



**Meetings**

*Meetings attended:*

- June 11, Water Resources Policy Committee
- June 11, Southland WWTF Phase I Improvements Committee
- June 12, Southland WWTF Bond Bid Opening
- June 12, Fire Extinguisher Training
- June 12, coordination with General Counsel and Water Counsel
- June 12, Golden State Water Company
- June 13, Regular Board meeting
- June 14, Management Coordination
- June 14, GYROS meeting with President Harrison
- June 18, Coordination with Board Officers
- June 19, Maria Vista Ownership
- June 20, AARP Foundation volunteer Al Brill
- June 21, WMWC pump station tour with District Engineer

*Meetings Scheduled:*

- June 25, Water Resource Policy Committee
- June 25, call with SLOCO Public Works Director
- June 27, regular Board Meeting
- June 28, Management Coordination
- June 29, NMMA Technical Group
- June 29, coordination with General Counsel
- July 2, coordination with Board Officers
- July 3, SLOCO Property Services and Planning regarding Park/Park and Ride proposal

**Safety Program**

No accidents incidents or injuries to report

**RECOMMENDATION**

Staff seeks direction and input from your Honorable Board

**ATTACHMENTS**

- June 13, 2012 CMdC Memo
- June 21, 2012 Fulbright Memo
- June 19, 2012 Letter from County Clerk Recorder
- June 20, 2012 Grand Jury Report
- 2011-2012 Science Discovery Report
- Supplemental Water Project Accounting Summary
- June 13, 2012 letter to SLOCO Board of Supervisors
- May 2012 AWWA Journal article; "Water is *Still* Cheap: Demonstrating the True Value of Water



C.M. deCRINIS & CO., INC.

## MEMORANDUM

**DATE:** June 13, 2012

**TO:** Michael LeBrun – General Manager  
Lisa Bognuda – Finance Director

**FROM:** Curt de Crinis

**RE:** Nipomo Community Services District  
Revenue Certificates of Participation, Series 2012

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On Tuesday June 12<sup>th</sup> at 10 AM PST the District sold \$9,795,000 in bonds (the Series 2012 Bonds) at competitive sale. The sale was held over the internet on the Parity bond bidding platform used by our firm to assure maximum bidder participation. As your financial advisor we also contacted numerous firms to encourage bidding. The sale was held to raise most of the \$11,995,000 in funds needed to construct the Southland Wastewater Project, pay all costs of issuing the bonds, and fund a bond reserve fund.

The Series 2012 Bonds received a rating from Standard and Poor's of "AA", a very strong rating. In the current market, bond ratings alone, while very important to investors, do not tell the whole story. Name recognition/location, overall financial conditions and type of bond issue are also very important. The Series 2012 Bonds benefited since the Nipomo CSD is coastal California, has strong financials, and the Series 2012 Bonds are secured by wastewater revenues.

The District's bonds were well received by underwriters on the bid date through the competitive bid process. The alternative approach would have been to hire an underwriter and hope that superior interest rates could be negotiated. Under the competitive sale process, all underwriters had an opportunity to bid. Six bids were received. The six bids represented a number of different firms since at a competitive sale underwriters often team up and form bidding syndicates. This was all to the benefit of the District and it is noteworthy that Nipomo is not a known market name and this issue was the first of the Town Wastewater Enterprise.

In the Staff Report dated May 23, 2012, it was estimated that "three to five bids" would be received, the interest cost would be "under 4%" and that the total payments were "expected to be approximately \$600,000 per year". The final results are in line with these estimates.

1. Six bids were received
2. Interest rate to be paid on the Bond issued is 4.003498%
3. Annual Debt Service is substantially level with maximum annual payments, including the SRF Loans, of \$598,288

Since May 23<sup>rd</sup>, interest rates (yields) on the AAA rated general obligation bonds increased about 10 to 12 basis points which impacted all bonds including the Series 2012 Bonds. Much of this increase occurred in the last week over speculation of further Fed Action to stimulate the economy. Additionally, interest rate spreads over the AAA GO bond rates also increased. Interest rate spreads over the AAA GO bond rates for the Series 2012 Bonds averaged about 1%. This spread is a bit higher than the .70 to .80 % spread generally seen on AA rated Revenue Bonds in the prior month. A portion of this spread increase is due to higher underwriting volume and deteriorating market conditions, and a portion specific to Nipomo for being a smaller first time issuer with a relatively small issue.

The winning bid was from CitiGroup Global Markets. There was quite a spread in the bids The winning true interest cost was 4.05% with bids from other firms ranging as high as 4.65%.. The difference in annual debt service between the best bid and the worst bid was approximately \$41,855 annually or over \$1.2 Million over the term of the bonds. CitiGroup also provided a \$100,000 good faith deposit.

The cover bid of 4.09% was from Raymond James. A summary of the bids is attached. These firms are among the most active bond underwriting firms in California.

I would also add that this transaction was first discussed last summer and the bond sale was intentionally timed to assure construction bids were opened and final amounts known. It was also important to assure the funds were "in the bank" prior to a construction award.

11:01:33 a.m. PDST

- Upcoming Calendar
- Overview
- Compare
- Summary

**Bid Results**

**Nipomo Comm Svcs Dt  
\$9,765,000 Revenue Certificates of Participation  
(Southland Wastewater Project), Series 2012**

The following bids were submitted using **PARITY**<sup>®</sup> and displayed ranked by lowest TIC.  
Click on the name of each bidder to see the respective bids.

Bid Award*	Bidder Name	TIC
<input checked="" type="checkbox"/> Reoffering	<a href="#">Citigroup Global Markets Inc.</a>	4.054545
<input type="checkbox"/>	<a href="#">Raymond James &amp; Associates, Inc.</a>	4.092112
<input type="checkbox"/>	<a href="#">Morgan Stanley &amp; Co, LLC</a>	4.133589
<input type="checkbox"/>	<a href="#">Mitsubishi UFJ Securities (USA), Inc.</a>	4.206955
<input type="checkbox"/>	<a href="#">Stifel, Nicolaus &amp; Co., Inc.</a>	4.362398
<input type="checkbox"/>	<a href="#">Hutchinson, Shockey, Erley &amp; Co.</a>	4.652404

\*Awarding the Bonds to a specific bidder will provide you with the Reoffering Prices and Yields.

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# Nipomo Community Service District - Revenue Certificates of Participation Series 2012

## AAA General Obligation Yields

	1-yr	3-yr	5-yr	7-yr	10-yr	12-yr	15-yr	20-yr	25-yr	30-yr
6/12/2012	0.2	0.47	0.79	1.3	1.91	2.22	2.51	2.85	3.14	3.2
6/11/2012	0.2	0.47	0.78	1.28	1.9	2.2	2.49	2.83	3.12	3.18
6/8/2012	0.2	0.47	0.78	1.28	1.9	2.2	2.49	2.83	3.12	3.18
6/7/2012	0.2	0.47	0.78	1.28	1.9	2.2	2.49	2.83	3.13	3.19
6/6/2012	0.2	0.47	0.76	1.23	1.85	2.15	2.44	2.79	3.1	3.16
5/31/2012	0.2	0.46	0.75	1.16	1.79	2.08	2.36	2.71	3.02	3.08
4/30/2012	0.2	0.47	0.82	1.25	1.87	2.15	2.51	2.86	3.19	3.25
3/30/2012	0.18	0.54	0.98	1.48	2.11	2.4	2.73	3.06	3.34	3.39
2/29/2012	0.18	0.42	0.68	1.22	1.85	2.07	2.37	2.79	3.18	3.23
1/31/2012	0.2	0.49	0.71	1.15	1.68	1.89	2.21	2.7	3.08	3.14
12/30/2011	0.25	0.58	0.85	1.19	1.83	2.2	2.68	3.18	3.5	3.55
11/30/2011	0.25	0.64	1.12	1.53	2.22	2.57	3.01	3.51	3.78	3.84
10/31/2011	0.25	0.66	1.26	1.74	2.39	2.67	3.04	3.49	3.7	3.75
9/30/2011	0.25	0.51	1.02	1.54	2.22	2.52	2.91	3.38	3.52	3.55

Average Life  
18.9 Years

Sale Date



## SOURCES AND USES OF FUNDS

Nipomo Community Services District  
Revenue Certificates of Participation

Sources:	
<hr/>	
Bond Proceeds:	
Par Amount	9,795,000.00
Net Premium	<u>74,972.45</u>
	9,869,972.45
Other Sources of Funds:	
Cash Contribution	3,100,000.00
	<hr/>
	12,969,972.45
	<hr/> <hr/>
Uses:	
<hr/>	
Project Fund Deposits:	
Project Fund #1	11,995,000.00
Other Fund Deposits:	
Debt Service Reserve Fund	598,287.50
Delivery Date Expenses:	
Cost of Issuance	190,000.00
Underwriter's Discount	<u>185,826.85</u>
	375,826.85
Other Uses of Funds:	
Additional Proceeds	858.10
	<hr/>
	12,969,972.45
	<hr/> <hr/>

