

TO: BOARD OF DIRECTORS

REVIEWED: RAY DIENZO, P.E. *R.D.*
GENERAL MANAGER

FROM: JANA ETTEDDGUE *Jana*
FINANCE DIRECTOR

DATE: MAY 9, 2025

AGENDA ITEM
E-4 (B)
MAY 14, 2025

**REVIEW DRAFT BUDGET FOR FISCAL YEAR 2025-2026 FOR THE
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)**

ITEM

Review the draft budget for Fiscal Year (“FY”) 2025-2026 for the Nipomo Supplemental Water Project (“NSWP”) [RECOMMEND CONSIDER DRAFT BUDGET AND SCHEDULE FOR ADOPTION ON JUNE 11, 2025].

BACKGROUND

On May 1, 2025, the Finance and Audit Committee met and reviewed the draft Budget for FY 2025-2026 for NSWP.

The Nipomo Community Services District (“District”), City of Santa Maria (“City”), Woodlands Mutual Water Company (“WMWC”), Golden State Water Company (“GSWC”), Rural Water Company (“RWC”), along with hundreds of other individuals and entities are parties to a certain groundwater adjudication commonly referred to as the Santa Maria Groundwater Litigation. GSWC purchased RWC in 2015 and therefore is referenced below as GSWC/RWC. The Judgement (through the Stipulation) requires the District and the purveyor partners together (“Parties”) to purchase and transmit to the Nipomo Mesa Management Area (“NMMA”) a minimum of 2,500 acre-feet of “Nipomo Supplemental Water” each year, and to employ its best efforts to timely implement the Nipomo Supplemental Water Project (“NSWP”).

The Judgment further provides that once the Nipomo Supplemental Water is capable of being delivered, the Parties shall purchase the following portions of Nipomo Supplemental Water each year to offset groundwater pumping within the NMMA.

ENTITY	PERCENT ALLOCATION	ACRE FEET/YEAR (AFY)
NCSD	66.68	1,667.00
WMWC	16.66	416.50
GSWC/RWC	16.66	416.50
TOTAL	100.00	2,500.00

On May 3, 2013, the District entered into a Wholesale Water Supply Agreement with the City of Santa Maria to purchase supplemental water. Upon completion of the interconnection, the minimum quantity of purchase/delivery is as follows:

DELIVERY YEARS	FISCAL YEAR ENDING	MINIMUM DELIVERY VOLUME (AFY)
1	July 1, 2015 to June 30, 2016	645
2-5	July 1, 2016 to June 30, 2020	800
6-10	July 1, 2020 to June 30, 2025	1,000
11- Term	July 1, 2025 to June 30, 2035	2,500

On July 2, 2015, supplemental water began flowing from the City of Santa Maria into the Nipomo Community Services District system.

On October 16, 2015, the Supplemental Water Management and Groundwater Replenishment Agreement (“Agreement”) was approved by the District, WMWC, GSWC and RWC. The agreement outlines all parties’ responsibilities and obligations relating to the delivery and payment of supplemental water. Section VIII of the agreement states in part as follows:

- A. District shall operate the NSWSP as an enterprise fund, separating all costs related to the NSWSP within and only to that NSWSP fund. Prudent Utility Practices shall apply to District’s management of the NSWSP Enterprise Fund.
- B. Each Fiscal Year District shall prepare a NSWSP Enterprise Fund Budget (Budget) for all revenues and expenditures related to the NSWSP Enterprise Fund. The Budget shall include a summary of projected NSW deliveries and Costs associated with those deliveries. A draft of the Budget shall be available to each Water Company for review by May 1st of each year. District shall make every reasonable effort to adopt the final Budget during June of each year at a regularly scheduled District board meeting. The Advisory Committee shall determine the most effective content, format and reporting frequency for financial and budget reports for the NSWSP Enterprise Fund.
- C. The Budget shall provide the basis for and detail the cost allocations and quarterly billing described in Section IX.

The District receives and pays a quarterly invoice from the City for the cost of water. The District in turn invoices WMWC and GSWC for their applicable percentages of the cost of water, in addition to other applicable costs pursuant to the agreement. WMWC and GSWC are current and continue to make quarterly payments to the District.

Attached is the draft Budget based on the purchase of 2,500 acre feet of supplemental water. The City adopted a new rate structure commencing January 1, 2025. The Base Energy Cost CPI will be adjusted based on the July index; however, the City has agreed to implement the energy adjustment to coincide with the January 1 rate increases. The Operations and Maintenance (“O&M”) Budget has been estimated based on current fiscal year expenditures and the increase in supplemental water intake. The administrative fee is set at 15% of O&M costs.

STRATEGIC PLAN

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

- B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

FISCAL IMPACT

The cost of drafting and reviewing annual budget was included in this year’s budget.

RECOMMENDATION

It is recommended your Honorable Board provide direction to Staff and set Wednesday, June 11, 2025, 9:00 a.m. as the date and time for a Public Hearing to consider adoption of the NSWSP Budget for Fiscal Year 2025-2026.

