



NIPOMO COMMUNITY SERVICES DISTRICT

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**BLACKLAKE WATER FUND MERGER WITH TOWN WATER FUND
FINANCIAL PLAN AND USER RATES
FINAL REPORT**

PREPARED BY: BRUCE BUEL, NCSD GENERAL MANAGER

NOVEMBER 26, 2008

**BLACKLAKE WATER FUND MERGER WITH TOWN WATER FUND
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FINAL REPORT**

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BLACKLAKE WATER FUND MERGER WITH TOWN WATER FUND
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FINAL REPORT

I. OVERVIEW AND SUMMARY

This final report presents a financial plan and water user fee rate recommendations for the District's Blacklake water customers assuming that the Blacklake Water Fund is merged with the District Water Fund (Previously described as the Town Water Fund) effective July 1, 2009. The final report is intended to describe the buy-in charge that Blacklake customers will pay to access the assets of the District Water Fund so that all customers of the combined fund will have a parity of investment. In combining the two water funds, District customers in Blacklake avoid paying for the estimated \$800,000 cost of reconstruction of the Blacklake Water System including replacement of the Blacklake Water Booster Station.

The overall concept for the merger is for District customers in Blacklake to pay the same user fees and water rates as all other NCSO customers within the Town Water Division plus either a one-time buy-in charge or a bi-monthly buy-in surcharge over a ten year period. The 2009 user fee water rates for the Blacklake and Town Water Divisions were set by Ordinance 2005-103 on June 8, 2005. It is anticipated that the Board will consider revising these user fee water rates sometime in 2009 for a new rate period starting in 2010. The 2009 District water user fee rates are attached as Appendix A and incorporated by reference herein by this reference.

In regards to the buy-in to be paid by all District Customers within Blacklake, the total equity buy-in is computed at \$437 per equivalent one inch meter. Each District Customer within the Blacklake Water Division will have the option to either pay one lump sum payment of \$437 per equivalent one inch meter during the month of March 2009 or to pay off the \$437 per equivalent one inch meter in sixty (60) bi-monthly installment payments of \$8.44 over a ten year term (through June 2019). A three percent interest rate is included on any equity surcharge payment to be made over time. Details of the surcharge are included in section II of this report.

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II. BUY-IN CHARGE CALCULATION

The buy-in charge is calculated by adding Blacklake's share of select future improvements to the District Water Fund (Blacklake Tank Rehabilitation, Misty Glen Interconnect and Augusta Drive Interconnect) to the contribution required for Blacklake to achieve a fifteen percent (15%) match to the projected District Water Fund FY08-09 Year End Operating Reserves.

In regards to the Blacklake Tank Rehabilitation Project, Boyle Engineering estimated the contractor's construction cost at \$150,000 in the April 2008 "2007 Water and Sewer Replacement Study" for repairs to both the inside and the outside of this water storage reservoir. Since all District Water Fund customers would benefit from this work and since the customers in Blacklake constitute fifteen percent (15%) of the total District Water Fund customers, Blacklake's share of this project's contractor construction cost is computed by multiplying the \$150,000 contractor construction cost by fifteen percent to get \$22,500.

In regards to the Misty Glen Interconnect, Cannon and Associates estimated the contractor's construction cost at \$30,000 in the December 2007 "Water and Sewer Master Plan". Since only customers in Blacklake will benefit from this work, Blacklake's share of the contractors construction cost constitute one hundred percent (100%). Thus, Blacklake's share of this project's contractor construction cost would be \$30,000.

In regards to the Augusta Interconnect, Cannon and Associates estimated the contractor's construction cost at \$21,000 in the December 2007 "Water and Sewer Master Plan". Since only customers in Blacklake will benefit from this work, Blacklake's share of the contractors construction cost constitute one hundred percent (100%). Thus, Blacklake's share of this project's contractor construction cost would be \$21,000.

