 - Hotel up to 103 units
 - 14,000 sf footprint for hotel registration & lobby, restaurant (200-seat max), pro shop.
- The Cypress Village Center allows for a sports facility (swim & tennis center), a community resource (common building) center, and limited office/retail services. The sports center has yet not been constructed.
- Development potential for all parcels, excluding parcels within the Cypress Ridge Specific Plan, is based on the assumptions and thresholds identified for Nipomo Community Services District, stated above.

Zone D

Zone D, which is served by Woodlands Mutual Water Company, is allowed a maximum of 1,320 dwelling units, inclusive of secondary units per the Woodlands Specific Plan. Not all primary units are built, but Phase 1 lots are "assumed built". Secondary units are allowed on lots over 6,000 sf. within the maximum limit of 1,320 dwelling units total for the entire planned community.

For Zone D's Commercial Mixed Use (at the Village Center) which is vacant, the maximum floor area allowed under the Specific Plan for all Commercial Retail (CR) lots is provided. The Mixed Use allows up to 80 units per the Specific Plan. Per the Conditional Use Permit, the Village Center will have 20 units. The Assessment District will assume 20 units will be constructed.

The use of the Business Park is authorized to be converted with a Specific Plan Amendment to retail or residential uses. If residential is proposed, it still cannot exceed the 1,320 dwelling units maximum.

For Zone D Commercial Services (CS) zoned lots, the Floor Area Ratio (FAR) maximum of 0.35 was used to calculate the maximum development per lot. It turns out that the FAR per each of the 19 lots totals 284,000, considerably less than the overall allowed maximum of 350,000 sf, leaving some potential commercial floor area on the table in Phase II.

The various open space lots are identified within the spreadsheet as follows:

Easement Open Space:

- Easements providing access to the golf course are "access easements"
- Easements acting as open space buffers between development are "buffer lots"
- Buffer easements along the perimeter are identified as "buffer & trail"
- Pocket park lots are called "park open space"
- The Butterfly habitat is "habitat open space"

APN 091-500-016 includes all of Phase 2A and 2B.

BENEFIT UNIT DETERMINATION

Each property that stands to obtain a special benefit from the Nipomo Mesa Supplemental Water Project has been assigned a "benefit unit", or share in the overall cost of the project or special benefit derived from the project. The cost for a benefit unit will be different for each Zone as each Zone has a different share in the project. Within each Zone, special benefits are proportional to the special benefits received by the individual parcel in relation to the special benefits received by the other parcels in the Zone, based on the quantity and availability of water due to the Nipomo Mesa Supplemental Water Project, its zoning designation, use, size and/or current or potential development use. Within the Assessment District, there are various land uses such as single family residences, multiple family residences, commercial retail property, open space, etc. The method of assigning benefit units to each of these land uses is different for each area and is described in more detail as follows.

Zone A

The Basis of Assessment for Zone A is summarized in "Zone A Basis of Assessment" table. A full description of each group in this table is as follows:

Group 1: Residential with One Unit

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Multi-Family, Residential Rural, Residential Suburban, and Rural Lands with one unit. The following parameters were used to determine benefit unit assignments:

- Developed parcels less than or equal to 2.0 acres – Parcels were only assessed for their existing use and were not assessed for their full development potential if capable of subdividing or adding an additional granny unit.
- Developed parcels greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential.

Group 2: Residential with Granny Unit

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Rural, Residential Suburban, and Rural Lands with a secondary "granny" unit. The following parameters were used to determine benefit unit assignments:

- The first unit is assessed per Group 1.
- Developed parcels with 2 units – Parcels less than or equal to 1.0 acre with a second unit are not assessed for the secondary unit. Parcels greater than 1.0 acres with a second unit are assessed 0.3 benefit units for the second unit in addition to the assessment for the first unit.
- Vacant parcels less than or equal to 2.0 acres – If a parcel is provided sewer service, the parcel was identified to be capable of having a secondary unit potential, but the benefit unit was not increased for this potential. If parcel is on septic, parcel is unable to have a secondary dwelling unit.
- Vacant parcels greater than 2.0 acres – Parcels on greater than 2 acres were assessed for a secondary unit if allowed by its land use category.

Zone A
(Nipomo Community Services District)
Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential with 1 unit (RSF, RMF, RR, RS, RL)	All residential parcels with one unit	<= to 0.35	1.00 Equivalent Benefit Unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65	2.00 benefit units
2	A	Residential with Granny unit	Secondary Unit on a residential property	<=1.00	0.00 benefit units
	B			>1.00	0.30 benefit unit for second unit
3	A	Residential with 3 or More units	Residential properties with greater than two units (Does not include subdividable RSF parcels)	All Parcel Sizes	0.70 benefit unit for each additional unit beyond two units
4	A	Residential Multi-Family (RMF)	Multi-family units w/ no land (i.e. condos, apartments, mobile homes)	All Parcel Sizes	0.70 benefit units per unit
5	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	6.00 benefit units
6	A	Mini Storage	Storage units with physical storage structures	All Parcel Sizes	0.50 benefit units
7	A	School	School	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
8	A	Public Mtg	Includes churches, public meeting halls, excluding schools	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	2.00 benefit units
	D			>2.00	1.00 benefit units per acre
9	A	Recreational	Parks, Fields, etc	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
10	A	Government	Government (i.e. Fire Station, Police, etc)	<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	2.00 benefit units
	D			>2.00	1.00 benefit units per acre
11	A	Public Facilities w/ No Irrigation	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
12	A	Public Facilities w/ Irrigation	Public Facilities with irrigation	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
13	A	Open Space w/ No Irrigation	Open Space w/ no irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
14	A	Open Space w/ Irrigation	Open Space w/ existing irrigation	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
15	A	WWTTP	Wastewater Treatment Plant	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
16	A	Agriculture	Agriculture parcels using NCSD water	All Parcel Sizes	1.00 benefit units per acre
	A			<= to 0.35	1.00 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
17	A	Hotel	Hotel or Bed & Breakfast	All Parcel Sizes	0.40 benefit units per room
	A			<= to 0.35	0.40 benefit unit
	B			>0.35 & <= 0.65	0.40 benefit units
	C			>0.65 & <= 2.00	0.40 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
18	A	Exempted Parcels	Parcels with their own water source	All Parcel Sizes	0.00 benefit units
	A			<= to 0.35	0.00 benefit unit
	B			>0.35 & <= 0.65	0.00 benefit units
	C			>0.65 & <= 2.00	0.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
19	A	Interval Ownership Suites	Two-bedroom hotel/timeshare units	All Parcel Sizes	0.55 benefit units per unit
	A			<= to 0.35	0.55 benefit unit
	B			>0.35 & <= 0.65	0.55 benefit units
	C			>0.65 & <= 2.00	0.55 benefit units plus 1.00 benefit unit for every acre above 2.00 acres

Group 3: Residential with Three or More Units

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Rural, Residential Suburban, and Rural Lands with three or more units. This does not include apartments, condominiums, multi-plex, mobile homes or sub-dividable parcels. The following parameters were used to determine benefit unit assignments:

- The first unit is assessed per Group 1.
- The second unit is assessed per Group 2.
- Developed parcels with 3 or more units – Parcels of all size will be assessed 0.7 benefit units each additional unit beyond two units.
- Developed parcels on greater than 2.0 acres – If a parcel is greater than 2.0 acres and is sub-dividable, the parcel is assessed for full development potential per Group 1 and Group 2.

Group 4: Residential Multi-Family

This group includes all residential multi-family properties with no attributable land (less than 6,000 sq ft lot size), designated as condominiums, apartments, multi-plex, or mobile homes. The following parameters were used to determine benefit unit assignments:

- Each unit is assessed 0.7 benefit units.
- Developed parcels less than or equal to 2.0 acres - Parcels were only assessed for their existing use and were not assessed for their full development potential.
- Developed parcels greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential.