ATTACHMENTS

- A. Draft Budget

MAY 14, 2025

ITEM E-4 (B)

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2025-2026**

	Acre Feet Purchase (A)	Cost per Acre Foot (AF)	Total Cost		
Water Purchase Fiscal Year 2025-2026 (see page 2)	2500	see page 2	\$6,851,018		
NCSD Water O & M Cost per AF ** (see page 3)	2500	\$158.44	\$396,100		
NCSD Admin Fee per AF (15% of O & M per AF) ** (see page 3)	2500	\$23.77	\$59,415		
		<u>\$182.21</u>	<u>\$7,306,533</u>		
**To be adjusted annually based on actual costs					
	TOTAL	NCSD	WMWC	GSWC	
1 Phase 1 Supplemental Water Annual Allocation (AF)	2500	1667	416.5	416.5	
2 Phase 1 Supplemental Water Delivery Percentages	100.00%	66.68%	16.66%	16.66%	
3 Pass-Through Supplemental Water Cost	\$6,851,018	\$4,568,258	\$1,141,380	\$1,141,380	
4 Supplemental Water O & M Cost	\$396,100	\$264,119	\$65,990	\$65,990	
5 Supplemental Water NCSD Admin Fee	\$59,415	\$39,618	\$9,899	\$9,899	
6 Total Annual Supplemental Water Volume Cost	\$7,306,533	\$4,871,996	\$1,217,268	\$1,217,268	

	TOTAL	NCSD	WMWC	GSWC
7 Allocated Project Capacity (AF)	3,000.00	2,167.00	416.50	416.50
8 Percentage of Fixed Capital Cost Allocation	100.00%	72.24%	13.88%	13.88%
9 Yearly Capital Recovery Charge-Principal 6/30/2015 (1)	\$109,792	\$0	\$45,612	\$64,180
10 Yearly Capital Recovery Charge-Interest 6/30/2015 (1)	\$276,627	\$0	\$143,247	\$133,380
11 Yearly Capital Recovery Charge-Principal 6/30/2016 (2)	\$9,287	\$0	\$4,315	\$4,972
12 Yearly Capital Recovery Charge-Interest 6/30/2016 (2)	\$23,885	\$0	\$13,552	\$10,333
13 Yearly Capital Recovery Charge-Principal 6/30/2017 (3)	\$16,556	\$0	\$7,679	\$8,877
14 Yearly Capital Recovery Charge-Interest 6/30/2017 (3)	\$42,564	\$0	\$24,115	\$18,449
14 Yearly Capital Recovery Charge-Principal 6/30/2018 (4)	\$1,155	\$0	\$535	\$620
15 Yearly Capital Recovery Charge-Interest 6/30/2018 (4)	\$2,966	\$0	\$1,678	\$1,288
16 Yearly Capital Recovery Charge-Principal 6/30/2019 (5)	\$1,417	\$0	\$655	\$762
17 Yearly Capital Recovery Charge-Interest 6/30/2019 (5)	\$3,638	\$0	\$2,055	\$1,583
18 Yearly Capital Recovery Charge-Principal 6/30/2020 (6)	\$18,167	\$0	\$8,377	\$9,790
19 Yearly Capital Recovery Charge-Interest 6/30/2020 (6)	\$46,655	\$0	\$26,310	\$20,345
20 Yearly Capital Recovery Charge-Principal 6/30/2021 (7)	\$4,648	\$0	\$2,139	\$2,509
21 Yearly Capital Recovery Charge-Interest 6/30/2021 (7)	\$11,930	\$0	\$6,716	\$5,214
22 Yearly Capital Recovery Charge-Principal 6/30/2022 (8)	\$3,441	\$0	\$1,580	\$1,861
23 Yearly Capital Recovery Charge-Interest 6/30/2022 (8)	\$8,832	\$0	\$4,964	\$3,868
25 Yearly Capital Recovery Charge-Principal 6/30/2023 (9)	\$114	\$0	\$52	\$62
26 Yearly Capital Recovery Charge-Interest 6/30/2023 (9)	\$290	\$0	\$163	\$127
27 Yearly Capital Recovery Charge-Principal 6/30/2024 (10)	\$1,767	\$0	\$808	\$959
28 Yearly Capital Recovery Charge-Interest 6/30/2024 (10)	\$4,529	\$0	\$2,536	\$1,993
29 Supplemental Water Project Yearly Replacement (11)	\$206,865	\$149,439	\$28,713	\$28,713
30 Total Annual Fixed Supplemental Charges	\$795,125	\$149,439	\$325,801	\$319,885

Total Volume and Annual Fixed Charges for Fiscal Year 2025-2026 (Line 6 + Line 30)				
31	\$8,101,658	\$5,021,435	\$1,543,069	\$1,537,153

32 Electrical Pumping Credit (not applicable this year)	\$0	\$0	\$0	\$0
33 SUPPLEMENTAL WATER BUDGET FISCAL YEAR 2025-2026	\$8,101,658	\$5,021,435	\$1,543,069	\$1,537,153

- (1) Per applicable amortization schedule as of 6/30/15-Schedule 1
 - (2) Per applicable amortization schedule as of 6/30/16-Schedule 2
 - (3) Per applicable amortization schedule as of 6/30/17-Schedule 3
 - (4) Per applicable amortization schedule as of 6/30/18-Schedule 4
 - (5) Per applicable amortization schedule as of 6/30/19-Schedule 5
 - (6) Per applicable amortization schedule as of 6/30/20-Schedule 6
 - (7) Per applicable amortization schedule as of 6/30/21-Schedule 7
 - (8) Per applicable amortization schedule as of 6/30/22-Schedule 8
 - (9) Per applicable amortization schedule as of 6/30/23-Schedule 9
 - (10) Per applicable amortization schedule as of 6/30/24-Schedule 10
 - (11) Annual replacement contribution of total Supplemental Water Project cost of \$20,686,509 assuming a 100 year project life = \$206,865 per year not to exceed \$3,000,000 adjusted annually for CPI per agreement
- (A) 2500 ACRE FEET PER CONTRACT
- NCSD = Nipomo Community Services District
WMWC = Woodlands Mutual Water Company
GSWC = Golden State Water Company

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP) - COST OF WATER PURCHASED FROM CITY OF SANTA MARIA (SM)
BUDGET FOR FISCAL YEAR 2025-26**