Adding Blacklake's share of the contractor's construction cost for these three projects (Blacklake Tank at \$22,500; Misty Glen Interconnect at \$30,000 and Augusta Interconnect at \$21,000) results in a subtotal of \$73,500. Multiplying the \$73,500 subtotal by thirty percent estimated to cover the engineering, construction management and construction contingency results in an estimate of indirect costs of \$22,050 to be paid by Blacklake customers. Adding the \$73,500 in contractor's construction cost to the \$22,050 in indirect costs results in a total Blacklake share of the project cost of \$95,550.

Blacklake's contribution to projected FY2008-09 year-end District Water Fund Operating Reserves is based on the September 24, 2008 Reed Group Letter Report entitled "Water System Financial Plans and Equity Study". Attached in Appendix B is a summary of the calculation. As detailed in the summary, the contribution of \$182,192 is calculated as follows:

- The District Water Fund Total FY08-09 "Ending Balance" of \$1,614,882 is computed by dividing the projected FY2008-09 year-end Town Water Fund "Ending Balance" of \$1,372,650 (Column 4 of page 7 of the Reed Group Letter Report) by the .85 ratio of Town Water Customers to District Water Fund Customers;
- Blacklake's share of the FY08-09 Ending Balance is computed by multiplying the \$1,614,882 by the .15 ratio of Blacklake Water Customers to District Water Fund Customers resulting in \$242,232; and
- Subtracting the \$60,040 in projected Blacklake Water Fund FY08-09 "Ending Balance" (Column 4 of page 6 of the Reed Group Letter Report) from the \$242,232 to get the additional contribution \$182,192.

Blacklake's total contribution of \$277,742 is computed by adding the \$95,500 share of the cost of the three projects to the \$182,192 in contributions to operating reserves. The \$437 cost per equivalent 1" meter is computed by dividing the \$182,192 by the 636 equivalent 1" meters in Blacklake. Attached in Appendix B is a summary showing this computation.

Following is a chart detailing the Lump Sum Payment by meter size for those who opt to pay off their share of the Buy-In as a one time payment:

| | METER SIZE | | |
|------------------|------------|---------|---------|
| | UP TO 1" | 1 ½" | 2" |
| LUMP SUM PAYMENT | \$437 | \$1,311 | \$2,098 |

Following is a chart detailing the bi-monthly surcharge payment by meter size for those who opt to pay off their share of the buy-in in sixty installments over a ten year period:

| | METER SIZE | | |
|----------------------|------------|---------|---------|
| | UP TO 1" | 1 ½ " | 2" |
| Bi-Monthly Surcharge | \$8.44 | \$25.32 | \$40.51 |

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III. FINANCIAL PLAN AND USER FEES

For the period from July 1, 2009 through the next rate adjustment, each District Water Customer in Blacklake would pay the following User Fee Water Rates. Following is a chart illustrating the 2009 Bi-Monthly Availability Charges, Litigation Charges and Equity Surcharge per meter size (the equity surcharge shall not apply to customers who have made the one Lump Sum Payment prescribed in Section II of this report):

| BI-MONTHLY CHARGES EXCLUDING USAGE CHARGES | | | | |
|--|------------------------|----------------------|------------------|----------|
| METER SIZE | AVAILABILITY CHARGE | LITIGATION CHARGE | BUY-IN CHARGE | TOTAL |
| 1" or Less | \$24.52 | \$6.32 | \$8.44 | \$39.28 |
| 1 ½" | \$69.61 | \$14.36 | \$25.32 | \$109.29 |
| 2" | \$110.25 | \$19.92 | \$40.51 | \$170.68 |

Following is a chart illustrating the 2009 Bi-Monthly Residential Usage Rates for all units of water consumed:

| | USAGE RATE |
|---------------------|-----------------|
| Tier 1 (0-40 units) | \$1.64 per unit |
| Tier 2 (> 40 units) | \$2.80 per unit |

