

TO: BOARD OF DIRECTORS

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

DATE: JULY 3, 2024

AGENDA ITEM

E-1

JULY 10, 2024

APPROVE TASK ORDER WITH TUCKFIELD & ASSOCIATES FOR THE NIPOMO COMMUNITY SERVICES DISTRICT WASTEWATER RATE STUDY

ITEM

Review and consider proposal from Tuckfield and Associates to conduct a wastewater rate study for the Nipomo Community Services District [RECOMMEND APPROVE TASK ORDER WITH TUCKFIELD & ASSOCIATES]

BACKGROUND

The Nipomo Community Services District ("District") last completed a wastewater rate study in June 2021. The last rate adjustment will go into effect on July 1, 2025. Rate studies provide assurance to the Board that the financial needs to support the operational viability of each enterprise is defined and a funding plan is constructed. The District regularly completes rate studies for each of the enterprises it manages. In addition, rate studies provide the required administrative record for adjusting rates when and if necessary.

Tuckfield and Associates ("Tuckfield") has provided the District with a proposal to complete a Wastewater Rate Study ("Study") for the District for a cost not-to-exceed estimate of \$34,200. The completed work products provided by Tuckfield met the District's cost and content expectations and the District adopted each study and the recommended rate adjustments therein.

As part of the proposal, Tuckfield will provide a forward looking 10-year financial evaluation of the revenue recovery needs of the NCSW Sewer system. The 10-year financial evaluation and a 5-year rate schedule would be presented to the District's Finance and Audit Committee ("Committee") for review and consideration. Upon Committee recommendations, the District study would be presented to the Board for review and consideration.

STRATEGIC PLAN

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

4.4 Maintain adequate rates to fund future capital replacements.

FISCAL IMPACT

The last wastewater rate adjustment will go into effect on July 1, 2025. The budget for the Town Sewer Fund has not been adequately sustained with a 3.8% annual adjustment. Without a rate study to evaluate current and future operating costs and to account for annual inflation in future years, cash reserves may need to be drawn down to fill any deficit in the wastewater enterprise. The cost of the rate study is included in the 2024-2025 Budget.

RECOMMENDATION

Staff recommends your Board review the Tuckfield Wastewater Rate Study proposal, and if appropriate, approve a Task Order with Tuckfield and Associates in the amount of \$34,200 and authorize the General Manager to execute the Task Order.

ATTACHMENTS

- A. Tuckfield & Associates Wastewater Rate Study Proposal, Dated July 2024

JULY 10, 2024

ITEM E-1

ATTACHMENT A

Proposal To:
**Nipomo Community
Services District**

148 South Wilson Street
Nipomo, CA 93444
(805) 929-1133



Proposal For
Wastewater Rate Study

Submitted By:

Tuckfield & Associates

Contact: Mr. Clayton Tuckfield
2549 Eastbluff Dr, #450B
Newport Beach, CA 92660
(949) 760-9454
www.tuckfieldassociates.com



July 2024

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Tuckfield & Associates

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Email ctuckfield@tuckfieldassociates.com

July 3, 2024

Mr. Raymond Dienzo
General Manager
Nipomo Community Services District
149 South Wilson Street
Nipomo, CA 93444

Dear Mr. Dienzo:

I am pleased to submit this proposal to provide consulting services for a Wastewater Rate Study (Study) for the Nipomo Community Services District (District). This Study will determine the appropriate wastewater rates that fund annual operating expense and capital spending, provide for debt service coverage requirements, are equitable and defensible, and meet the requirements of Proposition 218. The scope of work provided herein proposes to address the District's request and will address the following objectives.

- Revenue sufficiency to fund operating and capital needs
- Appropriate levels of operating, capital, and emergency reserves
- Cost of service following appropriate standards, regulations, and guidelines
- Rates that are consistent with industry practice and are easy to understand and administer

Tuckfield & Associates consulting is a local firm with extensive experience in California, specializing in rate studies and capacity charge studies. I am the President and Principal Consultant for Tuckfield & Associates, and I have routinely conducted rate and capacity charge studies as the sole consultant, having completed such studies in this manner for many clients, including those whose populations have exceeded 100,000.

I will be professionally responsible for conducting the study and will provide hands-on work effort. This will allow me to develop an intimate knowledge of the District's wastewater system which will be beneficial when attending meetings and presenting results and findings. All rates and fees will be developed in accordance with the Water Environment Federation (WEF) for wastewater utilities as well as California State law.

I look forward to working with District on this project. Should the District need any additional information, my contact information is provided below.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield
Principal Consultant

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Proposal for Wastewater Rate Study

Nipomo Community Services District

Project Understanding

The District has the responsibility to provide affordable, reliable, and cost-effective wastewater service to customers and properties of the District. The District is seeking financial consulting services to ensure revenue sufficiency to address the operating and capital requirements of the wastewater system and meet debt coverage requirements.

The primary focus will be to assist the District's wastewater utility to attain a high degree of financial sustainability through fully understanding the District's goals and objectives. Accurate data analysis and design of fair and equitable rates will ensure cost recovery. Specifically, the District desires to assess the sufficiency of the current revenue stream, evaluate the current wastewater rate structure and rates in relation to the true cost of service, and assess the equity of the recommended rates in relation to the types of property ownership and service requirements. Additionally, reserve targets will be recommended for operating, capital replacement, and capital improvement reserve balances.

The approach, more fully discussed in the scope of work section, is to acquire, model, and analyze source data to understand customer water consumption, wastewater flows, operating and financial activities, and District policy.

Current Rates

The District's current wastewater rate structure consists of monthly fixed charges for residential customers and monthly fixed charges by meter size for commercial customers. In addition, variable charges apply to

commercial and mixed-use customers categorized by their wastewater strength and charged according to their water consumption.

The mixed-use classification is a special use type of customer where a combined residential/commercial or commercial/commercial connection discharges wastewater through the same connection and most often occupies the same building. These customers are categorized by the degree to which the connection is high strength. A connection with a low percentage of high strength wastewater would be assigned a low mixed-use strength factor applied to their volume rate reflecting wastewater that is more standard commercial strength. A connection with a high percentage of high strength wastewater would be assigned a high mixed-use strength factor applied to the volume rate reflecting wastewater that has high strength characteristics.