FISCAL YEAR	CITY OF SM RATE INCR EFF DATE	(a) ACRE FEET PURCHASED	(b) CITY OF SM BASE Cost PER ACRE FOOT	(c) CITY OF SM CHANGE IN ENERGY	(d) (b)+(c) COST PER ACRE FOOT	(a)*(d) TOTAL COST								
							FY 15-16	July 1, 2015 to June 30, 2016	1/7/2015	660	\$ 1,495.85	\$ 23.00	\$1,518.85	\$1,001,760
							FY 16-17	July 1, 2016 to June 30, 2017	7/1/2016	860	\$ 1,570.77	\$ 17.00	\$1,587.77	\$1,365,482
FY 17-18	July 1, 2017 to June 30, 2018	7/1/2017	945	\$ 1,649.18	\$ -	\$1,649.18	\$1,558,475							
FY 18-19	July 1, 2018 to June 30, 2019	7/1/2018	950	\$ 1,649.18	\$ 52.00	\$1,701.18	\$1,616,121							
FY 19-20	July 1, 2019 to December 31, 2019	7/1/2019	487	\$ 1,649.18	\$ 45.92	\$1,695.10	\$825,514							
FY 19-20	January 1, 2020 to June 30, 2020	1/1/2020	463	\$ 2,077.81	\$ 45.92	\$2,123.73	\$983,287							
FY 20-21	July 1, 2020 to December 31, 2020	1/1/2020	555	\$ 2,077.81	\$ 45.92	\$2,123.73	\$1,178,670							
FY 20-21	January 1, 2021 to June 30, 2021	1/1/2021	498	\$ 2,160.58	\$ 43.19	\$2,203.77	\$1,097,477							
FY 21-22	July 1, 2021 to December 31, 2021	1/1/2021	539	\$ 2,160.58	\$ 43.19	\$2,203.77	\$1,187,832							
FY 21-22	January 1, 2022 to June 30, 2022	1/1/2022	531	\$ 2,247.70	\$ 28.14	\$2,275.84	\$1,208,471							
FY 22-23	July 1, 2022 to December 31, 2022	1/1/2022	582	\$ 2,247.70	\$ 28.14	\$2,275.84	\$1,324,539							
FY 22-23	January 1, 2023 to June 30, 2023	1/1/2023	468	\$ 2,339.17	\$ 149.31	\$2,488.48	\$1,164,609							
FY 23-24	July 1, 2023 to December 31, 2023	1/1/2023	525	\$ 2,339.17	\$ 149.31	\$2,488.48	\$1,306,452							
FY 23-24	January 1, 2024 to June 30, 2024	1/1/2024	525	\$2,452.43	\$ 92.97	\$2,545.40	\$1,336,334							
FY 24-25	July 1, 2024 to December 31, 2024	1/1/2024	525	\$2,452.43	\$ 92.97	\$2,545.40	\$1,336,334							
FY 24-25	January 1, 2025 to June 30, 2025	1/1/2025	525	\$2,565.68	\$ 92.97	\$2,658.65	\$1,395,793							
FY 25-26	July 1, 2025 to December 31, 2025	1/1/2025	1250	\$2,565.68	\$ 124.63	\$2,690.31	\$3,382,893							
FY 25-26	January 1, 2026 to June 30, 2026	1/1/2026	1250	\$2,665.87	\$ 124.63	\$2,790.50	\$3,486,125							

\$ 6,851,018

City of Santa Maria Adopted Rate Increases

Effective Date of City of SM Rate Increase	(e) Base Cost Per Unit (hcf)	(f) Units per Acre Foot	(e)*(f) Base Cost per Acre Foot
	1/7/2015	\$3.43	435.6
7/1/2016	\$3.61	435.6	\$1,570.77
7/1/2017	\$3.79	435.6	\$1,649.18
7/1/2018	\$3.79	435.6	\$1,649.18
7/1/2019	\$3.79	435.6	\$1,649.18
1/1/2020	\$4.77	435.6	\$2,077.81
1/1/2021	\$4.96	435.6	\$2,160.58
1/1/2022	\$5.16	435.6	\$2,247.70
1/1/2023	\$5.37	435.6	\$2,339.17
1/1/2024	\$5.63	435.6	\$2,452.43
1/1/2025	\$5.88	435.6	\$2,565.68
1/1/2026	\$6.12	435.6	\$2,665.87

CITY OF SANTA MARIA - BASE ENERGY COST ADJUSTMENT (A)

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
(1) Current CPI (July)	258,017	264,979	261,037	281,402	289,173	307,536	343,597	390,049	418,879	413,420
(2) Base Period CPI (May 2013)	264,186	264,186	264,186	264,186	264,186	264,186	264,186	264,186	264,186	264,186
(3) Index Point Change (1)-(2)	-6.171	0.791	-3.151	17.214	24.985	43.348	79,409	125,861	154,691	149,232
(4) Divided by prior period (3) + (2)	-0.023358366	0.00299408	-0.011927113	0.065158145	0.094572804	0.164080125	0.300577619	0.476406953	0.585533787	0.564870471
(5) Multiply by 100 for percent change (4) x 100	-2.335836601	0.299407997	-1.192711251	6.515814496	9.457280422	16.40801248	30.0577619	47.64069526	58.55337865	56.48704710
(6) Adjusted to 50% per agreement (5) x 50%	-1.167918301	0.149703999	-0.596355626	3.257907248	4.728640211	8.204006238	15.02888095	23.82034763	29.27668933	28.24352355
(7) Base Cost of Energy (Per Agreement)	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85
(8) Energy Adjustment (7) x (6) + 100	-2.42	0.31	-1.23	6.74	9.78	16.97	31.09	49.27	60.56	58.42
(9) Adjusted Base Cost of Energy (7) + (8)	204.43	207.16	205.62	213.59	216.63	223.82	237.94	256.12	267.41	265.27
(10) CCWA BUDGET (Per published document)	\$227.27	\$223.71	\$191.77	\$265.90	\$262.54	\$267.02	\$266.08	\$405.43	\$360.38	\$389.90
(11) Change In Cost of Energy (10) - (9), not less than 0	\$23	\$17	\$0	\$52	\$46	\$43	\$28	\$149.31	\$92.97	\$124.63

(A) City of Santa Maria has agreed to implement the Base Energy Adjustment to coincide with the January 1 rate increases.

