

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN
GENERAL MANAGER

MSL

DATE: FEBRUARY 6, 2015

**AGENDA ITEM
E-8
FEBRUARY 11, 2015**

**REVIEW THE COUNTY'S 2012-2014 RESOURCES MANAGEMENT
SUMMARY REPORT AND CONSIDER PROPOSED COMMENTS**

ITEM

The County is conducting a biennial review of its Resource Management System (RMS). The Board will consider the County's biennial report and recommended comments [REVIEW AND DIRECT STAFF]

BACKGROUND

The Planning and Building Department for the County of San Luis Obispo is responsible for implementing the County's RMS, which is part of the Land Use Element of the County General Plan. Biennial Resource Summary Reports are prepared to evaluate resource and infrastructure needs and to help promote strategic growth.

County staff have circulated a draft 2012-2014 Resource Summary Report and is seeking comment from interested parties. The draft report includes new criteria for assessing Level of Severity as adopted by the Board of Supervisors in December 2014. The County is requesting any comments by February 15, 2015. The Board of Supervisors is scheduled to consider the Report on March 10, 2015.

On January 27, 2015, your Board's Facilities/Water Resources Committee considered the report and directed staff to draft a comment letter and bring to the full Board for consideration. The entire report is available on the County website and District office. Due to its size, only excerpts are included in Attachment "A":

- Pages 1-16 of the report provide background for the RMS and how the severity criteria are developed and applied.
- Table II-1 and II-2 summarize water purveyors serving the County and basin status.
- Pages 51-56 overview the water supply and water systems in the Oceano/Nipomo area.

A draft comment letter reflecting Committee and staff input is provided as Attachment B.

RECOMMENDATION

Consider County Report, your Facilities/Water Resources Committee recommendations, the draft comment letter and direct staff.

ATTACHMENTS

- A. Excerpts SLO County 2012-2014 Draft Resource Summary Report
- B. Draft Comment Letter

February 11, 2015

E-8

ATTACHMENT A

2012 -2014
Resource Summary Report
San Luis Obispo County General Plan

DRAFT



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January 9, 2015

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I. INTRODUCTION

Scope and Purpose

This 2012-2014 biennial edition of the Resource Summary Report (RSR) covers the fiscal years July 2012 through June 2014. The report is based on information gathered from service providers, County agencies, reports from state or regional agencies, environmental impact reports for major projects, research for the Land Use and Circulation Element Update program, and personal communications with agency staff. Additional resource information is provided by staff of community services districts (CSD), school districts, other special districts and private water companies.

The primary purpose of the RSR is to provide a comprehensive biennial summary of the state of the County's natural and human-made resources. The RSR addresses the following resources: water (system and supply), wastewater treatment, roads and U.S. Highway 101 interchanges, parks, schools and air quality. Recommended actions in the RSR may also address resource use by existing development and recommend improvements to resource infrastructure and efficiencies.

Organization of the Resource Summary Report

The RSR's assessment of resources is divided into the following topics:

- Water Supply (including surface water and groundwater resources)
- Water Systems
- Wastewater Collection and Treatment (including septic systems)
- Roads and US Hwy 101 Interchanges
- Schools
- Parks
- Air Quality

The chapters following this introductory chapter provide an overview of the above resources, including a discussion of relevant environmental and regulatory issues and the current status of resources for each service provider. The criteria for assessing the levels of severity are explained, followed by recommended Levels of Severity.

The Resource Management System

The RSR is one of the key parts of the Resource Management System (RMS), which is described in Framework for Planning, Part I of the Land Use Element of the County General Plan. The RMS provides information to guide decisions about balancing land development with the resources necessary to sustain such development. To accomplish this goal, the RMS focuses on:

- Collecting data
- Identifying problems; and
- Helping decision-makers develop solutions.

When a resource deficiency becomes apparent, several courses of action are possible to protect the public health, safety and welfare:

- The resource capacity may be expanded;
- Conservation measures may be introduced to extend the availability of unused capacity;
- Resource efficiencies may be introduced;
- Development may be restricted or redirected to areas with remaining resource capacity.

In this way, the RMS addresses development in terms of appropriate distribution, location, and timing rather than growth versus no-growth.

Resource and Infrastructure Needs

San Luis Obispo County faces serious resource and costly infrastructure challenges. These challenges include protecting groundwater levels, securing new water supplies, constructing water distribution facilities, and funding improvements to major circulation facilities such as freeway interchanges. As people continue to be drawn to the Central Coast to enjoy our beaches, rural character and quality of life, a focused effort will continue to be needed to address these resource and infrastructure constraints.

Some of our communities and rural areas have both long and short-term resource and infrastructure needs. In the case of water supply, additional supplies are potentially available to some areas, but are not being used to the fullest extent (e.g. unallocated State and Lake Nacimiento project water). Providing for resource and infrastructure needs will require both well-considered policy choices and funding of important infrastructure.

What's New In this Resource Summary Report?

In addition to providing an updated analysis of the various resources and recommended Levels of Severity, the 2012-2014 RSR differs from the 2010-2012 RSR in a number of important aspects:

- The discussion of resources and Levels of Severity is organized by resource, rather than by areas of the county. Maps and illustrations are provided where necessary for geographic context.
- An analysis of resource constraints affecting the seven incorporated cities is not included. Although certain resources serving the cities also serve the County and its many unincorporated communities, decisions made by the cities are outside the jurisdiction of the County.
- Countywide resources associated with motor vehicle miles travelled, fuel and energy use, and greenhouse gas emissions are not included because data used to generate these analyses are no longer available from Caltrans. These issues will continue to be addressed by the Conservation and Open Space Element of the County General Plan and by the County's EnergyWise Plan (climate action plan).

- The Board of Supervisors recently revised the criteria used for assessing the Levels of Severity. The revised criteria are discussed below under *Criteria for Determining Levels of Severity*.

How Was Information Gathered for this Report?

The information and data gathered for this report are requested and received from the relevant service providers and agencies and are also derived from various planning documents. Information in this report has been provided on a completely voluntary basis by service providers; as such, the report reflects the most accurate information provided to date.

Population

Population forecasts in the RSR are derived from projections prepared by the San Luis Obispo Council of Governments (SLOCOG) in July 2014.

Building Permit Data

Information regarding the number, type and distribution of building permits for residential development issued for the past two years are provided by the Department of Planning and Building.

Water System, Supply, Usage & Rates

Each July, the Public Works Department asks water suppliers and water system operators throughout the County to report on water demand and supply for their jurisdiction¹. Staff contacts service providers who have not submitted the requested information within the requested timeframes.

As the RSR reporting system is voluntary, service providers are not obligated to respond to requests for information; however, many do. As a result, data gaps in the RSR may occur each year if requested information is not provided. The cooperation and participation of the service providers who do respond each year is greatly appreciated.²

Wastewater Collection and Treatment (Including Septic Systems)

The San Luis Obispo County Planning and Building Department requests information from wastewater system operators via a standard form and from the Regional Water Quality Control Board.

Roads and U.S. 101 Interchanges

The San Luis Obispo County Public Works Department provides updated information on roads and U.S. Highway 101 interchanges. In 2009, the Board of Supervisors directed staff to include the condition of interchanges in the unincorporated communities along the U.S. Highway 101

¹ In 2014 33 water providers participated in the reporting program, 33 providers participated in 2012, 28 providers participated in 2011, 26 providers participated in 2010, and 31 providers participated in 2009.

² Information on current water use, historical water use and water rates are taken from the Water System Reports submitted to the Public Works Department on a fiscal year basis.

corridor in the RSR. The results of these analyses may be found in the applicable section of this report. Additional interchanges may be evaluated in subsequent years.

Schools

County staff requests each school district to provide enrollment and capacity information for the past two school years: 2011-2012 and 2012-2013.

Parks

Planning staff coordinates with San Luis Obispo County Parks staff in preparing this report. Park acreage and needs are derived from the Parks and Recreation Element of the County General Plan, with updates on current developments provided by Parks staff.

Air Quality

The assessment of air quality is provided by the staff of the San Luis Obispo Air Pollution Control District.

County Population and Building Permit Data

The demand for resources is proportional to the current and future populations to be served. An estimate of future demand must account for the demand associated with new residential development that has received final building permit approval but has yet to be constructed. Population and building permit data provide an important context for the consideration of resources and resource constraints.

County Population

Table I-1 provides an estimate of the County's current (2014) and projected future population estimated by the San Luis Obispo Council of Governments for regional planning purposes. Future population is provided in five-year increments beginning in 2015 and continuing into the future to the year 2040. The seven incorporated cities in San Luis Obispo County (Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach and San Luis Obispo) account for approximately 55% of the county's total population (2010 Census). The population of the unincorporated County is concentrated the urban areas of Avila Beach, Cambria, Cayucos, Los Osos, Nipomo, Oceano, Santa Margarita, San Miguel, Shandon and Templeton.

Table I-1 -- Estimate of Present (2014) and Future County Population								
	2010 US Census	2014	2015	2020	2025	2030	2035	2040
Cities	148,307	150,401	150,924	155,455	159,548	164,680	169,859	175,179
Unincorporated Areas	104,324	105,452	105,734	108,061	112,565	118,212	123,914	129,768
Population In Group Quarters	17,006	17,006	17,006	17,006	17,006	17,006	17,006	17,006
Total County	269,637	272,859	273,664	280,522	289,119	299,898	310,779	321,953

Source: SLOCOG, 2014

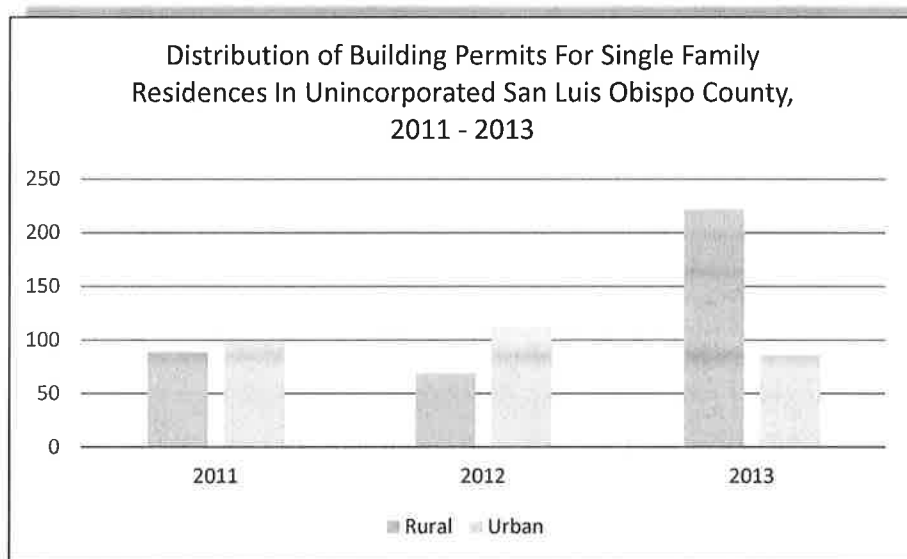
Building Permits for Residential Development

Table I-2 shows the number of building permits ‘finaled’ for new (or replaced) single family residences in the unincorporated County between 2000 and 2013, divided between those issued in urban versus rural areas. As shown in Table I-2 and Figure I-1, urban areas of the unincorporated County have received the largest proportion of new residences, an average of 59% urban versus 41% rural over the past 13 years. The year 2013 appears to be an anomaly with only 28% of new residences constructed in the urban areas.

Table I-2 -- Building Permits “Finaled” For Single Family Residences In the Unincorporated County, 2000 - 2013				
Year	Rural	Urban	Total	% of Urban Dwelling Units
2000	277	493	770	64%
2001	230	651	881	74%
2002	366	521	887	59%
2003	327	541	868	62%
2004	437	683	1120	61%
2005	372	661	1033	64%
2006	385	521	906	58%
2007	283	512	795	64%
2008	304	422	726	58%
2009	54	72	126	57%
2010	93	144	237	61%
2011	89	99	188	53%
2012	69	113	182	62%
2013	222	86	308	28%
TOTAL	3,508	5,519	9,027	59%

Source: San Luis Obispo County Department of Planning and Building

Figure I-1 – Distribution of Building Permits for Single Family Residences



Source: San Luis Obispo County Department of Planning and Building

A key policy of the County General Plan is to direct development to existing and strategically planned communities. In addition, a key element of the SLOCOG's 2014 Regional Transportation Plan – Sustainable Communities Strategy (RTP-SCS) is to encourage development in existing urbanized areas with access to existing businesses and services.

