

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2025-1750**

**RESOLUTION RESPONDING TO TIMELY FILED WRITTEN OBJECTIONS TO
THE PROPOSED WATER RATES AND INCREASING DISTRICT WATER
RATES AND ESTABLISHING SEPARATE VARIABLE WATER RATES FOR
CUSTOMERS THAT ANNEX INTO THE DISTRICT AS OF NOVEMBER OF 2024**

WHEREAS, it is a major responsibility of the Nipomo Community Services District ("District") to maintain adequate levels of revenue, equitably and proportionately collected, to meet the District's financial commitments for the operation and maintenance for water facilities and the replacement of existing facilities in the future; and

WHEREAS, the District retained Tuckfield & Associates to evaluate water rates and charges (rates) and to develop a five-year financial plan. The financial plan includes estimated operating and maintenance costs, supplemental water purchases, target reserve levels, anticipated debt service obligations, and capital replacement program needs covering a period from FY 25-26 through FY 28-29. The Report on Water Rate Study, dated September 2025, (Water Rate Study) was prepared according to applicable law, approved by the District Board of Directors on September 24, 2025, been made available for public review and comment, and is incorporated herein by this reference; and

WHEREAS, on September 25, 2024, Governor Newsom approved State Assembly Bill 2257 ("AB 2257"), effective January 1, 2025, which added §§53759.1 and 53759.2 to the Government Code; and

WHEREAS, AB 2257 creates an exhaustion of administrative remedies requirement that, if implemented by the Board of Directors, requires persons and entities to submit a written objection that specifies the grounds for alleging noncompliance of the proposed water rates with Proposition 218 (which added Article XIII D to the California Constitution) prior to the deadline established by the Board for the submittal of written objections, or be barred from any right to challenge the proposed water rates through a legal proceeding; and

WHEREAS, the District complied with the provisions set forth in AB 2257 for establishing an exhaustion of remedies requirement in connection with the proposed water rates, including by providing not less than 45 days from the date of the mailing of the notice of the public hearing referenced below for persons and entities to submit a written objection to the proposed water rates; and

WHEREAS, as of the deadline of 5:00 p.m. on December 1, 2025 established by the District for submitting written objections to the proposed water rates, the District received written objections from 36 persons, which objections are on file in the office of the District Secretary and available for public review

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(Objections); and

WHEREAS, a summary of the Objections and the District's responses to the Objections are set forth in Exhibit A, attached hereto and incorporated herein by reference (Responses); and

WHEREAS, each Response includes the grounds for which a challenge is not resulting in amendments to the proposed water rates and an explanation of the substantive basis for retaining the proposed water rates in response to the Objection; and

WHEREAS, Government Code §61115 authorizes the District to adopt rates and charges by resolution; and

WHEREAS, on December 10, 2025, the District conducted a duly noticed public hearing wherein the Board of Directors took public comment and other evidence in support of, and in opposition to, the proposed water rates, which include rate increases and the establishment of separate variable water rates for customers that annex into the District as of November of 2024, and considered whether a majority protest to the proposed water rates exists pursuant to Section 6 of Article XIII D of the California Constitution. A total of 4,671 parcels would be subject to the proposed water rates; therefore, 2,337 protests would be needed to constitute a majority protest, with only one written protest per parcel counted in determining the existence of a majority protest. At the conclusion of the public hearing the General Manager reported, and the Board found, that 490 written protests were received, and not withdrawn, and that a majority protest did not exist; and

WHEREAS, based on facts and analysis presented in and relied on by the Water Rate Study, written protests received prior to the close of the December 10, 2025 public hearing, the Objections and Responses, the Staff Report, Staff Presentation and public testimony received, the Board of Directors hereby finds:

A. The District identified the parcels upon which the proposed water rates will be imposed, calculated the amount of the rates, and mailed notices to all Owners of Record of properties that receive water service and Customers of Record responsible for the water rates, which notices provided information on the proposed rates, including, among other information, the basis for the calculation, the reason for the rates, the means by which a protest could be filed, the means by which a written objection could be filed, and the date, time, and location for a

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public hearing which was not less than 45 days after the date of mailing.