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2025-26**

OPERATIONS AND MAINTENANCE BUDGET

OPERATIONS AND MAINTENANCE	1000 AFY 2023-24 ACTUAL	1000 AFY 2024-25 BUDGET	1000 AFY 2024-25 EST ACTUAL	2500 AFY 2025-26 PROPOSED
Electricity	103,637	125,000	118,000	250,000
Labor (fully weighted)	85,837	60,000	60,000	65,000
Water	399	500	500	500
Chemicals	9,145	9,500	9,200	18,000
Outside Services	1,159	5,600	5,150	9,300
Permits and Operating Fees	1,259	1,300	1,200	1,300
Insurance (1)	20,545	28,000	29,000	32,000
Repairs and Maintenance	4,996	8,000	7,000	20,000
TOTAL OPERATIONS AND MAINTENANCE	226,977	237,900	230,050	396,100
Cost per acre foot @ 1,000 acre feet	226.98	237.90	230.05	158.44
Overhead allocation 15% of O and M	34.05	35.69	34.51	23.77

(1) SDRMA Insurance provider provided estimate for FY 25-26

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2025-26**

FUNDED REPLACEMENT RESERVES

	<u>FY 24-25</u> <u>EST ACTUAL</u>	<u>FY 25-26</u> <u>PROPOSED</u>
Beginning Balance, July 1	1,990,000	2,261,865
Collections during fiscal year		
NCS D	149,439	149,439
WMWC	28,713	28,713
GSWC	28,713	28,713
	<u>206,865</u>	<u>206,865</u>
Estimated interest income	<u>65,000</u>	<u>65,000</u>
Estimated Ending Balance, June 30	<u>2,261,865</u>	<u>2,533,730</u>

Note: Funds held in separate savings account at Five Star Bank

Funded Replacement Reserve Requirement - Pursuant to Section VIII (J)

CPI Adjustment as of June 30, 2024	
CPI - 2024 Annual	332.194
CPI - 2023 Annual	<u>(321.583)</u>
	10.611
Divide by previous period CPI ÷	<u>321.583</u>
	0.0330
	X <u>100.000</u>
Percent Change	<u>3.30</u>
Maximum Balance computed as of June 30, 2024	3,979,415
Adjusted by CPI June 30, 2024 (\$3,979,415* 3.30%)	131,321
Maximum Balance adjusted as of June 30, 2025	<u>4,110,736</u>

CPI = Consumer Price Index
 NCS D = Nipomo Community Services District
 WMWC = Woodlands Mutual Water Company
 GSWC = Golden State Water Company

	CPI INDEX	ADJ	RUNNING BALANCE
			3,000,000
6/30/2016	0.907	27,210	3,027,210
6/30/2017	1.89	57,214	3,084,424
6/30/2018	2.79	86,055	3,170,479
6/30/2019	3.81	120,478	3,290,957
6/30/2020	3.07	101,032	3,391,989
6/30/2021	1.62	54,950	3,446,939
6/30/2022	3.83	132,018	3,578,957
6/30/2023	7.45	266,632	3,845,589
6/30/2024	3.48	133,826	3,979,415
6/30/2025	3.30	131,321	4,110,736

TO: BOARD OF DIRECTORS
FROM: RAY DIENZO ^{R.D}
GENERAL MANAGER



REVIEWED: CRAIG STEELE
GENERAL COUNSEL

DATE: MAY 8, 2025

INTRODUCTION OF AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AMENDING CHAPTER 3.06 OF THE DISTRICT CODE RELATING TO WATER SYSTEM BACKFLOW PREVENTION AND FINDING THAT THE ADOPTION OF THIS ORDINANCE IS EXEMPT FROM REVIEW UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (“CEQA”)

ITEM

Consider amending Chapter 3.06 of the District Code relating to water system backflow prevention and finding that the adoption of this ordinance is exempt from review under the California Environmental Quality Act (“CEQA”) [RECOMMEND INTRODUCE, WAIVE FURTHER READING, READ BY TITLE ONLY ORDINANCE NO. 2025-XXXX AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AMENDING CHAPTER 3.06 OF THE DISTRICT CODE RELATING TO WATER SYSTEM BACKFLOW PREVENTION AND MAKING A DETERMINATION OF EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (“CEQA”)]

BACKGROUND

The Nipomo Community Services District Code (“Code”) was revised through Ordinance No. 2023-136 to add a new Chapter 3.06 relating to water system backflow requirements. The new chapter updated the District’s backflow device requirements to reflect modern practices and to comply with the requirements of the State Water Resources Control Board (“SWRCB”), the regulatory agency that oversees the District’s water enterprise. Recent updates to the SWRCB regulations require minor changes to Chapter 3.06 of the Code, mainly to reference the new state-adopted Cross Connection Control Policy Handbook in place of California Code of Regulations Title 17. The proposed changes will meet the requirements of these new regulations, which came into effect July 1, 2024.

In connection with these changes, the District will apply the Backflow Administration Fee of \$1 per billing cycle. This fee was approved by District Code section 3.06.110(C) but has not been implemented. Staff will implement this fee starting July 1, 2025.

FISCAL IMPACT

There is no fiscal impact associated with the adoption of this ordinance. Costs for updating and enforcing the existing District Code records are included in the District’s annual budget and fees.

STRATEGIC PLAN

Goal 6 – GOVERNANCE AND ADMINISTRATION – Conduct District activities in an efficient, equitable and cost-effective manner.