Group 5: Commercial

This group includes all commercial properties, including Land Use Categories Commercial Services, Office Professional, and Commercial Retail. The following parameters were used to determine benefit unit assignments:

- Developed parcels less than or equal to 2.0 acres – Parcels were only assessed for their existing use and were not assessed for their full development potential.
- Developed parcels greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential. Full development potential for commercial zoned parcels that allow for residential multi-family development were assessed according to Group 4.

Group 6: Mini Storage

This group includes all parcels identified by their land use as a mini storage. All mini storage parcels are assigned 0.5 benefit units.

Group 7: School

This group includes all parcels identified by their land use as a school. Benefit unit assignments are based on parcel size.

Group 8: Public Meeting

This group includes all parcels that have facilities for public meetings, including churches and public meeting halls, but excluding schools (See Group 7). Benefit unit assignments are based on parcel size.

Group 9: Recreational

This group includes all recreational facilities that are irrigated and/or have public use facilities. Benefit unit assignments are based on parcel size.

Group 10: Government

This group includes all public facilities, including the Fire Station, Police Station, District Office, etc., that use water for inside use and/or outside irrigation. Benefit unit assignments are based on parcel size.

Group 11: Public Facilities with No Irrigation

This group includes all public facilities that do not use water on-site. These parcels include private or public well sites, tank sites, and lift stations. All parcels within this group are assigned zero benefit units.

Group 12: Public Facilities with Irrigation

This group includes all public facilities that do use water on-site. Benefit unit assignment is based on parcel size.

Group 13: Open Space with No Irrigation

This group includes all designated open space parcels with no irrigation. These parcels include landscaped medians, parking lots, areas with dense oak trees, etc. All parcels within this group are assigned zero benefit units.

Group 14: Open Space with Irrigation

This group includes all designated open space parcels with irrigation. Benefit unit assignment is based on parcel size.

Group 15: Wastewater Treatment Plant

This group includes all public facilities designated for a wastewater treatment plant. These parcels are assigned 1.0 benefit unit regardless of parcel size.

Group 16: Agriculture

This group includes all agriculture parcels that are currently served by Nipomo Community Services District within Zone A. Benefit unit assignment is based on parcel size.

Group 17: Hotel

This group includes all parcels designated for a hotel or bed & breakfast. Benefit unit assignment is based on the number of rooms within the hotel or bed & breakfast.

Group 18: Exempted Parcels

Parcels located within Zone A, but have their own well and underlying appropriate water rights are assigned zero benefit units.

Group 19: Interval Ownership Suites

This group includes all parcels designated for an Interval Ownership Suites. Benefit unit assignment is based on the number of two-bedroom units.

Based on this analysis, there are 5,740.67 benefit units assigned to existing development and 1,864.83 benefit units assigned to future development (un-developed).

Zone B

The Basis of Assessment for Zone B is summarized in "Zone B Basis of Assessment" table. A full description of each group in this table is as follows:

Group 1: Residential with One Unit

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Multi-Family, Residential Rural, Residential Suburban, and Rural Lands with one unit. The following parameters were used to determine benefit unit assignments:

- Developed parcels less than or equal to 2.0 acres – Parcels were only assessed for their existing use and were not assessed for their full development potential if capable of subdividing or adding an additional granny unit.
- Developed parcels greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential.

Group 2: Residential with Granny Unit

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Rural, Residential Suburban, and Rural Lands with a secondary "granny" unit. The following parameters were used to determine benefit unit assignments:

- The first unit is assessed per Group 1.
- Developed parcels with 2 units – Parcels less than or equal to 1.0 acre with a second unit are not assessed for the secondary unit. Parcels greater than 1.0 acres with a second unit are assessed 0.3 benefit units for the second unit in addition to the assessment for the first unit.
- Vacant parcels less than or equal to 2.0 acres – If a parcel is provided sewer service, the parcel was identified to be capable of having a secondary unit potential, but the benefit unit was not increased for this potential. If parcel is on septic, parcel is unable to have a secondary dwelling unit.
- Vacant parcels greater than 2.0 acres – Parcels on greater than 2 acres were assessed for a secondary unit if allowed by its land use category.

Group 3: Residential with Three or More Units

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Rural, Residential Suburban, and Rural Lands with three or more units. This does not include apartments, condominiums, multi-plex, mobile homes or sub-dividable parcels. The following parameters were used to determine benefit unit assignments:

- The first unit is assessed per Group 1.

Zone B
(Golden State Water Company)
Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential with 1 unit (RSF, RMF, RR, RS, RL)	All residential parcels with one unit	</= to 0.35	1.00 Equivalent Benefit Unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65	2.00 benefit units
2	A	Residential with Granny Unit	Secondary Unit on a residential property	</=1.00	0.00 benefit units
	B			>1.00	0.30 benefit unit for second unit
3	A	Residential with 3 or More units	Residential properties with greater than two units (Does not include subdividable RSF parcels)	All Parcel Sizes	0.70 benefit unit for each additional unit beyond two units
4	A	Residential Multi-Family (RMF)	Multi-family units w/ no land (i.e. condos, apartments, mobile homes)	All Parcel Sizes	0.70 benefit units per unit
5	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	3.00 benefit units
	D			>2.00	6.00 benefit units
6	A	Agriculture	Agriculture parcels using GSWC water	All Parcel Sizes	1.00 benefit units per acre
7	A	School	School	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
8	A	Government	Government (i.e. Fire Station, Police, etc)	</= to 0.35	1.00 benefit unit
	B			>0.35 & </= 0.65	1.60 benefit units
	C			>0.65 & </= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.00 benefit unit for every acre above 2.00 acres
9	A	Public Facilities w/ No Irrigation	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	All Parcel Sizes	0.00 benefit units
10	A	Open Space w/ No Irrigation	Open Space w/ no irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	0.00 benefit units
11	A	Open Space w/ Irrigation	Open Space w/ existing irrigation	All Parcel Sizes	1.00 benefit units per acre
12	A	Exempted Parcels	Parcels with their own water source	All Parcel Sizes	0.00 benefit units

- The second unit is assessed per Group 2.
- Developed parcels with 3 or more units – Parcels of all size will be assessed 0.7 benefit units each additional unit beyond two units.
- Developed parcels greater than 2.0 acres – If a parcel is greater than 2.0 acres and is sub-dividable, the parcel is assessed for full development potential per Group 1 and Group 2.

Group 4: Residential Multi-Family

This group includes all residential multi-family properties with no attributable land (less than 6,000 sq ft lot size), designated as condominiums, apartments, multi-plex, or mobile homes. The following parameters were used to determine benefit unit assignments:

- Each unit is assessed 0.7 benefit units.
- Developed parcels less than or equal 2.0 acres - Parcels were only assessed for their existing use and were not assessed for their full development potential.
- Developed parcels on greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential.

Group 5: Commercial

This group includes all commercial properties, including Land Use Categories Commercial Services, Office Professional, and Commercial Retail. The following parameters were used to determine benefit unit assignments:

- Developed parcels less than or equal to 2.0 acres – Parcels were only assessed for their existing use and were not assessed for their full development potential.
- Developed parcels greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential. Full development potential for commercial zoned parcels that allow for residential multi-family development were assessed according to Group 4.

Group 6: Agriculture

This group includes all agriculture parcels that are currently served by Golden State Water Company within Zone B. Benefit unit assignment is based on parcel size.

Group 7: School

This group includes all parcels identified by their land use as a school. Benefit unit assignments are based on parcel size.

Group 8: Government

This group includes all public facilities, including the Fire Station, Police Station, District Office, etc., that use water for inside use or outside irrigation. Benefit unit assignments are based on parcel size.