B. The public hearing was properly noticed pursuant to Section 6 of Article XIII D of the California Constitution, Government Code §53759.1, the Proposition 218 Omnibus Implementation Act (Government Code §53750, et seq.), and the Brown Act (Government Code §54950, et seq.).

C. The water rates adopted by this Resolution:

1. Are for the purposes of meeting expenses for providing water service to District customers, including operation, maintenance, capital replacement supplemental water purchases, and reserve requirements.
2. Do not exceed the funds required to provide water service to District customers.
3. Do not exceed the proportional cost of services attributable to those parcels receiving water service.

D. The revenues derived from the water rates will not be used for any purpose other than that for which the rates are imposed.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED, by the Board of Directors of the District as follows:

Section 1. Incorporation of Recitals

The foregoing Recitals are true and correct and incorporated herein by this reference. The Recitals and referenced reports and studies contained therein, as well as the records of the public hearing, constitute and support the findings of the District in support of this Resolution.

Section 2. Responses

The Board of Directors adopts the Responses set forth in Exhibit A, attached hereto and incorporated by reference. In considering the Responses, the Board determined (1) whether the Objections and the Responses warrant clarifications to the proposed water rates; (2) whether to reduce the proposed water rates; (3)

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whether to undertake further review before making a determination on whether clarification or reduction is needed; and (4) whether to proceed with the public hearing required under Section 6 of Article XIII D.

Section 3. Water Rates

The Monthly Water Rates referred to in Chapter 2.04 of the District Code, as the same may be amended in the future, and as set forth in Exhibit B, attached hereto and incorporated herein by reference, are hereby adopted, to be effective February 1, 2026. The District is purchasing supplemental water from the City of Santa Maria. The City of Santa Maria may increase its water charges to the District. The District may pass-through any additional increase at any time that such costs are increased to the District during the five-year period from February 1, 2026 to January 1, 2030, as allowed under Government Code §53756.

Section 4. Repeal of Prior Resolutions

All prior resolutions and sections of resolutions that are inconsistent with this Resolution are hereby repealed, subject to the effective date identified in Section 3 above. Any existing rates and charges not specifically amended by this Resolution shall remain in full force and effect.

Section 5. Effect of Repeal on Past Actions and Obligations

This Resolution does not affect prosecutions for violations committed prior to the effective date of this Resolution, does not waive any fee or penalty due and unpaid on the effective date of this Resolution, and does not affect the validity of any bond or cash deposit posted, filed or deposited pursuant to the requirements of any prior resolution or ordinance.

Section 6. Challenges to Rates.

Any action to challenge the rates adopted herein must be brought within the 120-day period following adoption pursuant to Government Code §53759.

Section 7. CEQA Findings

The Board of Directors finds that to the best of its knowledge the rates adopted by this Resolution are exempt from the California Environmental Quality Act pursuant to Public Resources Code §21080(b)(8) and CEQA Guidelines

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§15273. The District General Manager is directed to prepare and file appropriate notices.

Section 8. Severance Clause

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

Upon the motion of Director Henry, seconded by Director Eby, and on the following roll call vote, to wit:

AYES: HENRY, EBY, HANSEN
NOES: GLOVER, JOYCE
ABSENT: NONE
CONFLICTS: NONE

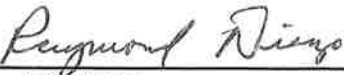
the foregoing resolution is hereby adopted this 10th day of December 2025.