RECOMMENDATION

Staff recommends that your Honorable Board introduce, waive further reading and read by title only Ordinance No. 2025-xxxx

ATTACHMENT

- A. Ordinance No. 2025-XXXX AN ORDINANCE OF THE BOARD OF THE DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT UPDATING CHAPTER 3.06 OF TITLE 3 WATER SERVICE SYSTEM OF THE DISTRICT CODE, AND MAKING A DETERMINATION OF EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA")

MAY 14, 2025

ITEM E-5

ATTACHMENT A

ORDINANCE NO. 2025-XXXX

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AMENDING CHAPTER 3.06 OF THE DISTRICT CODE RELATING TO WATER SYSTEM BACKFLOW PREVENTION AND MAKING A DETERMINATION OF EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA")

THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The Nipomo Community Services District's staff have recommended that the Board re-state and re-adopt the District Code to modernize, update, clarify and extend the provisions of such Code.

Section 2. The Resolutions of the Board and policies previously included in the District Code book and on the District's website are not repealed and shall remain in full effect, separate from this Code. The General Manager is directed to maintain such resolutions and policies in a form that is accessible to the public and staff.

Section 3. Upon the effective date of this Ordinance, previous versions of the District's Code shall be repealed, except as provided herein.

Section 4. The Nipomo Community Services District Code is re-stated and adopted to read as follows:

Chapter 3.06 WATER SYSTEM BACKFLOW PREVENTION

3.06.010 Protection of public water supply.

In making plumbing connections, the customer is required to comply with the regulations of the District, the County of San Luis Obispo, and the California State Department of Public Health Water Resources Control Board, and the United States Public Health Service. Such regulations prohibit: (1) unprotected cross-connections between a public water supply and any unapproved source of water, and (2) unprotected water service connections to premises where there is a possibility of contaminated water flowing back ("back flowing") into the public water system.

Accordingly, the District requires the installation of backflow prevention assemblies that are approved by the Foundation for Cross-Connection Control and Hydraulic Research, and/or other District-approved alternative protective assemblies, by and at the expense of the customer before granting or continuing service under the following conditions:

- A. Where another source of water is in use, or is available for use, unless the alternate supply has been certified for domestic use by the County Health department or the State ~~department of public health~~ Water Resources Control Board;
- B. Industrial or commercial premises where contaminated liquid or soluble substances of any kind are used, produced or processed, or handled under pressure in such a fashion as to permit possible entry into the District's water distribution system, including water originating in the District's system that is then boosted in pressure after the point of connection to serve the pressure needs of the premises;
- C. Premises where the customer's system has more than one service connection coming from different streets, or has internal cross-connections that cannot be permanently corrected to meet state and local standards;
- D. Premises and/or customers' systems where, in the opinion of the District, there is the potential for pollution or contamination of the District's water system in the event of backflow or back-siphon;

ORDINANCE NO. 2025-xxxx

AN ORDINANCE UPDATING THE DISTRICT CODE RELATING TO WATER SYSTEM BACKFLOW PREVENTION AND ADOPTING THE DISTRICT CODE, ADOPTING PENALTIES FOR THE VIOLATION OF SUCH CODE, AND FINDING THAT THE ADOPTION OF THIS ORDINANCE IS EXEMPT FROM REVIEW UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT ("CEQA")

- E. As a protection to the customer's plumbing system, a suitable pressure relief valve must be installed and maintained by the customer at the customer's expense when check valves or other protective assemblies are used. The relief valve shall be installed between the check valves and the water heater.
- F. The regulations of the California State ~~Department of Public Health~~ Water Resources Control Board also requires that the owner of any premises on or for which check valves or other protective assemblies are installed at the direction of the public water supplier, shall inspect these assemblies for water tightness and reliability at least once per year. All defective assemblies shall be serviced, overhauled or replaced at the customer's expense. A written report on this annual inspection shall be provided to the general manager or their designee.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.020 Purpose.

- A. In order to provide for an orderly and adequate means of protection of the District's water distribution system and/or the public water supply from backflow of water from any unapproved source, the requirements set forth in this chapter are reasonable and necessary. The District adopts these requirements for the protection of the District's water distribution system from the hydraulic forces of backflow and back-siphon. New water service connections shall be installed and existing water connections shall be modified to conform to these requirements as set forth in this chapter.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.030 Adoption of state regulations.

The regulations of the California ~~Department of Health, Title 17, California Administrative Code, Sections 7583 through 7622~~ State Water Resources Control Board, Cross-Connection Control Policy Handbook, inclusive, or successor regulations, referred to in this chapter as ~~Title 17 CCCPH~~, are adopted, incorporated by reference and made a part of this chapter, insofar as the same are applicable to the protection to District's water distribution system.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.040 Definitions.

Words used in this chapter, unless the context requires otherwise, are defined as follows:

- A. "Air-gap separation" means a physical break between a supply pipe and a receiving vessel. The air-gap shall be at least double the diameter of the supply pipe, measured vertically above the top rim of the vessel, in no case less than one inch.
- B. "Approved double check valve assembly" means an assembly of at least two independently acting approved check valves including tightly closing shut-off valves on each side of the check valve assembly and suitable leak detector drains plus connections available for testing the water tightness of each valve. The entire assembly shall be made in the factory of the manufacturer and shall meet the

specifications and approval of a recognized, approved testing agency for backflow prevention assemblies. To be approved, these assemblies must be readily accessible for maintenance testing.