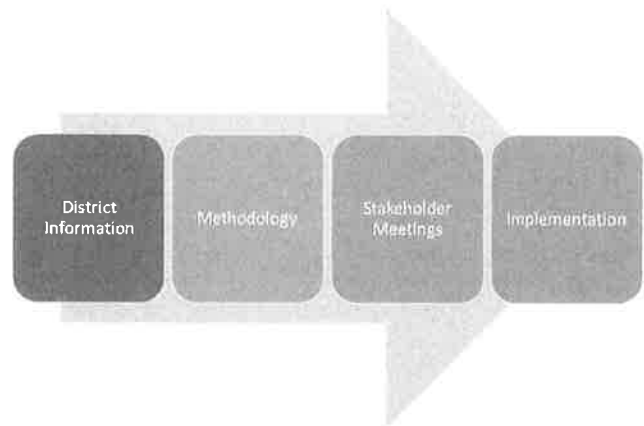
The cost of service analysis of the Study will compare the revenue received by customer class to the cost of service by customer classification determined in the cost allocation process. This will illustrate the degree to which rates recover the cost of service. The rates designed in this Study will also be compared with the overall cost of service to demonstrate that 100 percent cost recovery is achieved.

Project Approach

Tuckfield & Associates rate studies follow the approach that utilities can best achieve implementable rate revisions through open communication at the beginning of the study, to identify the objectives and goals desired by staff and stakeholders.

Successful studies are achieved by clearly defining roles, responsibilities, objectives, goals, and milestone dates to efficiently move the project through the appropriate steps. Through these clear definitions, we will be focused on the study objectives and goals when developing the long-range financial and capital plans and utility rates.

The rates and charges for the District will be designed recognizing the Water Environment Federation (WEF) methodology. The methodology represents industry practice for the development of cost-of-service rates and charges, which are based upon the demands placed on the facilities by various users. The basic method includes identifying or creating different types of user classifications, allocating annual utility costs to cost-causative components, distributing costs to customer groups based on customer class use characteristics, and design of a rate structure and charges that will recover allocated costs from each customer group.



We propose to conduct the study in a collaborative manner to facilitate completion, which will allow District ample time to review and implement any suggested changes.

Wastewater Rate Structure and Rates

Following the WEF Manual of Practice No. 27, annual costs of the wastewater system are summarized into functional cost categories based on the District's accounting structure. Such functional cost categories may consist of collection, pumping, treatment, and disposal. These costs are then allocated to wastewater cost components based on the design of wastewater facilities. Cost components commonly include Volume (wastewater flow), Bio-chemical Oxygen Demand (BOD), Suspended Solids (SS), and Customer costs. If some facilities are identified and designed on the basis of capacity, a Capacity cost component may be included.

Allocated costs by cost component are distributed to customer classification based on how each group uses the wastewater system. The use, or units of service, consist of flow (mgd), BOD (lbs), SS (lbs), and Customer (bills). Wastewater rates are then established to recover the costs distributed to each customer classification.

For the residential classification, costs may be recovered through a few well-known structures. These include (1) fixed charges applicable to all residential customers, (2) an Equivalent Dwelling Unit (EDU) fixed charge designed for SFR, MFR, Condo, MHP, etc. and (3) a fixed charge that recovers Customer and possibly Capacity costs, and a variable charge that recovers flow, BOD, and SS costs based on water consumption read through the meter. A variant of the variable charge is to cap the residential water consumption at a certain use level which assumes that any consumption over that is being used for outdoor purposes. Commercial wastewater rates commonly have a fixed charge and a variable charge as most of the water use of this class returns to the sewer. The structure could be improved by having all non-residential customers install irrigation meters to separate indoor uses from outdoor uses.

Qualifications

Tuckfield & Associates was founded in 1999 to provide quality consulting services to publicly-owned utilities to sustain their systems on sound rate-making principles.

The firm was founded by Mr. Clayton Tuckfield PE MBA who has over 39 years of experience conducting rate studies and capacity charge studies. Now in its 24th year, the firm has provided innovative and time-tested strategies founded on industry practice for implementing rates and charges. Tuckfield & Associates is a local firm located in Newport Beach and the performance of this project will be completed at this site.

Prior to the firm's founding, Mr. Tuckfield served Black & Veatch Corporation for nearly 15 years in their Management Consulting Division. Mr. Tuckfield has worked with numerous cities and special districts in California and has written papers and articles for AWWA (American Water Works Association) and California Special Districts Association (CSDA) and has conducted a webinar for CSDA regarding financing projects with USDA funding.

Mr. Tuckfield will serve as the project consultant for the study and will be the primary contact with the District. He will be responsible for project administration, daily performance of the project, providing all deliverables, attending and/or presenting at all meetings, and will produce key elements of the study.

Key Personnel



Clayton Tuckfield, Principal

Summary

- 35 years of experience
- Over 100 rate studies
- Public Agency Specialization
- Tested Strategies
- Project Management

Project Responsibilities

- Project Consultant
- Financial Plan, Cost of Service, and Rate Design
- Public Meeting Presentations

Mr. Clayton Tuckfield, PE MBA– Project Consultant

Mr. Tuckfield routinely conducts rate and capacity charge studies as the sole consultant and has completed such studies in this manner for many clients, even for those whose populations have exceeded 100,000. Mr. Tuckfield is an expert in utility financial planning, cost of service, rate structures, and utility management and is a professional dedicated to maintaining high financial and engineering standards.

He has performed studies for numerous communities in California ranging from the cities of Long Beach, Buena Park, Ventura, Santa Barbara, Fullerton, Loma Linda, Arroyo Grande, Grover Beach, Pismo Beach, Oakdale, and Firebaugh to special districts including Santa Ynez CSD, Nipomo CSD, Mission Hills CSD, Keyes CSD, Hilmar CWD, Delhi CSD, Seeley CWD, and many others.

Mr. Tuckfield has an engineering degree and a master's degree in business administration. He has prepared presentations and technical papers for trade organizations that include the American Water Works Association's annual meeting, American Society of Civil Engineers, Arizona Finance Officers Association, and has authored a section of a webinar for the California Special Districts Association (CSDA) as well as a professional submission for CSDA's bi-monthly magazine. A resume for Mr. Tuckfield is provided in Appendix A of this proposal.

