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Michael LeBrun,
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Dear Michael LeBrun:

It is not at all clear to me how the "\$12 monthly average increase in water bill" "estimated cost (NCSD customer)" for "scenario 2" in the 11/16/11 board packet Item E-2 was figured. (see attached copy)

I have been able to calculate an average cost increase that is around \$32 with the savings from the electricity that will not be needed to pump groundwater but no where near the \$12 to \$8 dollar number you have listed.

In the packet it is stated that the "updated summary table information is based on" the following assumptions:

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

It seems like there would need to be more assumptions than those listed, I would like to know what other assumptions were made in the calculation

What was the year assumed for the first payment to be made for "supplemental water"?

What was the year assumed for the first delivery of "supplemental water"?

What was the number assumed for the amount of "supplemental water" being brought over in the pipeline for the first year?

And the second year?

What was the number assumed for the amount of "supplemental water" NCSD would pay for in AF/Y?

What was the number assumed for the total amount of "supplemental water" Golden State Water Company (GSWC) would deliver to its customers in AF/Y?

What was the number assumed for the total amount of “supplemental water” Rural Water Company (RWC) would deliver to it’s customers in AF/Y?

What was the number assumed for the total amount of “supplemental water” Woodlands Mutual Water Company (WMWC) would deliver to it’s customers in AF/Y?

What was the number assumed for the total amount of “supplemental water” NCSD would deliver to it’s customers in AF/Y?

What was the number assumed for the total amount of groundwater NCSD would deliver to it’s customers in AF/Y?

What was the number assumed for the actual number of customers for the NCSD system for the first year that “supplemental water” would be delivered?

You use “NCSD customers who uses 40 units of water every two months” as a basis for the calculation.

What was the number assumed for the number of “NCSD customers who use 40 units of water every two months” that would cover the total water use?

What current operating expenses were assumed could be saved after the start of delivery of “supplemental water”?

What was the number assumed for the reduction in electric energy costs?

What was the number assumed for the reduction in chlorination costs?

What were the other numbers assumed could be saved and result in cost reductions?

Was it assumed that customers would use the same amount of water before and after the rate increase for “supplemental water”?

What was the number assumed for the percentage of “supplemental water” vs groundwater NCSD would deliver to it’s customers?

Thank You



Harold Snyder

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.

**NCS D Supplemental Water Project
November 2011 Funding Alternatives Analysis**

Supplemental Water Project Defined:

- 3000 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 (NCS D Customer)¹
SCENARIO 1: Property secured financing (Assessment District) for Construction Capital and 69% of water cost. Remainder of water cost in user rates.	<ul style="list-style-type: none"> ➢ Provides a uniform approach and time schedule for collection of construction funding in all four water supplier areas. ➢ Impact to customer water rates minimized. ➢ Includes participation by vacant and under-developed land owners. 	<ul style="list-style-type: none"> ➢ In order to pass an assessment district the majority of the vote cast must be in support of the assessment. ➢ Property secured financing may be more expensive than rate secured financing in the current bond market. 	<ul style="list-style-type: none"> ➢ Would require a Prop 218 Rate hearing and rate increase. 	<ul style="list-style-type: none"> ➢ \$239 annual property tax assessment for 30 years (or \$3,000 onetime payment) ➢ \$8 monthly average increase in water bill.²
SCENARIO 2: 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"> ➢ Consistent approach and schedule for obtaining time-sensitive Construction Capital. ➢ Removes complexity introduced by linking cost of Santa Maria water to capital. ➢ Reduces potential for challenge to assessment district formation and is better for bond sale. ➢ Lower property tax levy than Option 1 increasing chance of assessment district approval by property owners. ➢ Vacant land participates in construction capital. ➢ Paying for Santa Maria water is more directly linked to water rates and usage. 	<ul style="list-style-type: none"> ➢ Relies on property secured financing (more expensive than rate secured) for construction capital. ➢ Requires '50+1' vote in support to pass property tax assessment. ➢ Vacant lands do not participate in cost of water from Santa Maria. 	<ul style="list-style-type: none"> ➢ Once the property tax measure to fund capital passes, all partners will have ~2 years to get rates that support water purchase in place. 	<ul style="list-style-type: none"> ➢ \$103 annual property tax assessment for 30 years (or \$1,200 on time payment) ➢ \$ 12 monthly average increase in water bill.²
SCENARIO 3: Rate increases are used to secure bonding and cover water costs.	<ul style="list-style-type: none"> ➢ Rate based financing is most favorable in today's bond market – therefore cost of financing is lowest. ➢ Prop. 218 protest vote requires a majority of customers to vote against the proposed rate increase to defeat. ➢ No Assessment District Formation/Property Tax measure 	<ul style="list-style-type: none"> ➢ 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. ➢ Alternative would be for District to 'cover' PUC (RWC and GSWC) capital portion and recoup through future water charges. ➢ Vacant land does not participate – unless a separate 'Standby' charge is adopted (Supplemental Water connection charges would apply) 	<ul style="list-style-type: none"> ➢ 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. 	<ul style="list-style-type: none"> ➢ \$0 annual property tax assessment. ➢ \$23 monthly average increase in water bill.²

Footnotes

1. Cost Estimate is based on an NCS D 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).

http://santamariatimes.com/news/local/govt-and-politics/assessment-district-to-finance-pipeline/article_1476a4be-2947-11e1-a95d-0019bb2963f4.html

Assessment district to finance pipeline

If Nipomo property owners give the OK to an assessment district to finance a supplemental water pipeline, the revenues only will be used to pay for the pipeline construction and related costs.

The cost of the water pumped through it from Santa Maria will be covered by increases in customer rates.

Nipomo Community Services District directors recently selected that financing option from three possible scenarios. On Wednesday, directors reaffirmed how benefit units will be assigned to various properties, making no changes to the bases previously adopted by the board.

Letters notifying property owners of the number of benefit units assigned to their land likely will be sent out in late January.

Directors on Wednesday also gave the staff direction on how to deal with property owners' requests to reassess their benefit units.

Once all those changes are considered and the assessment plan is finalized, property owners will vote on whether to approve or deny the assessment district.

That vote is expected sometime next spring, NCS D General Manager Michael LeBrun said.

Just how much property owners will pay for the pipeline and how much customers will pay for the water remains to be seen.

But the numbers likely will be less than initially estimated, LeBrun said.

The latest assessment estimate is about \$103 annually per benefit unit over 30 years.

Property owners also would have the option of making a one-time payment estimated at \$1,200.

The annual assessment was previously estimated at about \$240 a year or a \$3,000 one-time payment.

"Those numbers are generalized until we know how many people will be participating and what the financing is,"

LeBrun said about the latest figures.

The average increase in an NCS D customer's monthly bill was previously estimated at about \$12, but LeBrun said that number likely will be closer to \$8.

That cost also could change based on the price charged by the city of Santa Maria and the number of NCS D customers when water delivery begins.

LeBrun said the differences in the numbers are partly the result of the NCS D board choosing to use the assessment district only for capital costs and using customer rates to cover water costs.

They're also partly the result of an error in the assumptions used in both the assessment and rate studies.

"The error was applied across all three equations," LeBrun said of the optional financing methods. "Really, the cost per benefit unit is about half of what we were talking about."

In 2009, directors planned to include as much as 70 percent of the water cost in the construction financing — bonds that would be repaid through property assessments.

But the favorable 2009 financing rate is no longer available, LeBrun said, and the cost of the water itself has climbed 20 percent.

That led directors to shift all the water cost to ratepayers.

.Posted in Govt-and-politics on Sunday, December 18, 2011 12:15 am