

TO: BOARD OF DIRECTORS

REVIEWED: MARIO IGLESIAS
GENERAL MANAGER



FROM: JESSICA MATSON
PUBLIC INFORMATION
DIRECTOR

DATE: SEPTEMBER 8, 2016

**AGENDA ITEM
E-1
SEPTEMBER 14, 2016**

**CONSIDER GRANT REQUEST FROM NIPOMO CHAMBER OF
COMMERCE IN AMOUNT OF \$1,980 FOR SOLID WASTE REMOVAL**

ITEM

Nipomo Chamber of Commerce is requesting a grant in the amount of \$1,980 to provide clean up of solid waste in the Nipomo area. [RECOMMEND CONSIDER GRANT REQUEST AND DIRECT STAFF]

BACKGROUND

The Nipomo Chamber of Commerce is requesting a grant to fund Cal Trans Adopt a Highway program along CA Highway 101 one mile north and one mile south of Tefft Street.

The Chamber is requesting twelve months of program funding at a cost of \$1,980 (\$165 per month). Chamber Representative Mr. Richard Malvarose will present the attached proposal and answer questions from your Board.

The Chamber is currently in the application process with the Department of Transportation to add the District's logo to the Adopt-a-Highway sign.

FISCAL IMPACT

Funding is available in Solid Waste Fund #300 of the approved Fiscal Year 2016-2017 Budget.

STRATEGIC PLAN

Goal 8. Additional Community Services.

Staff should focus on meeting the goals and objectives of existing services. Adding new services will be considered on a case-by-case basis and entered into only if funding can be found and existing services are not harmed.

- 8.3 Solid Waste. Seek to maximize solid waste services for community and build understanding of services like hazardous waste, recycling, etc. and District's role.

RECOMMENDATION

Receive presentation, consider grant request. If desired, approve grant request by motion and roll call vote. Should your Board desire to approve grant request, direct staff to execute a Grant Agreement with Nipomo Chamber of Commerce for not to exceed \$2,000.

ATTACHMENT

- A. July 27, 2016 Nipomo Chamber of Commerce Grant Request
- B. Proposed Adopt-a-Highway signage

September 14, 2016

ITEM E-1

ATTACHMENT A



July 27, 2016

To: Nipomo Community Services District

Re: Adopt-a-Highway Solid Waste Removal Proposal

Dear NCSD Board & Staff,

The Nipomo Chamber of Commerce has been working with the NCSD for over three years now to partner in the removal of solid waste from the streets of our community. The NCSD's generous grant has created a considerable difference in the beautification of our town and we continue to work to provide the recognition and acknowledgement the NCSD deserves for supporting these efforts.

The Nipomo Chamber has been maintaining a 2 mile stretch of Highway 101 through Cal Trans' Adopt-a-Highway program for the last two years with funding provided through the NCSD. For \$150 per month Ocean Breeze will continue to provide Solid Waste Removal services for this 2 mile stretch of highway beginning just north of the Santa Maria Bridge and ending just south of Tefft St.

The Nipomo Chamber of Commerce would like to request an additional year of funding in the amount of \$1,980 (this amount includes a 10% administration fee) to cover the months of August, 2015 – July, 2016. Thank you for your consideration.

Amber Wilson
Executive Director
Nipomo Chamber of Commerce

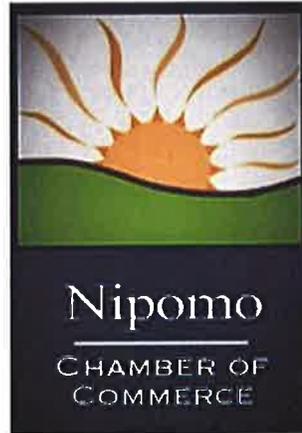
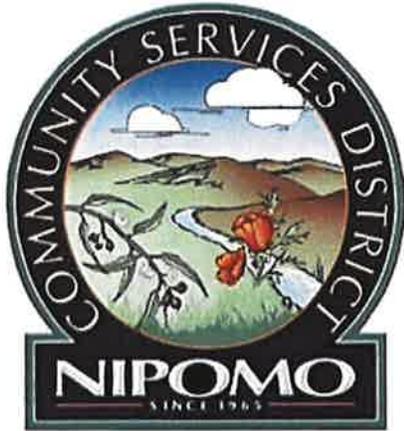
September 14, 2016

