

TO: FINANCE AND AUDIT
COMMITTEE

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

FROM: JANA ETTEDDGUE *JW*
FINANCE DIRECTOR

DATE: APRIL 13, 2026



REVIEW THE DRAFT 2026-2027 FISCAL YEAR BUDGET FOR NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)

ITEM

Review the draft 2026-2027 fiscal year budget for Nipomo Supplemental Water Project ("NSWP") [RECOMMEND REVIEW REPORT AND DIRECT STAFF].

BACKGROUND

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

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

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

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

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

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

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

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

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

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

STRATEGIC PLAN

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

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

FISCAL IMPACT

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

RECOMMENDATION

It is recommended the Finance and Audit Committee provide direction to Staff.

ATTACHMENTS

- A. Draft Fiscal Year 2026-2027 NSWSP Budget

APRIL 16, 2026

ITEM 2

ATTACHMENT A

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2026-2027**

	Acre Feet Purchase (A)	Cost per Acre Foot (AF)	Total Cost	
Water Purchase Fiscal Year 2026-2027 (see page 2)	2500	see page 2	\$7,121,900	
NCSD Water O & M Cost per AF ** (see page 3)	2500	\$170.47	\$426,165	
NCSD Admin Fee per AF (15% of O & M per AF) ** (see page 3)	2500	\$25.57	\$63,925	
		\$196.04	\$7,611,990	
**To be adjusted annually based on actual costs				
	TOTAL	NCSD	WMWC	GSWC
1 Phase 1 Supplemental Water Annual Allocation (AF)	2500	1667	416.5	416.5
2 Phase 1 Supplemental Water Delivery Percentages	100.00%	66.68%	16.66%	16.66%
3 Pass-Through Supplemental Water Cost	\$7,121,900	\$4,748,883	\$1,186,509	\$1,186,509
4 Supplemental Water O & M Cost	\$426,165	\$284,167	\$70,999	\$70,999
5 Supplemental Water NCSD Admin Fee	\$63,925	\$42,625	\$10,650	\$10,650
6 Total Annual Supplemental Water Volume Cost	\$7,611,990	\$5,075,675	\$1,268,157	\$1,268,157

	TOTAL	NCSD	WMWC	GSWC
7 Allocated Project Capacity (AF)	3,000.00	2,167.00	416.50	416.50
8 Percentage of Fixed Capital Cost Allocation	100.00%	72.24%	13.88%	13.88%
9 Yearly Capital Recovery Charge-Principal 6/30/2015 (1)	\$109,792	\$0	\$45,612	\$64,180
10 Yearly Capital Recovery Charge-Interest 6/30/2015 (1)	\$276,627	\$0	\$143,247	\$133,380
11 Yearly Capital Recovery Charge-Principal 6/30/2016 (2)	\$9,287	\$0	\$4,315	\$4,972
12 Yearly Capital Recovery Charge-Interest 6/30/2016 (2)	\$23,885	\$0	\$13,552	\$10,333
13 Yearly Capital Recovery Charge-Principal 6/30/2017 (3)	\$16,556	\$0	\$7,679	\$8,877
14 Yearly Capital Recovery Charge-Interest 6/30/2017 (3)	\$42,564	\$0	\$24,115	\$18,449
14 Yearly Capital Recovery Charge-Principal 6/30/2018 (4)	\$1,155	\$0	\$535	\$620
15 Yearly Capital Recovery Charge-Interest 6/30/2018 (4)	\$2,966	\$0	\$1,678	\$1,288
16 Yearly Capital Recovery Charge-Principal 6/30/2019 (5)	\$1,417	\$0	\$655	\$762
17 Yearly Capital Recovery Charge-Interest 6/30/2019 (5)	\$3,638	\$0	\$2,055	\$1,583
18 Yearly Capital Recovery Charge-Principal 6/30/2020 (6)	\$18,167	\$0	\$8,377	\$9,790
19 Yearly Capital Recovery Charge-Interest 6/30/2020 (6)	\$46,655	\$0	\$26,310	\$20,345
20 Yearly Capital Recovery Charge-Principal 6/30/2021 (7)	\$4,648	\$0	\$2,139	\$2,509
21 Yearly Capital Recovery Charge-Interest 6/30/2021 (7)	\$11,930	\$0	\$6,716	\$5,214
22 Yearly Capital Recovery Charge-Principal 6/30/2022 (8)	\$3,441	\$0	\$1,580	\$1,861
23 Yearly Capital Recovery Charge-Interest 6/30/2022 (8)	\$8,832	\$0	\$4,964	\$3,868
25 Yearly Capital Recovery Charge-Principal 6/30/2023 (9)	\$114	\$0	\$52	\$62
26 Yearly Capital Recovery Charge-Interest 6/30/2023 (9)	\$290	\$0	\$163	\$127
27 Yearly Capital Recovery Charge-Principal 6/30/2024 (10)	\$1,767	\$0	\$808	\$959
28 Yearly Capital Recovery Charge-Interest 6/30/2024 (10)	\$4,529	\$0	\$2,536	\$1,993
29 Yearly Capital Recovery Charge 6/30/25-Principal (11)	\$25,343	\$0	\$11,585	\$13,758
30 Yearly Capital Recovery Charge 6/30/25-Interest (11)	\$62,672	\$0	\$35,203	\$27,469
31 Supplemental Water Project Yearly Replacement (12)	\$206,865	\$149,439	\$28,713	\$28,713
32 Total Annual Fixed Supplemental Charges	\$883,140	\$149,439	\$372,589	\$361,112