Advantages

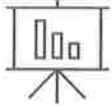
Tuckfield & Associates offers several unique advantages that will satisfy the City's expectations for the successful implementation of proposed rate structures and rates. These include the following:



Experience. Having performed numerous rate and capacity charge studies concentrated in California, with additional studies conducted nationally, the firm is able to provide a depth of experience to draw upon for this study, using knowledge of methods and alternative rate structures that will be of benefit to the City. The City can be assured that quality services will be provided through our extensive experience and from our client references themselves.



California Regulatory Requirements. Tuckfield & Associates has experience with the California regulatory environment which will be beneficial to the City for the best outcome. Recent State legislation includes SB 606 and AB 1668, Proposition 218, AB3030, the state's 20x2020 plan and these have been addressed in previous studies.



Communication. A critical aspect of this study is the need to communicate results to the public. Communicating the reasons for the rate increases and the impact to customers is imperative to acceptance by the public and a successful rate implementation.



Personalized Service. Mr. Tuckfield works in a collaborative manner with its clients, providing consulting services in a professional and transparent manner with easy explanation of study results. **Our collaborative service creates professional relationships that have spanned over a decade for some clients.**

Scope of Work

The services requested by the District are the core services provided by Tuckfield & Associates. The focus of the firm has been on providing quality rate consulting services needed to maintain financial sustainability. The following tasks describe our proposed scope of work to complete the Wastewater Rate Study.

Task 1 – Initial Video Meeting/Data Collection

The focus of this initial video meeting with District Staff will be to define goals and objectives for the study and explore the issues generated by District Staff. The meeting serves as an important first step in assuring that all key members develop a clear understanding of the study elements and data required.

Prior to the video meeting, a request will be submitted to the District for information to be gathered by District Staff. The information request will include several items such as audits, budgets, master plans, design reports, capital improvement plans, billing information, debt service schedules, and several others.

Meetings: One (1) video meeting to kick-off the project

Deliverables: Request for Information

Task 2 – Long Range Financial Planning

The objective of this task is to develop a ten-year financial plan for the wastewater enterprise that projects the revenue and revenue requirements for the study period. This task requires an assessment of the sufficiency of revenues based on the existing rates and fee schedules, the District's ability to meet projected revenue requirements, and the determination of the level of any revenue adjustments required with any additional financing requirements. Specific tasks include the following.

Task 2.1: Review Financial Information, Policies, and Practice

The District's policies regarding the financial, operating and capital reserves, and rate practices will be reviewed

and evaluated. These items are essential to the long-term sustainability of the utility. From the evaluation, recommendations will be made that will enhance the utility's ability to meet its financial goals.

Task 2.2: Review and Summarize Billing Information

The customer billing information that is received from the District will be reviewed, analyzed, and summarized for use in the rate study. Customer classifications will be defined, and recent information will be reviewed to assess the accuracy and reasonableness of strength estimates for use in understanding user characteristics.

Task 2.3: Develop Long Range Financial Plans

In this task, the annual revenue requirements of the wastewater utilities will be identified and projected. Budget items and any future obligations will be projected for a ten-year forecast period. Revenue Requirements will include operation and maintenance expenses, existing debt service, annual replacement, identification and financing of future capital improvements (CIP), transfers to/from the utility funds, and use of reserves. Revenue requirements will be projected from a review of historical results, current budget, and current economic trends while accounting for expected operational changes and system growth.

A ten-year pro forma cash flow will be developed to compare projected revenue using the existing rates (including miscellaneous and other charges) to projected revenue requirements over the planning period. Revenues will be projected by developing assumptions regarding customer growth and estimated usage information. Analysis of the cash flow will determine if any revenue adjustments are needed to meet the revenue requirements while recognizing the financial planning

criteria developed for each fund. The long-range financial plan developed above will be modeled such that assumptions/variables may be changed to assess the impacts to the plan. By varying these assumptions, their sensitivity may be evaluated and the need for higher or lower revenue increases may be determined. Several options for revenue increases may be explored and presented to District Staff.

Deliverables: Assumptions, billing summaries, long-range financial plan alternatives

Task 3 – Cost of Service Analyses

The cost of service phase of the study will focus on allocation of costs (revenue requirements) to customer classifications based on cost causative methodologies. The cost allocations will be developed using standards and methodologies from the WEF and best management practices. The cost of service analysis part of the study provides the defensibility for the selected rate structures and rates, providing compliance with Proposition 218.

Task 3.1: Analyze Customer Usage Patterns and Recommend Customer Classifications

Historical billing summaries that were summarized in Task 2.2 will be reviewed and analyzed by customer classification to determine water consumption and establish user characteristics. Patterns of consumption may be utilized to evaluate individual customer class characteristics and for comparison to other classifications.

Task 3.2: Allocate Costs to Functional Cost Components

The annual revenue requirements will be allocated to functional cost components following standards in the WEF manual of practice. Allocations of operation and maintenance expenses will be allocated separately from capital requirements of the system.

Task 3.3: Distribute Functional Costs to Customer Classifications

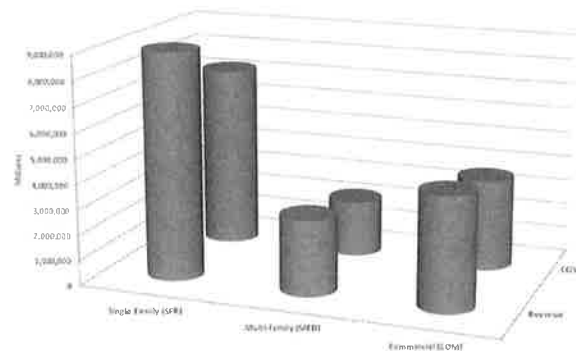
Costs that have been allocated to functional cost components are distributed to the various customer classifications based on their responsibility for the service provided. Responsibility is established from the units of

service (such as HCF, HCF/day, and number of customers) applicable to each functional cost component. Unit costs are developed which are then applied back to the units of service by customer class, which determines each customer classification's cost responsibility.

Task 4 – Rate Structure Analysis and Rate Design

The rate structures that are selected for each utility should be responsive to the needs and philosophy of both the utility and its customers. The selected rate structures are a blend of what may be several competing objectives to accomplish the overall goals desired by the utility and general public. Through discussion with District staff, our evaluations of the existing rate structures and design of new rate structures will meet the expectations of the utility and public.

