

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*  
GENERAL MANAGER

DATE: APRIL 20, 2012

## AGENDA ITEM

# F

APRIL 25, 2012

### GENERAL MANAGER'S REPORT

#### ITEM

Standing report to your Honorable Board -- *Period covered by this report is March 23, 2012 through April 20, 2012*

#### DISTRICT BUSINESS

##### Administrative

- Operations recruitment;
  - Mr. Derek Calleja is scheduled to start work at the District on May 7, 2012.
- Supplemental Water Project:
  - Financing ballot process is ongoing. Over 3,300 ballots have been returned. Ballots received by the close of the scheduled May 9, 2012, public hearing will be opened and counted. Results of the ballot will be announced at a public meeting scheduled for 3 p.m. on May 10, 2012. District staff and the Assessment Engineer continue to field numerous questions on the overall funding process and supplemental water need.
  - Since July 2004, the District has expended over \$3.8M developing, studying, designing, and bringing this important water supply project to fruition. A Supplemental Water Project historical timeline, schedule, and cost summary are attached.
  - The District circulated a Request for Proposal for Bond Underwriting Services for the Project. Three proposals were received by the April 13, 2012 deadline. The proposals are under review by the District Financial Advisor and Bond/Disclosure Counsel.
- Office Projects
  - Roof inspection and repair following recent leaks.
  - Front counter 'Store Front' installation in process – weekend and evening work schedule to minimize disruption to customers and District business day.
  - Parking lot seal, top-coat, and re-stripping scheduled for Memorial Day Weekend.
- Ordinance Review;

Staff was directed to review District Code relative to tampering and service connections. Language of the following specific District code sections is attached:

  - 3.03.170 – Tampering
  - 3.04.020 - Service connections
  - 3.04.270 - Water supply and interruption of service
  - 3.04.280 - District equipment on customer's premises
  - 3.04.290 - Water receiving equipment—Responsibility

- Industry News of Interest; the following news reports are attached:
  - Monterey County Auditor helps water agency deal with desal debt.
  - The Green Issue: Tapping the Pacific
  - Drought Expands throughout USA

### **Meetings**

#### *Meetings attended:*

- *April 11, Regular NCSD Board Meeting*
- *April 12, NMMA Technical Group*
- *April 12, Management Team coordination*
- *April 13, Finance and Audit Committee*
- *April 13, Coordination with District Counsel*
- *April 16, Coordination with Board Officers*
- *April 17, Discussion with Rate Consultant*
- *April 19, Santa Barbara County IRWM Salt and Nutrient Management Working Group*

#### *Meetings Scheduled:*

- *April 23, Cambria CSD on Desal history*
- *April 24, Southland WWTF Bond Team*
- *April 25, Regular NCSD Board Meeting*
- *May 1, SLO County Energy Watch*
- *May 3, Supplemental Water Project, SLO County Board of Education*
- *May 4, Supplemental Water Project, City of Santa Maria and County of Santa Barbara Public Works*

### **Safety Program**

No accidents, injuries, or incidents to report.

