

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS  
GENERAL MANAGER 

DATE: OCTOBER 19, 2018



## **PRESENTATIONS AND REPORTS**

The following presentations and reports are scheduled:

- C-1) QUARTERLY ENGINEER'S REPORT – DIRECTOR OF ENGBINEERING AND OPERATIONS REPORT ON DISTRICT PROJECTS SYSTEM-WIDE
- C-2) DIRECTORS' ANNOUNCEMENTS OF DISTRICT AND COMMUNITY INTEREST AND REPORTS ON ATTENDANCE AT PUBLIC MEETINGS, TRAINING PROGRAMS, CONFERENCES AND SEMINARS.  
Receive Announcements and Reports from Directors
- C-3) RECEIVE PUBLIC COMMENT ON PRESENTATIONS AND REPORTS PRESENTED UNDER ITEM C AND BY MOTION RECEIVE AND FILE PRESENTATIONS AND REPORTS

TO: BOARD OF DIRECTORS

FROM: MARIO E. IGLESIAS  
GENERAL MANAGER

DATE: October 19, 2018

**AGENDA ITEM**

**C-1**

**OCTOBER 24, 2018**

**QUARTERLY ENGINEER'S REPORT -  
DIRECTOR OF ENGINEERING AND OPERATIONS REPORT ON  
DISTRICT PROJECTS SYSTEM-WIDE**

**ITEM**

Engineering and Operations update for July to September 2018 [RECOMMEND RECEIVE AND FILE].

**BACKGROUND**

Director of Engineering and Operations, Peter Sevcik will overview his update (attached) and discuss District projects for the period of July to September 2018.

**RECOMMENDATION**

Staff recommends that your Honorable Board receive and file the update.

**ATTACHMENTS**

- A. Engineering and Operations Update for July to September 2018

OCTOBER 24, 2018

ITEM C-1

ATTACHMENT A

# Engineering and Operations Update

## – July to September 2018

Peter V. Sevcik, P.E.  
Director of Engineering and Operations  
Nipomo Community Services District  
October 24, 2018



# Projects in Bid Phase

## Southland WWTf Drying Bed Cover Project

- Design completed – October 2018
- Board authorization to bid –  
October 10, 2018
- Bids due – November 15, 2018
- Tentative Board contract award –  
November 28, 2018
- FY 18/19 budgeted project cost  
\$100,000



# Projects in Bid Phase

## Supplemental Water Project Joshua Road Pump Station Pump 4 Improvements

- Design completed – October 2018
- Board authorization to bid –  
October 10, 2018
- Bids due – November 29, 2018
- Tentative Board contract award –  
December 12, 2018
- FY 18/19 budgeted project cost  
\$300,000

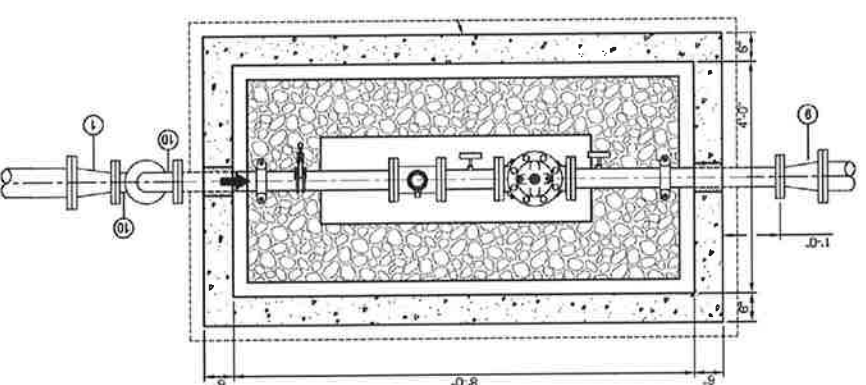




# Projects in Design

## Supplemental Water Project Interconnects

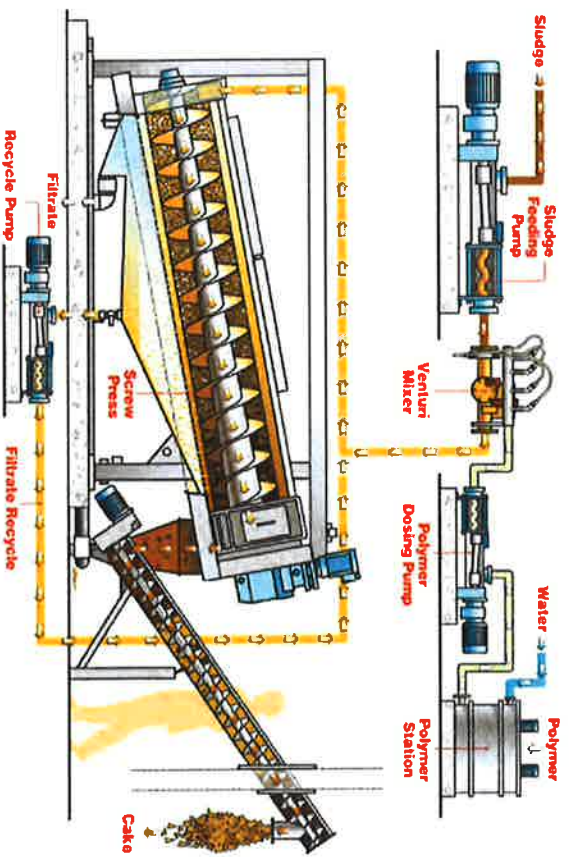
- Final design in progress for three interconnects
  - Golden State Water Company Nipomo
  - Golden State Water Company Cypress Ridge
  - Woodlands Mutual Water Company
- CEQA review in progress
- Tentative Board authorization to bid – March, 2019
- FY 18/19 budgeted project cost \$630,000



# Projects in Design

## Southland WWTW Screw Press

- Final design in progress
- Tentative Board authorization to bid – April, 2019
- FY 18/19 budgeted project cost \$920,000





# Projects in Design

## Supplemental Water Project Nipomo Area Pipeline Improvements

- Final design in progress
- CEQA review in progress
- Tentative Board authorization to bid – March, 2019
- Construction cost of \$3,050,000 not budgeted in FY 18/19





# Projects in Design

## Nipomo Palms Lift Station Replacement

- 90% design plan review meeting with design engineer pending
- Tentative bid date – to be determined upon completion of design
- FY 18/19 budgeted project cost \$800,000

## Woodgreen Lift Station Replacement

- Design in progress
- 50% design plans pending
- Coordinating design with Blacklake Fairways HOA and BLMA
- Tentative bid date – to be determined upon completion of design
- FY 18/19 budgeted project cost \$610,000



# Projects in Design

## Eureka Well Replacement

- Well drilling design in progress
- Easement acquisition in progress
  - Need to secure temporary construction easements for development water disposal
- Tentative bid date – on hold until easements secured
- FY 18/19 budgeted project cost \$1,000,000



# Projects in Design

## **Branch Street Waterline Replacement Project**

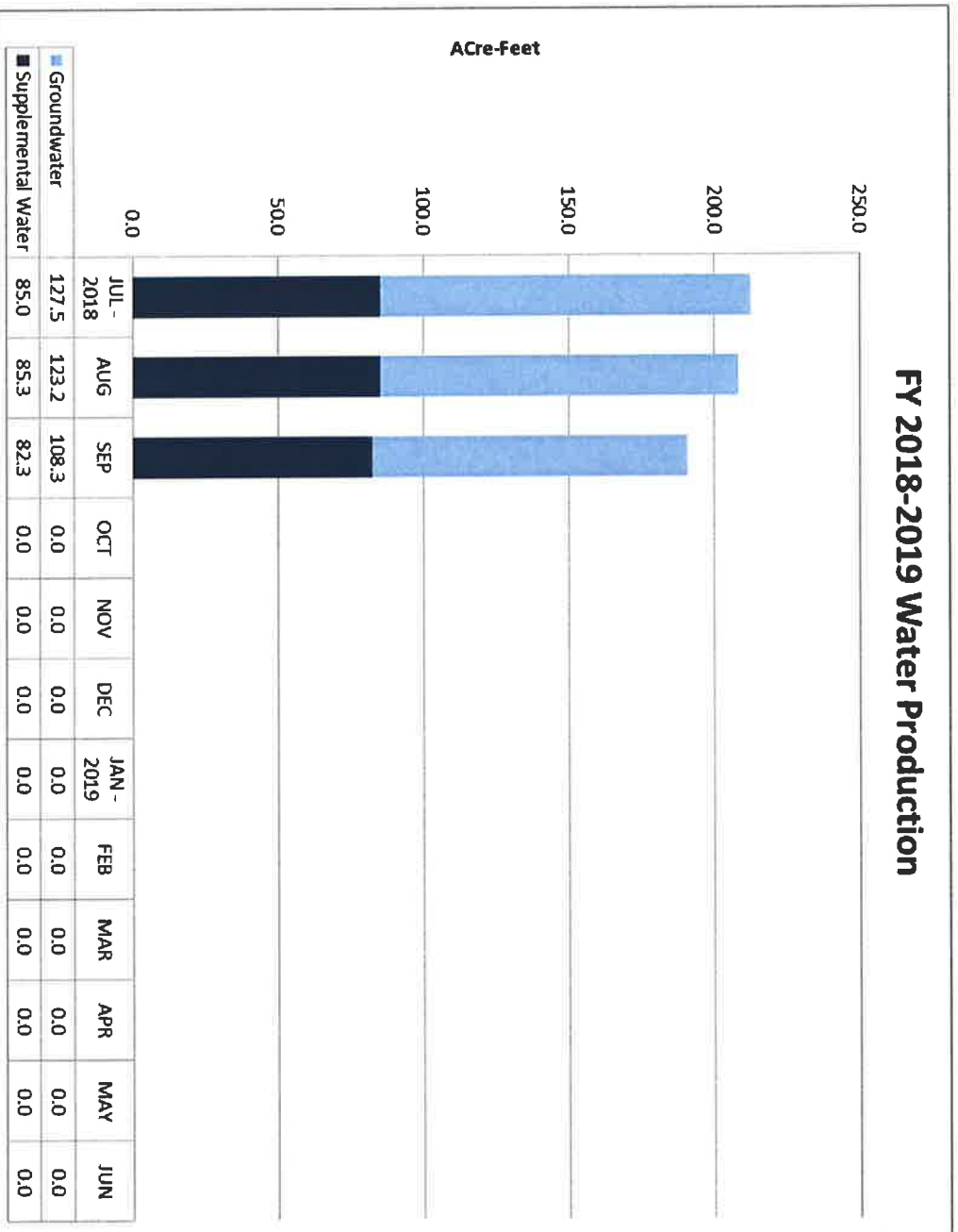
- 90% design plans completed – on hold
- Property owner right of entry acquisition – on hold
- FY 18/19 budgeted project cost \$650,000

## **Southland WWTf Storage Building**

- Deferred to FY 2018-2019



# Operations – Water System



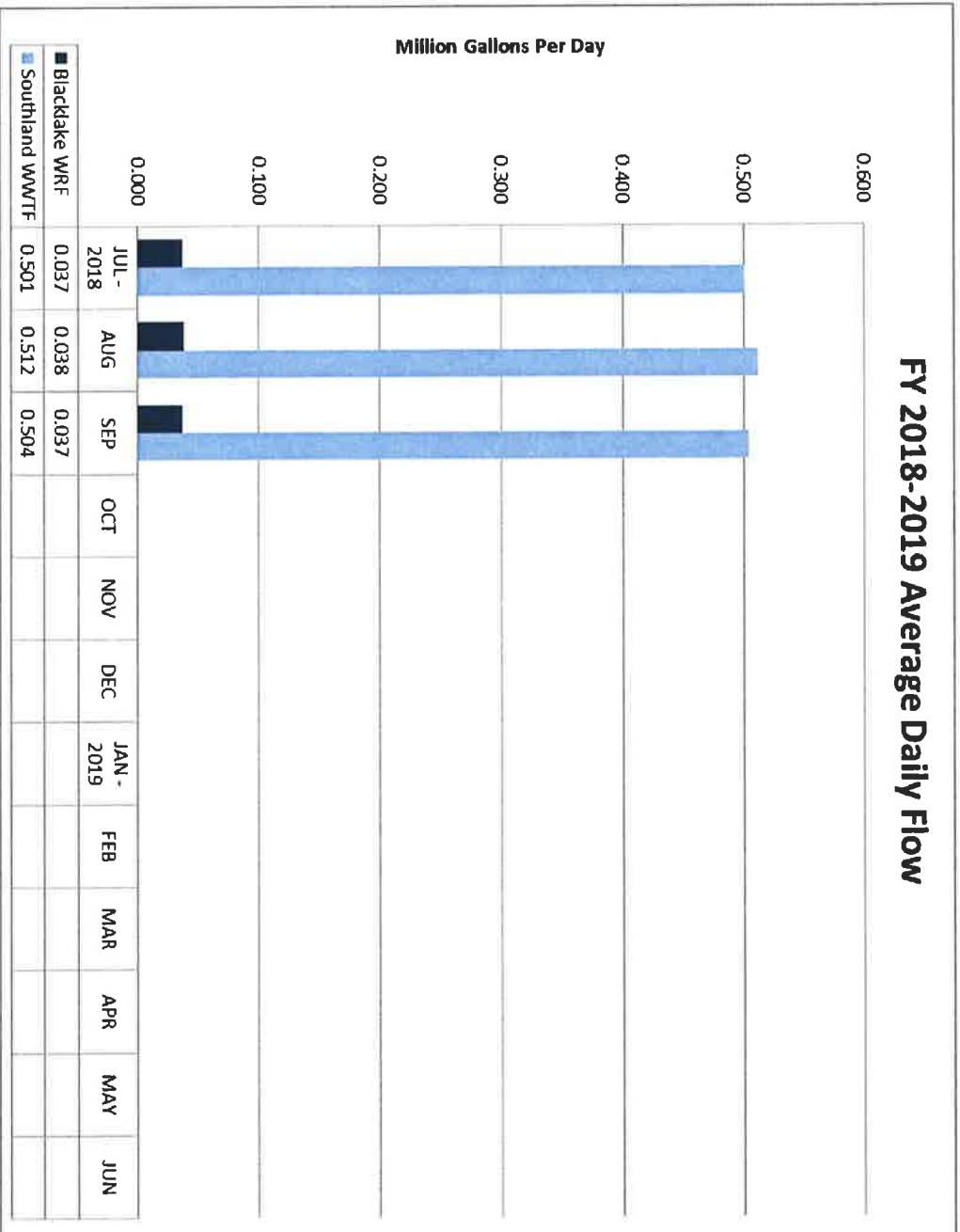




# Operations – Water System

- **State Water Resources Control Board Division of Drinking Water**
  - Routine monthly reports submitted
  - Lead and Copper Triannual Monitoring Report Submitted
- **Other Water Operations**
  - Annual Tank Cathodic Protection System Inspection
  - Purchased replacement vacuum trailer

# Operations – Wastewater





# Operations – Wastewater System

- **San Luis Obispo Air Pollution Control District Notice of Violation**
  - Mutual settlement approved by the Board
  - Continuing to remove biosolids as soon as practical
  - Installed cover over 1 drying bed
- **Other Wastewater Operations**
  - Southland WWTF biannual Biolac diffuser maintenance
  - Blacklake WWRF effluent flow meters replaced



# Other Engineering and Operations

- **District**
  - SCADA Server Replacement
  - Sedaru Software Implementation
  - Hazardous Material Business Plan Update
- **Personnel**
  - Wastewater Supervisor Recruitment – Completed
  - Water Operator 1 Recruitment – Completed
  - Assistant Engineer Recruitment – In progress
  - Wastewater Operator 1 Recruitment – Not started



# Other Engineering and Operations

- **New Development**
  - 164 Mallagh – Multifamily
  - Mary Avenue – Senior Apartments
  - CO 17-0131 – Frank Court – Single Family Residential
  - Tract 2441 – Blume – Single Family Residential
  - Tract 2558 – Magenta – Single Family Residential
  - Tract 2611 – South Frontage – Mixed use
  - Tract 2650 – Via Concha – Single Family Residential
  - Tract 2923 – Grande – Single Family Residential
  - Dana Elementary School Sewer Connection





# Engineering and Operations

## Questions

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TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS  
GENERAL MANAGER 

DATE: OCTOBER 19, 2018



## CONSENT AGENDA

The following items are considered routine and non-controversial by staff and may be approved by one motion if no member of the Board wishes an item removed. If discussion is desired, the item may be removed from the Consent Agenda by a Board member and will be considered separately at the conclusion of the Administrative Items. Individual items on the Consent Agenda are approved by the same vote that approves the Consent Agenda, unless an item is pulled for separate consideration. The recommendations for each item are noted in bracket. Members of the public may comment on the Consent Agenda items.