Comparison of Current Revenue with Allocated COS



The equity of the current rate structure and rates is assessed through a comparison of current revenue with the allocated Cost of Service.

Task 4.1: Evaluate Rate Structures and Calculate Rates

The current rate schedules will be evaluated to validate their applicability for District's cost structure and customer base as well as recent court findings. It is intended that the recommended rate structure will result in revenue stability, will be easy to administer and understand, and comply with industry practices such as the WEF and

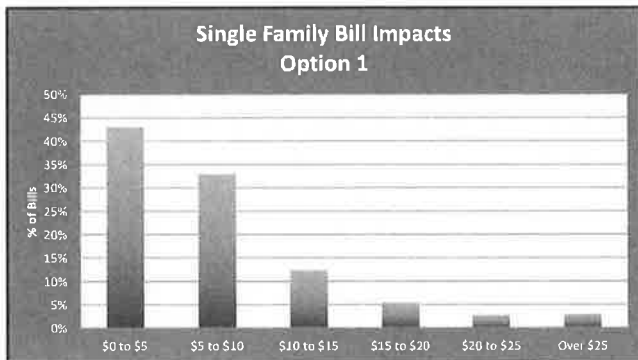
federal, state, and local regulations for rate setting in California.

Task 4.2: Determine Bill Impacts

The impact to customer bills is an important aspect of any rate change. The financial impacts to customers that result between the existing and proposed rate structure will be determined and a series of tables and figures will be created that show projected rate impacts on different types of customers at different levels of usage.

Single Family (SFR) (with 5/8 inch and 3/4 inch meters)

Description	Use (Kgal)	Current Bill	Proposed Bill	Percent Change
Very Low	10	\$42.76	\$44.88	5.0%
Low	20	\$62.36	\$65.45	5.0%
Median	16	\$54.52	\$57.23	5.0%
Average	22	\$67.58	\$69.57	2.9%
High	40	\$126.26	\$131.16	3.9%
Very High	50	\$158.86	\$165.38	4.1%



The impacts to customer bills can be identified for each rate structure alternative prior to implementation.

Task 4.3: Bill Comparison with Other Communities

Rate schedules will be gathered from other local communities for the purpose of calculating typical bills at various levels of water consumption. The number of communities chosen for analysis will be agreed upon with the District. Example bills will be developed using the proposed rate structure and compared with typical bills of the other communities at the same volumes.

Deliverables: Cost of service analyses, proposed rates and presentation material

Task 5 – Draft Report Preparation

A Draft Report will be prepared that includes forward looking financial plans, cost allocations, and proposed rates. The Draft Report will include an executive summary highlighting the major issues, assumptions, and findings and recommendations. Sections will be included that discuss the financial plans, cost allocation methodologies, design of the proposed rate structures and rates, and rate comparisons.

Deliverables: An electronic copy of the Draft Report

Task 6 – Final Report

Comments received from District Staff will be incorporated into a Final Report for submission to the District. The Final Report will be submitted for adoption at a regular Board of Directors meeting. At this meeting, it is expected that the Board of Directors will adopt the rate study and rates and direct District Staff to prepare the Proposition 218 Notices.

Meeting: One (1) on-site Board of Directors meeting

Deliverables: An electronic copy and five (5) hard copies of the Final Report and Presentation materials for Board of Directors Meeting

Task 7 – Proposition 218 Public Hearing

Tuckfield & Associates will provide information and assist the District Staff in the creation and preparation of the Proposition 218 Notices. Such notices should be reviewed and approved by the District’s legal counsel prior to the District mailing the notices to all landowners/rate payers of the District. Forty-five days should elapse between the day the notices were mailed out and the day of the Public Hearing. Tuckfield & Associates will attend the Public Hearing and answer any questions related to the study.

Meeting: One (1) on-site Public Hearing Meeting

Experience

Mr. Tuckfield has been providing rate consulting services for over 39 years with about 15 years working with an international consulting firm and about 24 years with Tuckfield & Associates. Listed below are representative engagements and references for studies delivered by Tuckfield & Associates. These recent and successful utility financial plans and rate studies are a sample of the work provided to California communities. The studies have been prepared in conformance with Proposition 218 and all studies use the cost of service and allocation methods described in the AWWA Manual M1 for water utilities and WEF Manual of Practice No. 27 for wastewater utilities.

City of Pismo Beach, California

Water and Wastewater Rate Study

Reference: Ms. Nadia Feeser, Admin Services Director, 805-773-7010, nfeeser@pismo beach.org

Tuckfield & Associates is currently performing a comprehensive rate study for the City of Pismo Beach that includes impacts from the Central Coast Blue project. The firm also completed a comprehensive water and wastewater rate study for the City in March 2019 as well as rate studies for the City in 2007 and 2013. The current study includes reviewing and updating the water rate structure to comply with recent legislation and court decisions regarding tiered water rate structures. The study also updated the wastewater rates.

The 2007 study accounted for all financial aspects of the water and wastewater rates, including each water supply source, utility debt and assessment debt, and various sub-funds of the utilities. The study included financial planning, cost of service, and rate structures for both water and wastewater. The 2007 study results were adopted by city council.

The 2013 study addressed the city's 2010 Urban Water Management Plan finding that the city needed to reduce its per capita water consumption annually to comply with SB x7-7 as well as plan for significant replacement of infrastructure. One of the water rate structures proposed included a four-block rate structure to promote conservation. Wastewater rates were developed following the WEF and SWRCB guidelines as the City has several loans through the SRF program. Both the water and wastewater proposed rates were adopted by the City Council.

City of Arroyo Grande, California

Water, Wastewater, and Storm Water Rate Study

Reference: Shane Taylor, Utilities Manager, 805-473-5464, staylor@arroyo grande.org

Tuckfield & Associates completed a water and wastewater rate study for the City of Arroyo Grande which was presented to City Council in January of 2022. The study included water and wastewater enterprises while addressing known information of the Central Coast Blue project at that time.

Tuckfield & Associates developed financial plans, cost of service, and rates for water and wastewater service. The water enterprise analyses included developing rates with and without the Central Coast Blue Project. A tiered water rate structure was developed for residential customers while accounting for commercial and irrigation customers as separate classes. Wastewater rates were developed that included a volumetric rate that accounted for wastewater contributed volume of single-family residential, multifamily, and commercial classifications. Wastewater treatment service is provided by the South San Luis Obispo County Sanitation District as fixed charges to the city's customers.

