

# NIPOMO COMMUNITY

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*Serving the Community Since 1965*

# SERVICES DISTRICT

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

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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 14, 2011 PUBLIC DOCUMENT REQUEST**

Responding to the public document request dated and received in the District office on November 14, 2011 (Attached), in accordance with our interpretation of your request, the information you are requesting is part of the staff report presented to the Board on November 16, 2011 (staff reports and minutes from previous Board action) and the January 2010 wholesale water agreement between the District and City of Santa Maria. Additionally, the County Board of Supervisors heard an item regarding the District's project on October 25, 2011. The County staff report includes a comprehensive project summary and estimated costs to customers. This report can be found on the County's website.

The draft assessment engineer's report for this project is scheduled to be reviewed by the District's Board of Directors early in 2012. On the District website you can sign up for auto-notice when the District posts agenda materials to the website.

We appreciate your continued interest in District business and this important water resources project. After your review and consideration of this information, if you have further questions, concerns, or requests, please call the office.

Very truly yours,

NIPOMO COMMUNITY SERVICES DISTRICT

Michael S. LeBrun  
General Manager

Enclosure(s):

- 111114 Snyder Request

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

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NIPOMO COMMUNITY  
SERVICES DISTRICT

November 14, 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:

It is not at all clear where the numbers in the 11/16/11 board packet Item E-2 come from.

page 1 states:

"In recent months, staff worked with the District Bond Counsel, Financial Advisor, and Rate Consultant to refine previous financing assumptions in preparation for a project-financing vote in early 2012. An up-to-date summary table outlining three funding scenarios is attached."

Included in that summary are numbers with out a clear reference where they came from and here are no details.

I am making a public record request for a copy of the page in the past NCSD board packets (or date, item number and page number so I can look them up on the web site) that has the number used. If such a page does not exist I am requesting a copy of the calculation used that results in the number and the pages of the numbers used as inputs to the calculation

The numbers in question include

Page 1:       \$1,500 per acre-foot  
              \$100/acre-foot operations and maintenance cost  
              cost of water is escalated by 3% per year

Last Page "November 2011 Funding Alternatives Analysis":

Scenario 1: \$239 annual property tax  
Scenario 1: \$8 monthly average increase in water bill  
  
Scenario 2: \$103 annual property tax  
Scenario 2: \$12 monthly average increase in water bill  
  
Scenario 3: \$23 monthly average increase in water bill

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)

As there is much confusion on the cost numbers, I would suggest that any future numbers presented on the Water Intertie Project / Supplemental water Project include a reference to the point in the public records where the number comes from.

Thank You



Harold Snyder

Page 1:

The updated summary table information is based on the January 2011 construction cost estimate of \$25.3M (includes design engineering, CEQA compliance, assessment engineering and other 'soft' cost) and the current cost of Santa Maria water based on the Wholesale Water Agreement (\$1,500 per acre-foot). Additionally, a \$100/acre-foot operations and maintenance cost increase is assumed for operation of the new water facilities and the cost of water is escalated by 3% per year to estimate future year rate increases that may be required.

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

Supplemental Water Project Defined:  
 > 200G AFY capacity pipeline and appurtenances; Construction Cost ("Construction Capital") of \$25.3M.  
 > 2000 AFY water at \$1500/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. \$1,500/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>\$239 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 (RWC and GSWC) 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 'fatal' 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**

- Cost Estimate is based on an NCSO customer who uses 40 units of water every two months and lives on a .25 acre or smaller residential lot with a single home (one benefit unit assigned).
- 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).