- C. "Approved reduced pressure principle backflow prevention assembly" means an assembly approved by a recognized and approved testing agency for backflow prevention assemblies. The entire assembly shall be made in the factory of the manufacturer and shall incorporate two or more check valves and an automatically operating differential relief valve located between the two checks, two shut-off valves, and equipped with necessary appurtenances for testing. The assembly shall operate to maintain the pressure in the zone between the two check valves less than the pressure on the public supply side of the assembly. At cessation of normal flow, the pressure between check valves shall be less than the supplied pressure. In case of leakage of either check valve, the differential relief valve shall operate to maintain this reduced pressure by discharging to the atmosphere. When the inlet pressure is two pounds per square inch or less, the relief valve shall open to the atmosphere, thereby providing an air-gap in the assembly. To be approved, these assemblies must be readily accessible for maintenance and testing and installed in a location where no part of the valve will be submerged.
- D. "Auxiliary water supply" means any water supply on or available to the premises other than the approved public potable water supply. These auxiliary waters may include, but are not limited to, water from another purveyor's public potable water supply or any natural source such as a well, spring, river, stream, harbor, etc., or "used water" or "industrial fluids".
- E. "Approved backflow prevention assembly" means an assembly identified in the District's current standard specifications for use at the service connection which will prevent backflow into the District's distribution system.
- F. "Backflow" means the reverse flow of water or any other fluid or substance or any combination or any mixture thereof from the customer's system into the District's water distribution system.
- G. "Certified tester" means a person who is certified as a backflow prevention assembly tester by American Water Works Association, American Backflow Prevention Association, or equally recognized association that certifies persons to test approved backflow prevention assemblies in the has demonstrated their competency to the Environmental Health Services Division of the County of San Luis Obispo.
- H. "County health department" means the Environmental Health Department of the County of San Luis Obispo, or any successor agency.
- I. "Cross-connection" or "cross-connected" as used in these regulations means any real or potential connection between any part of a public water system or other water system supplying potable water to members of the public and any auxiliary water supply or any source or system containing water or any substance that is not or cannot be approved as safe, wholesome, and potable for human consumption.
- J. "Cross-Connection control specialist" shall be a cross-connection control program specialist with current AWWA certification or District-approved organization with the equivalent certification requirements.
- K. "Customer" means any person or organization who receives water from the District.
- L. "Customer's system" means the water piping system located immediately downstream from a meter, or in the case of a fire sprinkler system, the point in the system as defined and identified in the District's standard specifications.
- M. "District" means the Nipomo Community Services District, Nipomo, California.
- N. "District engineer" means the District engineer for the District or their designee.

-
- O. "District's water distribution system" means the water distribution system owned and operated by the District including the service connection to a water main.
- P. "Health hazard" means an actual or potential threat of contamination of a physical or toxic nature to the public potable water system to such a degree of intensity that there would be a danger to health.
- Q. "Industrial fluids" means any fluid or solution which may be chemically, biologically, or otherwise contaminated or polluted in a form or concentration such as would constitute a health, system, pollution or plumbing hazard if introduced into the water supply. This may include, but is not limited to polluted or contaminated used waters; all types of processed waters and "used waters" originating from the public potable water system which may deteriorate in sanitary quality; chemicals in fluid form; acids and alkalis; circulating cooling waters connected to an open cooling tower and/or cooling waters that are chemically or biologically treated or stabilized with toxic substances; contaminated natural waters such as from wells, springs, streams, rivers, bays, harbors, seas, irrigation canals or systems, etc.; oils; gases; glycerin; paraffines; caustic and acid solutions; and other liquid and gaseous fluids used in industrial or other processes or for fire-fighting purposes.
- R. "Plumbing hazard" means a plumbing type cross-connection in a consumer's potable water system that has not been properly protected by a vacuum breaker, air-gap separation or other assembly. The term "plumbing hazard" includes but is not limited to cross-connections to toilets, sinks, lavatories, wash trays, domestic washing machines and lawn sprinkling systems.
- S. "Pollution" means an impairment of the quality of the water to a degree which does not create an actual hazard to the public health but which does adversely affect such waters for domestic use.
- T. "Pollution hazard" means an actual or potential threat to the physical properties of the public water system or the potability of the public water supply, but which would not constitute a health or system hazard, as defined.
- U. "Purveyor" means any person, corporation, public utility, municipality, District or other agency or institution furnishing or supplying water for domestic purposes.
- V. "Premises" means a piece of land together with such buildings and appurtenances located thereon.
- W. "Service connection" means the terminal end of a service connection from the public potable water system, i.e., where the water purveyor loses jurisdiction and sanitary control over the water at its point of delivery to the consumer's water system. If a meter is installed, then the service connection shall mean the downstream end of the meter, unless a fire sprinkler system is designed to be supplied after the meter in which case the District's standard specifications define the point of delineation where the District loses control over the water at that point of delivery therein defined. There should be no unprotected take-offs from the service line ahead of any meter or backflow prevention assembly located at the point of delivery to the consumer's water system. Commercial fire sprinkler systems are separate and distinct service connections and their point of connection is at the District's valve at the District's water main. The appropriate backflow prevention assembly for these service connections is defined in the District's standard specifications.
- X. "System hazard" means an actual or potential threat of severe damage to the physical properties of the public potable water system.
- Y. "Water supervisor" means the consumer or a person on the premises appointed by the consumer who is charged by the consumer with the responsibility to the consumer of maintaining the consumer's water system free from cross-connections and other sanitary defects, as required by regulations and laws. A certified backflow prevention assembly tester may not act as a water supervisor unless he is a full-time employee of the consumer, and has the day-to-day responsibility for the installation and use of pipelines and equipment on the premises and for the avoidance of cross-connections.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.050 General requirements.

- A. Where the conditions set forth in subsection (C), below, require a backflow prevention assembly such as double-check valve or a pressure-reducing valve, the customer shall install a backflow prevention assembly that meets the requirements of this Code. The customer shall notify the District of the installation once completed, which will be inspected by the District before being placed in service.
- B. Each District customer with a backflow prevention assembly shall be assessed a backflow administration fee to cover the cost of the program. The fee will be included on the water bill for the property. The backflow administration fee shall be established by resolution of the board.
- C. Backflow prevention assemblies shall be required at the service connection per District standard specifications (current edition), or at a location approved by the District engineer, for premises in the following described categories:
 - 1. Premises having an auxiliary water supply;
 - 2. Industrial/commercial premises on which any substance is handled under pressure in a fashion that could lead to possible entry into the District's distribution system, including water originating from the District's system which is boosted in pressure by the customer's booster system;
 - 3. Industrial/commercial premises where customer's system has more than one service connection;
 - 4. Parcels or structures which, in the opinion of the District engineer, contain cross-connections or the potential for cross-connections which could result in the pollution or contamination of the District's water system in the event of backflow;
 - 5. Industrial/commercial or residential fire sprinkler systems.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.060 Landscape irrigation connections.