## BOND DEBT SERVICE

Nipomo Community Services District  
Revenue Certificates of ParticipationDated Date 06/21/2012  
Delivery Date 06/21/2012

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2013	160,000	2.000%	357,806.32	517,806.32
06/01/2014	145,000	3.000%	375,653.76	520,653.76
06/01/2015	145,000	3.000%	371,303.76	516,303.76
06/01/2016	150,000	3.000%	366,953.76	516,953.76
06/01/2017	155,000	3.100%	362,453.76	517,453.76
06/01/2018	160,000	3.250%	357,648.76	517,648.76
06/01/2019	165,000	4.000%	352,448.76	517,448.76
06/01/2020	175,000	4.000%	345,848.76	520,848.76
06/01/2021	215,000	4.000%	338,848.76	553,848.76
06/01/2022	265,000	4.000%	330,248.76	595,248.76
06/01/2023	275,000	3.000%	319,648.76	594,648.76
06/01/2024	285,000	3.250%	311,398.76	596,398.76
06/01/2025	295,000	3.500%	302,136.26	597,136.26
06/01/2026	305,000	3.750%	291,811.26	596,811.26
06/01/2027	315,000	3.875%	280,373.76	595,373.76
06/01/2028	330,000	4.000%	268,167.50	598,167.50
06/01/2029	340,000	4.000%	254,967.50	594,967.50
06/01/2030	355,000	4.000%	241,367.50	596,367.50
06/01/2031	370,000	4.000%	227,167.50	597,167.50
06/01/2032	385,000	4.000%	212,367.50	597,367.50
06/01/2033	400,000	4.000%	196,967.50	596,967.50
06/01/2034	415,000	4.000%	180,967.50	595,967.50
06/01/2035	430,000	4.100%	164,367.50	594,367.50
06/01/2036	450,000	4.100%	146,737.50	596,737.50
06/01/2037	470,000	4.125%	128,287.50	598,287.50
06/01/2038	485,000	4.125%	108,900.00	593,900.00
06/01/2039	505,000	4.125%	88,893.76	593,893.76
06/01/2040	530,000	4.125%	68,062.50	598,062.50
06/01/2041	550,000	4.125%	46,200.00	596,200.00
06/01/2042	570,000	4.125%	23,512.50	593,512.50
	9,795,000		7,421,517.72	17,216,517.72



BOND SUMMARY STATISTICS

Nipomo Community Services District  
Revenue Certificates of Participation

Dated Date	06/21/2012
Delivery Date	06/21/2012
Last Maturity	06/01/2042
Arbitrage Yield	3.922566%
True Interest Cost (TIC)	4.073268%
Net Interest Cost (NIC)	4.063298%
All-In TIC	4.231806%
Average Coupon	4.003498%
Average Life (years)	18.926
Duration of Issue (years)	12.812
Par Amount	9,795,000.00
Bond Proceeds	9,869,972.45
Total Interest	7,421,517.72
Net Interest	7,532,372.12
Total Debt Service	17,216,517.72
Maximum Annual Debt Service	598,287.50
Average Annual Debt Service	574,948.64
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	18.971603
Total Underwriter's Discount	18.971603
Bid Price	98.868255

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bond	3,880,000.00	103.745	3.700%	10.433
Term Bond	725,000.00	99.341	4.000%	18.455
Serial Bond #1	385,000.00	98.644	4.000%	19.944
Term Bond #1	815,000.00	98.275	4.000%	21.454
Term Bond #2	880,000.00	99.243	4.100%	23.456
Term Bond #3	3,110,000.00	98.726	4.125%	27.560
	9,795,000.00			18.926

	TIC	All-In TIC	Arbitrage Yield
Par Value	9,795,000.00	9,795,000.00	9,795,000.00
+ Accrued Interest			
+ Premium (Discount)	74,972.45	74,972.45	74,972.45
- Underwriter's Discount	-185,826.85	-185,826.85	
- Cost of Issuance Expense		-190,000.00	
- Other Amounts			
Target Value	9,684,145.60	9,494,145.60	9,869,972.45
Target Date	06/21/2012	06/21/2012	06/21/2012
Yield	4.073268%	4.231806%	3.922566%

## BOND SOLUTION

Nipomo Community Services District  
Revenue Certificates of Participation

Period Ending	Proposed Principal	Proposed Debt Service	Existing Debt Service	Total Adj Debt Service
06/01/2013	160,000	517,806	77,048	594,854
06/01/2014	145,000	520,654	77,048	597,702
06/01/2015	145,000	516,304	77,048	593,352
06/01/2016	150,000	516,954	77,048	594,002
06/01/2017	155,000	517,454	77,048	594,502
06/01/2018	160,000	517,649	77,048	594,697
06/01/2019	165,000	517,449	77,048	594,497
06/01/2020	175,000	520,849	77,048	597,897
06/01/2021	215,000	553,849	42,180	596,029
06/01/2022	265,000	595,249		595,249
06/01/2023	275,000	594,649		594,649
06/01/2024	285,000	596,399		596,399
06/01/2025	295,000	597,136		597,136
06/01/2026	305,000	596,811		596,811
06/01/2027	315,000	595,374		595,374
06/01/2028	330,000	598,168		598,168
06/01/2029	340,000	594,968		594,968
06/01/2030	355,000	596,368		596,368
06/01/2031	370,000	597,168		597,168
06/01/2032	385,000	597,368		597,368
06/01/2033	400,000	596,968		596,968
06/01/2034	415,000	595,968		595,968
06/01/2035	430,000	594,368		594,368
06/01/2036	450,000	596,738		596,738
06/01/2037	470,000	598,288		598,288
06/01/2038	485,000	593,900		593,900
06/01/2039	505,000	593,894		593,894
06/01/2040	530,000	598,063		598,063
06/01/2041	550,000	596,200		596,200
06/01/2042	570,000	593,513		593,513
	9,795,000	17,216,518	658,564	17,875,082

June 21, 2012

Nipomo Community Services District  
Nipomo, California

Nipomo Community Services District Public Facilities Corporation  
Nipomo, California

\$9,795,000  
Nipomo Community Services District Revenue  
Certificates of Participation  
(Southland Wastewater Project) Series 2012

Ladies and Gentlemen:

We have acted as Special Counsel to the Nipomo Community Services District (the "District") in connection with the execution and delivery of the Revenue Certificates of Participation (Southland Wastewater Project) Series 2012 (the "Certificates"), representing and evidencing undivided interests in installment payments (the "Installment Payments") relating to the Installment Sale Agreement, dated as of June 1, 2012 (the "Installment Sale Agreement"), by and between the District and the Nipomo Community Services District Public Facilities Corporation (the "Corporation"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2012 (the "Trust Agreement"), by and among the District, the Corporation and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee"), and pursuant to the authorizing resolutions of the District and the Corporation. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Trust Agreement and the Installment Sale Agreement, as applicable.

As Special Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District and the Corporation in connection with the execution and delivery of the Certificates. We have also examined such certificates of officers of the District and the Corporation and others, opinions of counsel to the District, Corporation and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

Based upon the foregoing, we are of the opinion that:

1. The Trust Agreement has been duly and validly authorized, executed and delivered by the District and the Corporation, and assuming the Trust Agreement constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the District and the Corporation, enforceable against the District and the Corporation in accordance with its terms, and the Certificates are entitled to the benefits of the Trust Agreement.

2. The Installment Sale Agreement has been duly and validly authorized, executed and delivered by the District and the Corporation, and constitutes the legally valid and binding obligation of the District and the Corporation, enforceable against the District and the Corporation in accordance with its terms.

3. The Assignment Agreement has been duly and validly authorized, executed and delivered by the Corporation, and assuming the Assignment Agreement constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.

