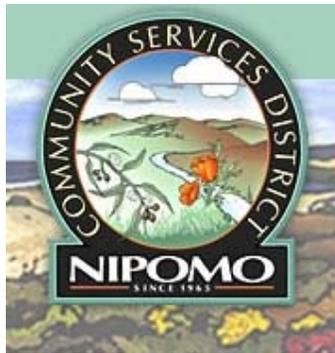


ADOPTED
SPHERE OF INFLUENCE UPDATE
AND
MUNICIPAL SERVICE REVIEW
NIPOMO COMMUNITY SERVICES DISTRICT



PREPARED BY:
SAN LUIS OBISPO
LOCAL AGENCY FORMATION COMMISSION
JULY 2010

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CHAPTER 1

NIPOMO COMMUNITY SERVICES DISTRICT

INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) requires the Local Agency Formation Commission (LAFCO) to update the Spheres of Influence (SOI) for jurisdictions subject to LAFCO every five years. The law also calls for a Municipal Service Review to be prepared to assist LAFCO in making decisions about the SOI. A Sphere of Influence is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality...". A SOI is generally considered to be a 20-year potential growth boundary for a jurisdiction. The previous SOI Update and Municipal Service Review was approved by LAFCO in May 2004 along with a Program Environmental Impact Report. This document is an update of the May 2004 Sphere of Influence Update and Municipal Service Review based on information provided by the Nipomo Community Services District and other sources.

The fundamental role of the Local Agency Formation Commission, LAFCO, is to implement the CKH Act, consistent with local conditions and circumstances. LAFCO's decisions are guided by the CKH Act, found in Government Code 56000, et seq. The major goals of LAFCO as established by the CKH Act include:

1. To encourage orderly growth and development which are essential to the social, fiscal, and economic well being of the state;
2. To promote orderly development by encouraging the logical formation and determination of boundaries and working to provide housing for families of all incomes;
3. To discourage urban sprawl;
4. To preserve open-space and prime agricultural lands by guiding development in a manner that minimizes resource loss;
5. To exercise its authority to ensure that affected populations receive efficient governmental services;

6. To promote logical formation and boundary modifications that direct the burdens and benefits of additional growth to those local agencies that are best suited to provide necessary services and housing;
7. To make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies and to shape their development so as to advantageously provide for the present and future needs of each county and its communities;
8. To establish priorities by assessing and balancing total community services needs with financial resources available to secure and provide community services and to encourage government structures that reflect local circumstances, conditions and financial resources;
9. To determine whether new or existing agencies can feasibly provide needed services in a more efficient or accountable manner and, where deemed necessary, consider reorganization with other single purpose agencies that provide related services;
10. To update SOIs every five years or as necessary; and
11. To prepare a Municipal Service Review prior to, or in conjunction with, SOI updates or the creation of new SOIs.

Municipal Service Review

A SOI is generally considered to be a possible future growth boundary for a jurisdiction over the next 20 years. The Municipal Service Review (MSR) is used to help determine the Sphere of Influence and the jurisdiction's ability to provide services to an expanded area or, in some cases, a reduced SOI area. The MSR is an informational document and is intended to assist LAFCO in determining the Sphere of Influence for a jurisdiction. The MSR is not a detailed audit of a jurisdiction's operations or financial status, nor is it intended to be used as such. The Service Review is a summary-level analysis of information provided by the District to LAFCO. LAFCO Staff reviews the various information provided by the NCSD and other sources. Administrative and organizational information is collected and evaluated. Based on this review, a recommendation regarding the Sphere of Influence is submitted to the Commission for consideration. In order to complete this analysis LAFCO also uses Independent Annual Audit Reports submitted to the County Auditor-Controller's Office pursuant to state law, original formation filing documents, State Controllers Special Districts Annual Financial Reports, and information from various websites. The entire list of references is included at the end of this document.

The Municipal Service Review for the Nipomo Community Services District is prepared in accordance with Section 56430 of the California Government Code. This code section was updated in 2008 to include six factors instead of the original nine factors. The updated Service Review contains information and written determinations that address the following six factors:

1. Growth and Population projections for the affected area;
2. Present and planned capacity of public facilities and adequacy of public services including infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunity for, shared facilities;
5. Accountability for community service needs including governmental structure and operational efficiencies;
6. Any other matter related to effective or efficient service delivery, as required by commission policy.

San Luis Obispo LAFCO works cooperatively with the variety of stakeholders involved in preparing a Service Review. Significant proposals such as Land Use Ordinance Amendments, water master plans, annexations, the EIR for the water pipeline project, are used to compile the information needed for a Service Review. The NCSD provides water, sewer, solid waste, street lighting, drainage (maintains a small number of drainage basins), and street landscape maintenance to areas within its service boundary. The Service Review summarizes the District's capability to provide services to existing and future residents.

Service Review and Sphere of Influence Update Process

The CKH Act calls for the Service Review to be completed either prior to or concurrent with the Sphere of Influence Update. The Service Review will be used as an information base to update the District's SOI if needed and provides a basis for the public, District, County, and LAFCO to discuss changes to the SOI. The process for updating the Sphere of Influence includes several steps:

1. Gathering information and data to prepare the needed documents;
2. Preparation of a Draft Sphere of Influence Update and Municipal Service Review;
3. Preparation of California Environmental Quality Act (CEQA) documentation;
4. Public Review period for documents (usually 30-60 days);

5. LAFCO approval of the Sphere of Influence Update, Municipal Service Review and environmental review documentation.

Executive Summary

The analysis in the Sphere of Influence Update and Municipal Service Review chapters that follow evaluates issues and addresses the factors unique to LAFCO's role and decision-making authority under the Cortese-Knox-Hertzberg Act. In the previous update, which added over 5,000 acres to the District's SOI, the NCSO provided LAFCO with a map suggesting that a particular area be considered for its Sphere of Influence (SOI). LAFCO staff divided the area on the map into eight Study Areas to evaluate the various locations. The Sphere of Influence/Municipal Service Review/Program EIR were adopted by LAFCO in May 2004 and included a number of conditions of approval that would need to be complied with prior to an annexation to the District being approved by LAFCO. These conditions are described in Chapter Two of this document and are largely related to the provision of an adequate water supply. Figure 1:1 shows the recommended Sphere of Influence.

It is important that references to the District, the greater Nipomo community, and the Nipomo Mesa area are clearly understood. The District's Service Area includes the town of Nipomo, Summit Station, Black Lake Area, and other areas as shown in Figure 1:1. The Nipomo Mesa is a much larger geographic area than the District. Located in the southern portion of San Luis Obispo County the Mesa is south of the City of Arroyo Grande and consists of Nipomo, one of the 10 unincorporated urban areas, and the unincorporated rural Nipomo Mesa area. Together, the area has seen the highest growth rate of any unincorporated area of the County for the past decade. The Nipomo Mesa Water Conservation Area was created by the County as part of the water conservation ordinance §3090 adopted by the County. Additionally, there is now the Nipomo Mesa Management Area (NMMA) which was defined through the groundwater adjudication process. Water has been and continues to be the focus of many discussions in the Nipomo Area.

The supplemental water project envisioned with the City of Santa Maria has evolved over the years. The project's March 2009, Final EIR has been certified. The EIR addresses a project that will import up to 6,200 acre-feet of water per year. The project currently underway is to design and build facilities capable of importing up to 3,000 acre-feet of water annually. A subsequent phase of the project may be undertaken in the future to expand

capacity. The project has several steps to be completed, including approval of a property tax assessment by property owners, if it is to move forward.

The January 5, 2010 Wholesale Water Supply Agreement between the District and City of Santa Maria is an executed document that specifies the conditions under which the City will sell up to 3,000 acre-feet of water annually to the District.

County Ordinance §3090 defines the Nipomo Mesa Conservation Area and places restrictions on new growth and general plan amendments in the Conservation Area. The restrictions are linked to development of supplemental water resources for the area.

There are four other large water suppliers in the area and numerous small private water companies. The District is the only public water purveyor operating on the Nipomo Mesa and as such, the only purveyor subject to Commission municipal services review. The District is actively pursuing water conservation, basin management, and new source development.

The following table shows the LAFCO actions that have taken place since the update of the Sphere of Influence in 2004:

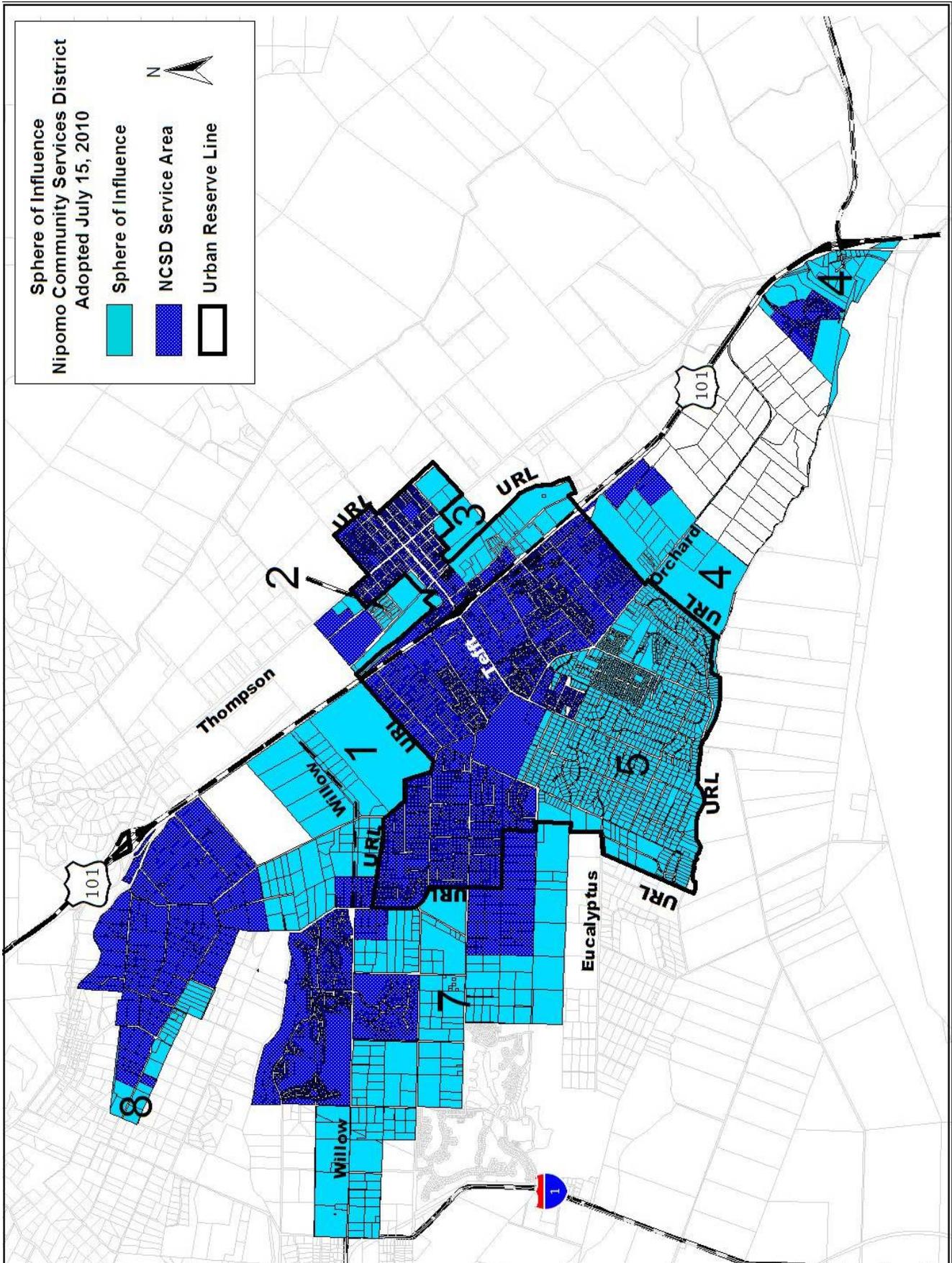
Table 1:1 - LAFCO Actions since May 2004

Date	Action	LAFCO File No	Proposal	Acres
01/26/07	Outside	1-O-07	Outside User Agreement - Holloway	21
01/10/06	Anx	1-R-06	Anx #27 Holloway - conditional approval 06/15/06	
05/21/07	Outside	2-O-07	Outside User Agreement - Craig	19.98
09/15/06	Anx	6-R-06	Anx #28 Craig - conditional approval 06/21/07	
01/20/05	Detach	1-R-05	Detachment #2 Gascho-approved 04/27/05	10.00
04/04/04	Anx	4-R-04	Anx #26 - Patterson-approved 8/02/04	5.19
07/18/03	Anx	7-R-03	Anx #25 - Robertson-approved 8/02/04	56.74

The Patterson and Robertson annexations were considered part of the 2004 SOI Update. The Craig and Holloway annexations are subject to District compliance with the three water Conditions of Approval placed on the Sphere of Influence for annexations. These annexations have been approved but the conditions of approval have yet to be complied with by the District. The outside user agreements are intended to be used by the property owners as a way to comply with the County Tract Map conditions of approval regarding water supply.

The District is continuing to work on complying with the Conditions of Approval regarding water resources. To that end the NCSD has certified an Environmental Impact Report (EIR) that addresses the impacts of constructing a pipeline from Santa Maria to the District. The pipeline would carry water for existing customers within the District in its first and second phases of development. The first phase would bring in 2,500 afy and is required by the stipulated court agreement. The second would supply 500 af for development within the existing boundary. The District and City of Santa Maria have negotiated a water supply agreement. The NCSD has also hired a water conservation coordinator/specialist to implement a water conservation program. The program is described in further detail in Chapter Three-MSR.

Figure 1:1 - Sphere of Influence



Chapter Two is the **Sphere of Influence Update** and discusses past LAFCO actions, possible future actions, and other proposals that may affect the District's Sphere of Influence. This Chapter also includes maps showing the existing SOI and summarizing current land use activities. It also provides information that could be used to adjust the SOI should the Commission desire to do so. The following determinations required by the Cortese-Knox-Hertzberg Act are found in Chapter Two:

- **Present and Planned Land Use**

The present land use in the Sphere of Influence Area includes a variety of land uses as described in Chapter Two. The land use designations (zoning) found in the County's General Plan include Agriculture, Rural Lands, Residential Rural, Residential Suburban, Residential Single Family, and Recreation. The present and planned land use is also addressed in Chapter 2-Sphere of Influence Update. Based on the information contained in the Municipal Service Review Chapter and the County's General Plan, the District's Sphere of Influence should be modified in the areas recommended. Area Four, the southern area along Orchard Road should be considered for exclusion from the SOI because an estimated 800 acres of it is being used for high-yield strawberry farming and is considered prime agricultural land as defined in the Cortese-Knox-Hertzberg Act. Since 2004, the number of acres being farmed for strawberries has increased in this area. The area adjacent to Southland Street is proposed for future development under the County's General Plan; however, no other development has been proposed in the balance of the area. The Maria Vista development located in this area has not sold its units due a variety of economic and legal reasons. The agricultural parcel on the Northern end of Area One should be removed from the SOI because it is under Williamson Act contract and the CKH Act calls for this type of land to be excluded from SOIs.

- **Present and Probable Need for Public Services**

The present need for public services varies from area-to-area in Nipomo. A discussion of the present and probable need for public services for each area can be found in Chapter 2 the Sphere of Influence Update.

- **Social and Economic Communities of Interest**

The community of Nipomo has a variety of social and economic communities of interest, including numerous businesses, schools, churches, service clubs, public sector facilities, and other community services. If the SOI is managed pursuant to the policies of the District,

County, and LAFCO, the development of these areas should result in a net benefit to the social and economic communities of interest. Increased population would likely cause a more vigorous social and economic community.

Chapter Three is the **Municipal Service Review** for the NCSD and addresses the six factors required by the CKH Act. The District has continued to progress in its organizational and administrative capabilities. The evidence for this is found in the various issues that the NCSD addresses. The key issue remains the availability of a future water supply to serve the District's expanded Sphere of Influence. Chapter Three reviews recently completed studies and plans regarding water resources and the District's future water supply. Chapter Three is organized to address the six LAFCO factors required by the CKH Act:

1. Growth and Population projections for the affected area;
2. Present and planned capacity of public facilities and adequacy of public services including infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunity for, shared facilities;
5. Accountability for community service needs including governmental structure and operational efficiencies;
6. Any other matter related to effective or efficient service delivery, as required by commission policy.

The District has submitted a variety of information to help prepare the Municipal Service Review, including:

- Annual Budgets for 3 years
- Urban Water Mgt. Plan
- Rate Studies
- Financial Status Reports
- Capital Improvement Plans
- Water Resource Studies
- Project EIR-Water Intertie

Summary

The overall finding of the Sphere of Influence Update and Municipal Service Review is that the District is a well-managed organization that carefully considers decisions and the provision of services to existing and future residents. This is disputed in comments from the Black Lake Master Association; however LAFCO staff continues to believe the above statement to be an accurate characterization of the District. The NCSD has approved several documents and made decisions that provide a basis for this conclusion including: the Certification of EIR for the Water Intertie Project, New Water/Sewer Rate Structure,

continued analysis of the rate structure, and the stable fiscal condition of District. The District could provide needed services to the areas in the future.