All irrigation services shall have a reduced pressure principle assembly installed at the water meter in compliance with this Code and District specifications.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.070 New service connections—Installation conditions.

- A. At the time an application for a new water service is made by a potential customer, the District engineer will review such application to determine the need for a backflow prevention assembly on the customer's service. If a backflow prevention assembly is determined to be required it shall be the customer's responsibility at the customer's expense to provide for installation of the designated assembly in accordance with District standards and at a location approved by the District.
- B. Installation of a backflow prevention assembly, where required by the District, shall be a condition of water service and meter installation.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.080 Existing service connections—Installation conditions.

- A. The District will inspect the premises of existing service connections which in the opinion of the District engineer or their designee may require the installation of a backflow prevention assembly. If it is determined that a backflow prevention assembly is required, the installation of a backflow prevention assembly by the deadline determined by the District engineer shall be a condition of continued water service.
- B. If a customer fails to provide for the installation of the backflow prevention assembly within a reasonable time limit set forth in a written notification from the District, but no more than sixty days from receipt of the notification, the District may suspend water service to the property being served.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.090 Upgrading existing assemblies.

- A. An existing backflow prevention assembly which, in the opinion of the District engineer, is a type that does not provide adequate protection for the degree of potential hazard from backflow shall be upgraded at customer expense.
- B. Upgrading may include complete replacement of the backflow prevention assembly, installation of additional assemblies, or correction of on-site cross-connection hazards.
- C. Customers will be notified in writing and given no more than sixty days to take the necessary actions as specified in the backflow prevention assembly upgrade letter issued by the District engineer.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.100 Ownership of installed or upgraded assemblies.

Backflow prevention assemblies installed or upgraded shall be the property of the customer.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.110 Inspection and testing.

The customer is responsible to provide for an annual testing and inspection of the backflow prevention assembly.

- A. Testing must be performed by a certified tester. The District will provide a list of certified testers to the customer. The test shall be performed and results reported to the District within thirty days of written notice by the District. Failure to test the backflow prevention assembly in the prescribed time may result in the termination of water service to the premises.
- B. Assemblies which fail to pass inspection and testing by a certified testers shall be maintained and repaired in accordance with Sections 3.06.120, 3.06.130 and 3.06.140 of this chapter. The District reserves the right to require more frequent testing or to enter the property to perform additional testing with District personnel when the District determines it to be in the public interest. The customer shall bear the cost of additional tests if their assembly fails a test.
- C. At the discretion of the District, the District may test or have the backflow prevention assembly tested by a certified tester if the customer fails to have the backflow prevention assembly tested in the time specified by the District, but not less than thirty days, or by a certified tester. Fees and charges for the

testing, established by resolution of the board will be placed on the customer's water bill and will be treated as a service fee subject to all the District's normal collection procedures and deadlines.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.120 Maintenance and repair—Time limitations.

The customer shall be responsible for maintenance and repair of the backflow prevention assembly, at the customer's expense. The customer shall at all times maintain the assembly in proper working order as a condition of continued water service. If a backflow prevention assembly should fail to pass inspection and testing pursuant to this chapter, the customer shall, within thirty days after notification of test results, provide for timely repair of the assembly by the customer or a licensed plumbing contractor. Once repairs are completed within the time specified in the District's notice, the backflow prevention assembly must be retested by a certified tester, who shall document and submit to the District the results of the test on a form provided by the District. The customer's failure to timely comply with the written notice to repair and retest the backflow prevention assembly may result in the suspension or termination of water service to the premises.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.130 Right to enter property.

As a condition of water service for new customers and as a condition of continued water service for existing customers, the District may enter the property to survey for cross-connections or the customer may be required to have a backflow prevention assembly installed on the private property of the customer. Under these conditions, the customer shall permit the District to enter upon the customer's property within the normal working hours of the District to conduct the survey, or where a backflow prevention assembly needs to be tested or checked for maintenance. In case of emergency, the District may enter the property at any time to inspect the backflow prevention assembly. District representatives shall carry evidence establishing their position as authorized representatives of the District, and, upon presentation and exhibiting these proper credentials and identification, be permitted to enter in and upon all buildings and premises within the District for the purpose of inspection, observation, measurement, sampling, testing, or otherwise performing such duties as may be necessary in carrying out this chapter.

(Ord. No. 2023-136, § 4, 8-23-2023)

3.06.140 Termination of water service—Conditions.

In addition to the authority granted the District in this chapter, the District may terminate water services to any premises served if a required backflow prevention assembly is removed by the customer or if the District finds evidence that an installed backflow prevention assembly has been bypassed, modified or altered in a manner that renders it ineffective, or is allowed to remain ineffective.

(Ord. No. 2023-136, § 4, 8-23-2023)

SECTION 5. If any section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the remaining portions of this Ordinance. The Board of Directors hereby declares that it would have passed this Ordinance and each section, subsection, sentence, clause, and phrase thereof, irrespective of the fact that any one or more sections, subsection, sentence, clause, or phrase be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

SECTION 6. The Board of Directors of the District finds, to the best of their knowledge, that this Ordinance is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) because it constitutes general policy and procedure making and government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The Board of Directors further finds, to the best of their knowledge, that the adoption of this Ordinance is not a project as defined in CEQA Guidelines Section 15378 because it can be seen with certainty that it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. The District General Manager is directed to prepare and file an appropriate notice of exemption.