4. Under existing statutes, regulations, rulings and court decisions, and, assuming compliance with the covenants mentioned below, the component of each Installment Payment designated as interest in the Installment Sale Agreement (the "Payment Interest"), and the allocable portion thereof distributable in respect of the Certificates (the "Certificate Interest Distribution"), are excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Installment Sale Agreement is not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates will not be treated as items of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates are exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the execution and delivery of the Installment Sale Agreement for the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for

federal income tax purposes. Non-compliance with such requirements could cause the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Certificates. Pursuant to the Trust Agreement and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 being delivered by the District and the Corporation in connection with the execution and delivery of the Certificates, the District and the Corporation are making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the District and the Corporation with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates, or the ownership or disposition of, the Certificates. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Certificates, or the Payment Interest allocable to and the Certificate Interest Distributions in respect of the Certificates, if any action is taken with respect to the Certificates or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The opinions expressed in paragraphs 1 through 3 above are qualified to the extent the enforceability of the Certificates, the Trust Agreement, the Installment Sale Agreement and the Assignment Agreements may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Certificates, the Trust Agreement, the Installment Sale Agreement and the Assignment Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in

Nipomo Community Services District  
Nipomo Community Services District Public Facilities Corporation  
June 21, 2012  
Page 4

equity or at law, and to the limitations on legal remedies against governmental entities in California.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

*Fulbright & Jaworski L.L.P.*

# Office of the County Clerk-Recorder

COUNTY OF SAN LUIS OBISPO ♦ 1055 MONTEREY ST. RM. D120 ♦ SAN LUIS OBISPO, CA 93408 ♦ (805) 781-5080/5088



**JULIE L. RODEWALD**  
COUNTY CLERK RECORDER

**MELANIE FOSTER**  
Administrative Service Officer

**TOMMY GONG**  
ASSISTANT COUNTY CLERK RECORDER

June 19, 2012

Nipomo C S D  
P.O.Box 326  
Nipomo CA 93444

Dear Office Administrator:

Government Code Section 84200 (a)(2) and FPPC Title 2, Division 6 of the California Code of Regulations, requires elected officeholders that received a stipend of over \$200 a month, file a short form campaign statement (Form 470) for the calendar year. Please find enclosed forms for the campaign statement filing period of January 01, 2012 through December 31, 2012. Please distribute the forms to the appropriate office holder according to the attached list. If an officeholder has an active committee, their filing will be completed through the committee and their name will not be listed. The campaign disclosure statements are **due no later than July 31, 2012**.

The campaign disclosure statement may be filed by mail or in person in the County Clerk-Recorders office. If the statement is filed after the deadline, a late penalty of \$10.00 per day will be strictly applied.

If you have any further questions or need additional forms, please contact me at 781-5226, [tbisantz@co.slo.ca.us](mailto:tbisantz@co.slo.ca.us), or the Fair Political Practices Commission at 866-275-3772, [www.fppc.ca.gov](http://www.fppc.ca.gov). Please join us on facebook at [facebook.com/slocountyclerkrec](http://facebook.com/slocountyclerkrec) or twitter at [twitter.com/slocountyclerk](http://twitter.com/slocountyclerk) for updates, notices and reminders regarding filing deadlines and elections.

Thank you,

*Tami Bisantz*

Tami Bisantz  
Clerk-Recorder Assistant IV





## GRAND JURY

June 20, 2012

### CONFIDENTIAL

Board President James Harrison  
Nipomo CSD  
PO Box 326  
Nipomo, CA 93444

Dear Mr. Harrison:

The 2011-2012 San Luis Obispo County Grand Jury has completed the attached report titled **“Managing Millions: Assessing the Transparency of Community Service Districts.”** This copy of the report is being provided to you two days in advance of its public release, as required by California Penal Code §933.05 (f), which states:

*A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.*

Please check the last page of text of the report for the timing of your response, if any, as required by the Penal Code. Sections 933 through 933.05 of the Penal Code are attached for your reference.

Please keep in mind that this report must be kept confidential until its public release by the Grand Jury.

Respectfully,

A handwritten signature in blue ink that reads "Norman A. Baxter".

Norman A. Baxter, Foreperson  
2011-2012 San Luis Obispo County Grand Jury

Enclosures



# MANAGING MILLIONS: ASSESSING TRANSPARENCY OF COMMUNITY SERVICE DISTRICTS

## INTRODUCTION

A community service district (CSD) is formed and governed under the Principal Act of the State of California. The Local Agency Formation Commission (LAFCO)<sup>1</sup> oversees the formation of a district and which active powers it holds (see *Government Code 61100* for a full listing). Control of each district originates with the registered voters within the district's boundaries who elect a Board of Directors, which then acts on their behalf.

The budgets of the 15 Community Service Districts (CSDs) in San Luis Obispo County (the County) total nearly \$31 million. The budgets of these CSDs range from zero to \$7,330,000. CSD responsibilities range from providing a single service, such as road maintenance, to multiple services, such as water, sewer, fire, trash collection, and lighting. Managed by a board of five people elected from their respective community, each CSD's operation profoundly impacts the quality of the infrastructure and, therefore, the quality of life in that CSD.

This Grand Jury report addresses how readily CSD residents can find information on the Internet about how their CSDs are governed and how their budgets are allocated. In order to make this determination, the Grand Jury examined and compared the relevant and/or legally required information each CSD offers its constituents via its website.<sup>2</sup>

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<sup>1</sup> The purpose of LAFCO is to encourage orderly growth and development, promote efficient provision of public services, preserve agricultural land resources, and discourage urban sprawl

<sup>2</sup> Only CSDs are included in this report; special districts, such as sanitary districts, were not examined

## **AUTHORITY**

Section 925 of the California Penal Code authorizes the Grand Jury to investigate special legislative or other districts in the county.

## **ORIGIN**

Inspiration for this report came from new legislation,<sup>3</sup> which took effect in January 2012 and requires that CSDs with a website post their board meeting agendas.

## **PROCEDURE**

The Grand Jury identified 15 CSDs in the County, based on LAFCO records. The Grand Jury examined all available CSD websites and sent inquiries to the CSDs for more information. The CSDs provided all budget values for 2011-2012 (unless otherwise noted) and are rounded to the nearest \$10,000.

## **NARRATIVE**

Below is a brief description of each CSD in the County with a discussion of its website information. Since many of the CSDs in the County are small and not well-known, the descriptions offered in the “location” field provide the reader with a general idea of the area served. It is neither a precise nor a legal definition.

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<sup>3</sup> Assembly Bill 392 and Government Code Section 5494.2, modification to the Ralph M. Brown Act

## **Avila Beach**

Annual Budget: \$1,130,000

Location: Avila Beach

Charter: Water, Sewer, Street Lighting, Solid Waste, and Fire Protection

General Manager: Wallace Group

Website: None

*Agendas:* Not posted; *Budget:* Not posted; *Minutes:* Not posted

Lack of a website makes it very difficult to quantify what this district does or who should be contacted for more information. The absence of a website seems odd because this district performs many vital functions and operates with a large budget. LAFCO noted in its 2009 Municipal Service Review of Avila Beach CSD that it could “benefit from having a website.”<sup>4</sup> District residents must find it difficult to contact the professionals responsible for providing services. The non-profit Avila Beach Community Center/Civic Association serves a similar population to the CSD and supplies ample community information on its website.

## **California Valley**

Annual Budget: \$350,000

Location: Far eastern edge of the county on Hwy 58

Charter: Solid waste pick up/disposal and road maintenance

General Manager: Sharee Washer

Website: <http://appliedvb.com/californiavalley>

*Agendas:* Posted; *Budget:* Not posted; *Minutes:* Posted

While the website provides California Valley residents a wealth of information, it lacks the annual budget. As required by law, board agendas are posted, as are board minutes. Records for each extend back several years. The website includes Board member profiles. It helpfully summarizes service availabilities and limitations in this remote community. Road maintenance request forms, trash and recycling statistics and other information useful to the population are

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<sup>4</sup> LAFCO Avila Beach CSD Municipal Service Review, 2009, page 29

included. With the wealth of information provided it is surprising that the budget is excluded. The website is not linked from the county website.

### **Cambria**

Annual Budget: \$7,330,000

Location: Cambria

Charter: Water, waste water, fire, trash, lighting, and community services

General Manager: Jerry Gruber

Website: <http://www.cambriacsd.org/cm/Home.html>

*Agendas*: Posted; *Budget*: Posted; *Minutes*: Posted

This excellent website includes board meeting minutes, agendas, annual budget, audio of board meetings, pertinent codes, public records request forms, Parks and Recreation Department details, emergency operations information, and almost anything else district residents might need. While the history of agendas and board minutes is extensive, meeting minutes have not been updated since December of 2011. There is a comprehensive list of contact telephone numbers for community services and district board members. Residents may also learn more about their water rates, start and stop service, and obtain updates on area projects. This CSD complies with the agenda posting requirement. Overall, it is very attractive, useful, and easy to use. The website links from the county site.