ITEM E-1

ATTACHMENT B



ADOPT-A-HIGHWAY



TO: BOARD OF DIRECTORS
FROM: MARIO E. IGLESIAS
GENERAL MANAGER
DATE: SEPTEMBER 8, 2016



**AGENDA ITEM
E-2
SEPTEMBER 14, 2016**

AUTHORIZE REQUEST FOR WATER FUND RATE STUDY

ITEM

Consider draft Request for Proposal(s) for a water fund rate study and determine the process for selecting a rate consultant [RECOMMEND CONSIDER DRAFT REQUEST, AMEND AS NECESSARY, AND DIRECT AND AUTHORIZE STAFF TO CIRCULATE THE REQUEST FOR PROPOSALS].

BACKGROUND

Rates are necessary to support the continued operation and maintenance of the water supply system. Periodic reviews of rate charges ensure the financial stability of the Water Fund. The draft Request for Proposal(s) is intended to result in a comprehensive study that evaluates future financial needs of the Water Fund.

The District completed a five-year Water Fund Rate Study ("Rate Study") in Fiscal Year 2010 that projected financial needs of the Water Fund through Fiscal Year 2015. The final rate adjustment for the 2010 Rate Study went into effect on November 1, 2015.

In 2014, your Board completed a supplemental rate study for the Water Fund for the purpose of (1) reviewing the fiscal trajectory for the remaining two years of the 2010 Rate Study, (2) developing a fixed and variable rate structure for the Supplemental Water Supply scheduled to begin importing in July of 2015.

Since the last rate studies, significant events have affected the environment the District operates in so it is appropriate to conduct a rate study. A recent court case challenging tiered rate models could affect the District's rate structure designed to recover the cost of water service. In addition, extended drought conditions in California caused regulatory agencies to mandate water conservation measures, driving down projected water demand and ultimately water revenues.

Increased costs for imported water and the need to maximize the use of this water resource to meet regulatory requirements will continue to put pressure on the cost of water service in the community. These and other factors affect the cost of providing a safe, healthy, and reliable water supply and need to be studied so the District can assure the public that sufficient resources are available to maintain the standard of service necessary to meet regulatory requirements and customer expectations.

The 2010 and 2014 rate studies were completed by Tuckfield & Associates. Your Board was satisfied with the product this financial consultant provided. Your Board has the discretion to sole source professional services including financial consultation services. There is a degree of efficiency when working with the consultant that has developed rate models for the District and can updated rather than create the model. Your Board could decide to extend your search for a financial consultant to undertake the work. It is anticipated that the effort to secure a financial consultant through the Request for Proposal ("RFP") process would add 60 days to the selection process. Choosing sole source or RFP are options available to your Board.

FISCAL IMPACT

Budgeted staff time to prepare these agenda materials. Funds for preparation of the report by a consultant are included in the Water Fund 2015-2016 professional services budget.

STRATEGIC PLAN

Strategic Plan Goal 6.1 – Operate all enterprise funds to be financially sound.

RECOMMENDATION

Consider draft request, amend as necessary and by motion and roll call vote, approve and authorize staff to circulate the request for proposal(s) to one or more financial consulting firms.

ATTACHMENT

- A. Draft Request for Proposal(s)

September 14, 2016

ITEM E-2

ATTACHMENT A

NIPOMO COMMUNITY

BOARD MEMBERS

CRAIG ARMSTRONG, PRESIDENT
DAN GADDIS, VICE PRESIDENT
ED EBY, DIRECTOR
BOB BLAIR, DIRECTOR
DAN WOODSON, DIRECTOR



Serving the Community Since 1965

SERVICES DISTRICT

STAFF

MARIO E. IGLESIAS, GENERAL MANAGER
LISA BOGNUDA, FINANCE DIRECTOR
PETER SEVCIK, P.E., DIRECTOR OF ENG & OPS
MIKE SEITZ, GENERAL COUNSEL

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

September 2016

SUBJECT: REQUEST FOR PROPOSAL FOR WATER RATE STUDY

Dear Consultant;

The purpose of this Request for Proposal (RFP) is to obtain the services of a qualified rate practitioner to complete a Water Rate Study and Water Capacity Study for the District's Water Enterprise. Nipomo Community Services District ("NCSD") is interested in retaining a firm to complete the Scope of Services as expressed below. Please complete the attached Quote Sheet and submit it to our office by _____, 2016.