**Questions or clarification may be made by the Board members  
without removal from the Consent Agenda.**

- D-1) WARRANTS  
[RECOMMEND APPROVAL]
- D-2) APPROVE OCTOBER 10, 2018 REGULAR BOARD MEETING MINUTES  
[RECOMMEND APPROVE MINUTES]
- D-3) ACCEPT OFFER OF WATER AND SEWER IMPROVEMENTS FOR TRACT 2923,  
VISTA GRANDE PROJECT, NIPOMO  
[RECOMMEND ADOPT RESOLUTION ACCEPTING OFFER OF  
IMPROVEMENTS]
- D-4) INVESTMENT POLICY – THIRD QUARTER REPORT  
[RECOMMEND ACCEPT AND FILE REPORT]

TO: BOARD OF DIRECTORS

REVIEWED: MARIO IGLESIAS  
GENERAL MANAGER *MI*

FROM: LISA BOGNUDA *LSB*  
FINANCE DIRECTOR

DATE: OCTOBER 19, 2018

**AGENDA ITEM  
D-1  
OCTOBER 24, 2018**

**WARRANTS**

**HANDWRITTEN CHECKS**  
None

**TOTAL COMPUTER CHECKS**  
\$548,986.84

VOIDS – NONE

**COMPUTER GENERATED CHECKS – SEE ATTACHED**



Nipomo Community Services District

Item D-1 Warrants OCTOBER 24, 2018  
By Payment Number

Payment Dates 10/24/2018 - 10/24/2018

Vendor Name	Description (Payable)	Payable Number	Payment Date	(None)	Amount	
<b>Payment: 4200</b>						
Advantage Answering Plus, In	Answering service	12-244-831	10/24/2018		177.02	
					<b>Payment 4200 Total:</b>	<b>177.02</b>
<b>Payment: 4201</b>						
Allweather Landscape Mainte	LMD	33189	10/24/2018		325.00	
					<b>Payment 4201 Total:</b>	<b>325.00</b>
<b>Payment: 4202</b>						
AmeriPride	Uniforms	1502254194	10/24/2018		239.26	
AmeriPride	Uniforms	1502249435	10/24/2018		251.40	
					<b>Payment 4202 Total:</b>	<b>490.66</b>
<b>Payment: 4203</b>						
AT&T	Telephone	12018437	10/24/2018		172.36	
					<b>Payment 4203 Total:</b>	<b>172.36</b>
<b>Payment: 4204</b>						
Baumgarten, Michael	Uniform - Boot reimbursemen	OCT2018	10/24/2018		150.00	
					<b>Payment 4204 Total:</b>	<b>150.00</b>
<b>Payment: 4205</b>						
Big Brand Tire & Service	Vehicle repair/maintenance	294973	10/24/2018		630.78	
					<b>Payment 4205 Total:</b>	<b>630.78</b>
<b>Payment: 4206</b>						
Burdine Printing	Mail bills	37543A	10/24/2018		265.68	
Burdine Printing	Postage for bills	37543B	10/24/2018		211.97	
Burdine Printing	Postage for bills	37562B	10/24/2018		813.87	
Burdine Printing	Mail bills	37562A	10/24/2018		155.13	
					<b>Payment 4206 Total:</b>	<b>1,446.65</b>
<b>Payment: 4207</b>						
Cannon Corporation	Standpipe water tank evaluati	67280	10/24/2018		525.00	
					<b>Payment 4207 Total:</b>	<b>525.00</b>
<b>Payment: 4208</b>						
City of Santa Maria	Water purchase 7-1-18 to 9-3	77155	10/24/2018		420,268.68	
					<b>Payment 4208 Total:</b>	<b>420,268.68</b>
<b>Payment: 4209</b>						
Clever Ducks	Computer expense	25945	10/24/2018		2,535.00	
					<b>Payment 4209 Total:</b>	<b>2,535.00</b>
<b>Payment: 4210</b>						
Coastline Equipment	John Deere repair	519220	10/24/2018		659.32	
					<b>Payment 4210 Total:</b>	<b>659.32</b>
<b>Payment: 4211</b>						
Crystal Springs	Distilled water	SEPT2018	10/24/2018		31.22	
					<b>Payment 4211 Total:</b>	<b>31.22</b>
<b>Payment: 4212</b>						
Department of Consumer Affa	License renewal - Bognuda	OCT2018	10/24/2018		120.00	
					<b>Payment 4212 Total:</b>	<b>120.00</b>
<b>Payment: 4213</b>						
Engel & Gray, Inc.	Biosolids collection	89X00085	10/24/2018		4,837.01	
					<b>Payment 4213 Total:</b>	<b>4,837.01</b>
<b>Payment: 4214</b>						
Excel Personnel Services, Inc.	Employment agency	2619457	10/24/2018		347.20	
Excel Personnel Services, Inc.	Employment agency	313417	10/24/2018		434.00	



Item D-1 Warrants OCTOBER 24, 2018

Payment Dates: 10/24/2018 - 10/24/2018

Vendor Name	Description (Payable)	Payable Number	Payment Date	(None)	Amount
Excel Personnel Services, Inc.	Employment agency	2634927	10/24/2018		434.00
<b>Payment: 4214 Total:</b>					<b>1,215.20</b>
<b>Payment: 4215</b>					
Farm Supply Company	camlock fittings, swivel adapt	57300	10/24/2018		12.10
Farm Supply Company	Schedule 80 couplings, nipple	57076	10/24/2018		76.14
<b>Payment: 4215 Total:</b>					<b>88.24</b>
<b>Payment: 4216</b>					
First American Data Tree, LLC	Database subscription - 08/20	20064070818	10/24/2018		1,650.00
<b>Payment: 4216 Total:</b>					<b>1,650.00</b>
<b>Payment: 4217</b>					
Gaddis, Dan Allen	Travel and mileage reimburse	OCT2018	10/24/2018		52.43
<b>Payment: 4217 Total:</b>					<b>52.43</b>
<b>Payment: 4218</b>					
Great Western Alarm and Co	Alarm monitoring service	180902107101	10/24/2018		67.00
<b>Payment: 4218 Total:</b>					<b>67.00</b>
<b>Payment: 4219</b>					
Herc Rentals, Inc	Equipment rental	30329571-001	10/24/2018		807.24
<b>Payment: 4219 Total:</b>					<b>807.24</b>
<b>Payment: 4220</b>					
Iglesias, Mario	Cell phone reimbursement	OCT2018	10/24/2018		65.00
<b>Payment: 4220 Total:</b>					<b>65.00</b>
<b>Payment: 4221</b>					
Jan-Pro Central Coast	Janitorial services	79878	10/24/2018		727.14
<b>Payment: 4221 Total:</b>					<b>727.14</b>
<b>Payment: 4222</b>					
Lechowicz & Tseng Municipal	Blacklake Sewer Rate Study	SEPT2018	10/24/2018		4,154.04
<b>Payment: 4222 Total:</b>					<b>4,154.04</b>
<b>Payment: 4223</b>					
More Office Solutions	B&W/Color copies	2249550	10/24/2018		93.90
More Office Solutions	Copier maintenance	2241088	10/24/2018		768.49
More Office Solutions	B&W/Color copies	2249551	10/24/2018		122.12
<b>Payment: 4223 Total:</b>					<b>984.51</b>
<b>Payment: 4224</b>					
Municipal Code Corporation	Web hosting of District Code	00317848	10/24/2018		900.00
<b>Payment: 4224 Total:</b>					<b>900.00</b>
<b>Payment: 4225</b>					
National Safety Council	Membership renewal	OCT2018	10/24/2018		425.00
<b>Payment: 4225 Total:</b>					<b>425.00</b>
<b>Payment: 4226</b>					
NexTraq	GPS subscription	AT01398063	10/24/2018		479.40
<b>Payment: 4226 Total:</b>					<b>479.40</b>
<b>Payment: 4227</b>					
Nipomo Community Services	805 Alta Vista - landscape	OCT2018B	10/24/2018		42.51
Nipomo Community Services	805 Alta Vista - domestic	OCT2018A	10/24/2018		42.51
Nipomo Community Services	BLWWTF	OCT2018C	10/24/2018		1,135.95
<b>Payment: 4227 Total:</b>					<b>1,220.97</b>
<b>Payment: 4228</b>					
Nunley & Associates, Inc.	Joshua Road Pump Station #4	4841	10/24/2018		301.90
Nunley & Associates, Inc.	Southland WWTP Sludge Dryi	4800	10/24/2018		1,296.31
Nunley & Associates, Inc.	Southland WWTP Screw Press	4807	10/24/2018		1,000.00
Nunley & Associates, Inc.	GIS services	4813	10/24/2018		6,900.00
<b>Payment: 4228 Total:</b>					<b>9,498.21</b>
<b>Payment: 4229</b>					
Office Depot	Office supplies	213461266001	10/24/2018		192.10
Office Depot	Office supplies	213484269001	10/24/2018		35.38

## Item D-1 Warrants OCTOBER 24, 2018

Payment Dates: 10/24/2018 - 10/24/2018

Vendor Name	Description (Payable)	Payable Number	Payment Date	(None)	Amount
				<b>Payment 4229 Total:</b>	<u>227.48</u>
<b>Payment: 4230</b>					
PG&E	Electricity	OCT2018	10/24/2018		53,578.33
				<b>Payment 4230 Total:</b>	<u>53,578.33</u>
<b>Payment: 4231</b>					
PG&E	Eureka Well electric extension	114439605	10/24/2018		484.68
				<b>Payment 4231 Total:</b>	<u>484.68</u>
<b>Payment: 4232</b>					
Polydyne, Inc.	Clarifloc	1284331	10/24/2018		627.41
				<b>Payment 4232 Total:</b>	<u>627.41</u>
<b>Payment: 4233</b>					
Portable Johns, Inc	Portable restrooms for Creek	218327	10/24/2018		201.74
				<b>Payment 4233 Total:</b>	<u>201.74</u>
<b>Payment: 4234</b>					
Quinn Company	CAT0914 repair	WO030042232	10/24/2018		305.74
				<b>Payment 4234 Total:</b>	<u>305.74</u>
<b>Payment: 4235</b>					
R. Baker, Inc.	Water line repair - Orchard Rd	10189003	10/24/2018		8,817.82
				<b>Payment 4235 Total:</b>	<u>8,817.82</u>
<b>Payment: 4236</b>					
Richards, Watson & Gershon	Legal services through 09-30-	218906	10/24/2018		6,413.10
				<b>Payment 4236 Total:</b>	<u>6,413.10</u>
<b>Payment: 4237</b>					
Richards, Watson & Gershon	Water Rights Adjudication	218907	10/24/2018		1,897.00
				<b>Payment 4237 Total:</b>	<u>1,897.00</u>
<b>Payment: 4238</b>					
Rockin CJ Transport, Inc	Creek Day rolloff	36041	10/24/2018		315.00
				<b>Payment 4238 Total:</b>	<u>315.00</u>
<b>Payment: 4239</b>					
Santa Maria Sun, LLC	Conservation ads	287880	10/24/2018		396.00
Santa Maria Sun, LLC	Conservation ads	287477	10/24/2018		396.00
				<b>Payment 4239 Total:</b>	<u>792.00</u>
<b>Payment: 4240</b>					
SGS Guadalupe	Calcium ammonium nitrate	780123104	10/24/2018		625.50
SGS Guadalupe	Calcium ammonium nitrate	780123139	10/24/2018		670.85
SGS Guadalupe	Credit for Inv #780123104	780123138	10/24/2018		-625.50
				<b>Payment 4240 Total:</b>	<u>670.85</u>
<b>Payment: 4241</b>					
SLO County Tax Collector	Property taxes	OCT2018A	10/24/2018		1,338.98
SLO County Tax Collector	Property taxes	OCT2018B	10/24/2018		7.00
				<b>Payment 4241 Total:</b>	<u>1,345.98</u>
<b>Payment: 4242</b>					
SoCalGas	Heat - shop/office	OCT2018A	10/24/2018		17.20
				<b>Payment 4242 Total:</b>	<u>17.20</u>
<b>Payment: 4243</b>					
Special District Risk Managem	Collision deductible	OCT2018	10/24/2018		1,000.00
				<b>Payment 4243 Total:</b>	<u>1,000.00</u>
<b>Payment: 4244</b>					
State Water Resources Contro	D1 certification	AYALA2018	10/24/2018		70.00
				<b>Payment 4244 Total:</b>	<u>70.00</u>
<b>Payment: 4245</b>					
Streator Pipe & Supply	Schedule 80 tees, bushings, ra	S1454431.001	10/24/2018		67.89
				<b>Payment 4245 Total:</b>	<u>67.89</u>
<b>Payment: 4246</b>					
SWCA, Inc.	Environmental - Interconnects	84479	10/24/2018		6,177.00

Item D-1 Warrants OCTOBER 24, 2018

Payment Dates: 10/24/2018 - 10/24/2018

Vendor Name	Description (Payable)	Payable Number	Payment Date	(None)	Amount
SWCA, Inc.	Environmental Work - Phase 3	81735	10/24/2018		3,289.75
SWCA, Inc.	Environmental Work - Phase 3	84476	10/24/2018		289.00
<b>Payment 4246 Total:</b>					<u>9,755.75</u>
<b>Payment: 4247</b>					
Thompson Reuters	Software license renewal	OCT2018	10/24/2018		420.00
<b>Payment 4247 Total:</b>					<u>420.00</u>
<b>Payment: 4248</b>					
USA Bluebook	Static mixer, injection quill	697660	10/24/2018		667.91
USA Bluebook	Hach portable analyzer	703040	10/24/2018		3,794.99
<b>Payment 4248 Total:</b>					<u>4,462.90</u>
<b>Payment: 4249</b>					
Voelker, Tyler	Uniforms-boot reimbursemen	OCT2018	10/24/2018		150.00
<b>Payment 4249 Total:</b>					<u>150.00</u>
<b>Payment: 4250</b>					
Wallace Group	FOG program	46937	10/24/2018		2,662.89
<b>Payment 4250 Total:</b>					<u>2,662.89</u>

TO: BOARD OF DIRECTORS  
FROM: MARIO IGLESIAS  
GENERAL MANAGER  
DATE: OCTOBER 19, 2018

**AGENDA ITEM**  
**D-2**  
**OCTOBER 24, 2018**

**APPROVE OCTOBER 10, 2018  
REGULAR BOARD MEETING MINUTES**

**ITEM**

Approve action minutes from previous Board meetings. [RECOMMEND APPROVE MINUTES]

**BACKGROUND**

The draft minutes are a written record of the previous Board Meeting action.