Following is a chart illustrating the 2009 Bi-Monthly Non-Residential Usage Rates for all units of water consumed:

| | USAGE RATE |
|---------------|-----------------|
| All Water Use | \$2.06 per unit |

For reference, the adopted 2009 Blacklake Water Rates for a 1" meter prescribe a \$24.52 Bi-Monthly Availability Charge; a \$6.32 Bi-Monthly Litigation Charge; a Tier 1 Residential Usage Rate of \$1.98 per Unit (748 gallons); and a Tier 2 Residential Rate of \$3.47 per Unit (748 gallons). The following chart compares the Blacklake total bi-monthly water payment for a 1" residential meter under Ordinance 2005-103 and the proposed merged rates at different levels of consumption:

| | LEVEL OF CONSUMPTION | | |
|---|----------------------|----------|----------|
| | 30 Units | 45 Units | 60 Units |
| Ordinance 2005-103 Bi-Monthly Total Payment | \$90.24 | \$127.09 | \$178.24 |
| Merged System Bi-Monthly Total Payment (w Surcharge) | \$88.48 | \$118.88 | \$160.88 |
| Decrease to Blacklake | \$1.40 | \$8.21 | \$17.36 |

It should be noted that the total 1" meter bi-monthly cost for Blacklake residents will decrease by \$8.44 after ten years.

APPENDIX A

ORDINANCE 2005-103

**NIPOMO COMMUNITY SERVICES DISTRICT
ORDINANCE NO. 2005-103**

**AN ORDINANCE OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
AMENDING TITLE 3 AND TITLE 4 OF THE
NIPOMO COMMUNITY SERVICES DISTRICT CODE TO
ESTABLISH BI-MONTHLY RATES FOR WATER AND SEWER SERVICE
FOR THE TOWN DIVISION AND BLACKLAKE DIVISION
AND TO REVISE VARIOUS DISTRICT CODE SECTIONS RELATED
TO WATER AND SEWER SERVICE**

WHEREAS, it is a major responsibility of the Nipomo Community Services District ("District") to:

- A. Operate and maintain its water production and distribution facilities so as to provide adequate water service and fire protection to District water customers;
- B. Maintain adequate levels of revenue, equitably collected from District water customers, to meet the District's financial commitments including operation, maintenance, replacement and administrative costs of District's water production and distribution facilities and acquiring supplemental water to augment the District's current water production facilities to prevent impairment to the Groundwater Basin and maintaining adequate reserves;
- C. Operate and maintain its sewer distribution facilities so as to provide adequate sewer treatment services to District's sewer customers;
- D. Maintain equitable levels of revenue equitably collected from District sewer customers, to meet the District's financial commitments including the operation, maintenance, replacement and administrative costs of District sewer collection and treatment facilities and maintaining adequate reserves; and

WHEREAS, the District has reviewed a number of reports and studies related to the capacity of the Groundwater Basin to supply current and future growth on the Mesa. Said reports are referenced in the Staff Report for Agenda Item E-10 for the Board of Directors meeting of April 13, 2005. Said Staff Report and referenced studies and reports are incorporated herein by this reference; and

WHEREAS, the District commissioned Robert Reed, of the Reed Group, Inc., to perform a Water and Sewer Rate Study Update (herein "Study"). The Study includes an analysis of both the water and sewer operating rates and charges for the District's Town Division and Blacklake Division. The intent of the Study is to assess the District's revenue requirements and to provide an independent evaluation of the equity of the District's current rate structure and the relationship (nexus) between the rates charged and the services provided. The Study further identifies a new rate structure for the Town Division and Blacklake Divisions that enables the District to meet revenue requirements for water and sewer operations and to provide for supplemental water while maintaining fairness and equity among existing and future rate payers; and

WHEREAS, the draft Study was received and filed on April 13, 2005, and has been available for public inspection at the District office since that date; and