SECTION 7. This Ordinance shall take effect and be in full force and effect thirty (30) days after its passage. Pursuant to Government Code Section 25124(b) the District shall publish a summary of this Ordinance, with the names of the members of the Board of Directors voting for or against the Ordinance, in a newspaper of general circulation within the District, and shall publish the Ordinance on the District's website.

SECTION 8. The General Manager is authorized to make technical and clerical changes to the text adopted by this Ordinance, following adoption, without additional Board approval.

INTRODUCED at its regular meeting of the Board of Directors held on ~~August 9, 2023~~May 14, 2025, and

PASSED and ADOPTED by the Board of Directors of the Nipomo Community Services District at its regular meeting on ~~August 23, 2023~~May 28, 2025, by the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

CONFLICTS:

ED EBY

President, Board of Directors

ATTEST:

APPROVED AS TO FORM:

RAY DIENZO

General Manager and
Secretary to the Board

CRAIG A. STEELE

District Legal Counsel

TO: BOARD OF DIRECTORS
 FROM: RAY DIENZO, P.E. *R.D.*
 GENERAL MANAGER
 DATE: MAY 8, 2025

**AGENDA ITEM
 F
 MAY 14, 2025**

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is 4/20/2025 – 5/10/2025.*

DISTRICT BUSINESS

Administrative

The District encourages residents to provide reports of any observed water waste. The District also keeps an accounting of leak adjustments as a measure of non-revenue water lost to leaks and tracks late fee waivers. The table below provides April 2025 data and calendar year 2025.

OFFICE ACTIVITIES	Apr 25	Jan 25 – Apr 25
Leak Adjustments	2	15
Leak Adjustment Amount	\$209.00	\$2446.55
Late Fee Waivers	3	31
Late Fee Waiver Adjustment Amount	\$86.05	\$771.44

Water Resources

For the ten (10) months of the 2024-2025 Fiscal Year, the District's total combined production, including groundwater production wells and supplemental water imported through the Joshua Road Pump Station, registered **1583.2 AF**.

The District imported more water through the Joshua Road Pump Station than it produced from groundwater sources. This trend will continue through the year as the District strives to maintain the 50% groundwater reduction goal while also reaching the District's contract import water take amount of 1,000 AFY minimum.

<u>Table 1. Total Production Acre Feet (AF)</u>		
	<u>Apr 25</u>	<u>Jul 24- Apr 25</u>
Groundwater Production	62.3	597.7
Supplemental Water Imported	<u>94.3</u>	<u>985.4</u>
Total Production	156.6	1583.2

2024-2025 Fiscal Year Groundwater Pumping Forecast

Table 2 below projects the District's groundwater pumping reduction for the 2024-2025 Fiscal Year. Though we are currently in Stage 2 conditions under the NMMA Water Shortage Response Stages; with a targeted groundwater pumping reduction goal of 20%, the District voluntarily aims to pump no more than 1,266 AFY (50% of the 2009-2013 average District GW Pumping).

Table 2. Projected Groundwater Pumping

	<i>Apr-25</i>	Projected Jul-24 to June-25	Over/(Under)	
NCSD GW Well Production	62.3	749.73		
Purveyor Customer Credit (33.3% of Import Water)	31.4	396.75		
NCSD Total Calculated GW Production	93.7	1,146.5	120	AF
50% of Average GW Production for 2009-2013		1,266.7		

As demonstrated in Table 2, the District achieved its 50% groundwater pumping reduction target by 120 AF under the conditions stated in the previous paragraph.

Other Items

- Dana Reserve Project – pending outcome of litigation
- Water Rate Study – In progress; target effective date of January 2026
- Strategic Plan Update – request for proposal pending
- Boil Water Order for our northern agencies
 - o In the recent weeks, residents in Arroyo Grande, Grover Beach, Oceano, Pismo Beach, Avila Beach and San Miguelito Water Company (Zone 3) were instructed to boil water before drinking after presence of bacteria was found in the drinking water distribution system.
 - o This action did not affect our water system, since our District does not receive water that was affected by the contamination.
 - o Due to these events, our staff will review our notification system to further improve our service, should such an emergency occur.
- Courtesy announcement: County of SLO – Nipomo Community Plan Update – next community workshop 7/13/2025 at Dana Adobe Center, 2:30-5:30pm

Upcoming Water Resource and Other Meetings

5/12/2025	Integrated Waste Management Authority - (IWMA) Local Task Force	1:00 PM	Teams
5/14/2025	- NCSD Board Meeting	9:00 AM	District Board Room
5/21/2025	California Financing Coordinating - Committee (CFCC) Virtual Funding Fair	9:00 AM	Zoom
5/21/2025	- Board Ad-Hoc - Review Annexation Policy	1:00 PM	District office
5/26/2025	- Memorial Day Holiday - NCSD office closed		
5/28/2025	- NCSD Board Meeting	9:00 AM	District Board Room
5/29/2025	- NMMA - TG	10:00 AM	Zoom
6/4/2025	- WRAC	1:30 PM	SLO Library Community Room

Safety Program

- No issues

FUTURE BOARD AGENDA ITEMS

Per Section 3.1 of the Board By-laws, "The General Manager, in cooperation with the Board President, shall prepare the agenda for each regular and special meeting of the Board of Directors." The following items may be discussed.

- ACCEPT THIRD QUARTER FISCAL YEAR 2024-2025 FINANCIAL REPORT
- PUBLIC HEARING TO APPROVE ORDINANCE UPDATING THE CODE TO INCLUDE CROSS CONNECTION CONTROL PLAN
- APPROVE STRATEGIC PLAN CONSULTANT
- CONSIDER AMENDMENT TO GRANT AGREEMENT WITH ACHIEVEMENT HOUSE INC. FOR SOLID WASTE REMOVAL IN NIPOMO COMMUNITY COMMON AREAS

RECOMMENDATION

Staff seeks direction for format changes or future information your Board would desire to be included in future general manager reports.