**RECOMMENDATION**

Approve Minutes

**ATTACHMENT**

- A. October 10, 2018 draft Regular Board Meeting Minutes

OCTOBER 24, 2018

ITEM D-2

ATTACHMENT A



# NIPOMO COMMUNITY SERVICES DISTRICT

*Serving the Community Since 1965*

## DRAFT REGULAR MINUTES

OCTOBER 10, 2018 AT 9:00 A.M.

JON S. SEITZ BOARD ROOM 148 SOUTH WILSON STREET, NIPOMO, CA

### BOARD of DIRECTORS

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

### PRINCIPAL STAFF

MARIO IGLESIAS, **GENERAL MANAGER**  
LISA BOGNUDA, **FINANCE DIRECTOR**  
WHITNEY MCDONALD, **GENERAL COUNSEL**  
PETER SEVCIK, **DIRECTOR OF ENG. & OPS.**

Mission Statement: The Nipomo Community Services District's mission is to provide its customers with reliable, quality, and cost-effective services now and in the future.

### 1. CALL TO ORDER AND FLAG SALUTE

*President Eby called the Regular Meeting of October 10, 2018, to order at 9:00 a.m. and led the flag salute.*

### 2. ROLL CALL AND PUBLIC COMMENT FOR ITEMS NOT ON AGENDA

*At Roll Call, all Directors were present.*

### 3. PRESENTATIONS AND REPORTS

#### C-1) DIRECTORS' ANNOUNCEMENTS OF DISTRICT & COMMUNITY INTEREST AND REPORTS ON ATTENDANCE AT PUBLIC MEETINGS, TRAINING PROGRAMS, CONFERENCES, AND SEMINARS.

##### Director Woodson

- *September 24, attended SCAC meeting.*

##### Director Blair

*September 24, attended CSDA annual conference.*

##### Director Gaddis

- *September 21, attended NCSF Facilities Committee meeting.*
- *October 1, attended Board officer's meeting.*
- *October 9, attended SLO Chapter CSDA meeting.*

##### Director Eby

- *October 1, attended Board Officer's meeting.*
- *October 3-5, attended LAFCO conference in Yosemite.*
- *October 9, attended SLO Chapter CSDA meeting.*
- *October 9, attended Blacklake Ad Hoc meeting.*

#### C-2) RECEIVE PUBLIC COMMENT ON PRESENTATIONS AND REPORTS PRESENTED UNDER ITEM C AND BY MOTION RECEIVE AND FILE PRESENTATIONS AND REPORTS

*There was no public comment.*

*Upon the motion of Director Armstrong and seconded, the Board unanimously approved to receive and file the presentations and reports as submitted.  
Vote 5-0.*

SUBJECT TO BOARD APPROVAL

**Nipomo Community Services District  
DRAFT REGULAR MEETING  
MINUTES**

<i>YES VOTES</i>	<i>NO VOTES</i>	<i>ABSENT</i>
<i>Directors Armstrong, Gaddis, Woodson, Blair and Eby</i>	<i>None</i>	<i>None</i>

D. CONSENT AGENDA

- D-1) WARRANTS [RECOMMEND APPROVAL]
- D-2) APPROVE SEPTEMBER 12, 2018, REGULAR BOARD MEETING MINUTES [RECOMMEND APPROVE MINUTES]
- D-3) EUREKA WELL DRILLING PROJECT - DISCUSSION ON PROJECT DEVELOPMENT [RECOMMEND RECEIVE REPORT AND PROVIDE DIRECTION TO STAFF AS NEEDED]

There were no public comments.

*Upon the motion of Director Armstrong and seconded, the Board unanimously approved the Consent Agenda.  
Vote 5-0.*

<i>YES VOTES</i>	<i>NO VOTES</i>	<i>ABSENT</i>
<i>Directors Armstrong, Blair, Woodson, Gaddis and Eby</i>	<i>None</i>	<i>None</i>

E. ADMINISTRATIVE ITEMS

- E-1) RECEIVE BLACKLAKE SEWER RATE STUDY PRESENTATION AND DIRECT RATE CONSULTANT TO PREPARE A DRAFT RATE STUDY REPORT FOR PRESENTATION AT THE DISTRICT'S OCTOBER 24, 2018 BOARD MEETING [RECOMMEND RECEIVE PRESENTATION AND DIRECT RATE CONSULTANT TO DRAFT A RATE STUDY REPORT]

Alison Lechowicz, Lechowicz and Tseng Municipal Consultants (L&T), presented a power point presentation on the financial needs of the Blacklake Sewer enterprise. Ms. Lechowicz answered questions from the Board.

The following members of the public spoke:

Dan Hall, Blacklake resident, stated the Blacklake Oversight Committee met and agreed to unanimously support the sewer rate increase proposed by the rate consultant.

Noel Heal, Blacklake resident, asked about the regionalization option and the timing of the plan.

*Upon the motion of Director Armstrong and seconded, the Board unanimously approved to direct L&T to prepare the draft written report based on the presentation.  
Vote 5-0.*

<i>YES VOTES</i>	<i>NO VOTES</i>	<i>ABSENT</i>
<i>Directors Armstrong, Gaddis, Woodson, Blair and Eby</i>	<i>None</i>	<i>None</i>

- E-2) AUTHORIZE STAFF TO BID SOUTHLAND WASTEWATER TREATMENT FACILITY SLUDGE DRYING BED COVER PROJECT AND APPROVE BUDGET ADJUSTMENT [RECOMMEND AUTHORIZE STAFF TO BID SLUDGE DRYING BED COVER PROJECT AND APPROVE BUDGET ADJUSTMENT]

SUBJECT TO BOARD APPROVAL

Nipomo Community Services District  
DRAFT REGULAR MEETING  
MINUTES

Peter Sevcik, Director of Engineering and Operations, presented the item and answered questions from the Board.

The following member of the public spoke:

Pam Wilson, NCS D resident, asked about bidding the project.

*Upon the motion of Director Armstrong and seconded, the Board unanimously approved a resolution authorizing staff to solicit bids for the Southland Wastewater Treatment Plant sludge Bed Cover project and approve a budget adjustment to shift funding from the storage building to the two sludge bed covers.*

*Vote 5-0.*

YES VOTES	NO VOTES	ABSENT
Directors Armstrong, Gaddis, Woodson, Blair and Eby	None	None

2018-1487

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
NIPOMO COMMUNITY SERVICES DISTRICT AUTHORIZING  
AUTHORIZING STAFF TO BID SOUTHLAND WASTEWATER  
TREATMENT FACILITY SLUDGE DRYING BED COVER PROJECT  
AND APPROVE BUDGET ADJUSTMENT

- E-3 AUTHORIZE STAFF TO BID SUPPLEMENTAL WATER PROJECT JOSHUA ROAD PUMP STATION PUMP #4 IMPROVEMENTS[RECOMMEND AUTHORIZE STAFF TO BID]

Peter Sevcik, Director of Engineering and Operations, presented the item and answered questions from the Board

There was no public comment.

*Upon the motion of Director Gaddis, and seconded, the Board unanimously approved authorizing staff to solicit bids for the Supplemental Water Project Joshua Pump Station Pump #4 improvements.*

*Vote 5-0.*

YES VOTES	NO VOTES	ABSENT
Directors Gaddis, Armstrong, Woodson, Blair and Eby	None	None

F. MANAGER'S REPORT

Mario Iglesias, General Manager, presented the report as presented in the Board packet.

There were no public comments.

G. COMMITTEE REPORTS

Facilities and Water Resources Committee

Ad Hoc Committee – Water Shortage Response and Management Review

Ad Hoc Committee – Blacklake Rate Study

*There were no public comments.*

SUBJECT TO BOARD APPROVAL

Nipomo Community Services District  
DRAFT REGULAR MEETING  
MINUTES

H. DIRECTORS' REQUEST TO STAFF AND SUPPLEMENTAL REPORTS

President Eby directed Staff consider the California Uniform Public Construction Cost Accounting Act.

Director Armstrong requested Staff research the new law (AB 998) regarding water cut off procedures.

*There were no public comments.*

I. CLOSED SESSION

- 1. CONFERENCE WITH DISTRICT LEGAL COUNSEL RE: PENDING LITIGATION PURSUANT TO GC §54956.9
  - a) SMWCD V. NCSD (SANTA CLARA COUNTY CASE NO. CV 770214, SIXTH APPELLATE COURT CASE NO. H032750 AND A LITIGATION PURSUANT TO GC §54956.9 ALL CONSOLIDATED CASES)
  - b) BENING Company, LLC v. Nipomo Community Services District (Court of Appeal, 2<sup>nd</sup> Dist., Case B286035
- 2. LIABILITY CLAIMS (Gov. Code 54956.95)  
CLAIMANT: JAMES B. PIERCE  
AGENCY CLAIMED AGAINST: NIPOMO COMMUNITY SERVICES DISTRICT

J. PUBLIC COMMENT ON CLOSED SESSION ITEMS

*There were no public comments*

K. ADJOURN TO CLOSED SESSION

*President Eby requested a 10 minute break and adjourned to Closed Session at 10:30 a.m.*

L. OPEN SESSION

ANNOUNCEMENT OF ACTIONS, IF ANY, TAKEN IN CLOSED SESSION

*Whitney McDonald, District Legal Counsel, announced that the Board discussed Items 1(a) and 1(b). The Board took no reportable action. Item 2, the Board of Directors directed Staff to deny the claim and notify the claimant.*

There were no public comments.

ADJOURN


*President Eby adjourned the meeting at 11:02 a.m.*

MEETING SUMMARY	HOURS & MINUTES
Regular Meeting	1 hour 25 minutes
Closed Session	0 hour 37 minutes
TOTAL HOURS	1 hour 02 minutes

Respectfully submitted,

\_\_\_\_\_  
Mario Iglesias, General Manager and Secretary to the Board

\_\_\_\_\_  
Date

TO: BOARD OF DIRECTORS  
REVIEWED: MARIO IGLESIAS  
GENERAL MANAGER   
FROM: PETER V. SEVCIK, P.E.  
DIRECTOR OF  
ENGINEERING & OPERATIONS  
DATE: OCTOBER 19, 2018

**AGENDA ITEM  
D-3  
OCTOBER 24, 2018**

**ACCEPT OFFER OF WATER AND SEWER IMPROVEMENTS  
FOR TRACT 2923, VISTA GRANDE PROJECT, NIPOMO**

**ITEM**

Accept offer of water and sewer improvements for Tract 2923, Vista Grande Project, Nipomo [RECOMMEND ADOPT RESOLUTION ACCEPTING OFFER OF IMPROVEMENTS].

**BACKGROUND**

Upon completion of a developer's project, the District accepts improvements for the project after all requirements have been met. Vista Grande LLC, the developer of Tract 2923, an 18 lot residential development (17 residential units and 1 common lot) has met the District's standard conditions:

- Installed water and sewer improvements that are to be dedicated to the District
- Paid associated capacity charges
- Provided an Offer of Dedication
- Provided project as-built drawings – corrected as-built drawings pending
- Provided Engineer's certification

Staff will not set meters until the corrected as-built drawings are received and accepted by the District.

Regarding the Plan Check and Inspection Agreement Fees, the developer may owe the District for inspection and other costs which have yet to be billed by the District. Historically, the District has recovered these costs after the Board accepts the project as part of staff's project close out procedure.

**FISCAL IMPACT**

The developer paid District Capacity Charges in the amount of \$382,031 for the project. The project's Plan Check and Inspection Agreement account has a deposit credit balance of approximately \$3900.

**RECOMMENDATION**

By motion and roll call vote, adopt Resolution accepting Tract 2923 Water and Sewer Improvements.

**ATTACHMENTS**

- A. Resolution 2018-XXXX Accept Tract 2923 Water and Sewer Improvements

OCTOBER 24, 2018

ITEM D-3

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 2018-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE NIPOMO COMMUNITY SERVICES DISTRICT  
ACCEPTING TRACT 2923 WATER AND SEWER IMPROVEMENTS**

**WHEREAS**, the District approved the construction plans on January 9, 2016, for the water and sewer improvements to be constructed to serve Tract 2923 (Project); and

**WHEREAS**, the water and sewer improvements have been constructed and said improvements are complete and certified by the Owners' Engineer; and

**WHEREAS**, on October 9, 2018, Rudolph Bachmann, representing Vista Grande LLC (herein the "Owner") offered the water and sewer improvements to the Nipomo Community Services District; and

**WHEREAS**, the District accepts such offer without obligation except as required by law; and

**WHEREAS**, all water and sewer capacity fees for service, required in conformance with District ordinances, have been paid for the Project.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AS FOLLOWS:**

1. That the water and sewer improvements constructed to serve Tract 2923 in Nipomo are accepted by the District.
2. That staff is authorized to set water meters to serve the project once corrected as-built drawings are received and accepted by the District and all legal costs and the Plan Check and Inspection Agreement costs have been paid by the Owner.

On the motion by Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, and on the following roll call vote, to wit:

**AYES:**

**NOES:**

**ABSENT:**

**CONFLICTS:**

The foregoing resolution is hereby adopted this 24<sup>th</sup> day of October 2018.

\_\_\_\_\_  
**ED EB**

President, Board of Directors

**ATTEST:**

**APPROVED AS TO FORM AND  
LEGAL EFFECT:**

\_\_\_\_\_  
**MARIO IGLESIAS**

General Manager and Secretary to the Board

\_\_\_\_\_  
**WHITNEY G. McDONALD**

District Legal Counsel

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS  
GENERAL MANAGER 

DATE: OCTOBER 19, 2018

**AGENDA ITEM  
D-4  
OCTOBER 24, 2018**

**INVESTMENT POLICY – THIRD QUARTER REPORT**

**ITEM**

Review Investment Policy Third Quarter Report [RECOMMEND ACCEPT AND FILE REPORT]

**BACKGROUND**

The District's Investment Policy requires the Finance Officer file a quarterly report that identifies the District's investments and their compliance with the policy. The quarterly report is considered by the Board of Directors and is filed with the District's auditor.