Avila Beach CSD, California

Water and Wastewater Rate Study

Reference: Mr. Brad Hagemann, District Manager, 909-799-2811, avilacsd@gmail.com

Tuckfield & Associates completed a water and wastewater rate study for Avila Beach CSD in 2020. The study reviewed the District's financial status, accounting cost structure, and available billing information. Rates were developed to provide for maintenance of appropriate reserve levels based on District policy, meet O&M escalation, pay for future debt service for a wastewater plant expansion, and fund annual repair and replacement expenditures. A two-tier water rate structure was designed that applied to all water customers. Water and wastewater rate structures were discussed with staff and District Board of Directors at several meetings which included explanations of tier break points and possible rate scenarios. Water and wastewater rates were adopted by the Board of Directors.

City of Atascadero, California

Wastewater Rate Study

Reference: Nick DeBar, Manager, 805-473-5000, ndebar@atascadero.org

Tuckfield & Associates completed a wastewater rate study for the City of Atascadero in 2019. The study's scope of work included preparing several financial plan scenarios to demonstrate the impact of the newly developed CIP list on revenues by showing revenues necessary to meet O&M, O&M with replacement, and O&M with replacement and debt financing of the CIP. Discussions with staff indicated that some of the CIP may need to be delayed to future years. The financial plan alternatives provided for maintaining cash balances at policy target levels while meeting O&M escalation, future debt service, and annual repair and replacement expenditures. The study reviewed billing system customer classifications and developed charges for service based on EDUs for existing and several new types of wastewater service. The wastewater rates were adopted by City Council.

Nipomo Community Services District, California

Water and Wastewater Rate Study

Reference: Mario Iglesias, General Manager, 805-929-1133, miglesias@ncsd.ca.gov

Mr. Tuckfield completed water rate studies for the District in 2010, 2014, 2017, and in 2020. The 2020 study addressed the District's continuing needs to address issues with supplemental water from the City of Santa Maria. Because of recent legal actions to adjudicate the greater Santa Maria groundwater basin, the District entered into an MOU to contract for 3,000 ac-ft of supplemental water from Santa Maria. In the 2010 study, Mr. Tuckfield assisted the District with evaluating several financial planning scenarios and rates regarding the financing and implementation of the supplemental water project. Rates were ultimately established to cover O&M and capital, without the project, to allow the District to meet its on-going obligations while the District pursued establishing an assessment district to finance the project. Rates from the 2010, 2014, 2017, and 2020 studies were adopted by the Board of Directors.

In 2013, Tuckfield & Associates assisted the District for a bond offering by providing a statement of revenue, expense and debt coverage information for its Official Statement, used to secure partial financing for the supplemental water project. The financing was incorporated into the 2014 rate study which developed a supplemental water rate structure that passed at the Prop 218 public hearing.

In 2015, Tuckfield & Associates conducted a Wastewater Rate Study for the District. The study included preparing a long-range financial plan that included reserve targets, debt coverage ratios, and funding of CIP. Wastewater rates were

developed following cost of service principles from the WEF manual of practice. Wastewater rates were passed in a Proposition 218 public hearing in November 2015 and updated with a wastewater rate study in April 2021.

City of Buena Park, California

Water and Wastewater Rate Study

Reference: Mina Mikhael, Public Works Director, 714-562-3705, MMikhael@buenapark.com

Tuckfield & Associates is completing a water and wastewater financial plan and rate study for the City of Buena Park. Tuckfield & Associates also completed a water rate study for the City in 2016. The scope of work for the current study includes separating the water fund into separate Water and Wastewater Funds, working with staff to identify water and wastewater capital projects separately, develop reserve policies, and design water and wastewater rates based on rate structures presented to and discussed with City staff.

The 2016 water rate study included (1) preparing a long-range financial plan that includes assessment of current revenues to meet the current and future obligations of the water fund, establishing operating and capital reserve policies, and incorporating financing of the proposed capital improvement program (CIP) spending plan and (2) design of an appropriate rate structure that complies with Proposition 218. Three financial plan alternatives were prepared and discussed with City Staff that funded the same CIP but with various combinations of cash, bond financing, and annual revenue increases. The cost of service and rate portion of the study included a review and justification of the City's current rate structure and rates and preparing two tiered rate structure alternatives. The rate structures addressed the recent San Juan Capistrano court decision regarding conservation rates by preparing a new tiered rate structure to replace the current conservation rate structure while also developing a uniform volume rate structure for all customers. The rates were adopted by City Council.

Cost Proposal

Tuckfield & Associates provides studies with competitive pricing and billing rates. We propose to accomplish the tasks described in our scope of work section for a cost not-to-exceed estimate of \$34,200. The cost estimate is based on the standard hourly billing rates above and the number of hours estimated to complete each task. Direct expenses will be billed at cost and will include expenses related to travel, lodging, mileage, meals, long distance telephone, printing and binding, and other direct costs. A cost proposal is provided below.

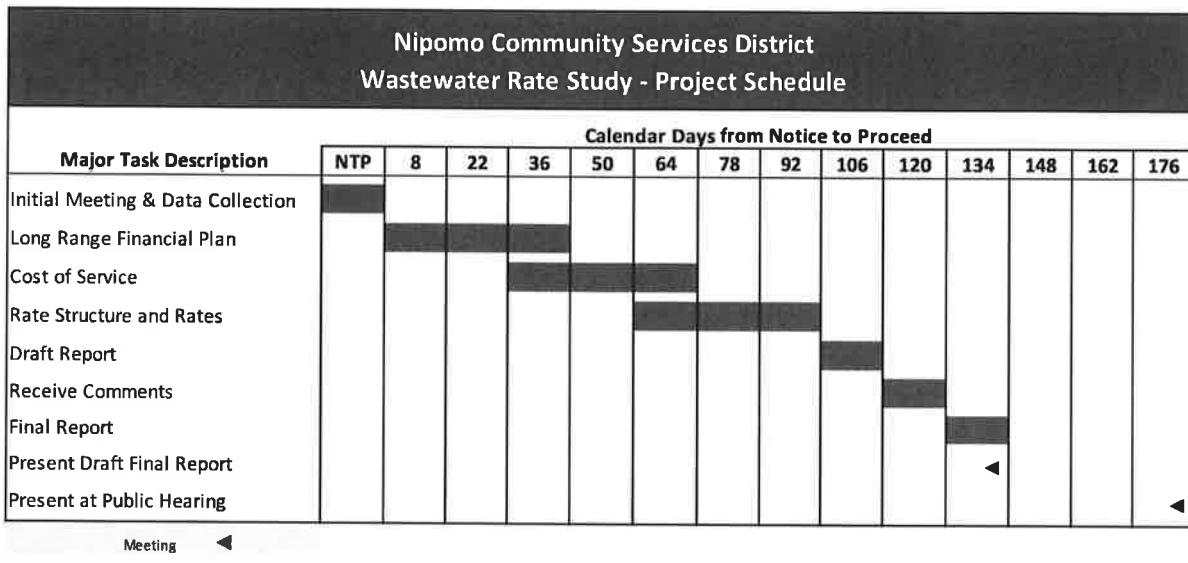
Additional meetings can be provided as requested by the District at our standard hourly billing rates including direct expenses related to the meetings. Each additional meeting cost will be invoiced at actual cost.