WHEREAS, the Study was made final on May 25, 2005; and

WHEREAS, certain District Code Sections require amendment to facilitate the implementation of the new bi-monthly rates for water and sewer fees and charges; and

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WHEREAS, based upon facts and analysis presented by Robert Reed, the Study, the Staff Report, and public testimony received, the Board of Directors finds:

- A. The public meetings adopting this Ordinance have been properly noticed pursuant to Government Code Section 54954.2 (The Brown Act);
- B. That notice has been provided as required by law; and
- C. The fees, rates and charges that are the subject of this Ordinance do not exceed the estimated reasonable cost of providing the services, for which the fees and/or charge or charges are imposed; and
- D. The rates and charges established by this Ordinance are imposed as an incident of requesting or using District water and sewer treatment services.
- E. That the tiered water rate structure approved by this Ordinance is implemented, in part, to achieve the goals of the District's Urban Water Management Plan and Section 2, Article X of the California Constitution and Section 100 of the California Water Code related to water conservation.
- F. That the public benefits from the logical, long-range approach to financing of public facilities.
- G. Pursuant to the provisions of Proposition 218, NCSD did deliver written public notices of the hearing and find that the protests did not meet the required 50% of the notices mailed. NCSD did not receive any protests, written or oral, to the proposed rates for water and sewer charges.

NOW, THEREFORE, BE IT ORDAINED, by the Board of Directors of the District as follows:

Section 1. Authority.

This Ordinance is enacted pursuant to Government Code Sections 61600(a) and (b), 61621, 61621.5, and 61623.

Section 2. Appendices A and B to Chapter 3.03 of the District Code (Bi-Monthly Water Rates for Town Division and Blacklake Division) are repealed in their entirety and replaced with the Bi-Monthly Rates and Charges reflected in Exhibit "A", attached hereto and incorporated into this Ordinance by reference.

Section 3. Appendix A to Chapter 4.12 of the District Code (Calculation of Bi-Monthly Sewer Rates and Charges for the Town Division and Blacklake Division) are repealed in its entirety and replaced with the Bi-Monthly Calculation of Rates and Charges reflected in Exhibit "B", attached hereto and incorporated into this Ordinance by reference.

NIPOMO COMMUNITY SERVICES DISTRICT
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AMENDING TITLE 3 AND TITLE 4 OF THE
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Section 4. Section 3.20.035 A is repealed in its entirety and replaced with the following:

3.20.035 A The charge for water pursuant to District Code Section 3.20.03(A) shall be charged at the then current water rate for non-residential water users as stated in Appendix B of Chapter 3.03 to the District Code.

Section 5. Section 4.12.150 A of the District Code is repealed in its entirety and replaced with the following:

4.12.150 A Bi-monthly User Fee. The bi-monthly sewer user rates and fees are set forth in Appendix A to this Chapter 4.12.

Section 6. Section 4.12.180 is repealed in its entirety and replaced with the following:

4.12.180 SPECIAL RULES FOR MEDIUM AND HIGH STRENGTH DISCHARGERS:

The District reserves the right to require medium strength and high strength discharges as referenced in Appendix A to Chapter 4.12 to provide pretreatment of sewer discharges. Said requirements may include pretreatment, a monitoring program, and a plan check and monitoring agreement to allow the District to recover its costs in approving and monitoring pretreatment facilities.

Section 7. Incorporation of Recitals

The Recitals are true and correct and incorporated herein by this reference. The Recitals and referenced reports and studies contained therein constitute and support the findings of the District in support of this Ordinance.

Section 8. Effect of Repeal on Past Actions and Obligations.

This Ordinance does not affect prosecutions for Ordinance violations committed prior to the effective date of this Ordinance, does not waive any fee or penalty due and unpaid on the effective date of this Ordinance, and does not affect the validity of any bond or cash deposit posted, filed or deposited pursuant to the requirements of any Ordinance.