Recommended Changes to the SOI

The SOI should remain unchanged with the exception of the northern-most parcels in Area One and Study Area Four in the southern part of the District. Area One should be reduced to exclude the parcel that is zoned Agricultural and under the Williamson Act. The Cortese-Knox-Hertzberg Act gives specific direction to not include land under Williamson Act contract in Spheres of Influence in Government Code section 56426.6 unless certain findings can be made:

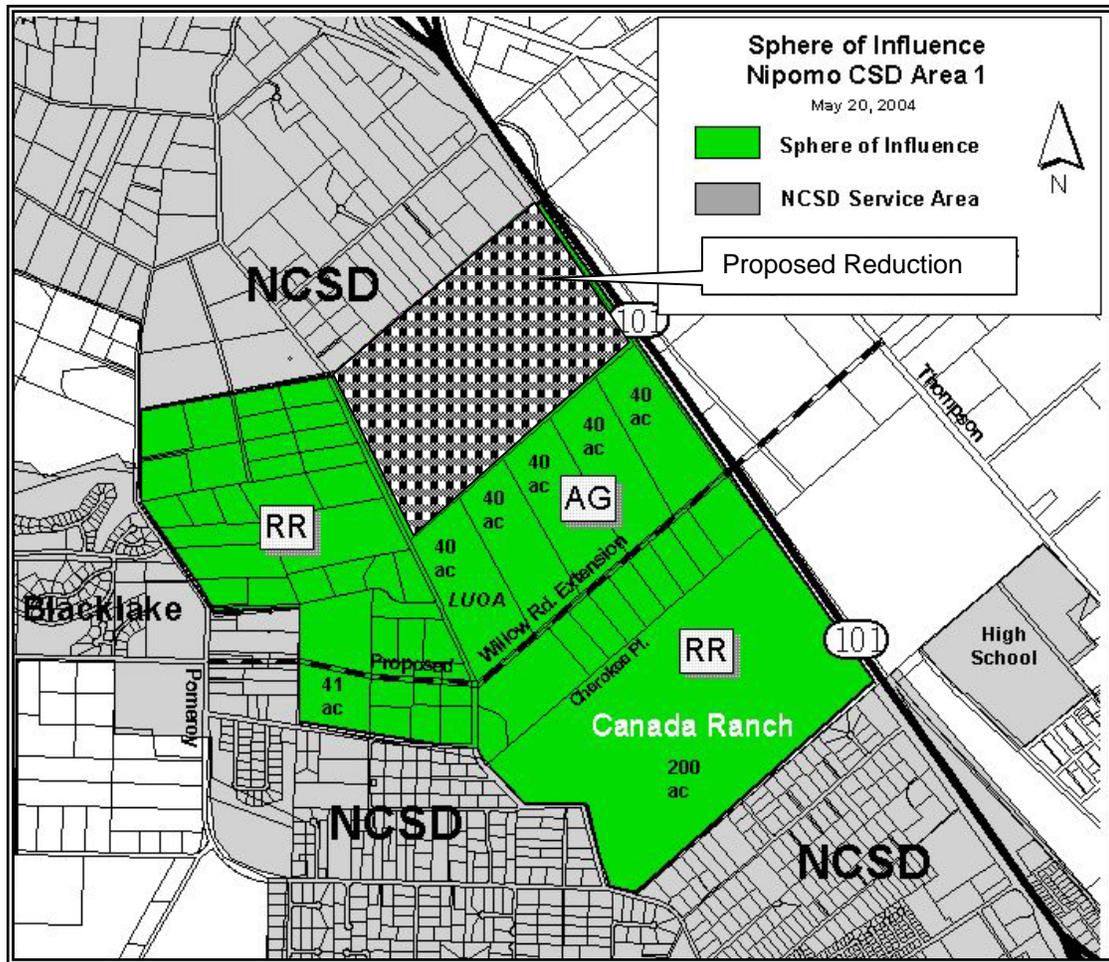
56426.6. *(a) The commission shall not approve a change to the sphere of influence of a local government agency of territory that is subject to a contract entered into pursuant to the California Land Conservation Act of 1965 (Chapter 7 (commencing with Section 51200) of Part 1 of Division 1) if that local government agency provides, or would provide, facilities or services related to sewers, nonagricultural water, or streets and roads to the territory, unless these facilities or services benefit land uses that are allowed under the contract and the landowner consents to the change to the sphere of influence.*

(b)(1) Notwithstanding subdivision (a), the commission may nevertheless approve a change for that territory if it finds either of the following:

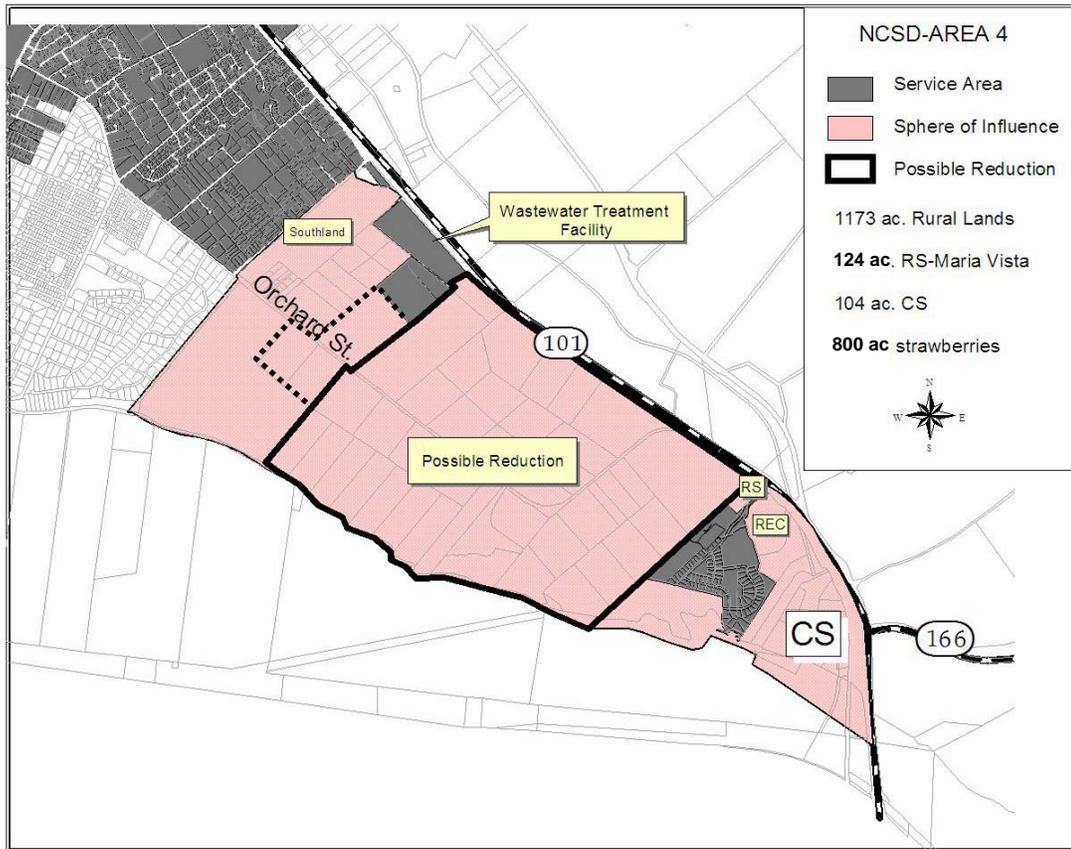
(A) That the change would facilitate planned, orderly, and efficient patterns of land use or provision of services, and the public interest in the change substantially outweighs the public interest in the current continuation of the contract beyond its current expiration date.

(B) That the change is not likely to adversely affect the continuation of the contract beyond its current expiration date.

For this reason it is recommended that the 207-acre agricultural parcel be excluded from the District's SOI in Area One. The balance of Area One should remain in the SOI for several reasons. 1) The District has the large Standpipe Storage Tank and pipelines located in the area. 2) The Willow Road extension may increase the need for District services in the area. 3) The 285-acre Canãda Ranch is recognized as an area for future development. 4) The Residential Rural area to the west of Hetrick Road appears likely to remain in its current zoning. No applications for General Plan Amendments to increase density have been filed for this area.



In Area Four approximately 800 acres of strawberries are now being farmed. Strawberries are a high-value crop producing over \$40,000 per acre over the last several years. A small portion to the southwest of the WWTP was recommended for exclusion in the Public Review Draft. The District has commented that this area should be left in the SOI to allow for flexibility in regard to the WWTP expansion project. The dashed line shows the area recommended to remain in the SOI. This land qualifies as prime agricultural land in LAFCO's definition by exceeding the \$400 per acre criteria found in Government Code section 56064(e). One of LAFCO's primary objectives is to preserve prime agricultural land. LAFCO policies call for a 1:1 replacement ratio for land that is designated prime. Three areas should remain in Area Four of the SOI: 1) the Moss Lane residences located near the Maria Vista development, 2) the Southland Specific Plan Area, and 3) the property being considered as a possible wastewater expansion site. The map that follows shows the area to be considered for removal from the SOI:



Comments

During the 45-day public comment period several comment letters were received regarding the SOI Update and Municipal Service Review and are attached. Commenters include:

- Nipomo Community Services District (NCSD)
- County Department of Planning and Building (County Planning)
- Air Pollution Control District (APCD)
- County Department of Agriculture (County Ag)
- Black Lake Master Association (BLMA)

A summary of these comment letters follows:

Nipomo Community Services District. The NCSD provides general and specific comments regarding the Update. The District suggests a number of wording changes, information corrections and additions. Most of the District's comments have been accommodated through corrections, additions, or changes to the documents. The District does not object to removing a of portion Area Four located in the southern part of the SOI; however, the NCSD indicates that the area adjacent to the Wastewater Treatment Plant should be included to allow for possible WWTP expansion. The District also concludes that it has reached a 15% reduction in water use. The District assumes that the decrease in water consumption has been achieved through accepted methods. The conditions of approval call for a reduction in water use based on the implementation of a water conservation program. Documentation that links the District's conservation efforts to the reduction in water demand should be submitted by the District.

Black Lake Village Master Association. The Association comment letter suggests changes to the Municipal Services Review with emphasis on factors five, Accountability, and six, Other Matters. The Association indicates that the MSR document should reflect the relationship and interactions of the Association with the District. The comment letter is critical of the NCSD's policies and decisions. The letter also suggests that the document be revised with regard to the Groundwater Basin Adjudication and Waterline Intertie Project.

Department of Planning and Building. The County Planning Department provided comments focused on the resource constraints facing Nipomo and the Strategic Growth policies adopted by the County. The County Planning Department goes on to make recommendations regarding each of the eight Sphere of Influence Areas that are described in the Draft SOI Update and MSR.

Air Pollution Control District. The APCD indicates that changes to the SOI in 2004 were inconsistent with the Clean Air Plan. The APCD is concerned about the increase in greenhouse gases that may be associated with development within the SOI. The APCD also implies that the SOI is responsible for future development in the SOI under current zoning. The APCD also indicates that a greenhouse gas study regarding the SOI should be completed. A SOI is not responsible for an increase in greenhouse gases. It may identify an area that should be served by the District or jurisdiction involved, but it does not establish or imply a specific land use. In fact, the District has agreed (in the MOA) to not provide sewer services. The APCD indicates that Areas One, Seven and Eight should be excluded from the SOI. It should be noted that a good portion of Area Eight has already been annexed to the NCSD. Area One is recommended for partial reduction, but only the areas under Williamson Act contract.

County Department of Agriculture. The Department of Agriculture agrees with the proposed reduction to Area Four; however does not agree with adding the portion to southwest of the wastewater treatment facility back into the SOI as recommended by Staff. The Department also indicates that a portion of Area Three should be excluded because it is under Williamson Act and is considered Prime Agricultural Land. While this information should be considered for this area, the area is also identified in the South County Area Plan as a potential site for a government center in the future.

CHAPTER 2

NIPOMO COMMUNITY SERVICES DISTRICT

SPHERE OF INFLUENCE UPDATE

Summary

The Nipomo Community Services District (NCSD) is a multi-service special district formed on January 28, 1965, under the Community Services District Law, California Government Code Section 61000 et seq. The NCSD provides the residents and property owners within the approximately six square miles of its service area with water service, wastewater collection and disposal services, solid waste, drainage services and landscape maintenance. In 2009, activation of the Parks and Recreation power was conditionally approved by LAFCO and will be activated when the District completes the process of complying with the conditions of approval. The service area to the west of Highway 101 is often referred to as the Nipomo Mesa with the area on the east side of Highway 101 identified as the Nipomo Valley.

This Sphere of Influence (SOI) Update for the Nipomo Community Services District is based upon the Municipal Service Review (MSR) found in Chapter Three of this document. The Municipal Service Review analyzes the District's capability to serve existing and future residents. The SOI Update and MSR were prepared by LAFCO staff to meet the requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act). The fundamental role of the Local Agency Formation Commission (LAFCO) is to implement the CKH Act consistent with local conditions and circumstances. LAFCO's decisions are guided by the CKH Act that is found in Government Code 56000, et seq. The major goals of LAFCO as established by the CKH Act are found on page 1-1 of Chapter One.

To carry out State mandates, LAFCO has the power to conduct studies, approve or disapprove proposals, modify boundaries, and impose reasonable terms and conditions on the approval of proposals. The Cortese-Knox-Hertzberg Act does not provide LAFCO with direct land use authority, although land use is used as a factor to be considered in LAFCO decisions. Some of LAFCO's discretionary actions may indirectly affect land use. LAFCO is expected to weigh, balance, deliberate and set forth the facts and determinations of a specific action when considering a proposal.

Sphere of Influence

An important tool used in implementing the CKH Act is the adoption of a Sphere of Influence for a jurisdiction. An SOI is defined by Government Code 56425 as "...a plan for the probable physical boundary and service area of a local agency or municipality..." An SOI generally represents an area adjacent to a jurisdiction where services might reasonably be expected to be needed in the next 20 years. The Act further requires that an MSR be conducted prior to or in conjunction with the update of an SOI. The CKH Act requires LAFCO to update the Spheres of Influence for all applicable jurisdictions in the County every five years as necessary.

Sphere of Influence

"...a plan for the probable physical boundary and service area of a local agency or municipality..."

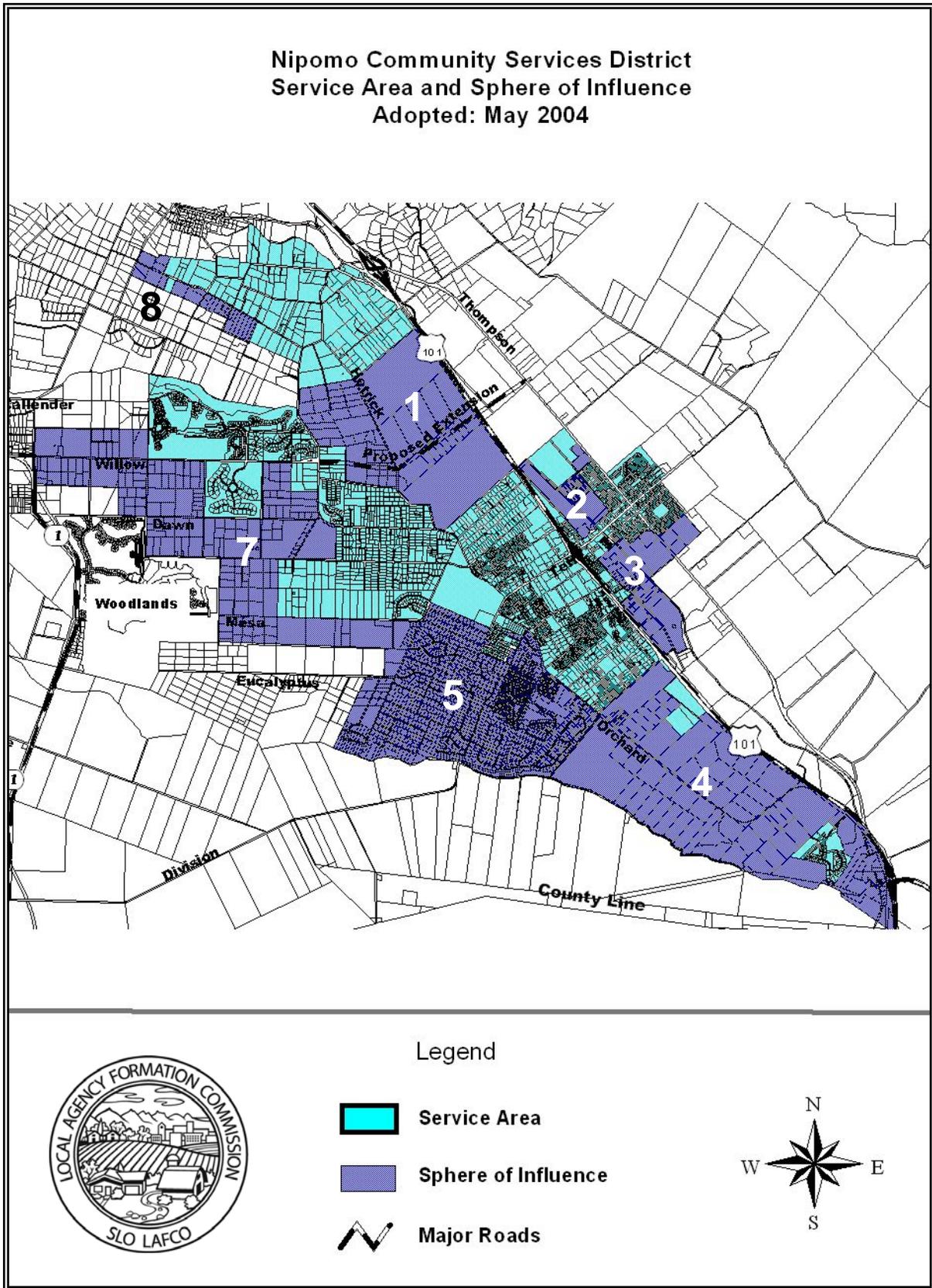
CKH Act 2000

The last Sphere of Influence study for the Nipomo area was completed in May 2004. In that update, eight study areas were evaluated for possible inclusion into the SOI. Also, a program Environmental Impact Report was prepared and an approximately 5,000-acre Sphere of Influence was conditionally approved by LAFCO. Seven of the eight study areas were included in the SOI with the Woodlands (Study Area Six) being left out. The Conditions of Approval focused on land use and water issues and are discussed in more detail later in this chapter. This Sphere of Influence Update chapter addresses the key factors called for in the CKH Act by referencing information contained in the Municipal Service Review (Chapter 3). The written determinations are relevant to each Study Area considered for inclusion into the NCSD's SOI and addresses Section 56425 (e)(1-4) of the CKH Act.

1. Present and planned land uses in the area, including agriculture, and open space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide; and
4. Existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

The map on the following page shows the NCSD's Service Area and Existing SOI.

Figure 2-1



Area Descriptions

Area 1

This area is located west of Highway 101 and north of the Urban Reserve Line (URL) for Nipomo with properties zoned Residential Rural and Agriculture. The properties are adjacent to Highway 101, just north of Nipomo's URL and south of Summit Station. The Cañada Ranch is a 285-acre parcel included in this area. The South County Area Plan (SCAP) calls for eventual development of this property. The project may include a number of residential units along with commercial and retail uses. Also, the Cañada Ranch is proposed as a commercial job center for Nipomo in the SCAP. This area also includes the location of the Willow Road extension project. The County plans to construct a Willow Road extension to Highway 101 in the next several years. The District has waterlines located along Hetrick Road and Live Oak Ridge. The water tank standpipe is also sited in the area. The area also includes several existing residences near Pomeroy Road. The area adjacent to Highway 101 is considered in the SCAP as a "gateway" into the Nipomo community. The Mehlschau property at the corner of Willow Road and Hetrick is the subject of a Land Use Ordinance Amendment being considered by the County. This change in zoning, if granted, would be from Agriculture to Commercial Residential or Mixed-Use Development.

Area 2

This area is located to the north of Olde Towne and on the east side of Highway 101 and is broken into a large and a small area. The total acreage for both areas is 132 acres, the zoning is Agriculture. The new Nipomo High School is located to the northeast; Olde Towne of Nipomo is to the south and east. The larger of the two properties is currently being farmed and it is considered to be prime agricultural land. The area is also prone to flooding during storms and is mapped by FEMA as a flood hazard zone. The Nipomo Creek is located adjacent to Highway 101 on the southwest side of the property. The property has significant environmental constraints that would need to be addressed in the development and review process if a project is to be considered for this site. This area is nearly surrounded by development and is an island panhandle within Nipomo. The future use would be determined through either a comprehensive update of the South County Area Plan or a General Plan Amendment submitted by the property owner to the County for processing. It is possible that with the high school to the north, Commercial Retail to the south and Residential Single Family to the east, this area could eventually develop into a more urban

environment that would need the services of the District. The District has water and sewer infrastructure adjacent to the area.

Area 3

This area is located east of Highway 101 and south of Olde Towne Nipomo. Much of the land is within the Nipomo URL as defined by the County in the South County Area Plan. The only area outside the URL within the SOI is a site between Thompson Road and the Nipomo Creek adjacent to Sparks Avenue. This site, zoned Agriculture, is a small area designated to be the future site of a government center. Area Three includes several land use categories including: Residential Single Family, Residential Suburban, Agriculture and Recreation. The Dana Adobe site is located in an area that is zoned Recreation. To protect the historic nature of the Adobe, the South County Area Plan has special development standards for this area. The District currently provides the Adobe with water service under an agreement approved in 1972 between the District and the San Luis Obispo County Historical Society. The SCAP recommends that a Specific Plan be completed to identify the appropriate civic-related functions and related private uses that would be associated with a government center. The Knotts Street area, on the east side of Highway 101 and the south side of town, is the subject of special development standards in the SCAP, including the requirement of a detailed hydro-geologic analysis for projects proposed in the area. As this area develops it will eventually need the services of the District and is within the URL, with the exception of the government center site designated in the South County Area Plan.

Area 4

This area is located to the south of the current District boundary and north of the Santa Maria Valley. The area to the south of Southland Street is zoned Rural Lands and a portion of it is currently used for growing strawberries using groundwater. The total area is approximately 1,200 acres with approximately 850 acres of it being used for strawberries. The South County Area Plan calls for a Specific Plan to be prepared for the site just south and adjacent to Southland Street. The SCAP calls for the application of the Highway 101 Corridor Design Standards as well as area standards that apply to the Rural Lands land use zone. As currently zoned, the area would not likely need the services of the District, with the exception of the Maria Vista development and the surrounding lands zoned Residential Suburban. If the Rural Lands zoning is changed to increase the allowed density, the area may need services from the District.

Area 5

This area is just southwest of the District's existing boundary and is zoned Residential Suburban and Residential Single Family. This area is also within the County's Urban Reserve Line as established in the South County Area Plan. The area is largely built out. The Galaxy Park development is located in this area and zoned Residential Single Family. Golden State Water Company and County Service Area 1 provide this area with water and some sewer services respectively. This area could be served by the District with other services such as solid waste, drainage, or street lighting.