SCOPE OF SERVICES

The anticipated basic Scope of Services will include, but are not limited to the following:

A. Basic Study Objectives

1. Develop a fair and equitable water rate structure that will allow the District to meet its financial, contractual, and legal obligations, while ensuring long-term financial stability of the Water Fund.
2. Study must support a rate structure that will meet the requirements of Proposition 218 rate setting.
3. Analyze methods of integrating cost of Santa Maria water into District rate structure and billing.
4. Assess the equity of recommended water rates for all types of property ownership to include residential, multi-family, commercial, irrigation, agriculture, fire standby charge, and construction uses.
5. Assess the sensitivity of the interaction between water conservation elements of the recommended tiered rate structures and their impacts on the ability to fund water operations as well as their impact on the economic well-being of the community.
6. Assess the impact of mandatory groundwater production limitations and recommend methods to address and mitigate these impacts.

B. Study Requirements

1. The tiered rate structures shall take into consideration recent court actions and be based on cost of service.

2. The rate structure shall treat cost of Santa Maria water as a 'pass-through' cost or otherwise avoid triggering a Proposition 218 rate increase process when the City's rates are increased.
3. The recommended rate structure shall be based on cost of service and shall be sufficient to meet the short and long-term revenue requirements of the District's Water Fund.
4. The rate study shall recommend rates that consider and make provision for the following factors:
 - a) Current and future cost of providing water in accordance with established and anticipated standards, regulations, and court orders
 - b) Projected demands, while considering goal of water conservation
 - c) Mandatory 30% and 40% reduction in groundwater production June – September
 - d) Age and condition of water system and the need to fund long-term capital improvement/replacements of infrastructure
 - e) Funding requirements for all current debt service obligations
 - f) Rate stability in lowest rate Tier
5. The recommended rate structures shall provide direct identification of revenues appropriated for major funded activities and infrastructure such as:
 - a) Operation & Maintenance (O & M) expenses
 - b) Capital and Replacement expenses
 - c) Bond coverage requirements
 - d) Water purchase from outside sources
6. Analyze and develop a recommendation for establishing a rate for selling imported water in accordance with the Court ordered Stipulation. The rate must recover the District's full cost of delivering the imported water and consider two scenarios:
 - a. 'wet' water is delivered to the stipulating customer; and
 - b. Stipulating customer does not receive wet water and only pays cost of water delivery to Nipomo Mesa in accordance with the Stipulation
7. Analyze and develop a recommendation regarding what level of adequate reserves (including funded replacement and rate stabilization) would be necessary to meet the District's needs. Discuss and compare recommendation for reserves to the District's current reserve policy for the Fund.
8. Assess existing customer service fee structure and identify other potential areas for service and system charges (including, but not limited to water shut-offs, back-flow devices, meter set fees, after-hours calls, etc.).
9. Other impacts as identified.
10. Any recommended rate structure or rate model should take into consideration the ease of administration and understanding by the rate payers.
11. Any proposed water fees and charges schedule must consider the District's utility billing system capabilities.

12. It is of the utmost importance that the study methodology be fully transparent, understandable by the general public.

C. Study Elements

In making its rate structure recommendations, the Final Report shall explicitly include the following elements:

1. **Current Rate Structure:** Assess the current rate structure's performance as a baseline for comparing recommend changes.
2. **Equity:** Assess the equity of recommended water rates for all types of property ownership within the District.
3. **Conservation Impacts:** Assess interaction between water conservation elements of the recommended rate structure and their impacts on the ability to fund water operations.
4. **Sensitivity Analysis:** Assess the ability of the revenue stream generated by the recommended rate structures to continue to fully fund water system costs and other costs under the impacts of future standards, regulations and court orders. Assessment to include a sensitivity analysis where the long-term revenue generated under each alternative as well as the current rate structure shall be illustrated when confronted with the impacts of growth, drought, extreme rain, and mandated requirements.
5. **Impact of Other Costs:** Assess impacts on recommended rate structures due to the purchase of water from the City of Santa Maria pursuant to the Wholesale Water Agreement.
6. **Comprehensive Summary of Recommended Rate Structure:** Assess performance of each studied rate structure against current rate structure performance as baseline and provide recommendation on preferred five-year rate structure.
7. **Supporting Data:** Provide data supporting conclusions and observations made for each of the areas above and site within study.
8. Provide a comparison of current water system costs (operations, capital, and bonded debt) against appropriate industry benchmarks.
9. Provide a calculation of the bi-monthly water bill for the average District customer, customers who use half the average, and customers who use twice the average (as determined by water consumption) for each rate structure included in the analysis.
10. Provide a comparison of applicable San Luis Obispo County and Santa Barbara County water agencies (public and private) water rates. Include in the comparison a sampling of water rates of other California water agencies that are similar in size to the District.
11. Provide an easy-to-use electronic rate model for the District's use.
12. It is of the utmost importance that the study methodology be fully transparent; understandable by the general public.