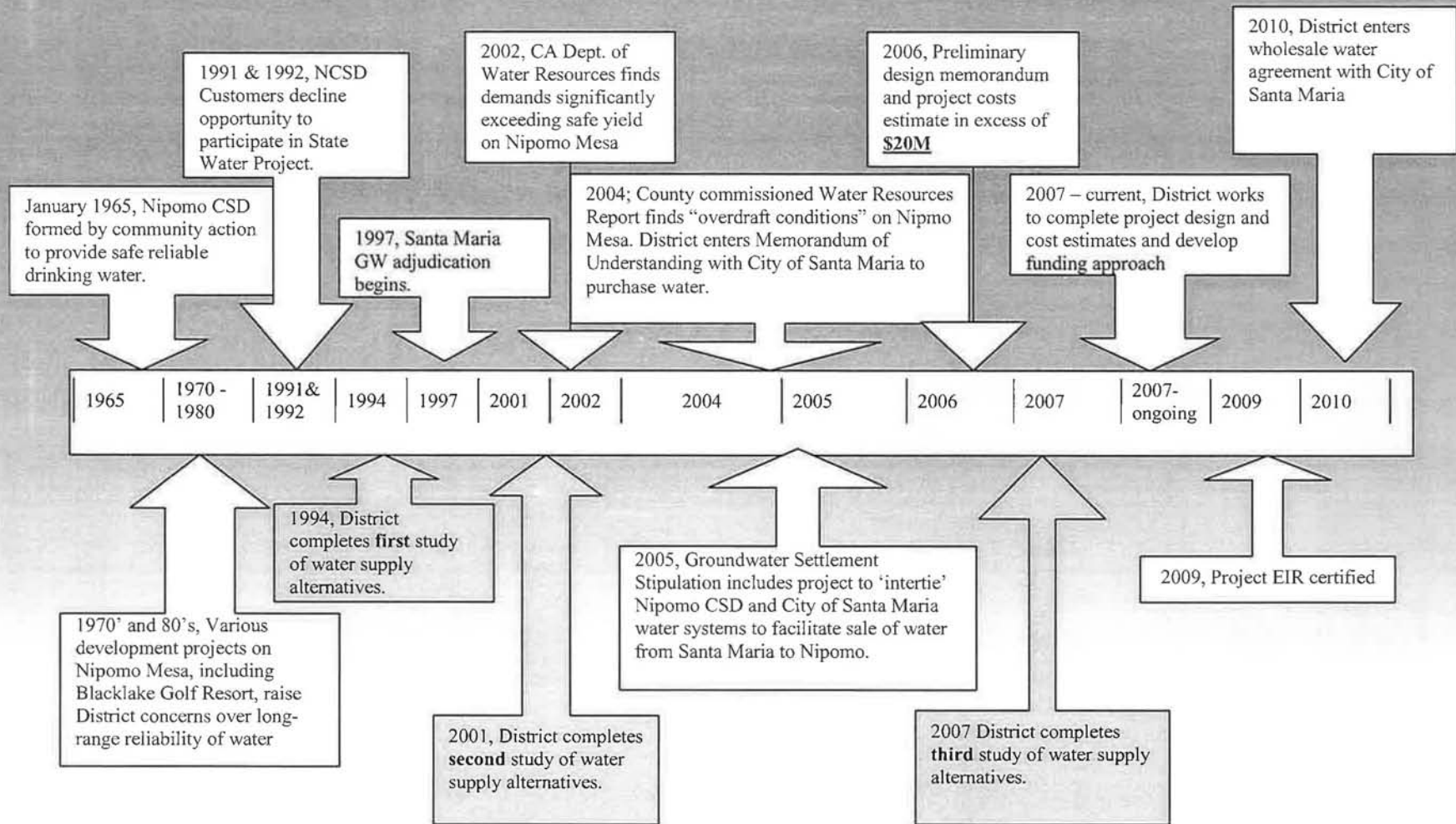
### **RECOMMENDATION**

Staff seeks direction and input from your Honorable Board

### **ATTACHMENTS**

- Supplemental Water History Timeline
- Supplemental Water Schedule
- Supplemental Water Accounting Summary
- District Code Summary
- April 10, 2012 Monterey County Desal Debt
- April 12, 2012, Tapping the Pacific
- April 2012, Drought Expands

# Supplemental Water History



# Santa Maria Pipeline - SCHEDULE

Task	2011	2012	2013	2014
Assessment Engineer's Report	→			
Benefit Unit Verification	↔			
Assessment Ballot - <b>VOTE</b>		↔		
Finalize Design	←			
Solicit Construction Bids		↔		
Award Contracts			↔	
Construction				←

Where we are today

Property Owner support of funding ballot required to move past this point

NIPOMO COMMUNITY SERVICES DISTRICT  
 SUPPLEMENTAL WATER PROJECT  
 MONTHLY REPORT TO THE BOARD OF DIRECTORS  
 (FY JUNE 30, 2012)

REVENUES FY 2011-2012	MONTH OF MARCH	FISCAL YEAR 7/1/2011 TO 6/30/2012
Supplemental Water Capacity Fees Collected	0.00	14,605.00
Interest Income (monthly & quarterly posting)	372.43	3,724.01
Revenue Subtotal	372.43	18,329.01
EXPENDITURES FY 2011-2012 (1)		
<u>CONSULTANTS</u>		
1590-A1 Feasibility Study (Cannon)	0.00	0.00
1590-A2 EIR Preparation (Wood & Assoc)	11,445.00	11,950.00
1590-A3 Estimate/Preliminary Schedule (Cannon)	0.00	0.00
1590-A4 Proposed Routes/Facilities (Cannon)	0.00	0.00
1590-A5 Prop 50 Grant Applicatin	0.00	0.00
1590-A6 Project Support (Cannon)	0.00	0.00
1590-A7 Groundwater Grant Assistance (SAIC)	0.00	0.00
<u>LEGAL</u>		
1590-B1 Shipsey & Seitz	5,702.40	26,479.20
1590-B2 McDonough, Holland & Allen	0.00	0.00
1590-B3 Richards, Watson & Gershon	0.00	0.00
<u>LAND ACQUISITION</u>		
1590-C1 Appraisals (Tarvin & Reeder Gilman)	0.00	0.00
1590-C2 Property Negotiations (Hamner Jewell)	1,243.02	12,201.69
1590-C3 Property Acquisitions	0.00	2,800.00
<u>FINANCIAL</u>		
1590-D1 Reed Group and Wallace Group	0.00	0.00
1590-D2 Lobbying	0.00	0.00
<u>ENGINEERING</u>		
1590-E1 Preliminary Engineering Design (AECOM)	0.00	0.00
1590-E2 Water Modeling by Carollo (City of Santa Maria)	0.00	0.00
1590-E3 Alternative Water Supplies (AECOM)	0.00	0.00
1590-E4 Project Information (AECOM)	0.00	0.00
1590-E5 Project Design (AECOM)	30,591.54	132,503.31
1590-E6 Pressure Testing	0.00	0.00
1590-E7 Peer Review	0.00	0.00
1590-E8 Pot Holing	0.00	0.00
<u>OTHER</u>		
1590-F1 FGL Environmental	0.00	0.00
1590-F2 Copy/Print	0.00	0.00
<u>PERMITS</u>		
1590-G1 Santa Maria Valley Water Conservation District	0.00	0.00
<u>ASSESSMENT DISTRICT</u>		
1590-H1 Wallace Group (includes printing/postage)	92,077.45	175,232.65
1590-H2 SLO County Reimbursement Agreement for JPA	0.00	11,476.99
1590-H3 Purveyor Partner Reimbursements to NCSD	0.00	0.00
1590-H4 A/D Financial Advisor	0.00	0.00
1590-H5 A/D Outreach/Education (includes printing/postage)	30,994.23	164,687.27
<u>CONSTRUCTION</u>		
1590-I1 Construction Management (MNS)	0.00	360.00
1590-I2 Arborist (A&T Arborists)	0.00	0.00
<u>SALARY AND BENEFITS (2)</u>		
1590-Z1 Wages-Capitalized	5,431.51	36,121.08
1590-Z2 Payroll Taxes-Capitalized	78.75	675.61
1590-Z3 Retirement-Capitalized	1,381.44	9,022.79
1590-Z4 Medical-Capitalized	887.08	3,227.90
1590-Z5 Dental/Vision-Capitalized	110.66	382.27
1590-Z6 Workers Compensation-Capitalized	21.93	145.84
Expenditure Subtotal	179,965.01	587,266.60
Net Revenues less Expenditures	(179,592.58)	(568,937.59)
Beginning Fund Balance as of July 1, 2011		2,070,224.10
Ending Fund Balance as of March 31, 2012		1,501,286.51