Area 6

The Woodlands development is over 900 acres and will include 1,320 residences, a commercial area and a 45-hole golf course. It is located east and adjacent to Highway 1 and south of Willow Road and is not part of the District's SOI. The Woodlands was approved by the County through a Specific Plan and EIR and is using existing groundwater resources to serve the future residents. The Woodlands is served by a private mutual water company for water and an onsite wastewater processing plant for sewer. LAFCO does not have jurisdiction over privately operated water and sewer utilities. This area does not need the services of the District at this time. The Woodlands is being built in phases over the next 20 years and services are scheduled to be provided as the development is constructed. The Woodlands and the NCSD have entered into a Memorandum of Understanding for Resource Preservation and Management dated December 16, 2002 that outlines cooperation in obtaining supplemental water for the area.

Area 7

This area is located west of the NCSD service area boundary east of the Woodlands project and Highway 1 and south of Willow Road. The area is zoned Residential Rural, with two smaller parcels zoned Agriculture. The area includes several greenhouses as well as a number of residential units on five-acre lots and larger. In general area is being developed pursuant to the current allowed density of one unit per five-acre lot. The District has waterlines and wells located in the area. Several small private water companies are operating in the area. Many private wells provide water to private residences. This area could benefit from the District providing services in the future because the District could eventually consolidate and manage the water service systems. The District could also provide other services such as solid waste, drainage and street lighting. Government Code

56000, et al does not provide LAFCO with the authority to regulate private mutual water companies or privately operated wastewater facilities such as were approved to serve The Woodlands Development.

Area 8

This 180-acre area is located on the west side of Highway 101, to the west of the Summit Station area and south of Los Berros Road. The area is zoned Residential Rural and includes the Robertson Annexation area which calls for the NCS D to provide services to existing residences. The Robertson and Patterson annexations were approved by LAFCO in 2004. The wells in this area are subject to failure from time-to-time.

Memorandum of Agreement

A Memorandum of Agreement (MOA) between the District and the County focuses on what supporting services the District will provide to various areas. The MOA was approved on May 18, 2004. Since sewer service is viewed as a growth-inducing service, it was proposed by the District that sewer services shall not be extended to Areas Four, Five, Seven and Eight. The MOA asks the County to oppose changes to the Urban Reserve Line into Area 7 that might increase density. The NCS D and the County approved a revised MOA in 2010. It further defines the intentions of the County and NCS D with regard to the SOI, land use and services.

Sphere of Influence Recommendation

The SOI should remain unchanged with the exception of the northern-most parcel in Area One and Study Area Four in the southern part of the District. Area One should be reduced to exclude the parcel that is under the Williamson Act. The Cortese-Knox-Hertzberg Act gives specific direction not to include land under Williamson Act contract in Spheres of Influence in Government Code section 56426.6 unless certain findings can be made:

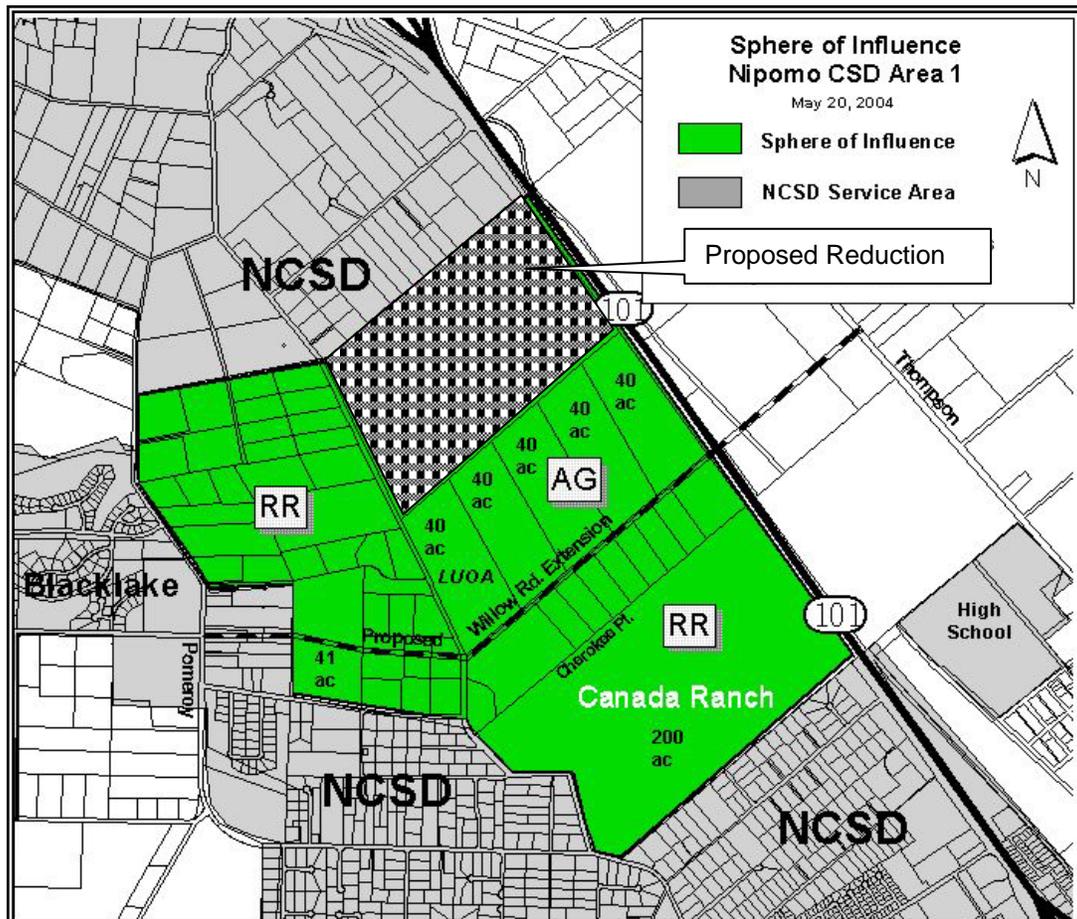
56426.6. (a) The commission shall not approve a change to the sphere of influence of a local government agency of territory that is subject to a contract entered into pursuant to the California Land Conservation Act of 1965 (Chapter 7 (commencing with Section 51200) of Part 1 of Division 1) if that local government agency provides, or would provide, facilities or services related to sewers, nonagricultural water, or streets and roads to the territory, unless these facilities or services benefit land uses that are allowed under the contract and the landowner consents to the change to the sphere of influence.

(b)(1) Notwithstanding subdivision (a), the commission may nevertheless approve a change for that territory if it finds either of the following:

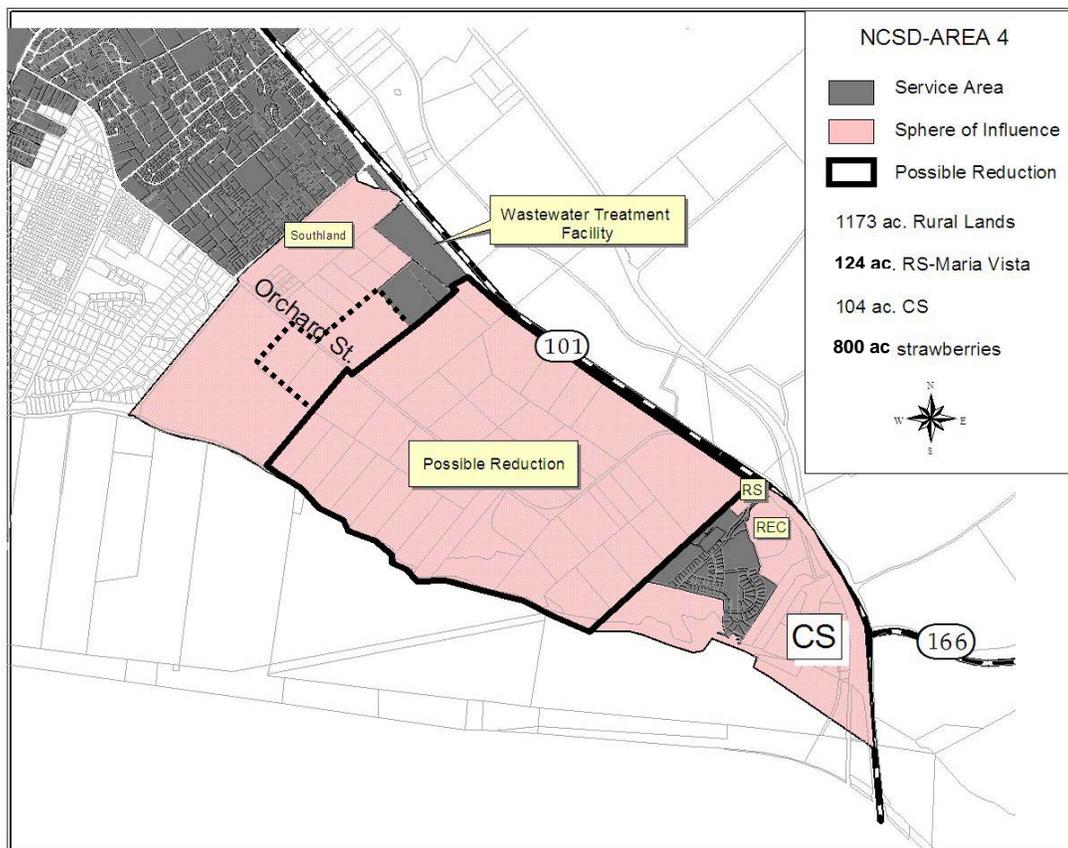
(A) That the change would facilitate planned, orderly, and efficient patterns of land use or provision of services, and the public interest in the change substantially outweighs the public interest in the current continuation of the contract beyond its current expiration date.

(B) That the change is not likely to adversely affect the continuation of the contract beyond its current expiration date.

For this reason it is recommended that the 207-acre agricultural parcel be excluded from the District’s SOI in Area One. The balance of Area One should remain in the SOI for several reasons. 1) The District has the large Standpipe Storage Tank and pipelines located in the area. 2) The Willow Road extension may increase the need for District services in the area. 3) The 285-acre Canāda Ranch is recognized as an area for future development. 4) The Residential Rural area to the west of Hetrick Road appears likely to remain in its current zoning. No applications for General Plan Amendments to increase density have been filed for this area.



In **Area Four** approximately 800 acres of strawberries are now being farmed. Strawberries are a high-value crop producing between \$30,000 and \$40,000 per acre over the last several years. A small portion to the southwest of the WWTP was recommended for exclusion in the Public Review Draft. The District has commented that this area should be left in the SOI to allow for flexibility in regard to the WWTP expansion project. The dashed line shows the area recommended to remain in the SOI. This land qualifies as prime agricultural land in LAFCO's definition by exceeding the \$400 per-acre criteria found in Government Code section 56064(e). One of LAFCO's primary objectives is to preserve prime agricultural land. LAFCO policies call for a 1:1 replacement ratio for land that is designated prime. Three areas should remain in Area Four of the SOI: 1) the Moss Lane residences located near the Maria Vista development, 2) the Southland Specific Plan Area, and 3) the property being considered as a possible wastewater expansion site. The map that follows shows the area to be considered for removal from the SOI:



The darker areas in the aerial photograph taken in 2008 show the location of strawberry production.

Area 4 - Strawberry Production



Conditions of Approval

LAND USE

1. Prior to providing services to an area or property in the District's Sphere of Influence one or more of the following processes shall be completed:
 - a. Approval by the County of San Luis Obispo of Tract or Parcel Map, Conditional Use Permit, Specific Plan, and/or General Plan Amendment, or
 - b. Approval by LAFCO of an Outside User Agreement or an Annexation.

These processes shall be subject to the environmental review process consistent with the California Environmental Quality Act (CEQA). Any conflicts between the Sphere of Influence and the General Plan shall be resolved through the processes stated above. Impacts associated with premature or "leapfrog" development, development outside the Urban Reserve Line, potential growth-inducing impacts, and the availability of public services shall also be addressed and mitigated to the greatest possible degree through these discretionary approval processes.

2. The District shall not provide sewer services to Study Area Four (except for the Southland Specific Plan Area and areas zoned Residential Suburban), Five (Residential Suburban zoning only), Seven, and Eight. This condition shall be applied by LAFCO to any annexations proposed in those Study Areas as shown in the map found in Figure 2-1 and by the District through any annexation agreements it approves.

The purpose of this condition is to prevent sewer services from moving into rural areas which could encourage a potential increase in density or a change in zoning.

WATER

3. Except as provided below, prior to LAFCO approval of any annexation, the District shall:
 - A. Implement a water conservation program that decreases water use by 15% based on per connection water consumption. Annexations shall only be approved if the District provides documentation that certifies a 15% decrease in water use has occurred since the approval date of the Sphere of Influence. Conservation measures shall be

implemented at the District's discretion.

Since 2004 the District had achieved a 16% per connection reduction in water use, however, it is unknown how much of this reduction is related to the implementation of conservation measures. This condition should remain in effect until compliance is documented. This condition should be reviewed when the new State Water legislation regarding water conservation is implemented. The new legislation may require that communities reduce water use by 20% on a per capita basis. The details of this legislation continue to be worked out and this condition should be reviewed in light of new legislation.

4. Prior to approval by LAFCO of any annexation, the District shall complete negotiations for a supplemental water source outside the Nipomo Mesa Management Area and provide documentation that an agreement is in place to deliver such water. Documentation shall be consistent with the sections of the latest SB 610 Guidebook for documenting supplies.
5. Prior to final approval of any annexation that is a "project", as defined under the Water Code 10912, the District shall submit a Water Assessment pursuant to the procedures found in the Guidebook for Implementation of SB 610 and SB 221, using only the steps applicable to SB 610.
6. Conditions 4, 5, and 6 shall not apply to the following proposed annexations:
 - A. **County Service Area I Reorganization.** This proposal would dissolve CSA 1 and annex those areas into the District. The District would not be providing water service, but would assume the provision of sewer services and the maintenance of drainage facilities to these areas. This proposal has no impacts on District water resources since these areas are already served by Golden State Water Company.
 - B. **Moss Lane Annexation.** These are the six residences that were not a part of the Maria Vista annexation. These residences have failing wells that may create a health and safety problem in the near future. Hookups are readily available through Maria Vista. The impact to the District's water supply would be insignificant.

Present and Planned Land Use

The present land use in the Sphere of Influence includes a variety of land uses as has been described. The land use designations (zoning) applied by the County to these areas include Agriculture, Rural Lands, Residential Rural, Residential Suburban, Residential Single Family, and Recreation. The planned use for the SOI is clearer for some areas than for others and depends on site constraints, the property owner's desires, and policies in the South County Area Plan. The present and planned land use is a function of the existing zoning and General Plan. This factor is addressed in more detail in Chapter Three, under the Growth and Population factor and in the area-by-area description found at the end of this chapter. A description of each area is found at the end of this chapter and contains information about the present and planned land uses in the areas.

Present and Probable Need for Public Services

The present need for a public service varies from area to area. For example, areas zoned Residential Rural have been annexed into the District due to the need for reliable water service (Summit Station). These RR areas do not require other urban level services. The District can provide water, sewer, street lighting, drainage, landscape maintenance, and solid waste services to residents. On the other end of the spectrum, annexations to the District from Study Area Three would likely require urban-level services when a project is approved. Study Area Four does not appear to be in need of services at this point in time and no plans to increase that need for services are evident. Significant changes in zoning do not appear likely in Areas Two, Three, Four, Five, Seven and Eight. In Areas One and Four, Specific Plans for the Canãda Ranch and Southland locations that identify land uses are called for in the South County Area Plan. These areas would likely need services from the NCSD. A discussion of the present and probable need for public services can be found in Chapter 3 under Service Review Factors, Infrastructure Needs and Deficiencies, and Growth and Population.

Social and Economic Communities of Interest

The community of Nipomo has a variety of social and economic communities of interest, including numerous businesses, schools, churches, public sector facilities, and other community services. If the development of the SOI is managed pursuant to the policies of the District and the County, the development of these areas should result in a net benefit to

the social and economic communities of interest. The District and the County call for new development to pay for the costs of constructing new infrastructure. The existing social fabric of the community will change by adding these areas to the Sphere of Influence. Chapter Three provides information that documents the effect of the proposed Sphere of Influence on the District and evaluates the District's ability to manage this expansion.

CHAPTER 3

NIPOMO COMMUNITY SERVICES DISTRICT

MUNICIPAL SERVICE REVIEW

The legislative authority for conducting Municipal Service Reviews is provided in Section 56430 of the CKH Act. The Act states that, "In order to prepare and to update Spheres of Influence in accordance with Section 56425, LAFCOs are required to conduct a service review of the municipal services provided in the County or other appropriate designated area..." In 2008, the Municipal Service Review factors that needed to be addressed were revised to include the following:

1. Growth and Population projections for the affected area
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies
3. Financial ability of agencies to provide services
4. Status of, and opportunity for, shared facilities
5. Accountability for community service needs including governmental structure and operational efficiencies
6. Any other matter related to effective or efficient service delivery, as required by commission policy

The above-listed factors are addressed in this chapter and written determinations are included for each factor as called for in the CKH Act.

Recent Studies, Plans, Reports and Audits

Since the 2004 Sphere of Influence Update and Municipal Service Review the District has completed numerous studies, reports and plans. The following documents were used to prepare the Municipal Service Review, and are summarized in this section and include the following:

- Urban Water Management Plan, 2005 Update
- Water and Sewer Master Plan Update, December 2007
- Water Conservation Program (Resolution No. 2008-1069)
- Final Environmental Impact Report, Water Intertie Project, March 2009

- Nipomo Community Services District Operating and Non-operating Budgets FY 2007-2008
- Nipomo Community Services District Operating and Non-operating Budgets FY 2008-2009
- Nipomo Community Services District Operating and Non-operating Budgets FY 2009-2010
- Nipomo Community Services District Independent Auditors' Report & Financial Statements for the Year Ended June 30, 2008
- Nipomo Community Services District Blacklake Sewer System Financial Plan and User Rates, September 2008
- Nipomo Community Services District Town Sewer System Financial Plan, User Rates, and Capacity Charges Final Report, August 2007
- Nipomo Community Services District Strategic Plan, July 2009
- San Luis Obispo County 2008 Resource Management System Annual Summary Report
- Superior Court of the State of California, County of Santa Clara: Santa Maria Groundwater Litigation, Case No. CV 770214. Stipulation (June 30, 2005 Version)
- Nipomo Community Services District Waterline Intertie Project Narrative Report, August 2009

The District is a well documented agency and presents as a carefully and very responsibly managed organization. The District has continued to improve its administrative systems and organizational management since the 2004 SOI Update and Municipal Services Review.

1. GROWTH AND POPULATION

This factor is intended to identify growth and population projections for the affected area of a jurisdiction. This section will use various sources of information to project growth and population for the Nipomo area. Two previous Sphere of Influence Studies for the Nipomo Community Services District (NCSD) have been completed which also provide similar information; one in 1983 and the most recent SOI Update and Municipal Service Review in 2004.

From 1983 to 2004, 14 annexations totaling 2,090 acres have been approved by LAFCO. Since 2004, four annexations and one detachment have been approved. Also, two Outside User Agreements that would help the annexation applicants (Craig and Holloway) meet County Conditions of Approval for water supply were approved by LAFCO as well. The table on the following page summarizes LAFCO actions taken since 1983 to the present.

The Nipomo area has been one of the fastest growing unincorporated communities in the County. The Growth and Population factor is discussed in the following section of this Chapter and includes a summary of past and projected population data, land use and zoning in the area as well as growth trends. The County has Land Use Authority and the District provides water, sewer and other services to development proposed in the area. The County exercises land use authority in the area and approves or denies development projects.

The growth rate in the area has slowed down over the last several years. It is likely to remain at a nominal level as the economic recovery continues to evolve over the next few years. Also, growth has been slowed by the lack of water resources available on the mesa and the need for road infrastructure improvements such as the Willow Road interchange.

“The Nipomo Mesa consists of Nipomo, one of the 10 unincorporated urban areas, and the unincorporated rural Nipomo Mesa area. Together, the area has seen the highest growth rate of any unincorporated area of the county for the past decade.”