### **Creston Hills Ranch**

Annual Budget: None

Location: South of Hwy 41, west of Webster Street

Charter: Improve and maintain roads

Website: None

*Agendas*: Not posted; *Budget*: No budget; *Minutes*: Not posted

No board member information was found. By letter, this CSD explained that it has no budget and the bylaws do not allow for a budget.

## **Ground Squirrel Hollow**

Annual Budget: \$200,000

Location: East of Paso Robles

Charter: Road maintenance services

General Manager: Lonnie Lepore, Wallace Group

Website: <http://www.groundsquirrelhollowcsd.org>

*Agendas:* Posted; *Budget:* Outdated; *Minutes:* Posted

This small, single-function CSD has a very nice website. It provides board minutes and agendas, as well as information useful to the community members (community bulletin board, building permit details, etc.). The lengthy history of board agendas and minutes is up to date. However, there is no mailing address for the district on the website. The most recent budget posting dates from 2009-2010, yet a new budget has been approved by the date of this report. This CSD meets the requirement to post the board agenda. The website does not link from the county website.

## **Heritage Ranch**

Annual Budget: \$2,300,000

Location: Lake Nacimiento area

Charter: Water and sewer services, solid waste, parks and recreation

General Manager: John D'Ornellas

Website: <http://www.heritageranchcsd.com>

*Agendas:* Posted; *Budget:* Posted; *Minutes:* Posted

This thorough and attractive website features board agendas, minutes and the budget. It also offers residents a calendar of events, employment applications, and many other useful resources. It is attractive and easy to use. Despite the very thorough nature of the website, it lacks an email or phone number for the district's general manager. This CSD meets the requirement to post the board agenda. The county website links here successfully.

## **Independence Ranch**

Annual Budget: \$170,000

Location: Near San Miguel

Charter: Road maintenance

General Manager: John Eulberg

Website: <http://www.iranch.org>

*Agendas*: Not Posted; *Budget*: Posted; *Minutes*: Outdated

For a small district this website provides adequate information on board minutes and district budgets, as well as contact information for board members and management. In keeping with the charter, it also provides maps and road maintenance information. No new minutes have been posted since December of 2011 and the “agenda” link actually contains minutes from the same month. It is not apparent that the board agenda is posted prior to board meetings, so this website may not be in compliance with the law. The website is not linked from the county website.

## **Linne Road**

Annual Budget: \$60,000

Location: Pomar/Estrella planning area

Charter: Road improvements and maintenance

Website: No

*Agendas*: Not Posted; *Budget*: Not Posted; *Minutes*: Not Posted

Without a website, it is difficult to find information about this CSD. Board member and general manager information, which is available through LAFCO, is outdated, as is the contact information for the district. This district’s budget is very small.

## **Los Osos**

Annual Budget: \$4,290,000

Location: Los Osos

Charter: water, wastewater, drainage, parks, recreation, street lighting, solid waste, fire emergency and rescue response

General Manager (interim): Mitch Cooney

Website: <http://www.losososcscsd.org/cm/Home.html>

*Agendas*: Posted; *Budget*: Posted; *Minutes*: Posted;

Consistent with the wide-ranging services provided, the Los Osos website contains a great deal of information, including the legally required board agenda, plus minutes and the budget. Additional community benefits include linking to the local Chamber of Commerce, a document library, and emergency management resources. One element, unique in the county to this district, is the ability to borrow board meeting DVDs. This CSD meets the requirement to post the board agenda. The county website links to this website.

## **Nipomo**

Annual Budget: \$3,800,000

Location: Nipomo

Charter: Water, wastewater, solid waste franchise, some street lighting and drainage, parks

General Manager: Michael S. LeBrun

Website: <http://www.ncsd.ca.gov/cm/Home.html>

*Agendas*: Posted; *Budget*: Posted; *Minutes*: Posted

Nipomo's website includes easily accessible board agendas and minutes, and the budget. It is easy to find sewer and wastewater information and the community calendar of events. Overall, this highly informative website appears to provide the information district residents need, and it meets the requirement to post board agendas. The website appears to have a link from the county website, but the link is dysfunctional.

## **Oceano**

Annual Budget: \$4,070,000

Location: Oceano

Charter: Water, sewer, fire protection, street lighting and “other miscellaneous items”

General Manager: Thomas Geaslan

Website: <http://oceanocsd.org/main>

*Agendas*: Posted; *Budget*: Posted; *Minutes*: Not Posted

A unique feature offered by Oceano’s website is the weekly “Friday Report” from the general manager. While this is a useful and informative offering, it does not make up for the lack of board minutes. The site includes a posting that combines the board package (a commendable offering) and agenda. The current budget resides on the website, as well as a calendar of events and bill-paying information. Board meetings are televised and the website provides a link for those wishing to access more information. This CSD complies with the agenda-posting law. The county website lists a link to this website, but that link does not work.

## **San Miguel**

Annual Budget: \$1,380,000

Location: San Miguel

Charter: Water, wastewater, solid waste

General Manager: Rene Salas

Website: <http://www.sanmiguelcsd.org>

*Agendas*: Posted; *Budget*: Not posted; *Minutes*: Not posted

The required board agenda can be found on this website, along with a personnel directory and information for water, fire, and sewer services. No minutes or budget information is provided. As required by law, the agenda is posted and current. What appears to be the board package is included, a very nice feature. The county website links to this site.



## **San Simeon**

Annual Budget: \$530,000 (from 2010-2011)

Location: San Simeon

Charter: Utility services

General Manager: Charlie Grace

Website: <http://www.sansimeoncsd.com>

*Agendas*: Posted; *Budget*: Not Posted; *Minutes*: Posted

This small district provides board agendas, minutes and, unlike many other websites, the board packet. Ordinances, committee information, and the water master plan can also be found here. Board members can be emailed directly. Unfortunately, an actual copy of the budget is not posted but this information could probably be found within the board meeting minutes. This CSD is in compliance with the law regarding posting of the agenda. The county website displays a link to the San Simeon CSD website, but it does not work.

## **Squire Canyon**

Annual Budget: \$30,000

Location: North of Pismo Beach, east of the 101

Charter: Improve and maintain roads, including drainage

General Manager: Lonnie Lepore/Wallace Group

Website: <http://www.squirecanyoncsd.com>

*Agendas*: Broken links; *Budget*: Not Posted; *Minutes*: Broken links

This website promises much, but delivers little. Board agendas and minutes are listed, but when they are accessed, the documents cannot be found. With the current agenda unavailable, this website does not comply with the law. A link on the website offered an out-of-date budget (2009-2010), but it is not there. There is an audit available on line, but it dates from 2009. The board of this district meets only four times a year. Overall, the content of this website seems appropriate for such a small district responsible only for roads, but the links to documents should work. The site is completely devoid of any form of contact information – no telephone numbers, no mailing addresses, and no emails that work. The county website does not link to this website.

## **Templeton**

Annual Budget: \$5,140,000

Location: Templeton

Charter: Water, wastewater, trash, fire (volunteer), parks & recreation

General Manager: Jeff Hodge

Website: <http://www.templetoncsd.org/cm/Home.html>

*Agenda:* Posted; *Budget:* Not Posted; *Minutes:* Not Posted

With board agendas posted, it is odd that this site lacks board minutes. There is a link to the current budget, but it does not function. Further resources for the community posted to this website include a newsletter, employment opportunities and information about fire, park services, and conservation. Here residents can also find committee information and agendas, plus utility information. Strangely, only one phone number appears on the entire website, and it is not on the home page. This website meets the agenda-posting law and links from the county website.

## CONCLUSION

The following table summarizes the information provided by the CSDs in San Luis Obispo County:

<b>CSD</b>	<b>Budget</b>	<b>Website</b>	<b>Agenda Posted</b>	<b>Budget Posted</b>	<b>Minutes Posted</b>
Avila Beach	\$1,130,000	No	No	No	No
California Valley	\$350,000	Yes	Yes	No	Yes
Cambria	\$7,330,000	Yes	Yes	Yes	Yes
Creston Hills Ranch	\$0	No	No	No	No
Ground Squirrel Hollow	\$200,000	Yes	Yes	Outdated	Yes
Heritage Ranch	\$2,300,000	Yes	Yes	Yes	Yes
Independence Ranch	\$170,000	Yes	No	Yes	Outdated
Linne Road	\$60,000	No	No	No	No
Los Osos	\$4,290,000	Yes	Yes	Yes	Yes
Nipomo	\$3,800,000	Yes	Yes	Yes	Yes
Oceano	\$4,070,000	Yes	Yes	Yes	No
San Miguel	\$1,380,000	Yes	Yes	No	No
San Simeon	\$530,000	Yes	Yes	No	Yes
Squire Canyon	\$30,000	Yes	Broken link	No	Broken link
Templeton	\$5,140,000	Yes	Yes	No	No
<b>TOTAL</b>	<b>\$30,780,000</b>				

CSD budgets in the county range from zero to \$7,330,000. In the main, the CSDs of the county provide websites which meet at least the minimal legal requirement to post board agendas. Some websites are excellent, while others are neglected, with outdated content and/or broken links.