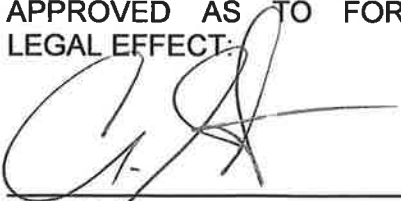
ED EBY
President of the Board

ATTEST:

APPROVED AS TO FORM AND
LEGAL EFFECT:



RAY DIENZO
General Manager and Secretary to the Board



CRAIG A. STEELE
District Legal Counsel

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**RESPONSES TO WRITTEN OBJECTIONS
(Duplicate or repeat objections combined and summarized)**

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Objection 1

1. Comment/Question:

We received a flyer from the District indicating that if there were no protest to the addition of the Dana Reserve project that there would be no increase in water rates due to the increased customer base. What happened to that?

Response:

The above question does not allege noncompliance of the proposed water rates with Proposition 218, but instead raises a public information issue that many commenters have raised. The record shows that the proposed increases in water rates are due to several reasons. First, the Water Rate Study, dated September 2025, prepared by the District's consultant, Tuckfield & Associates (the "Water Rate Study"), includes \$4.4 million more of capital replacement spending over the next 10 years than the last rate study. Second, there is a current budget deficit in the Water fund of about \$2 million due to increased costs of supplemental water and the increased quantity of supplemental water the District is required to import. The deficit must be cured. Third, the District reserves have decreased and are projected to continue to decrease at current rates, and the rate increases are needed to restore reserves to District policy levels. Fourth, the rate increases are necessary to meet the District's operation and maintenance expenses, which continue to increase as most costs are increasing in everyday life.

Lastly, the proposed rate increases are necessary to pay for the cost of supplemental water. As required by the Stipulation and Judgment in the Santa Maria Valley groundwater adjudication, the District purchases supplemental water from the City of Santa Maria, and the District's agreement with the City requires the District to take-or-pay supplemental water at 1,667 acre-feet per year commencing in fiscal year (FY) 2025-26. This is an increase in water costs of approximately \$2.7 million over the prior year water supply cost. The recently annexed Dana Reserve residential and commercial development must be served with supplemental water pursuant to the District's Annexation Policy. Prior documents prepared for consideration of the Dana Reserve project consideration contemplated that the development would connect to the District's water system commencing in FY 2025-26, and benefits for rate payers would be achieved at Project buildout, which was the best information available at the time. However, the development has been delayed due to litigation and other reasons, and the Water Rate Study assumes that the development will begin to connect starting July 1, 2027. Therefore, all of the

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additional supplemental water costs must currently be borne by the District's existing customers.

2. Comment/Question:

How much of your proposed capital projects are associated with the Dana Reserve project and why would you be passing the cost on to us instead of the Dana Reserve developers?

Several other people also submitted letters which asked a similar question or commented that the cost of capital improvements needed to support the Dana Reserve project should be borne by the developer and not be passed to existing residents.

Response:

While the above question/comment does not allege noncompliance of the proposed water rates with Proposition 218, the District notes that the District's agreement with the Dana Reserve developer is that the District will not construct projects related to the Dana Reserve project without funding from the developer. Therefore, there is no capital cost impact to District rate payers associated with the Dana Reserve project, and none of the rate increases are attributable to the costs of the Dana Reserve project.

3. Comment/Question:

We question the need for a new well in the face of the "take-or-pay" water coming from Santa Maria.

Response:

While the above question does not allege noncompliance of the proposed water rates with Proposition 218, the District notes that it currently obtains its water supply from four active wells and from supplemental water supplied by the City of Santa Maria. The four wells have a capacity of 2,100 gallons per minute and extract water primarily from the Nipomo Mesa Management Area of the Santa Maria Groundwater Basin. The District needs an additional well for supply redundancy.

Objection 2

1. Comment/Question:

The proposed increase in water rates is excessive, burdensome, and quite frankly unacceptable for households in our community.

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Several other people also submitted letters which commented that the proposed rates are excessive and will create an undue financial hardship on their household or on residents who have fixed or limited incomes and/or that they do not believe that the Water Rate Study adequately explains the necessity for the large proposed increase or the timing of the increase.