Levels of Severity

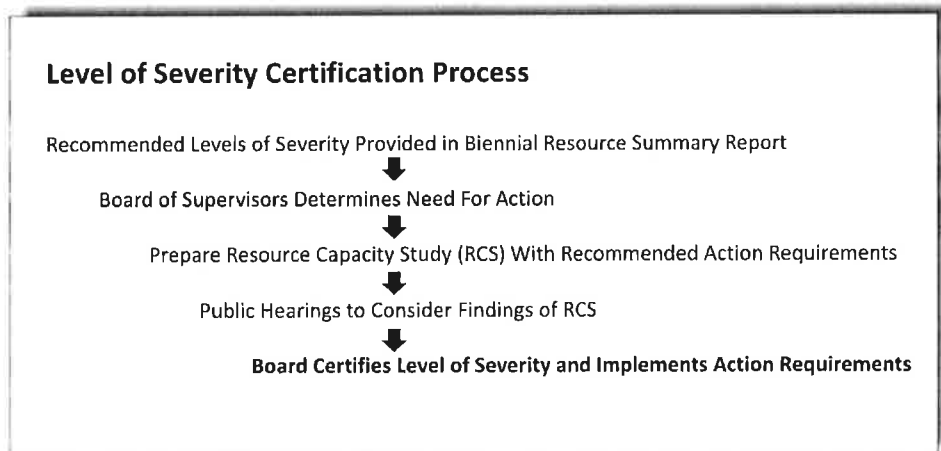
The RMS uses three alert levels called *levels of severity* (LOS) to identify differing levels of resource deficiencies.

- **Level I** is the first alert level and 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.
- **Level III** occurs when the demand for the resource currently equals or exceeds its supply and is the most critical level of concern. In the case of water supply, LOS III occurs when either the demand projected over 15 years (or other lead time determined by a resource capacity study) equals or exceeds the estimated dependable supply, or the time required to correct the problem is longer than the time available before the dependable supply is reached. The County should take a series of actions to address resource deficiencies before Level III is reached.

The RMS identifies a variety of steps which can be taken by the Board of Supervisors when it is determined that a resource has reached a particular LOS.

It is important to distinguish between "recommended" LOS and LOS that have been certified by the Board of Supervisors. All LOS are initially the recommendations of staff based on information provided by the various service providers or recommendations from the Water Resource Advisory Committee (WRAC)³. These recommended LOS should be taken as general indicators of declining resource availability.

Potential solutions to declining resource availability, or "action requirements," are not automatically invoked in response to recommended LOS. If the Board of Supervisors determines that a particular resource situation is not being dealt with adequately, or that a failure to act could result in serious consequences, it sets in motion the certification process. Certification involves the completion of a *Resource Capacity Study (RCS)* which investigates the resource issue in more detail than the preliminary analysis which resulted in the "recommended" LOS. The RCS is the subject of public hearings by the Planning Commission and the Board of Supervisors. If the Board of Supervisors certifies a LOS, the appropriate "action requirements" are implemented.



Criteria for Determining Levels of Severity

The RMS defines LOS for the following resources:

- Water Supply (including groundwater and surface water)
- Water Systems
- Wastewater Collection and Treatment (including septic systems)
- Roads and Highway Interchanges

³ The WRAC is composed of representatives of the various water resources stakeholders in the County and charged with the responsibility of advising the Board of Supervisors on water-related policy. The WRAC is composed of appointees from of each of the five supervisorial districts, as well as representatives of each of the seven cities, community services districts, resource conservation districts, agricultural, environmental and development interests, water agencies and institutions.

- Schools
- Parks
- Air Quality

The LOS for each resource are summarized below.

WATER SUPPLY

Level of Severity	Water Supply Criteria
I	Water demand projected over 20 years equals or exceeds the estimated dependable supply. LOS I provides five years for preparation of resource capacity studies and evaluation of alternative courses of action.
II	Water demand projected over 15-20 years (or other lead time determined by a resource capacity study) equals or exceeds the estimated dependable supply.
III	Water demand projected over 15 years (or other lead time determined by a resource capacity study) equals or exceeds the estimated dependable supply OR The time required to correct the problem is longer than the time available before the dependable supply is reached.

WATER SYSTEMS

Level of Severity	Water System Criteria
I	The water system is projected to be operating at the design capacity within seven years. Two years would then be available for preparation of a resource capacity study and evaluation of alternative courses of action.
II	A five-year or less lead time (or other lead time determined by a resource capacity study) needed to design, fund and construct system improvements necessary to avoid a LOS III problem.
III	Water demand equals available capacity: a water distribution system is functioning at design capacity or will be functioning at capacity before improvements can be made. The capacity of a water system is the design capacity of its component parts: storage, pipelines, pumping stations and treatment plants.

WASTEWATER TREATMENT

Level of Severity	Wastewater Treatment Criteria
I	The service provider or RWQCB determines that monthly average daily flow will or may reach design capacity of waste treatment and/or disposal facilities within 4 years. This mirrors the time frame used by the RWQCB to track necessary plant upgrades.
II	RWQCB determines that the monthly average daily flow will or may reach design capacity of waste treatment and/or disposal facilities within 2 years.
III	Peak daily flow equals or exceeds the capacity of a wastewater system for treatment and/or disposal facilities.

WASTEWATER COLLECTION SYSTEMS

Level of Severity	Wastewater Collection Criteria
I	2-year projected flows equal 75% of the system capacity. A 2-year period is Recommended for the preparation of resource capacity study.
II	System is operating at 75% capacity OR The five-year projected peak flow (or other flow/time period) equals system capacity OR The inventory of developable land in a community would, if developed, generate enough wastewater to exceed system capacity.
III	Peak flows fill any component of a collection system to 100% capacity.

1. A wastewater collection system includes facilities that collect and deliver wastewater to a treatment plant for treatment and disposal (sewer pipelines, lift stations, etc.)

SEPTIC SYSTEMS

Level of Severity	Septic Systems Criteria
I	Failures occur in 5% of systems in an area or other number sufficient for the County Health Department to identify a potential public health problem.
II	Failures reach 15% and monitoring indicates that conditions will reach or exceed acceptable levels for public health within the time frame needed to design, fund and build a project that will correct the problem, based upon projected growth rates.
III	Failures reach 25% of the area's septic systems and the County Health Department and RWQCB find that public health is endangered.

1. Includes septic tank systems or small aerobic systems with subsurface disposal. Typical disposal systems include leach fields, seepage pits, or evapotranspiration mounds.

ROADS

Level of Severity	Roads, Circulation Criteria
I	Traffic volume projections indicate that Level of Service "D" would be reached within five years.
II	Traffic volume projections indicate that Level of Service "D" would be reached within two years.
III	Traffic volume projections indicate that the road or facility is operating at Level of Service "D."

1. Level of Service "D" is the criteria threshold for urban roads. For rural roads, the criteria threshold is Level of Service "C."

HIGHWAY INTERCHANGES

Level of Severity	Highway Interchange Criteria
I	Traffic volume projections indicate that Level of Service "D" would be reached within 10 years.
II	Traffic volume projections indicate that Level of Service "D" would be reached within five years.
III	Traffic volume projections indicate that the interchange is operating at Level of Service "D."

SCHOOLS

Level of Severity	Schools Criteria
I	When enrollment projections reach school capacity within seven years.
II	When enrollment projections reach school capacity within five years.
III	When enrollment equals or exceeds school capacity.

PARKS

Level of Severity	Parks Criteria
I	Regional Parks. The county provides between 10 and 15 acres of regional parkland per 1,000 persons in the entire county (i.e., incorporated and unincorporated population). Community Parks. An unincorporated community has between 2.0 and 3.0 acres of community parkland per 1,000 persons.
II	Regional Parks. The county provides between 5 and 10 acres of regional parkland per 1,000 persons in the entire county (i.e., incorporated and unincorporated population). Community Parks. An unincorporated community has between 1.0 to 2.0 acres of community parkland per 1,000 persons.
III	Regional Parks. The county provides less than 5 acres of regional parkland per 1,000 persons in the entire county (i.e., incorporated and unincorporated population). Community Parks. An unincorporated community has 1.0 acre or less of community parkland per 1,000 persons.

AIR QUALITY

Level of Severity	Air Quality Criteria
I	Air monitoring shows periodic but infrequent violations of a state air quality standard, with no area of the county designated by the state as a non-attainment area.
II	Air monitoring shows one or more violations per year of a state air quality standard and the county, or a portion of it, has been designated by the state as a non-attainment area.
III	Air monitoring at any county monitoring station shows a violation of a federal air quality standard on one or more days per year, and the county or a portion of the county qualifies for designation as a federal non-attainment area.

Changes To The Criteria for Levels of Severity

As discussed above, the LOS criteria used in the 2012-2014 RSR differ from those used in prior years. On December 16, 2014, the Board of Supervisors revised the LOS criteria, including the time frames, for certain resources. These revisions better reflect the County's experience with project development, funding and construction time lines. Table I-3 provides a summary of how the LOS used in this RSR differ from those used in prior years. In most cases, the revisions reflect changes to the time frames that trigger an LOS. Other changes were added to clarify the relationship between a LOS and the time needed to implement corrective actions. Lastly, new LOS criteria have been added for septic systems, parks and highway interchanges.

Table I-3 -- Summary of Changes To Criteria for Levels of Severity			
Resource	Summary of Changes		
Water Supply	The timeframes for the projected remaining dependable water supply have been extended for each LOS as follows:		
	<u>Level of Severity</u>	<u>Previous LOS</u>	<u>Revised LOS</u>
	LOS I	9 years	20 years
	LOS II	7 Years	15 to 20 Years
	LOS III	When supply equal or exceeds estimated dependable supply	Supply will equal or exceed estimated dependable supply within 15 years, OR the timeframe to correct the problem is longer than the timeframe for the remaining supply.
Water Systems	The LOS timeframes are unchanged. However, the criteria have been refined to clarify the relationship between the time required to design and implement system improvements to avoid a worsening LOS.		
Wastewater Treatment	Criteria have been revised to refer to "monthly average daily flow" rather than "peak flow." The timeframe for reaching the LOS I threshold has been reduced from 6 years to 4 years, and for LOS II from 5 years to 2 years. Criteria for LOS III remain unchanged.		
Wastewater Collection	The criteria for LOS I remain unchanged. The criteria for LOS II have been expanded to include two additional criteria: 1) the projected 5-year flow equals system capacity, or 2) buildout of remaining developable land would exceed system capacity. LOS III is unchanged.		
Septic Systems	Prior RSRs did not have a separate LOS for septic systems.		
Roads	LOS are unchanged.		
Highway Interchanges	Prior RSRs did not have a separate LOS for highway interchanges.		
Schools	No changes.		
Parks	Levels of severity for parks were considered for the first time in the 2010-2012 RSR. However, the RSR did not establish specific LOS criteria but instead relied on the standards of the General Plan Parks and Recreation Element. The LOS for parks used in this RSR were prepared by the County Parks Department.		
Air Quality	The LOS criteria were established by the San Luis Obispo Air Pollution Control District and have been revised based on the incidence of violations of state air quality standards only. Thresholds, and timeframes for reaching the thresholds, have been eliminated.		

Summary of Recommended Levels of Severity and Recommended Actions for 2012-2014

The LOS recommended for each resource are summarized below along with the recommended actions. There are no LOS established for cities.