Nipomo Community Services District Wastewater Rate Study - Detailed Cost Breakdown

Major Task Description	Number of Meetings		Hours	Total Budget
	Tele-conference	On-site	Clayton Tuckfield	
	Hourly Rate		\$195	
Task 1: Initial Meeting & Data Collection	1		4	\$780
Task 2: Long Range Financial Plans				
Task 2.1: Review Financial Info, Policy & Practice			3	\$585
Task 2.2: Review and Summarize Billing Info			12	\$2,340
Task 2.3: Develop Long Range Financial Plans	1		32	\$6,240
Task 3: Cost of Service Analyses				
Task 3.1: Analyze Customer Usage Patterns & Classes			14	\$2,730
Task 3.2: Allocate Costs to Cost Components			18	\$3,510
Task 3.3: Distribute Costs to Customer Class			10	\$1,950
Task 4: Rate Analysis and Design				
Task 4.1: Evaluate Rate Structures & Calc Rates	1		24	\$4,680
Task 4.2: Determine Bill Impacts			10	\$1,950
Task 4.3: Bill Comparison with Other Communities			4	\$780
Task 5: Draft Report Preparation			28	\$5,460
Task 6: Final Report Preparation	1	1	6	\$1,170
Task 7: Proposition 218 Noticing and Public Hearing		1	4	\$780
Total	4	2	169	\$32,955
Other Direct Costs (ODCs): Travel, Mileage & Printing:				\$1,245
Total Study Cost:				\$34,200

Schedule

Tuckfield & Associates has a strong track record of meeting client schedules. Our experience in performing rate studies enables us to meet the District's goals in a timely and efficient manner. A suggested time-line schedule is presented below in a graphical format showing key milestone and target dates. The schedule is approximate based on timely receipt of information and acceptance of the study by the District and public. The timeline can be adjusted to meet the District's specific needs.



Appendix A

Resume

A resume for Clayton Tuckfield is provided in Appendix A.

Clayton Tuckfield, PE MBA

Principal, Tuckfield & Associates Consulting

Education

M.B.A. – Finance,
University of Kansas,
Lawrence, KS, 1985

B.S. – Mechanical
Engineering, Kansas State
University, 1980

Registration

Professional Engineer:
Kansas

Years of Experience

35

Professional History

Tuckfield & Associates,
Principal Consultant (1999
to Present)

Black & Veatch
Management Consulting,
Project Manager (1985 to
1999)

Mobil Oil Corporation,
Engineer (1980-1983)

Profile

Mr. Tuckfield is the Principal of Tuckfield & Associates consulting. He has over 39 years of experience serving in various capacities on work performed for publicly owned water and wastewater utilities. Mr. Tuckfield has performed a variety of financial feasibility and economic analyses studies including utility cost of service and rate design studies, impact fee studies, development of pro forma statements of revenue and operating expense, cash flow analyses, preparation of engineer's reports for revenue bond official statements, valuations of facilities use plans, preparation of alternative financing plans for capital improvement programs, and development of training material for presentation to international interest groups.

Mr. Tuckfield has personally conducted over 100 water and wastewater rate studies for various cities and special districts in California and nationwide. Clients have included the cities of Long Beach, Ventura, Buena Park, Fullerton, and Loma Linda and special districts including Nipomo CSD, Heritage Ranch CSD, Templeton CSD, Keyes CSD, Hilmar CWD, and for many other clients.

Relevant Project Experience

Water and Wastewater Utility Rate Studies, City of Buena Park, California. Mr. Tuckfield completed a water financial plan and rate study for the City of Buena Park in 2016 and was engaged again in 2020 and in 2024. The 2016 scope of work included (1) preparing a long-range financial plan that includes assessment of current revenues to meet the current and future obligations of the water fund, establishing operating and capital reserve policies, and incorporating financing of the proposed capital improvement program (CIP) spending plan and (2) design of an appropriate rate structure that complies with Proposition 218.

Three financial plan alternatives were prepared and discussed with City Staff that funded the same CIP but with various combinations of cash, bond financing, and annual revenue increases. The cost of service and rate portion of the study included a review and justification of the City's current rate structure and rates and preparing two tiered rate structure alternatives. The rate structures addressed the recent San Juan Capistrano court decision regarding conservation rates. In addition, the study also developed a uniform volume rate structure alternative for all customers.

Water and Wastewater Rate Study, City of Loma Linda, California. Mr. Tuckfield completed a water and wastewater rate study for the City of Loma Linda in 2014 and was engaged again in 2018 and in 2024. The 2018 study included discussion with staff regarding the City's proposed levels of CIP spending and the effect of a delay of capital improvements to future years.

In both the water and sewer funds, the fund balances were below city policy target levels. The rate increases for both utilities were designed to rebuild fund balances, cure annual deficits, meet O&M escalation, pay for future debt service, and fund annual repair and replacement expenditures. Rate structures were discussed

Clayton Tuckfield, PE MBA

Principal, Tuckfield & Associates Consulting

that included explanations of tier break points and possible rate scenarios. Water and wastewater rates were adopted by the City Council.