Response:

The above statements regarding the excessive or burdensome nature of the proposed rates are opinions of the commenters and do not allege noncompliance of the proposed water rates with Proposition 218. With respect to the objections that the Water Rate Study does not adequately demonstrate the need for the proposed rate increases, Section 6 of Article XIII D of the California Constitution (Article XIII D) (which was added by Proposition 218) provides that a fee for a property-related service, such as water service, may not be imposed or increased by a local agency unless it meets certain requirements. These requirements include that revenues derived from the fee shall not exceed the funds required to provide the property-related service. The Water Rate Study includes a review and analysis of the District's current and projected revenue requirements, including operation and maintenance expenses, supplemental water purchases, debt service coverage requirements, annual capital improvement expenditures based on a Capital Improvement Program (CIP) for FY 2025-26 through FY 2029-30, and target reserve levels. The Water Rate Study incorporates specific planning criteria or goals to maintain the financial health of the water system on an on-going basis, including generating positive levels of income in each year of the study period, maintaining operating and capital reserves at not less than the target reserve levels, maintaining debt service ratios at not less than the minimum required levels, and meeting annual capital replacement spending. The District's FY 2025-26 budget expenses are included in the Water Rate Study's financial plan and future expenses were projected through application of inflation factors to the budgeted expenses to complete a five-year plan. In addition, the Water Rate Study uses several assumptions to determine the District's revenue needs for FY 2025-26 through FY 2029-30, including growth rates in customer accounts and interest earnings on fund reserves. The Water Rate Study includes a detailed list of capital improvement projects for each year of the study period in Table 12 as well as an analysis of how the annual amount for capital replacement for supplemental water facilities was established. Miscellaneous non-rate revenues are taken into consideration, including penalties/late fees, meter connection fees, water turn on fees, and plan check and inspection fees. The Water Rate Study takes into account all of the District's combined water related funds to evaluate the sufficiency of revenues generated by the current water rates and documents that annual revenue increases of 13.8% are necessary for the next three years and that the current rates do not generate sufficient revenues to meet the District's projected

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revenue needs. The City's rate consultant used methodologies from the American Water Works Association (AWWA) to determine the District's costs of service and to design the water rates. AWWA is an industry trade organization that has established industrywide ratemaking principles and standards for cost of service studies that have been accepted by California courts. The District recognizes that the cost increases are significant. However, as documented in the Water Rate Study, the proposed water rates all comply with Proposition 218's requirement that the rate revenues must not exceed the funds required by the District to provide water service.

Objection 3

1. Comment/Question: The structure of the proposed rates appear inequitable. Customers who use less water face a significantly higher percentage increase than those who use more. This approach discourages conservation and unfairly penalizes responsible water users. Instead, the rate structure should be designed to incentivize lower usage and hold higher users more accountable. I strongly urge the Board to consider implementing a more balanced and just tiered system that reflects this principle.

Another person submitted a letter which commented that the District does not offer any relief to those who do not waste water.

Response:

The District had a "tiered" water rate structure several years ago, before the current rate structure was in effect. Certain customers of the District complained that it was causing a hardship for those customers using water in the upper tiers. Additionally, there has been some litigation surrounding whether or not a tiered rate structure to encourage conservation can be implemented legally. One case, *Capistrano Taxpayers Association v. City of San Juan Capistrano* (2015) 235 Cal.App.4th 1493, held that the city's tiered water rates had to be justified based on the incremental costs of providing service to each tier. The District chose to eliminate the tiered rate structure because it would have resulted in some customers paying more than the actual cost of water. Rates cannot be used to penalize certain users. The proposed water rate structure is the same as the structure currently used by the District, except that variable rates are proposed to consist of separate rates for current District customers and customers that are annexed into the District as of November of 2024. The comment refers to the different percentage rate increase for different categories of water users, which is to be expected since rates are proportional, as required by law.