Water Supply and Systems

Table I-4 -- Recommended Levels of Severity – Water Supply		
Groundwater Basins and Affected Water Purveyors	Recommended LOS	Recommended Actions
<p>Pico Creek Valley Groundwater Basin</p> <p><u>Water Purveyors</u> San Simeon CSD</p>	III	<p>Continue to support efforts to improve water conservation, the efficient use of water, and water re-use.</p> <p>Continue to collect development impact fees for the construction of water supply infrastructure.</p> <p>Support efforts to develop sustainable supplemental sources of water.</p>
<p>San Simeon Valley Groundwater Basin Santa Rosa Valley Groundwater Basin</p> <p><u>Water Purveyors</u> Cambria CSD</p>	<p>III</p> <p>III</p>	<p>LOS III to remain in place.</p> <p>Collaborate with the Cambria Community Services District to address issuance of a limited number of intent-to-serve letters and building permits based on the aggressive water conservation program developed by Maddaus.</p> <p>Collaborate with the Cambria Community Services District to revise the County Growth Management Ordinance to reflect the issuance of a small number of building permits for new development as part of a temporary pilot program.</p> <p>Collaborate with the Cambria Community Services District to prepare a CEQA determination, with the County acting as a Responsible Agency, that identifies the potentially significant impacts of a temporary, small scale pilot program to issue intent-to-serve letters and</p>

Table I-4 -- Recommended Levels of Severity – Water Supply		
Groundwater Basins and Affected Water Purveyors	Recommended LOS	Recommended Actions
		building permits for new development.
Cayucos Valley Groundwater Basin Old Valley Groundwater Basin <u>Water Purveyors</u> CSA 10A Morro Rock Mutual Water Co. Paso Robles Water Assoc.	None None	Continue to support efforts to improve water conservation, the efficient use of water, and water re-use. Continue to collect development impact fees for the construction of water supply infrastructure. Support efforts to develop sustainable supplemental sources of water.
Los Osos Valley Groundwater Basin <u>Water Purveyors</u> Los Osos CSD S&T Mutual Water Co. Golden State Water Co.	III	LOS III to remain in place. Continue to support efforts to complete and implement a Basin Management Plan. Support efforts to complete the wastewater project.
San Luis Obispo Valley Groundwater Basin – San Luis Sub-basin San Luis Obispo Valley Groundwater Basin – Avila Valley Sub-basin <u>Water Purveyors</u> Avila Beach CSD Avila Valley Mutual Water Co. San Miguelito Mutual Water Co. CSA 12	None None	Support efforts to determine the safe yield of the Avila Valley Sub-basin
Santa Maria Valley Groundwater Basin – Northern Cities Management Area Santa Maria Valley Groundwater Basin – Nipomo Mesa Management Area <u>Water Purveyors</u> Nipomo CSD Woodlands Mutual Water Co. Oceano CSD	None III	Consider ending the Title 8 retrofit-upon-sale ordinance in the NMWCA. The program has run for four years and approximately 5% of homes have needed retrofitting. Follow the progress of the Supplemental Water Alternatives Evaluation Committee. Coordinate any needed County actions such as an AB 1600 study to quantify the

Table I-4 -- Recommended Levels of Severity – Water Supply		
Groundwater Basins and Affected Water Purveyors	Recommended LOS	Recommended Actions
		<p>costs and benefits of the identified supplemental water project for groundwater users outside the Nipomo CSD.</p> <p>Collaborate with the Nipomo CSD and other stakeholders to assist in their efforts to address area wide water issues.</p> <p>Continue to help fund area wide water conservation through the fee on new construction.</p>
<p>Santa Margarita Groundwater Basin</p> <p><u>Water Purveyors</u> CSA 23</p>	III	<p>Support efforts to determine the safe yield of the Santa Margarita Groundwater Basin.</p> <p>Support efforts to develop additional sustainable water supplies for CSA 23.</p>
<p>Paso Robles Groundwater Basin</p> <p><u>Water Purveyors</u> San Miguel CSD CSA 16 – Shandon</p>	III	<p>LOS III for the Basin as a whole and for the Atascadero Sub-basin.</p> <p>Continue to support efforts to complete and implement a Basin Management Plan.</p>
<p>Paso Robles Groundwater Basin – Atascadero Sub-basin</p> <p><u>Water Purveyors</u> Templeton CSD</p>	III	<p>LOS III for the Basin as a whole and for the Atascadero Sub-basin.</p> <p>Continue to support efforts to complete and implement a Basin Management Plan.</p>
<p>Lake Nacimiento Area</p> <p><u>Water Purveyors</u> Heritage Ranch CSD Nacimiento Water Co.</p>	None	<p>Continue to support efforts to improve water conservation, the efficient use of water, and water re-use.</p> <p>Continue to collect development impact fees for the construction of water supply infrastructure.</p> <p>Support efforts to develop sustainable supplemental sources of water.</p>

Water Systems

No Levels of Severity are recommended.

Wastewater

Table I-5 -- Recommended Levels of Severity – Wastewater Treatment and Septic Systems		
Wastewater Treatment	Recommended Levels of Severity	Recommended Actions
No Levels of Severity are recommended		
Septic Systems	Recommended Levels of Severity	Recommended Actions
Santa Margarita	I	Monitor septic system failures in the community of Santa Margarita.
Shandon	None	Maintain Level of Severity III for Los Osos until the wastewater system is completed and on-site septic systems have been decommissioned.
Los Osos	III	Recommend Level of Severity III for the "prohibition zone" in the Nipomo Area.
Nipomo	III for the "prohibition zone".	Consult with County Health and RWQCB on actions and monitor. Evaluate alternatives to septic systems such as a public sewer system, a community septic system maintenance program, or a collection and disposal system to existing onsite treatment tanks.

Water Purveyors Serving the Unincorporated County

Water purveyors serving the unincorporated county are summarized on Table II-1 and shown on Figure II-1.

Table II-1 – Water Purveyors Serving the Unincorporated County				
Community	Water Purveyors	Approx. Population Served (2014)	2012-13 Water Deliveries (AFY)⁴	2013-14 Water Deliveries (AFY)
Avila Beach Avila Valley	Avila CSD	450	(1)	86.6
	Avila Valley Mutual Water Co.	112	35.9	48.1
	San Miguelito Mutual Water Co. CSA 12	1,200	(1)	179.5
Cambria	Cambria CSD	6,031	(1)	555.1
Cayucos	CSA 10A	2,185	110.1	112.0
	Morro Rock Mutual Water Co.		115.6	115.4
	Paso Robles Beach Water Assoc.		151.2	149.9
Edna Valley	Golden State Water Co.	1,960	297.9	286.8
Heritage Ranch	Heritage Ranch CSD	3,500	533.6	461.3
Los Osos	Los Osos CSD	7,086	670.8	645.1
	Golden State Water Co.	8,824	675.5	649.8
	S&T Mutual Water Co.	(1)	(1)	(1)
Nipomo	Nipomo CSD	12,484	2,376.4	2,517.0
	Woodland Mutual Water Co.	1,200	864.5	849.3
Oceano	Oceano CSD	7,294	829.1	832.8
Santa Margarita	CSA 23	1,265	156.1	157.2
San Miguel	San Miguel CSD	2,413	309.8	312.1
San Simeon	San Simeon CSD	462	(1)	72.1
Shandon	CSA 16	1,260	109.7	142.3
Templeton	Templeton CSD	6,885	(1)	1,344.3

Source: San Luis Obispo County Flood Control and Water Conservation District, 2014

Notes:

- I. No data reported.

⁴ Acre feet per year. An acre-foot is 325,851.4 gallons.

Water Resources

The following information regarding water resources serving the unincorporated county was summarized from the 2012 San Luis Obispo County Master Water Report which is available in its entirety at the County's⁵ website:

<http://www.slocountywater.org/site/Frequent%20Downloads/Master%20Water%20Plan/>

Groundwater Resources

Groundwater basins are summarized on Table II-2 and shown on Figure II-2.

Table II-2 – Groundwater Basins			
Location	Groundwater Basins/ Sub-basins	Safe Basin Yield (AFY)	Notes
San Simeon	San Carpaforo Valley	{1}	Rural and agricultural users only.
	Arroyo De La Cruz Valley	1,244	Rural and agricultural users only.
	Pico Creek Valley	120	Users include San Simeon CSD, Hearst Ranch and overlying users.
Cambria	San Simeon Valley	1,040	Users include Cambria CSD and overlying users.
	Santa Rosa Valley	2,260	Users include Cambria CSD and overlying users.
	Villa Valley	1,000	Rural and agricultural users only. Department of Water Resources estimate of safe yield from 1958. There has been no subsequent basin study to confirm or update this estimate.
Cayucos	Cayucos Valley	600	Morro Rock Mutual Water Company and Paso Robles Beach Water Association service areas overlie a portion of the basin; however, these purveyors do not pump from the Cayucos Valley basin. Department of Water Resources estimate of safe yield in 1958. There has been no subsequent basin study to confirm or update this estimate.
	Old Valley	{1}	Within the watershed of Whale Rock Reservoir. Users downstream of Whale Rock reservoir include members of the Cayucos Area Water Organization (CAWO), which include Morro Rock Mutual Water Company (Morro Rock MWC), Paso Robles Beach Water Association (PRBWA), County Service Area 10A (CSA 10A), the Cayucos Cemetery District (CCD), and two landowners.
	Toro Valley	532	Basin water users include Chevron (with agricultural tenants), and overlying residential and agricultural users.
Morro Bay	Morro Valley	1,500	Basin groundwater users include the City of Morro Bay, a cement plant, a small public water system (mobile home park), and residential and agricultural overlying users.
	Chorro Valley	2,210	Users include the City of Morro Bay, San Luis Obispo County, California State Parks, California State Polytechnic University, California National Guard, California Men's Colony, and residential and agricultural overlying users.
Los Osos	Los Osos Valley	3,200	Users include Golden State Water Company, S&T Mutual, the Los Osos Community Services District, and overlying private well users.

⁵ "County" as used in this RSR includes the San Luis Obispo County Flood Control and Water Conservation District.

Table II-2 – Groundwater Basins			
Location	Groundwater Basins/ Sub-basins	Safe Basin Yield (AFY)	Notes
San Luis Obispo/ Edna Valley	San Luis Obispo Valley – San Luis Valley Sub- basin	2,000	A 1991 study reported a sustained yield of the entire San Luis Valley Groundwater Basin under existing conditions at 5,900 AFY. Sub-basin groundwater users include the City of San Luis Obispo; California State Polytechnic University; San Luis Coastal Unified School District; Chevron; close to two dozen small public water systems serving various commercial, industrial, and residential properties; agricultural growers; and private residences.
	San Luis Obispo Valley – Edna Valley Sub-basin	4,000	Users include Golden State Water Company, San Luis Country Club (golf course), a few small public water systems, agricultural growers, and private residences.
Avila Valley	San Luis Obispo Valley – Avila Valley Sub-basin	(1)	Users include Avila Valley Mutual Water Company and San Miguelito Mutual Water Company.
South County/ Nipomo	Santa Maria Valley -- Pismo Creek Valley Sub- basin	(1)	Users include residential and agricultural overlying users.
	Santa Maria Valley -- Arroyo Grande Valley Sub-basin	(1)	Sub-basin groundwater users include small public water systems (residential, commercial, and County park), and agricultural and residential overlying users.
	Santa Maria Valley -- Nipomo Valley Sub- basin	(1)	Sub-basin groundwater users include residential and agricultural overlying users. The Nipomo CSD operates wells within the boundaries of the sub-basin, but these wells tap the deeper fractured rock reservoirs. There is no existing estimate for the perennial yield of this sub-basin.
	Northern Cities Management Area	5,600 – 6,800	Basin groundwater users in the NCMA include City of Pismo Beach, City of Arroyo Grande, City of Grover Beach, Oceano Community Services District (Oceano CSD), small public water systems (including Halcyon Water System), Lucia Mar Unified School District, and residential and agricultural overlying users.
	Nipomo Mesa Management Area	4,800 – 6,000	Basin groundwater users in the Nipomo Mesa Management Area include Golden State Water Company, Rural Water Company, Woodlands Mutual Water Company (WMWC), ConocoPhillips, Nipomo Community Services District (Nipomo CSD), Lucia Mar Unified School District, small public water systems (serving residential, industrial and nursery/greenhouse operations), and commercial, agricultural and residential overlying users. DWR (2002) estimated the dependable yield (DWR 2002, Page ES21) at 4,800 AFY to 6,000 AFY, which was prior to the formal establishment of the NMMA.
	Santa Maria Valley Management Area	124,000	Users include agricultural and residential overlying users and a small public water system. Safe Yield in the San Luis Obispo County portion of the Santa Maria Valley was estimated between 11,100 AFY and 13,000 AFY prior to the formal establishment of the SMVMA (DWR 2002).
Huasna Valley	Huasna Valley	(1)	Basin water users are residential and agricultural overlying users.
Cuyama Valley	Cuyama Valley	10,000	Basin groundwater users in the San Luis Obispo County portion of the basin include oil field operators and residential/agricultural overlying users. There is no separate yield estimate for the San Luis Obispo County portion of the basin.
Carrizo Plain	Carrizo Plain	8,000 – 10,000	Users include agricultural and residential overlying users.
	Rafael Valley	(1)	Users include agricultural and residential overlying users
	Big Spring Area	(1)	Users include agricultural and residential overlying users