(1) See attached "Supplemental Water Cost Summary" for more detail.  
 (2) Salary and Benefits of GM and District Engineer are allocated among NCSD projects and capitalized as part of the cost of the project.

**NIPOMO COMMUNITY SERVICES DISTRICT  
SUPPLEMENTAL WATER COST SUMMARY**

A/C #	DESCRIPTION	7/1/2004 TO 6/30/2005	7/1/2005 TO 6/30/2006	7/1/2006 TO 6/30/2007	7/1/2007 TO 6/30/2008	7/1/2008 TO 6/30/2009	7/1/2009 TO 6/30/2010	7/1/2010 TO 6/30/2011	7/1/2011 TO 6/30/2012 March	GRAND TOTAL
1645	Reservation Fee-City of Santa Maria	37,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37,500.00
1590-A1	Feasibility Study (Cannon)	25,887.29	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,887.29
1590-A2	EIR Preparation (Wood & Assoc)	29,037.48	87,100.23	16,053.83	45,407.70	76,544.11	500.00	0.00	11,950.00	265,593.35
1590-A3	Est/Preliminary Schedule (Cannon)	3,706.19	2,602.75	0.00	0.00	0.00	0.00	0.00	0.00	6,308.94
1590-A4	Proposed Routes/Facilities (Cannon)	5,050.07	520.00	0.00	0.00	0.00	0.00	0.00	0.00	5,570.07
1590-A5	Prop 50 Grant Application	2,757.00	6,210.00	0.00	1,857.60	0.00	0.00	0.00	0.00	10,824.60
1590-A6	Project Support (Cannon)	0.00	11,797.44	0.00	0.00	0.00	0.00	0.00	0.00	11,797.44
1590-A7	Groundwater Grant Assistance (SAIC)	0.00	0.00	0.00	15,000.00	0.00	0.00	0.00	0.00	15,000.00
1590-B1	Shipsey & Seitz	0.00	23,095.55	17,564.25	2,201.50	18,224.00	16,601.58	18,664.80	26,479.20	122,830.88
1590-B2	McDonough, Holland & Allen	0.00	34,177.28	15,871.85	0.00	0.00	0.00	0.00	0.00	50,048.93
1590-B3	Richard, Watson & Gershon	0.00	9,472.38	27,954.81	0.00	0.00	0.00	0.00	0.00	37,427.19
1590-C1	Appraisals (Tarvin & Reeder Gilman)	0.00	0.00	16,170.00	10,000.00	0.00	8,000.00	3,600.00	0.00	37,770.00
1590-C2	Property Negotiations (Hamner Jewell)	0.00	0.00	0.00	0.00	15,250.00	14,748.75	36,481.90	12,201.69	78,682.34
1590-C3	Property Acquisitions	0.00	0.00	0.00	0.00	673.00	2,772.00	600.00	2,800.00	6,845.00
1590-D1	Røed Group and Wallace Group	0.00	2,809.85	0.00	0.00	7,585.45	4,476.25	0.00	0.00	14,871.55
1590-D2	Lobbying	0.00	0.00	0.00	38,801.11	38,950.00	54,000.00	9,000.00	0.00	140,751.11
1590-E1	Preliminary Engineering Design (Boyle)	0.00	6,470.33	223,286.67	103,460.19	2,194.43	0.00	0.00	0.00	335,411.62
1590-E2	Water Modeling by Carollo (City of SM)	0.00	0.00	24,942.00	0.00	0.00	0.00	0.00	0.00	24,942.00
1590-E3	Alternative Water Supplies (Boyle)	0.00	0.00	164,230.48	70,772.01	0.00	0.00	0.00	0.00	235,002.49
1590-E4	Project Information (Boyle)	0.00	0.00	0.00	6,000.00	0.00	0.00	0.00	0.00	6,000.00
1590-E5	Project Design (AECOM)	0.00	0.00	0.00	0.00	752,319.66	228,952.01	172,785.69	132,503.31	1,286,560.67
1590-E6	Pressure Testing	0.00	0.00	0.00	0.00	8,682.92	0.00	0.00	0.00	8,682.92
1590-E7	Peer Review	0.00	0.00	0.00	0.00	7,571.05	37,349.25	12,134.80	0.00	57,055.10
1590-E8	Pot Holing	0.00	0.00	0.00	0.00	0.00	29,053.05	0.00	0.00	29,053.05
1590-F1	Lab Testing (FGL Environmental)	0.00	0.00	5,047.00	0.00	0.00	0.00	0.00	0.00	5,047.00
1590-F2	Copy/Print	0.00	0.00	740.24	1,022.01	0.00	0.00	52.07	0.00	1,814.32
1590-G1	Permits	0.00	0.00	0.00	0.00	130.00	0.00	0.00	0.00	130.00
1590-H1	Assessment District	0.00	0.00	0.00	0.00	83,030.71	21,227.92	56,931.64	175,232.65	336,422.92
1590-H2	SLO County Reimb Agreement-JPA	0.00	0.00	0.00	0.00	0.00	36,603.80	6,799.89	11,476.99	54,880.68
1590-H3	Purveyor Partner Reimbursements to NCSD	0.00	0.00	0.00	0.00	0.00	0.00	(10,492.04)	0.00	(10,492.04)
1590-H4	A/D Financial Advisor	0.00	0.00	0.00	0.00	0.00	0.00	8,835.63	0.00	8,835.63
1590-H5	A/D Outreach/Education	0.00	0.00	0.00	0.00	0.00	0.00	74,571.75	164,687.27	239,259.02
1590-I1	Construction Management (MNS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	360.00	360.00
1590-I2	Arborist (A&T Arborist)	0.00	0.00	0.00	0.00	0.00	2,830.00	0.00	0.00	2,830.00
1590-Z1	Wages-Capitalized	0.00	29,076.92	35,884.51	28,197.08	31,926.57	50,005.29	46,698.55	36,121.08	257,910.00
1590-Z2	Payroll Taxes-Capitalized	0.00	587.22	587.42	455.98	504.53	2,058.44	1,918.13	675.61	6,787.31
1590-Z3	Retirement-Capitalized	0.00	8,418.08	10,344.53	8,110.84	8,690.47	9,443.17	6,729.62	9,022.79	60,759.50
1590-Z4	Medical-Capitalized	0.00	2,861.35	3,367.02	2,564.88	2,757.36	3,390.94	3,352.92	3,227.90	21,522.38
1590-Z5	Dental/Vision-Capitalized	0.00	0.00	247.90	329.23	348.15	459.62	239.83	382.27	2,006.00
1590-Z6	Workers Compensation-Capitalized	0.00	260.35	341.83	225.21	259.81	271.21	277.61	145.84	1,781.86
		103,938.03	225,459.74	562,634.14	334,404.32	1,055,642.22	522,743.28	449,182.79	567,266.60	3,841,271.12