As District Finance Officer and Treasurer, I am pleased to inform the Board of Directors that the District is in compliance with the Investment Policy and that the objectives of safety, liquidity, and yield have been met. The District has the ability to meet cash flow requirements for the next six months.

**INVESTMENT POLICY-THIRD QUARTER REPORT 9/30/18**

Investment	Institution	Amount of Deposit as of 9/30/18	Rate of Interest	Quarterly Interest Earned or Accrued 9/30/18	Amount of Deposit as of 9/30/17	Rate of Interest	Quarterly Interest Earned or Accrued 9/30/17
Public Checking	Rabobank	\$360,466.07	n/a	\$0.00	\$239,144.08	n/a	\$0.00
Savings-Improvement Bonds	Rabobank	\$29,248.98	0.20%	\$9.27	\$44,944.30	0.20%	\$9.27
Savings-Performance Bonds	Five Star Bank as of 7-3-18	\$203,245.53	1.96%	\$949.03	\$201,994.14	0.20%	\$100.69
Savings - NSWP Funded Replacement	Five Star Bank as of 7-3-18	\$624,995.55	1.96%	\$2,792.14	\$414,571.73	0.20%	\$195.03
Pooled Money Investment	Local Agency Investment Fund (LAIF)	\$16,677,847.10	2.16%	\$90,494.32	\$15,043,288.91	1.07%	\$39,845.30

n/a=not applicable Analyzed Account status

**RECOMMENDATION**

After Board consideration and public comment, it is recommended that your Honorable Board accept the quarterly report by motion and minute order and direct staff to file the Report with District Auditor.

**ATTACHMENTS**

None



TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS  
GENERAL MANAGER

DATE: OCTOBER 18, 2018

**AGENDA ITEM**

**E-1**

**OCTOBER 24, 2018**

## **RECEIVE BLACKLACK SEWER RATE STUDY DRAFT REPORT**

### **ITEM**

Receive consultant's draft report for the Blacklake Sewer Rate Study. [RECOMMEND RECEIVE REPORT AND DIRECT STAFF]

### **BACKGROUND**

Lechowicz & Tseng Municipal Consultants ("L&T"), was awarded a contract to complete a sewer rate study for the Blacklake Sewer Enterprise ("Sewer System") on June 27, 2018. At your Board's July 10, 2018 Board Meeting Alison Lechowicz from L&T presented the Financial Needs Assessment for the Sewer System. The Board received Ms. Lechowicz's presentation and directed her to provide a draft report based on the financial needs of the Sewer System.

The attached Blacklake Sewer Report Study draft report ("Draft Report") provides your Board with the compiled data used by L&T to outline a financial recovery plan that defines rates and charges sufficient to maintain the Sewer System now and into the future. Upon your recommendation and direction, L&T will edit the draft document and complete a final report to be presented to the Board for adoption at the next available Board Meeting, November 14, 2018.

Once L&T presents and your Board adopts a final report for the Sewer System, the Board is positioned to direct staff to initiate the Prop. 218 process. A community engagement event scheduled for October 24, 2018, 3:00 PM at the Blacklake Golf Course Clubhouse, provides the District an opportunity to inform Blacklake residents of the need for the rate adjustment recommended in the final report.

L&T will present the attached information at the community engagement session scheduled for October 24, 2018. The presentation is designed to provide residents with a broader view of the Sewer System needs than the presentation your Board received at your October 10, 2018 Board Meeting. The October 10<sup>th</sup> presentation is posted on the District's home page of its website for easy access by the community. The attached presentation will be posted for community reference at the conclusion of the Board Meeting.

### **FINANCIAL IMPACT**

The cost for conducting the Blacklake rate study is included in the District's budget. Staff time was spent to compile information in support of the rate consultant's needs and time continues to be dedicated by District staff to meet residents and committee member needs; all included in the current year budget.

**STRATEGIC PLAN**

Strategic Plan Goal 2.1 – Efficiently Operate Collection, Treatment and Disposal Works  
Strategic Plan Goal 2.2 – Upgrade and Maintain Collection and Treatment Works  
Strategic Plan Goal 2.4 – Provide for Disposal of Biosolids  
Strategic Plan Goal 2.5 – Comply with State and Federal Regulations and Mandates

**RECOMMENDATION**

It is recommended that your Honorable Board consider the draft rate study report, edit if necessary, take public comment, and by motion and roll call vote, receive the draft rate study report and direct L&T to finalize the report.

**ATTACHMENTS**

- A. Draft Rate Study Report
- B. October 24, 2018 Community Engagement Presentation

OCTOBER 24, 2018

ITEM E-1

ATTACHMENT A



# **NIPOMO COMMUNITY SERVICES DISTRICT Blacklake Sewer Rate Study**

**Draft Report  
October 16, 2018**



**LECHOWICZ + TSENG**  
MUNICIPAL CONSULTANTS

PO Box 3065  
Oakland, CA 94609  
(510) 545-3182  
[www.LTmuniconsultants.com](http://www.LTmuniconsultants.com)

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## **SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY**

---

### **1.1 Background**

The Nipomo Community Services District (NCSD) is located in southern San Luis Obispo County near Highway 101. NCSD consists of two separately operated wastewater collection, treatment, and disposal systems – the Town system and the Blacklake system. The Town system utilizes the Southland Wastewater Treatment Facility (WTF) and serves about 3,100 accounts. The Blacklake system serves 559 customers and utilizes the Blacklake Water Reclamation Facility (WRF). The Blacklake WRF was constructed in 1984 to treat and dispose of wastewater generated throughout the Blacklake development. The WRF uses designated areas of the nearby golf course as a permitted spray field to dispose of treated reclaimed effluent. The Blacklake system has seven miles of gravity pipeline ranging from 6 to 12 inches and three lift stations (Misty Glen, The Oaks, and Woodgreen).

As described in Blacklake Sewer Master Plan (October 2017) by MKN Associates, Nipomo CSD is investigating the feasibility of regionalization of the Blacklake system with the Southland WWTP. Regionalization would involve de-commissioning the Blacklake WRF and routing flows to the Southland WTF for treatment. This rate study does not take into consideration the costs associated with the regionalization plan other than to schedule Blacklake WRF plant repairs and replacement projects in the later years of the rate study where possible.

The Master Plan identifies capital improvements needed to maintain service in the near-term, projects needed for continued local operation of the Blacklake WRF, or improvements needed for regionalization at the Southland WTF. However, as stated above, the community has not made a final decision regarding local operation vs. regionalization, therefore, this report estimates costs based on continued local operation. Moreover, regionalization will take four to five years to physically connect the two systems and conduct improvements to the Town system to accept Blacklake flows. These more intensive projects are beyond the five-year scope of this rate study. Even if regionalization is pursued, near-term improvements to Blacklake are needed to provide uninterrupted service.

NCSD last conducted an in-depth wastewater rate study in 2007. The study provided a schedule of rate adjustments through 2013. NCSD has maintained the same rates for the past five years despite inflationary cost increases. Fiscal year (FY) 2018 operating cash flows resulted in positive net revenues of a few thousand dollars. However, rate increases are needed to fund future capital improvements which total \$3.5 million over the next five years.

### **1.2 Requirements of Proposition 218**

Proposition 218, the “Right to Vote on Taxes Act”, was approved by California voters in November 1996 and is codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 establishes requirements for imposing any new or increasing any existing property-related fees and charges. For many years, there was no legal consensus on whether water and sewer service fees met the definition



of “property-related fees.” In July 2007, the California Supreme Court essentially confirmed that Proposition 218 applies to water and wastewater service fees. NCSD must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – NCSD must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – NCSD must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** - At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to sewer rates and charges, including:

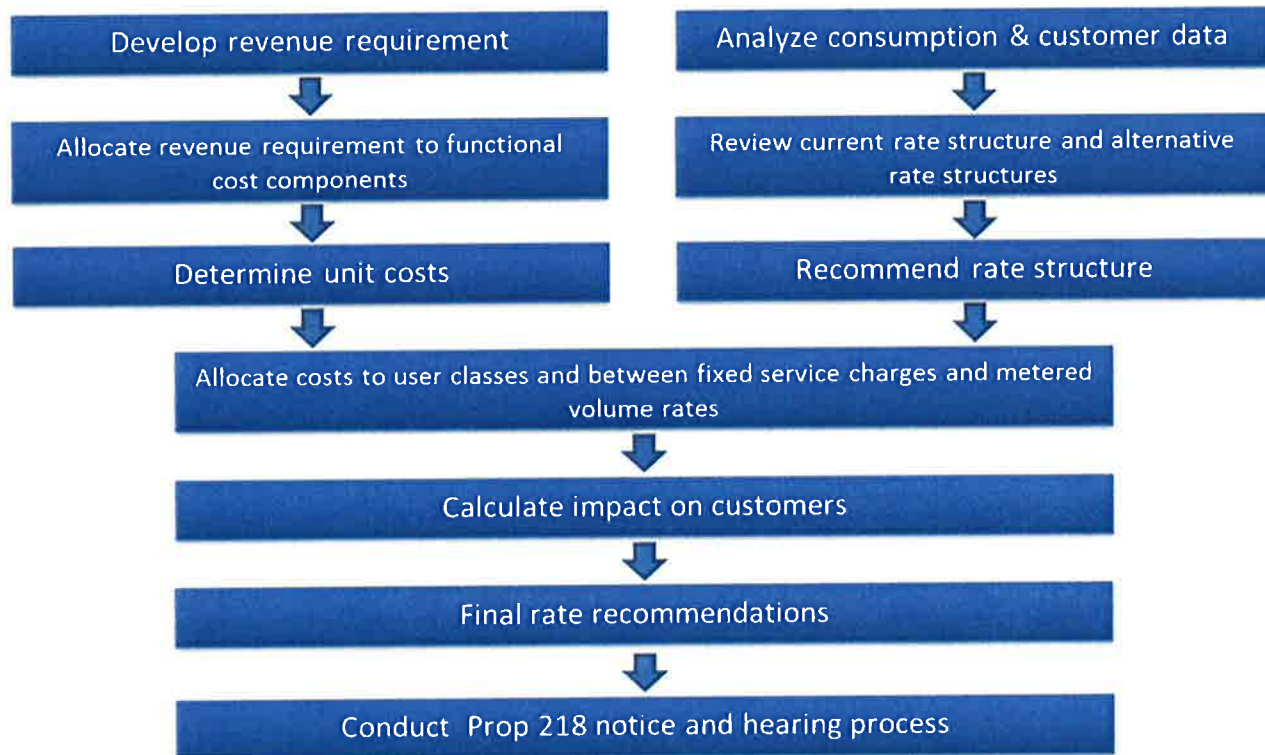
1. **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** - No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** - No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water, sewer, and refuse collection are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

### 1.3 Rate Study Process

This section details the development of Blacklake’s sewer rates via the Proposition 218 process as shown in the following figure.

**Figure 1: Comprehensive Cost of Service Study Process**



The following is a brief description of the rate study process:

- **Revenue Requirements** – The revenue requirement is analyzed via a financial plan developed from the Blacklake Sewer Fund budget. Based on the best information currently available, the financial plan incorporates projected operation and maintenance costs, capital expenditures, debt service, and accumulation of prudent reserves. The plan serves as a roadmap for funding Blacklake’s future operating and capital programs while maintaining long-term fiscal stability.
- **Cost of Service Allocation** - The cost of service process builds on the financial plan analysis and assigns wastewater system costs to functional cost components: customer service, capacity, flow, biochemical oxygen demand (BOD) and total suspended solids (TSS).



- **Rate Design** - Rate design involves developing a rate structure that proportionately recovers costs from customers. Final rate recommendations are designed to (a) fund the utility' short- and long-term costs of providing service; (b) proportionately allocate costs to all customers and customer classes; and (c) comply with the substantive requirements of Proposition 218.

## 1.4 Proposed Rates

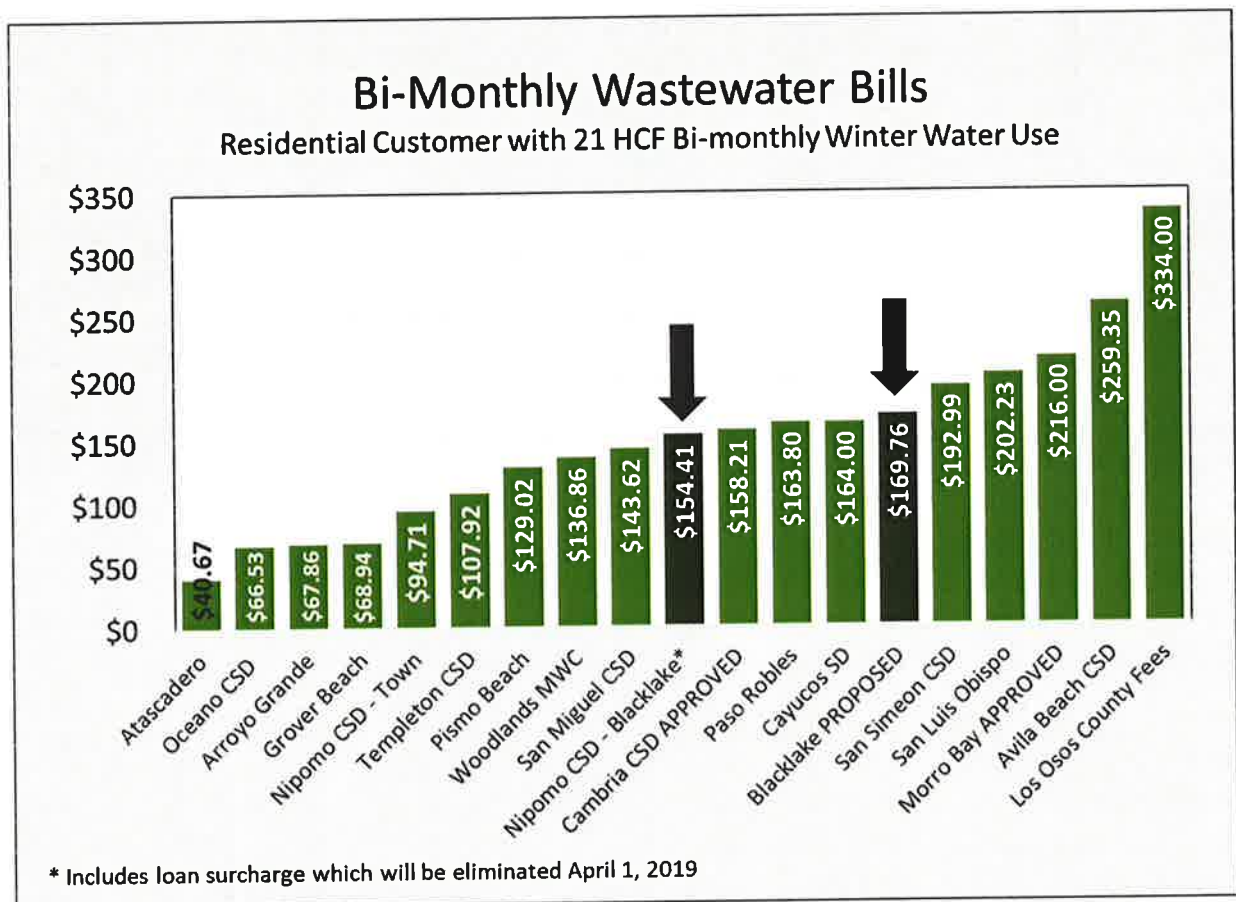
The findings and recommendations presented in this report were developed with substantial input from District staff and the Board of Directors. The proposed Blacklake wastewater rates are provided in Table 1. The current total single family residential bill is \$145.51, which consists of the base service charge plus a loan surcharge. The loan surcharge was implemented to repay an interfund loan for the construction of a wastewater treatment pond liner. The single family bill is proposed to increase to \$169.76 on April 1, 2019, an increase of 16.7%.