Table II-2 – Groundwater Basins			
Location	Groundwater Basins/ Sub-basins	Safe Basin Yield (AFY)	Notes
Santa Margarita	Santa Margarita Valley	(1)	Serves Santa Margarita by way of CSA 23. The average annual yield of the basin in the vicinity of the proposed Santa Margarita Ranch development may be in the range of 400 to 600 AFY.
	Rinconada Valley	(1)	All pumping in the basin is for agricultural purposes and by overlying users.
	Pozo Valley	1,000	There are some small public water systems in the basin. All other pumping is for residential and agricultural purposes by overlying users. Department of Water Resources estimate in 1958. There has been no subsequent basin study to confirm or update this estimate.
Atascadero/ Templeton	Paso Robles – Atascadero Sub-basin	16,400	Users include the City of Atascadero, Templeton CSD and Garden Farms.
Paso Robles	Paso Robles	97,700(2)	Water users in the basin include municipalities, communities, rural domestic residences, and agricultural users. The major municipal water purveyors include the Atascadero Mutual Water Company, City of Paso Robles, Templeton CSD, CSA 16-1 (Shandon), and San Miguel Community Services District (San Miguel CSD). Includes 16,400 AFY perennial yield from the Atascadero Groundwater Sub-basin.
Cholame	Cholame Valley	(1)	There are some small public water systems in the San Luis Obispo County portion of the basin. All other pumping is for residential and agricultural purposes by overlying users.

Source: San Luis Obispo County Master Water Report, 2012

Notes:

(1) No estimate available.

(2). The safe yield for the Paso Robles Groundwater Basin is currently being updated.

Oceano/Nipomo Area Water Supply and Water Systems

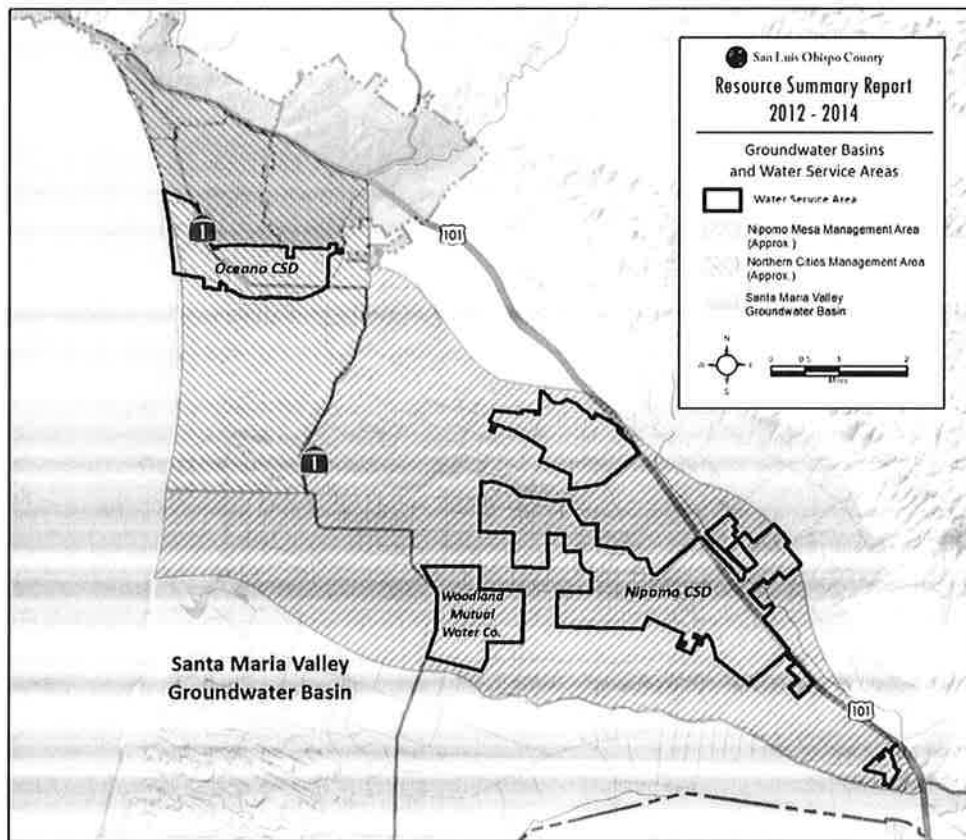


Figure 8 -- Santa Maria Valley Groundwater Basin, Management Areas and Water Purveyors

Santa Maria Valley Groundwater Basin

The Santa Maria Valley groundwater basin underlies the Santa Maria Valley in the coastal portion of northern Santa Barbara and southern San Luis Obispo Counties and serves urban users as well as overlying well users. The basin also underlies Nipomo and Tri-Cities Mesas, Arroyo Grande Plain, with sub-basins in the Nipomo, Arroyo Grande and Pismo Creek Valleys.

There are two boundaries currently in use for this basin, one defined by the California Department of Water Resources (DWR) and one defined by the Superior Court of California. The court-defined boundary was developed by a technical committee for use in basin adjudication. Three sub-basins have also been identified in San Luis Obispo County that are separated from the main basin by the Wilmar Avenue fault and are outside the area of adjudication. These are the Pismo Creek Valley (1,220 acres), Arroyo Grande Valley (3,860 acres), and Nipomo Valley (6,230 acres) Sub-basins.

The Santa Maria Valley Groundwater Basin has been adjudicated. In 2005, the Superior Court of California entered a Judgment for a basin-wide groundwater litigation case that defined three

basin management areas. These management areas are the Northern Cities Management Area (NCMA), the Nipomo Mesa Management Area (NMMA), and the Santa Maria Valley Management Area (SMVMA).

Northern Cities Management Area

The Northern Cities Management Area (NCMA) is part of the Santa Maria Valley Groundwater Basin adjudicated area. The Oceano CSD is the only water purveyor serving the unincorporated County. The 2002 Groundwater Management Agreement (the “gentlemen’s agreement”) among the Northern Cities which includes the cities of Arroyo Grande, Pismo Beach and Grover Beach, along with the Oceano CSD, allocates an assumed safe yield of 9,500 AFY. The safe yield included subdivisions for agricultural irrigation (5,300 AFY), subsurface flow to the ocean (200 AFY) and urban uses (4,000 AFY). It also provided that urban groundwater allocations can be increased when land within the incorporated boundaries is converted from agricultural uses to urban uses, referred to as an agricultural conversion credit, or “ag credit.” The 2010 Annual Report for the Northern Cities Management Area (NCMA) summarizes the groundwater allocations for the Northern Cities as follows:

Urban Area	Allotment (AFY)	Ag Credit (AFY)	Total (AFY)
Arroyo Grande	1,202	112	1,314
Grover Beach	1,198	209	1,407
Pismo Beach	700	0	700
Oceano CSD	900	0	900
Total:	4,000	321	4,321

Source: San Luis Obispo County Master Water Report, 2012, page 4-30

The Arroyo Grande Plain Hydrologic Sub-area (part of the Santa Maria Valley Groundwater Basin) provides from 30 to 100 percent of the water supply for the urban users. The only water purveyor serving the unincorporated areas of the Northern Cities Management Area is the Oceano CSD. However, the groundwater extraction rights are shared by agreement with Pismo Beach, the City of Arroyo Grande, the City of Grover Beach, and the Oceano CSD. As party to the Santa Maria Valley Groundwater Basin litigation, extraction rights may be increased or decreased at a future date. Groundwater availability in the NCMA is primarily constrained by water quality issues and water rights. The major purveyors have agreed to share the water resources through a cooperative agreement that also sets aside water for agricultural use and for basin outflow, although the amount allocated for basin outflow has been deemed unreasonably low (Todd, 2007). Following the detection of evidence of seawater intrusion in 2009, the NCMA water purveyors worked cooperatively with each other and the County to reduce groundwater pumping.

Water availability in the NCMA is primarily constrained by water quality issues and water rights. Basin sediments in the management area extend offshore along several miles of coastline, where sea water intrusion is the greatest potential threat to the supply. Low coastal groundwater levels indicated a potential for seawater intrusion that was locally manifested in sentry wells 32S/13E N02 and N03 in 2009 after 3 dry years, with levels and water quality

improving after an average rainfall year in 2010. The major purveyors have agreed to share the water resources through a cooperative agreement that also sets aside water for agricultural use and for basin outflow. Following the detection of evidence of seawater intrusion in 2009, the NCMA water purveyors worked cooperatively with each other and the District to reduce groundwater pumping. This approach included the following management strategies:

- Increased surface water use through delivery of surplus supplies from Lopez reservoir
- Expanded conservation programs and customer education
- Negotiations to secure an emergency allocation of additional State Water Project supplies, if needed
- Hydraulic evaluation and maintenance of the Lopez pipeline
- Increased groundwater monitoring
- Expanded regional cooperation

Going forward, the NCMA water purveyors plan to implement several initiatives to improve the long-term sustainability of their water supplies. These initiatives could include:

- Development of a groundwater model for the Santa Maria Valley Groundwater Basin
- Pursuit of additional permanent and emergency allocations of State Water Project supplies
- Enhanced conjunctive use of the groundwater basin
- Regional recycled water projects

Oceano CSD maintains adequate supply to meet existing and forecast build-out demands. With sufficient conservation, Oceano CSD should have adequate supply to not only meet its customer's needs, but also maintain a reliability supply. Oceano CSD's participation in the County's drought buffer program for State Water would improve water supply reliability in the event of drastic cut backs in State Water Project supplies.

Water demand projected over 20 years will not equal or exceed the estimated dependable supply for the Northern Cities Management Area. No recommended Level of Severity.

Table II-13 – Santa Maria Groundwater Basin -- Northern Cities Management Area Existing and Forecasted Water Supply and Demand			
Demand	Oceano CSD	Agriculture	Rural
Current Demand (AFY)	832.8 ¹	2,056	38
Forecast Demand in 15 Years (AFY)	909.5	2,399	38
Forecast Demand in 20 Years (AFY)	973.9	2,513	38
Buildout Demand (30 Or More Years) (AFY)	1,277 -1,419 ²	2,742	38
Supply			
State Water Project (AFY) ³	495 ⁴	0	0
Lopez Lake Reservoir (AFY)	303	0	0
Santa Maria Valley Groundwater Basin -- Arroyo Grande Plain Sub-Area (AFY) ⁵	900	5,300 ⁷	36
Transfers ⁶	-100	0	0
Total Supply:	1,598	Uncertain	Uncertain
Water Supply Versus Forecast Demand	Water demand projected over 20 years will not equal or exceed the estimated dependable supply. ⁸		

Sources: Water System Usage forms: July 2012 – June 2013; July 2013 – June 2014, San Luis Obispo County Master Water Report, 2012, Table 4.60

Notes:

1. See Table II-1. Current year data for agriculture and rural are from 2012.
2. Ten percent additional water conservation (beyond what has already been accomplished) assumed for the low end of the forecast build-out demand, except for Grover Beach, which assumed 20% additional reduction.
3. State Water Project average allocation assumed 66 percent of contract water service amount.
4. Oceano CSD has a 750 AFY allocation, but no drought buffer. Therefore, the 66 percent assumption for State Water Project delivery is 495 AFY.
5. Safe yield of 9,500 AFY with subdivisions for applied irrigation (5,300 AFY), subsurface outflow to the ocean (200 AFY), and urban use (4,000 AFY). The 2002 Groundwater Management Agreement safe yield allotment for urban use is broken down per the number shown.
6. Arroyo Grande has an active agreement to purchase 100 AFY of Oceano CSD supplies from groundwater or Lopez Lake water. This temporary agreement ends in 2014.
7. Safe yield of 9,500 AFY with subdivisions for applied irrigation (5,300 AFY), subsurface outflow to the ocean (200 AFY), and urban use (4,000 AFY). The 2002 Groundwater Management Agreement safe yield allotment for urban use is broken down per the numbers shown.
8. NCMA cities, NMMA cities, County, District, and local land owners actively and cooperatively manage surface and groundwater with the goal of preserving the long-term integrity of water supplies in the NCMA and NMMA.