Water and Wastewater Utility Rate Studies, City of San Buenaventura, Ventura, California. Mr. Tuckfield has performed rate study updates almost on an annual basis for the City from 1990 through 2010. In the most recent study, Mr. Tuckfield worked with City Staff to extend the study period to 10 years, develop various cash flow scenarios for alternative CIP plans, expand water customer classifications to reflect actual operations, developed analyses regarding the City's outside rate differential, and presented draft results to City Staff. He has also prepared information for City Staff's use for conducting internal meetings on an as needed basis.

Wastewater Rate Study, City of Santa Barbara, California. Working as a sub consultant to a large regional consulting firm, Mr. Tuckfield performed a wastewater rate study for the City that involved developing a revenue plan, allocating costs, and designing several rate structures that included fixed and variable components. The revenue plan review noted a low cash reserve level because the City had included other assets into its beginning fund balance. The study identified necessary rate increases that were adopted by City Council. Justification of the current cost allocations was also performed.

Water Utility Rate Study, City of Fullerton, California. Working with a City organized task force, this study included a detailed analysis of the City's Water Fund. Mr. Tuckfield developed pro forma revenue, revenue requirements, and cash flows including review of the water utility program costs for reasonableness, which resulted in a recommendation to reallocate some of the utility overheads. Costs were compared to other local cities including various operational ratios and franchise fees. The task force accepted the recommendations including cash flow, cost of service allocations and rate design. The proposed utility rates were adopted by the City Council.

Water and Wastewater Cost of Service and Rate Study, Long Beach, California. Mr. Tuckfield was responsible for cost of service and rates for the water and wastewater utilities for the City. The project work included development of utility rates to promote water conservation and to allow easy implementation and acceptance. The work effort also included development of computer models to enable the Department to annually review utility rates. The project included working closely with a departmental task force to develop alternative rate structure for eventual implementation.

Representative Water and Wastewater Rate Studies

- City of Avondale, AZ
- City of Arroyo Grande, CA
- City of Battle Creek, MI
- City of Brawley, CA
- City of Buena Park, CA
- City of Charleston, SC
- City of Chesapeake, VA
- City of El Monte, CA
- City of Georgetown, TX
- City of Grover Beach, CA
- City of Homestead, FL
- City of Imperial Beach, CA
- City of Imperial, CA
- City of Kalamazoo, MI
- City of Loma Linda, CA
- City of Long Beach, CA
- City of Pismo Beach, CA
- City of Santa Cruz, CA
- Santa Barbara, CA
- City of Sioux City, IA
- City of Sioux Falls, SD
- City of Westmorland, CA
- DuPage County, IL
- Hilmar County WD, CA

Clayton Tuckfield, PE MBA

Principal, Tuckfield & Associates Consulting

- City of Fayetteville, AR
- City of Modesto, CA
- Mission Springs WD, CA
- City of Firebaugh, CA
- City of Oakdale, CA
- Nipomo CSD, CA
- City of Flagstaff, AZ
- City of Orange Cove, CA
- San Miguel CSD, CA
- City of Florence, AZ
- City of Peoria, AZ
- Templeton CSD, CA
- City of Fullerton, CA
- City of Phoenix, AZ
- Town of Cave Creek, AZ

Representative Municipal Bond Feasibility Studies

- City of Alexandria, LA
- City of Salem, OR
- Litchfield Park, AZ
- City of Kansas City, MO
- City of Tacoma, WA
- Memphis Gas, Water, TN
- City of Owensboro, KY
- Eugene Water & Elec, OR
- San Dieguito WD, CA
- City of Firebaugh, CA
- City of Livingston, CA
- City of Buena Park, CA

Other Feasibility Studies

- City of Brownsville, TX - Electric Utility Rate Study
- City of Detroit, MI - Organizational Study
- City of Phoenix, AZ - Impact Fee Review
- County of Maui, HI - Pretreatment Program
- Imperial Irrigation District, CA - Financial Feasibility Study
- Imperial Valley Task Force, CA - Financial Alternatives Study
- MWD of Southern California, CA - Review of New Demand Charges
- Saudi Consolidated Electric Co. - Electric Generation Dispatch Model
- Texas A&M University, TX - Power Supply Alternatives Study
- United Water Conservation District - Water Supply Pricing Model

Publications/Presentations

"Value of Rate Study in Project Finance", CSDA November/December 2011 Magazine, Sacramento, California

"Role of Rate Study with USDA Financing", CSDA Webinar, September 22, 2011, Sacramento, California

"Committee Involvement Facilitates Rate Implementation", AWWA Annual Conference and Expo, Toronto, Canada 1996

"Arizona Utility Rates", ASCE Arizona Fall Conference, Phoenix, Arizona 1997

"Utility Rate Seminar", Arizona Finance Officers Association, Spring Meeting, Flagstaff, Arizona 1998

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TO: BOARD OF DIRECTORS
 FROM: RAY DIENZO, P.E. *R.D*
 GENERAL MANAGER
 DATE: JULY 3, 2024

**AGENDA ITEM
 F
 JULY 10, 2024**

GENERAL MANAGER'S REPORT

ITEM

Standing report to your Honorable Board -- *Period covered by this report is 6/23/2024 to 7/6/2024.*

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 June 2024 data, which is the most recent monthly data available. No leak adjustments were applied in May.

OFFICE ACTIVITIES			
		June 24	Jan 24- June 24
Reports of Water Waste		0	0
Leak Adjustments		0	6
Leak Adjustment Amount		0	\$1320.29
Late Fee Waivers		7	15
Late Fee Waiver Adjustment Amount		\$280.29	\$690.68

Water Resources

For the twelve (12) months of the 2023-24 Fiscal Year, the District's total combined production, including groundwater production wells and supplemental water imported through the Joshua Road Pump Station, registered 1820.0 AF; the previous month registered 1634.4 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.

	June 24	Jul 23 - June 24
Groundwater Production	77.8	680.0
Supplemental Water Imported	<u>107.7</u>	<u>1140.0</u>
Total Production	185.5	1820.0

NCSD GW Reduction

The District's purveyor customers, Golden State Water Company and Woodlands Mutual Water Company, each are responsible for 16.66% (cumulatively 33.33%) of the imported water NCSD brings onto the basin through the NSWP. Of the 1,000 AF minimum imported water from the City of Santa Maria, 333 AF or 33.33% of the total imported water – whichever is greater – will be credited to these two purveyor customers. The credited amount must be added to the

District’s groundwater pumping total every month to reflect the groundwater pumped by these customers in-lieu of taking imported water from the District. Table 2, below, captures this data.