Group 9: Public Facilities with No Irrigation

This group includes all public facilities that do not use water on-site. These parcels include private or public well sites, tank sites, and lift stations. All parcels within this group are assigned zero benefit units.

Group 10: Open Space with No Irrigation

This group includes all designated open space parcels with no irrigation. These parcels include hardscaped medians, parking lots, areas with dense oak trees, etc. All parcels within this group are assigned zero benefit units.

Group 11: Open Space with Irrigation

This group includes all designated open space parcels with irrigation. Benefit unit assignments are based on parcel size.

Group 12: Exempted Parcels

Parcels located within Zone B, but have their own well and underlying appropriative water rights are assigned zero benefit units.

Based on this analysis, there are 2,615.45 benefit units.

Zone C

The Basis of Assessment for Zone C is summarized in "Zone C Basis of Assessment" table. A full description of each group in this table is as follows:

Group 1: Residential with One Unit

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Multi-Family, Residential Rural, Residential Suburban, and Rural Lands with one unit. The following parameters were used to determine benefit unit assignments:

- Developed parcels less than or equal on 2.0 acres – Parcels were only assessed for their existing use and were not assessed for their full development potential if capable of subdividing or adding an additional granny unit.
- Developed parcels greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential.

Group 2: Residential with Granny Unit

This group includes all residential properties, including Land Use Categories Residential Single Family, Residential Rural, Residential Suburban, and Rural Lands with a secondary "granny" unit. The following parameters were used to determine benefit unit assignments:

- The first unit is assessed per Group 1.
- Developed parcels with 2 units – Parcels less than or equal to 1.0 acre with a second unit are not assessed for the secondary unit. Parcels greater than 1.0 acres with a second unit are assessed 0.3 benefit units for the second unit in addition to the assessment for the first unit.

Zone C
(Rural Water Company)
Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential with 1 unit (RSF, RMF, RR, RS, RL)	All residential parcels with one unit	<= to 0.35	1.00 Equivalent Benefit Unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65	2.00 benefit units
2	A	Residential with Granny Unit	Secondary Unit on a residential property	<=1.00	0.00 benefit units
	B			>1.00	0.30 benefit unit for second unit
3	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	<= to 0.35	1.0 benefit unit
	B			>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	6.00 benefit units
	D			All Parcel Sizes	0.40 benefit units per room
4	A	Hotel	Hotel or Bed & Breakfast	<= to 0.35	1.00 benefit unit
	B	School	School	>0.35 & <= 0.65	1.60 benefit units
	C			>0.65 & <= 2.00	3.00 benefit units
	D			>2.00	3.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
6	A	Recreational	Parks, Fields, etc	All Parcel Sizes	1.00 benefit units per acre
7	A	Public Facilities w/ No Irrigation	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	All Parcel Sizes	0.00 benefit units
	A	Public Facilities w/ Irrigation	Public Facilities with irrigation	All Parcel Sizes	1.00 benefit units per acre
9	A	Open Space w/ No Irrigation	Open Space w/ no irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	0.00 benefit units
10	A	Open Space w/ Irrigation	Open Space w/ existing irrigation	All Parcel Sizes	1.00 benefit units per acre
11	A	WWTP	Wastewater Treatment Plant		1.00 benefit unit
12	A	Exempted Parces	Parcels with their own water source	All Parcel Sizes	0.00 benefit units
13	A	Agriculture	Agriculture parcels using RWC water	All Parcel Sizes	1.00 benefit units per acre

- Vacant parcels less than or equal to 2.0 acres – If a parcel is provided sewer service, the parcel was identified to be capable of having a secondary unit potential, but the benefit unit was not increased for this potential. If parcel is on septic, parcel is unable to have a secondary dwelling unit.
- Vacant parcels on greater than 2.0 acres – Parcels on greater than 2 acres were assessed for a secondary unit if allowed by its land use category.

Group 3: Commercial

This group includes all commercial properties, including Land Use Categories Commercial Services, Office Professional, and Commercial Retail. The following parameters were used to determine benefit unit assignments:

- Developed parcels less than or equal to 2.0 acres – Parcels were only assessed for their existing use and were not assessed for their full development potential.
- Developed parcels on greater than 2.0 acres – Parcels were assessed for their existing development in addition to the parcels full development potential.
- Vacant parcels (any size) – Vacant parcels were assessed for their full development potential. Full development potential for commercial zoned parcels that allow for residential multi-family development were assessed according to Zone A Group 4.

Group 4: Hotel

This group includes all parcels designated for a hotel or bed & breakfast. Benefit unit assignment is based on the number of rooms within the hotel or bed & breakfast.

Group 5: School

This group includes all parcels identified by their land use as a school. Benefit unit assignments are based on parcel size.

Group 6: Recreational

This group includes all recreational facilities that are irrigated and/or have public facilities. Benefit unit assignments are based on parcel size.

Group 7: Public Facilities with No Irrigation

This group includes all public facilities that do not use water on-site. These parcels include private or public well sites, tank sites, and lift stations. All parcels within this group are assigned zero benefit units.

Group 8: Public Facilities with Irrigation

This group includes all public facilities that do use water on-site. Benefit unit assignments are based on parcel size.

Group 9: Open Space with No Irrigation

This group includes all designated open space parcels with no irrigation. These parcels include hardscaped medians, parking lots, areas with dense oak trees, etc. All parcels within this group are assigned zero benefit units.

Group 10: Open Space with Irrigation

This group includes all designated open space parcels with irrigation. Benefit unit assignments are based on parcel size.

Group 11: Wastewater Treatment Plant

This group includes all public facilities designated for a wastewater treatment plant. These parcels are assigned 1.0 benefit unit regardless of parcel size.

Group 12: Exempted Parcels

Parcels located within Zone C, but have their own well and underlying appropriative water rights are assigned zero benefit units.

Based on this analysis, there are 1,739.90 benefit units.

Zone D

The Basis of Assessment for Zone D is summarized in "Zone D Basis of Assessment" table. A full description of each group in this table is as follows:

Group 1: Residential with One Unit

This group includes all residential single family properties with only one unit. The following parameters were used to determine benefit unit assignments:

- Developed Parcels – All developed residential parcels were assessed 1.0 benefit unit.
- Subdivided Vacant Parcels – Vacant parcels that are already subdivided in to individual lots were assessed 1.0 benefit unit.
- Un-Subdivided Vacant Parcels – Vacant parcels that have not been subdivided were assessed based on the number of residential parcels identified in the approved tentative map for the Woodlands subdivision.

Group 2: Residential Multi-Family

This group includes all residential multi-family properties with no attributable land (less than 6,000 sq. ft.), designated as condominiums or apartments. Each unit is assessed 0.7 benefit units.

Group 3: Commercial

This group includes all commercial properties, including Land Use Categories Commercial Services, Office Professional, and Commercial Retail. Commercial parcels were assessed based on parcel size. For mixed use on commercial, the one-bedroom unit above commercial is assessed 0.50 per unit in addition to the commercial benefit unit assignment.

Group 4: Open Space

This group includes all designated open space parcels, including open space, golf course, buffer lots, and Park & Ride facility. All parcels within this group are assigned zero benefit units.