Nipomo Mesa Management Area

Groundwater is pumped from the Nipomo Mesa Hydrologic Sub-area that is part of the Santa Maria Valley Groundwater Basin. Litigation involving use of this groundwater basin, which began in 1997, has resulted in stipulations and judgments in 2005 and 2008. As party to the Santa Maria Groundwater Basin litigation, extraction rights for Golden State Water Company, Rural Water Company, Woodlands Mutual Water Co., ConocoPhillips and Nipomo CSD may be affected at a future date. In addition, the stipulated judgment required these users (except for ConocoPhillips) to develop alternative sources to import a minimum of 2,500 AFY. The primary

constraints on water availability in the NMMA are physical limitations to the east, water quality on the west, and water rights.

Even with additional conservation measures in place, Golden State Water Company, Rural Water Company, Woodlands MWC, and Nipomo CSD could experience supply deficits if groundwater is insufficient to meet increases in demands. To address this need, recycled water, investigating other groundwater supply sources, and increasing delivery from the Nipomo Supplemental Water Project (discussed below) are considered the most feasible water management strategy options to consider implementing.

Nipomo Supplemental Water Project. The Nipomo CSD has investigated multiple sources of supplemental water and, as a result, signed an agreement with the City of Santa Maria to pursue an intertie project. The January 5, 2010 Wholesale Water Supply Agreement established the basis for purchase and delivery of water from the City to the Nipomo CSD. The project is currently under construction. When completed, it will be capable of delivering up to 3,000 AFY and could be completed in two and a half years. Once the supplemental water system is in place, Nipomo CSD will be required to purchase 2,167 AFY of that supply. Three other water purveyors, Woodlands MWC, Golden State Water Company, and Rural Water Company will share in the project costs and will together receive one-third of the mandated minimum water delivery (833 of 2,500 AFY). The additional 500 AFY capacity has been reserved for use by the Nipomo CSD for infill but no annexations or General Plan Amendments may use this water. Additional water via the City of Santa Maria (if possible), desalination and recycled water are also being considered as a long-term alternative source for the Nipomo CSD and others in the region.

Although the Santa Maria Groundwater Basin has been adjudicated, the potential for shortfalls to purveyors and overlying users that continue to rely primarily on groundwater remains. The NMMA, the County, and local land owners actively and cooperatively manage surface and groundwater with the goal of preserving the long-term integrity of water supplies in the NMMA. However, uncertainties remain about the reliability of water resources serving the Nipomo Mesa Management Area.

Water demand projected over 15 years is projected to equal or exceed the estimated dependable supply. **Recommended Level of Severity III**

Table II-13 -- Santa Maria Valley Groundwater Basin – Nipomo Mesa Management Area Existing and Forecasted Water Supply and Demand				
Demand	Nipomo CSD	Woodlands Mutual Water Co.	Agriculture	Rural
Current Demand (AFY) ¹	2,517.0	849.3	3,800	1,700
Forecast Demand in 15 Years (AFY)	2,790.5	895.6	4,050	1,700
Forecast Demand in 20 Years (AFY)	2,906.3	932.8	4,133.3	1,700
Buildout Demand (30 Or More Years) (AFY)	2,984 ²	1,440-1,600 ²	3,800-4,300	1,700
Supply				
State Water Project (AFY) ³	0	0	0	0
Lopez Lake Reservoir (AFY)	0	0	0	0
Santa Maria Valley Groundwater Basin -- Arroyo Grande Plain Sub-Area (AFY) ⁴	0	0	0	0
Transfers ⁵	0	0	0	0
Nipomo Supplemental Water Project (AFY) ⁶	2,157	417	0	0
Santa Maria Valley Groundwater Basin -- Nipomo Mesa Sub-Area (AFY)	457	365	4,300	1,700
Recycled Water (AFY)	60-74	24-28	0	0
Total Supply:	2,698	810	Uncertain	Uncertain
Water Supply Versus Forecast Demand	Water demand projected over 15 years is projected to equal or exceed the estimated dependable supply. ⁷			

Sources: Water System Usage forms: July 2012 – June 2013; July 2013 – June 2014, San Luis Obispo County Master Water Report, 2012, Table 4.60

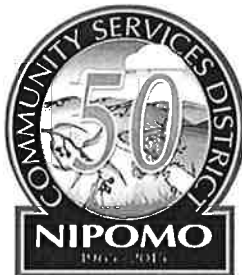
Notes:

1. See Table II-1. Current year data for agriculture and rural are from 2012.
2. Ten percent additional water conservation (beyond what has already been accomplished) assumed for the low end of the forecast build-out demand, except for Grover Beach, which assumed 20% additional reduction.
3. State Water Project average allocation assumed 66 percent of contract water service amount.
4. Safe yield of 9,500 AFY with subdivisions for applied irrigation (5,300 AFY), subsurface outflow to the ocean (200 AFY), and urban use (4,000 AFY). The 2002 Groundwater Management Agreement safe yield allotment for urban use is broken down per the number shown.
5. Arroyo Grande has an active agreement to purchase 100 AFY of Oceano CSD supplies from groundwater or Lopez Lake water. This temporary agreement ends in 2014.
6. Nipomo supplemental water project includes Nipomo CSD, Woodlands MWC, Golden State Water Company, and Rural Water Company. Nipomo CSD will receive approximately 1,667 AFY and has reserved an additional 500 AFY. The other three will receive 833 AFY.
7. The NCMA cities, NMMA cities, County, District, and local land owners actively and cooperatively manage surface and groundwater with the goal of preserving the long-term integrity of water supplies in the NCMA and NMMA.

NIPOMO COMMUNITY

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Celebrating 50 Years of Service to the Community, 1965 - 2015

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DRAFT

February 12, 2015

Mr. Brian Pedrotti, AICP
San Luis Obispo County Planning & Building Department
bpedrotti@co.slo.ca.us

Dear Mr. Pedrotti:

SUBJECT: DRAFT RESOURCES SUMMARY REPORT COMMENTS

We appreciate the opportunity to review the County's draft 2012/2014 Resources Management System (RMS) biennial report. The recommendations and comments below were developed by the District's Facilities/Water Resources Committee and approved by the Board of Directors on February 11, 2015.

General Comments:

1. The District recognizes the County's continued effort to improve the RMS and biennial Resource Summary Report (RSR).
2. The County RSR should rely on annual reports by the court appointed Nipomo Mesa Management Area (NMMA) and Northern Cities Management Area (NCMA) to provide more complete groundwater production numbers and projections. Large NMMA purveyors accounting for significant current and projected demand are not included in the draft RSR.
3. In 2006, the County certified a Level of Severity III for the NMMA based on a Resources Capacity Study conducted in 2004. The County adopted Ordinance 3090 to carry out the study's recommended actions. The draft RSR makes neither mention of this action nor the status of County efforts to implement the Ordinance. This work needs to be summarized and updated.

Specific Comments:

1. Recommend Levels of Severity – Water Supply:

The NMMA and NCMA are contiguous geographic areas overlying the Santa Maria Groundwater Basin. The draft RSR recommends maintaining a Level Severity III for water resources in the NMMA and "None" for water resources in the NCMA. These contrary recommendations are not supported by findings made in the draft RSR or by the NCMA in their annual reports to the court.

DRAFT

The draft RSR summarizes the NCMA's findings of seawater intrusion in Northern Cities groundwater in 2009 and then subsequently finds the entire NCMA water resources are dependable for 20 years based on Oceano's robust water portfolio and the commitment of other NCMA agencies to 'study and conserve'.

The NCMA Annual report is very clear that water resources in the management area are stressed and new supply is needed. The County's decision to constrain the RSR to unincorporated areas does not change the physical condition of the basin. A recommendation for LOS III for the Northern Cities MA is appropriate.

2. Golden State Water Company, Rural Water Company, and Mesa Dunes Mobile Home Park are large purveyors within the NMMA that are not accounted for in the draft RSR. See NMMA annual report for data.
3. NCSD formed a Supplemental Water Alternatives Evaluation Committee back in 2012. The seven member citizens Committee completed its work in February 2013 and were disbanded at that time. It is recommended that references to this Committee be updated or omitted. The Committee's work product provides a comprehensive review of South County supplemental water opportunities and is available at our website.

As a regional public agency, the County has the capacity to play a key role in addressing regional resource limitations through planning and resource development. We hope the County will "lead" and/or "facilitate" versus "collaborate" with the District and other area purveyors to address South County's area wide water resources issue.

Sincerely,

NIPOMO COMMUNITY SERVICES DISTRICT

Michael S. LeBrun
General Manager

c:

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

DATE: FEBRUARY 6, 2015

AGENDA ITEM

E-9

FEBRUARY 11, 2015

ANNUAL REVIEW OF DISTRICT DEBT MANAGEMENT, CASH RESERVE AND INVESTMENT POLICY

ITEM

CONDUCT ANNUAL REVIEW OF DISTRICT CASH RESERVE, DEBT MANAGEMENT AND INVESTMENT POLICY [RECOMMEND REVIEW AND DIRECT STAFF]

BACKGROUND

In the District's 2014 Strategic Plan, the Board approved Goal 4.5.1 which states:

Conduct annual review of Reserve Policy, Debt Policy and Investment Policy and bring to Board of Directors.

Cash Reserve Policy – The adequacy of the targeted cash reserves year-end balances and/or annual contributions to each fund will be reviewed annually during the budgeting process or when a major change in conditions threatens the reserve levels established by this policy.

Debt Management Policy – The District issued debt in 2012 and 2013 in accordance with the Debt Management Policy and continues to follow through with the post-issuance compliance requirements.

Investment Policy - The California Government Code requires the District to annually review its investment Policy and consider any changes at a public meeting. The quarterly investment report is presented to the Board of Directors as stated in the policy.

Staff has reviewed these policies and is not recommending any changes.

STRATEGIC PLAN

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

4.5.0 – Maintain sound investment policy and investments.

4.5.1 – Conduct annual review of Reserve Policy, Debt Policy and Investment Policy and bring to Board of Directors.

RECOMMENDATION

Staff recommends your Board review current policies, if changes are desired direct staff to return to a future meeting with the requested changes.

ATTACHMENTS

- A. Resolution 2014-1357, including Exhibit A, Cash Reserve
- B. Resolution 2013-1324, including Exhibit A, Debt Management Policy
- C. Resolution 2014-1328, including Exhibit A, Investment Policy

February 11, 2015

E-9

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2014-1357**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
COMMUNITY SERVICES DISTRICT AMENDING THE CASH RESERVE
POLICY FOR THE DISTRICT**

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District") intends that the District will at all times have sufficient capital available to meet its operating, replacement, capital projects and debt service payments; and

WHEREAS, the District desires to establish sound financial policies to promote favorable bond ratings in capital markets so that bonds may be used for future financing of District projects; and

WHEREAS, the District desires to reserve capital for unanticipated and unforeseeable expenses; and

WHEREAS, the District desires to establish a buffer should revenue estimates in any year not meet projections; and

WHEREAS, the Cash Reserve Policy has been amended and is hereby presented at this meeting and it is appropriate at this time for the Board of Directors to consider approval of the adoption of the amended Policy.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District:

SECTION 1. The above recitals are true and correct.

SECTION 2. The Cash Reserve Policy, as amended, in the form presented at this meeting attached hereto Exhibit "A" are hereby approved and adopted.

SECTION 3. The officers of the District are hereby directed to do and cause to be done any and all acts and things necessary or proper in order to effectuate the purposes of this resolution.

SECTION 4. This resolution shall take effect immediately.

Upon a motion by Director Harrison, seconded by Director Vierheilg, on the following roll call vote, to wit:

AYES: Directors Harrison, Vierheilg, Gaddis, Blair, and Armstrong

NOES: None

ABSENT: None

CONFLICTS: None

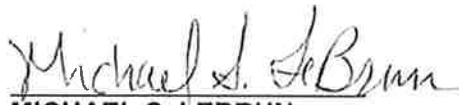
**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2014-1357**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
COMMUNITY SERVICES DISTRICT AMENDING THE CASH RESERVE
POLICY FOR THE DISTRICT**

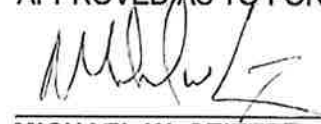
The foregoing resolution is hereby adopted this 24th day of September 2014.