Total Volume and Annual Fixed Charges for Fiscal Year 2026-				
33 2027(Line 6 + Line 32)	\$8,495,130	\$5,225,114	\$1,640,746	\$1,629,269
34 SUPPLEMENTAL WATER BUDGET FISCAL YEAR 2026-2027	\$8,495,130	\$5,225,114	\$1,640,746	\$1,629,269

- (1) Per applicable amortization schedule as of 6/30/15-Schedule 1
 - (2) Per applicable amortization schedule as of 6/30/16-Schedule 2
 - (3) Per applicable amortization schedule as of 6/30/17-Schedule 3
 - (4) Per applicable amortization schedule as of 6/30/18-Schedule 4
 - (5) Per applicable amortization schedule as of 6/30/19-Schedule 5
 - (6) Per applicable amortization schedule as of 6/30/20-Schedule 6
 - (7) Per applicable amortization schedule as of 6/30/21-Schedule 7
 - (8) Per applicable amortization schedule as of 6/30/22-Schedule 8
 - (9) Per applicable amortization schedule as of 6/30/23-Schedule 9
 - (10) Per applicable amortization schedule as of 6/30/24-Schedule 10
 - (11) Per applicable amortization schedule as of 6/30/25-Schedule 11
 - (12) Annual replacement contribution of total Supplemental Water Project cost of \$20,686,509 assuming a 100 year project life = \$206,865 per year not to exceed \$3,000,000 adjusted annually for CPI per agreement
- (A) 2500 ACRE FEET PER CONTRACT
- NCSD = Nipomo Community Services District
WMWC = Woodlands Mutual Water Company
GSWC = Golden State Water Company

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2026-27**

OPERATIONS AND MAINTENANCE BUDGET

OPERATIONS AND MAINTENANCE	1000 AFY 2024-25 ACTUAL	2500 AFY 2025-26 BUDGET	2500 AFY 2025-26 EST ACTUAL	2500 AFY 2026-27 PROPOSED
Electricity	122,406	250,000	240,000	255,000
Labor (fully weighted)	66,171	65,000	65,000	70,000
Water	483	500	500	565
Chemicals	8,803	18,000	14,000	18,000
Outside Services	4,375	9,300	8,500	9,300
Permits and Operating Fees	1,405	1,300	1,300	1,300
Insurance (1)	26,812	32,000	27,000	32,000
Repairs and Maintenance	35,865	20,000	30,000	40,000
TOTAL OPERATIONS AND MAINTENANCE	266,320	396,100	386,300	426,165
Cost per acre foot @ 2,500 acre feet	266.32	158.44	154.52	170.47
Overhead allocation 15% of O and M	39.95	23.77	23.18	25.57

(1) SDRMA Insurance provider provided estimate for FY 26-27

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP) - COST OF WATER PURCHASED FROM CITY OF SANTA MARIA (SM)
BUDGET FOR FISCAL YEAR 2026-27**