Section 9. CEQA Findings

The Board of Directors of the District finds that the fees and charges adopted by this Ordinance are exempt from the California Environmental Quality Act pursuant to Public Resources Code § 21080(b)(8) and CEQA Guidelines Section 15273. The Board of Directors further finds that the adoption of the Rules and Regulations established by this Ordinance fall within the activities described in Section 15378(b)(3) of the CEQA Guidelines which are deemed not to be "projects" for the purposes of CEQA, because it can be seen with certainty that the adoption of the Rules and Regulations may have a significant effect on the environment. The District General Manager is directed to prepare and file an appropriate notice of exemption.

Section 10. Severance Clause.

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If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the remaining portions of this Ordinance. The Governing Board of the District hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsection, sentence, clause or phrase be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

Section 11. Effect of Headings in Ordinance.

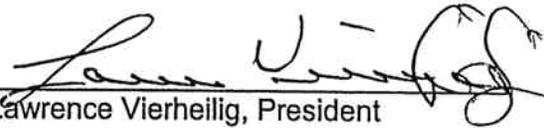
Title, division, part, chapter, article, and section headings contained herein do not in any manner affect the scope, meaning, or intent of the provisions of this Ordinance.

Section 12. Effective Date.

This Ordinance shall take effect and be in full force and effect thirty (30) days after its passage. Before the expiration of fifteen (15) days after passage it shall be posted in three (3) public places with the names of the members voting for and against the Ordinance and shall remain posted thereafter for at least one (1) week. The Ordinance shall be published once with the names of the members of the Board of Directors voting for and against the Ordinance in The Tribune.

Introduced at its regular meeting of the Board of Directors held on April 13, 2005, and passed and adopted by the Board of Directors of the Nipomo Community Services District on the 8th day of June, 2005, by the following roll call vote, to wit:

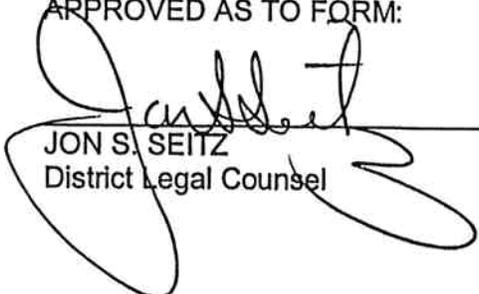
AYES: Director Winn, Eby, Wirsing, Trotter and Vierheilig
NOES: None
ABSENT: None
CONFLICTS: None


Lawrence Vierheilig, President
Nipomo Community Services District
Board of Directors

ATTEST:


DONNA K. JOHNSON
Secretary to the Board

APPROVED AS TO FORM:


JON S. SEITZ
District Legal Counsel

**NIPOMO COMMUNITY SERVICES DISTRICT
ORDINANCE NO. 2005-103**

EXHIBIT "A"

APPENDIX A TO CHAPTER 3.03

WATER RATES AND CHARGES

BI-MONTHLY AVAILABILITY CHARGES*

(The bi-monthly availability charge shall take effect August 1, 2005, and
Future increases shall take effect on January 1, of each succeeding year.)

TOWN DIVISION

| SIZE OF METER | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|-------------------|----------------|----------|----------|------------|------------|
| 1 Inch or Less | \$16.76 | \$18.43 | \$20.64 | \$22.71 | \$24.52 |
| Litigation Charge | \$6.32 | \$6.32 | \$6.32 | \$6.32 | \$6.32 |
| 1 ½ Inch | \$47.56 | \$52.32 | \$58.60 | \$64.46 | \$69.61 |
| Litigation Charge | \$14.36 | \$14.36 | \$14.36 | \$14.36 | \$14.36 |
| 2 Inch | \$75.33 | \$82.86 | \$92.81 | \$102.09 | \$110.25 |
| Litigation Charge | \$19.92 | \$19.92 | \$19.92 | \$19.92 | \$14.36 |
| 3 Inch | \$140.17 | \$154.18 | \$172.68 | \$189.95 | \$205.15 |
| Litigation Charge | \$27.92 | \$27.92 | \$27.92 | \$27.92 | \$27.92 |
| 4 Inch | \$232.77 | \$256.05 | \$286.77 | \$315.45 | \$340.68 |
| Litigation Charge | \$36.00 | \$36.00 | \$36.00 | \$36.00 | \$36.00 |
| 6 Inch | \$464.07 | \$510.48 | \$571.73 | \$628.91 | \$679.22 |
| Litigation Charge | \$59.58 | \$59.58 | \$59.58 | \$59.58 | \$59.58 |
| 8 Inch | \$741.74 | \$815.92 | \$913.83 | \$1,005.21 | \$1,085.63 |
| Litigation Charge | \$68.08 | \$68.08 | \$68.08 | \$68.08 | \$68.08 |