SERVICES TO BE PROVIDED BY THE CONSULTANT

1. Meet and confer with Staff to discuss the Scope of Work and background information, and gain a general familiarity with the District.
2. Conduct analyses as required to address the Scope of Work.
3. Work Product #1 (electronic format acceptable):

- a. Water Rate Study - List plan assumptions and five year projections of revenue requirements to meet operations and maintenance, capital investment, funded replacement, debt service and reserve requirements
4. Work Product #2 (electronic format acceptable):
 - a. Water Rate Study-Proposed water rate structures, including two alternative rate structures for each classification of customer
 - b. Propose method for equitably and efficiently assessing cost of imported water
 - c. Participate in Board Meeting prior to preparing Work Product #3
5. Work Product #3 (electronic format and 10 copies):
 - a. Administrative Draft Comprehensive Water Rate Study projecting new rates and charges
 - b. Participate in up to two public meetings to present and discuss Administrative Draft Study
6. Work Product #4 (electronic format and 10 copies):
 - a. Draft Final Report
 - b. Participate in up to two Board Meetings to finalize report
7. Work Product #5 (electronic format and 10 copies):
 - a. Edit and review draft and publish approved Report
 - b. Assist in drafting Proposition 218 Notice
 - c. Participate in up to two meetings regarding Proposition 218 consideration

SERVICES TO BE PROVIDED BY THE DISTRICT

1. Furnish all reasonably available records and information, including financial reports, budgets, water production and consumption data, water purchase agreements and related court orders, in a timely manner.
2. Provide staff support and assistance as required to advance completion of Report.

PROPOSAL REQUIREMENTS

1. Proposal Due Date

Please submit two copies and one electronic format of your firm's proposal no later than 3:00 p.m. on Friday _____, 2016 at the District's Office located at 148 South Wilson, Nipomo, CA 93444.

2. Inquiries

Inquiries concerning the request for proposal should be made to:

Lisa Bognuda, Finance Director
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444
lbognuda@ncsd.ca.gov

805-929-1133

3. Proposal Submission and Content

The Proposal shall include, as a minimum, the following:

- a) Transmittal Letter, including a brief statement of understanding of the scope of services to be performed, a commitment to perform the services specified within this RFP and the name of the persons authorized to represent the proposing firm.
- b) Profile of the Proposing Firm including background information such as firm size, client base and firms capability to perform analysis and services as outlined in Scope of Work as well as provide the names and telephone numbers of three (3) clients for whom your firm has performed similar services.
- c) Work Plan and Schedule – The work plan shall include time estimated for each phase of the work outlined above.
- d) Compensation. Estimate the total hours and estimated out-of-pocket costs anticipated to achieve the Scope of Work. Submit an all-inclusive maximum fee with subtotal by Work Product. Include a schedule of professional fees and expenses by staff level that support the total all-inclusive fees.

EVALUATION AND SELECTION PROCESS

The District will review your firm's proposals the week of _____, 2016. The Board is scheduled to make a determination on the adequacy of your proposal at its _____, 2016 meeting.

The proposals will be evaluated on the following:

1. Responsiveness to Request for Proposal
2. Experience of the team
3. Qualifications of personnel
4. Cost including fees and reimbursables (Not-to-Exceed Expenditure Limits)

This is a time-sensitive project.

The District reserves the right to reject any and all submittals and/or solicit new proposals at its discretion. The submitter retains no interest in the proposal once received by the District. Proposers are responsible for all costs associated with the proposal.

Consultant will be required to enter into the District's standard Professional Services Agreement (sample attached).