**Table 1: Current and Proposed Bi-Monthly Sewer Rates  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Customer Class	Current	April 1, 2019	April 1, 2020	April 1, 2021	April 1, 2022	April 1, 2023
<b>Bi-Monthly Residential Service Charges [1]</b>						
Single Family	\$145.51	\$169.76 16.7%	\$197.77 16.5%	\$230.40 16.5%	\$268.42 16.5%	\$295.26 10.0%
Multi-Family	\$95.08	\$109.08 14.7%	\$127.07 16.5%	\$148.04 16.5%	\$172.47 16.5%	\$189.72 10.0%
<b>Non-Residential Service Charges [1]</b>						
Fixed Meter Charges		34.8%	16.5%	16.5%	16.5%	10.0%
Up to 1"	\$65.52	\$88.35	\$102.93	\$119.91	\$139.70	\$153.67
1.5"	\$186.50	\$233.45	\$271.97	\$316.85	\$369.13	\$406.04
2"	\$295.38	\$364.04	\$424.11	\$494.09	\$575.61	\$633.17
3"	\$549.43	\$668.75	\$779.09	\$907.64	\$1,057.40	\$1,163.14
4"	\$912.36	\$1,104.05	\$1,286.22	\$1,498.45	\$1,745.69	\$1,920.26
6"	\$1,819.68	\$2,192.30	\$2,554.03	\$2,975.44	\$3,466.39	\$3,813.03
8"	\$2,908.48	\$3,498.20	\$4,075.40	\$4,747.84	\$5,531.23	\$6,084.35
<b>Non-Residential Usage Rates (\$/HCF)</b>						
Low Strength	\$3.56	\$3.97	\$4.63	\$5.39	\$6.28	\$6.91
Medium Strength	\$4.80	\$5.28	\$6.15	\$7.16	\$8.34	\$9.17
High Strength	\$7.59	\$8.22	\$9.58	\$11.16	\$13.00	\$14.30
Loan Surcharge	\$8.90	NA	NA	NA	NA	NA

1 – Does not include the loan surcharge of \$8.90 which will no longer be billed after April 1, 2019

Provided below is a chart comparing Blacklake’s current and proposed typical residential sewer bill with the bills of other local agencies. Some agencies, like NCSO, charge residential customers a fixed sewer charge, while others charge volume rates based on estimated sewer flow. The bills for agencies with volume rates were based on assumed sewer flow of 21 hundred cubic feet (HCF)<sup>1</sup> per bi-monthly period. 21 HCF is the average bi-monthly residential flow in the Blacklake service area.



<sup>1</sup> One HCF = 748 gallons

## **SECTION 2: CURRENT RATES AND CUSTOMER BASE**

---

This section provides an overview of Blacklake's current wastewater rates, customer base, sewer flows, and current rate revenues.

### **2.1 Historical and Current Wastewater Rates**

NCSD bills its customers on a bi-monthly basis meaning that each bill represents a two-month period. There is a separate schedule of charges for residential and commercial customers. Single family and multi-family residential customers are billed a fixed bi-monthly fee and are not billed volume rates for sewer flow. Instead, the fixed residential fees are intended to recover the average cost of providing sewer service across the entire residential class. Multi-family customers are billed a lower fixed fee reflecting lower average sewer flow.

Commercial customers are charged a fixed fee based on the size of the water meter plus volume rates. Bi-monthly metered water consumption is used as a proxy for sewer flow. Most outdoor commercial water use is separately metered under an irrigation account and is not billed for sewer service. The commercial volume rate schedule consists of a low, medium, and high wastewater pollutant rate billed on a \$/HCF basis.

NCSD last increased its sewer rates for the Blacklake Enterprise in 2013. A schedule of historical and current rates is provided in Table 2

**Table 2: Historical and Current Bi-Monthly Sewer Rates  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Customer Class	Apr 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013 /Current
<b>Bi-Monthly Residential Service Charges [1]</b>					
Single Family	\$107.12	\$118.90	\$131.98	\$138.58	\$145.51
Multi-Family	\$69.99	\$77.69	\$86.24	\$90.55	\$95.08
<b>Non-Residential Service Charges [1]</b>					
<b>Fixed Meter Charges</b>					
Up to 1"	\$48.23	\$53.54	\$59.43	\$62.40	\$65.52
1.5"	\$137.29	\$152.39	\$169.16	\$177.62	\$186.50
2"	\$217.45	\$241.36	\$267.91	\$281.31	\$295.38
3"	\$404.47	\$448.96	\$498.35	\$523.26	\$549.43
4"	\$671.65	\$745.53	\$827.54	\$868.91	\$912.36
6"	\$1,339.59	\$1,486.94	\$1,650.51	\$1,733.03	\$1,819.68
8"	\$2,141.12	\$2,376.64	\$2,638.07	\$2,769.98	\$2,908.48
<b>Non-Residential Usage Rates (\$/HCF)</b>					
Low Strength	\$2.62	\$2.91	\$3.23	\$3.39	\$3.56
Medium Strength	\$3.53	\$3.92	\$4.35	\$4.57	\$4.80
High Strength	\$5.59	\$6.20	\$6.89	\$7.23	\$7.59

1 – Does not include the loan surcharge of \$8.90

**Table 3: Single Family Residential Rates Compared to Inflation  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Date	Bi-Monthly Charge (Actual) [1]	% Increase	2009 Rate Adjusted by Inflation	Inflation % Increase
Apr 2009	\$107.12			
Jan 2010	\$118.90	11%	\$108.83	1.6%
Jan 2011	\$131.98	11%	\$122.70	3.2%
Jan 2012	\$138.58	5%	\$134.75	2.1%
Jan 2013	\$145.51	5%	\$140.66	1.5%
Jan 2014	\$145.51	0%	\$147.84	1.6%
Jan 2015	\$145.51	0%	\$145.66	0.1%
Jan 2016	\$145.51	0%	\$147.40	1.3%
Jan 2017	\$145.51	0%	\$148.57	2.1%
Jan 2018	\$145.51	0%	\$148.71	2.2%

1 – Does not include the loan surcharge of \$8.90

## 2.2 Current Revenues

Table 4 provides Blacklake’s current customer count and FY2018 revenues. The Blacklake system serves 559 customers, of which four are commercial. End of year FY2018 unaudited operating results indicate that rate revenues totaled approximately \$475,500.

**Table 4: Current Customer Count and Rate Revenue  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Customer Class	Current Rates	FY2018 Customer Count	% of Total	FY2018 Est. Rev	% of Total
<b>Bi-Monthly Residential Service Charges</b>					
Single Family	\$145.51	487	87.1%	\$425,180	89.5%
Multi-Family	\$95.08	<u>68</u>	<u>12.2%</u>	<u>\$38,793</u>	<u>8.2%</u>
		555	99.3%	\$463,973	97.7%
<b>Non-Residential Service Charges</b>					
<b>Fixed Meter Charges</b>					
Up to 1"	\$65.52	3	0.5%	\$1,179	0.2%
1.5"	\$186.50	0	0.0%	\$0	0.0%
2"	\$295.38	1	0.2%	\$1,772	0.4%
3"	\$549.43	0	0.0%	\$0	0.0%
4"	\$912.36	0	0.0%	\$0	0.0%
6"	\$1,819.68	0	0.0%	\$0	0.0%
8"	\$2,908.48	<u>0</u>	<u>0.0%</u>	<u>\$0</u>	<u>0.0%</u>
		4	0.7%	\$2,952	0.6%
<b>Non-Residential Usage Rates (\$/HCF)</b>					
Low Strength	\$3.56	533		\$1,897	0.4%
Medium Strength	\$4.80	0		\$0	0.0%
High Strength	\$7.59	<u>833</u>		<u>\$6,322</u>	<u>1.3%</u>
		1,366		\$8,220	1.7%
		Total	100.0%	\$475,144	100.0%
				FY2018 Year End	\$475,508

Note: table does not include the \$8.90 loan surcharge

## 2.3 Wastewater Flow Statistics

NCSD does not individually measure the wastewater flow of each customer. As described above, bi-monthly water use is used as a proxy for commercial sewer effluent. For the residential customer class, winter water consumption serves as the basis for sewer flow. Unlike commercial customers, most residential customers do not have dedicated irrigation meters. Therefore, its necessary to use winter water consumption to control for outdoor water use during the summer that is not discharged into the sewer.

Table 5 provides an analysis of single family residential winter water use. The average bi-monthly winter consumption is 21 HCF based on FY2018 data. This closely aligns with 22 HCF per bi-monthly usage estimated in the 2007 rate study.

**Table 5: Single Family Residential Winter Water Use  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Month	FY2018 HCF
July	15,924
September	15,776
November	14,619
January	11,352
March	8,622
May	13,241
Average Winter Use (shaded)	9,987
Number of Single Family Residential Dwelling Units	487
Average Use Per Unit	21
Prior Rate Study (HCF/billing period)	22

Table 6 provides the estimated multi-family water use and sewer flow. As shown below, the multi-family customer class does not have a distinctive low usage period during the winter. It is likely that multi-family customers have limited outdoor water use. For rate design purposes, the two lowest water usage periods were used to estimate multi-family sewer flow. The average use is 5.2 HCF per bi-monthly period which is slightly higher than the use estimated in the prior rate study.

**Table 6: Multi-Family Residential Winter Water Use  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Month	FY2018 HCF
July	453
September	440
November	355
January	387
March	381
May	355
Average Winter Use (shaded)	355
Number of Multi-Family Residential Dwelling Units	68
Average Use Per Unit	5.2
Prior Rate Study (HCF/billing period)	4

## **SECTION 3: REVENUE REQUIREMENT**

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Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service includes annual operating expenses, debt service payments, capital projects, and the accumulation of appropriate reserves. The Blacklake cost of service was developed based on the FY2019 adopted budget, capital project lists from the 2017 Master Plan, and reserve recommendations based on NCSD's Cash Reserve Policy (Resolution No. 2017-1435). The Blacklake Sewer Enterprise is made up of three funds: Operations (Fund #150), Capital (Asset) Replacement (Fund #830), and the Rate Stabilization Fund (Fund #155).

### **3.1 Operations Fund**

#### **3.1.1 Revenues**

The vast majority of wastewater operating revenues are provided via bi-monthly service rates, about \$475,000 annually. In FY2018, about \$4,000 in non-rate revenues was generated from interest earnings on reserves, and \$25,000 was generated through the loan surcharge. The surcharge will remain in place through April 1, 2019 to repay an inter-fund loan. The loan was issued to fund pond liner improvements at the Blacklake WRF. The Blacklake system is built-out and the customer base is stable. NCSD does not anticipate additional new revenues from customer growth.

#### **3.1.2 Operations and Maintenance (O&M)**

In FY2018, operating expenses totaled about \$287,000. Major cost categories include administration, staffing, electricity, chemicals, and repairs and maintenance. Most expenses are projected to increase by 3% annually. Every three years, the Blacklake system incurs additional costs for legal and professional services. This line-item includes engineering studies, master planning, additional legal support, rate studies, and financial planning. In FY2019, legal and professional services are budgeted at \$99,000.

There is a proposed staffing adjustment recommended for FY2020 which will add \$62,000 in new O&M expenses. Section 10 of the Blacklake Sewer Master plan provides a staffing analysis of the Blacklake WRF. MKN Associates recommends additional staffing of 0.6 to 0.7 full time equivalents (FTEs) for a wastewater treatment operator. This increase reflects the high level of maintenance required to keep the Blacklake WRF operating. Staffing costs were estimated based on the average wages and benefits of current NCSD operators. The proposed staffing expense is projected to increase by 3% annually.

#### **3.1.3 Debt**

In addition to operating expenses, Fund #150 includes Blacklake sewer debt. In FY2019 the pond liner loan will be paid off and the debt will be retired. To fund future capital improvements (discussed below), it is anticipated that the Blacklake system will issue new debt. The payment is projected to be \$144,000 annually beginning in FY2021. Debt covenants typically require that the borrower maintain a debt

coverage ratio of 1.25 times, meaning that net operating revenues<sup>2</sup> are equal to or exceed 1.25 times the annual payment. The financial plan provided in this report is intended to develop revenues to exceed the minimum debt coverage requirement.

### **3.1.4 Capital Replacement Set-aside**

In 2007, NCS D completed a Water and Sewer Replacement Study. The study determined capital reserve targets for the Town and Blacklake water and sewer systems. The 2007 report also recommends annual funding set-asides to accumulate reserves over time. For the Blacklake sewer system, the replacement study recommends annual funding of \$168,000, which was adopted by the Board (see Resolution No. 2017-1435). To keep up with inflationary construction cost increases, it is recommended that the set-aside increase by 3% annually beginning in FY2020.

### **3.1.5 Operating Reserve and Rate Stabilization Reserve**

The wastewater cost of service includes funding to maintain prudent cash reserves. For the Operations Fund, reserves could be used to fund unanticipated or emergency expenses. Blacklake's current reserve target is six months of operating expenses which is recommended to be continued. It should be noted that due to the "lumpiness" of legal and professional service costs, the reserve target may increase or decrease in any given year. In FY2018, the operating reserve was \$243,000 which exceeded the target of \$143,000.

Fund #155 is the Blacklake Sewer Rate Stabilization Fund. The rate stabilization target is \$50,000 which is currently met. Fund #155 was established by the Board to improve the utility's credit rating and financial standing. Rate stabilization funds are more commonly used by water utilities than sewer utilities. Water utilities typically collect a large portion of their revenues from volume rates. Water rate stabilization reserves help agencies maintain cash flow during drought conditions. In contrast, most sewer utilities collect a large portion of revenues from fixed charges which are highly stable. As shown in Table 4, Blacklake collects only 1.7% of its revenues from volume rates. Nevertheless, it is recommended that Blacklake maintain the rate stabilization reserve target of \$50,000. However, the cash flow analysis developed in this report assumes that Blacklake will use the reserve as needed to overcome short-term financial constraints and minimize rate volatility. At the end of the five-year rate plan in FY2023, total operating reserves are projected to be lower than the targeted amount. However, in FY2024, Blacklake rate revenues will be adequate to rebuilt reserves with only minor inflationary increases.