Zone D
(Woodlands Mutual Water Company)
Basis of Assessment

Group	Sub Group	Land Use Category	Description	Parcel Sizes Included (acres)	Basis of Assessment
1	A	Residential (RSF)	All residential parcels with one unit	All Parcel Sizes	1.00 Equivalent Benefit Unit
2	A	Residential Multi-Family (RMF)	Multi-family units	<0.10	0.70 benefit units per unit
3	A	Commercial (CS, OP, CR)	Commercial Services, Office Professional, Commercial Retail	<=1.20	1.50 benefit units
	B			>1.20 & <=3.50	3.00 benefit units
	C			>3.50	6.00 benefit units
	D			All Parcel Sizes	0.50 benefit units per unit (in addition to Com)
4	A	Open Space	1 Bedroom Unit above Commercial	All Parcel Sizes	0.00 benefit units
5	A	Public Facilities	Open Space, Golf Course, Buffer Lots, Park & Ride	All Parcel Sizes	0.00 benefit units
	B			All Parcel Sizes	0.25 benefit units per room
6	A	Resort	Resort	All Parcel Sizes	0.35 benefit units per room
	B			All Parcel Sizes	51.0 benefit units
7	A	Trilogy Center	Monarch Club (Trilogy Center)	>8.00	15.5 benefit units
8	A	Golf Clubhouse	Golf Club House Facility	All Parcel Sizes	2.0 benefit units
9	A	Golf Maintenance	Golf Maintenance Facility	All Parcel Sizes	2.0 benefit units

Group 5: Public Facilities

This group includes all designated public facilities, including tank site, wells, lift station, maintenance yard, and wastewater treatment plant. All parcels within this group are assigned zero benefit units.

Group 6: Resort

This group includes all parcels designated for a resort and assisted living facility. Benefit unit assignment is based on the number of rooms within the resort and assisted living facility.

Group 7: Trilogy Center

This group includes the parcel designated for the Trilogy Center (Monarch Club). Benefit unit assignment will be 51.0 benefit units.

Group 8: Golf Clubhouse Facility

This group includes the clubhouse facility for the golf course. The clubhouse facility is assigned 15.5 benefit units.

Group 9: Golf Maintenance Facility

This group includes the maintenance facility for the golf course. The maintenance facility is assigned 2.0 benefit units.

Based on this analysis, there are 1,516.25 benefit units.

Summary

Based on the above methodology the total benefit units assigned to each Zone is as follows:

	Total # of Benefit Units	Developed Benefit Units	Undeveloped Benefit Units
Zone A	7,605.51	5,740.67	1,864.83
Zone B	2,615.45		
Zone C	1,739.90		
Zone D	1,516.25		

B. ASSESSMENT RATE CALCULATION

Zone A

Zone A, which is served by Nipomo Community Services District, is comprised of residential and commercial units on varying parcel sizes. It also includes the planned development known as Blacklake Village. Based on the basis of assessment, Zone A has a total of 7,605.51 benefit units. Zone A's share of the project is \$19,186,314. The Nipomo Community Services District is allocating \$6,000,000 from reserves to reduce the assessment on developed properties within Zone A, thus the total assessment cost for Zone A is \$13,186,314. The cost per benefit unit is \$2,522.69.

Nipomo Community Services District has authorized to use of \$6,000,000 of NCSD funds to reduce the cost of the project for the developed parcels within Zone A. Based on this reduction the following provides a summary of the cost per benefit unit for developed and undeveloped parcels:

Project Cost	\$19,186,314
Total # of Benefit Units	7,605.51
Cost Per Benefit Unit	\$2,522.69
Total # of Developed Benefit Units	5,740.67
Total Project Cost Attributed to Developed Benefit Units	\$14,481,908
Less District Funds (\$6,000,000)	\$8,481,908
Revised Cost Per Benefit Unit for Developed Parcels Only	\$1,477.51

The cost per benefit unit for undeveloped parcels is \$2,522.69. The cost per benefit unit for developed parcels is \$1,477.51.

Zone B

Zone B is comprised of large residential units on septic systems. Based on basis of assessment, Zone B has a total of 2,615.45 benefit units. Zone B's share of the project is \$2,086,047. The cost per benefit unit is \$797.59.

Zone C

Zone C is comprised of large residential units and the planned development known as Cypress Ridge. Based on the basis of assessment, Zone C has a total of 1,739.90 benefit units. Zone C's share of the project is \$2,086,047. The cost per benefit unit is \$1,198.95.

Zone D

Woodlands Mutual Water Company owns and operates the water and sewer facilities within the planned community known as the Woodlands. The Woodlands is not fully built out. The Woodlands has an approved tentative map allowing for 1,320 residential units, plus additional commercial facilities. Based on basis of assessment, Zone D has a total of 1,516.25 benefit units. Zone D's share of the project is \$4,104,906. The cost per benefit unit is \$2,707.28.

PART VI

ASSESSMENT AND ASSESSMENT ROLL

The assessments are hereby made upon the parcels of land within the Assessment District and the Zones therein in proportion to the estimated special benefits to be received by said parcels, respectively, from said improvement. The Diagram and assessment numbers appearing herein are the diagram numbers appearing on the Diagram, to which reference is hereby made for a more particular description of said property.

A list of names and addresses of the owners of all parcels, and the description of each lot or parcel within each Zone of the Assessment District is shown on the last equalized Property Tax Roll of the San Luis Obispo County Assessor, which by reference is hereby made part of this report.

This list is keyed to the Assessor's Parcel Numbers as shown on the Assessment Roll, which includes the proposed amount of assessment apportioned to each lot or parcel and the parcel's assessment number within each Zone of the Assessment District. The Assessment Roll for the Assessment District is shown in a separately bound document which is on file with the Secretary of the Board; said material being too bulky to be bound with this Engineer's Report. The Assessment Roll is incorporated herein as if set forth fully herein.

PART VII

MAXIMUM ANNUAL ADMINISTRATION ASSESSMENT

The Board of Directors intends, pursuant to subparagraph (f) of Section 10204 of the Improvement Act, to authorize an annual assessment upon each of the parcels of land in the proposed Assessment District to pay various costs and expenses incurred from time to time by the Nipomo Community Services District and not otherwise reimbursed to the Nipomo Community Services District, which result from the administration and collection of assessment installments or from the administration or registration of the improvement bonds and the various funds and accounts pertaining thereto, in an amount per year not to exceed six dollars (\$6) per parcel, however, said amount may be subject to an inflation adjustment of up to 2% per year, based on consumer price index for the San Luis Obispo County. This annual assessment shall be in addition to any fee charged pursuant to Section 8682 and 8682.1 of the Streets and Highways Code.

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APPENDIX A

CERTIFICATE OF VALUATION OF PROPERTY

I, Kari Wagner, the authorized representative of Wallace Group, as the Assessment Engineer, have performed services pursuant to the Municipal Improvement Act of 1913, which is Division 12 of the Streets and Highways Code of the State of California, for certain engineering work, including assessment engineering, in an assessment district known and designated as Nipomo Community Services District Assessment District No. 2012-1 (Supplemental Water Project).

The Assessment Engineer did make the spread of the assessments against each individual parcel of property within the boundaries of the Assessment District.

I HEREBY CERTIFY, UNDER PENALTY OF PERJURY, that the following is true and correct.

The total amount of the principal sum of all unpaid special assessments and special assessments required or proposed to be levied under any completed or pending assessment proceedings, other than that contemplated in the instant proceedings, levied against the parcels proposed to be assessed, plus the principal amount of the special assessment proposed to be levied in the instant proceedings, as now set forth on the Assessment Roll for the Assessment District, does not exceed fifty percent (50%) of the estimated full cash value of the lands proposed to be assessed as determined from the last equalized tax roll. Supporting data is available upon request.

Dated as of the ____ day of ____, 2012.

Kari E. Wagner, P.E.
RCE No. 66026, Expires 06-30-12
Wallace Group, a California Corporation

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APPENDIX B

RIGHT-OF-WAY CERTIFICATE

I, Peter Sevcik, hereby CERTIFY, UNDER PENALTY OF PERJURY, that the following is true and correct.

At all times herein mentioned, I was and now am, the District Engineer of the Nipomo Community Services District.