**NIPOMO COMMUNITY SERVICES DISTRICT  
CERTIFICATES OF PARTICIPATION  
DEBT SERVICE SCHEDULE**

	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	PRINCIPAL BALANCE
				4,000,000.00
FY June 30, 2004	0.00	136,384.79	136,384.79	4,000,000.00
FY June 30, 2005	75,000.00	169,950.00	244,950.00	3,925,000.00
FY June 30, 2006	80,000.00	167,625.00	247,625.00	3,845,000.00
FY June 30, 2007	80,000.00	165,225.00	245,225.00	3,765,000.00
FY June 30, 2008	85,000.00	163,132.50	248,132.50	3,680,000.00
FY June 30, 2009	85,000.00	161,198.75	246,198.75	3,595,000.00
FY June 30, 2010	85,000.00	158,988.75	243,988.75	3,510,000.00
FY June 30, 2011	90,000.00	156,425.00	246,425.00	3,420,000.00
FY June 30, 2012	90,000.00	153,545.00	243,545.00	3,330,000.00
FY June 30, 2013	95,000.00	150,397.50	245,397.50	3,235,000.00
FY June 30, 2014	100,000.00	146,885.00	246,885.00	3,135,000.00
FY June 30, 2015	100,000.00	143,110.00	243,110.00	3,035,000.00
FY June 30, 2016	105,000.00	139,137.50	244,137.50	2,930,000.00

T:\DC\FINANCE\SUPP WATERCOST SUMMARY.XLS

## **Nipomo Community Services District Code Sections Related to Tampering and Service Connections**

### **3.03.170 - Tampering.**

A. No person, other than an authorized district employee, shall at any time or in any manner, operate, or cause to be operated, any valve in or connected to a water main or sewer main, service connection or fire hydrant, or tamper or otherwise interfere with any water meter, meter valve, backflow prevention device, detector check valve, or other part of the district's water or sewer system.