CRAIG ARMSTRONG
President, Board of Directors

ATTEST:


MICHAEL S. LEBRUN
General Manager and Secretary to the Board

APPROVED AS TO FORM:


MICHAEL W. SEITZ
District Legal Counsel

NIPOMO COMMUNITY SERVICES DISTRICT
CASH RESERVE POLICY
EXHIBIT "A"

PURPOSE

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Nipomo Community Services District (District) will strive at all times to have sufficient funding available to meet its operating, capital and debt service obligations as well as to protect its creditworthiness. The District is committed to maintaining a financial structure that provides adequate and predictable revenues at the lowest possible cost to meet forecasted needs and operational objectives.

It should be noted that the District has a Debt Management Policy that establishes parameters for evaluating, issuing and managing the District's debt. The District's Debt Management Policy should be considered prior to committing to any new financial obligations.

The adequacy of the targeted cash reserve year-end balance ranges and/or annual contributions to each fund will be reviewed annually during the budgeting process or when a major change in conditions threatens the reserve levels established within this policy.

OPERATING FUNDS

WATER FUND (FUND #125)

Purpose: To ensure sufficient cash resources are available to fund daily administration, operations and maintenance of providing water services. (Funded from rates and charges)

Target Criteria: To meet the District's cash flow needs and unbudgeted expenses, the Water Fund cash reserves should be equal to or greater than twelve months (360 days) of annual budgeted operating expenses (not including Funded Replacement).

After adoption of the budget and within 90 days after the end of the fiscal year, the Board of Directors shall review the cash reserves, and if there is excess above the reserve requirement based on the cash reserve balance as of the fiscal year just completed, the Directors may approve a transfer of the excess to the Funded Replacement Water Fund #805.

TOWN SEWER FUND (FUND #130)

Purpose: To ensure sufficient cash resources are available to fund daily administration, operations and maintenance of providing waste water services. (Funded from rates and charges)

Target Criteria: To meet the District's cash flow needs and unbudgeted expenses, the Town Sewer Fund cash reserves should be equal to or greater than six months (180 days) of annual budgeted operating expenses (not including Funded Replacement).

After adoption of the budget and within 90 days after the end of the fiscal year, the Board of Directors shall review the cash reserves, and if there is excess above the reserve requirement based on the cash reserve balance as of the fiscal year just completed, the Directors may Approve a transfer of the excess to the Funded Replacement Town Sewer Fund #810.

NIPOMO COMMUNITY SERVICES DISTRICT
CASH RESERVE POLICY
EXHIBIT "A"

BLACKLAKE SEWER FUND (FUND #150)

Purpose: To ensure sufficient cash resources are available to fund daily administration, operations and maintenance of providing waste water services. (Funded from rates and charges)

Target Criteria: To meet the District's cash flow needs and unbudgeted expenses, the Blacklake Sewer Fund cash reserves should be equal to or greater than six months (180 days) of annual budgeted operating expenses (not including Funded Replacement).

After adoption of the budget and within 90 days after the end of the fiscal year, the Board of Directors shall review the cash reserves, and if there is excess above the reserve requirement based on the cash reserve balance as of the fiscal year just completed, the Directors may approve a transfer of the excess to the Funded Replacement Blacklake Sewer Fund #830.

WATER RATE STABILIZATION FUND (FUND #128)

Purpose: To serve as a buffer to water rates during any period where there are unexpected increases in operating costs or decreases in revenues. In addition, in a severe drought or extremely wet conditions, it is reasonable to expect that water sales could fluctuate significantly. As such, this fund will absorb these types of fluctuations in operations and help stabilize rates and enable smooth or level increases to rates despite uneven increases in underlying costs or variations in annual revenues received. This fund should not be used to artificially suppress rates (i.e. to sustain rates at levels below the costs of service). (Funded by rates and charges)

Target Criteria: Minimum reserve requirement of \$400,000.

TOWN SEWER RATE STABILIZATION FUND (FUND #135)

Purpose: To serve as a buffer to sewer rates during any period where there are unexpected increases in operating costs or decreases in revenues. This fund should be used to enable smooth or level increases to rates despite uneven increases in underlying costs or variations in annual revenues received. This fund should not be used to artificially suppress rates (i.e. to sustain rates at levels below the costs of service). (Funded by rates and charges)

Target Criteria: Minimum reserve requirement of \$300,000 set by Bond Indenture Agreement for the Revenue of Certificates of Participation Series 2012.

BLACKLAKE SEWER RATE STABILIZATION FUND (FUND #155)

Purpose: To serve as a buffer to sewer rates during any period where there are unexpected increases in operating costs or decreases in revenues. This fund should be used to enable smooth or level increases to rates despite uneven increases in underlying costs or variations in annual revenues received. This fund should not be used to artificially suppress rates (i.e. to sustain rates at levels below the costs of service). (Funded by rates and charges)

Target Criteria: Minimum reserve requirement of \$50,000.

NIPOMO COMMUNITY SERVICES DISTRICT
CASH RESERVE POLICY
EXHIBIT "A"

BLACKLAKE STREET LIGHTING (FUND #200)

Purpose: To ensure sufficient cash resources are available to fund administration, operations and maintenance of providing street lighting services for Blacklake Village. (Funded by annual assessment to property owners in Blacklake Village)

Target Criteria: Minimum reserve requirement of \$30,000.

LANDSCAPE MAINTENANCE DISTRICT (FUND #250)

Purpose: To ensure sufficient cash resources are available to fund administration, operations and maintenance of providing landscape maintenance to the property owners of Tract 2409. (Funded by annual assessment to property owners in Tract 2409 aka Vista Verde Estates)

Target Criteria: Minimum reserve requirement of \$20,000.

SOLID WASTE (FUND #300)

Purpose: To ensure sufficient cash resources are available to fund solid waste programs, rate stabilization and to cover operating costs in the event that the District may find itself operating solid waste collection, disposal and recycling functions should its business partner now franchised to do these functions be unable to continue to provide these services due to an unforeseen event. This reserve provides assurance that solid waste services remain uninterrupted during an extended disruption to service provider. (Funded by Franchise Fees)

Target Criteria: Minimum reserve requirement of \$115,000.

DRAINAGE (FUND #400)

Purpose: To ensure sufficient cash resources are available to operate and maintain the Nipomo Drainage Maintenance District 76-02 (storm water conveyance system and basin serving Folkert Oaks Mobile Home Park and adjacent properties on Juniper Street). (Funded by a 1% ad valorem property tax rate)

Target Criteria: Minimum reserve requirement of \$50,000.

FUNDED REPLACEMENT- WATER (FUND #805)

Purpose: The reserves can be used for both short-term and long-term purposes. The objective of the Funded Replacement Fund is to provide monies for the current and future replacement of existing capital assets as they reach the end of their useful lives. The District recognizes that the Funded Replacement fund may only be sufficient to pay a portion of the full cost of future capital asset replacements and other sources of replacement funding may be needed, such as a bond issuance. This fund will also help normalize the impact of the capital asset replacements on future water rates. (Funded by water rates and charges and interest earnings)

Target Criteria: Based on 2007 or current Replacement Study.

NIPOMO COMMUNITY SERVICES DISTRICT
CASH RESERVE POLICY
EXHIBIT"A"

FUNDED REPLACEMENT- TOWN SEWER (FUND #810)

Purpose: The reserves can be used for both short-term and long-term purposes. The objective of the Funded Replacement Fund is to provide monies for the current and future replacement of existing capital assets as they reach the end of their useful lives. The District recognizes that the Funded Replacement fund may only be sufficient to pay a portion of the full cost of future capital asset replacements and other sources of replacement funding may be needed, such as a bond issuance. This fund will also help normalize the impact of the capital asset replacements on future town sewer rates. (Funded by Town sewer rates and charges and interest earnings)

Target Criteria: Based on 2007 or current Replacement Study.

FUNDED REPLACEMENT- BLACKLAKE SEWER (FUND #830)

Purpose: The reserves can be used for both short-term and long-term purposes. The objective of the Funded Replacement Fund is to provide monies for the current and future replacement of existing capital assets as they reach the end of their useful lives. The District recognizes that the Funded Replacement fund may only be sufficient to pay a portion of the full cost of future capital asset replacements and other sources of replacement funding may be needed, such as a bond issuance. This fund will also help normalize the impact of the capital asset replacements on future Blacklake sewer rates. (Funded by Blacklake sewer rates and charges and interest earnings)

Target Criteria: Based on 2007 or current Replacement Study.

NON-OPERATING FUNDS

SUPPLEMENTAL WATER FUND (#500)

Purpose: The revenue generated from the Supplemental Water Capacity Charge accumulates in this fund and its use is restricted to projects, programs and expenditures that reduce the District's reliance on groundwater as its sole water supply. (Funded by development capacity charges and interest earnings)

Target Criteria: No minimum target is maintained.

PROPERTY TAX (FUND #600)

Purpose: District's share of the 1% ad valorem tax on real property collected by the County of San Luis Obispo and distributed to the District pursuant to Article XIII A of the California Constitution. (Funded by property taxes and interest earnings)

Target Criteria: No minimum target is maintained, however, a portion of the annual property tax revenue stream is pledged to pay the annual debt service for the 2003 Certificates of Participation Revenue Bond.

NIPOMO COMMUNITY SERVICES DISTRICT
CASH RESERVE POLICY
EXHIBIT"A"

WATER CAPACITY CHARGES (FUND #700)

Purpose: The revenue generated from the Water Capacity Charge accumulates in this fund and is used to offset new development related capital improvements as outlined by the District's Capital Improvement Plan. (Funded by development capacity charges and interest)

Target Criteria: No minimum target is maintained.

TOWN SEWER CAPACITY CHARGES (FUND #710)

Purpose: The revenue generated from the Town Capacity Charge accumulates in this fund and is used to offset new development related capital improvements as outlined by the District's Capital Improvement Plan. (Funded by development capacity charges and interest earnings)

Target Criteria: No minimum target is maintained.

SINKING FUND- TOWN SEWER (FUND #880)

Purpose: The reserves may be used to pay annual debt service payments for the Revenue Certificates of Participation (Southland Wastewater Project) Series 2012. (Funded by Town sewer rates and charges in years 2008- 2012 in anticipation of the Southland Wastewater Treatment Facility Upgrade)

Target Criteria: No minimum target is maintained. Once the reserves in this fund are depleted, the fund will be terminated.

February 11, 2015

E-9

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2013-1324**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO
COMMUNITY SERVICES DISTRICT APPROVING THE ADOPTION
OF THE AMENDMENT TO THE DEBT MANAGEMENT POLICY
FOR THE DISTRICT**

WHEREAS, debt management policies establish parameters for evaluation, issuing, and managing the District's debt. The policies outlined in the attached debt management policy are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management; and

WHEREAS, adherence to a debt management policy assures rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner; and

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District"), desires to adopt an amended debt management policy at this time; and

WHEREAS, Amended Debt Management Policy (the "Policy") has been prepared and is hereby presented at this meeting; and

WHEREAS, it is appropriate at this time for the Board of Directors to consider approval of the adoption of the Amended Policy; and

WHEREAS, THE Board of Directors wishes to further define this policy regarding debt financing of additional phases of the District's Supplemental Water Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District:

Section 1. The above recitals are true and correct.

Section 2. The Amended Debt Management Policy in the form presented at this meeting attached hereto Exhibit "A" are hereby approved and adopted.

Section 3. The officers of the District are hereby directed to do and cause to be done any and all acts and things necessary or proper in order to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2013-1324

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES
DISTRICT APPROVING THE ADOPTION OF THE AMENDMENT TO THE DEBT
MANAGEMENT POLICY FOR THE DISTRICT

Upon a motion by Director Armstrong, seconded by Director Blair, on the following roll call vote, to wit:


AYES: Directors Armstrong, Blair, Vierheilig, Gaddis, and Harrison
NOES: None
ABSTAIN: None
ABSENT: None

the foregoing resolution is hereby passed and adopted on this 13th day of November, 2013.