That there have now been instituted proceedings under the provisions of the Municipal Improvement Act of 1913, which is Division 12 of the Streets and Highways Code of the State of California, for the construction of certain public improvements in a special assessment district known and designated as Nipomo Community Services District Assessment District No. 2012-1 (Supplemental Water Project).

I STATE AND CERTIFY AS FOLLOWS:

The rights-of-way and easements not already in the possession of the Nipomo Community Services District, but identified to be needed for the Improvements in preliminary engineering, are shown incorporated into this report by reference and being placed on file, along with a copy of this Certificate, in the office of the District Engineer. It is acknowledged that the proposed Improvements must be constructed within public right-of-way, land or easements owned by Nipomo Community Services District and other public agencies at the time of construction of the Improvements, and I hereby further certify that provisions have been made in the cost estimates outlined herein for the acquisition of all necessary right-of-way for the Improvements and that all rights-of-way necessary for the works of Improvement will be obtained and in the possession of the Nipomo Community Services District prior to the commencement of any installation.

Dated as of the ____ day of ____, 2012.

Peter Sevcik, P.E.,
District Engineer

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APPENDIX C

NCSD Assessment District Research
Dated, April 15, 2009

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MEMORANDUM

Date: April 15, 2009
To: Bruce Buel
From: Kari Wagner, P.E.
Subject: DRAFT NCSD Assessment District Research

The Nipomo Community Services District (District) is currently in the process of designing an inter-tie water main between the City of Santa Maria and the District to bring a supplemental water supply for existing and future water demands. This project is estimated to cost the District \$21 million dollars. Wallace Group prepared a Preliminary Assessment Report discussing the formation of the assessment District in November 2008. The Board authorized staff to proceed with the formation of an Assessment District as the method of payment for the project.

As Wallace Group prepared the Preliminary Assessment Report, the database that was used to estimate the benefit units was determined to be unreliable. The information received was from the County's Assessor's database, which has errors in the information that is inputted. At the time of the Preliminary Assessment Report, Wallace Group made some assumptions in order to provide preliminary estimates on a per unit basis for the assessment district.

Following the completion of the Preliminary Assessment Report, Wallace Group discussed the database with District staff and it was recommended to review the entire database to confirm two things: 1) The accuracy of the information inputted. 2) Determine the development potential for each parcel. It was recommended to complete this task prior to the preparation of the engineer's report to allow adequate time for the research.

The District authorized Wallace Group to proceed with the review of the database on January 28, 2009. Wallace Group has been diligently working on reviewing over 5,000 parcels for the past 6 weeks and analyzing the data against water consumption. The following are the assumptions that were made, the references that were used, and various other information that was used to assist us with developing the database. Finally, an analysis was completed on the existing development against water consumption to determine a correlation between water use and parcel size.

DATABASE ANALYSIS

Below describes the means and methods Wallace Group took to determine the existing uses and the development potential for every parcel within the District.



CIVIL ENGINEERING
CONSTRUCTION
MANAGEMENT
LANDSCAPE
ARCHITECTURE
MECHANICAL
ENGINEERING
PLANNING
PUBLIC WORKS
ADMINISTRATION
SURVEYING /
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WATER RESOURCES
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Reference Sources

1. SLO County Land Use Ordinance Title 22
2. South County Planning Area Standards Chapter 22.112
3. Black Lake Specific Plan
4. County Tax Assessor's database
5. County GIS parcel aerial database and Tidemark permit tracking system
6. Google Earth aerial information

Notes on the Data Evaluation

1. Assessor's land use descriptions were not necessarily reliable. If the descriptions were backed by other information, we accepted it.
2. Assessor's parcels are not necessarily legal parcels – some legal lots contain several Assessor's parcels with different tax bases due to use.
3. Land Uses listed as "allowed" include those allowed with a conditional use permit.
4. Secondary units in a SF zone are on the same meter and subordinate to the primary residence, while in MF zoning, multiple detached units are each on their own meter and are each considered a "primary" unit.
5. Although nearly all RSF lots over 6,000 sf in size are potentially allowed a secondary unit, in reality the configuration of existing development may preclude the ability to construct one without demolition.
6. Although most RSF lots over 12,000 sf in size are potentially allowed by ordinance to subdivide, the configuration of the parcel shape, regardless of existing development, may preclude that ability due to frontage requirements. Where these lots are already developed, many could only be subdivided with demolition of the existing unit.
7. Parcels with incorrect or retired Assessor's numbers were placed on a separate tab along with split-zoned parcels to be analyzed individually.

Assumptions & Thresholds

1. All parcels within District boundary are, or will be, served by community water and wastewater (Sec. 22.22.080).
2. Residential Single-Family lots of less than 6,000 sf do not have Secondary Dwelling Unit capability (Sec. 22.10.130.B.2).
3. All RSF lots over 6,000 sf in size have potential for adding a Secondary Dwelling unit, unless on septic systems. If parcel is on a septic system, all RSF lots under two acres do not have Secondary Dwelling Unit capability.
4. Black Lake parcels do not have Secondary Unit potential, regardless of size, because REC zoning does not permit them (22.06.030 Table 2-2). We



assume that any attempt to increase density would require a Specific Plan Amendment.

5. Residential Multi-Family lots do not have potential for Secondary Dwelling units, regardless of parcel size (22.10.130).
6. Residential Multi-Family lots may have two (or more) units if over 6,000 sf; where if less than 6,000 sf only one unit is allowed (22.10.110.C).
7. Specific density standards for RMF and certain RSF lots were evaluated per South County Area Plan Section 22.112.080.
8. Minimum lot size for an existing, legally created lot to establish a SF residence is 1,750 sf (22.10.110.C).
9. Minimum newly created lot size in AG zoning is 20 acres (22.22.040).
10. Minimum newly created lot size in RR zone is 5 acres (22.22.050).
11. Minimum newly created lot size in RS is 1 acre (22.22.060).
12. Minimum newly created lot size in RSF is 6,000 sf (22.22.070), except where density is dictated by the Area Plan standards
13. Development potential for parcels with split zoning will be evaluated per Section 22.02.020.D, and/or in consult with County staff
14. If parcel is on septic, the minimum lot size is 1 acre.

Verification Method

Assessor's Information Accepted (AI)

1. Parcels described as "vacant", with no assessed improvement value, and no address, were accepted as vacant.
2. Parcels in RSF, RS, and RR zones, assessed for improvement value, less than 6,000 square feet in size, and not described by the Assessor as having more than one unit, were assumed to have one residential unit as a maximum.
3. Parcels in RSF, RS, and RR zones, assessed for improvement value, more than 6,000 sf in size but less than twice minimum lot size, and not described as having more than one unit, were assumed to have one residential unit, with potential for a secondary unit, and no potential for further subdivision, unless the parcel is on a septic system. If parcel is on a septic system, parcels under 2 acres do not have the potential for a secondary unit. In addition, parcels on septic systems can not be subdivided to less than 1 acre.
4. Residential parcels in single-family zoning described as "Duplex", "SFR w/2nd Living", "SFR w/Sec" etc. were assumed to have legally permitted secondary dwelling units, and were evaluated for further development potential on that basis.



5. We assumed that parcels in zones other than OS that are designated as open space by the assessor (and assessed as such) have a deed restriction limiting any development.

Online Data Verification (OD)

1. Where the Assessor Land Use description was unclear (ie, "Government", "Residual Land Segment", "Misc Imps"), we reviewed the parcel online using County GIS aerial, permit tracking system, and/or Google Earth to verify use and development status.
2. All CR and CS parcels were checked online against aerials and the County's permit tracking system.
3. Because residential MF density on CR-zoned lots is determined by Conditional Use Permit, the density is discretionary. Secondary units are not allowed on CR-zoned lots.
4. Well parcels located within residential lots, smaller than 1,500 sf in size, are assumed to have no development potential. Most are probably not separate legal lots and were created to assess a well site that may or may not still contain a functioning well.