## **3.2 Operations Cash Flow**

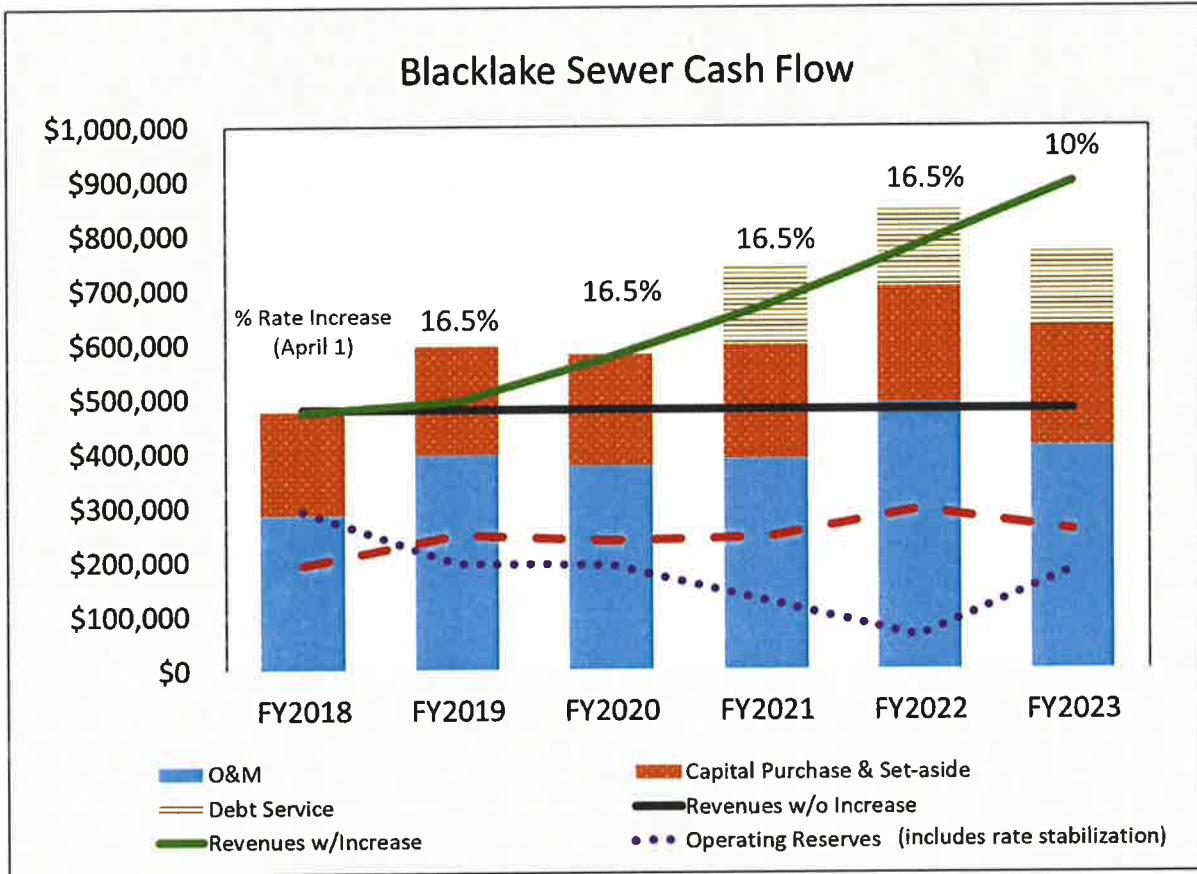
At current rates, revenues are adequate to meet O&M, debt, and capital replacement funding. Current operating and rate stabilization reserves meet their targets. However, rate increases are needed over the next five years to fund inflationary cost increases and new debt service expenses. Rate increases are proposed to be implemented April 1 each year for the next five years through April 1, 2023. The total

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<sup>2</sup> Gross operating revenues less operating expenses. Operating expenses do not include capital projects or replacement funding.



rate revenue collected each fiscal year will reflect 9 months (July to March) at the prior year's rates plus 3 months (April to June) at the new rates. The operations cash flow is provided in the chart below and in Table 7.



**Table 7: Operations Cash Flow Analysis  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Line	FY2018 Year-End	Prop 218					
		FY2019 Budget	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected	
1	Rate Increase (Effective Apr 1)	Current	16.5%	16.5%	16.5%	16.5%	10.0%
2	Operations Balance (#150)	\$239,900	\$243,000	\$145,000	\$142,000	\$73,600	\$8,100
	REVENUES						
3	Rate Revenues	475,000	495,000	576,000	671,000	782,000	897,000
4	Loan Surcharge	25,000	20,000	0	0	0	0
5	Interest Income	<u>4,000</u>	<u>3,000</u>	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>	<u>0</u>
6	Total Revenues	504,000	518,000	578,000	673,000	783,000	897,000
	OPERATIONS [1]						
7	Gen & Admin Staffing	8,600	10,000	10,300	10,600	10,900	11,200
8	Legal & Prof Services [2]	8,700	99,000	9,000	9,300	100,000	9,900
9	Office Expenses & Misc	9,000	17,000	17,500	18,000	18,500	19,100
10	Admin Transfer Out	16,200	18,000	18,500	19,100	19,700	20,300
11	Operations Staffing	121,000	116,000	119,500	123,100	126,800	130,600
12	Staffing Adjustment (0.7 FTE) [3]	0	0	62,000	63,900	65,800	67,800
13	Electricity	37,500	43,500	44,800	46,100	47,500	48,900
14	Chemicals	16,000	19,000	19,600	20,200	20,800	21,400
15	Lab Tests & Sampling	25,900	27,500	28,300	29,100	30,000	30,900
16	Repairs & Maintenance	19,900	13,000	13,400	13,800	14,200	14,600
17	Permits and Operating Fees	8,400	9,000	9,300	9,600	9,900	10,200
18	Other O&M Supplies and Services	<u>15,700</u>	<u>25,000</u>	<u>25,800</u>	<u>26,600</u>	<u>27,400</u>	<u>28,200</u>
19	Total Operating Expenses	286,900	397,000	378,000	389,400	491,500	413,100
20	Net Operating Revenues	217,100	121,000	200,000	283,600	291,500	483,900
	DEBT SERVICE						
21	Existing Debt Service	24,000	20,000	0	0	0	0
22	New Debt [4]	<u>0</u>	<u>0</u>	<u>0</u>	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>
23	Total Annual Debt Service	24,000	20,000	0	144,000	144,000	144,000
24	Debt Coverage Ratio	9.05	6.05	NA	1.97	2.02	3.36
25	Transfer to Capital (set-aside)	168,000	168,000	173,000	178,000	183,000	188,000
26	Fixed Asset Purchase	22,000	31,000	30,000	30,000	30,000	30,000
27	Total Expenses	500,900	616,000	581,000	741,400	848,500	775,100
28	Net Revenue	3,100	(98,000)	(3,000)	(68,400)	(65,500)	121,900
29	Ending Fund Balance	243,000	145,000	142,000	73,600	8,100	130,000
30	Rate Stabilization (#155) [5]	<u>50,000</u>	<u>51,000</u>	<u>52,000</u>	<u>53,000</u>	<u>54,000</u>	<u>55,000</u>
31	Beginning Fund Balance	293,000	196,000	194,000	126,600	62,100	185,000
32	Target [6]	\$193,500	\$248,500	\$239,000	\$244,700	\$295,800	\$256,600

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- 1 - Most budgeted line items are projected to increase by 3% annually
  - 2 - Reflects additional costs for rate studies, master plans, and specialized legal services needed approximately every 3 years
  - 3 - Staffing recommended in the MKN October 2017 Blacklake Sewer Master Plan, Section 10
  - 4 - Based on \$1.8 million borrowed in FY2020 over 20 years at 5% interest.
  - 5 - Assumed to collect \$1,000 per year in interest earnings
  - 6 - 6 months of operating expenses not including funded replacements plus \$50,000 in rate stabilization reserves

### 3.3 Capital Fund

Capital project costs are the main driver of the proposed rate increases. The 2017 Blacklake Sewer Master Plan describes three categories of capital improvements: 1) near-term repairs to keep the Blacklake system operating, 2) longer-term projects to improve efficiency and retrofit the Blacklake WRF, and 3) an option to join the Blacklake system with the Town system via regionalization. Projects in category 1 are needed regardless of Blacklake’s decision to regionalize or continue local operations. The financial plan and rate recommendations included in this report reflect funding of only near-term repairs of the Blacklake system. A summary of capital improvement expenses is provided in Table 8.

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**Table 8: Capital Improvement Project Summary  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Capital Cost Category	Costs Through FY2023 [1]
<b>Lift Stations</b>	
Woodgreen Rehabilitation	683,400
The Oaks Rehabilitation	102,500
Misty Glen Rehabilitation	<u>97,800</u>
Lift Station Subtotal	883,700
<b>Sewer Mains</b>	
Golf Course Trunk Main	560,700
Tourney Hill Sewer Main	319,700
Oakmont Sewer Main	<u>196,200</u>
Sewer Main Subtotal	1,076,600
Sludge Removal	468,600
<b>Blacklake WRF</b>	
Pond 1 Rehabilitation	384,600
Chlorine Contact Chamber Rehab	392,400
Site Improvements	<u>258,100</u>
Blacklake WRF Subtotal	1,035,100
<b>TOTAL</b>	<b>\$3,464,000</b>

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1 - Capital projects described on pages 9-10 of the Master Plan. Costs escalated from December 2013 to the year of construction.

The capital cash flow is provided in Table 9. The current fund balance is \$819,000. The target balance is \$1.2 million and is based on a 20-Year Savings Program (Model 1) provided in the 2007 Water and Sewer Replacement Study. To minimize impacts on ratepayers, the financial plan assumes that Blacklake will use its existing reserves to fund projects and will not achieve the fund target over the next five years. In addition to reserves, projects will be funded via the annual capital set-aside from the Operations Fund and a new debt issuance of \$1.8 million projected for FY2020. At the end of the five-year rate study period, it is projected that the Blacklake capital fund will have \$56,000 in remaining reserves. Beyond FY2023, NCSD should conduct an engineering analysis to review the need for additional capital projects, permitting and regulatory compliance, and emerging wastewater constituents.

**Table 9: Capital Cash Flow Analysis  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

	Prop 218				
	FY2019 Budget	FY2020 Projected	FY2021 Projected	FY2022 Projected	FY2023 Projected
Replacement (Fund #830)					
Beginning Fund Balance	\$819,000	\$25,000	\$938,600	\$732,000	\$223,900
REVENUES					
Interest Income [1]	11,000	0	0	0	0
Transfer from Operations	168,000	173,000	178,000	183,000	188,000
Debt Proceeds	<u>0</u>	<u>1,800,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	179,000	1,973,000	178,000	183,000	188,000
CAPITAL PROJECTS					
Lift Station Rehab - Woodgreen	683,400	0	0	0	0
Blacklake Sludge Removal	289,600	179,000	0	0	0
Golf Course Trunk Main	0	560,700	0	0	0
Tourney Hill Sewer Main	0	319,700	0	0	0
WRF Pond 1 Rehab	0	0	384,600	0	0
Lift Station Rehab - The Oaks	0	0	0	102,500	0
WRF Chlorine Contact Chamber Rehab	0	0	0	392,400	0
Oakmont Sewer Main	0	0	0	196,200	0
WRF Site Improvements	0	0	0	0	258,100
Lift Station Rehab - Misty Glen	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>97,800</u>
Total Expenses	973,000	1,059,400	384,600	691,100	355,900
Net Revenues	(794,000)	913,600	(206,600)	(508,100)	(167,900)
Ending Fund Balance	25,000	938,600	732,000	223,900	56,000
Target	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000

1 - FY2021 and beyond, the fund balance is primarily made up of debt proceeds. It is assumed that NCSD would generate negligible interest earnings to avoid negative arbitrage.

## **SECTION 4: COST ALLOCATION**

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FY2019 was used as the test year for cost allocation purposes. Budgeted expenses were assigned to customer service, capacity, collection system, and treatment categories see Table 10.

### **4.1 Fixed Costs**

Customer service costs are fixed and include administration, billing, accounts management, and office supplies. Customer services costs make up about 10% of total costs. Capacity costs are also fixed and consist of expenses needed to maintain the Blacklake sewer infrastructure including both the collection system and treatment plant. Line-items include debt service, permits and operating fees, most fixed asset purchase and capital replacement costs, and 50% of operations staffing. Capacity-related operating costs do not vary with the level of wastewater discharge and make up about 44% of system costs. In total, about 54% of Blacklake sewer costs are fixed.

### **4.2 Variable Costs**

Variable or flow related costs were allocated to the collection system and treatment plant. These costs are dependent on the amount of wastewater effluent discharged by customers. Treatment plant costs are further subdivided into flow, biochemical oxygen demand (BOD), and total suspended solids (TSS). BOD and TSS are wastewater pollutant constituents that are costly for Blacklake to treat.

Collection system flow costs include small portions of operations staffing, professional services, and capital costs and 40% of repair and maintenance costs. When customers use the system more heavily, NCSD incurs greater repair and replacement costs. The collection system is allocated 7% of electricity costs based on lift station electric bills from prior years. The collection system flow cost category represents 11% of the total cost of service.

Similar to the other categories, the treatment plant is allocated a portion of operations staffing, professional services, and repairs and maintenance. 93% of electric costs, and 100% of chemicals and laboratory costs are allocated to the treatment plant. Variable costs of operating the treatment plant represent 35% of the total cost of service.

**Table 10: Cost Allocation  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

	FY2019 Budget	Customer		Capacity		Collection System		Treatment		Cust. Service		Capacity		Collection System		Treatment		
		Fixed	Service	Fixed	Capacity	Flow	System	Flow	BOD	TSS	Fixed	Service	Fixed	Capacity	Flow	System	Flow	BOD
<b>OPERATIONS</b>																		
Gen & Admin Staffing	10,000	10,000	0	0	0	0	0	0	0	0	100%	0%	0%	0%	0%	0%	0%	0%
Legal & Prof Services	99,000	9,900	49,500	19,800	19,800	0	0	0	0	0	10%	50%	20%	20%	20%	20%	0%	0%
Office Expenses & Misc	17,000	17,000	0	0	0	0	0	0	0	0	100%	0%	0%	0%	0%	0%	0%	0%
Admin Transfer Out	18,000	18,000	0	0	0	0	0	0	0	0	100%	0%	0%	0%	0%	0%	0%	0%
Operations Staffing	116,000	0	58,000	17,400	17,400	11,600	11,600	0	0	0	0%	50%	15%	15%	15%	10%	10%	
Electricity	43,500	0	0	3,248	40,252	0	0	0	0	0	0%	0%	7%	93%	0%	0%	0%	
Chemicals	19,000	0	0	0	3,800	7,600	7,600	0	0	0	0%	0%	0%	20%	40%	40%	0%	
Lab Tests & Sampling	27,500	0	0	0	13,750	6,875	6,875	0	0	0	0%	0%	0%	50%	25%	25%	0%	
Repairs & Maintenance	13,000	0	2,600	5,200	2,600	1,300	1,300	0	0	0	0%	20%	40%	20%	10%	10%	0%	
Permits & Operating Fees	9,000	0	9,000	0	0	0	0	0	0	0	0%	100%	0%	0%	0%	0%	0%	
Other O&M	25,000	0	12,500	5,000	2,500	2,500	2,500	0	0	0	0%	50%	20%	10%	10%	10%	0%	
Total Operating	397,000	54,900	131,600	50,648	100,102	29,875	29,875	0	0	0	0%	100%	20%	10%	10%	10%	0%	
Existing Debt Service	20,000	0	20,000	0	0	0	0	0	0	0	0%	100%	0%	0%	0%	0%	0%	
Transfer to Capital Fund	168,000	0	100,800	16,800	16,800	16,800	16,800	0	0	0	0%	60%	10%	10%	10%	10%	0%	
Fixed Asset Purchase	31,000	4,650	20,150	1,550	1,550	1,550	1,550	0	0	0	15%	65%	5%	5%	5%	5%	0%	
Total Expenses [1]	616,000	59,550	272,550	68,998	118,452	48,225	48,225	0	0	0	10%	44%	11%	19%	8%	8%	0%	

1 – FY2019 expenses of \$616,000 are greater than projected revenues of \$518,000. \$98,000 is projected to be drawn from reserves to cover costs.