B. In addition to other district rights and charges, a fee of twenty-five dollars will be charged to the customer in all situations where a person has tampered with district services or privately restores water service without district permission. Such fee shall be added to any and all water bills for the property or units affected by the illegal water tampering.

C. If a person's actions result in damage to the district's water or sewer systems, the cost of repair and/or replacement will be charged to the customer.

D. Staff shall prepare and keep complete and accurate records concerning tampering with district's service systems. The manager shall review such records and shall decide whether or not to seek a criminal complaint through the sheriff's office. If there is more than one such tampering violation for the same property within any five-year period, the board shall hold a public hearing to consider permanent disconnection of water service to the property, or such other remedies as the board deems appropriate.

***(Ord. 95-81 § 1 (part), 1995)***

### **3.04.020 - Service connections.**

A. Each house or building under separate ownership shall be provided with its own service connection or connections.

B. Two or more houses or buildings (such as apartments) under one ownership and located on the same lot or parcel of land may be supplied through one service connection.

C. When a parcel or building receiving water service through one connection is subdivided into smaller lots, parcels or units, capable of separate ownership, then the existing service connection shall be deemed appurtenant to the parcel or building unit upon which it is situated or most immediately adjacent.

D. The district reserves the right to limit the number of houses or buildings, or the area of the land under one ownership to be supplied by one service connection.

E. A service connection shall not be used to supply adjoining property of a different owner or to supply the property of the same owner on opposite sides of a public street or alley.

***(Ord. 98-87 § 8, 1998)***

**3.04.270 - Water supply and interruption of service.**

A. The district will exercise reasonable diligence and care to deliver to customers a continuous and sufficient supply of water at the meter. The district, however, shall not be liable for interruption of service or shortage or insufficiency of supply or for any loss or damage occasioned thereby. For the purpose of making repairs or installing improvements to the system, the district shall have the right to temporarily suspend the delivery of water. The customer shall be notified in advance of such action, except in cases of emergency. Repairs or improvements will be performed as rapidly as may be practicable and so far as possible at times which will cause the least inconvenience to the customers concerned. The district shall not be liable for any loss or damage occasioned by such suspension of service.

B. During times of threatened or actual water shortage, the district will apportion its available supply among its customers in the manner that appears most equitable under the circumstances then prevailing with regard to public health and safety.

*(Ord. 78-27 § 14, 1978)*

**3.04.280 - District equipment on customer's premises.**

A. All water service pipes and equipment required to serve a customer up to and including the meter shall be owned by the district whether installed:

1. On a public or private property; or
2. At applicant's or district's expense.

B. District equipment required for service which is installed on a customer's premises may be repaired, replaced or removed by the district. Authorized representatives of the district shall have the right of access to such equipment for any purpose reasonably connected with furnishing service. The district shall make no payment for placing or maintaining equipment which is required solely for providing service to the customer's premises.

C. The customer shall exercise care to prevent damage to or interference with the operation or servicing of district equipment. The customer shall be liable for any damage to district-owned meters, locks or other equipment which is caused by himself or his tenants, agents, employees, contractors, licensees or permittees, and must promptly reimburse the district on presentation of a bill for any such damage.

*(Ord. 98-87 § 17, 1998; Ord. 78-27 § 15, 1978)*

**3.04.290 - Water receiving equipment—Responsibility.**

A. The customer shall be responsible for connecting his pipeline to the district's meter. The customer shall furnish and install at his own risk and expense that portion of the water system which begins at the outlet side of the meter. Such water receiving equipment shall remain the property of the customer and he shall be responsible for its maintenance and repair. The district shall have the right to require the customer to adjust, replace or discontinue using any water



receiving or regulating equipment on his side of the meter which disturbs or inconveniences other customers.

B. Where reduced or increased pressure is desired by the customer, he shall be responsible for installing and maintaining the necessary regulators and relief valves. In such cases, the equipment shall be installed on the customer's side of the meter at his expense.

C. The district shall not be responsible for any loss or damage caused by the negligence, want of proper care, or wrongful act of the customer or any of his tenants, agents, employees, contractors, licensees or permittees in installing, maintaining, using, operating or interfering with any water receiving equipment. Furthermore, the district shall not be responsible for damage caused by faucets, valves and other equipment which may be open at any time that water is turned on at the meter.

B. The district is not responsible for providing an electrical ground through water service equipment. Accordingly, customers are cautioned not to attach any ground wiring to plumbing which is or may be connected to district service equipment. The district may hold the customer liable for any damage to district property resulting from a ground wire attachment.

**(Ord. 78-27 § 16, 1978)**

# Monterey County auditor helps water agency deal with desal debt

Accounting practices criticized by group

By JIM JOHNSON

Herald Staff Writer

Posted: 04/10/2012 07:18:42 PM PDT

Updated: 04/11/2012 09:12:53 AM PDT

County Auditor Mike Miller is helping sort out the county Water Resources Agency's finances, which are beset by millions of dollars in bills from the failed regional desalination project.

Miller said his office has provided the agency an interim finance manager to fill a vacancy left by the retirement of longtime water resources official David Kimbrough and is conducting a review of the agency's handling of the desal project debt. Miller said Tuesday he has developed a series of options for the agency to consider in dealing with the debt, which is estimated at about \$3.9 million.