**County RMS
Annual Report,
2009**

**Table 3-1: Annexation Proposals Since 1983 to 2009
Nipomo Community Services District**

LAFCO File #	Proposal/ Project Name	Acreage	LAFCO Approval Date	Potential Water Services	Potential Sewer Services
1-O-07	Outside User Agreement (Craig)	19	5-21-07	16	16
6-R-06	Annexation No. 28 (Craig)	19	6-21-07		
1-O-07	Outside User Agreement (Holloway)	20	1-26-07	18	18
1-R-06	Annexation No. 27 (Holloway)	20	6-15-06		
1-R-05	Detachment No. 2 (Gascho)	10	4-27-05	(1-2)	-0-
7-R-03	Annexation No. 25 (Robertson-Lyn Road)	63	8-02-04	9-10	-0-
4-R-04	Annexation No. 26 (Patterson)	5	7-14-04	1-2	-0-
2-S-03	Sphere of Influence Update	5,130	5-20-04	Unknown	Unknown
9-R-01	Annexation No. 20 (Maria Vista)	124	12-06-01	77	77
11-R-01	Annexation No. 21 (Knollwood)	163	11-15-01	55	-0-
5-R-01	Annexation No. 19 (Lucia Mar USD)	77	10-18-01	2	75
9-R-00	Annexation No. 18 (Tract 2393-Newdoll)	2	01-18-01	8	8
9-R-97	Annexation No. 16 (Dist. Wastewater Facility)	63	11-20-97	-0-	-0-
11-R-97	Annexation No. 17 (Newdoll #2)	10	04-16-98	37	37
5-R-96	Annexation No. 15 (Newdoll)	7	09-19-96	87	87
1-R-94	Annexation No. 14 (Bantz)	26	02-17-94	2	-0-
1-R-92	Annexation No. 6 (Summit Station)	850	07-14-93	206	-0-
2-R-92	Annexation No. 7 (Blacklake)	515	10-15-92	555	555
3-R-92	Annexation No. 8 (Nipomo Regional Park and Dana School)	154	08-20-92	3	18
4-R-92	Annexation No. 9 (Baptist Church)	9	08-20-92	1	4
5-R-92	Annexation No. 10 (Fairview Tract)	51	10-15-92	151	151
5-R-84	Annexation No. 4 (Corona)	10	06-28-84	8	-0-
5-R-84	Annexation No. 5 (Thompson Road Estates)	29	03-2086	137	137

Nipomo Community Services District-Urban Water Management Plan

The District adopted the Urban Water Management Plan in January 2006. This document contains a section that includes a 25-year population projection. The projection is based on several factors, including the County Growth Management Ordinance and associated growth cap of 2.3% per year. The growth cap was reduced in 2005 by the Board of Supervisors to 1.8% due to resource constraints. In the recent past the growth rate for Nipomo has been much higher than the County-wide cap of 2.3%. The table below is from the District's Urban Water Management Plan and uses three different growth rates to estimate future population growth:

**Table 3-2: NCS D Population - Current and Projected
NCS D Urban Water Management Plan - Adopted January 2006**

Assumed Growth Rate	2005	2010	2015	2020	2025	2030
2.3%	12,000	13,440	15,060	16,880	18,910	21,190
3.7%	12,000	14,390	17,260	20,690	24,820	29,760
7.8%	12,000	17,470	25,430	37,020	53,900	78,460

RMS Annual Report-2009

The NCS D estimates that it now serves approximately 12,000 residents compared to an estimated 5,700 in 1990. Over the last 20 years, Nipomo's population has increased by approximately 7,379 people or 140%. This equates to an estimated 7% per year rate of population increase over the 20-year period. From 1980 to 1990 the population of Nipomo increased by 1,862, a 35.5% increase, an average of 3.55% per year. In the 1990's Nipomo's population increased by 5,517 residents, an estimated 10-year growth in population of 77.6%.

"The population of the Nipomo area has increased approximately 13% from the year 2000 to 2008. Population is expected to grow another 19% through the year 2020. Build out is not expected to be reached by 2030, showing a projected population of 21,539. The Nipomo Community Services District provides water and wastewater service to approximately 25% of the Mesa area's population. The remainder of the area is served by other water providers and individual septic systems."
2008 RMS

The table below reflects the population data from the census and the County's 2009 Resource Management System Annual Report:

**Table 3-3: Historical & Projected Population Growth
Nipomo California: Census and RMS Data**

	1980 ¹⁾	1990 ¹⁾	2000 ¹⁾	2010 ²⁾	2020 ²⁾	2030 ²⁾
Population	5,247	7,109	12,626	15,075	18,019	21,589
10 Year Increase	---	1,862	5,517	2,449	2,994	3,570
10 year % Incr.		36%	78%	19%	20%	20%

Sources: 1) US Census, 2) Resource Management System Annual Report, 2009

Council of Governments Population Projections-2009

The Council of Governments recently had the consulting firm of Economics Research Associates update population projections for San Luis Obispo County including the Nipomo area. The original study was completed in 2006 and was updated to take into account the recent economic downturn. These projections use a variety of data sources and assumptions to project the future population of the cities and unincorporated areas of the County. These projections incorporate information from the State of California about future population increases, past and present County growth trends, and projected changes within the region. The consultants worked with local planners to anticipate future growth in the various areas of the County. The updated report presents low, medium, and high population growth projections for areas in the County including Nipomo. The table and chart below shows those results:

**Table 3-4: Projected Population Growth Nipomo
San Luis Obispo Council of Governments Projections**

	2008	2010	2015	2020	2025	2030	2035
LOW	14,726	15,256	16,419	17,357	18,309	19,423	20,331
MEDIUM	14,726	15,256	16,419	17,429	18,460	19,669	20,672
HIGH	14,726	15,256	16,419	17,494	18,582	19,876	20,957

Land Use

The County's General Plan governs the development of land in the Community of Nipomo. The District may provide the County with comments regarding land use decisions but does not have authority over land use entitlements. Development projects are sometimes approved contingent upon receiving water and sewer services from the NCSD. Developments are sometimes approved with Mutual and/or Private Water Companies providing water service and on-site septic systems to address wastewater needs. The General Plan identifies the type and intensity of development allowed in each of several land use categories for the Nipomo area. The following table summarizes the zoning and acreage for the study areas that were included in the Sphere of Influence:

Table 3-5: Existing Land Use

Area	Acres	Land Use Category/Zoning	Notes
#1	1,082	Agriculture-420, Residential Rural-662	Cañada Ranch and Willow Road
#2	132	Agriculture	Prime Ag, Flood Plain
#3	266	Residential Single Family, Res. Suburban, Recreation, Agriculture	Within Urban Reserve Line
#4	1,273	Rural Lands-1,173, Southland Area 100 ac	Includes Maria Vista, strawberry fields, Commercial Area
#5	1,350	Residential Single Family-154, Residential Suburban-1,196	Mostly developed area
#6	950	Woodlands Specific Plan Not included in the Sphere of Influence	Approved by the County
#7	1,375	Residential Suburban-28, Agriculture-83, Residential Rural-1,264	Urban Separator in County General Plan
#8	339	Residential Rural-339	Land Use Ordinance Amendment already approved by County

A key factor in determining the density of a development is whether or not a parcel has access to an adequate water supply and sewer system. Access to a community water and sewer system can increase the number of lots that may be developed on a parcel if the zoning of the property will allow for a particular density. If community water and sewer are available, but the zoning will not allow an increase in density, a property owner may request that the zoning be changed through a General Plan Amendment. One concern when the SOI was expanded in 2004 was that it would prompt an increase in the number of re-zoning requests. This has not occurred as evidenced by the Land Use Permit data provided by the County. Also, in the MOA between the District and the County, the District agreed to not provide sewer service to the properties in Areas Four, Seven, and Eight as a way to limit

potential changes in zoning and increases in density. This was also made a condition of approval.

It is also important to note that property owners may choose to develop properties under current zoning and allowed densities. This is the current trend in Nipomo. Since 2004 and the expansion of the SOI, no Land Use Ordinance/General Plan Amendments that would have increased density or allowed for more intensive development have been recently proposed. The Sphere of Influence for the District as conditioned has not induced growth in the Nipomo area. While the Sphere of Influence allows for services to be provided to a property upon annexation to the District, the County maintains land use authority in terms of changing the zoning to allow for increases in density.

Recent Land Use Permit Activity

The following table is a summary of the land use permits that have been approved since 2004. These include approval for single-family dwellings, multifamily units, secondary unit waivers, commercial and other projects. As noted above the County has not approved changes in zoning (General Plan Amendments) that would increase density in the Nipomo area. The area has continued to build-out under the existing zoning. Permits and approvals issued by the County may include: Conditional Use Permit (CUP), Development Plan for larger projects, Minor Use Permit for smaller projects, Certificate of Compliance to confirm legal lot status, Concurrent Parcel Map and CUP for subdivision with four lots or less and/or concurrent Tract Map and CUP for a subdivision with five lots or more.

Table 3-6: Land Use Permits-2004-2009

Permit Type	Approval Date	Description
CONDITIONAL USE PERMIT/DEV PLAN	9/7/2004	CELL SITE - 71 FOOT MONOPINE;
CONDITIONAL USE PERMIT/DEV PLAN	10/19/2004	ADDITIONAL MOBILE HOME FOR GROUP HOME WOMEN AND CHILDREN
CONDITIONAL USE PERMIT/DEV PLAN	12/20/2005	AMEND EX DEV PLAN TO ALLOW FOR 6,000SF BLDG ENVELOPE
CONDITIONAL USE PERMIT/DEV PLAN	2/16/2006	COMMERCIAL SERVICE CENTER
CONDITIONAL USE PERMIT/DEV PLAN	3/10/2006	AMEND APPROVED CUP TO ADD WOOD CHIPPING
CONDITIONAL USE PERMIT/DEV PLAN	4/27/2006	40 UNIT AFFORDABLE HOUSING PROJECT
CONDITIONAL USE PERMIT/DEV PLAN	12/1/2006	52 UNIT AFFORDABLE HOUSING PROJECT
CONDITIONAL USE PERMIT/DEV PLAN	11/29/2008	RECONSIDERATION DRC2005-00196.
CONDITIONAL USE PERMIT/DEV PLAN	12/12/2008	REPLACE EXISTING OUTDOOR STORAGE AREA
CONDITIONAL USE PERMIT/DEV PLAN	12/12/2008	CARD ROOM
DEVELOPMENT PLAN	2/24/2004	AMEND SIGN PROGRAM
MINOR USE PERMIT	1/16/2004	2400 SF METAL BUILDING
MINOR USE PERMIT	3/5/2004	SECONDARY DU MOBILE HOME
MINOR USE PERMIT	3/19/2004	MODIFY DISTANCE REQUIMENTS FOR 2ND DU
MINOR USE PERMIT	3/19/2004	TANK STORAGE YARD W/MODULAR OFFICE
MINOR USE PERMIT	5/21/2004	CONSTRUCT A SECOND DWELLING OF 1200SQ FT MIXED USE PROJECT WITH TWO BUILDINGS, WITH OFFICE/COMMERCIAL
MINOR USE PERMIT	6/4/2004	SECONDARY DWELLING UNIT
MINOR USE PERMIT	6/18/2004	CHURCH
MINOR USE PERMIT	7/2/2004	MODIFY SIZE OF 2ND DU FROM ALLOWED 800 SF TO 1198 SF
MINOR USE PERMIT	11/5/2004	WAIVE STANDARDS TO ALLOW A 1,200 SECONDARY Unit
MINOR USE PERMIT	3/4/2005	2 MULTI-FAMILY BUILDINGS OF 12 UNITS TOTAL
MINOR USE PERMIT	7/15/2005	MUP FOR A PRE-1976 EXISTING SINGLE WIDE MOBIL HOME
MINOR USE PERMIT	8/19/2005	MUP FOR SECONDARY DWELLING TO WAIVE DISTANCE STANDARD
MINOR USE PERMIT	3/22/2006	SECONDARY DWELLING TO DISTANCE
MINOR USE PERMIT	4/7/2006	WAIVE SIZE REQUIREMENTS FOR SECONDARY DWELLING
MINOR USE PERMIT	7/7/2006	MODIFY THE 800 SQUARE-FOOT SIZE LIMITATION FOR A SECONDARY UNIT.
MINOR USE PERMIT	7/21/2006	MODIFY THE SIZE AND DISTANCE LIMITATIONS FOR A SECONDARY UNIT.
MINOR USE PERMIT	11/17/2006	WAIVER OF THE DISTANCE STANDARDS FOR A SECONDARY UNIT.
MINOR USE PERMIT	11/20/2006	WAIVER OF THE SIZE STANDARDS FOR A SECONDARY UNIT.
MINOR USE PERMIT	6/1/2007	MUP FOR 10,742 SF MIXED-USE BUILDING
MINOR USE PERMIT	9/21/2007	MODIFICATION DISTANCE REQUIREMENT FOR A SECONDARY DWELLING UNIT:
MINOR USE PERMIT	4/18/2008	RERUN OF D020330P WATER TANK STORE YARD WITH 960 SQ FT OFFICE.
MINOR USE PERMIT	6/5/2009	REPLACING 6 EXISTING PANEL ANTENNAS
MINOR USE PERMIT	7/17/2009	MODIFY THE REQUIRED SETBACK FROM THE TOE OF THE BLUFF
MINOR USE PERMIT	7/31/2009	INSTALL 6 PANEL ANTENNAS ON PROPOSED 75' LIGHT POLE.
MINOR USE PERMIT	12/17/2004	1200 SQ FT SECONDARY DWELLING UNIT
MINOR USE PERMIT	9/2/2005	WAIVE SECONDARY DWELLING DISTANCE STANDARDS
APP INIT - LUE MAP	7/13/2004	GPA 38-ACRE SITE FROM AGRICULTURE TO RES. RURAL.
APP INIT - LUE TEXT	7/13/2004	ALLOW FOR AGRICULTURAL PROCESSING (COMM. COMPOSTING)

Permit Type	Approval Date	Description
CO INIT - ORDINANCE	1/25/2007	WEST TEFFT DESIGN PLAN
Certificate of Compliance	5/21/2004	PROP 1 CERT OF COMP
Certificate of Compliance	2/16/2005	PROP 1 CERT OF COMP
Certificate of Compliance	2/17/2006	PROP 2 CERTS OF COMPLIANCE
Certificate of Compliance	8/2/2007	PROP 4 CERTS OF COMPLIANCE
Certificate of Compliance	8/13/2007	PROP 1 CERT OF COMPLIANCE
Certificate of Compliance	4/11/2008	PROP 4 CERTS OF COMPLIANCE
Conc. Parcel Map w/ CUP	9/27/2004	PROP 1 TO 2 LOT SPLIT
Conc. Tract Map w/ CUP	1/22/2004	41 RESIDENTIAL LOTS
Conc. Tract Map w/ CUP	7/14/2004	PROP 7 UNIT PLANNED RESIDENTIAL DEVELOPMENT
Conc. Tract Map w/ CUP	7/14/2004	PROP 7 UNIT PLANNED RESIDENTIAL DEVELOPMENT
Conc. Tract Map w/ CUP	7/23/2004	PROP EIGHT UNIT, SIX LOT PLANNED DEVELOPMENT
Conc. Tract Map w/ CUP	8/17/2004	CLUSTER OF 40 ACRES INTO 7 RESIDENTIAL PARCELS AND OPEN SPACE PARCEL
Conc. Tract Map w/ CUP	11/3/2004	18-1/2 ACRE PARCELS FOR RESIDENTIAL DEVELOPMENT
Conc. Tract Map w/ CUP	12/20/2004	PROP 22 UNIT P.U.D.
Conc. Tract Map w/ CUP	3/10/2005	15 UNIT IN 3 BLDGS 3 BDRM 2 1/2 BATH 1350 SQ FT
Conc. Tract Map w/ CUP	8/12/2005	DEV/MIXED USE (COMMERCIAL, OFFICE, RESIDENTIAL) 7 LOTS
Conc. Tract Map w/ CUP	8/12/2005	SUBDIVIDE PROPERTY FOR TR02-2494
Conc. Tract Map w/ CUP	10/19/2005	MIXED USE DEVELOPMENT
Conc. Tract Map w/ CUP	4/27/2006	PROP 5-UNIT PLANNED DEVELOPMENT - SINGLE-FAMILY
Conc. Tract Map w/ CUP	8/15/2008	8 LOT MIXED USE PROJECT: COMMERCIAL / RESIDENTIAL.
Conc. Tract Map w/ CUP	12/12/2008	UNIT TRACT MAP WITH CONDITIONAL USE PERMIT
Conc. Tract Map w/ CUP	12/12/2008	MIXED USE DEVELOPMENT COMMERCIAL

Recent Building Permit Activity

Building Permits have been compiled for the following Nipomo areas from the Department of Planning and Building: Rural South County, Nipomo, Los Berros, Calendar-Garrett, Palo Mesa, and Blacklake. Please note that some of these areas are not within the District's Service Area or SOI. The chart on the next page shows the building permits by year and area from 1993 through 2009. Since 1993 the South County Rural (Woodlands) and Nipomo (town) areas are the locations for most of the building permit activity (54%). The Palo Mesa area (Cypress Ridge) is responsible for about 15% of the building permit activity. Building permit activity declined in 2009 due to the economic downturn.

Table 3-7: Building Permits Finaled 1993-2009

	SC Rural	Nipomo	Los Berros	Cal-Garrett	Palo Mesa	Blacklake	Total
2009	42	60	1	5	13	0	121
2008	62	142	2	6	13	3	228
2007	41	96	0	11	14	10	172
2006	75	155	0	50	18	7	305
2005	112	123	2	9	53	0	299
2004	99	246	1	23	60	0	429
2003	59	107	0	23	113	2	304
2002	46	105	0	21	123	1	296
2001	48	112	1	4	72	4	241
2000	27	119	4	4	23	60	237
1999	44	121	1	4	9	34	213
1998	71	107	3	5	6	0	192
1997	54	75	0	3	14	0	146
1996	52	62	0	2	8	0	124
1995	60	118	0	2	7	0	187
1994	57	137	2	2	16	0	214
1993	58	143	0	4	22	0	227
Totals	1,011	1,106	18	178	586	121	3,951

WRITTEN DETERMINATIONS

1. The Nipomo area is building out under the existing zoning and the population is increasing at a slow but steady rate.
2. According to both the County's Resource Management System and the Council of Governments Population Projections the community of Nipomo is projected to grow at a 2% per year rate or less in the coming years.
3. Development activity has decreased in the Nipomo area over the last several years due to the economic downturn. This is evidenced by the building and land use permit data provided by the Department of Planning and Building.
4. When the SOI was expanded in 2004 it was thought that could prompt an increase in the number of re-zoning requests. This has not occurred as evidenced by the Land Use Permit data provided by the County.

5. Proposals for annexation to the District have slowed due to the lack of available water supply.
6. The County has placed a growth cap on the number of dwelling units placed in Nipomo of 1.8% based on the Resource Management System Annual Report.
7. The County approved ordinance §3090 which specifically links density increasing General Plan Amendments to the District's supplemental water project and establishes a water conservation area for the Nipomo Mesa.

2. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES, INCLUDING INFRASTRUCTURE NEEDS OR DEFICIENCIES

LAFCO is responsible for determining if an agency is capable of providing needed resources and infrastructure to serve areas within the jurisdiction and in the Sphere of Influence. It is important that such findings of infrastructure and resource availability occur when revisions to the SOI and annexations occur. In the case of this SOI Update, it is especially prudent for LAFCO to evaluate the present and long-term infrastructure demands and resource availability. LAFCO accomplishes this by evaluating: 1) the resources and services that are available and, 2) the ability of the jurisdiction to provide such resources and services in line with increasing demands.

This section evaluates the NCSD's capabilities with regard to the provision of water and wastewater. While not authorized to provide Fire Protection Services, the District is responsible for providing adequate fire flow in terms of a water supply for fire suppression. The roads and a majority of the drainage basins are maintained by the County of San Luis Obispo Public Works Department with law enforcement services provided by the County Sheriff.