Field Check (FC):

Field checking was used to verify construction or demolition on parcels where the data suggested that a building permit was in effect, but the aerial did not show it (or vice versa). In some cases, the field review did not clarify the uses on site because it was not possible to tell the use of some structures from the public right-of-way.

County Land Uses

- AG (Agriculture); 3 parcels
- CR (Commercial Retail); 126 parcels
- CS (Commercial Services); 26 parcels
- OP (Office Professional); 34 parcels
- OS (Open Space); 2 parcels
- PF (Public Facilities); 9 parcels
- REC (Recreation); 605 parcels
- RL (Rural Lands); 2 parcels
- RMF (Residential Multi-Family); 526 parcels
- RR (Residential Rural); 277 parcels
- RS (Residential Suburban); 835 parcels



RSF (Residential Single-Family); 2044 parcels

There are also parcels in several land use categories with split zoning that are grouped separately. These were addressed individually per County requirements.

ENGINEERING ANALYSIS

Wallace Group requested the water use records from the District for the past two years to assist in the benefit unit analysis. This information was linked to the database and sorted based on existing development. The analysis was completed on developed parcels since vacant parcels do not have water use.

There were some anomalies and assumptions in the data that required the data to be either set aside and not used or slightly altered. These anomalies or assumptions that were made are as follows:

- Not all records were provided to Wallace Group. Since water records are tied to an account number, the account number changes if residents change. Therefore, if the account number changed within the past two years, this information was not provided to Wallace Group
- Some records were provided to Wallace Group that still did not contain two full years of data. Any records that did not have two full years of water data were not included in the analysis.
- Some water records were altered slightly to adjust water usage that did not appear to be correct. Example, typical bi-monthly water usage of 120 units. One of the month's readings was 1,137 units. This is most likely a data entry error and was altered to a typical bi-monthly reading.

Once all the viable parcels were either altered or non-viable parcels were removed from the selection, Wallace Group separated the database according to the following categories:

- Residential Single Family (RSF) – All parcels that had one RSF home, regardless of lot size or zoning.
- Residential Single Family – 2 (RSF-2) – All parcels that have two RSF units on a parcel, regardless of lot size or zoning. These second units are either granny units or two RSF houses. These parcels were identified to have permitted second units. Those parcels that may have a granny unit or second dwelling unit on the parcel that is not permitted is not accounted for.
- Residential Single Family >2 (RSF>2) – All parcels that have more than two RSF units on the same parcel. This includes triplex units. This does not include identified residential multi-family parcels such as apartments or condominiums.
- Residential Multi-Family (RMF) – All identified residential multi-family parcels such as apartments and condominiums. These are individual units that typically do not have any land attributed to the parcel. They typically have a central common area for several units, which has its own parcel number.
- Commercial (Com) – All non-residential parcels providing services to the community. This includes office and professional, retail services, industrial, etc.



- Other – There are other parcels, such as public facilities, schools, parks, churches, open space, etc. These parcels will ultimately need to be assessed on a case by case basis and therefore, were not analyzed at this time. Once a method of assessment is identified, these parcels will be re-evaluated to determine their proper assessment.

Water Use Analysis Results

Over 2,700 RSF parcels were evaluated ranging in size from 0.10 acres to 18.20 acres. When the water usage for all viable parcels is plotted against parcel size, the amount of water used by any one parcel of the same size was vastly different. For example: A parcel of 0.10 acres used between 23 gpd on the low end and 1,080 gpd on the high end. The delta between high and low got even greater for larger parcels. For the 1.00 acre parcels, on the low end, parcels used only 25 gpd. On the other hand, there were parcels that used up to almost 3,800 gpd. Exhibit 1 depicts the water usage for all viable RSF parcels against the parcel size. For clarity, Exhibit 1 only shows parcels up to 10 acres. There are few parcels greater than 10 acres and these parcels all used less water than any 10 acre parcels. This analysis does not provide any concrete method for assessment, except that it can be determined that the larger parcels have the “potential” for significantly more water use.

The next step in the analysis used the law of averages to determine how much water RSF parcels of the same size were using. The parcel sizes were rounded to the nearest 0.10 of an acre and grouped together. The water use was averaged for both 2007 and 2008 and plotted on Exhibit 2. The parcels were graphed for every 0.10 acre up to 1.0 acre. Parcels between 1.10 and 2.00 acres were grouped together and parcels greater than 2.00 acres were grouped together. This grouping method gave a large enough sample size that reduces the impacts from those few parcels that used small or large quantities of water and skewed the results.

This analysis provided interesting results. The average water use consistently increased as parcel size increased excluding those parcels greater than 1.0 acre. Parcels greater than 1.0 acre used approximately the same amount of water or less water than 1.0 acre parcels. The average consumption for 2007 and 2008 were similar for each grouping, except 0.70 acres. There was a difference of 110 gpm between 2007 water consumption and 2008 water consumption for 0.7 acre parcels.

Although the water usage continuously goes up, there are three obvious breaks in the water consumption.

- Group 1: Includes parcel sizes of 0.10, 0.20, and 0.30 acres. These parcels used between 370 and 480 gpd.
- Group 2: Includes parcel size of 0.40, 0.50, and 0.60 acres. These parcels used between 680 and 740 gpd.
- Group 3: Includes parcel sizes 0.7 acres and greater. These parcels used between 760 and 950 gpd.

Once this was established, Wallace Group then broke down the other remaining categories to see how their water usage compared to the RSF. Their water usage was again broken into the same 0.10 acre parcel groupings. The law of averages is more skewed for this analysis since the quantity of the parcels was not nearly as



high as they are for RSF. In some instances, there were only one or two parcels that fell into certain groupings. Exhibit 3 provides the analysis of the various categories versus parcel size for 2007 and 2008. Exhibit 4 provides the same information as Exhibit 3, except years 2007 and 2008 are averaged to simplify the exhibit.

The following is an analysis for each category:

- **RSF-2:** There were only 32 parcels analyzed for this category. If parcel size was not considered, parcels with two RSF units used between 135 and 3,600 gpd. Again, this range is too great to extract any useful information from it. The largest groupings were for 0.20, 1.00, 1.10 to 2.00, and greater than 2.00 acre parcels. These groupings had five or more parcels that provided a better average water consumption. For parcels 0.2 and 1.10 to 2.00 acres, the water consumption for RSF and RSF-2 were identical. For parcels greater than 2.00 acres, the water consumption for RSF-2 was higher than RSF parcels. For 1.00 acre parcels, the water consumption for RSF-2 was significantly higher than the RSF parcels.
- **RSF>2:** There are only 14 parcels that are RSF with more than 2 parcels on the lot. Their water consumption ranged between 443 and 2,101 gpd. On the smaller lots (under 0.50 acre), the water use was higher than the RSF parcels. For parcels between 0.50 and 1.00 acres, the water use was the same or less than the RSF parcels. For parcels between 1.10 and 2.00 acres, the water consumption was higher. For parcels greater than 2.00 acres, the water consumption was approximately the same as RSF.
- **RMF:** The RMF lots are parcels that really don't have any land attributed to the parcel. Therefore, these parcels were compared to parcels with 0.10 acres. There were 206 RMF parcels analyzed. The RMF parcels used approximately 200 gpd. This is 170 gpd less than 0.10 acre RSF parcels.
- **Commercial:** There were 47 commercial parcels analyzed. Again, the water consumption was vastly different, 18 gpd versus 8,600 gpd. There was one anomaly with commercial that was dependent on use of the parcel. There are several fairly large commercial parcels that had storage uses and therefore, used little water as compared to other parcels of the same size. These uses should be considered as a separate condition than typical commercial uses since parcels with storage units will most likely not convert their use. For the most part, parcels 0.90 acre and below use approximately the same quantity of water as their corresponding RSF parcel size. Parcels 1.00 acre and parcels greater than 2.0 acres used significantly more water than their corresponding RSF parcels. Parcels between 1.10 and 2.00 acres used about the same as RSF parcels. However, if the parcels with storage units are taken out of the average, then the water consumption for commercial parcels becomes significantly higher than RSF parcels.