David Chardavoigne, interim general manager of the water agency, confirmed Miller's involvement by phone Tuesday and in a response letter dated April 6 to the Salinas Valley Water Coalition. That organization, which is backed by agri-business, raised a number of questions about the agency's desal project accounting practices.

Coalition president Nancy Isakson sent two letters to the Board of Supervisors, one in late January and another last month, that accused the agency of "creative accounting" in its use of public funds intended for other purposes for desal project expenses.

The letter said it appeared agency officials borrowed money from other agency funds, including tax proceeds from the Salinas Valley Water Project account, without proper authorization to pay project costs, then charged it off as "overhead."

The letter said agency officials continued racking up bills on the project even after the supervisors attempted to limit spending by restricting access to a Cal Am-backed credit line until a project finance plan was finished.

The letter asked for an explanation of the agency's actions, including the legal authority for tapping other agency funds.

In response, 2½ months later, the agency sent a letter signed by Chardavoigne that simply said all desal project-related expenses were incurred "pursuant" to the project agreements, that dispute resolution negotiations regarding project expenses were ongoing, and that the auditor's office was "reviewing allocation of funds" to ensure proper accounting and eventual reimbursement.

Isakson said she was disappointed in the response and said she "couldn't imagine" why it took so long to issue such a sparse explanation. She said she was pleased the auditor's office was involved, but pointed out there was no mention of any efforts to ensure such an incident never happens again.

Chardavoyne said the response letter was delayed because of ongoing confidential discussions with erstwhile project partner California American Water, which he said continue without resolution, and the effort to protect the agency's "legal position."

He said the agency's board had directed staff to conduct a review of its fund transfer policies, but couldn't say why that had been left out of the response letter.

Meanwhile, he said, the agency is tightening its budgetary belt, leaving two top administrative positions vacant — including Kimbrough's and the deputy general manager spot vacated by recently retired Bill Phillips.

But Chardavoyne confirmed the agency is considering a transfer of money between agency funds to cover the absence of revenue expected from the desal project, a proposal that apparently drew Miller's attention and appeared similar to the previous accounting practices that attracted the criticism from the water coalition.

Jim Johnson can be reached at [jjohnson@montereyherald.com](mailto:jjohnson@montereyherald.com) or 753-6753.

## **The Green Issue: Tapping the Pacific**

by Jonathan Volzke

Apr 12, 2012

It's something of a paradox.

The series of canals, pumps and pipelines that supplies Southern California's drinking water is as shaky as the ground around the San Andreas Fault. But lapping up on Orange County's 42 miles of coastline is the endless Pacific Ocean.

Some see the ocean as at least part of the answer to Southern Orange County's water woes, where 95 percent of the water is imported from elsewhere. Others, however, see the ocean as more an oasis than a solution.

A coalition of five cities and water agencies has been working for more than six years to find the truth. Together, they've invested \$3.3 million — combined with \$2.8 million in grants — to drill beneath the ocean floor, pump out briny, brackish water and ram it through a series of super-fine filters to produce drinkable water in a pilot project.

San Clemente and San Juan Capistrano, Laguna Beach County Water District, Moulton Niguel Water District and South Coast Water District, which primarily supplies Dana Point, are the project participants. The Municipal Water District of Orange County is working with them.

After 18 months of pumping, the pilot plant housed in a shipping container at Doheny State Beach is scheduled to shut down April 27. After a few more tests, the participating agencies will be asked whether they want to continue to a full plant -- with a price tag of \$175 million. That "go, no-go" decision will be made in 2013.

If it works, the plant would produce 15 million gallons of drinking water a day, enough to provide about 22 percent of the agencies' future needs, said Karl Seckel, assistant general manager of the Municipal Water District of Orange County.

But it's expensive. Not just to build, but to operate. Forcing the seawater through the reverse-osmosis membranes requires a tremendous amount of electricity. Current estimates, Seckel said, put the cost of water produced by the plant at \$1,500 for an acre foot — 325,851 gallons. This month, the cost of buying an acre foot of water through the Metropolitan Water District was about \$900.

Seckel said predictions show that the cost of Metropolitan water will continue to climb, while the costs of producing water in the desalination plant would rise much more slowly. The price of water from both sources, he said, is expected to be the same around 2025.

That's not good enough for San Juan Capistrano, though. When each participating agency was asked to pony up another \$23,000 to finish some tests last month, Capistrano city leaders balked, voting 3-2 to pull out of the project. San Juan is just now getting its \$35 million groundwater recovery plant working properly, and the Utilities Department is battling a \$6 million deficit. San

Juan Capistrano is one of the few agencies in South County with a significant supply of groundwater.

“It’s frankly frightening, the economic picture of this nation and this state,” Councilman Sam Allevato said. “This would allow us to get to a decision point, but I’m afraid of the answer.”

Seckel admitted the project has been a science experiment from the beginning.

While ocean desalination is used around the world, the State Water Plan says just six such plants were operating in California in 2009, producing just a little more than 4.5 acre feet of water a day. That’s a drop in the bucket even when compared to the state’s 20 groundwater-recovery plants – Dana Point also has one – that produce about 225 acre feet of drinking water a day.