JAMES HARRISON
President of the Board

ATTEST:



MICHAEL S. LEBRUN
Secretary to the Board

APPROVED AS TO FORM:



MICHAEL W. SEITZ
District Legal Counsel

**NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"**

Overview

The District utilizes a comprehensive planning process to determine its long-term capital needs. The District evaluates each capital project in relation to established levels of reserves, current rate structure, expected asset life/replacement timeline and available revenue sources to ensure that adequate financial resources are available to support the District's financial obligations.

The District's Debt Management Policy is integrated into the decision-making framework utilized in the budgeting and capital improvement planning process. As such the following policies outline the District's approach to debt management.

I. GENERAL MANAGEMENT POLICIES

The District will provide for a periodic review of its financial performance, and review its performance relative to the financial policies outlined herein. These financial policies will be taken into account during the capital planning, budgeting and ratesetting process.

- The District will adopt revised rates, fees and charges in compliance with the applicable law, including the Proposition 218 Omnibus Implementation Act, and will consider recommendations and input from the public as it relates to such proposed changes.
- All District funds will be invested according to the Investment Policy of the District.
- Necessary appropriations for annual debt service requirements will be routinely included in the District's annual budget.

II. FINANCIAL MANAGEMENT POLICIES

- The District will evaluate financing for each capital project on a case-by-case basis. The District will seek to pay for all capital projects from current revenues and available reserves prior to or in combination with the use of debt.
- The District will seek to issue debt only in the case where there is an identified source of repayment. Bonds will be issued to the extent that (i) projected fixed revenues are sufficient to pay for the proposed debt service together with all existing debt service covered by such fixed revenues, or (ii) additional projected revenues have been identified as a source of repayment in an amount sufficient to pay for the proposed debt.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"

- User Fees and Rates will be set at adequate levels to generate sufficient revenues to pay all operating and maintenance costs, to maintain sufficient operating reserves, and to pay debt service costs, if necessary.

III. DEBT AND CAPITAL MANAGEMENT POLICIES

The following policies formally establish parameters for evaluating, issuing, and managing the District's debt. The policies outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management.

In issuing debt, the District objectives are:

- Ensure ratepayer security
- Maintain high credit ratings and access to credit enhancement
- Preserve financial flexibility

A. Standards for Use of Debt Financing

When appropriate, the District will use long-term debt financing to achieve an equitable allocation of costs/charges between current and future system users; to provide more manageable rates in the near and medium term; and to minimize rate volatility.

- For growth-related projects, debt financing will be utilized, as needed, to better match the cost of anticipated facility needs with timing of expected new connections to the system.
- Capital projects financed through debt issuance should not be financed for a term longer than the expected useful life of the project.
- Lease Agreements and Installment Sale Agreements shall be considered as an alternative to long-term debt. Although these forms of alternative financing are subject to annual appropriation, they shall be considered as long-term fixed rate debt until maturity.

B. Financing Criteria

The District will evaluate alternative debt structures (and timing considerations) to ensure cost-efficient financing under prevailing market conditions.

Credit Enhancement - The District will consider the use of credit enhancement on a case-by-case basis. Only when clearly demonstrable savings can be realized shall credit enhancement be utilized.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"

Cash-Funded Reserve/Surety - The District may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous.

Call Provisions - In general, the District's securities should include optional call provisions. The District will avoid the sale of non-callable long-term fixed rate bonds, absent careful evaluation of the value of the call option.

Additional Bonds Test/Rate Covenants - The amount and timing of debt will be planned to comply with the additional bonds tests and rate covenants outlined in the appropriate legal and financing documents, and these policies.

Short-Term Debt - The District may utilize short-term borrowing to serve as a bridge for anticipated revenues, construction financing, or future bonding capacity.

Term - 10 to 30 years is standard, but up to 35 years may be acceptable, depending on cash flow assumptions, construction timeline, and remaining useful life of the asset being financed.

Maximum Yield - Case by case, as recommended by Financial Advisor and as governed by State law.

Maximum Premium - Case by case, as recommended by Financial Advisor and as governed by State law.

Maximum Discount - Case by case, as recommended by Financial Advisor and as governed by State law.

Payment Dates - After considering cash flow needs, the General Manager will determine the occurrence of all new debt service payments.

Structure of the Debt - Prefer level debt service, but shall be determined on a case-by-case basis, as recommended by of the General Manager and Financial Advisor.

Use of Variable Rate Debt - The District will not issue variable interest rate debt unless the proposed debt is converted to a fixed rate or hedged.

Investment of Bond Proceeds - Bond proceeds will be invested in accordance with the permitted investment language outlined in the bond documents for each transaction. The District will seek to maximize investment earnings within the investment parameters set forth in each respective bond indenture. The reinvestment of bond proceeds will be incorporated into the evaluation of each financing decision; specifically addressing arbitrage/rebate position, and evaluating alternative debt structures and refunding savings on a "net" debt service basis, where appropriate.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"

Reimbursement Resolution - Must be adopted by the Board if the project capital costs are advanced by the District prior to the expenditure and/or commitment of funds, and bond sale.

C. Types of Long-Term Funding

The District shall consider several methods of financing capital projects. This policy will set forth guidelines for these decisions by indentifying parameters within each funding source that are considered appropriate. These parameters are defined below.

Certificates of Participation/Lease Revenue Bonds - Certificates of Participation (COP's) and Lease Revenue Bonds (LRB) can finance water, wastewater and electrical utilities, or other public facilities and are almost identical in structure and security. They are used to finance capital projects that either 1) have an identified budgetary system for repayment; 2) generate enterprise revenue; 3) rely on a broader pledge of General Fund revenues; or 4) finance the purchase of real property and the acquisition and installation of equipment for the District's general government or enterprise purposes. COP's and LRB's are secured by a lease-back or installment sale arrangement between the District and another public entity. The general operating revenues of the District or an enterprise and/or a designated special fund are used to pay the lease or installment payments, which are, in turn, used to pay debt service on the COP's or LRB's. Bond covenants provide that revenues generated by enterprise funds must be sufficient to maintain required debt coverage levels, or the rates of the enterprise have to be raised to maintain the coverage and operations of the facility. For General Fund pledges, bond covenants include an annual appropriation covenant. COP's and LRB's do not constitute indebtedness under the state constitution and are not subject to voter approval.

Because COP's are not created by statute, but rather are used to securitize an underlying contract, they can be adapted to a number of financing situations. They are commonly used for both lease revenue and enterprise revenue financings where no workable statutory framework is available or a joint powers financing authority is not available.

Revenue Bonds - Revenue Bonds also finance water, wastewater utilities, or other public facilities. They are payable by the revenues generated by the enterprise. This type of debt is considered self-liquidating. Revenue Bonds are payable solely from the enterprise funds and are not secured by any pledge of General Fund revenues of the District. Bond covenants provide that revenues generated by these enterprise funds must be sufficient to maintain required debt coverage levels, or the rates of the enterprise have to be raised to maintain the coverage and operations of the facility. A bond election may be required to issue Revenue Bonds.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"

Assessment Bonds - The District may issue assessment bonds under the 1911 and 1915 Improvement Acts through the formation of a special benefit assessment district under the 1911 or 1913 Acts. The bonds may be issued to finance facilities or provide services and are secured by assessments levied on parcels within a defined area that are proportionate to the special benefit conferred upon a parcel, as determined by a qualified assessment engineer. Assessments are subject to majority protest hearing and notice ballot requirements. Assessment Bonds, although repaid through additional assessments levied on a discrete group of property owners, constitute overlapping indebtedness of the District and have an impact on the overall level of debt affordability. Assessment Bonds are not obligations of the District's General Fund.

Mello-Roos Bonds - The Mello-Roos Act of 1982 allows the District to establish a Mello-Roos Community Facilities District (CFD) which allows for financing of public improvements and services. These CFD special taxes must be approved by a two thirds vote of registered voters within the special district (unless there are fewer than 12 registered voters, in which case the vote is by landowners), and are secured solely by a special tax on the real property within the special district. CFD Bonds, although repaid through additional special taxes levied on a discrete group of taxpayers, also constitute overlapping indebtedness of the District and have an impact on the overall level of debt affordability. CFD Bonds are not obligations of the District's General Fund.

Capital Lease Debt - A lease purchase obligation placed with a lender without the issuance of securities may be used to finance certain vehicle and equipment purchases will be evaluated on a case-by-case basis.

D. Limitations on Amount of Debt Issuance

(1) Pursuant to Section 61126 of Government Code of the State of California, the District may incur general obligation bonded indebtedness in an amount not to exceed 15% of the total assessed valuation of all real and personal property in the District.

Review of recent credit rating agency guidelines indicate that debt service of more than 10% of available revenues or expenditures is considered above average or high. The District shall strive to maintain its non-enterprise backed debt service as a percentage of available revenue below 10%.

Long-term obligations payable solely from specific pledged sources, in general, are not subject to a debt limitation. Examples of such long-term obligations include those which achieve the financing or refinancing of projects provided by the issuance of debt instruments that are payable from restricted revenues or user fees (enterprise funds) and revenues generated from a project. In determining the affordability of proposed enterprise obligations, the District will perform an analysis comparing projected annual net revenues (after payment of operating and maintenance expense)

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"

to estimated annual debt service. Generally, legal covenants requiring a minimum coverage ratio are set forth in the bond documents, and are based on the level of security provided to the bondholders (of the senior or subordinate debt obligations). The District's enterprise obligations shall include a coverage ratio requirement of at least 125% for senior bonds and a coverage ratio requirement of at least 105% for senior and subordinate debt combined. Per the rating agency guidelines, the District shall strive to maintain a coverage ratio of 115% using historical and/or projected net revenues to cover annual debt service for bonds issued on a subordinate basis which have a 105% coverage ratio requirement. The District will require a rate increase to cover both operations and debt service costs, and create debt service reserve funds to maintain the required coverage ratios.

(2) Limitations on Debt Financing for Additional Phases of the Supplemental Water Project - With respect to Phases 2 and/or 3 of the Supplemental Water Project, the Board affirms its policy of "pay as you go" however, because the Board of Directors cannot anticipate the future needs of the District, including whether the timing of construction of these phases of the Project will need to be moved forward in time due to a court, or regulatory agency with authority over water use in the Nipomo Basin, issuing an order requiring the District to build additional delivery capacity and import water by a time certain or face fines or further litigation or if the Nipomo Mesa Management Area (NMMA) Technical Group issues a finding that the ground water basin is in a severe water shortage condition causing a Mandatory Action Trigger point as defined in Section VI D 2 of the Stipulated Judgment in the Santa Maria Groundwater adjudication case # CV 770214. In any of these cases, and only in one of these cases,

The Board shall consider whether to finance any portion(s) of Phases 2 or 3, for the reason(s) set forth above, at two Board meetings at which members of the public may comment; the first meeting will be noticed on the District's Agenda notice, and will include a staff report addressing the reasons for considering financing. The second meeting shall be held at least 14 days after the first meeting. A public notice shall be published once at least 10 days before second/action meeting. At the second meeting, after the public comment, if any, the Board may determine, by a majority vote, whether to finance all, or a portion of, one or both phases before the District has accumulated sufficient funds for "pay as you go." In such case, the District would first use the funds accumulated for the phase(s) and finance the remaining amount(s).

This requirement shall stay in place for 7 years, after which time the Board may, after notice in compliance with §6061, at least 10 days prior to the meeting at which the change will be considered, amend this policy as the Board, in its discretion, determines may be appropriate.

NIPOMO COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
2013 AMENDMENT TO THE
DEBT MANAGEMENT POLICY
EXHIBIT "A"

E. Method of Issuance

The District will determine, on a case-by-case basis, whether to sell its bonds competitively or through negotiation. Public offerings can be executed through either a competitive sale or a negotiated sale. It shall be the policy of the District to issue debt through a competitive sale whenever feasible subject to advice of the District Financial Advisor.

Competitive Sale - In a competitive sale, the District's bonds shall be awarded to the lowest responsible bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale.