FISCAL YEAR	CITY OF SM RATE INCR EFF DATE	(a)	(b)	(c)	(d)	(a)*(d)
		ACRE FEET PURCHASED	CITY OF SM BASE Cost PER AF	CITY OF SM CHANGE IN ENERGY	(b)+(c) COST PER ACRE FOOT	TOTAL COST
FY 15-16	July 1, 2015 to June 30, 2016	1/7/2015	660 \$ 1,495.85	\$ 23.00	\$1,518.85	\$1,001,760
FY 16-17	July 1, 2016 to June 30, 2017	7/1/2016	860 \$ 1,570.77	\$ 17.00	\$1,587.77	\$1,365,482
FY 17-18	July 1, 2017 to June 30, 2018	7/1/2017	945 \$ 1,649.18	\$ -	\$1,649.18	\$1,558,475
FY 18-19	July 1, 2018 to June 30, 2019	7/1/2018	950 \$ 1,649.18	\$ 52.00	\$1,701.18	\$1,616,121
FY 19-20	July 1, 2019 to December 31, 2019	7/1/2019	487 \$ 1,649.18	\$ 45.92	\$1,695.10	\$825,514
FY 19-20	January 1, 2020 to June 30, 2020	1/1/2020	463 \$ 2,077.81	\$ 45.92	\$2,123.73	\$983,287
FY 20-21	July 1, 2020 to December 31, 2020	1/1/2020	555 \$ 2,077.81	\$ 45.92	\$2,123.73	\$1,178,670
FY 20-21	January 1, 2021 to June 30, 2021	1/1/2021	498 \$ 2,160.58	\$ 43.19	\$2,203.77	\$1,097,477
FY 21-22	July 1, 2021 to December 31, 2021	1/1/2021	539 \$ 2,160.58	\$ 43.19	\$2,203.77	\$1,187,832
FY 21-22	January 1, 2022 to June 30, 2022	1/1/2022	531 \$ 2,247.70	\$ 28.14	\$2,275.84	\$1,208,471
FY 22-23	July 1, 2022 to December 31, 2022	1/1/2022	582 \$ 2,247.70	\$ 28.14	\$2,275.84	\$1,324,539
FY 22-23	January 1, 2023 to June 30, 2023	1/1/2023	488 \$ 2,339.17	\$ 149.31	\$2,488.48	\$1,164,609
FY 23-24	July 1, 2023 to December 31, 2023	1/1/2023	525 \$ 2,339.17	\$ 149.31	\$2,488.48	\$1,306,452
FY 23-24	January 1, 2024 to June 30, 2024	1/1/2024	525 \$ 2,452.43	\$ 92.97	\$2,545.40	\$1,336,334
FY 24-25	July 1, 2024 to December 31, 2024	1/1/2024	525 \$ 2,452.43	\$ 92.97	\$2,545.40	\$1,336,334
FY 24-25	January 1, 2025 to June 30, 2025	1/1/2025	525 \$ 2,565.68	\$ 124.63	\$2,690.31	\$1,412,415
FY 25-26	July 1, 2025 to December 31, 2025	1/1/2025	1250 \$ 2,565.68	\$ 124.63	\$2,690.31	\$3,362,888
FY 25-26	January 1, 2026 to June 30, 2026	1/1/2026	1250 \$ 2,665.87	\$ 137.15	\$2,803.02	\$3,503,775
FY 26-27	July 1, 2026 to December 31, 2026	1/1/2026	1250 \$ 2,665.87	\$ 137.15	\$2,803.02	\$3,503,775
FY 26-27	January 1, 2027 to June 30, 2027	1/1/2027	1250 \$ 2,757.35	\$ 137.15	\$2,894.50	\$3,618,125

\$ 7,121,900

City of Santa Maria Adopted Rate Increases

Effective Date of City of SM Rate Increase	(e)	(f)	(e)*(f)
	Base Cost Per Unit (incl)	Units per Acre Foot	Base Cost per Acre Foot
1/7/2015	\$3.43	435.6	\$1,495.85
7/1/2016	\$3.61	435.6	\$1,570.77
7/1/2017	\$3.79	435.6	\$1,649.18
7/1/2018	\$3.79	435.6	\$1,649.18
7/1/2019	\$3.79	435.6	\$1,649.18
1/1/2020	\$4.77	435.6	\$2,077.81
1/1/2021	\$4.96	435.6	\$2,160.58
1/1/2022	\$5.16	435.6	\$2,247.70
1/1/2023	\$5.37	435.6	\$2,339.17
1/1/2024	\$5.83	435.6	\$2,452.43
1/1/2025	\$5.89	435.6	\$2,565.68
1/1/2026	\$6.12	435.6	\$2,665.87
1/1/2027	\$6.33	435.6	\$2,757.35