Avila Beach provides no website, despite its large budget and recommendation from LAFCO to develop a website. With the exception of Avila Beach, most CSDs provide a level of information appropriate to their district charter.

## FINDINGS

1. Avila Beach CSD lacks a website.
2. Linne Road CSD lacks a website.
3. California Valley CSD meets the agenda requirement, but posts no annual budget.
4. Cambria CSD meets the agenda requirement, but board minutes should be kept more current.
5. Ground Squirrel Hollow CSD meets the agenda requirement, but lacks an up-to-date budget and has insufficient contact information.
6. Heritage Ranch CSD meets the agenda requirement. It has insufficient contact information for the general manager.
7. Independence Ranch CSD does not meet the agenda requirement. The budget is posted but board minutes are outdated.
8. Los Osos CSD meets the agenda requirement, and provides many good links and information resources to the community.
9. Nipomo CSD meets the agenda requirement. It further benefits residents by including a great deal of additional information.
10. Oceano CSD meets the agenda requirement but lacks board minutes. The inclusion of the board package is a significant benefit to the residents, but combining it with the agenda makes finding it awkward.
11. San Miguel CSD meets the agenda requirement, but lacks minutes and a budget on its website. District stakeholders benefit from the posting of the board package.
12. San Simeon CSD meets the agenda requirement, but fails to post the budget and board minutes. Providing the board package online is a great service to district residents.
13. Squire Canyon CSD has broken links for its agenda and minutes, and no link for a budget.
14. Templeton CSD meets the agenda requirement, but does not post its minutes or budget on its website. It also has insufficient contact information.
15. The County's CSD web page contains several broken links to CSDs, and some CSDs with websites are not listed.

## RECOMMENDATIONS

1. Avila Beach CSD, due to its size and the breadth of its services, should develop a website to comply with the LAFCO recommendation to do so.
2. The Avila Beach CSD website should have a functional link to its board agendas.
3. The Independence Ranch CSD website should have a functional link to its board agendas.
4. The Squire Canyon CSD website should have a functional link to its board agendas.
5. The Avila Beach CSD website should include a functional link to its annual budget and approved board minutes.
6. The California Valley CSD website should include a functional link to its annual budget and approved board minutes.
7. The Cambria CSD website should include a functional link to its annual budget and approved board minutes.
8. The Ground Squirrel Hollow CSD website should include a functional link to its annual budget and approved board minutes.
9. The Independence Ranch CSD website should meet the agenda requirement and include a functional link to its annual budget and approved board minutes.
10. The Oceano CSD website should include a functional link to its annual budget and approved board minutes.
11. The San Miguel CSD website should include a functional link to its annual budget and approved board minutes.
12. The San Simeon CSD website should include a functional link to its annual budget and approved board minutes.
13. The Squire Canyon CSD website should repair the link to its board agendas and minutes, and include a functional link to its annual budget.
14. The Templeton CSD website should include a functional link to its annual budget and approved board minutes.
15. San Luis Obispo County should repair or create links between its website and each CSD website.

## REQUIRED RESPONSES

1. Avila Beach CSD is required to respond to Finding 1 and Recommendations 1, 2, and 5. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
2. California Valley CSD is required to respond to Finding 3 and Recommendation 6. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
3. Cambria CSD is required to respond to Finding 4 and Recommendation 7. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
4. Ground Squirrel Hollow CSD is required to respond to Finding 5 and Recommendation 8. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
5. Heritage Ranch CSD is required to respond to Finding 6. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
6. Independence Ranch CSD is required to respond to Finding 7 and Recommendation 9. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.

7. Linne Road CSD is required to respond to Finding 2. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
8. Oceano CSD is required to respond to Finding 10 and Recommendation 10. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
9. San Miguel CSD is required to respond to Finding 11 and Recommendation 11. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
10. San Simeon CSD is required to respond to Finding 12 and Recommendation 12. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
11. Squire Canyon CSD is required to respond to Finding 13 and Recommendation 13. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.
12. Templeton CSD is required to respond to Finding 14 and Recommendation 14. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.

13. The County of San Luis Obispo is required to respond to Finding 15 and Recommendation 15. The responses shall be submitted to the Presiding Judge of the San Luis Obispo County Superior Court by **September 20, 2012**. Please provide a paper copy and an electronic version of all responses to the Grand Jury.

The mailing addresses for delivery are:

<b>Presiding Judge</b>	<b>Grand Jury</b>
Presiding Judge Barry T. LaBarbera Superior Court of California 1050 Monterey Street San Luis Obispo, CA 93408	San Luis Obispo County Grand Jury P.O. Box 4910 San Luis Obispo, CA 93402

The email address for the Grand Jury is: [GrandJury@co.slo.ca.us](mailto:GrandJury@co.slo.ca.us)



## **California Penal Code**

933. (a) Each grand jury shall submit to the presiding judge of the superior court a final report of its findings and recommendations that pertain to county government matters during the fiscal or calendar year. Final reports on any appropriate subject may be submitted to the presiding judge of the superior court at any time during the term of service of a grand jury. A final report may be submitted for comment to responsible officers, agencies, or departments, including the county board of supervisors, when applicable, upon finding of the presiding judge that the report is in compliance with this title. For 45 days after the end of the term, the foreperson and his or her designees shall, upon reasonable notice, be available to clarify the recommendations of the report.

(b) One copy of each final report, together with the responses thereto, found to be in compliance with this title shall be placed on file with the clerk of the court and remain on file in the office of the clerk. The clerk shall immediately forward a true copy of the report and the responses to the State Archivist who shall retain that report and all responses in perpetuity.

(c) No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every elected county officer or agency head for which the grand jury has responsibility pursuant to Section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls. In any city and county, the mayor shall also comment on the findings and recommendations. All of these comments and reports shall forthwith be submitted to the presiding judge of the superior court who impaneled the grand jury. A copy of all responses to grand jury reports shall be placed on file with the clerk of the public agency and the office of the county clerk, or the mayor when applicable, and shall remain on file in those offices. One copy shall be placed on file with the applicable grand jury final report by, and in the control of the currently impaneled grand jury, where it shall be maintained for a minimum of five years.

(d) As used in this section "agency" includes a department.

933.05. (a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:

(1) The respondent agrees with the finding.

(2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) For purposes of subdivision (b) of Section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:

(1) The recommendation has been implemented, with a summary regarding the implemented action.

(2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.

(3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.

(4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decisionmaking authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

(d) A grand jury may request a subject person or entity to come before the grand jury for the purpose of reading and discussing the findings of the grand jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.

(e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the investigation, unless the court, either on its own determination or upon request of the foreperson of the grand jury, determines that such a meeting would be detrimental.

(f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.

## Response to Grand Jury Report Form

Report Title: \_\_\_\_\_

Report Date: \_\_\_\_\_

Authorized Responder: \_\_\_\_\_

### FINDINGS

- I (we) agree with the findings numbered: \_\_\_\_\_
- I (we) disagree wholly or partially with the findings numbered: \_\_\_\_\_  
*(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons.)*

### RECOMMENDATIONS

- Recommendations numbered \_\_\_\_\_ have been implemented.  
*(Attach a summary describing the implemented actions.)*
- Recommendations numbered \_\_\_\_\_ have not yet been implemented, but will be implemented in the future.  
*(Attach a timeframe for the implementation.)*
- Recommendations numbered \_\_\_\_\_ require further analysis.

*(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)*

- Recommendations numbered \_\_\_\_\_ will not be implemented because they are not warranted or are not reasonable.

*(Attach an explanation.)*

Date: \_\_\_\_\_ Signed: \_\_\_\_\_

Number of pages attached \_\_\_\_\_

# Nipomo Community Services District

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## Water Conservation Education to Schools



### 2011-12 SUMMARY



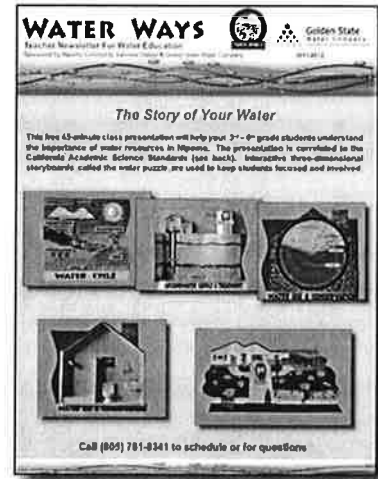
## Outreach to Teachers

In September of 2011, Science Discovery distributed *Water Ways* to all grade 3-6 teachers at the three public elementary schools in Nipomo (Dana, Nipomo & Dorothea Lange). The *Water Ways* newsletter promoted the water conservation class presentation, *The Story of Your Water*.