Negotiated Sale - District recognizes that some securities are best sold through negotiation. In consideration of a negotiated sale, the District shall assess the following circumstances in determining the advisability such a sale:

- Issuance of variable rate or taxable bonds
- Complex structure or credit considerations (such as non-rated bonds), which requires a strong pre-marketing effort
- Significant par value, which may limit the number of potential bidders
- Unique proprietary financing mechanism (such as a financing pool), or specialized knowledge of financing mechanism or process
- Market volatility, such that the District would be better served by flexibility in the timing of its sale in a changing interest rate environment
- When an Underwriter has identified new financing opportunities or presented alternative structures that financially benefit the District that could not be achieved through a competitive bid.
- As a result of an Underwriter's familiarity with the project/financing, which enables the District to take advantage of efficiency and timing considerations.
- Other considerations and advantages as presented by District Consultants and Staff

Private Placement – From time to time the District may elect to issue debt on a private placement basis. Such method shall only be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or

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if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

F. Service Provider Selection

All financial advisors, bond counsel, disclosure counsel, trustees, and underwriters will be selected pursuant to District's Purchase Policy relating to hiring consultants.

G. Market Communication and Reporting Requirements

Rating Agencies and Investors - The General Manager shall be responsible for maintaining the District's relationships with one or more national rating agencies.

Continuing Disclosure - The District shall use its best efforts to be in compliance with Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders.

IV. POST ISSUANCE COMPLIANCE POLICY

A. In General

The Board of Directors of the District recognizes its responsibility to ensure compliance with all Federal laws and regulations ("Federal Requirements") applicable to the District's bonds and other obligations the interest on which is excluded from gross income for federal income tax purposes or are otherwise tax advantaged ("Tax-Exempt Bonds"). This policy and guidelines relate to requirements that must be met subsequent to the issuance of Tax-Exempt Bonds in order to maintain that exclusion or receive a federal tax credit payment including, without limitation, requirements relating to use of proceeds, arbitrage, private business use, and record retention. This policy and guideline supersede any post-issuance compliance policy previously adopted by the District but do not supersede, limit or contravene any representations, statements or covenants of the District contained in the bond documents (the "Bond Documents") for its Tax-Exempt Bonds. The purpose of this policy is to provide guidelines and establish procedures for compliance with Federal Requirements in connection with the issuance of Tax-Exempt Bonds.

B. Policy

It is the policy of the District to adhere to all applicable tax requirements with respect to its Tax-Exempt Bonds as set forth in the Bond Documents including, but not limited to, requirements relating to the use of proceeds of Tax-Exempt Bonds and facilities financed and refinanced with Tax-Exempt Bonds (the "Bond-Financed Facilities"), arbitrage yield restrictions and rebate, timely return filings, and other general tax requirements set forth in the Bond Documents.

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C. Compliance Monitoring

Consistent with the covenants of the District contained in the Bond Documents, the District will monitor compliance with the federal tax requirements applicable to its Tax-Exempt Bonds. The following officers or employees of the District are responsible for monitoring compliance with those requirements: General Manager with assistance from Bond and Tax Counsel and Financial Advisor.

D. Record Retention

In accordance with Internal Revenue Service ("*IRS*") requirements, the District will retain the following records with respect to its Tax-Exempt Bonds:

- Bond transcripts;
- Documentation showing the expenditure of proceeds of the Tax-Exempt Bonds for one or more Bond-Financed Facility;
- Documentation showing the use of the Bond-Financed Facilities;
- Documentation showing the sources of payment and security for the Tax-Exempt Bonds;
- Documentation related to the investment of proceeds of the Tax-Exempt Bonds, including the purchase and sale of securities, investment income received, yield calculations, and rebate calculations;
- All returns filed with the IRS for the Tax-Exempt Bonds (including, as applicable, IRS Forms 8038-G *Information Return for Tax-Exempt Governmental Obligations*, 8038-T *Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate*, and 8038-R *Request for Recovery of Overpayments under Arbitrage Rebate Provisions*), together with sufficient records to show that those returns are correct; and
- Any other documentation that is material to the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

Except as otherwise set forth in the Bond Documents, the District will retain the records described above in hard and/or electronic copy format for so long as the applicable Tax-Exempt Bonds remain outstanding and for a period of three years after final redemption of the applicable Tax-Exempt Bonds. With respect to Tax-Exempt Bonds that are refunding bonds, the District will retain the above-described records for the refunding and refunded bonds (and any earlier issue in the case of a series of refundings).

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The following officers or employees of the District are responsible for retaining the records relating to the Issuer's Tax-Exempt Bonds: General Manager and Secretary.

E. Arbitrage Compliance

It is the policy of the District to maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. Unless otherwise instructed by bond counsel, at closing the District will execute documentation covenanting to comply with Federal rebate and arbitrage requirements. Unless otherwise instructed by bond counsel, annually the District will engage a consultant to assist in the monitoring of the investment of bond proceeds, perform the required calculations to determine arbitrage rebate and yield restriction compliance, and file the required federal forms. Unless otherwise instructed by bond counsel, every five years the District will file (if arbitrage rebate is owed) with the Internal Revenue Service the appropriate required documentation demonstrating arbitrage rebate liability and provide payment of at least 90% to the US Treasury for arbitrage rebate liability, if any.

F. Remedial Action

If the District in complying with the terms and provisions the policies or guidelines set forth herein or determines that the requirements of these policies and guidelines or the tax covenants or representations in the Bond Documents may have been violated, the District will make final determinations, if necessary with the assistance of its Bond and Tax Counsel and Financial Advisors, and take appropriate actions related to such noncompliance including, if appropriate, any remedial action described under applicable Treasury Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program.

G. Coordination With Bond Documents

In the event of any conflict between these Procedures and Guidelines and the Bond Documents, the Bond Documents shall govern.

February 11, 2015

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ATTACHMENT C

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2014-1328**

**A RESOLUTION OF THE
BOARD OF DIRECTORS OF THE
NIPOMO COMMUNITY SERVICES DISTRICT
ADOPTING THE YEAR 2014 DISTRICT INVESTMENT POLICY**

WHEREAS, the Board of Directors of the Nipomo Community Services District ("District") believes that public funds should, so far as is reasonably possible, be invested in financial institutions to produce revenue for the District rather than to remain idle, and

WHEREAS, from time to time there are District funds which for varying periods of time will not be required for immediate use by the District, and which will, therefore, be available for the purpose of investing in financial institutions with the objectives of safety, liquidity, yield and compliance with state and federal laws and policies.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District as follows:

1. The District hereby adopted the Investment Policy attached hereto as Exhibit "A" as the District's Investment Policy;
2. The District General Manager shall act as Treasurer/Finance Officer of the District and is authorized to invest and re-invest funds in accordance with the Investment Policy for the succeeding twelve (12) month period or until such time as the delegation of authority is revoked.

PASSED AND ADOPTED by the Board of Directors of the Nipomo Community Services District this 8TH day of January 2014, on the following roll call vote:


AYES: Directors Vierheilig, Gaddis, Blair, Harrison and Armstrong
NOES: None
ABSENT: None
ABSTAIN: None



CRAIG ARMSTRONG, President
Nipomo Community Services District

ATTEST:

APPROVED AS TO FORM:



MICHAEL S. LEBRUN
Secretary to the Board



MICHAEL W. SEITZ
District Legal Counsel

**RESOLUTION 2014-1328
EXHIBIT A**

**YEAR 2014 INVESTMENT POLICY
NIPOMO COMMUNITY SERVICES DISTRICT**

1. INTRODUCTION

This policy establishes the standards under which the District's Finance Officer will conduct business with financial institutions with regard to the investment process.

2. PURPOSE AND SCOPE

This investment policy is intended to outline the guidelines and practices to be used in effectively managing the District's available cash and investment portfolio. It applies to all cash and investment assets of the District except those funds maintained in deferred compensation accounts for employees, and proceeds of debt issuance that shall be invested in accordance with the permitted investment provisions of their specific bond indentures. District monies not required for immediate expenditure will be invested in compliance with governing provisions of law (Government Code Sections 53600 et seq.) and this policy. Investments shall be made in judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the "prudent investor" standard (California Government Code Section 53600.3) and shall be applied in the context of managing an overall portfolio. Investment officers (Finance Officer) acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3. FINANCE OFFICER

The Board of Directors appoints the General Manager as the District Finance Officer and Treasurer. The District's Assistant General Manager shall serve as the District's Finance Officer and Treasurer in the absence of the District's General Manager.

4. SCOPE

The District investment portfolio shall consist of money held in a sinking fund of, or surplus money in, the District's treasury not required for the immediate necessities of the District. The District's investment portfolio shall be invested in accordance with this policy.

5. OBJECTIVES

The primary objectives are safety, liquidity, yield, and compliance.

A. SAFETY

The investment portfolio shall be managed in a manner that ensures the preservation of capital. The objective is to minimize credit risk and interest rate risk.

B. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements. This shall be accomplished by structuring the investment portfolio so that investments mature in advance of cash needs.

C. YIELD

Yield shall be a consideration only after the requirements of safety and liquidity have been met.

D. COMPLIANCE

This Investment Policy is written to be in compliance with California and Federal law.

6. STANDARDS OF CARE

A. PRUDENCE

The Finance Officer will manage the portfolio pursuant to the "Prudent Investor Standard." When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds in the District's investment portfolio, the Finance Officer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

B. DISCLOSURES

Finance Officer shall disclose any material interest in financial institutions with which he/she conducts the District business.

7. INVESTMENTS AUTHORITY

A. PERMITTED INVESTMENTS

The District Finance Officer is authorized to invest in the following institutions:

1. County pooled funds (California Government Code § 61730)
2. The Local Agency Investment Fund created by the California State Treasury (California Government Code § 16429.1)
3. One or more FDIC insured Banks and/or Savings and Loan Associations that are designated as District depositories by resolution of the Board of Directors (California Government Code § 61053).
4. Such other financial institutions or securities that may be designated by the Board of Directors from time to time in compliance with California and Federal law.

B. PROHIBITED INVESTMENTS

The District's Finance Officer shall not invest in:

1. Inverse floaters, range notes or interest only strips that are derived from a pool of mortgages.
2. Any security that could result in a zero interest accrual if held to maturity.

3. A state or federal credit union, if a member of the District's Board of Directors or an administrative officer also serves on the Board of Directors, or any committee appointed by the Board of Directors, or the credit committee or supervisory committee, of the state or federal credit union.

C. DIVERSIFIED INVESTMENTS

Investments, other than investments referenced in paragraphs 7-A (1) and (2) above, will be diversified to avoid losses that may be associated with any one investment.

8. REPORTS

A. MONTHLY REPORT

Finance Officer/Treasurer shall make monthly reports to the Board with the following information:

- Investments made or retired during the preceding month.
- Single transfers between permitted institutions of greater than \$150,000 .

B. QUARTERLY REPORT

Finance Officer shall file a quarterly report that identifies the District's investments and their compliance with the District's Investment Policy. The quarterly report must be filed with the District's auditor and considered by the District's Board of Directors within thirty (30) days after the end of each quarter (i.e., by May 1, August 1, November 1, and February 1) (California Government Code § 53646). Required elements of the quarterly report are as follows:

1. Type of Investment
2. Institution
3. Date of Maturity (if applicable)
4. Amount of deposit or cost of the security
5. Current market value of securities with maturity in excess of twelve months (if applicable)
6. Rate of Interest
7. Statement relating the report to the Statement of Investment Policy
8. Statement of the District's ability to meet cash flow requirements for the next six months.
9. Accrued Interest (if applicable)

C. ANNUAL REPORT

Prior to February 1, of each year, the Finance Officer shall file and submit an annual report to the District's auditor and Board of Directors which will contain the same information required in the quarterly report.

The annual report will include a recommendation to the Board of Directors to either:

1. Readopt the District's then current annual Investment Policy; or
2. Amend the District's then current Investment Policy.

D. LIMITED QUARTERLY REPORT

If the District has placed all of its investments in the Local Agency Investment Fund (LAIF), created by California Government Code § 16429.1, or in Federal Deposit Insurance Corporation, insured accounts in a bank or savings and loan association, in a County investment pool, or any combination of these, the Finance Officer may submit to the Board of Directors, and the auditor of the District the most recent statement or statements received by the District from these institutions in lieu of the information required in paragraph 8.B, above. This special reporting policy does not relieve the Finance Officer of the obligation to prepare an annual investment report as identified in paragraph 8.C, above.