Basis of Assessment

The data that is extracted from this analysis can be manipulated in many ways than were analyzed for this report at this time. Since the number of parcels in each category is not the same, the potential for discrepancies is higher. Again, not all parcels were included in the analysis and therefore, the entire District is not represented. With this knowledge, Table 1 provides a summary of recommendations for proceeding with the basis of assessment.

Table 1. Basis of Assessment

Group	Zoning	Description	Parcel Sizes Included	Recommendations
1	RSF	All residential parcels with one unit	0.10, 0.20, 0.30	Basis of Assessment, 1.0 Equivalent Benefit Unit
			0.40, 0.50, 0.60	1.60 benefit units
			0.70 & Greater	2.00 benefit units
2	RSF-2	Second Unit	<1.0	0.00 benefit units
3	RSF>2	Greater than two units	1.0 & Greater	0.30 benefit unit for second unit
4	RMF	Multi-family units w/ no land (i.e. condos, apartments, mobile homes)	All Parcel Sizes	0.30 benefit unit for each additional unit beyond two units
			<0.1	0.70 benefit units per unit
5	Com	Commercial Services, Office Professional, Commercial Retail	0.10, 0.20, 0.30	1.0 benefit unit
			0.40, 0.50, 0.60	1.60 benefit units
			0.70 to 1.99	3.00 benefit units
			2.00 & Greater	6.00 benefit units
Special Cases				
6	Mini Storage	Storage units with physical storage structures	All Parcel Sizes	0.50 benefit units
7	School	School	0.10, 0.20, 0.30	1.00 benefit unit
			0.40, 0.50, 0.60	1.60 benefit units
			0.70 to 2.00	3.00 benefit units
			2.01 & Greater	3.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
8	Church	Church	0.10, 0.20, 0.30	1.00 benefit unit
			0.40, 0.50, 0.60	1.60 benefit units
			0.70 to 2.00	2.00 benefit units
			2.01 & Greater	2.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
9	Recreational	Parks, Fields, etc	All Parcel Sizes	1.00 benefit units per acre
10	Government	Government (i.e. Fire Station, Police, etc)	0.10, 0.20, 0.30	1.00 benefit unit
			0.40, 0.50, 0.60	1.60 benefit units
			0.70 to 2.00	3.00 benefit units
11	PF w/ No Irrig.	Public Facilities with no irrigation (i.e. wells, tanks, lift stations)	2.01 & Greater	3.00 benefit units plus 1.0 benefit unit for every acre above 2.0 acres
			All Parcel Sizes	0.00 benefit units
12	PF w/ Irrig.	Public Facilities with irrigation	All Parcel Sizes	1.00 benefit units per acre
13	OS w/ No Irrig. Potential	Open Space w/ no potential for irrigation (i.e. medians, parking lots, etc)	All Parcel Sizes	0.00 benefit units
			All Parcel Sizes	1.00 benefit units per acre
14	OS w/ Irrig.	Open Space w/ existing or potential for irrigation	All Parcel Sizes	1.00 benefit units per acre
15	WWTP	Wastewater Treatment Plant	All Parcel Sizes	1.00 benefit unit