## Program Demand

Twelve classes received water conservation presentations. With an average of approximately 28 students per class, it is estimated that total program outreach was 336 students.

No program requests were received from Dorothea Lange, Elementary. E-mails were sent to third-grade teachers at the school seeking feedback about the program and lack of demand this past school year.



## 2011-12 Programs

<u>Date</u>	<u>Program</u>	<u>Teacher</u>	<u>School</u>	<u>Grade</u>
9-9-11	Water Conservation	Sarah Sue	Dana	5th
9-9-11	Water Conservation	Lindsey Wierschem	Dana	5th
2-9-12	Water Conservation	Lynette Roberts	Dana	4/5/6
2-21-12	Water Conservation	Wendy Martinez	Nipomo	5th
2-21-12	Water Conservation	Scott Meenzhuber	Nipomo	5th
2-21-12	Water Conservation	Linda Gorter	Nipomo	5th
3-27-12	Water Conservation	Cheryl Whitford	Nipomo	6th
3-27-12	Water Conservation	Dru Riker	Nipomo	6th
5-24-12	Water Conservation	Jane Fiorentino	Dana	4th
5-24-12	Water Conservation	Jane Alderman	Dana	4th
5-24-12	Water Conservation	Doreen Maksoudian	Dana	4th
6-6-12	Water Conservation	Eve Drew	Nipomo	3rd

## Ideas for the 2012-13 School Year

1. Provide additional follow-up activities or incentives for teachers and students. This might include a water conservation day at a local park, or a water conservation essay contest in which selected essays could be recognized at a future NCS board meeting.
2. Assess water conservation learning improvement through an education evaluation pre / post test.
3. Provide questionnaire to teachers seeking input for ideas that would lead to expansion and implementation of additional water conservation topics/activities in schools.

## **Conclusion**

Teachers were appreciative of the water education program provided by the Nipomo Community Services District. Science Discovery staff thoroughly enjoyed working in Nipomo during the past school year. We look forward to being a part of the CSD's water conservation education program for the 2012-13 school year.

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**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 May	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	14,836.89	269,480.24
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	34,091.20	130,442.88
1590-B2	McDonough, Holland & Allen	0.00	34,177.28	15,871.65	0.00	0.00	0.00	0.00	0.00	50,049.93
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 (Hammer Jewell)	0.00	0.00	0.00	0.00	15,250.00	14,748.75	36,481.90	13,275.78	79,756.43
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	Reed 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	147,177.06	1,301,234.42
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	Pol 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	212,504.75	373,695.02
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 NCS	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	39,375.00	48,210.63
1590-H5	A/D Outreach/Education	0.00	0.00	0.00	0.00	0.00	0.00	74,571.75	193,377.11	267,948.86
1590-H6	A/D Bond Counsel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	85,000.00	85,000.00
1590-H7	A/D Ballot Tabulation/Observation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,262.21	8,262.21
1590-I1	Construction Management (MNS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,610.00	5,610.00
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	43,363.13	265,152.05
1590-Z2	Payroll Taxes-Capitalized	0.00	587.22	587.42	455.96	504.53	2,058.44	1,918.13	780.61	6,892.31
1590-Z3	Retirement-Capitalized	0.00	8,418.08	10,344.53	8,110.84	8,690.47	9,443.17	6,729.62	10,864.71	62,601.42
1590-Z4	Medical-Capitalized	0.00	2,861.36	3,367.02	2,564.88	2,757.36	3,390.94	3,352.92	3,671.44	21,965.92
1590-Z5	Dental/Vision-Capitalized	0.00	0.00	247.90	328.23	348.15	459.62	239.83	437.60	2,061.33
1590-Z6	Workers Compensation-Capitalized	0.00	260.35	341.83	225.21	259.81	271.21	277.61	175.08	1,811.10
		103,938.03	225,459.74	562,634.14	334,404.32	1,055,642.22	522,743.28	449,182.79	827,079.56	4,081,084.08

**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

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

REVENUES FY 2011-2012	<u>MONTH OF</u> <u>MAY</u>	<u>FISCAL YEAR</u> <u>7/1/2011 TO</u> <u>6/30/2012</u>
Supplemental Water Capacity Fees Collected	0.00	14,605.00
Interest Income (monthly & quarterly posting)	170.82	4,112.81
Revenue Subtotal	170.82	18,717.81
<b>EXPENDITURES FY 2011-2012 (1)</b>		
<u>CONSULTANTS</u>		
1590-A1 Feasibility Study (Cannon)	0.00	0.00
1590-A2 EIR Preparation (Wood & Assoc)	50.00	14,836.89
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	3,018.40	34,091.20
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)	493.03	13,275.78
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)	0.00	147,177.06
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)	16,185.79	212,504.75
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	39,375.00	39,375.00
1590-H5 A/D Outreach/Education (includes pirinting/postage)	28,689.84	193,377.11
1590-H6 A/D Bond Counsel	85,000.00	85,000.00
1590-H7 A/D Ballot Tabulation and Observation	8,262.21	8,262.21
<u>CONSTRUCTION</u>		
1590-I1 Construction Management (MNS)	5,250.00	5,610.00
1590-I2 Arborist (A&T Arborists)	0.00	0.00
<u>SALARY AND BENEFITS (2)</u>		
1590-Z1 Wages-Capitalized	3,621.02	43,363.13
1590-Z2 Payroll Taxes-Capitalized	52.50	780.61
1590-Z3 Retirement-Capitalized	920.96	10,864.71
1590-Z4 Medical-Capitalized	443.54	3,671.44
1590-Z5 Dental/Vision-Capitalized	55.33	437.60
1590-Z6 Workers Compensation-Capitalized	14.62	175.08
Expenditure Subtotal	191,432.24	827,079.56
Net Revenues less Expenditures	(191,261.42)	(808,361.75)
Beginning Fund Balance as of July 1, 2011		2,070,224.10
Ending Fund Balance as of May 31, 2012		1,261,862.35

(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

## BOARD MEMBERS

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



*Serving the Community Since 1965*

# SERVICES DISTRICT

## STAFF

MICHAEL S. LEBRUN, GENERAL MANAGER  
LISA BOGNUDA, ASSISTANT GENERAL MANAGER  
PETER SEVCIK, P.E., DISTRICT ENGINEER  
TINA GRIETENS, UTILITY SUPERINTENDENT  
JON SEITZ, GENERAL COUNSEL

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148 SOUTH WILSON STREET POST OFFICE BOX 326 NIPOMO, CA 93444 - 0326  
(805) 929-1133 FAX (805) 929-1932 Website address: [ncsd.ca.gov](http://ncsd.ca.gov)

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June 13, 2012

Chairperson James Patterson  
SLO County Board of Supervisors  
San Luis Obispo, CA 93408

Dear Chairperson Patterson, and Supervisors,

As you know, the Nipomo Community Services District's effort to fund the construction of a pipeline from the City of Santa Maria by an equitable distribution of property taxes to provide supplemental water for the Nipomo Mesa was rejected last month by the landowners of the four major water providers.

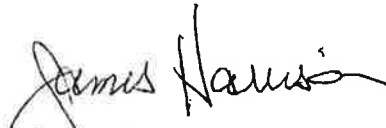
This setback for regional water planning did nothing to address our region's need for a sustainable, long-term supply of water, and the court order to bring in supplemental water from Santa Maria remains in place.

As a result, we are forming a technical advisory committee, much as your Board did in Los Osos, to reevaluate all the alternatives previously found inadequate, look at new alternatives as they may present themselves, and analyze the potential for a phased approach to a Santa Maria pipeline that, though slower and costing more over time, could be financed by moneys in hand and our current rate structure. The DWR grant we helped your Public Works staff negotiate would be an important part of that latter effort.

We will solicit applications for committee members from professionals who reside or have worked in the South County to take a fresh look at all the options and advise our Board on the strengths and weaknesses of each.

Some community members have suggested that your Board should lead in this effort, and we are writing to inquire if you wish to assume a leadership role and form your own "blue ribbon committee". Due to the pressing nature of our groundwater deficiencies, time is of the essence. We will moving ahead with our effort, but we will gladly step aside if you choose to take the lead in defining, financing, and construction of a supplemental water solution.