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

	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
(1) Current CPI (July)	258.017	264.979	261.037	281.402	289.173	307.536	343.597	390.049	418.879	413.42	290.131
(2) Base Period CPI (May 2013)	264.188	264.188	264.188	264.188	264.188	264.188	264.188	264.188	264.188	264.188	264.188
(3) Index Point Change (1)-(2)	-6.171	0.791	-3.151	17.214	24.985	43.348	79.409	125.861	154.691	149.232	25.943
(4) Divided by prior period (3) + (2)	-0.023358366	0.00299408	-0.011927113	0.06515815	0.0945728	0.16408013	0.30057762	0.476406953	0.585533787	0.564870471	0.09819901
(5) Multiply by 100 for percent change (4) x 100	-2.335836601	0.299407997	-1.192711251	6.5158145	9.45728042	16.4080125	30.0577619	47.64069526	58.55337865	56.4870471	9.81990098
(6) Adjusted to 50% per agreement (5) x 50%	-1.167918301	0.149703999	-0.596355626	3.25790725	4.72864021	8.20400624	15.0288809	23.82034763	29.27668933	28.24352355	4.90995049
(7) Base Cost of Energy (Per Agreement)	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85	206.85
(8) Energy Adjustment (7) x (6) + 100	-2.42	0.31	-1.23	6.74	9.78	16.97	31.09	49.27	60.56	58.42	10.18
(9) Adjusted Base Cost of Energy (7) + (8)	204.43	207.16	205.62	213.59	216.63	223.82	237.94	256.12	267.41	265.27	217.01
(10) CCWA BUDGET (Per published document)	\$227.27	\$223.71	\$191.77	\$265.90	\$262.54	\$267.02	\$266.08	\$405.43	\$360.38	\$389.90	\$354.16
(11) Change in Cost of Energy (10) - (9), not less than 0	\$23	\$17	\$0	\$52	\$46	\$43	\$28	\$149.31	\$92.97	\$124.63	\$137.15

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

**NIPOMO COMMUNITY SERVICES DISTRICT
NIPOMO SUPPLEMENTAL WATER PROJECT (NSWP)
BUDGET FOR FISCAL YEAR 2026-27**

FUNDED REPLACEMENT RESERVES

	<u>FY 25-26</u> <u>EST ACTUAL</u>	<u>FY 26-27</u> <u>PROPOSED</u>
Beginning Balance, July 1	2,267,000	2,518,865
Collections during fiscal year		
NCS D	149,439	149,439
WMWC	28,713	28,713
GSWC	28,713	28,713
	<u>206,865</u>	<u>206,865</u>
Joshua Road Pump Station	(30,000)	(150,000)
Interconnects	0	(80,000)
Total Funded Replacement	<u>(30,000)</u>	<u>(230,000)</u>
Estimated interest income	<u>75,000</u>	<u>70,000</u>
Estimated Ending Balance, June 30	<u>2,518,865</u>	<u>2,565,730</u>

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

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

CPI Adjustment as of June 30, 2025	
CPI - 2025 Annual	342.676
CPI - 2024 Annual	<u>(332.194)</u>
	10.482
Divide by previous period CPI ÷	<u>332.194</u>
	0.0316
X	<u>100.000</u>
Percent Change	<u>3.16</u>
Maximum Balance computed as of June 30, 2025	4,110,736
Adjusted by CPI June 30, 2025 (\$4,110,736* 3.16%)	129,899
Maximum Balance adjusted as of June 30, 2025	<u>4,240,635</u>

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

	CPI INDEX	ADJ	RUNNING BALANCE
			3,000,000
6/30/2016	0.907	27,210	3,027,210
6/30/2017	1.89	57,214	3,084,424
6/30/2018	2.79	86,055	3,170,479
6/30/2019	3.81	120,478	3,290,957
6/30/2020	3.07	101,032	3,391,989
6/30/2021	1.62	54,950	3,446,939
6/30/2022	3.83	132,018	3,578,957
6/30/2023	7.45	266,632	3,845,589
6/30/2024	3.48	133,826	3,979,415
6/30/2025	3.30	131,321	4,110,736
6/30/2026	3.16	129,899	4,240,635