	June-24	Jul 23 – June 24
NCSD GW Well Production	77.8	680.0
Purveyor Customer Credit (33.3% of Import Water)	33.4	376.7
NCSD Total Calculated GW Production	111.2	1056.7
Average GW Production for 2009-2013	261.6	2533.4
NCSD Percentage of GW Reduction	58%	58.3%

2023-24 Fiscal Year Groundwater Pumping Forecast

Below, Table 3 projects the District’s groundwater pumping reduction for the 2023-24 Fiscal Year. Though we are currently in Stage 2 conditions, we were under Stage 4 NMMA Water Shortage Response Stages conditions through eleven months; the District’s targeted groundwater pumping reduction goal is to pump no more than 1,266 AFY (50% of the 2009-2013 average District GW Pumping). The fiscal year 2023-24 actual – July through June – shows a groundwater pumping reduction of 58% while projected year end groundwater reduction estimates a 58.3% level of reduction.

Table 3. Projected Groundwater Pumping

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Year-to-Date Jul-Jun 2024	Target	Over/(Under)
duction	82.6	90.3	72.4	71.8	52.3	45.7	24.4	18.5	29.5	40.6	74.2	77.8	679.9		
r Credit (33.3% of Import Water)	36.7	34.2	35.4	36.6	32.9	28.7	28.0	23.4	26.7	27.8	33.0	33.4	376.7		
ted GW Production	119.2	124.5	107.8	108.4	85.2	74.3	52.3	41.9	56.2	68.4	107.2	111.2	1,056.7	1,266.7	210
ction for 2009-2013	291.2	284.7	264.7	223.6	179.1	141.4	142.1	122.0	160.4	199.0	261.6	263.6	2,533.4	2,533.4	
of GW Reduction	59%	56%	59%	51.5%	52%	47%	63%	66%	65.0%	66%	59%	58%	58.3%	50.0%	

As demonstrated in Table 3, the District achieved its 50% groundwater pumping reduction target by 210 AcFt under the conditions stated in the previous paragraph.

Rainfall Gauge

Below is the most recent available rain data¹ for the Fiscal Year 2023-24. Both gauges show an above average rainfall this season.

(Reported in inches)	Nipomo East (Dana Hills Reservoirs)	Nipomo South (Southland Plant)
June 2024 Total	0.04	0.00
July-2023 through June-2024 (Season Total)	24.29	18.40
County Reported Avg. Ann. Year Rainfall ¹	18.00	14.00
2006 - 2020 Avg. Ann. Year Rainfall ¹	15.39	13.30
2006 - 2020 Median Ann. Rainfall ¹	12.64	11.30

Note:

1. Data from County website

Other Items

Dana Reserve Project

The next steps in the process include but are not limited to:

- Negotiation with the County of SLO on the property tax revenue sharing per Board annexation policy resolution 2023-1658 (available on the NCSD website)
 - The County Board considered this item on their July 9th Board Meeting
 - Staff will present a verbal update to the Board
 - Brief Summary
 - Financial implications
 - Consistency with Board Policy and extenuating circumstances
 - Possible precedence with annexation
 - Staff will seek direction and input from your Board
- Formalizing the Annexation Agreement with the Project Developer
- Developing the Plan for Service for LAFCO approval

The revised schedule for the Dana Reserve is see in Attachment A.

Safety Program

No Safety Issues

Upcoming Water Resource and Other Meetings				
7/8/2024	-	IWMA Local Task Force	1:00 PM	Teams
7/9/2024	-	County Board of Supervisors Meeting	9:00 AM	County Board Room
7/10/2024	-	County Water Action Team (CWAT)	2:30 PM	SLO Library Room
7/10/2024	-	LAFCO - Dana Reserve Plan for Service	3:00 PM	Teams
7/16/2024	-	Blacklake Sub-Committee	1:00 PM	District Board Room

RECOMMENDATION

Staff seeks direction and input from your Board.

ATTACHMENTS

A – Dana Reserve Schedule

JULY 10, 2024

ITEM F

ATTACHMENT A

DANA RESERVE REVIEW SCHEDULE

Status Update: updated 7/3/2024

Date	Description	Comment
March 13, 2024	Review of updated Water Supply Assessment	Submit to County prior to April 23, 2024 County Board Meeting. Submitted to County 3/15/2024
April 23, 2024	1 st Meeting: County Board of Supervisors	Consider recommendation of PC to Certify EIR, General Plan Amendment, Approve Subdivision Map, Issue Conditional Use Permits
April 24, 2024	2 nd Meeting: County Board of Supervisors	
May 2024	NCSO Board Negotiations with Developer [Infrastructure Improvements/Costs] Property Tax Negotiations with County	<ul style="list-style-type: none"> • Discuss Annexation Agreement Between Developer and NCSO • Complete property tax negotiations with the County • Plan for Services
Aug 2024	Board adopt – Annexation Agreement and Property Tax share and Plan for Services	Anticipate 1 st Board Meeting in August
July/Aug 2024	LAFCO Study Session	Public meeting to discuss project as approved by the County BOS, and detail other pertinent items related to annexation and the District that were not previously discussed at the July 2022 study session
July/Nov 2024	LAFCO Review & Approval Process	<ul style="list-style-type: none"> • Certificate of Filing – late summer 2024 • LAFCO Hearing – Oct 2024 • 30-Day Reconsideration Period – Nov 2024 • Certificate of Completion – Dec 2024 • LAFCO Filing with State Board of Equalization – Dec 2024

The above schedule is suggested and drawn from conversations with staff from the County, LAFCO, and the Developer. This schedule is a rough outline and is subject to change over time.

Other notes:

The developer shifted to an annexation process that focuses first on the LAFCO application and second the District’s application process. Under this format, LAFCO will be the agency that coordinates communication between the Developer and NCSO.

The developer mailed a letter on September 20, 2022, to residents in Nipomo directing their attention to the District website and the three reports addressing utilities – focusing on explaining the water situation.

RWG submitted comments on the Dana Reserve Specific Plan DEIR, August 1, 2022, to the County of San Luis Obispo supervision planner, Jennifer Guetschow.