## SECTION 5: RATE DESIGN

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This section provides the rate calculations to meet the revenue requirements described in prior sections. Blacklake’s current rate structure is consistent with industry standard practices. No rate structure changes are proposed. Instead, the amount of each rate or charge is recommended to increase each year for the next five years.

### 5.1 Billing Units

Proposition 218 requires that rates and charges be billed to customers proportionally based on how they take service from the utility. To establish proportionality, a customer analysis was conducted to review flow and pollutant loading patterns of residential and commercial customers. Total annual flow is estimated in Table 11.

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**Table 11: Flow Estimates  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Customer Class	# of Customers	Winter Water Use (HCF/bi-mo) [1]	Annual Sewer Flow (HCF)
Single Family	487	21.0	59,922
Multi-Family	68	5.2	2,130
Commercial [2]			
Low Strength			242
Medium Strength			0
High Strength			<u>738</u>
			63,032

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1 - Developed in Table 5 and Table 6

2 - Estimated based on FY2018 water use data adjusted downward for outlier data

Table 12 estimates wastewater pollutant concentrations of each customer class. The BOD and TSS loading estimates were developed in Blacklake’s prior rate study and are consistent with recommendations from the State Water Resources Control Board. The pollutant strength of each customer class is multiplied by the flow of that class to estimate pounds of BOD and TSS.



**Table 12: Pollutant Loading Estimates  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Customer Class	Flow (HCF)	% of Total	BOD (mg/l)	TSS (mg/l)	BOD (Lbs)	% of Total	TSS (Lbs)	% of Total
Single Family	59,922	95.1%	200	200	74,811	90.8%	74,811	92.4%
Multi-Family	2,130	3.4%	200	200	2,659	3.2%	2,659	3.3%
Commercial								
Low Strength	242	0.4%	200	200	302	0.4%	302	0.4%
Medium Strength	0	0.0%	400	400	0	0.0%	0	0.0%
High Strength	<u>738</u>	<u>1.2%</u>	1000	700	<u>4,607</u>	<u>5.6%</u>	<u>3,225</u>	<u>4.0%</u>
Total	63,032	100.0%			82,379	100.0%	80,997	100.0%

Table 13 develops the count of customer equivalents. Customer equivalents are used to recover capacity costs. Capacity cost are assigned based on the hydraulic capacity of each customer's connection to the sewer system. Larger connections occupy more capacity in the system than smaller connections and thus have a larger cost burden. Each single family and multi-family residential dwelling units is counted as one meter or customer equivalent. Commercial customer equivalents are based on meter size.

**Table 13: Customer Equivalents  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Meter Size	# of Meters	Meter Ratio [1]	# of Meter Equivalents [2]
Residential	555	1.0	555.0
Commercial			
1"	3	1.0	3.0
1.5"	0	3.0	0.0
2"	1	4.8	4.8
3"	0	9.0	0.0
4"	0	15.0	0.0
6"	0	30.0	0.0
8"	<u>0</u>	48.0	<u>0.0</u>
Total	559		562.8

[1] Hydraulic capacity factors developed in the 2007 Blacklake Sewer System Financial Plan and User Rates Report

[2] Meter ratio times number of meters

## 5.2 Unit Cost Calculation

The Blacklake unit cost calculation is provided in Table 14. The FY2019 revenue requirement from Table 7 is divided by the billing units for each cost category. The allocation to each cost category is based on the percentages from Table 10. The FY2019 revenue requirement of \$553,000 represents 12 months of rate revenues. However, the FY2019 proposed rate adjustment will take place April 1, 2019. Over the entire fiscal year, Blacklake is projected to collect \$495,000 which is nine months of revenues at the current rates plus three months of revenues based on the unit costs shown below.

Customer service costs are proposed to be recovered as a fixed charge billed based on the number of accounts. Capacity costs are recovered as a fixed charge based on customer equivalents. Collection system and treatment plant flow unit costs are developed based on the estimated wastewater discharge from Table 11. BOD and TSS unit costs are developed from the pollutant loadings shown in Table 12.

**Table 14: FY2019 Unit Cost Calculation  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

	Customer Service	Capacity	Collection System	Treatment			Total
				Flow	BOD	TSS	
Cost Allocation	10%	44%	11%	19%	8%	8%	100%
Revenue Requirement	\$53,000	\$245,000	\$62,000	\$106,000	\$43,000	\$43,000	\$553,375
Billing Units	559	563	63,032	63,032	82,379	80,997	
	# of Accounts	# of Equivalents	Annual Flow (HCF)	HCF	lbs	lbs	
Units Costs	\$15.80	\$72.55	\$0.98	\$1.68	\$0.52	\$0.53	
	\$/bi-month	\$/bi-month	\$/HCF	\$/HCF	\$/lb	\$/lb	

## 5.3 Rate Calculation

The fixed meter fee calculation is provided in Table 15. These fees recover capacity and customer service costs. The capacity unit cost developed above is multiplied by the meter equivalent for each meter size to calculate the total capacity cost. The customer service fee is added to the capacity cost to calculate the total fixed meter fee. Customer service fees do not vary based on the size of the meter and all customers are billed the same amount. Table 16 develops the volume rates for all customer classes based on the unit costs above and the loadings shown in Table 12. The total volume rate consists of a collection system flow charge, a treatment plant flow charge, a BOD treatment charge, and a TSS treatment charge.

**Table 15: FY2019 Fixed Meter Fee Calculation  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Meter Size	Capacity Charge		Meter Equivalent [1]	Subtotal Capacity	Customer Service Fee	Total Bi-monthly Fee (Capacity + Cust. Serv.)
Residential			1.00	\$72.55	\$15.80	\$88.35
Commercial						
1"	\$72.55	X	1.00	\$72.55	\$15.80	\$88.35
1.5"	\$72.55	X	3.00	\$217.65	\$15.80	\$233.45
2"	\$72.55	X	4.80	\$348.24	\$15.80	\$364.04
3"	\$72.55	X	9.00	\$652.95	\$15.80	\$668.75
4"	\$72.55	X	15.00	\$1,088.25	\$15.80	\$1,104.05
6"	\$72.55	X	30.00	\$2,176.50	\$15.80	\$2,192.30
8"	\$72.55	X	48.00	\$3,482.40	\$15.80	\$3,498.20

1 - Hydraulic capacity factors developed in the 2007 Blacklake Sewer System Financial Plan and User Rates Report

**Table 16: FY2019 Flow Rate Calculation  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Component	Low &		
	Residential	Medium	High
Flow			
Collection	\$0.98	\$0.98	\$0.98
Treatment	\$1.68	\$1.68	\$1.68
BOD	\$0.65	\$1.30	\$3.25
TSS	<u>\$0.66</u>	<u>\$1.32</u>	<u>\$2.32</u>
Total (\$/HCF)	\$3.97	\$5.28	\$8.22

FY2019 residential charge calculations are provided in Table 17. The total residential rate is the sum of the customer service, capacity, and flow charges. Although residential customers are billed a fixed charge each bi-monthly period, the charge includes a fee proportional to the flow and strength of the average residential customer. As described in prior sections, the average single family flow is 21 HCF per billing period and the average multi-family flow is 5.2 HCF. This flow is multiplied by the low strength volume rate and added to the total residential bill.

**Table 17: FY2019 Residential Rate Calculation  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Components	Unit Cost		Count	Units	Cost (\$/bi-mo)
<b>SINGLE FAMILY RESIDENTIAL</b>					
Customer Service	\$15.80	X	1	account	\$15.80
Capacity	\$72.55	X	1	equivalent	\$72.55
Flow (low strength)	\$3.97	X	21	HCF/bi-mo	<u>\$81.41</u>
					\$169.76
<b>MULTI-FAMILY RESIDENTIAL</b>					
Customer Service	\$15.80	X	1	account	\$15.80
Capacity	\$72.55	X	1	equivalent	\$72.55
Flow (low strength)	\$3.97	X	5.2	HCF/bi-mo	<u>\$20.73</u>
					\$109.08

## 5.4 Proposed Wastewater Rates

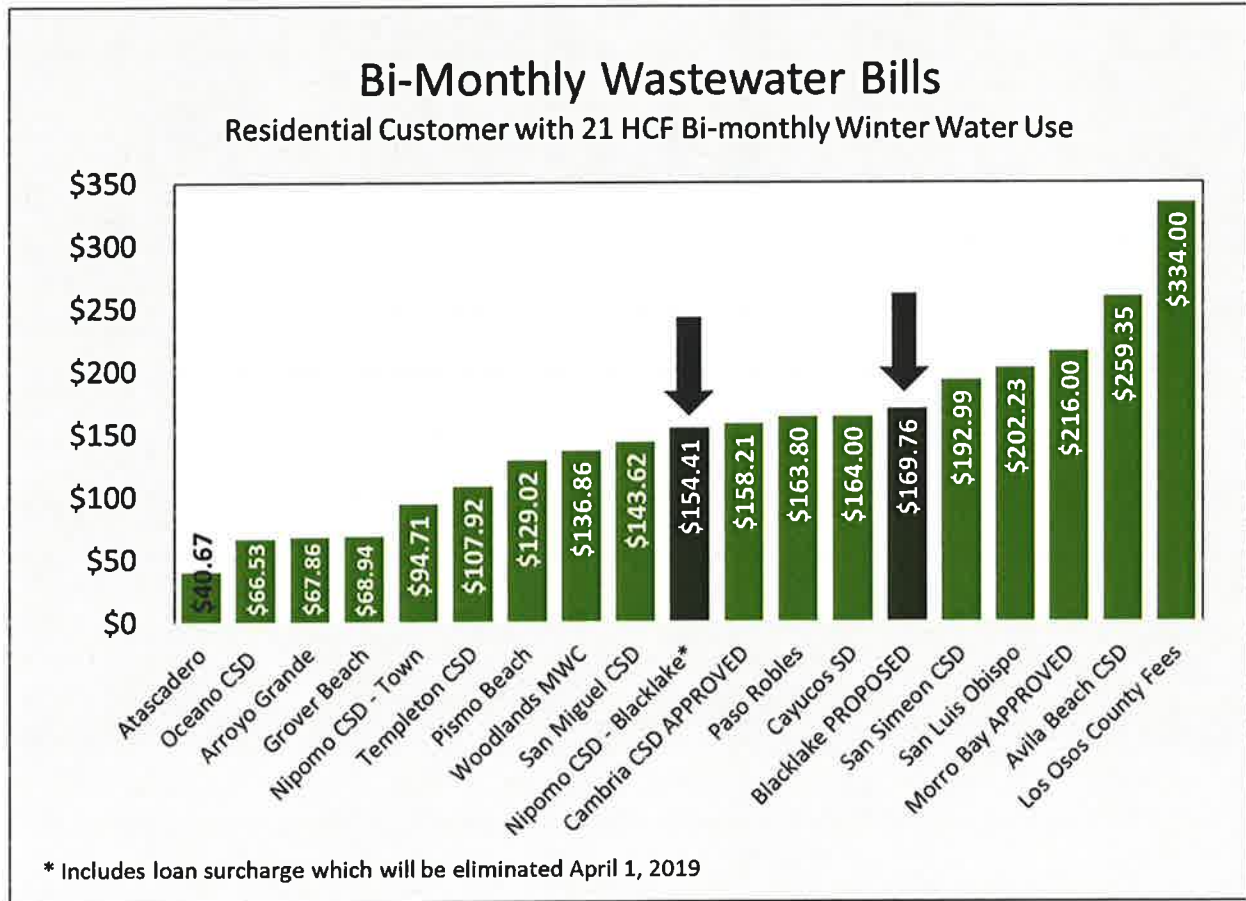
The proposed rates through FY2023 are shown in Table 18. The proposed 2019 rates reflect the cost allocation adjustments described in this report. For example, the systemwide 2019 rate increase is 16.5% as shown in Table 7. Not all customers are proposed to receive an increase of exactly 16.5%. The single family rate is proposed to increase by 16.7% (slightly above the system average) due to wastewater flow and pollutant loading characteristics of that customer class. The rates for FY2020 through FY2023 are calculated as the 2019 rates multiplied by the increase in the revenue requirement each year.

Also provided below is a chart comparing the current and proposed Blacklake single family residential sewer bill with the sewer bills of other local agencies. For agencies that charge volume rates, an estimated flow of 21 HCF per two-month period was used for comparison purposes. It should be noted that the total current single family residential bill is \$154.41 (base charge plus the loan surcharge). The April 1, 2019 proposed bill is \$169.76 which is a 10% increase.

**Table 18: Current and Proposed Bi-Monthly Sewer Rates  
Nipomo Community Services District  
Blacklake Sewer Rate Study 2018**

Customer Class	Current	April 1, 2019	April 1, 2020	April 1, 2021	April 1, 2022	April 1, 2023
<b>Bi-Monthly Residential Service Charges [1]</b>						
Single Family	\$145.51	\$169.76 16.7%	\$197.77 16.5%	\$230.40 16.5%	\$268.42 16.5%	\$295.26 10.0%
Multi-Family	\$95.08	\$109.08 14.7%	\$127.07 16.5%	\$148.04 16.5%	\$172.47 16.5%	\$189.72 10.0%
<b>Non-Residential Service Charges [1]</b>						
Fixed Meter Charges		34.8%	16.5%	16.5%	16.5%	10.0%
Up to 1"	\$65.52	\$88.35	\$102.93	\$119.91	\$139.70	\$153.67
1.5"	\$186.50	\$233.45	\$271.97	\$316.85	\$369.13	\$406.04
2"	\$295.38	\$364.04	\$424.11	\$494.09	\$575.61	\$633.17
3"	\$549.43	\$668.75	\$779.09	\$907.64	\$1,057.40	\$1,163.14
4"	\$912.36	\$1,104.05	\$1,286.22	\$1,498.45	\$1,745.69	\$1,920.26
6"	\$1,819.68	\$2,192.30	\$2,554.03	\$2,975.44	\$3,466.39	\$3,813.03
8"	\$2,908.48	\$3,498.20	\$4,075.40	\$4,747.84	\$5,531.23	\$6,084.35
<b>Non-Residential Usage Rates (\$/HCF)</b>						
Low Strength	\$3.56	\$3.97	\$4.63	\$5.39	\$6.28	\$6.91
Medium Strength	\$4.80	\$5.28	\$6.15	\$7.16	\$8.34	\$9.17
High Strength	\$7.59	\$8.22	\$9.58	\$11.16	\$13.00	\$14.30
Loan Surcharge (All customers)	\$8.90	NA	NA	NA	NA	NA

1 – Does not include the loan surcharge of \$8.90 which will no longer be billed as of April 1, 2019



## 5.5 Future Recommendations

It is recommended that NCSO update the Blacklake cost of service and rates every five years to account for cost increases and operational changes. It is anticipated that any future rate studies will reflect either regionalization of Blacklake with the Town system or continued local operation of the Blacklake WRF. Any future rate studies should also review permitting and regulatory issues related to emerging wastewater constituents.