Water

The provision of water services is the key issue facing the Nipomo Community Services District. This section will summarize the District's water situation using a variety of documentation. The NCSD has been diligently pursuing the provision of water to its residents and planning for possible future growth in the area. Numerous studies have been completed by the District since the 2004 SOI Update, including:

Final EIR - Waterline Intertie, March 2009	Water Conservation Program, February 2008
Stipulated Agreement, January 2008	Water and Sewer Financial Plans, May 2005
Urban Water Management Plan 2005	Concept Design Report, AECOM, April 2009
Water/Sewer Master Plan Update, Dec. 2007	Water System Financial Plan/User Rates, 2007

Water-Related Conditions of Approval-2004 SOI Update

In approving the 2004 Sphere of Influence Update, LAFCO placed the following conditions of approval related to the District's water situation. After each condition is a summary of the current compliance status. Chapter Two recommends changes to the conditions based on current circumstances:

Condition 4. *Except as provided below, prior to LAFCO approval of any annexation, the District shall:*

A. Implement a water conservation program that decreases water use by 15% based on per connection water consumption. Annexations shall only be approved if the District provides documentation that certifies a 15% decrease in water use has occurred since the approval date of the Sphere of Influence. Conservation measures shall be implemented at the District's discretion.

B. Complete or update the Urban Water Management Plan to reflect the need to provide water service in the amount of 1,000 acre-feet for the expanded Sphere of Influence. The Urban Water Management Plan prepared or updated by the District shall be prepared consistent with the State of California's Urban Water Management Plan Act. A Registered Professional Engineer specializing in water resource planning shall certify that the Plan is consistent with the State's Urban Water Management Plan Act. The Registered Professional Engineer shall be selected from a list of qualified professionals provided by LAFCO.

Condition 4A-Compliance. With regard to condition 4A, the District has yet to achieve a 15% per connection reduction in water use. Since 2004, the District has averaged a 9% reduction in water use; however, it is unknown how much of this reduction is attributable to conservation measures. The NCSD is in the process of implementing a Water Conservation Program that was adopted by the Board in February 2008 and has hired a water conservation coordinator. The program is divided in to "core measures" and "non-core measures". The core measures include the following:

- A multi-tiered, inclining block, conservation-based rate structure: The NCSD continues to work on this measure and expects to consider a new rate structure in the near future.

- Public education and outreach/advertising measures; Many of these are available online at the District's website.
- Technical assistance measures-leak detection and water audits;

The non-core measures include:

- High efficiency clothes washer rebates: \$75 is the current rebate
- Indoor plumbing (non-toilet) retrofit and leak detection aids
- Pilot turf replacement programs
- Irrigation efficiency equipment

The District is implementing about 50% of the programs in the WCP. The most significant water savings are expected if the District converts to a 3 or 4 tier rate structure in 2010. It is recommended that this condition remain in place.

Condition 4B-Compliance. The District has complied with this condition of approval. The District adopted the Urban Water Management Plan in January 2006. The Plan addresses the Sphere of Influence and potential future water needs. The Urban Water Management Plan was prepared consistent with the State of California's Urban Water Management Plan Act by Registered Professional Engineers (SAIC) specializing in water resource planning as called for in the condition. The District has begun the process of updating the Urban Water Management Plan.

Condition 5. *Prior to approval by LAFCO of any annexation, the District shall complete negotiations for a supplemental water source outside the Nipomo Hydrologic Sub-Area and provide documentation that an agreement is in place to deliver such water by January 1, 2009. Documentation shall be consistent with Section 5, Step Two, Documenting Supply, of the SB 610 Guidebook dated October 8, 2003. A Registered Professional Engineer specializing in water planning shall review and certify such documentation. The Registered Professional Engineer shall be selected from a list of qualified professionals provided by LAFCO.*

Condition 5-Compliance. The District and City of Santa Maria approved an initial agreement for the purchase of water. A final agreement was approved by the District in October 2009. The City is to consider the agreement soon. The District adopted the Final Environmental Impact Report for the Waterline Intertie with the City of Santa Maria in March 2009. NCS D has hired AECOM (formerly Boyle) to prepare the final design for its Waterline Intertie Project. The District

expects to start construction in April 2011 and finish in April 2012. This condition should remain in effect until compliance is achieved by the District.

Condition 6. *Prior to final approval of any annexation that is a "project", as defined under the Water Code 10912, the District shall submit a Water Assessment pursuant to the procedures found in the Guidebook for Implementation of SB 610 and SB 221, using only the steps applicable to SB 610.*

Condition 6-Compliance. This condition is on-going and will be implemented on an as-needed basis depending on the project.

Santa Maria Groundwater Basin Adjudication

The Santa Maria Valley Water Conservation District filed a groundwater adjudication lawsuit involving the Santa Maria Groundwater Basin that stretches from Orcutt to the South to Pismo Beach to the North. The greater Santa Maria Groundwater Basin includes waters underlying the Nipomo Mesa area (at the time commonly known as the Nipomo Hydrologic Sub-basin). The lawsuit includes the City of Santa Maria, landowners and other water purveyors (including the NCSD) that pump groundwater from the Santa Maria Groundwater Basin.

The Court in its Partial Statement of Decision Re Trial Phase III found "No evidence of seawater intrusion, land subsidence, or water quality deterioration that would be evidence of overdraft has been presented. Some wells in the Nipomo Mesa area do show lowering of water levels that may result from the pumping depression or other cause, and there may be some effects in that portion of the Basin that are not shared Basin-wide. But that is not sufficient in any event to demonstrate Basin-wide overdraft". Subsequently, many of the parties including the water purveyors that overlay the Nipomo Mesa portion of the Groundwater Basin signed a June 30, 2005 Stipulation (the Stipulation), that was approved by the Court. The Final Judgment after trial provides "the Court approves the Stipulation, orders the stipulating parties only to comply with each and every term thereof, and incorporates the same herein as though set forth at length".

The Stipulation divides the Santa Maria Groundwater Basin into three management areas known as the Santa Maria Valley Management Area (Southern portion of the Groundwater Basin) the Nipomo Mesa Management Area (the NMMA) (the center portion of the

Groundwater Basin) and the Northern Cities Management Area (the northern portion of the Groundwater Basin). Further, pursuant to the Stipulation the NCSD, Woodland Mutual Water Company, Golden State Water Company and an Ag representative formed the Nipomo Mesa Management Area Technical Group to monitor the groundwater underlying the Nipomo Mesa Management Area, to file reports with the Court and to make recommendations to the Court. It is the overall purpose of the Nipomo Mesa Management Area Technical Group to protect the portion of the Groundwater Basin that underlies the NMMA. In 2008 & 2009 the Nipomo Mesa Management Area Technical Group filed with the Court: The Nipomo Mesa Monitoring Program, the Nipomo Area Water Shortage Conditions and Response Plan and the first Annual Report.

Pursuant to the Stipulation the NCSD, the Woodland Mutual Water Company, Golden State Water Company and Rural Water Company are participants in the Waterline Intertie Supplemental Water Project. The Supplement Water Project is in the design phase of development. The NCSD and the City of Santa Maria have signed a final Agreement for the purchase of 3,000 acre-feet of water. The water will be used by the water purveyors to offset current pumping of the waters underlying the Nipomo Mesa Management Area (the NMMA).

NCSD Waterline-Intertie Project

The approved project EIR describes a 3000-afy first phase project (combines phases I and II as described in the Draft Update) and a second phase of up to 3,200 afy. A 3000-afy project is currently being pursued. The assessment to fund the Project would have four distinct zones, one for each of the participating purveyors (District, Golden State Water, Rural Water, and Woodlands). The Assessment will be conducted by the County of San Luis Obispo since it is the only public agency with jurisdiction over all four zones. The assessment will pass or fail based on a weighted majority of voting property owners across all four zones (a property owner's vote is 'weighted' according to the proposed assessment to the property). The District's assessment zone will cover only its service area. The only areas within the District's SOI that will be assessed are those areas that are currently served by one of the other participating water purveyors.

The Environmental Impact Report for this project has been completed and certified by the NCSD. The EIR analyzes the impacts of constructing a pipeline from the City of Santa Maria, under the Santa Maria River and to the NCSD water distribution system. No legal challenges were filed and the EIR meets the requirements of the California Environmental Quality Act (CEQA). If constructed, phase one of the Waterline Intertie would bring 2,500 acre-feet per year of water from the City of Santa Maria. A portion of the water would be purchased by other water purveyors in the area, including Golden State Water Company, Rural Water Company, and Woodlands Mutual Water Company. Phase one water would be allocated as follows:

• Woodlands	415 af
• Golden State Water Co.	208 af
• Rural Water Co.	208 af
• Nipomo CSD	<u>2,164 af</u>
	3,000 af

This would reduce the impacts of pumping the groundwater basin in the Nipomo Mesa Management Area. Phase two would bring in an additional 500 af to the Nipomo CSD to serve areas within the District's boundaries. It should be noted that this project still has a number of steps it needs to complete before it is implemented, including the approval of the property assessment for funding the project. Condition five on the Sphere of Influence regarding the provision of supplemental water prior to any annexation being approved should remain in effect until a supplemental water supply is closer to being in the pipes.

The District is working with the County of San Luis Obispo to conduct the assessment since it is the only public agency with jurisdiction over all four zones. The assessment will pass or fail based on a weighted majority of voting property owners across all four zones (a property owner's vote is 'weighted' according to the proposed assessment to the property). The District's assessment zone will cover only its service area. The only areas within the District's SOI that will be assessed are those areas that are currently served by one of the other participating water purveyors.

The Waterline-Intertie EIR contains detailed information about the development and construction of the pipeline. It also identifies environmental impacts and mitigation to reduce those impacts. The EIR was completed by Douglas Wood and Associates and has been

certified by the NCSD. The District proposes to use a property assessment to pay for the capital improvements. Increased user fees would pay for the day-to-day operation of the pipeline. The NCSD is working with other water purveyors and the County to form an assessment district that would be used to pay for the project. By incorporating all of these entities in the process the chances of success are increased and the costs to individual property owners can be decreased. The assessment district would include areas outside of the District's Service Area.

The Wallace Group is preparing the Assessment Engineer's Report that will include a parcel-by-parcel inventory of properties to be assessed. Property owners will have at least two months to request that their assessment be increased or decreased based on future development of a property. This report will also include areas outside the District's service area, thus distributing the cost of the project to an increased number of property owners. Phases one and two of the project are being designed as described in the EIR.

Nipomo Mesa Management Area Technical Group

The Nipomo Mesa Management Area Technical Group (NMMA TG) was established in accordance with the Stipulation Agreement. The NMMA TG was established by the Court and charged with developing the technical bases for sustainable management of the NMMA. The Court established three management areas: the Northern Cities, the Nipomo Mesa, and the Santa Maria Valley.

“The goal of each management area is to promote monitoring and management practices so that present and future water demands are satisfied without causing long-term damage to the underlying groundwater resource.” (NMMA 1st Annual Report Calendar Year 2008.)

The TG consists of ConocoPhillips, Golden State Water Company, the NCSD, Woodlands Mutual Water Company and an agricultural landowner who is a party to the Stipulated Agreement. The 2008 Annual Report was prepared based on a compilation of various data and reports. The Executive Summary of the Annual Report is found in attachment B of this document. The ES contains the findings and recommendation of the NMMA TG. The full report is available online at the NCSD's website.

NCSD Urban Water Management Plan, Adopted January 2006

The NCSD updated the Urban Water Management Plan in 2005 to help manage water resources. The Plan covers the District's current Service Boundary and Sphere of Influence, and includes information regarding Water Supply, Water Use, Water Demand Management Measures, Water Shortage Response, and Supplemental Water Supplies. The Plan was prepared by SAIC Engineering Inc., and submitted to the Department of Water Resources for review. It was also used in the preparation of the Waterline-Intertie EIR, the Water Conservation Program, and other District documents. The District is in the process of updating the existing Plan. The update is scheduled to be completed in October 2010. Intermediate work products will be provided to LAFCO when available.

Water Sources

The current water supply is pumped from the Santa Maria Groundwater Basin (which contains the Nipomo Mesa Management Area-NMMA) through eight active wells and one standby well. The Basin has been adjudicated and a settlement agreement signed. The settlement contains specific terms regarding groundwater rights, monitoring programs, and plans to respond to a future severe water shortage. The Court found that the Santa Maria Groundwater Basin was not in a long-term overdraft condition. In addition the Court recognized that sub-areas (potentially NMMA) within the Basin could be found to be in overdraft as more data is collected. One standby well (Church) is located in the Nipomo Valley, east of Highway 101. The eight active wells have the capacity to pump 5,000 afy. The plan is to construct the Intertie pipeline and offset pumping in the Basin with water from the City of Santa Maria. The updated Water and Sewer Master Plan was approved in December 2007 and provides information regarding future water sources, potential demand and maintenance of the existing water system. It should be noted that the Water Intertie project may not be completed until 2012 depending on the funding of the project.

Water Demand

The Urban Water Management Plan contains numerous scenarios to plan for future water needs. These nine scenarios were based on certain assumptions about future land uses in the area. The scenarios involved the following:

- Existing Land Use Designations

- Existing Land Use Designations with Pending Land Use Amendments
- High Density Land Use Assumption
- Various rates of growth

Water use factors were applied to each scenario to identify different growth situations. These ranged from 2.3% to 7.8%. The Sphere of Influence and how much water might be needed to accommodate these areas were also addressed. The NCSD has spent considerable resources on the Urban Water Management Plan to estimate future water demand. The recently begun update promises to be a more refined approach to future water demand.

Water Conservation Program, February 2008

The NCSD adopted the Water Conservation Program (“WCP”) in February 2008. The program is a comprehensive approach to conserving water resources designed to achieve a 15% reduction in water use by the District. The program is divided into “core measures” and “non-core measures”. The core measures include the following:

- A multi-tiered, inclining block, conservation-based rate structure: The NCSD continues to work on this measure and expects to consider a new rate structure in the near future.
- Public education and outreach/advertising measures: Many of these are available online at the District’s website.
- Technical assistance measures-leak detection and water audits;

The non-core measures include:

- High Efficiency clothes washer rebates: \$75 is the current rebate
- Indoor plumbing (non-toilet) retrofit and leak detection aids
- Pilot turf replacement programs
- Irrigation efficiency equipment

The District is implementing about 50% of the programs in the WCP. The most significant water savings are expected if the District converts to a 3 or 4 tier rate structure in 2010. The District’s consumption per connection is shown in the table below. As can be seen the District has reduced water consumption per connection since 2004. How much of this

reduction is attributable to conservation measures has yet to be documented by the District. The District should submit a report to LAFCO that analyzes the effectiveness of the water conservation program with regard to the reduction in water use shown over the years.

Table 3-8: Per Connection Water Use

Year	AF Pumped	Connections	AFY/Connection	Change in AFY/Connection since Prior Year	Change in AFY/Connection since 2004
2004	2908	3751	.78		
2005	2794	3879	.72	-7%	-7%
2006	2727	3995	.68	-5%	-12%
2007	2856	4077	.70	3%	-10%
2008	2755	4092	.67	-4%	-13%
2009	2698	4138	.65	-3%	-16%

Source: DWR Form 38, Public Water System Statistics, Calendar year report-NCSD

San Luis Obispo County Master Water Plan

The County Water Master Plan inventories the existing water supplies and future demand for the County of San Luis Obispo. It also provides analysis of water supply alternatives and identifies potential water deficiencies. The current plan was completed in 1998 and is in the process of being updated. The County defines the Nipomo Mesa area as Water Planning Area 7 and identifies a number of larger water purveyors in the area, including the NCSO, Rural Water Company, and the Cal Cities Water Company. The table below shows the water purveyors operating in the Nipomo Mesa area:

Table 3-9: Water Purveyors in Nipomo Area

Larger Purveyors	
Nipomo Community Services District	Rural Water Company
Golden State Water Company	Woodlands Water Company
Smaller Purveyors	
Arroyo Grande Mushroom Farm	Blacklake Canyon Water Supply
Callender Water Assn.	Country Hills Estates
Greenheart Water Supply Farms	Heritage Lane Mutual Water Company
Hetrick Water Company	Ken Mar Gardens
La Mesa Water Company	Rancho Nipomo Water Company
Guadalupe Cooling	Clearwater Nursery
Cuyama Lane Water Company	Dana Elementary School
La Colonia Water Association	Laguna Negra (Tract 610)
Santa Maria Speedway	Rim Rock Water Company
True Water Supply	Speedling, Inc.
Ball Tagwa Growers	Mutual Water Association
Conoco Phillips	Callender Grover MWC
Nunes Water Co.	Crossroads Community Church Water
Vista De Las Flores	T&A Properties Water Co.
	Woodland Park MWC

This is important because private water purveyors provide water to development proposals that require community water systems when they are approved by the County. Also contributing to increased water use is the approval of residences that are served by

individual wells. The most updated list of water purveyors operating in the area can be obtained from the County Health Department which regulates all but the largest (District, Golden State Water Company (formerly Cal Cities Water), Woodlands, Rural, and Mesa Dunes Mobile Home Park). A number of the small, County-regulated systems were created to serve development within the District SOI. In some cases, these small systems are created when the County approves development for which no purveyor exists to serve or, due to constraints on annexation, no purveyor is allowed to serve. Some of these listed 'Purveyors' are actually businesses that are required to have publicly-regulated water systems due to the number of their employees.

The impact that the growing number of private, small purveyors accessing area groundwater to serve new, residential development is having on the management of the groundwater basin should be further discussed in this section. County Health does not require these purveyors to report pumping quantities and these small purveyors are not participating in management and conservation efforts. Most small purveyors do not meter water to their individual customers.

TECHNICAL MEMORANDUM No. 3 - WATER SUPPLY INVENTORY AND ASSESSMENT - WATER SUPPLY, DEMAND AND WATER QUALITY

The County is in the process of updating the Water Master Plan. Fugro-West, Inc., Wallace Group and Cleath-Harris Geologists have prepared a technical memorandum. A (No.3 TM), Water Supply Inventory and Assessment was prepared to help in updating the County Water Master Plan. This TM was prepared in October 2009 and focused on water purveyors, water supply and demand and water quality throughout the County. The excerpt below is for Water Planning Area 7 and is taken from this technical memo. It includes a general overview of water supply resources, and more detailed descriptions of water supply for each purveyor in the Nipomo Area. This TM also summarizes the various agreements/contracts of each purveyor with respect to water allocations, and cooperative agreements between multiple parties for overall management of shared water resources.

Nipomo WPA 7

Nipomo Community Services District

Source: 2007 NCSD Water and Sewer Master Plan Update and 2009 NCSD Waterline Intertie Project Narrative Report

The town of Nipomo is an unincorporated area located in southern San Luis Obispo County, the first community on Highway 101 entering the county from the south. The Nipomo Community Services District (NCSD) provides water service and wastewater services to approximately 12,000 residents and now includes the community of Blacklake, which formerly owned and operated its own water and wastewater systems. The NCSD is part of the Nipomo Mesa Management Area (NMMA) for management of groundwater resources.

Land Use and Service Population. The NCSD serves a rural population that has undergone rapid development, with a number of recently developed golf course communities still in the process of completion. Development is expected to continue to expand in the future, more than doubling water demands at build-out.

Water Demand. Water demand has been calculated based on land-use categories and water duty factors. Existing and future water service areas and demands are summarized as follows:

2006 Conditions

- Water service area (including Black Lake): 4,648 acres
- 2006 Average Water Duty Factor: 0.65 AFY/acre
- 2006 Average Day Demand (ADD): 3,000 AFY (2.67 MGD)
- 2008 ADD: 2,700 AFY (per 2008 NMMA Annual Report)

Build-out Conditions

- Water service area: 9,178 acres
- Average Water Duty Factor: 0.68 AFY/acre
- Average Day Demand (ADD): 6,200 AFY (5.57 MGD)

Water Supply. NCSD presently uses groundwater for 100% of supply requirements. Groundwater is pumped from the larger Santa Maria Valley Groundwater Basin (SMVGB) using eight active and three standby wells. Total capacity of this system exceeds current 3000 AFY requirements; however, litigation involving use of the SMGVB, which began in 1997, has resulted in stipulations and judgments in 2005 and 2008. The stipulated judgment has required the NCSD to develop alternative sources to import a minimum of 2,500 AFY.