Cordially,



James Harrison, President  
Nipomo Community Services District

cc. Supervisor Frank Mecham  
Supervisor Bruce Gibson  
Supervisor Adam Hill  
Supervisor Paul Teixeira  
Paavo Ogren, Public Works Director



Maxwell

## Water Is *Still* Cheap: Demonstrating the True Value of Water

Seven years ago, *Journal - American Water Works Association* printed an article titled *Water Is Cheap—Ridiculously Cheap!* in the Market Outlook column—and it's still true. There is no other commodity whose real value so far exceeds its nominal price and whose price is often so unreflective of the real cost of providing it.

The price of water around the world is gradually creeping upward. *Global Water Intelligence (GWI)* reports that water tariffs, on average, rose globally by almost 7% between July 2010 and July 2011, and similar increases have occurred over the past several years (*GWI*, 2011). Water prices are rising dramatically in some places, for example Memphis, Tenn., which saw its combined water/wastewater rates increase by 93% over the past year. But water is still cheap in most parts of the world—and public tap water in this country is certainly a great bargain.

At some level, we all understand that water is vital—that without it, life cannot exist. But this value of water message still hasn't really gotten across to most of the US public. Water rates are still a political "hot potato" in many cities and towns around the country. Huge controversies

are often generated by municipal attempts to raise water rates by 10 or 20%, even though for most of us large percentage increases in our water rates would be equivalent to no more than \$10 or \$15 a month. Many municipal managers fear citizen revolts over "rate shock"; mayors and town councils are often leery of—or downright afraid of—raising rates, even though their infrastructure may be in a state of obvious decay, and even though water bills are a tiny fraction of the average family's monthly expenses. Many people who vigorously oppose nominal water rate increases undoubtedly spend much more every month on bottled water than any rate increase is likely to cost them.

So, we'll try once again to demonstrate in various ways—some perhaps a bit tongue-in-cheek—that water still remains very inexpensive relative to its true value. In fact, there is no other commodity whose real value is so high relative to its price, and whose price is often so uncorrelated with the real cost of providing it. Some simple facts, figures, and anecdotes quickly demonstrate that we have the true luxury situation today of not having to pay anywhere near as much for water as it is really worth to us. But this situation is not going to last forever.

## WHAT DO WE PAY FOR WATER IN THE UNITED STATES?

First, let's look at what we actually do pay for our drinking water in the United States. Although the prices that we pay for water vary widely across the country, they typically average about \$4 or \$5 per thousand gallons—working out to a bill of about \$30 a month for the average US family. A recent study from the US Environmental Protection Agency suggested that the average residential dwelling pays \$474 per year (USEPA, 2009). But according to the recently published AWWA (2012) report *Buried No Longer*, this same individual residential user could find his or her rates increasing by as much as \$550 per year, just to cover the required capital investment costs of maintaining the infrastructure over the next 20 years. Even so, the Congressional Budget Office (CBO, 2002) reported that the typical US family spends less than 0.5% of its disposable income on water—not bad, considering it's one of our most precious resources.

Clearly, the situation in terms of water supply and delivered costs varies widely across the United States, as one would expect given the range of climates, weather patterns, and quality and age of infrastructure in different regions of the country. But they don't always vary in the way that might be expected. Delivered tap water tends to cost more in the rainy northeastern part of the country, and—contrary to intuition—cost less in the more arid south and west. Columbus, Ohio, the center of the humid Midwest, pays more than \$20 per thousand gallons, or 2 cents per gallon, the highest of any major US city surveyed in the recent *GWI* study. Boston, Mass., pays 1.2 cents per gallon, and New York, N.Y., pays about a penny a gallon. As you move into the more arid high plains, Denver, Colo., pays 0.81 cents per gallon,

while the parched El Paso, Texas, and Las Vegas, Nev., areas pay just 0.6 and 0.9 cents per gallon, respectively. Los Angeles, Calif., pays about a penny a gallon, similar to New York.

So, averages can clearly disguise some significant regional pricing variations—and regional variations are typically caused by subsidies of various types—political rather than economic factors. On average, however, US residents typically pay somewhere around about half-a-penny per gallon, or roughly \$5 per thousand gallons for their precious tap water.

## WHAT DO OTHER COUNTRIES PAY FOR WATER?

How do water rates in the United States compare with other countries? Clearly, water tariffs vary all over the place not only within a given region, but also between different countries. Table 1 (*GWI*, 2011) shows both average water prices and per capita water consumption figures for various countries.

Two things are pretty clear—residents of the United States generally pay less for water than residents of most other countries. Second—the cheaper water is, the more we tend to consume. Germans and Danes pay well over a penny a gallon (indeed, one city in Denmark was reported to pay almost 4 cents a gallon) and correspondingly are among the most frugal consumers. Only the Canadians—with their relatively small population and vast water resources—consume more water than we Americans do.

Unfortunately, this kind of analysis is not even applicable in many of the less developed countries of the world—a large percentage of the population in these countries simply don't have the option of buying clean drinking water from any kind of centralized distribution system.

**The price of water relative to the price of other consumer goods.** It is instructive—if a bit sad—to look at what we pay for water in comparison to what we pay for several other liquid consumer goods that many of us buy and use every day. A comparison of the costs in Table 2 shows just how cheap tap water really is.

Is there any doubt as to which of these substances is the most critical to our wellbeing? We can't live for more than six or seven days without water, but most of us can live for quite some time without Chanel No. 5—if perhaps it's less easy to do without imported beer! Our much more critical tap water remains hundreds or thousands of times cheaper than the other liquid commodities or extravagances on which we spend much more money.

No discussion about the value of tap water can really be put into proper context without a minor detour to expose the spectacle of bottled water in this country—a virtually identical product that costs a hundred to several thousand times more. Yet the same US public that gets up in arms about minor water rate increases continues to

**TABLE 1** Average water prices and per capita consumption

Country	Average Price—cents per gallon	Average Consumption—gallons per capita per day
Denmark	1.64	30.2
Germany	1.26	39.8
France	1.23	61.2
Australia	1.19	160
United Kingdom	0.78	36.7
Canada	0.73	205
Japan	0.56	98.4
Spain	0.56	90.2
Turkey	0.52	62.8
United States	0.48	163
Italy	0.37	127

happily spend away on bottled water, reportedly spending more than \$11 billion on it in 2010. (World consumption is estimated at more than \$60 billion annually.) If our tap water cost as much as we are apparently willing to spend on bottled water, our monthly water bills would be more like \$30,000—not \$30.

The Pacific Institute has pointed out that our expenditures on bottled water prove that we as a society do indeed have the resources to make comparable expenditures to provide far greater quantities of water for far less money by investing in reliable domestic supplies. In other words, if we spent the same amount of money on building public water systems that we currently spend on bottled water, we could easily provide a much greater swath of the total world population with clean, safe drinking water.

At the same time that many parts of the world face crippling water shortages, it is outrageous to many observers to witness the way the bottled water craze continues to captivate the US public. Hollywood still pitches all manner of natural spring waters, vitamin waters, colored water, energy waters, smart waters, and various other so-called specialty beverages—right up to “Bling H2O,” which proudly calls itself the most expensive bottled water available—all available at a cost of only a few thousand times more than the price of the tap water from which they are virtually indistinguishable. “Liquid OM” is, according to *Newsweek* (2007), a “super-purified bottled water containing vibrations that promote a positive outlook. . . . The water purportedly possesses an energy field made by striking a giant gong and Tibetan bowls in the vicinity of the water. The good energy can be felt not just after you drink the water but also when you’re just holding the bottle.” What can possibly be next? All of this calls to mind the famous quote from H.L. Mencken that “no one ever went bankrupt underestimating the intelligence of the American public.”

But the fad may be moderating. With the ongoing economic hardships that many Americans are currently suffering from, there will definitely be a change in the public appetite to pay such huge prices for essentially the same thing that comes out of their taps virtually for free. More and more upscale restaurants are now promoting the virtues of tap water, and even the National Association of Evangelicals has stated, “Spending \$15 billion a year on bottled water is a testimony to our conspicuous consumption, our culture of indulgence . . . drinking bottled water may not be a sin, but it sure is a choice.”

To be fair, there is no doubt that bottled water supplies can be of critical help in short-term emergencies, or where the safety of public water systems has been temporarily compromised, and in many parts of the developing world where public tap water is not nearly as safe as it is in the United States.