Article XIII D, Section 6 of the California Constitution provides that the amount of any fee imposed on any parcel or person as an incident of property ownership shall not exceed the cost

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of the service attributable to the parcel. The Water Rate Study demonstrates that the rates are proportional. When the District eliminated the tiered rate structure, it implemented a uniform variable (volume) rate structure whereby all water consumed is charged at the same rate. However, due to the annexation of the Dana Reserve project to the District, the Water Rate Study now includes differential variable rates for existing District customers, and higher rates for customers that annex to the District after November of 2024. The differential rates reflect that water supplied to annexation customers must be entirely from supplemental water which is more expensive than the blend of supplemental water and groundwater supplied to existing customers and ensures that the water rates are proportional as required by Proposition 218. In addition to the variable rates, there is a fixed charge based on the meter size installed at the customer's premises which is applicable to all customers. The fixed charge will initially generate about 26% of the rate revenues and will increase to about 35% in FY 2027-28. As described in the Water Rate Study, the allocation of system costs to cost components is based on the operating characteristics and design of the system facilities and considers the average quantity of water consumed as well as the peak rate at which water is consumed. The system is designed to serve average and peak demands, and the costs that are related to serving average and peak demands are allocated in a manner such that they may be recovered appropriately. The cost of service allocations described in the Water Rate Study provide the basis for the water rate design, which ensures that each customer class reasonably pays its fair share of costs. See also the response to comment 1 of Objection no. 4.

2. Question/Comment:

I question the timing and necessity of this increase, especially in light of the 2022 water study which projected that water costs would likely decrease by 30% following the approval of the Dana Reserve development. If that projection still holds, it raises serious concerns about the justification for a significant rate hike at this time.

Several other people also submitted letters which commented that, after the District conducted several studies, a statement was made that with additional projects and developments planned in Nipomo, water rates would actually go down.

Response:

As discussed in the response to Objection no. 1, prior studies assumed that customers in the Dana Reserve development would begin to connect to the District's water system in FY 2025-26. However, connections have been delayed and the Water Rate Study assumes that customers in the development will begin to connect to the system starting July 1, 2027. Table 4

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in the Water Rate Study shows the rate at which Dana Reserve customers are anticipated to connect to the system, and full buildout is not anticipated to occur until FY 2029-30. It is only after full buildout that water rates are anticipated to decrease because of the larger customer base.

Objection 4

1. Comment/Question:

Insufficient Notice and Clarity under Proposition 218: The notice fails to provide a clear, itemized explanation of the cost basis for the proposed increases. The District has not provided detailed per-unit cost justifications, nor separated the costs attributable to annexed parcels versus in-district users as required by Article XIII D, Section 6(b)(1).

Response:

Proposition 218 requires the notice of a public hearing regarding a proposed increase to a property-related fee to include the amount of the fee proposed to be imposed on the parcels subject to the fee, the basis upon which the amount of the proposed fee was calculated, the reason for the proposed fee and the date, time and location of a public hearing on the proposed fee. The District's notice includes all of these elements and complies with Proposition 218.

With respect to the objection regarding cost justifications, Article XIII D, Section 6(b)(1) provides that revenues derived from a property-related fee shall not exceed the funds required to provide the property-related service. As indicated in the response to objection no. 2, the Water Rate Study documents that the rate revenues will not exceed the funds required by the District to provide water service. No evidence to the contrary has been provided. To elaborate, the costs of providing service and the allocation of those costs to cost component follows AWWA methodology and begins with Appendix A-1 of the Water Rate Study for FY 2025-26. The costs for each future year were allocated in a similar manner as stated in the last sentence on page 19 of the Water Rate Study. The costs for each year are summarized in Table 14 on page 19. The costs in Table 14 are included partially or wholly in the fixed charges or variable charges as shown in Tables 15, 16, 19, and 20 of the Water Rate Study. Fixed charges are designed by meter size as shown in Table 16. Variable rates are designed separately for existing District customers and for customers annexed to the District as shown in Tables 19 and 20, respectively.