Part of the problem is mitigating the environmental impacts. The Poseidon Resources desalination plant in Carlsbad – which will be one of the biggest in the country when completed, took 10 years to plan and six more to get permits. The Santa Ana Regional Water Quality Control Board approved another Poseidon Resources desalination plant in Huntington Beach, but environmentalists have appealed that decision to the state Coastal Commission.

One of the chief concerns with traditional desalination plants: The intake pipes that suck water from the ocean also suck up sealife. Poseidon’s plans rely on existing power plants, which already draw in seawater for cooling.

South Orange Coastal Ocean Desalination Project avoids that – and has not drawn fire from Surfrider or other environmental groups – by using a “slant well” technique that burrows intake pipes beneath the ocean floor at an angle. That means the water is not draw directly from the ocean, but from beneath the sea floor. That avoids drawing in sea life and also uses the earth as an additional filter.

If built, the project would use nine slant wells, drawing 30 million gallons of water daily.

But the success of the slant well also raised new issues. Plant operators weren’t sure when, and how much “young” ocean water they would draw in the treatment facility as they tapped underground aquifers. The initial water was old -- 7,500 years old – and contains iron and manganese. Building additional facilities to remove the iron and manganese adds about \$50 million to the price tag, which is already included in the \$175 million estimate.

“We thought we’d find it, but as we connected to the ocean, we thought we’d pump through the iron and manganese,” Seckel said. “We may still do that, but the science right now is inconclusive.

Scientists put tracer materials in the lagoon at Doheny, and waited to see them turn up in the plant water, tracking the flow of groundwater in the area. Capistrano voiced concern that pumping water from beneath the ocean could somehow affect the San Juan Basin aquifer and hamper the operations of the city’s groundwater plant. The final \$23,000 from each participant was to finish the work including the groundwater modeling of the underground basin to help

address that question.

Six different metals were also tested for the plant's equipment, Seckel said, to see which best resisted corrosion in the desalination process.

Still ahead would likely be more test borings into the ocean floor, drilled traditionally, to help define the aquifer and determine the makeup of the water, eliminating the possibility that the slant well has struck something unknown in the under-ocean basin.

"We don't have a full understanding of the geology under the ocean – (it is) very expensive to do that work," Seckel said.

Even with some questions unanswered, Wayne Rayfield, president of the board at South Coast Water District, said he's been pleased with the project.

"I think it's going well. We've learned an awful lot," he said. "I think also the project is technically feasible and needed. Maybe it's not needed next year, but it certainly will be needed in the future."

Those in the industry, water dogs, they're called, say the public looks at it wrong when it looks only at the cost of water. At some point, it won't be how much water costs, but whether they can get it at all. ✕

"We're in a coastal desert, our imported water supplies are going to continue to get more scarce and more expensive," Rayfield said. "Desal the only good option."

For San Clemente, which essentially sits at the end of the pipeline for water coming from the north and the Colorado River, desalination provides an alternative tap, noted Mayor Jim Evert, who represents the city on the project. Any major disaster could cut off the city from its much-needed water supply.

"I think in the future years ahead it's going to potentially be one of the major supplies of water," Evert said.

Another mistake made when looking at the project, Seckel said, is failing to look long term, and remember that the water situation changes quickly.

"I think the (economic) environment is working against us, but it wasn't very long ago, three or four years ago, that people were asking us how quickly we could get this project done," Seckel said.

"So you have to ask the question, what are we doing to improve our reliability?"

For more information about the South County Ocean Desalination project, see

<http://www.scwd.org/water/potable/oceandesal.asp>

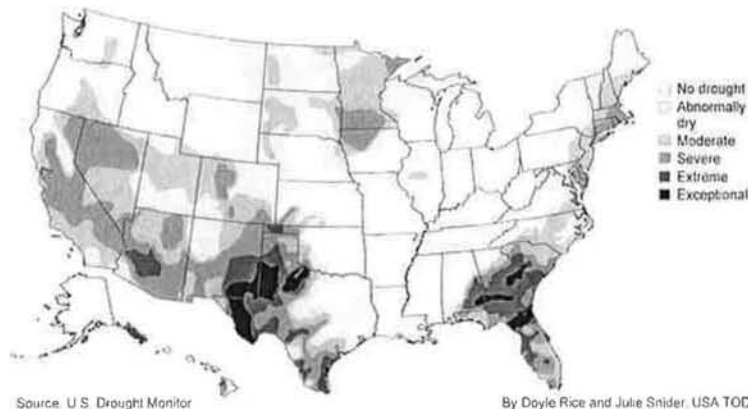
Read more: [San Clemente Times - The Green Issue Tapping the Pacific](#)

# Drought expands throughout USA

By Doyle Rice, USA TODAY

## Drought expands

Drought is intensifying in the Southwest, upper Midwest, Southeast and along the East Coast. Parts of every U.S. state — except for Alaska and Ohio — are either abnormally dry or in some form of drought.



By Julie Jacobson, AP

The Southern Nevada Water Authority won approval from Nevada's state engineer to pump up to 84,000 acre-feet of water from rural areas along the Nevada-Utah line, including Lake Mead, to quench the thirst of the Las Vegas Valley.