BLACKLAKE DIVISION

| SIZE OF METER | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|-------------------|----------------|----------|----------|------------|------------|
| 1 Inch or Less | \$15.09 | \$18.10 | \$22.08 | \$26.06 | \$30.75 |
| Litigation Charge | \$6.32 | \$6.32 | \$6.32 | \$6.32 | \$6.32 |
| 1 ½ Inch | \$41.73 | \$50.07 | \$61.09 | \$72.08 | \$85.06 |
| Litigation Charge | \$14.36 | \$14.36 | \$14.36 | \$14.36 | \$14.36 |
| 2 Inch | \$65.74 | \$78.89 | \$96.24 | \$113.57 | \$134.01 |
| Litigation Charge | \$19.92 | \$19.92 | \$19.92 | \$19.92 | \$14.36 |
| 3 Inch | \$121.81 | \$146.17 | \$178.33 | \$210.43 | \$248.31 |
| Litigation Charge | \$27.92 | \$27.92 | \$27.92 | \$27.92 | \$27.92 |
| 4 Inch | \$201.90 | \$242.28 | \$295.58 | \$348.78 | \$411.56 |
| Litigation Charge | \$36.00 | \$36.00 | \$36.00 | \$36.00 | \$36.00 |
| 6 Inch | \$401.93 | \$482.32 | \$588.42 | \$694.34 | \$819.32 |
| Litigation Charge | \$59.58 | \$59.58 | \$59.58 | \$59.58 | \$59.58 |
| 8 Inch | \$642.06 | \$770.48 | \$939.98 | \$1,109.18 | \$1,308.83 |
| Litigation Charge | \$68.08 | \$68.08 | \$68.08 | \$68.08 | \$68.08 |

*The above bi-monthly availability charge reflects the adjusted rate established by Ordinance 2003-95 to meet the District's financial obligations. Litigation charges off-set District financial obligations relating to the lawsuit entitled Santa Maria Valley Water Conservation District vs the City of Santa Maria, the Nipomo Community Services District, et al. When the District's financial obligation regarding this lawsuit have been satisfied, the litigation charge will be removed.

NIPOMO COMMUNITY SERVICES DISTRICT
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EXHIBIT "A" (Continued)

APPENDIX B TO CHAPTER 3.03

WATER RATES AND CHARGES

(The bi-monthly usage rates shall take effect August 1, 2005, and future increases shall take effect on January 1, of each succeeding year.)

TOWN DIVISION

RESIDENTIAL USAGE RATES

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|----------------|--------|--------|--------|--------|
| Tier 1 (0-40 Units) | \$1.12 | \$1.23 | \$1.38 | \$1.52 | \$1.64 |
| Tier 2 (> 40 Units) | \$1.91 | \$2.10 | \$2.35 | \$2.59 | \$2.80 |

TOWN DIVISION

NON-RESIDENTIAL USAGE RATES

(Multi-family, Commercial, Irrigation, Agriculture, Industry and Construction)

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------|----------------|--------|--------|--------|--------|
| All Water Use | \$1.41 | \$1.55 | \$1.74 | \$1.91 | \$2.06 |