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

Lisa S. Bognuda
Finance Director

NIPOMO COMMUNITY

BOARD MEMBERS

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WATER RATE AND WATER CAPACITY STUDY QUOTE SHEET

Date _____

Name of Firm _____

Work Product #1 cost \$ _____

Work Product #2 cost \$ _____

Work Product #3 cost \$ _____

Work Product #4 cost \$ _____

Work Product #5 cost \$ _____

Contract Price, including reimbursables (Not-to-Exceed) \$ _____

(Note: The cost breakdown by Work Product is meant to provide insight to proposal reviewers on the time allotted for each Work Product. The total contract price is the only set 'Not-to-exceed' value.)

Signature of Principal Authorized to sign for Firm

Date

This quote shall be valid for 90 days from the date of Signature

TO: BOARD OF DIRECTORS
REVIEWED: MARIO IGLESIAS 
GENERAL MANAGER
FROM: PETER V. SEVCIK, P.E. 
DIRECTOR OF
ENGINEERING & OPERATIONS
DATE: SEPTEMBER 7, 2016

AGENDA ITEM
E-3
SEPTEMBER 14, 2016

SUPPLEMENTAL WATER PROJECT FUTURE PHASING

ITEM

Review future phasing for Supplemental Water Project [RECEIVE REPORT, CONSIDER FINDINGS, AND PROVIDE DIRECTION TO STAFF].

BACKGROUND

The Nipomo Supplemental Water Project (Project) delivers water purchased by the District from the City of Santa Maria and allows the District to reduce pumping from existing wells to slow the depletion of groundwater and reduce the potential for seawater intrusion on the Nipomo Mesa. The Project also increases the reliability of the District water supply by providing an additional source other than groundwater. The Project is consistent with the settlement agreement and the judgment related to the groundwater adjudication of the Santa Maria Groundwater Basin. The Project was originally designed to deliver 3000 AFY. Subsequently, the design was evaluated and modified in 2012 to allow for phased construction to reduce the initial capital cost of the project.

Supplemental Water Project Phase 1 interconnected the District water distribution system with the City of Santa Maria water distribution system. The Project consisted of approximately 7600 lineal feet of 24 inch diameter ductile iron pipe (DIP) waterline, 2600 lineal feet of 24 inch nominal inside diameter high-density polyethylene (HDPE) pipe under the Santa Maria River, a flow meter and flow control station, the Joshua Road Pump Station, a 400 gallon per minute (gpm) pump station with two (2) pumps, a chloramination system, and related power, back-up power, controls and instrumentation systems, a pressure reducing station, and chloramination systems at five (5) existing District production wells. Construction of Phase 1 was authorized by the Board in June 2013 and completed in July 2016.

Supplemental Water Project Phase 2A, Joshua Road Pump Station Reservoir, is currently under construction and will consist of a 500,000 gallon partially-buried concrete reservoir at the Joshua Road Pump Station along with the related piping, electrical, instrumentation, grading, and landscape improvements. The project will increase delivery capacity to at least 800 AFY and provide operational flexibility. The Scheduled completion date is currently January 2017.

The District contracted with Michael K. Nunley & Associates (MKN) to review the performance of Phase 1 of the project, update the District's hydraulic model of the water system based on the project facilities constructed, and review the phasing for future phases taking into account the supplemental water delivery schedule based on the Wholesale Water Agreement with the City of Santa Maria. A summary of the delivery schedule is as follows:

GPM	AFY	Delivery Year
400	645	7/1/2015
496	800	7/1/2016
620	1,000	7/1/2020
1,550	2,500	7/1/2025
1,860	3,000	Maximum Capacity

MKN will provide a presentation regarding their findings and provide recommendations on how the future phases of work can be constructed to reduce overall project costs while at the same time ensuring that the District can meet the delivery schedule set forth in the City of Santa Maria Wholesale Water Agreement.

FISCAL IMPACT

The estimated construction cost for future phases of the Supplemental Water Project is currently expected to be in the range of \$4.5 million based on MKN's findings. The estimated cost of the 2012 Phasing plan was \$7.4 million. A funding plan for future phases of the project has yet to be developed.

STRATEGIC PLAN

Goal 1 – WATER SUPPLY – Actively plan to provide reliable water supply of sufficient quality and quantity to serve both current customers and those in the long-term future.

RECOMMENDATION

Staff recommends that the Board receive the report, consider the findings and provide direction to staff.