The NCSD has investigated multiple sources of supplemental water and, as a result, signed a Memo of Understanding (MOU) with the City of Santa Maria (City) to pursue a Waterline Intertie Project. The 2005 MOU established a basis for purchase and delivery of water from the City to the NCSD. The Nipomo Waterline Intertie Project is now in 30% design phase with an estimated budget of \$23.6 million. If constructed, it will deliver 3,000 AFY and could be completed in two and a half years. Three other water purveyors, Woodlands MWC, Golden State WC, and Rural Water Company will share in the costs project and will together receive one-third of the mandated minimum water delivery (833 AFY). Desalination is also being pursued as a long-term alternative source. **(Update: Design is 60% complete.)**

Water Quality. Water quality is formally monitored as part of the requirements of the stipulation. Wells are monitored regularly and reported publicly. Chloride and TDS concentrations in all wells have been stable for some years and are not a concern. Nitrate levels above drinking water standards have been reported in some wells but only for brief periods. There is a concern that nitrate levels are increasing in wells near the Southland WWTF. The WWTF is investigating alternative effluent disposal methods that will not increase nitrate levels in groundwater.

Golden State Water Company/Nipomo Area

Source: *GSWC files and 2005 Santa Maria Groundwater Litigation Stipulation*

The Golden State Water Company (GSWC) provides water service to approximately 1,475 households on the south side of Nipomo.

Land Use and Service Population. GSWC serves a rural population that has undergone rapid development in recent years, and is expected to grow at a projected rate of 1.42 percent over the next two decades until build out (2030).

Water Demand. Water demand has been calculated based on historical use data. Existing and future water service areas and demands are summarized as follows:

2007 Conditions

- Water service connections: 1,495
- 2007 9-year Average Water Consumption: 0.94 AFY/connection
- 2007 Average Day Demand (ADD): 1,405 AFY (1.25 MGD)
- 2008 ADD: 1,380 AFY (per 2008 NMMA Annual Report)

Build-out Conditions (2030)

- Water service connections: 2,068
- Average Water Consumption: 0.94 AFY/connection
- Average Day Demand (ADD): 1,944 AFY (1.74 MGD)

Water Supply. GSWC presently uses groundwater for 100% of supply requirements. Groundwater is pumped from the larger Santa Maria Valley Groundwater Basin (SMVGB) using five active wells. Total capacity of this system exceeds current 1,405 AFY requirements; however, litigation involving use of the SMGVB, which began in 1997, has resulted in stipulations and judgments in 2005 and 2008. The stipulated judgment has required GSWC to join with NCSD to develop alternative sources to import a minimum of 2,500 AFY. Once the supplemental water system is in place, GSWC will be required to purchase 8.33% (208.25 AFY) of that supply.

Water Quality. Water quality is formally monitored as part of the requirements of the NMMA stipulation. Wells are monitored regularly and reported publicly. Three of the GSWC wells are currently being treated for iron and manganese. One of the wells is showing a gradual increase in nitrates over time, though nitrate levels are currently meeting standards and delivered water is blended with higher quality water prior to delivery.

Rural Water Company

Source: *2005 Santa Maria Groundwater Litigation Stipulation*

Rural Water Company (RWC) provides water to consumers on the north side of the Nipomo Mesa, including Cypress Ridge, a recently developed gated community that is nearing completion.

Water Supply. RWC presently uses groundwater for 100% of supply requirements. Groundwater is pumped from the larger Santa Maria Valley Groundwater Basin (SMVGB) using several active wells. However, litigation involving use of the SMGVB, which began in 1997, has resulted in stipulations and judgments in 2005 and 2008. The stipulated judgment has required RWC to join with NCSD to develop alternative sources to import a minimum of 2,500 AFY. Once the supplemental water system is in place, RWC will be required to purchase 8.33% (208.25 AFY) of that supply.

Woodlands Mutual Water Company

Source: *2004 Water Master Plan and 2005 Santa Maria Groundwater Litigation Stipulation*

The Woodlands is a relatively new housing and commercial development located on the Nipomo Mesa in southern San Luis Obispo County. It is a planned community to be built out in four phases over time, with economic conditions influencing the date of completion. The Woodlands Mutual Water Company (WMWC) was organized to provide water to customers within the Woodlands Development. The WMWC currently supplies its customers with domestic water service, fire protection, wastewater collection, and wastewater reclamation.

Land Use and Service Population. The Woodlands has a tentative map allowing for 1,320 residential units, plus additional commercial facilities. Currently, there are 685 residential lots that have been recorded in final maps. Commercial facilities for the golf course are also constructed at this time. Other facilities that may be constructed in the future include commercial facilities at the business park, a hotel, and a possible school. The planned development also currently has an 18-hole golf course and a smaller 12-hole executive course. The on-site wastewater treatment plant provides the golf courses with recycled water for irrigation; however, it is also

supplemented with groundwater. Another 18-hole golf course is also planned for the future, which will be irrigated with groundwater.

Water Demand. The Woodlands Development is progressing with its phased development of homes and other planned facilities. Of the 1,320 future dwelling units, 685 parcels have been recorded and are ready for construction. As of September 2009, there are 323 active residential or commercial water service connections. In 2008, WMWC delivered 402 AFY to customers for commercial, residential, and common area irrigation use. This does not include raw water that was pumped for golf course purposes.

Based on the 2004 Water Master Plan, it is estimated that at build-out, WMWC will use approximately 872 AFY for all uses except golf course irrigation. When all golf courses are complete, they will require an additional 687.5 AFY.

Water Supply. Currently, the WMWC relies on groundwater as the sole source of water. The WMWC owns and operates four wells, three of which produce potable water and the fourth serves irrigation needs. Groundwater is pumped from the Nipomo Mesa Management Area (NMMA) of the Santa Maria Groundwater Basin, an aquifer that has been the subject of ongoing litigation since 1997. A 2005 Settlement Stipulation requires that NMMA water purveyors import a minimum of 2,500 acre-feet of supplemental water to the NMMA each year.

WMWC is cooperating with other water purveyors to meet the requirements of the Stipulation. The Nipomo Community Services District (NCSD) is serving as lead agency to develop the Waterline Intertie Project that will connect the City of Santa Maria water system to the NCSD system, providing 2,500 AFY to the NMMA and an additional 500 AFY to NCSD. WMWC has agreed to purchase a portion of the NMMA supplemental water (determined according to the percentage of completion of the project and rising to a total of 417 AFY at such time as its service area is fully developed). WMWC has also agreed to pay a portion of the operating costs, capital costs and replacement costs of the project based on the amount of water purchased by WMWC relative to the total amount purchased from the City of Santa Maria.

Recycled water is currently being used to partially irrigate the golf course. As more residential units are completed, increased quantities of wastewater will be available for recycling. The build-out flow of the WWTP is 774 AFY. Well water will continue to be required during periods in which the recycled water available is less than the golf course demand.

Water Quality. Water quality is formally monitored as part of the WMWC's participation in the NMMA Technical Group, and also as a requirement of the Department of Public Health. Wells are monitored regularly and reported publicly. The most recent Consumer Confidence Report indicated that WMWC supplied water that met both primary and secondary drinking water standards. One of the wells exceeds the standards for iron, but mixing with water from other wells produces water that meets the iron standard.

Conoco Phillips

Source: *2009 NMMA Annual Report and 2005 Santa Maria Groundwater Litigation Stipulation* Conoco Phillips uses water for industrial operations at its refinery on the Nipomo Mesa.

Water Demand. Water demand has decreased in recent years due to infrastructure changes resulting in more water-efficient operations. Planned expansion will increase water demand, but demand will remain less than historical peak pumping rates.

2008 Conditions

- 2008 Average Day Demand (ADD) 1,100 AFY (0.98 MGD)

Build-out Conditions

- Average Day Demand (ADD) 1,400 AFY (1.25 MGD)

Water Supply. Conoco Phillips uses groundwater for 100% of supply requirements. Though it is a party to the Santa Maria Groundwater stipulation, it is not required to participate in the development of supplemental water. It has rights to reasonable and beneficial use of groundwater without limitation, except in the event of a Severe Water Shortage, as defined in the stipulation.

Water Quality. Water quality is formally monitored as part of the requirements of the NMMA stipulation. Wells are monitored regularly and reported publicly. One of the Conoco Phillips wells reported a high (1000 mg/l) TDS value. The well is used for industrial processing.

Annual Resource Summary Report, 2008

The County Department of Planning and Building prepares the Annual Resources Summary Report that summarizes the resource situation (including water) of Nipomo and other unincorporated areas of the County. The Report rates the capability of unincorporated communities to provide public services. The Annual Report uses a Level of Severity rating system (0 being no problem and 3 being that a water delivery system has reached its design capacity) to assess water systems in the County areas. The dual rating system for water includes 1) evaluating the available supply-Level 3 level of severity and 2) the production and distribution system for a particular jurisdiction-Level 0 level of severity. The following rating system is used:

The RMS uses three alert levels called levels of severity (LOS) to identify differing levels of resource deficiencies.

- Level I is the first alert level. Level I occurs when sufficient lead time exists either to expand the capacity of the resource, or to decrease the rate at which the resource is being depleted.
- Level II identifies the crucial point at which some moderation of the rate of resource use must occur to prevent exceeding the resource capacity.
- Finally, Level III occurs when the demand for the resource equals or exceeds its supply. It is the most critical level of concern. The County should take actions to address resource deficiencies before Level III is reached.

2008 RMS

The following is an excerpt from the 2008 Annual Resource Summary Report for the Nipomo area:

The Nipomo Mesa consists of Nipomo, one of the 10 unincorporated urban areas, and the unincorporated rural Nipomo Mesa area. Together, the area has seen the highest growth rate of any unincorporated area of the county for the past decade. The Nipomo Mesa Water Conservation Area is part of the Santa Maria Groundwater Basin and has been a key area considered in the Santa Maria Groundwater Basin adjudication lawsuit. The area will need additional supplies (referred to as supplemental water”) to bring the groundwater basin back into balance. The Mesa area currently is in a Level of Severity III for water supply.

The large number of water purveyors in the Nipomo Mesa area creates difficulties in areas of water conservation and supplemental water. Water purveyors include the public Nipomo Community Services District, private for-profit companies such as Golden State Water Company, and many mutual water companies. Each operates under its own set of rules, is regulated by different entities and has different

purposes. Cooperative efforts among the larger purveyors occur through a technical group established as a result of the groundwater adjudication lawsuit.

The Nipomo area is in a Level of Severity III (LOS III) for water supply. The LOS III was first established in 2005 after preparation of a Resource Capacity Study (RCS). The RCS states: "Since current and projected pumping beneath the Nipomo Mesa exceeds inflow (natural recharge plus subsurface inflow), the Nipomo Mesa portion of the Santa Maria Groundwater Basin is currently in overdraft and projections of future demand indicate increasing overdraft." The focus of the RCS and subsequent work is the Nipomo Mesa Water Conservation Area (NMWCA—please refer to the map at the end of this section on the Nipomo Mesa Area). The Board of Supervisors reconsidered the recommended LOS III and decided to certify the LOS III in 2007. The Board directed the preparation of water conservation ordinances for the NMWCA. In addition, the Nipomo Community Services District has taken the lead to bring new water resources to the NMWCA. The District is preparing an Environmental Impact Report to study the effects of a proposed pipeline from Santa Maria to the Mesa area. The pipeline would bring approximately 2500 acre feet/year of new water to the area. Additional studies are being conducted on the potential for seawater desalination further in the future.

Water and Sewer Master Plan Update 2007

The NSCD approved the update of the Water and Sewer Master Plan in December 2007. This is a detailed plan prepared by Cannon and Associates. The plan involves the preparation of numerous technical memoranda regarding a variety of technical topics. The Master Plan Update takes into account the Sphere of Influence areas and helps the District anticipate future maintenance and capital improvement projects. The plan is an excellent planning tool for the NCS D and helps the District anticipate water and sewer improvement projects. The plan is evidence of the professional approach the District is taking in regard to water and sewer service and systems.

Water System Facilities

The NCS D operates one water system: the Town Division and the Blacklake Development have been merged into one system. The water system includes the following facilities:

- Standpipe Tank - 1 million-gallon capacity located just south of Summit Station and west of Highway 101. Please note that the standpipe only provides 300,000 gallons of operational water with the remaining balance available for use in emergency situations.
- Foothill Tanks - 3 million-gallon capacity located east of Highway 101 and Olde Towne Nipomo toward the foothills

- 9 groundwater wells
- A distribution system comprised of 6, 8, 10, 12, and 16 inch diameter pipes

Water Distribution

The District Water Distribution is described as follows in this excerpt from the Water and Sewer Master Plan Update:

“The main distribution pipelines in the District are 8-inch, 10- inch, 12-inch and 16-inch diameter pipelines. Pipes extend east from the freeway along Tefft Street, Juniper Street, and Division Street. Water is distributed to the south through 10-inch and 8-inch piping in Pomeroy and Orchard. A 10-inch pipeline in Camino Caballo and an 8-inch pipeline in Pomeroy connect the wells to the main water system. A 10-inch pipeline connects the standpipe to Summit Station and the Mesa area.

The material of existing pipelines within the District consists of asbestos cement, and polyvinyl chloride (PVC). According to the District, older cast iron and ductile iron pipes have been replaced with PVC. The majority of the pipelines are asbestos cement and PVC. Pipelines range in age from a few months to 35 years.”

The water distribution system consists of the Olde Towne Central Business District and the residential areas on the west side of Highway 101 (Mesa and Summit Station). The Summit Station area has lower water pressure because of the higher elevation.

The Water Sewer Master Plan Update recommends \$3.7 million in upgrades to increase water pressures to a reliable 30 pounds per square inch (psi). Improvements would be focused on increasing capacity from the wells to the Mesa Area improving pressures in Summit Station and increasing flow capacity from the east side of town to the west. The update also studies more cost-effective ways of improving water pressure in the Summit Station area and identifies construction of a booster pump as one way to increase water pressure.

Water Storage Facilities

The Water Storage system operated by the NCSD is described in the 2007 update of the Water and Sewer Master Plan. The Water and Sewer Master Plan approved by the District in 2007 prioritizes a number of improvement projects for the water storage and distribution systems. The recommended improvements are broken into three categories: Improvements to Meet Existing Needs-Water and Sewer, Improvements to Meet Future Needs-Water and Sewer, and Additional Recommendations. The study also provides an estimated cost for the recommended improvements.

Wastewater System

The NCSO is responsible for collecting, transporting and treating wastewater for its 2,400 accounts in the town area and 530 accounts in Blacklake. The two systems are separate and the District operates both systems. According to the County's annual Resource Summary Report the town system is at approximately 63% of capacity during average dry-weather flow and the Blacklake system is at 50% of capacity. The collection system is generally in good condition and is regularly maintained by the District. The District's Water and Sewer Master Plan Update provides for a capital improvement program to help prioritize and implement projects related to the sewer systems.

The County's Annual Resource Summary Report rates the capability of unincorporated communities to provide public services to the areas they serve. To assess sewer systems in the County areas, the Annual Report uses a Level of Severity rating system with 0 being no problem and 3 being that peak daily flows equal or exceed the treatment plant capacity. The Sewage Collection system of a community is also evaluated with "0" being no problem and "3" being that peak flows reach 100% of capacity. In the case of the NCSO, the Report indicates "0" Level of Severity for its sewer collection system. This means that the NCSO does not have a capacity problem with its sewage collection system. Below is an excerpt from the 2008 RMS:

The primary sewage treatment provider in the Nipomo Mesa area is the Nipomo Community Services District. According to the District, the Southland wastewater treatment plant operates at approximately 63% of capacity. The district has improved their monitoring of flow volumes, providing a more accurate calculation of percent capacity than in the past. Last year the district had over stated their flow, showing a LOS of II. Operational issues include occasional BOD (Biochemical Oxygen Demand) limit violations during settling pond maintenance. BOD is a basic measure of how well a plant is operating. A plant upgrade Master plan is in preparation with upgrade construction expected to begin in 2010.

The Water and Sewer System Master Plan Update of 2007 provides the District and the public with information regarding the status of existing facilities and identifies the need for future improvements. The Update evaluates the water and sewer system in a detailed and methodical manner that provides cost estimates for future improvement projects. The Update prepares the District for the future by analyzing existing capacities and recommending improvements to meet future needs.

Solid Waste Disposal

South County Sanitary Service is the private vendor that provides services to the area. Waste Connections, Inc. (WCI) has purchased the Cold Canyon Landfill, Coastal Rolloff Service, Morro Bay Solid Waste Service, San Luis Solid Waste Co., Mission Country Disposal and the South County Sanitary Service. Waste Connections, Inc. (“WCI” or “the Company”) was incorporated in Delaware on September 9, 1997 and commenced its operations on October 1, 1997 through the purchase of certain solid waste operations in Washington. The Company is a regional, integrated, non-hazardous solid waste services company that provides collection, transfer, disposal and recycling services to commercial, industrial and residential customers in California, Colorado, Iowa, Kansas, Kentucky, Minnesota, Mississippi, Montana, Nebraska, New Mexico, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington and Wyoming.

In 2001 the District, with LAFCO approval, exercised its latent power of solid waste collection. The District contracts with South County Sanitation, a private vendor, and receives a 10% franchise fee. The District Board reviews rates to consider the benefits of mandatory versus non-mandatory solid waste collection. The NCSD uses existing franchise fees to fund local community cleanups and creek cleanup within its service area. The Board of Directors is also reviewing the potential uses of the Franchise Fees.

WRITTEN DETERMINATIONS

Water Supply and Demand

1. The District has completed a number of professionally prepared plans, studies and reports in order to proactively evaluate and manage the water resources. These plans, studies and reports show that the District has been diligent in its responsibility to provide adequate and sustainable water service to the residents of Nipomo.
2. Based on information found in the District’s documentation the District clearly recognizes the need for carefully and thoughtfully managing existing water resources and obtaining supplemental water resources.

3. The District's Water-Intertie project has a certified EIR and is awaiting approval of a funding source. The formation of an assessment District that would assess a fee to fund the construction of the pipeline is being worked on.
4. The District does not currently have adequate and reliable water resources available to meet the needs of the Sphere of Influence over the next 20 years. At this point in time the District's most viable future water source is the City of Santa Maria via the water-intertie pipeline. Future annexations should be carefully considered with a focus on the NCSD's ability to provide water service.
5. The Santa Maria Groundwater Litigation led to the stipulated agreement in which the NCSD agrees to purchase and transmit a minimum of 2,000-3,000 acre-feet per year of supplemental water from the City of Santa Maria.
6. The District has developed and is implementing a comprehensive water conservation program. The District adopted a comprehensive Water Conservation Program in February 2008.

Wastewater

7. The capacity of the District's sewer treatment plant is at 63% and an expansion project is being considered to address future needs. The District does not anticipate serving rural areas of Nipomo with sewer services.
8. The District continues the process of upgrading and replacing sewer collection pipelines through the implementation of its annual budget.
9. The District's wastewater system currently serves only the urban area of Nipomo and Blacklake area.

Infrastructure

10. The District may, if necessary, extend physical infrastructure (water and sewer lines) to developments approved by SLO County to SOI locations proposed for annexation into the District. Costs for such extension would be born by the developer and not the ratepayers.

11. The District is continuously upgrading and maintaining public facilities, including the water distribution pipelines and wastewater collection system.

12. Based upon review of the available information, the District's facilities comply with environmental and safety standards and they are not in violation of any clean water or clean air laws or rules.

3. FINANCIAL ABILITY TO PROVIDE SERVICES

Purpose: To review the existing financial documentation and identify the District's current financial ability to provide services.

Budget

The NCSD's annual budget document is well-organized, thorough and clearly articulates the District's future financial plans. The document identifies the sources of revenues, past year's accomplishments and financial performance. As part of this Service Review, budgets from the last three years have been reviewed. The budget document provides information that is divided into the following sections:

Section 1 - Introduction

Provides a concise overview of the budget including revenues and expenditures. The NCSD operating and non-operating budgets are listed and the fund structure shown. A financial overview for the District is provided and rates and fees are listed.