BLACKLAKE DIVISION

RESIDENTIAL USAGE RATES

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|----------------|--------|--------|--------|--------|
| Tier 1 (0-40 Units) | \$0.97 | \$1.16 | \$1.42 | \$1.68 | \$1.98 |
| Tier 2 (> 40 Units) | \$1.70 | \$2.04 | \$2.49 | \$2.94 | \$3.47 |

BLACKLAKE DIVISION

NON-RESIDENTIAL USAGE RATES

(Multi-family, Commercial, Irrigation, Agriculture, Industry and Construction)

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------|----------------|--------|--------|--------|--------|
| All Water Use | \$1.18 | \$1.42 | \$1.73 | \$2.04 | \$2.41 |

**NIPOMO COMMUNITY SERVICES DISTRICT
ORDINANCE NO. 2005-103**

EXHIBIT "B"

APPENDIX A TO CHAPTER 4.12

BI-MONTHLY SEWER SERVICE CHARGES

(The bi-monthly sewer service charges shall take effect August 1, 2005, and future increases shall take effect on July 1 of each succeeding year.)

TOWN DIVISION

RESIDENTIAL (PER DWELLING UNIT)

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------|----------------|---------|---------|---------|---------|
| Single Family | \$41.60 | \$43.27 | \$45.00 | \$46.80 | \$48.67 |
| Multi-Family | \$32.17 | \$33.46 | \$34.80 | \$36.19 | \$37.63 |

NON-RESIDENTIAL (1)

BI-MONTHLY SERVICE CHARGE

| SIZE OF METER | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------|----------------|----------|----------|----------|----------|
| 1 Inch or Less | \$16.08 | \$16.72 | \$17.39 | \$18.09 | \$18.81 |
| 1 ½ Inch | \$46.01 | \$47.85 | \$49.77 | \$51.76 | \$53.83 |
| 2 Inch | \$72.99 | \$75.91 | \$78.95 | \$82.11 | \$85.39 |
| 3 Inch | \$135.99 | \$141.43 | \$147.09 | \$152.97 | \$159.09 |
| 4 Inch | \$225.97 | \$235.01 | \$244.41 | \$254.19 | \$264.36 |
| 6 Inch | \$450.72 | \$468.75 | \$487.50 | \$507.00 | \$527.28 |
| 8 Inch | \$720.53 | \$749.35 | \$779.32 | \$810.49 | \$842.91 |

NON-RESIDENTIAL (1) (2)

USAGE RATE

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------|----------------|--------|--------|--------|--------|
| Low Strength | \$1.22 | \$1.27 | \$1.32 | \$1.37 | \$1.43 |
| Medium Strength | \$1.35 | \$1.40 | \$1.46 | \$1.52 | \$1.58 |
| High Strength | \$1.75 | \$1.82 | \$1.89 | \$1.97 | \$2.05 |

- (1) Sewer rates for non-residential customers include a service charge based on the size of the water meter and a usage charge based on sewer strength category and metered water usage.
- (2) The District has established a category of users to determine strength of sewer discharge. Said categories of uses are for reference only and establish minimum strength standards. The District retains the discretion to assign a higher strength category to individual discharges.

**NIPOMO COMMUNITY SERVICES DISTRICT
ORDINANCE NO. 2005-103**

EXHIBIT "B" (Continued)

APPENDIX A TO CHAPTER 4.12

BI-MONTHLY SEWER SERVICE CHARGES

(The bi-monthly sewer service charges shall take effect August 1, 2005, and future increases shall take effect on July 1, of each succeeding year.)