ATTACHMENTS

- A. MKN Supplemental Water Project Phasing Presentation

September 14, 2016

ITEM E-3

ATTACHMENT A

Board Presentation

Nipomo Community Services District
Supplemental Water Project - Phasing

September 14, 2016



mkn

AGENDA

- 1 Original Supplemental Water Project
- 2 Phasing Plan
- 3 Accomplishments to Date
- 4 Revised Phasing Plan
- 5 Capital Cost Opinions

mkn

Original Supplemental Water Project

- Original Phased Cost Opinion
 - \$33.7M with Contingencies
- Project was phased
- Phase 1 project funded with grant, reserves, and 2013 Certificates of Participation (user rates)



Original Supplemental Water Project Phases

Component	Phase 1 (645 AFY)	Phase 2 (1000 AFY)	Phase 3 (3000 AFY)
In-District Pipelines	<ul style="list-style-type: none"> • River Crossing • 1 PRV Station 	<ul style="list-style-type: none"> • 6,000 LF Orchard 	<ul style="list-style-type: none"> • 12,000 LF Southland, Frontage, Story, and Oakglen • 4 PRV Stations
Blosser Road Waterline	<ul style="list-style-type: none"> • 18-Inch Water Main and Flow Control Valve 	--	--
Pumps/Mechanical	<ul style="list-style-type: none"> • Joshua Road Pump Station (2 Pumps) • Chloramination Systems at 4 Wells 	<ul style="list-style-type: none"> • 0.5 MG Reservoir • 3 Larger Pumps 	<ul style="list-style-type: none"> • 4th Larger Pump



Recent System Testing and Optimization

- Existing pumps operating consistently from Santa Maria pressure
- Phase I was designed conservatively
- District increased speed and flow and found they could deliver up to 620 gpm (800 – 1000 AFY) with existing pumps
- Hydraulic modeling and field tests were conducted to develop less expensive phasing plan

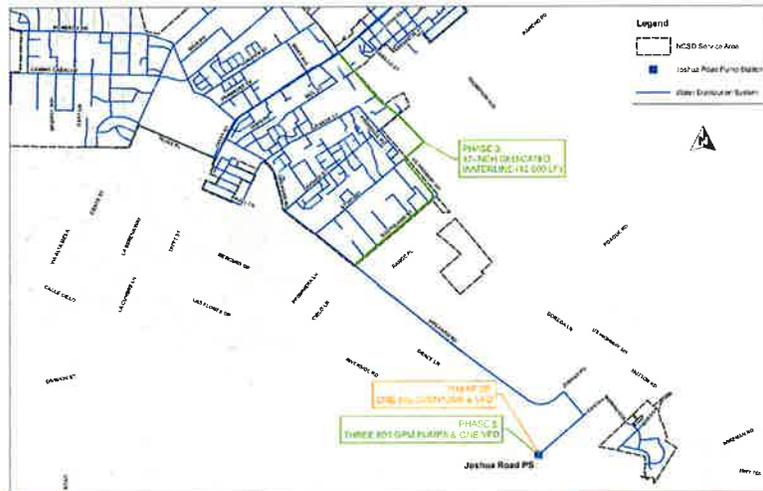


Revised Phasing Plan

Component	Phase 2A (800 AFY)	Phase 2B (1000 AFY)	Phase 3 (3000 AFY)
In-District Pipelines	--	--	12,000 LF on Southland, Darby (HWY 101), and Oakglen
Pumps/Mechanical	Reservoir (Funded – Under Construction)	Pump 3 (800 gpm) at Joshua Road Pump Station	Three Pumps (800 gpm ea)



Map – Revised Phasing Plan



Cost Comparison (\$3.5M Total Reduction)

Component	Phase 2B (1000 AFY)	Phase 3 (3000 AFY)	Total
Original Phasing Plan	\$2.4 M	\$5.0M	\$7.4M
Revised Phasing Plan	\$0.3M	\$4.2M	\$4.5M

- Original Cost Opinion - \$33.7M
- Revised Cost Opinion - \$30.2M
 - Spent to Date: \$22.3M (\$0.4M Reduction)
 - Phase 2A (Reservoir): \$ 3.4M (\$0.2M Reduction)
 - Revised Phases 2B and 3: \$ 4.5M (\$2.9M Reduction)