Section 2 - Resolutions

Includes two resolutions that are required by state law: one adopting the budget for the Fiscal Year and another resolution determining the appropriation limitation for the Fiscal Year.

Section 3 - Operating Budget

Identifies costs associated with the day-to-day operation and maintenance of the District. This Budget is funded from water and sewer use revenues and street lighting charges and is allocated to the following cost centers:

- Administration Fund
- Water Fund
- Town Sewer Fund
- Blacklake Sewer Fund
- Blacklake Street Lighting Fund
- Drainage Fund
- Montecito Verde II Fund
- Funded Replacement-Water Fund

- Funded Replacement-Sewer Fund
- Funded Replacement-Blacklake Sewer Fund

Section 4 - Capital Improvement Projects

This section of the Budget lists and prioritizes the capital improvement projects for the District. It provides costs and a description of the planned projects.

Section 5 - Non-Operating Budget

This Budget is the District's long-term capital financing plan. It is funded by capacity charges and general purpose property taxes and is allocated to the following cost centers:

- Property Tax Fund
- Water Capacity Charges Fund
- Sewer Capacity Charges Fund-Town Division

The budget that is adopted each year is the spending plan for the District and provides a framework for the District to address the following issues: reserves, revenues, expenditures, transfer authority, fiscal management, investments, capital improvements and rates and fees.

Investment and Purchasing Policies

The District has adopted investment and purchasing policies by resolution to guide and direct NCSD staff in managing the assets of the District. The investment policies of the District limit the types of investments the Financial Officer can make on behalf of the District. According to the District's 2008 independent audit and their investment policy these investments include the following:

- County pooled funds - (California Government Code Section 61730)
- The Local Agency Investment Fund created by the California State Treasury (California Government Code Section 16429.1)
- One or more FDIC insured banks and/or saving and loan associations that are designated as District depositories by resolution of the Board of Directors (California Government Code Section 61737.02)
- Such other financial institutions or securities that may be designated by the Board of Directors from time-to-time in compliance with Federal and State Law.

The investment policy requires quarterly and annual reports to the Board of Directors regarding the status of the investments.

The purchasing policies and procedures adopted by the District address the procurement of supplies and equipment. The policy requires that supplies and equipment be found consistent with the budget prior to purchase and identifies the procedures for obtaining bids based on the estimated cost of a particular purchase.

Annual Audits

Annual audits of Special Districts are required by law and are performed with the purpose of identifying any inconsistencies or non-compliance with legally mandated accounting requirements. As part of this Service Review, audits prepared by an independent auditor over the last three years were submitted to LAFCO by the District for review. In reviewing the audits, the District was found to be in compliance with standard accounting principals and standards. The Auditor identified no issues or financial problems and provided an “unqualified opinion” regarding the financial statement presented by the District. The following excerpt from the Independent Auditor documents the auditor’s opinion:

“In my opinion, the basic financial statements referred to above (not shown) present fairly, in all material respects, the financial position of the Nipomo Community Services District as of June 30, 2008, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.”

An “unqualified” independent audit indicates that the organization is managing its financial resources in accordance with accepted accounting principals and standards. This is an indicator of the financial health of an organization and provides information regarding its financial practices. The District has had “clean” unqualified audits for the many years according to the District Financial Officer and General Manager. This is documented by the last three years of audits. The District also posts its annual audits on its website. This is an uncommon practice and provides the public with easy access to the annual audits.

Government Accounting Standards Board

The Governmental Accounting Standards Board (GASB) issued *Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments* in June 1999. The statement establishes a new financial reporting model for

state and local governments and is the biggest change in the history of public-sector accounting. GASB developed the new requirements to make annual reports more comprehensive and easier to understand and use. The new requirements include a narrative introductory overview and analysis called the Management Discussion and Analysis (MD&A); Government-wide financial statements prepared on the full accrual basis that are in addition to, not instead of, the traditional Fund-Based statements; and an expanded Budget Comparison that includes the adopted budget, final budget, and actual revenues and expenditures. The District has implemented GASB 34 and is in compliance with this regulation as noted in the Independent Audit for the Year ended June 30, 2008.

Constraints

The District's financial constraints involve the limited methods allowed to fund certain activities by establishing assessment districts or fees. The Government Code Section under which a Community Services District is governed provides the structure and regulations for funding various services provided by the District. The funding sources for CSDs are limited and it can be difficult to expand the revenue base to fund services. The District appears to be doing all that it can to maximize its revenues while continuing to provide services to its customers at fair and equitable rates.

Revenue sources for the NCSD include property taxes, fees collected from water sales, water connection fees, sewer sales and connections, and pass-through monies such as grants. The District-established annexation policy requires new annexations to the District to pay fees for the development of a supplemental water supply. Alternatively, the new annexation can bring its own supplemental water supply if one is available. One-time revenues that are pass-through funds can account for increases and decreases in revenues from year-to-year.

The need to fund a future supplemental water supply is a serious financial challenge for the District. Development of the water supply, design of a system, construction of infrastructure, and continued operation and maintenance costs could be funded in a number of different ways, including the implementation of the annexation policy, increasing water fees, the sale of bonds or other loan instruments. The process of establishing an assessment district for the Water Intertie project is underway and will take a vote of the property owners to approve the project.

Financing the development of a major new water supply will be challenging. The District has already completed a preliminary study that identifies possible costs for development of various water sources. Continued analysis of the financial impacts of bringing a new water source online needs to be thoroughly analyzed and disclosed by the District prior to the completion of negotiations for a water supply.

Reserves

The District sets aside funds for the purpose of replacing water and sewer infrastructure in future. This policy enables the District to make capital improvements without raising rates or taking out loans. The District set aside the following funds to maintain and upgrade the water and sewer systems:

Table 3-10: Cash Reserves and Designations ¹⁾

Funding Source	Use	Amount
Water Capacity Charges	Expansion of water system	\$4.8 million
Water Sales	Funded replacement	\$2.6 million
Sewer Capacity Charges	Expansion of sewer system	\$5.2 million
Sewer Sales	Funded replacement	\$3.2 million
Blacklake sewer sales	Funded replacement	(\$133,086)
Totals		\$15.79 million

1) NCSA Annual Audit 2008 Report and Financial Statements

These funds are held in two accounts: 1) the San Luis Obispo County Treasury which are invested along with the funds from other districts, and 2) the State of California - Local Agency Investment Fund. Any investment losses are proportionally distributed to all funds that are held in the pools. The District maintains most of its cash reserves in the Local Agency Investment Fund (LAIF-State of California).

The District has several long-term debts, including:

- In 1978 the District sold \$270,000 in Water Revenue Bonds payable over 40 years at a 5% interest rate. The balance as of June 30, 2008, was \$120,000.
- In 1998 the District agreed to a 0% interest loan with the State Water Resources Control Board of \$687,367 to expand the Southland Wastewater Treatment Plant-

Phase I. The loan is payable over 20 years and has a balance of \$383,552 as of June 30, 2008.

- In 1999 the District agreed to a 0% interest loan with the State Water Resources Control Board of \$843,605 to expand the Southland Wastewater Treatment Plant-Phase II. The loan is payable over 20 years and has a balance of \$506,163 as of June 30, 2008.
- In 2003 the District issued \$4.0 million of Revenue Certificates of Participation to fund pipeline and storage facility costs. The outstanding balance as of June 30, 2008, is about \$3.7 million.

WRITTEN DETERMINATIONS

1. The District prepares a comprehensive and thorough annual budget that clearly identifies the revenues and expenditures for the services provided by the District.
2. The District does not pay for infrastructure needed to serve new development projects. It is reasonable to conclude that the District endeavors to avoid long-term District obligations for the capital improvement or maintenance of new development projects.
3. The District has in place financial policies that are codified in implementing resolutions.
4. The District has taken advantage of 0% loans from the State to fund major improvements to the sewer plant.
5. There are no apparent fiscal constraints limiting the ability of the District to serve existing and future residents.
6. The District's Annual Audits are "unqualified", an indication that the financial situation of the District is currently stable.

4. STATUS OF, AND OPPORTUNITY FOR, SHARED FACILITIES

Purpose: To review the opportunities for a jurisdiction to share facilities and resources to develop more efficient service delivery systems.

The District is working on several projects that call for the close coordination between the District and other jurisdictions.

- The District and City of Santa Maria have approved the Wholesale Water Agreement to purchase water from the City. The water would likely come via a pipeline constructed under the Santa Maria River.
- The District is working with the County and other water purveyors to develop an assessment district that would pay for the construction of the water-intertie project.
- The County and NCSD have an agreement in place for the County to install the watertie for the District as part of the Willow Road Phase I project and are negotiating a similar agreement for Phase II.

The District actually shares the following facility with Golden State Water Company:

- The District has an emergency intertie with the Golden State Water Company that enables the District or Golden State Water Company to share water in the case of an emergency.
- One way intertie with Woodlands that allows the District to send water to the Woodlands in case of an emergency.

Development in Nipomo can lead to shared infrastructure between the County and the District. At present, the distinction between District and County services in the area is clear.

The opportunities for more coordination may include:

- Roadway connections (this is a County function, not District)
- Coordinated open space preservation and park maintenance
- District and County parks and recreational facilities
- Preservation and enhancement of agricultural lands

There are opportunities for shared relationships between agencies for services within the NCSD boundary. The County and the District provide similar services and try to avoid a duplication of effort. The relationship between the District and the County has been improved in recent years. Various County Departments and the District communicate on a regular basis and have benefited from building a stronger working relationship.

WRITTEN DETERMINATIONS

1. The development of areas within the NCSD service boundary may lead to shared infrastructure with the County; i.e. roads and streets - a County function, Sheriff Services, parks and recreational facilities. The potential to create shared relationships for providing some services is suggested and may be appropriate when providing certain services.
2. At present, the distinction between District and County services is clear. The District provides water, sewer, lighting, limited drainage, some landscape and solid waste services. The County provides services regarding planning and development, parks and recreation, roads and streets, law enforcement, and fire response. LAFCO conditionally approved the District's request to activate its Parks and Recreation Power based on the future approval of the assessment.

5. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES

***Purpose:* To evaluate the accessibility and levels of public participation associated with the agency's decision-making and management processes.**

LAFCO considers the agency's record of local accountability in its management of community affairs as a measure against the ability to provide adequate services to the areas.

Strategic Plan - 2009

The District adopted a Strategic Plan in July 2009 that clearly articulates the District's Mission, Core Values, and Vision. This document goes into specific detail about the District goals and challenges for each area of the organization. The plan identifies objectives and strategies for each department of the District. This document provides a road map for the District to use in finding its way in the future. The document was prepared by BHI Consulting, a firm that specializes in preparing strategic plans for Special Districts. Key strategic goals have been adopted by the District for Water, Wastewater, Partnership/Regulatory Relations, Personnel/Organization, Administrative Management, Finances, and other Services. Some key goals include:

- Assess available water supplies
- Secure new water supplies
- Permanently reduce average demand per customer
- Efficiently operate collection, treatment and disposal works
- Provide for biosolid disposal
- Strengthen ties with neighboring agencies and technical groups
- Strengthen ties with the County of San Luis Obispo
- Retain and attract new employees
- Provide appropriate training and education for employees
- Maintain clear and functional policies and procedures
- Provide excellent customer service
- Operate all enterprise funds to be financially sound
- Achieve targeted operating and non-operating reserves

1. Does the District strive to involve the public in decision-making?

The District involves the public in the decision-making process by complying with the Brown Act open meeting law. The District's meeting agendas are clearly posted at their office and other places in the community. A regular mailing list is maintained and interested parties are mailed a copy of the agenda. Meetings are run according to the Brown Act. The District goes the extra mile to incorporate the public in its decision-making process. The District website is very informative and contains many documents that are accessible to the public.

2. Does the District facilitate local media coverage and public information programs?

The District sends agendas to the local media newspapers, radio and television. The District's representatives are available to the media for commentary and responses.

3. Are elected and appointed District members accessible and attentive to its constituency?

The elected officials are accessible and responsive to their constituency. Directors serve on committees and sub-committees that are relevant to the District.

4. Are annual budget and audit reports available to the public?

Audits are completed on an annual basis as required by law and submitted to the District Board for consideration. The reports are available to the public upon request at the District Office and on the website. The budget and audits are available to the public.

The District is administratively and organizationally able to provide water, sewer, lighting, and solid waste services to residents in the SOI area. Currently, the area is served by the County. The District will provide a more focused level of service to the SOI areas. The County Board of Supervisors prioritizes services on a county-wide basis and must make difficult decisions about where, and to what services, a limited amount of financial resources are allocated.

5. Does the District have the administrative capacity to assume expanded responsibilities over the SOI areas without decreasing existing services?

The District does not currently possess the administrative capacity to provide services to the entire SOI. Over its 45-year history the District has consistently grown administrative

capacity to meet the needs of a growing customer base. The District continues to use technological upgrades to improve the productivity of workers.

6. Does the District have a customer-oriented service philosophy?

The District is characterized as an organization that is very responsive in terms of customer relations. The District strives to work with each customer on a case-by-case basis in a manner that will resolve the problem or issue in an expeditious manner.

7. Does the District maintain capital improvement programs and enterprise fund management plans?

Each year the District funds capital improvements that are most needed. The District has recently completed several plans that prioritize the projects to be completed over the next several years. The District has done a very thorough job of identifying replacement and maintenance projects. These are incorporated into the budget process and are included in a section of the budget.

8. Does the District maintain sound accounting principles and best practice fiscal management programs?

The District has passed all of the recent (last five years) annual audits with no issues or problems being identified by an outside, independent auditor.

9. Does the District have a reasonably good record of safety, environmental and permit compliance?

No record of environmental violations has been identified in our review. The District responds quickly to environmental and regulatory problems and issues. The Board has written policies to improve working relationships with regulatory agencies. The District actively cooperates and participates with the RWQCB, the County of San Luis Obispo, LAFCO, and other groups to enhance their working relationships.

WRITTEN DETERMINATIONS

1. The District is a well-managed, efficient organization that serves its customers well.

2. The District has prepared a Strategic Plan that helps the District focus on the priorities to achieve its mission. The Strategic Plan contains long-term goals and objectives for the NCSD.

3. The District staff is dedicated to serving its customers to the best of its abilities. It covers a large area and, as annexations occur, the District may have to evaluate the need for more staff.

OTHER MATTERS

This factor allows LAFCO to discuss other issues and topics that may need to be addressed or focused on in the MSR. In this case it is worth noting that the District has activated its Parks and Recreation power with conditional approval by LAFCO. The District is in the process of establishing an assessment district for the Jim O. Miller Park in the downtown area. If the assessment is approved by property owners the parks and recreation power will be activated.

The Black Lake Village Master Association made several comments and complaints regarding the District's operations, staff and elected officials. These were forwarded to the District for its response.

REFERENCES

Urban Water Management Plan, 2005 Update

A Resolution of the Board of Directors of the Nipomo Community Services District Adopting a Water Conservation Program (Resolution No. 2008-1069)

Adopted Sphere of Influence Update Municipal Services, May 2004

Final Program Environmental Impact Report, May 2004

Final Environmental Impact Report Appendix, May 2004

Final Environmental Impact Report, March 2009

County of San Luis Obispo Special Districts & Debt Service Requirements Proposed Budget 2003-2004

Nipomo Community Services District Operating and Non-operating Budgets FY 2007-2008

Nipomo Community Services District Operating and Non-operating Budgets FY 2008-2009

Nipomo Community Services District Operating and Non-operating Budgets FY 2009-2010

Nipomo Community Services District Independent Auditors' Report & Financial Statements for the Year Ended June 30, 2008

Nipomo Community Services District Blacklake Sewer System Financial Plan and User Rates, September 2008

Nipomo Community Services District Town Sewer System Financial Plan, User Rates, and Capacity Charges Final Report, August 2007

Nipomo Community Services District Strategic Plan, July 2009

San Luis Obispo County 2008 Resource Management System Annual Summary Report

Superior Court of the State of California, County of Santa Clara: Santa Maria Groundwater Litigation, Case No. CV 770214. Stipulation (June 30, 2005 Version)

Nipomo Community Services District Waterline Intertie Project Narrative Report, August 2009

APPENDIX A

MEMORANDUM OF AGREEMENT

**MEMORANDUM OF AGREEMENT
BETWEEN THE NIPOMO COMMUNITY SERVICES DISTRICT (NCSD)
AND THE COUNTY OF SAN LUIS OBISPO
REGARDING THE NCSD'S SPHERE OF INFLUENCE**

This Agreement is entered into on this _____ day of _____, 2010 by and between the Nipomo Community Services District (hereinafter "District") and the County of San Luis Obispo (hereinafter "County").

WHEREAS, the Cortese-Knox-Hertzberg Act ("the Act" Government Code 56000 et seq.) requires the Local Agency Formation Commission ("LAFCO") to update the Spheres of Influence for all applicable jurisdictions in the County every five years; and

WHEREAS, the District and the County enter into this agreement with the common goals of preserving and protecting the rural character of Nipomo, identifying areas of potential urban and suburban growth using the existing South County Area Plan-Inland ("SCAP") implementing the District's annexation policies, and planning for future resource and service needs; and

WHEREAS, Section 56001 of the Act declares that it is the policy of the state to encourage orderly growth and development which are essential to the social, fiscal, and economic well-being of the state; and

WHEREAS, the purposes of the Local Agency Formation Commission as stated in Section 56301 of the Government Code are to discourage urban sprawl, preserve open space and prime agricultural lands, efficiently provide government services, and to encourage the orderly formation and development of local agencies based upon local conditions and circumstances; and

WHEREAS, a Sphere of Influence is defined by Government Code Section 56076 as a "plan for the probable physical boundaries and service area of a local agency, as determined by the Local Agency Formation Commission", and is further defined in SLO LAFCO's Policies and Procedures as a 20-year growth boundary for a jurisdiction's physical development in; and

WHEREAS, the District and the County voluntarily enter into this agreement for the purpose of enhancing and promoting the orderly and logical development of the Nipomo Community; and

**MEMORANDUM OF AGREEMENT
NIPOMO COMMUNITY SERVICES DISTRICT/THE COUNTY OF SAN LUIS OBISPO
REGARDING THE NCSD'S SPHERE OF INFLUENCE**

WHEREAS, this MOA contains three Exhibits, including: A-Provisions, B-Map of the Potential Areas for the Sphere of Influence, C-Map of Project Referral Area; and

WHEREAS, the County Board of Supervisors has certified a Level of Severity III for the Nipomo Mesa Water Conservation Area (June 2007), as indicated in the 2009 Annual Resources Summary Report; and

WHEREAS, the Santa Maria Groundwater Basin Litigation has resulted in a Stipulated Agreement and Final Judgment that calls for the management of the area's water resources;

WHEREAS, the District has adopted an Annexation Policy designed to protect and conserve water resources by requiring all annexations into the District to be supplied by supplemental water; and

WHEREAS, the County has adopted Ordinance 3090 establishing the Nipomo Mesa Water Conservation Area and specific development standards to protect and conserve water resources within the Nipomo Mesa Water Conservation Area; and

WHEREAS, while this agreement clarifies the intent and purpose of the District's and the County's policies regarding the Sphere of Influence, the agreement does not establish the Sphere of Influence for the District; and

WHEREAS, the County, through the inland South County Area Plan adopted in 1994, has established development policies and standards for the rural areas, village areas and within the Nipomo Urban Reserve Line that identifies the areas of urban and suburban development for the community; and

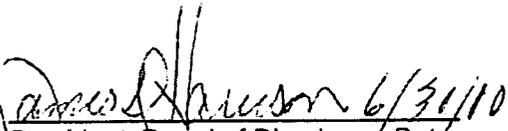
WHEREAS, the District and County have reached an agreement regarding the intent and purpose of the District's Sphere of Influence, the County's Urban Reserve Line and Village Reserve Lines as described in Exhibit A, Provisions; and

WHEREAS, the Sphere of Influence Boundary shall be established by the Local Agency Formation Commission based on the evaluation of the eight Areas shown in Exhibit B and may include all of the eight areas, a combination of Areas, a portion of some areas, or other configuration as approved by LAFCO. (Exhibit B is not intended to be the proposed Sphere of Influence and this agreement does not establish the Sphere of Influence.)