OCTOBER 24, 2018

ITEM E-1

ATTACHMENT B



# Nipomo CSD

## Blacklake Sewer Rate Study



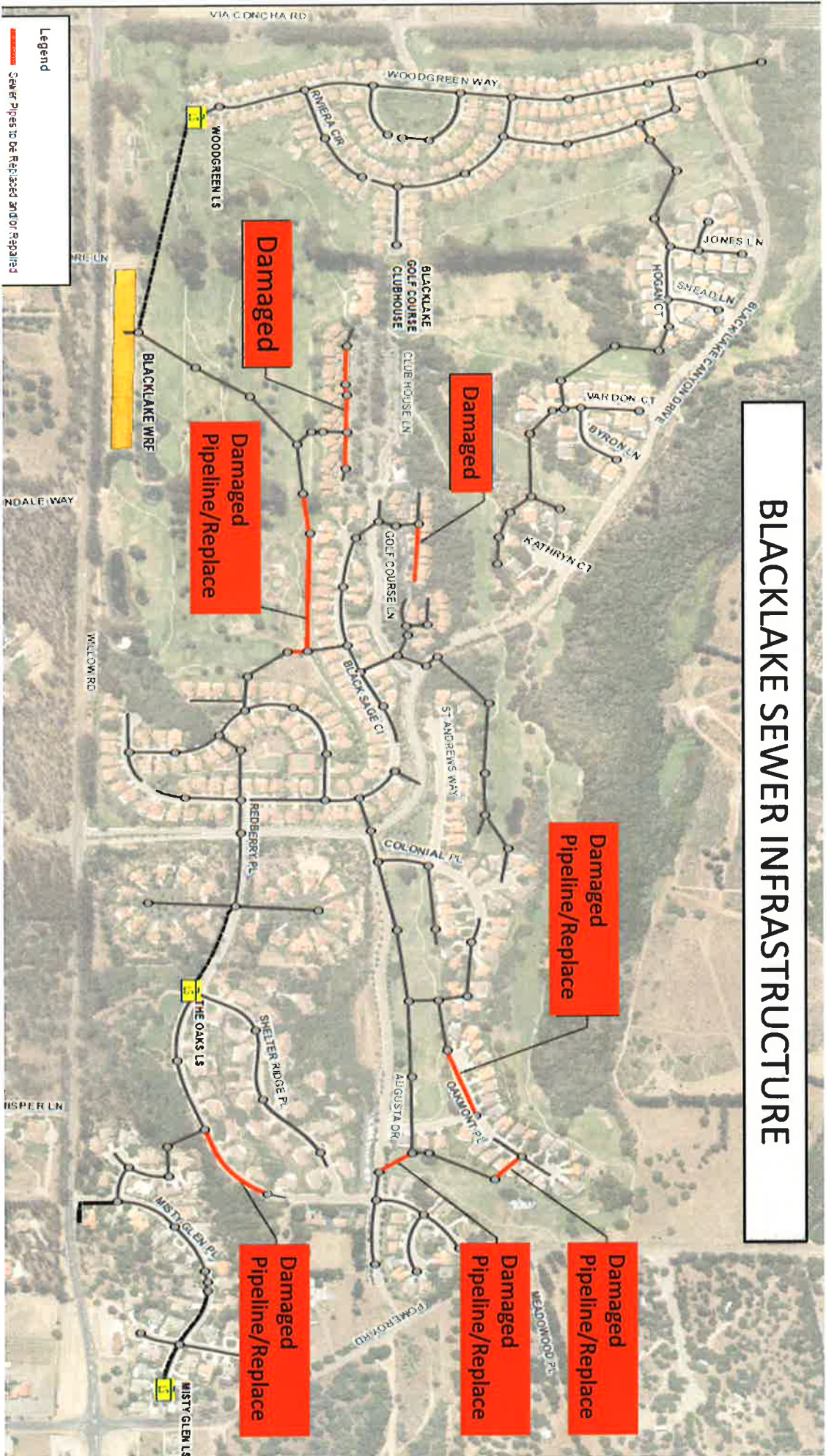
October 24, 2018 Presentation



**LECHOWICZ + TSENG**  
MUNICIPAL CONSULTANTS

Alison Lechowicz  
Project Manager

# BLACKLAKE SEWER INFRASTRUCTURE







## Why are Repairs/Replacements needed?

Maintain compliance with regulations (Operating on 1994 Permit)

Avoid costly emergency repairs and unfunded maintenance spending

Avoid State directives to make system improvements (overcome Notice of Violation)

Avoid lift station collapse and bypass pumping

Avoid main breaks and sewage leaks

Avoid treatment plant overflows and fines from the Regional Water Quality Control Bd.



Sewer overflow



Sewer main  
destroyed by roots



Sewage spill

# Blacklake Sewer System

## Maintain Existing

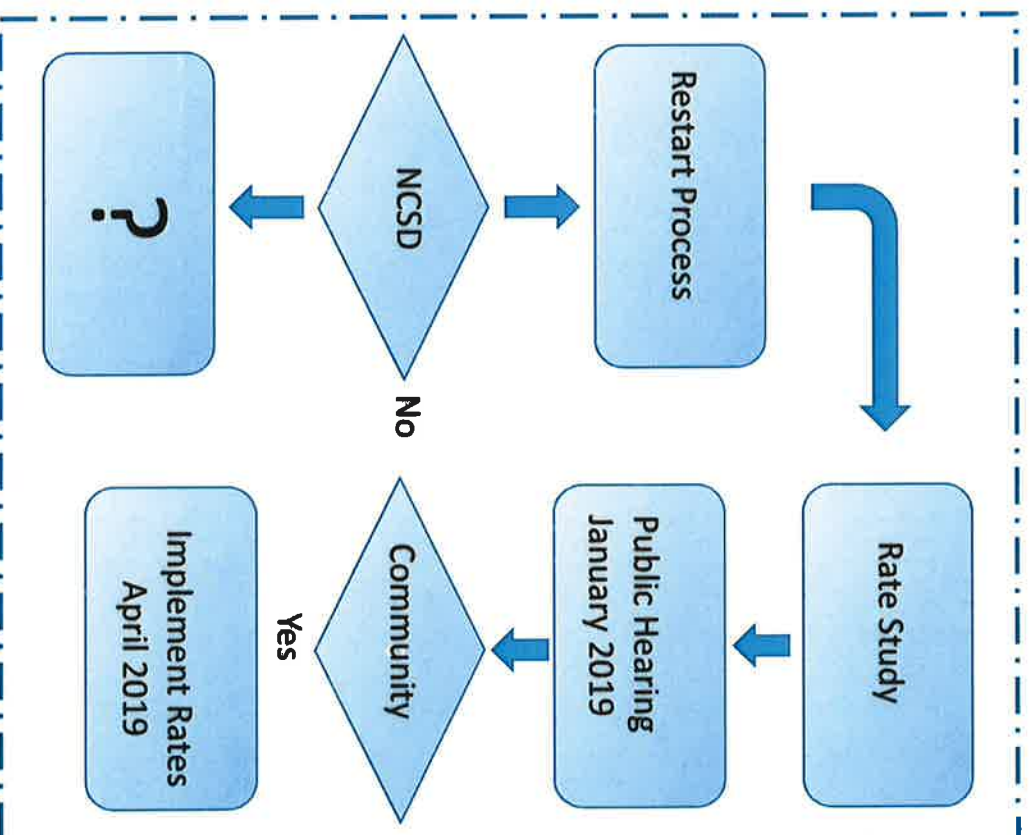
- Rate Study (2019 – 2023)
- Implement Rates (2019)
- Reevaluate (2023)

## Connect to Town

- Financial Study
- Town Sewer Impact Study
- Vote 2020

**Under Construction**

# How this works





## Why is a rate study needed?

The Blacklake sewer operations is funded only from Blacklake residents – by Law.

Last rate study was conducted in 2007 and rates were last adjusted in 2013

Customer Class	Apr 2009	Jan 2010	Jan 2011	Jan 2012	Jan 2013 to Current
Single Family	\$107.12	\$118.90	\$131.98	\$138.58	\$145.51
Multi-Family	\$69.99	\$77.69	\$86.24	\$90.55	\$95.08

5 years – no rate increase

Since 2013, Blacklake has experienced inflationary cost increases

Little money in rates to replacing equipment/facilities



## **Why is a rate study needed?**

**Master Plan was developed over the past four years identifies \$3.5 million in repairs and replacement for continued operation of the sewer system.**

**FY2023 = main driver of rate increases**

**Most sewer treatment equipment has a 20 to 25 year service life**

**The treatment plant is 33 years old and has never had major retrofits**

**In contrast, the Town treatment plant is the same age and has been completely rebuilt (\$14,000,000)**





## Master Plan Capital Improvements

Rate study is from FY2019 to FY2023 = \$3.5 million

<b>Cost Categories</b>	<b>Through FY2023</b>
Lift Stations	\$883,700
Sewer Mains	\$1,076,600
Sludge Removal	\$468,600
Treatment Plant	<u>\$1,035,100</u>
<b>Total</b>	<b>\$3,464,000</b>



# Capital Improvement Funding

## Funding of \$3.5 million in repairs and replacements

\$819,000 in existing capital reserves

\$168,000 (+3%/yr increase) annual cash contribution (\$890,000 total)

New debt of \$1.8 million in FY2020

Debt provides ratepayer equity – those taking service from the projects will pay down the debt over time

## For the planning period beyond FY2023:

Community should determine continued local operation or regionalization of the treatment plant

Conduct an additional engineering analysis for

- long-term repairs and replacements (beyond next 8 years)
- Review regulatory concerns, permitting requirements, and unknown wastewater constituents







# Proposed Rates

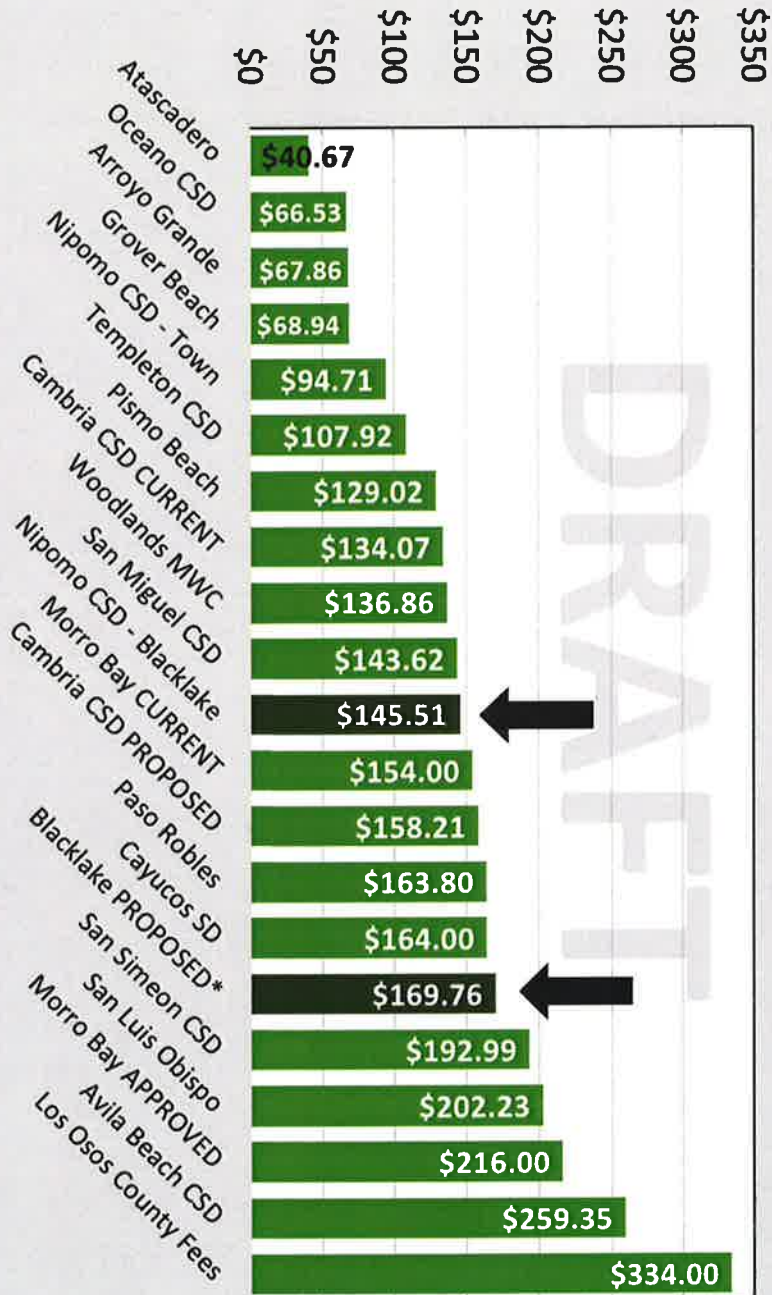
Customer Class	Current	Apr-19	Apr-20	Apr-21	Apr-22	Apr-23
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## Bi-Monthly Residential Service Charges

Single Family	\$145.51	\$169.76	\$197.77	\$230.40	\$268.42	\$295.26
		16.7%	16.5%	16.5%	16.5%	10.0%
Multi-Family	\$95.08	\$109.08	\$127.07	\$148.04	\$172.47	\$189.72
		14.7%	16.5%	16.5%	16.5%	10.0%

# First Year of Rate Increase

## Bi-Monthly Wastewater Bills Residential Customer with 21 HCF Bi-monthly Winter Water Use



\* Does not include loan surcharge which will be eliminated April 1, 2019



## Procedural Overview

- Finalize rate recommendations and report
- Mail Proposition 218 notices to customers explaining proposed rates and protest procedures
  - Protests must be in writing and received by the end of the public hearing
  - If more than 50% of property owners protest, rates cannot be implemented
  - Mail notices in November (more than 45 days in advance of the public hearing)
- Hold a public hearing in January
- If approved, rates will go into effect April 2019



## Proposed Schedule

Date	Event
October 10, 2018	Board Meeting – Rate Presentation
October 24, 2018	Board Meeting – Rate Study Report
October 24, 2018	Presentation to Blacklake Residents 3:00PM Blacklake Golf Course Clubhouse
November 14, 2018	Board Meeting – Receive Final Report and initiate Proposition 218 proceedings
November 29, 2018	Date for mailing Proposition 218 notices
January 14, 2019	45 day notice period
January 23, 2019	Board Meeting – Proposition 218 Hearing
February 13, 2019	30-day waiting period
April 1, 2019	If approved, new rates effective





## Discussion Time...