BLACKLAKE DIVISION

RESIDENTIAL (PER DWELLING UNIT)

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------|----------------|---------|---------|---------|---------|
| Single Family | \$71.70 | \$74.56 | \$77.55 | \$80.65 | \$83.87 |
| Multi-Family | \$38.42 | \$39.96 | \$41.56 | \$43.22 | \$44.95 |

NON-RESIDENTIAL (1)

BI-MONTHLY SERVICE CHARGE

| SIZE OF METER | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|----------------|----------------|------------|------------|------------|------------|
| 1 Inch or Less | \$32.76 | \$34.07 | \$35.44 | \$36.86 | \$38.33 |
| 1 ½ Inch | \$94.24 | \$98.01 | \$101.93 | \$106.01 | \$110.25 |
| 2 Inch | \$149.66 | \$155.64 | \$161.87 | \$168.34 | \$175.08 |
| 3 Inch | \$279.05 | \$290.21 | \$301.82 | \$313.89 | \$326.45 |
| 4 Inch | \$463.85 | \$482.40 | \$501.70 | \$521.77 | \$542.64 |
| 6 Inch | \$925.45 | \$962.46 | \$1,000.96 | \$1,041.00 | \$1,082.64 |
| 8 Inch | \$1,479.58 | \$1,538.76 | \$1,600.31 | \$1,664.33 | \$1,730.90 |

NON-RESIDENTIAL (1) (2)

USAGE RATE

| | AUGUST 1, 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------|----------------|--------|--------|--------|--------|
| Low Strength | \$1.38 | \$1.44 | \$1.49 | \$1.55 | \$1.61 |
| Medium Strength | \$1.88 | \$1.96 | \$2.03 | \$2.11 | \$2.20 |
| High Strength | \$3.00 | \$3.12 | \$3.24 | \$3.37 | \$3.51 |

- (1) Sewer rates for non-residential customers include a service charge based on the size of the water meter and a usage charge based on sewer strength category and metered water usage.
- (2) The District has established a category of users to determine strength of sewer discharge. Said categories of uses are for reference only and establish minimum strength standards. The District retains the discretion to assign a higher strength category to individual discharges.

APPENDIX B

EXHIBITS SUPPORTING BUY-IN CHARGE CALCULATION

NIPOMO COMMUNITY SERVICES DISTRICT

Blacklake Water System Improvements

| Improvement | Estimated Co | BL % | BL |
|---|---------------------|--------------|------------------|
| | Cost | SHARE | COST |
| Blacklake Tank Rehabilitation | \$150,000 | 15 | \$22,500 |
| Interior Coating | \$130,000 | | |
| Exterior Coating | \$20,000 | | |
| Misty Glen Interconnect | \$30,000 | 100 | \$30,000 |
| 85 LF 8 inch pipe | \$12,000 | | |
| Pressure Reducing Station | \$18,000 | | |
| Augusta Drive Interconnect (Assuming pipe installed in Pomeroy) | \$21,000 | 100 | \$21,000 |
| 20 LF 8-inch pipe | \$3,000 | | |
| Pressure Reducing Station | \$18,000 | | |
| Improvement Cost Subtotal | \$201,000 | | \$73,500 |
| 30% Contingency (Engineering, Construction Management, and Construction Contingency) | \$60,300 | | \$22,050 |
| Improvement Cost Total | \$261,300 | | \$95,550 |
| CONTRIBUTION TO OPERATING RESERVES - Committee | \$182,192 | 100 | \$182,192 |
| TOTAL (IMPROVEMNET COST AND RESERVES) | | | \$277,742 |
| Surcharge per Equivalent 1" Meter | | | \$436.70 |

CALCULATION OF BL RESERVE CONTRIBUTION - COMMITTEE RECOMMENDATION

| ITEM | AMOUNT |
|---|-------------|
| Town Projected 06-09 Reserves | \$1,372,650 |
| BL Projected 06-09 Reserves | \$60,040 |
| 85% - 15% Split | |
| Divide Town Reserves by .85 to get total reserves | |
| Total for split | \$1,614,882 |
| Subtract Town Reserves to get total BL Contribution | |
| Total BL Contribution | \$242,232 |
| Subtract \$60,040 available | |
| Additional BL Reserve | \$182,192 |