MEMORANDUM OF AGREEMENT
NIPOMO COMMUNITY SERVICES DISTRICT/THE COUNTY OF SAN LUIS OBISPO
REGARDING THE NCSD'S SPHERE OF INFLUENCE

NOW, THEREFORE, the parties agree as follows:

1. The provisions found in Exhibit A are intended to state the common understandings and agreements between the County and the District regarding the District's Sphere of Influence, the County's Urban Reserve Line and Village Reserve Lines respectively.
2. The provisions found in Exhibit A are intended to provide the District and the County with guidance for evaluating future annexation proposals for the areas in the District's Sphere of Influence and do not supersede or limit either agency's mission of legislatively established function and do not bind either agency.
3. The parties agree that the above recitals are true and correct.



President, Board of Directors Date
Nipomo Community Services District

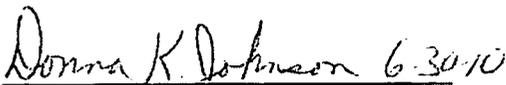
Chair, Board of Supervisors Date
County of San Luis Obispo

APPROVED AS TO FORM AND LEGAL EFFECT

District Counsel Date

County Counsel Date

ATTEST:



District Secretary Date

County Clerk-Recorder Date

Exhibit A – PROVISIONS

The following provisions are the provisions identified in the Memorandum of Agreement between the Nipomo Community Services District and the County of San Luis Obispo dated July 13, 2010 and shall be used by the District and County to guide the development decisions within the Sphere of Influence as eventually approved by the San Luis Obispo Local Agency Formation Commission (“LAFCO”).

1. **Intent.** It is the intent of the District and the County to work cooperatively toward the goals of preserving and protecting the rural character of the Nipomo area by: identifying areas of potential urban and suburban growth using the existing South County Area Plan (Inland, adopted 1994); implementing the District’s annexation policies and procedures; and planning for future resource and service needs. These goals shall be achieved in accordance with the Cortese-Knox-Hertzberg Act (“CKH”), the County’s General Plan, the Policies and Procedures of the District, the California Environmental Quality Act and any other applicable laws and regulations.
2. **Term.** Upon adoption of the District’s Sphere of Influence (“SOI”) by LAFCO, this agreement shall be reviewed, evaluated, or amended as necessary at such time as the SOI is updated by LAFCO, or concurrent with a comprehensive update of the South County Area Plan (Inland) adopted in 1994, as initiated by the County.
3. **Interagency Cooperation.** The District and County shall work cooperatively regarding, but not limited to, issues and policies relating to water, its supply and legal entitlements for the area within the Nipomo Mesa Water Conservation Management Area and Nipomo Valley as shown in Exhibit F. For project referrals concerning planning for land use, the provision of public services, utility and road rights-of-way, traffic and circulation, agricultural land and open space preservation, and General Plan Amendments, County planning staff will continue to use the map shown in Exhibit C. Each party shall refer proposals, applications, and actions on a proposal/project to the other party. Information about the proposal/project shall be referred immediately to the following address for review and comment:

Division Manager, Long Range Planning
Department of Planning & Building
County Government Center
San Luis Obispo, CA 93408

General Manager
Nipomo Community Services District
148 South Wilson Street
PO Box 326
Nipomo, CA 93444

This provision shall not supersede or terminate other methods of commenting or providing feedback regarding a proposal or project, but is meant to enhance and increase interagency cooperation and communication.

4. **Commitment by the Nipomo Community Services District.** The District is currently designing and, with the assistance from the County, intends to construct a Waterline Intertie Project with the City of Santa Maria to deliver approximately 3,000 AFY of supplemental water (Phase I Project). The Phase I Project will deliver supplemental water to the District, the Woodlands, the Golden State Water Company and the Rural Water Company consistent with the Judgment and Stipulation in the Santa Maria Groundwater Adjudication. Water delivered to the District from the Phase I Project will be used to serve existing and future customers within the District’s current boundary.

MEMORANDUM OF AGREEMENT
NIPOMO COMMUNITY SERVICES DISTRICT/THE COUNTY OF SAN LUIS OBISPO
REGARDING THE NCSD'S SPHERE OF INFLUENCE

The District intends to design and construct certain components of the Phase I Project with the capacity for delivery of an additional 3,200 AFY. This additional water (Phase II Project), and subject to appropriate financing mechanisms and approvals, is intended by the District to provide supplemental water within the District's SOI as currently zoned, consistent with the District's Annexation Policy, dated May 24, 2006, and the South County Area Plan (Inland) adopted in 1994, as amended to the date of this MOA by the County Board of Supervisors (except for existing litigation).

The District's SOI is not intended to increase density or encourage urbanization in areas outside the Urban Reserve Line and/or Village Reserve Lines. The District does not encourage or promote projects that are inconsistent with the community's vision for Nipomo, as described in the South County Area Plan (Inland) adopted in 1994.

The District does not intend to extend water or sewer services into Study Area 1 west or northwest of Hetrick Road, unless preceded by (i) a General Plan amendment initiated by the County that would extend the Urban Reserve Line into that area; and (ii) the approval of LAFCO. Subject to LAFCO approval and the delivery of Phase II Project supplemental water, the District will support extension of services into Study Areas 2 and 3. The District will not extend future/new sewer services into Study Area 4 except for the area south of Southland Street, identified as the Southland Specific Plan area in the South County Area Plan (Inland) adopted in 1994, unless the General Plan is amended. The District does not intend to extend sewer service into Study Areas 4, 5, 7 or 8 unless authorized by a County General Plan Amendment and approval by LAFCO.

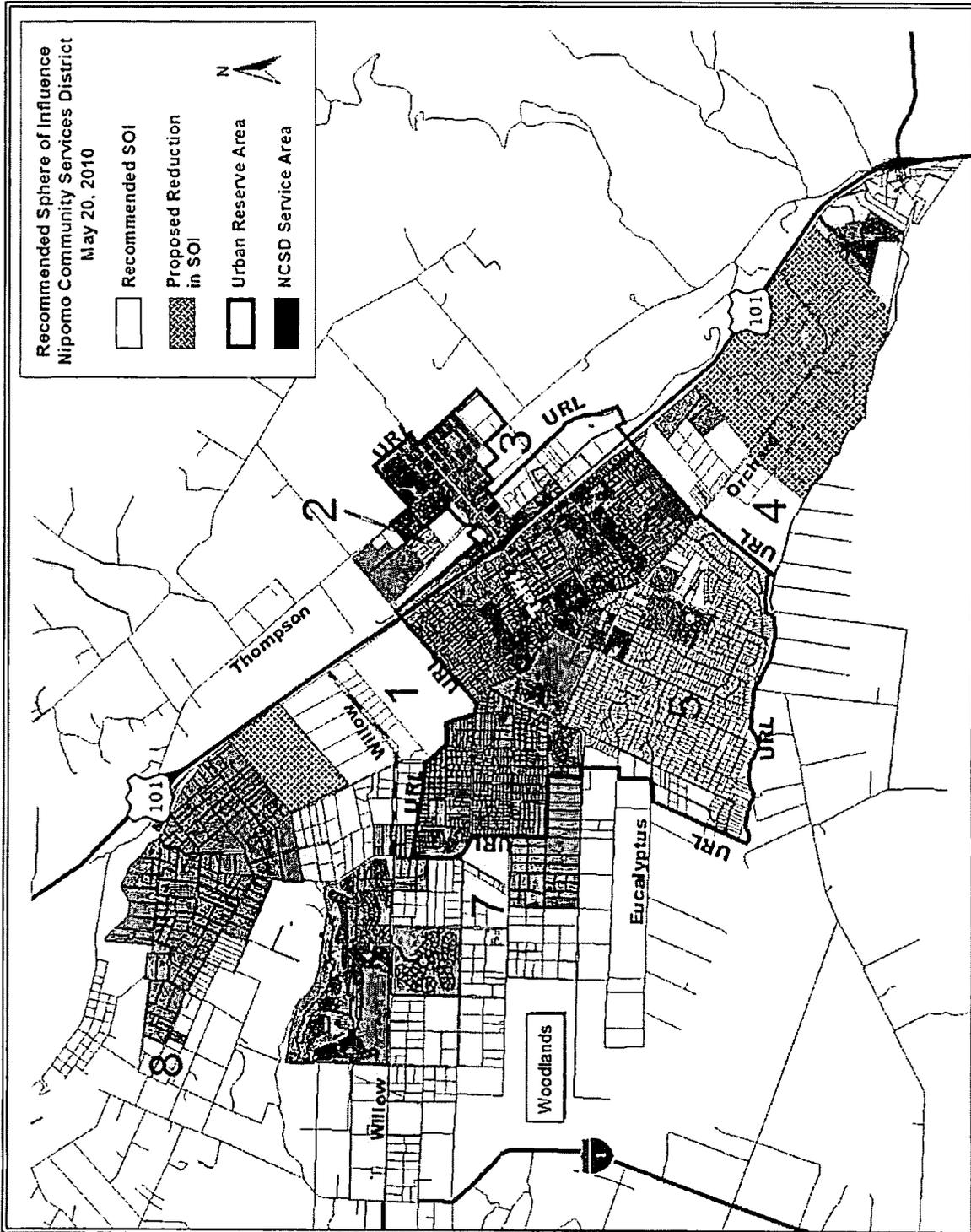
5. **Commitment by the County of San Luis Obispo.** The County shall work cooperatively with the District to efficiently and effectively provide for public services to residents in the Nipomo area. The County intends to continue implementing the vision, goals and policies of the existing South County Area Plan (Inland) adopted in 1994, and as amended from time-to-time by the County Board of Supervisors. The County does not intend, nor does it promote, expanding the existing Urban Reserve Line for the purpose of increasing the density allowed on a particular parcel of land unless approved as a General Plan Amendment or Specific Plan by the Board of Supervisors. The County shall strongly discourage the creation of new Private or Mutual Water Companies, or service by such entities to proposed land divisions within the Nipomo Mesa Water Conservation Area.
6. **Common Agreements by the County and NCSD.** The District and County acknowledge and agree on the following statements:
 - a. Protection and management of the groundwater resource in the Nipomo Mesa Water Conservation Area is important for the future of the Nipomo community.
 - b. Current and Phase 1 Project supplemental water supplies from the City of Santa Maria will not be sufficient to provide water service to the Sphere of Influence.
 - c. Continued approval of development based on water service from mutual and private water companies does not encourage the efficient and effective management of the groundwater resource and makes management of the groundwater basin more difficult.

MEMORANDUM OF AGREEMENT
NIPOMO COMMUNITY SERVICES DISTRICT/THE COUNTY OF SAN LUIS OBISPO
REGARDING THE NCSD'S SPHERE OF INFLUENCE

- d. Future development within the Sphere of Influence, as currently zoned in the South County Area Plan (Inland) adopted in 1994, is intended to be served by the District at such time when an adequate supplemental water supply to serve the development is available and delivered to the District's storage and distribution system.
 - e. Unless amended, the County will process current land use applications under the existing South County Area Plan (Inland) adopted in 1994, standards and policies.
 - f. Subject to LAFCO approval, the District will consider (within its supply capabilities) providing water service to existing developed properties within the Sphere of Influence that experience a documented water supply emergency such as what happened in the Summit Station Road Area.
 - g. Absent additional evidence of impact mitigation and subject to existing County ordinances, standards and policies, the provision of community water service by the District should not be considered by individual property owners to justify or support a change in zoning that would increase density in areas zoned Residential Rural.
 - h. The process of development within the District's Sphere of Influence shall be accomplished in the following order: 1) the District is consulted through referrals on land use applications; 2) Land Use approvals and CEQA documentation are approved and certified by the County; and 3) Annexation application is submitted by the property owner or District for consideration and approval by LAFCO.
7. **Urban Reserve Line and Sphere of Influence.** The County's Urban Reserve Line (URL) is the official boundary in the South County Area Plan (Inland) adopted in 1994, designating future urban growth. The District's SOI boundary as approved by LAFCO is not intended to show, and/or encourage, future urban growth or to compete with the URL. The SOI may be considered when some services that are provided by the NCSD, such as trash pickup; lighting or emergency provision of water as described above is desired by property owners. The Urban Reserve Line shall not extend beyond the SOI unless approved as part of a county initiated General Plan amendment. The County does not intend for areas that are zoned Agriculture, Rural Lands and Residential Rural to be included within the Urban Reserve Line or served with urban services other than solid waste. Areas that are zoned Residential Suburban, Residential Single Family and Residential Multi-Family are intended to be within the Urban Reserve Line and are included in the SOI.
8. **General Plan Update/Specific Plans.** The County is presently in the process of updating the Land Use and Circulation Element (LUCE) of the County General Plan for the unincorporated rural areas of the county. One of the goals of the LUCE is to identify possible least constrained areas adjacent to urban areas for possible future expansion of communities. Any such expansion would be considered at a later date in a separate update of the community general plan. Currently, the South County Area Plan (Inland) adopted in 1994, calls for the preparation of Specific Plans to identify land uses within the areas known as Canada Ranch and the area just south of Southland Street. These Specific Plans should be prepared and adopted by the County prior to annexation of the property into the District.

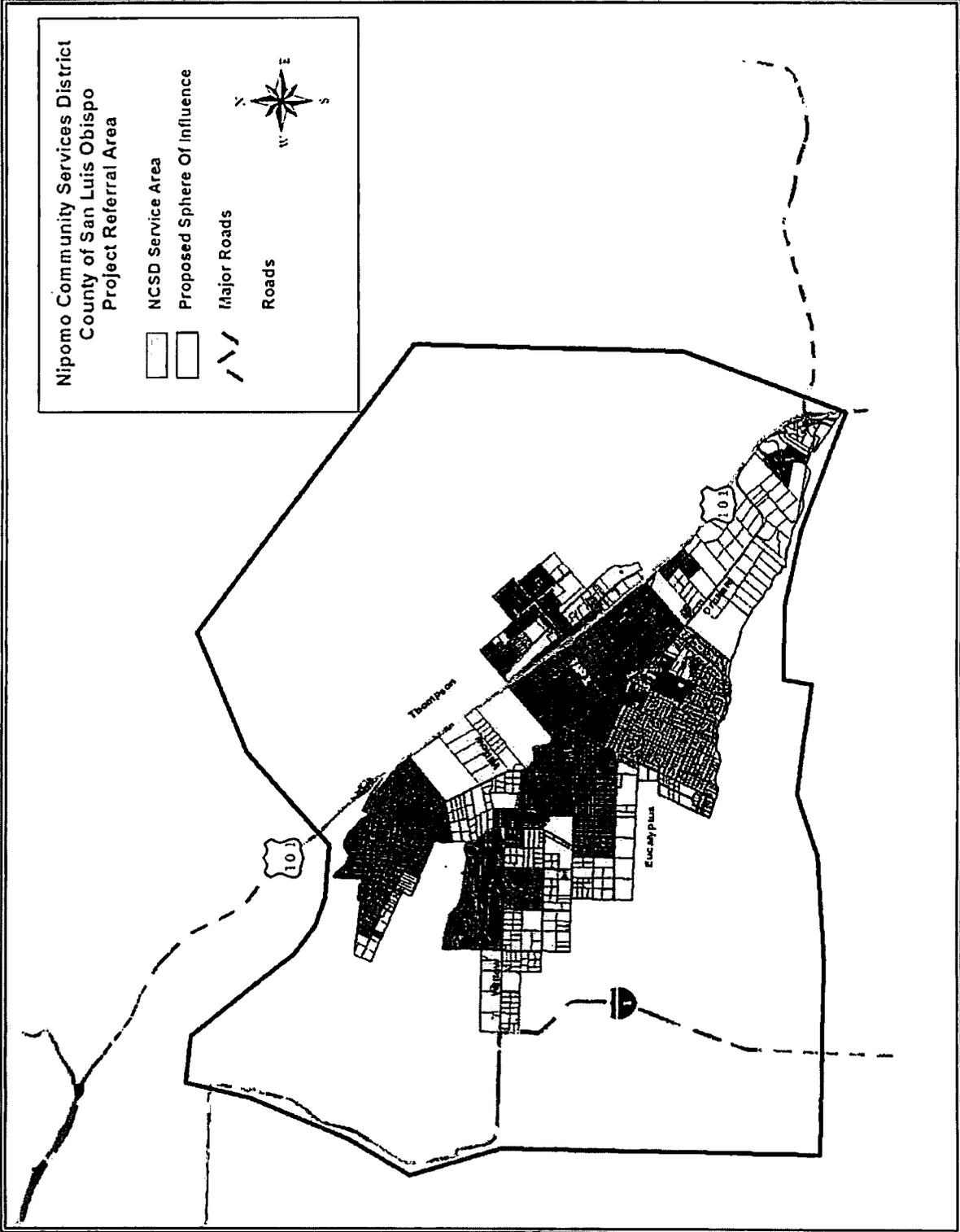
MEMORANDUM OF AGREEMENT
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Exhibit B-Possible Sphere of Influence



MEMORANDUM OF AGREEMENT
NIPOMO COMMUNITY SERVICES DISTRICT/THE COUNTY OF SAN LUIS OBISPO
REGARDING THE NCSD'S SPHERE OF INFLUENCE

Exhibit C-Project Referral Area



APPENDIX B

CONDITIONS OF APPROVAL

Exhibit B
Nipomo Community Services District - Sphere of Influence
Conditions of Approval

LAND USE

1. Prior to providing services to an area or property in the District's Sphere of Influence one or more of the following processes shall be completed:
 - a. Approval by the County of San Luis Obispo of Tract or Parcel Map, Conditional Use Permit, Specific Plan, and/or General Plan Amendment, or
 - b. Approval by LAFCO of an Outside User Agreement or an Annexation.

These processes shall be subject to the environmental review process consistent with the California Environmental Quality Act (CEQA). Any conflicts between the Sphere of Influence and the General Plan shall be resolved through the processes stated above. Impacts associated with premature or "leapfrog" development, development outside the Urban Reserve Line, potential growth-inducing impacts, and the availability of public services shall also be addressed and mitigated to the greatest possible degree through these discretionary approval processes.

2. The District shall not provide sewer services to Study Area, four (except for the Southland Specific Plan Area and areas zoned Residential Suburban), Five (Residential Suburban zoning only), Seven, and Eight. This condition shall be applied by LAFCO to any annexations proposed in those Study Areas as shown in the map found in Figure 1-1 of the Chapter one and by the District through any annexation agreements it approves.

WATER

3. Except as provided below, prior to LAFCO approval of any annexation, the District shall:
 - A. Implement a water conservation program that decreases water use by 15% based on per connection water consumption with the base year being 2004. Annexations shall only be approved if the District provides documentation that certifies a 15% decrease in water use has occurred since the approval date of the Sphere of Influence. Conservation measures shall be implemented at the District's discretion.

4. Prior to approval by LAFCO of any annexation, the District shall complete negotiations for a supplemental water source outside the Nipomo Mesa Management Area and provide documentation that an agreement is in place to deliver such water. Documentation shall be consistent with the sections of the latest SB 610 Guidebook for documenting supplies. A Registered Professional Engineer specializing in water planning shall review and certify such documentation.
5. Prior to final approval of any annexation that is a "project", as defined under the Water Code 10912, the District shall submit a Water Assessment pursuant to the procedures found in the Guidebook for Implementation of SB 610 and SB 221, using only the steps applicable to SB 610.

Exceptions

6. Conditions 4, 5, and 6 shall not apply to the following proposed annexations:
 - A. **County Service Area I Reorganization.** This proposal would dissolve CSA 1 and annex those areas into the District. The District would not be providing water service, but would assume the provision of sewer services and the maintenance of drainage facilities to these areas. This proposal has no impacts on District water resources since these areas are already served by Golden State Water Company.
 - B. **Moss Lane Annexation.** These are the six residences that were not a part of the Maria Vista annexation. These residences have failing wells that may create a health and safety problem in the near future. Hookups are readily available through Maria Vista. The impact to the District's water supply would be insignificant.