**TABLE 2** Price of water versus price of other common consumer goods

Product	Average Price— US dollars per gallon
Tap water	\$0.0048
Coca-Cola®	\$3.00
Gasoline	\$4.00
Tide® liquid detergent	\$8.50
Imported beer	\$12.00
Evian® bottled water	\$25.00
Starbucks® latte	\$22.00
Pepto-Bismol®	\$65.00
Vicks Formula 44D® cough syrup	\$100.00
American whiskey	\$150.00
Visine® eye drops	\$750.00
Revlon® nail enamel	\$1,000.00
Good French wine	\$1,000.00
Chanel® No. 5 perfume	\$45,000.00

Source: Maxwell, 2005; updated to reflect 2012 prices

**The cost of water services versus other basic services.**

Another popular way to emphasize the relatively low cost of water is to compare it with how much we typically pay for other basic services every month. The average American family pays about \$40 a month for water. This compares to about \$90 dollars a month for internet/cable television, \$75 a month for telephone service, and \$104 a month for electricity, according to the US Energy Information Agency (2009). Again, we pay much less for the service which—if push ever comes to shove—we clearly need the most. It gets worse. Consider this; bulk chicken manure typically costs around \$15 to \$20 a ton, and potting soil—dirt—can cost as much as \$2,500 per ton. Good clean tap water goes for a little over a dollar a ton.

**Collective national spending on water.** Finally, let’s look at our cost of water in terms of how much we as a society spend on water, versus what we spend on other aspects of life or sectors of the economy. What do we really spend on water? The US Conference of Mayors (2008) reports that we pay about \$46 billion a year for drinking water, while the *Environmental Business Journal* (2011) assumes \$43 billion. Let’s assume that we spend \$45 billion a year to pay for our public water supplies. How does that compare with what we spend as a country on various other goods and services, activities, and pastimes? We spend

- \$52 billion a year on our pets—20% more than we spend on water.
- \$90 billion a year on tobacco products—twice what we spend on water. (More than \$10 billion a year just on advertising tobacco products.)

- \$93 billion a year on legalized gambling—more than twice what we spend on water.

- \$160 billion a year on alcoholic beverages—almost 4 times what we spend on water.

- \$720 billion a year on military defense—16 times the amount we spend on water.

For those who argue that we pay too much for our drinking water, let's try to keep things in perspective. We spend more on tobacco, twice as much on gambling, and almost three times as

much on alcoholic beverages than we do on the single substance most critical to sustaining life—water.

**We waste a lot of water.** Because water is so cheap, we tend to waste a lot of it. It is difficult to measure exactly how much water we “waste,” because this is somewhat of a subjective value judgment. For example, we lose almost 1.5% of the total amount of clean water that we produce in this country—about six billion gallons a day—through leakage and our decaying infrastructure. What other manufacturing industry would allow anything close to that kind of product loss rate?

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Many people who vigorously oppose nominal water rate increases undoubtedly spend much more every month on bottled water than any rate increase is likely to cost them.

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Is watering a yard in Phoenix a waste of water? Is a nice, 15-minute shower a waste of water? Is it a waste to wash your Corvette once a week? It is a bit of a value judgment to define what constitutes a waste of water, but there is no doubt that we waste a lot of it. We'd be likely to waste a lot less water if we had to pay slightly more for it.

The elasticity of water demand—the percentage by which consumption goes down as price goes up—is being increasingly studied by water econo-

mists. They hope to determine how different water pricing approaches might help lead to more efficient allocation. However, at some level, it's pretty obvious that we would use less water, and waste less, if it cost more. Research routinely points to the United States as being one of the most wasteful nations on earth in terms of water use.

#### SO, WHY IS WATER SO CHEAP?

The fundamental reason that water is so cheap is that we obviously have a lot of it. There is a lot of

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water on this planet—it falls out of the sky, and two-thirds of the planet is covered by it. If water were as rare as gold or silver or oil, it would obviously cost a lot more. Yes, there is a huge and growing demand for water, but there is also a huge supply of it. There is so much of it around that it has always been treated as something that should be free to all—just like the air that we breathe. But at some point, water will have to be subject to the laws of supply and demand—like all the other goods and services that we consume. All of us—even most of us working in and around the water resource field—still have

an innate tendency to think that water should be free, or almost free. However, there is an important issue here that most people don't think about, and that the water industry has historically

done a poor job of explaining. The problem can be paraphrased in the following way: "God may have given us free water, but He forgot to lay the pipes and build the treatment plants." Indeed, it can still be argued that water itself is actually "free"—and that it's just all of the attending water services that costs a lot of money. It's the pumping and distribution systems, the treatment plants to treat our water and wastewater, and all the other infrastructure required to deliver clean water to our taps that cost all the money. Furthermore, these aren't simple one-time costs. This vast system of infrastructure must be maintained, expanded, and upgraded on a continuous basis, and the component costs continue to rise over time. So we may consider that the freshwater itself may be free or almost free, but clean and dependable drinking water delivered right to our kitchen tap is certainly not without cost.

When some of us argue that the price of clean delivered water may need to rise faster, it simply reflects the need to better account for the rising life-cycle costs of sustainably building and maintaining the infrastructure and systems required to get that clean water to consumers' taps. Because most of that critical infrastructure tends to be "out of sight and out of mind," we tend not to maintain it as soon or as well as we should. Thus, in addition to ongoing maintenance or expansion of that infrastructure, we also have a growing legacy of neglect and some serious catching up to do on infrastructure investment in many parts of the country.

Some critics and activists argue that water should be provided to the public for free, or at least that prices shouldn't go up. They say higher water prices are just a way for private companies to line their pockets, or for public bureaucracies to cover up their inefficiencies. That's baloney. There are efficient private water companies and public water companies, and there are also ineff-

icient private and public water companies; but that's not the point. Throwing aside all the hyperbole, water prices need to rise because the number of people on the planet and our gross per capita demand levels continue to grow, the amount of freshwater on the planet is essentially fixed—at about 35 million cubic kilometers, and those aforementioned and enabling water services are costly and getting more costly all the time. There is no substitute for water, at any price. The number of people who consume it is going up, but the volume of water isn't. Therefore, water prices simply are going to rise—whether you

live in a free market economy or in a centrally planned economy.

Obviously, no one is saying we should randomly raise water prices for the pure sake of raising prices. What many people are saying is that

water has to be priced such that the true long-term life-cycle costs of providing that water can be covered on a sustainable basis. And in many areas, that may imply that current water prices may need to rise significantly. Most important, the point that many are trying to make is that if each of us thinks carefully about what water is really and truly worth to us, we shouldn't be too worried about possibly having to pay a little more for it.

#### **ATTACKING SOCIETAL IGNORANCE ABOUT WATER**

We would all do well to regularly remind ourselves and our friends about how valuable water really is. Think about those times your local utility has had to tear up your street to replace a water main or valve and turned off your connection for the day—remember how difficult it was to get through the day without any water? Or think about the last time you went camping and inadvertently ran out of drinking water before five or six hours of good, hard hiking; how much would you have been willing to pay for a cold glass of tap water then? Consider the fact that in many parts of Africa, women and children spend a good part of every day hauling water for the basic human needs of drinking, preparing food, and cleaning. Surely it's about time we realized that our water is worth a lot more to us than what we currently pay for it.

It's not all negative, and we should note that we are, indeed, making some progress. As mentioned at the outset, average global water prices have been steadily and consistently climbing over the past few years. Another bit of progress—we are beginning to develop better sources of data and more sophisticated methods for analyzing those data; it's always easier to manage something better when you can effectively monitor or measure it. The broader commercial water industry—private and public water providers, industrial vendors, industrial users—are

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Research routinely points to the United States as being one of the most wasteful nations on earth in terms of water use.

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all trying to find better ways to get this simple value of water message out in a direct and coordinated manner.

So yes, water does regularly fall out of the sky, much of the planet is covered by water and freshwater is abundant in many parts of the globe. But it's not always clean, it's not always located where we need it, and it's not always available. By most measures, it costs the world several hundred billion dollars a year to collect, treat, store, and distribute the water that we expect to flow when we turn on the tap. Today we have the luxury of paying very little for that privilege. This is not a situation that is going to last much longer. We all need to acknowledge the true value of water—and get ready to pay for it.

—Steve Maxwell is Managing Director of TechKNOWLEDGEy Strategic Group, a Boulder, Colorado-based management consultancy specializing in merger and acquisition advisory services, and strategic planning for the water industry. Maxwell is also the editor of the annual Water Market Review, a comprehensive summary of trends and developments in the world water industry. He is also the author of a new book published in April 2011 by AWWA entitled *The Future of Water*. He has advised dozens of water firms on strategy and transactional issues, and can be reached in Boulder at (303) 442-4800 or via e-mail at [maxwell@tech-strategy.com](mailto:maxwell@tech-strategy.com).

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