Exhibit 1
Residential Single Family

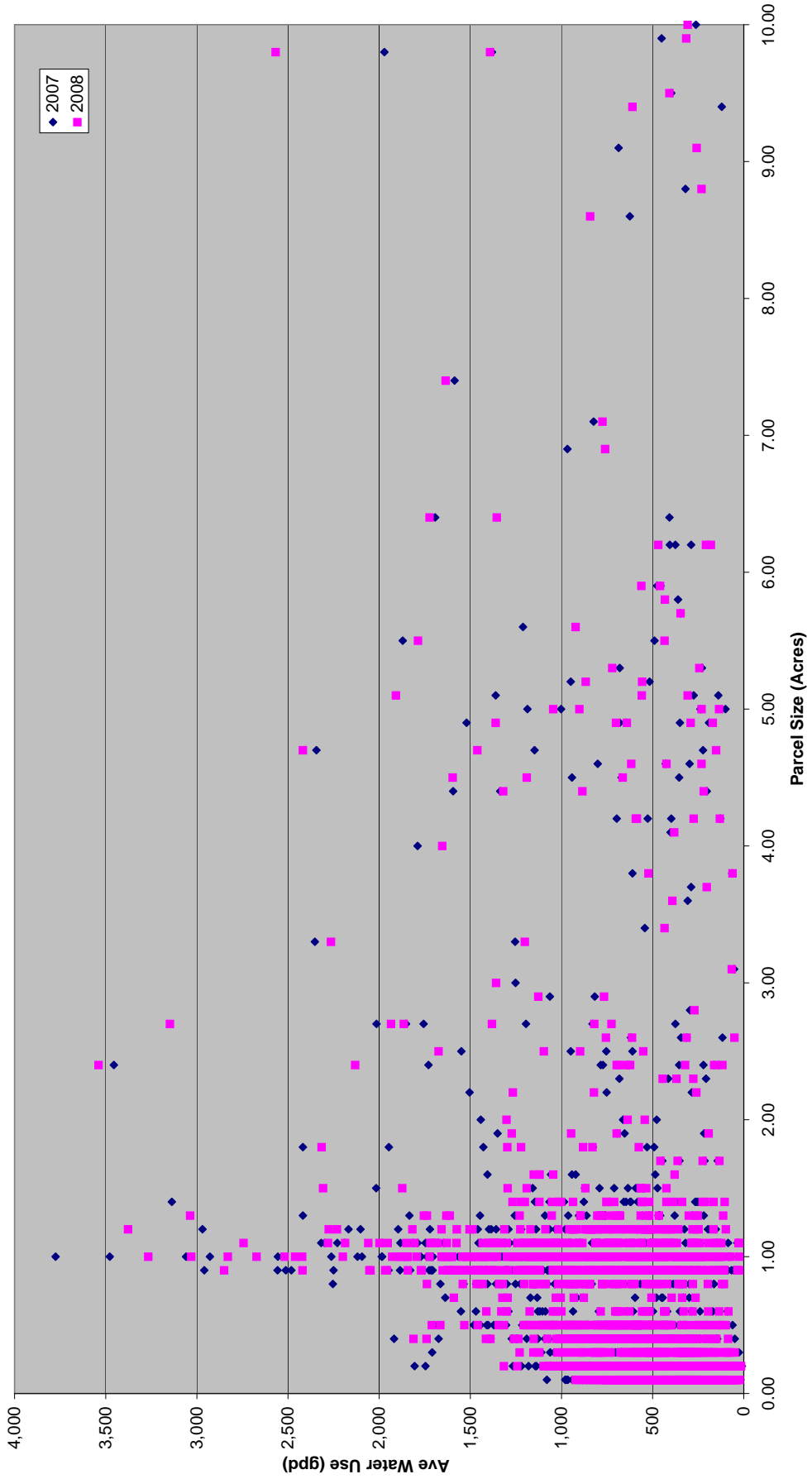


Exhibit 2
Average Water Use vs Parcel Size
Residential Single Family Onle

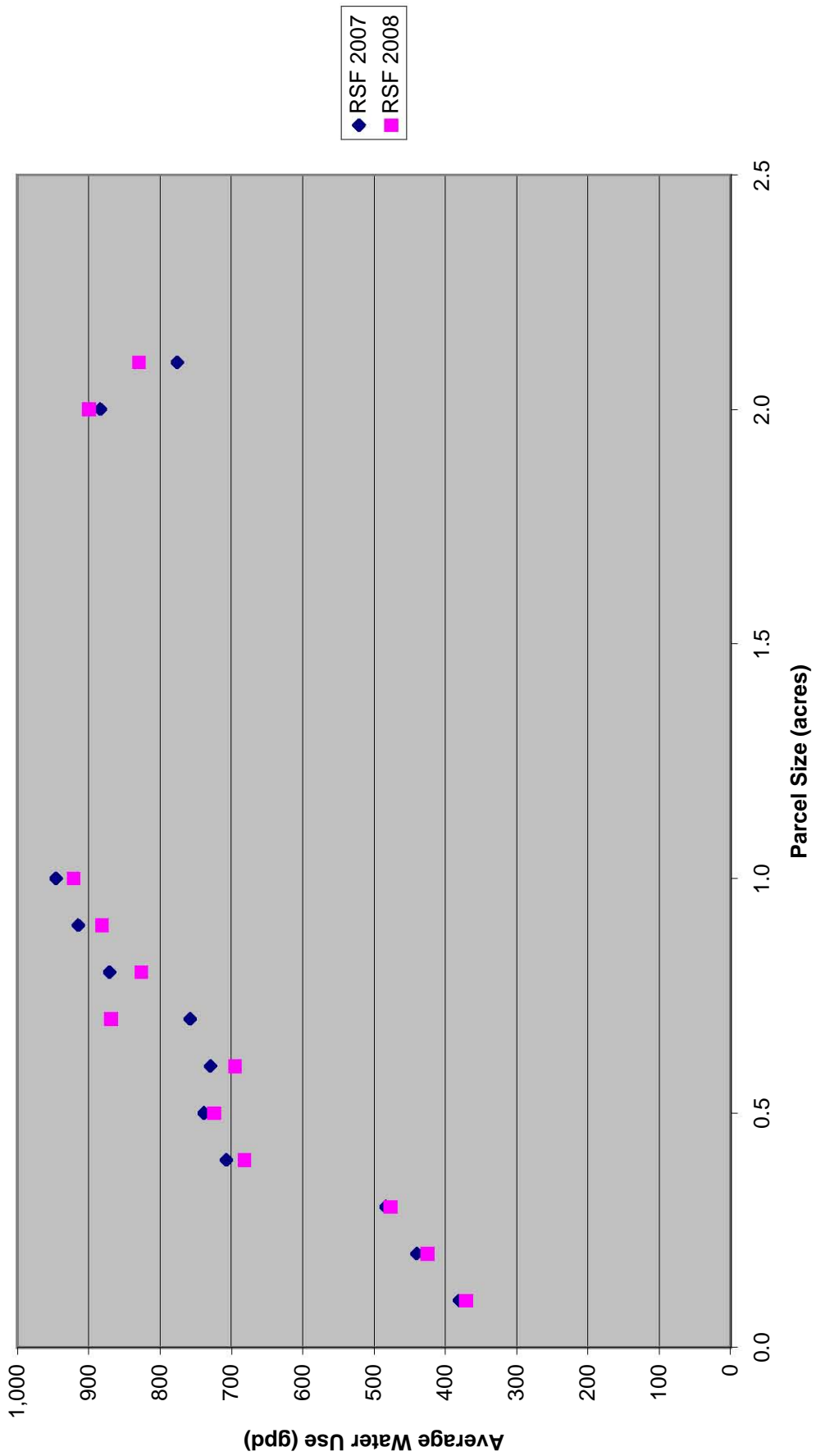


Exhibit 3 Average Water Use vs Parcel Size 2007 and 2008

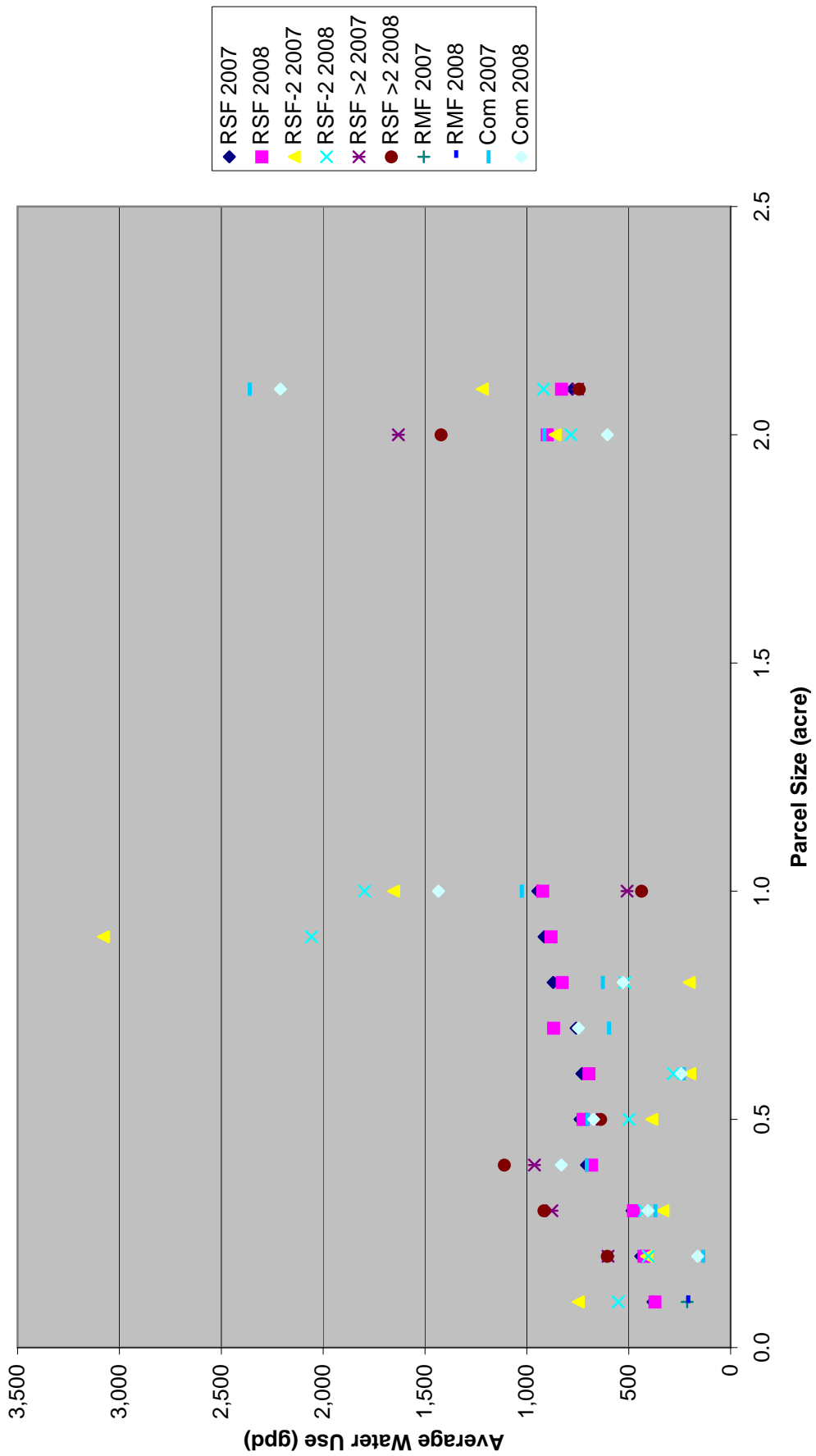


Exhibit 4
Average Water Use vs Parcel Size
Average of 2007 and 2008

