

# NIPOMO COMMUNITY

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# SERVICES DISTRICT

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

*Serving the Community Since 1965*

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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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November 21, 2011

Mr. Harold Snyder  
P. O. Box 926  
Nipomo, California 93444  
[kochcal@earthlink.net](mailto:kochcal@earthlink.net)

Dear Mr. Snyder:

**SUBJECT: NOVEMBER 13, 2011 PUBLIC DOCUMENT REQUEST**

Responding to the public document request dated November 13, 2011 and received in the District office on November 14, 2011 (Attached), in accordance with our interpretation of your request, we do not perceive this as a request for specific public documents or files.

We appreciate your continued interest in District business and this important water resources project. Please call the District to clarify this request or make an appointment to discuss/clarify this request.

Very truly yours,

NIPOMO COMMUNITY SERVICES DISTRICT

Michael S. LeBrun  
General Manager

Enclosure(s):

- 111113 Snyder Request

Harold Snyder  
P.O. Box 926  
Nipomo, CA 93444

RECEIVED  
NOV 13 2011  
NIPOMO COMMUNITY  
SERVICES DISTRICT

November 13, 2011

Michael LeBrun,  
Nipomo Community Services District (NCSD)  
148 Wilson Street, P.O. Box 326  
Nipomo, CA 93444

(805) 929-1133 Phone  
(805) 929-1932 Fax

Dear Michael LeBrun:

In the 11/16/11 board packet Item E-2 on the last page there is a funding Alternative Analysis.

I am not clear on the meaning of the footnotes and would like to know before the meeting what the effect of the foot note is. I was attempting to look at the cost over 10 years.

For Scenario 1. it states "\$239 annual property tax" and "\$8 monthly average increase in water bill<sup>2</sup>"

Footnote 2 (attached) states:

"2. Monthly cost increase values are for the first year. A similar level of rate increase would be required for a total of three years and then begin to level off in year four (level off begins in year three for Scenario 3)."

Given the schedule in the "Town Hall" presentation by NCSD on 11/9/11 (attached) and that water would be need to be paid in 2014:

Year	Property Tax	Monthly Bill increase
2012	\$239	
2013	\$239	
2014	\$239	\$8
2015	\$239	\$16
2016	\$239	\$24
2017	\$239	\$24 (or would this be \$32?)
2018	\$239	\$24
2019	\$239	\$24
2020	\$239	\$24
2021	\$239	\$24
2022	\$239	\$24

Question 1: does the monthly bill increase start when the pipe is completed?

Question 2: does the monthly bill increase go 8, 16, 24 as I have it above?

Or does it go 8, 16,24, 32?

Can you please confirm or correct the chart to clarify what the meaning of the footnote is before the meeting so we can comment usefully?

Thank You



Harold Snyder

**NCSO Supplemental Water Project  
November 2011 Funding Alternatives Analysis**

**Supplemental Water Project Defined:**

- > 2000 AFY capacity pipeline and appurtenances Construction Cost ("Construction Capital") of \$25.3M
- > 2000 AFY water at \$1509/af (Cost of water is set by Wholesale Agreement and is variable based on Santa Maria's Tier I water rate and an Energy Consumer Price Index Charge - \$1.009/AF is approx. cost as of October 2011)

Financing Options	Pros	Cons	Notes	ESTIMATED Cost (NCSO Customer) <sup>1</sup>
<b>SCENARIO 1:</b> Property secured financing (Assessment District) for Construction Capital and 80% of water cost. Remainder of water cost in user rates.	<ul style="list-style-type: none"> <li>➤ Provides a uniform approach and time schedule for collection of construction funding in all four water supplier areas.</li> <li>➤ Impact to customer water rates minimized.</li> <li>➤ Includes participation by vacant and under-developed land owners.</li> </ul>	<ul style="list-style-type: none"> <li>➤ In order to pass an assessment district the majority of the vote cast must be in support of the assessment.</li> <li>➤ Property secured financing may be more expensive than rate secured financing in the current bond market.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Would require a Prop 218 Rate hearing and rate increase.</li> </ul>	<ul style="list-style-type: none"> <li>➤ \$238 annual property tax assessment for 30 years (or \$3,000 one-time payment)</li> <li>➤ \$8 monthly average increase in water bill<sup>2</sup></li> </ul>
<b>SCENARIO 2:</b> Property secured financing for Construction Capital. Cost of water is fully covered by user rates of all project customers.	<ul style="list-style-type: none"> <li>➤ Consistent approach and schedule for obtaining time-sensitive Construction Capital</li> <li>➤ Removes complexity introduced by linking cost of Santa Maria water to capital.</li> <li>➤ Reduces potential for challenge to assessment district formation and is better for bond sale.</li> <li>➤ Lower property tax levy than Option 1 increasing chance of assessment district approval by property owners.</li> <li>➤ Vacant land participates in construction capital.</li> <li>➤ Paying for Santa Maria water is more directly linked to water rates and usage.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Relies on property secured financing (more expensive than rate secured) for construction capital.</li> <li>➤ Requires 50+1% vote in support to pass property tax assessment.</li> <li>➤ Vacant lands do not participate in cost of water from Santa Maria.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Once the property tax measure to fund capital passes, all partners will have ~2 years to get rates that support water purchase in place.</li> </ul>	<ul style="list-style-type: none"> <li>➤ \$103 annual property tax assessment for 30 years (or \$1,200 one-time payment)</li> <li>➤ \$12 monthly average increase in water bill<sup>2</sup></li> </ul>
<b>SCENARIO 3:</b> Rate increases are used to secure bonding and cover water costs.	<ul style="list-style-type: none"> <li>➤ Rate based financing is most favorable in today's bond market - therefore cost of financing is lowest.</li> <li>➤ Prop. 218 protest vote requires a majority of customers to vote against the proposed rate increase to defeat.</li> <li>➤ No Assessment District Formation/Property Tax measure.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rates would need to be adopted by all four project partners prior to selling bonds to raise construction capital. This could delay project start by 1-2 years.</li> <li>➤ Alternative would be for District to 'cover' PUC (RMC and CSVA's) capital portion and recoup through future water charges.</li> <li>➤ Vacant land does not participate - unless a separate 'Standby' charge is adopted (Supplemental Water connection charges would apply).</li> </ul>	<ul style="list-style-type: none"> <li>➤ The potential project delay of 1-2 years or District customers assuming capital cost burden of PUC customers are both considered fair/ flaws of this approach.</li> </ul>	<ul style="list-style-type: none"> <li>➤ \$0 annual property tax assessment.</li> <li>➤ \$23 monthly average increase in water bill<sup>2</sup></li> </ul>

**Footnotes**

- 1 Cost Estimate is based on an NCSO customer who uses 40 units of water every two months and lives on a .35 acre or smaller residential lot with a single home (one benefit unit assigned)
- 2 Monthly cost increase values are for the first year. A similar level of rate increase would be required for a total of three years and then begin to level off in year four (level off begins in year three for Scenario 3).