Still reeling from devastating drought that led to at least \$10 billion in agricultural losses across Texas and the South in 2011, the nation is enduring more unusually parched weather.

A mostly dry, mild winter has put nearly 61% of the lower 48 states in "abnormally dry" or drought conditions, according to the U.S. Drought Monitor, a weekly federal tracking of drought. That's the highest percentage of dry or drought conditions since September 2007, when 61.5% of the country was listed in those categories.

Only two states — Ohio and Alaska — are entirely free of abnormally dry or drought conditions, according to the Drought Monitor.

The drought is expanding into some areas where dryness is rare, such as New England.

"Conditions are starting to worry us now," said Keith Eggleston, a climatologist with the Northeast Regional Climate Center in Ithaca, N.Y.

According to the U.S. Geological Survey, stream flow levels are at record or near-record lows in much of New England. The Drought Monitor lists all of Vermont as "abnormally dry," just six months after the state's wettest August on record that stemmed mainly from disastrous flooding by the remnants of Hurricane Irene.

So far this year, Connecticut has endured its driest January-March period ever, Weather Channel meteorologist Jonathan Erdman reports. This followed the state's wettest year on record.

The drought is mainly an agricultural concern in the Northeast at this point, says Eggleston. While agricultural conditions in the Northeast could be perilous if the dry weather continues as the growing season kicks off, water shortages for the public shouldn't be an issue, as most reservoirs were near or at capacity due to the early-season snowmelt and thaw, and to wetter conditions in the past, the Drought Monitor reported.

The rest of the East is also very dry. "We expanded the drought intensity and coverage in the Southeast and up and down the East Coast," said meteorologist David Miskus of the Climate Prediction Center in Camp Springs, Md., who prepared this week's update of the Monitor. "Georgia is one area we'll really have to watch," says Miskus. More than 63% of the state is now in the worst two levels of drought, the highest percentage of any state.

Wildfires and brush fires have been common along the East Coast from New England to Florida in recent weeks because of wind and the dryness and windy conditions.

As water levels continue to decline in bone-dry southern Florida, the South Florida Water Management District has issued a water shortage warning from Key West to Orlando.

One of the causes of the winter dryness was a weak La Niña, a climate pattern in the Pacific that affects weather in the USA and around the world, Miskus reports. La Niña tends to bring dry conditions to the southern tier of the nation.

The Southwest and Southeast had a very dry winter, but the southern Plains had a much wetter winter than expected, Miskus says. The rain eased drought conditions in eastern Texas. The state dropped from 100% in the four categories of drought in late September to 64% this week. Much of western Texas remains in extreme to exceptional drought.

Trouble also looms for water-dependent California. The state Department of Water Resources said last week that water content in California's mountain snowpack is 45% below normal.

"An unusually wet March improved conditions, but did not make up for the previous dry months," said DWR Director Mark Cowin. "The take-home message is that we've had a dry winter and although good reservoir storage will lessen impacts this summer, we need to be prepared for a potentially dry 2013."

California has above-average reservoir storage as the summer approaches, thanks to runoff from last winter's storms, the DWR reports.

Lastly, other areas that bear watching, according to Miskus, are the northern Plains and upper Midwest, due to the lack of snow this past winter. He says that while farmers there are welcoming the dry conditions to aid in spring planting, they will be hoping for rain later on in spring and summer.



TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*  
GENERAL MANAGER

DATE: APRIL 20, 2012

**AGENDA ITEM**

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**APRIL 25, 2012**

## **COMMITTEE REPORTS**

### **ITEM**

Review Committee meeting minutes.

### **BACKGROUND**

The following meetings were held for which meeting minutes are being provided:

- April 13, 2012, Finance and Audit Committee Meeting Minutes

### **RECOMMENDATION**

It is recommended that your Honorable Board discuss the meeting minutes as appropriate.

### **ATTACHMENTS**

- Finance and Audit Committee Meeting Minutes

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**NIPOMO COMMUNITY SERVICES DISTRICT**

**APRIL 13, 2012**

**SPECIAL MEETING MINUTES**

**FINANCE AND AUDIT COMMITTEE**

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**1. CALL TO ORDER, FLAG SALUTE AND ROLL CALL**

Chairman Vierheilig called the meeting to order at 9:02 a.m. Chairman Vierheilig and Director Gaddis were in attendance along with staff members Michael LeBrun, Lisa Bognuda and Tina Grietens. There were no members of the public present.

**2. REVIEW DRAFT OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY REPORT**

The Committee reviewed the report and did not recommend any changes to the report. The Committee unanimously agreed to receive the draft report, recommend full funding of the OPEB Annual Required Contribution (ARC) and direct Staff to present the final report to the Board of Directors.

**3. REVIEW THE DRAFT 2012-2013 FISCAL YEAR BUDGET**

The Committee reviewed the draft 2012-2013 Fiscal Year Budget. Staff answered questions. Minor corrections were recommended. The Committee directed Staff to present the draft 2012-2103 Fiscal Year Budget to the Board of Directors at the Study Session/Special Meeting on May 14, 2012.

**4. ADJOURN – The meeting was adjourned at 9:50 a.m.**