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2. Comment/Question:

Disproportionate Rate Structure: The proposed 'Annex Variable Rate' introduces a discriminatory and non-uniform rate scheme that appears to exceed the actual proportional cost of service in violation of Article XIII D, Section (b)(3).

Response:

As set forth in the response to objection no. 3, the differential rates for the variable (volume) rates reflect that Board policy requires that the water supply for annexed customers must be entirely from supplemental water which is more expensive than the blend of supplemental water and groundwater supplied to existing customers and ensures that the water rates are proportional as required by Proposition 218. It should also be noted that the variable rates for existing District customers (District Rate) is uniform for all existing District customers and that the variable rates for customers annexed to the District (Annex Rate) is uniform for all annexed customers.

3. Comment/Question:

Undefined Pass Through Authority: The proposed 'pass-through' clause referencing Government Code Section 53756 grants the District open-ended authority to impose future rate increases without additional notice or hearing. The delegation of the rate adjustment authority is overbroad and contrary to the notice and approval protection under Proposition 218.

Response:

The automatic pass-through for increases in wholesale charges for water is allowed under Government Code Section 53756, which is a provision of the Proposition 218 Omnibus Implementation Act, and is not contrary to Proposition 218. The pass-through adjustment is specifically tied to any additional increases in the Santa Maria Tier 1 rate charged to the District for supplemental water beyond the rates contemplated in the Water Rate Study. The term of the pass-through adjustment (five years) is not open-ended and is authorized by Section 53756 and is specifically stated in the notice.

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4. Comment/Question:

Inadequate Financial Documentation: The notice does not summarize the findings of the Water Rate Study, nor provide sufficient access to underlying data for ratepayers to meaningfully evaluate or contest the financial assumptions prior to the protest deadline.

Another person also submitted a letter commenting that the rate-setting methodology and the justification for the increases were not clearly explained in the public notice.

Response:

As set forth in comment no. 1, above, the notice complies with Proposition 218. Further, the notice includes a summary of certain information in the Water Rate Study and states how to obtain additional information, how to review the Water Rate Study, and how to contact the District if someone has questions or seeks further information about the proposed water rates.

5. Comment/Question:

Procedural Conflict with Written Objection Deadline: The requirement to submit substantive 'Written Objections' by December 1, 2025 -- nine days prior to the formal Public Hearing on December 10, 2025-- imposes an unreasonable administrative exhaustion barrier inconsistent with the due process intent of Proposition 218. The bifurcation between the 'Written Objection' and the 'Written Protest' deadlines is confusing, potentially disenfranchising affected ratepayers.

Response:

The deadline established for the submittal of written objections (December 1, 2025) in order to exhaust administrative remedies complies with the exhaustion of administrative remedies procedure established by Government Code Section 53759.1, and does not impose an unreasonable barrier for exhausting administrative remedies or deny anyone due process. Information regarding how to submit written objections and the deadline for the submittal of written objections was included in the notice of the public hearing on the proposed water rates and was mailed to property owners and water customers not less than 45 days prior to the December 1st deadline in compliance with Section 53759.1. The notice of public hearing also clearly explains how to protest the proposed water rates, indicates that written protests may be submitted prior to the close of the public hearing, which is scheduled to occur on December 10, 2025, explains how written protests will be counted in determining whether there is a majority protest against the proposed water rates, and explains the effect of a majority protest. The notice also explains that a written objection that complies with the requirements for a written protest will be counted as a written protest in determining whether a majority protest exists.

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While the District maintains that the notice is clear, it also notes that the notice includes information on how to contact the District if someone has questions.

Objection 5

1. Comment/Question:

Private fire protection requirements will see a 57% increase in their charges, in addition to their water usage but 'Private Fire Protection' is undefined.

Response:

"Fire Service" is defined in Section 1.04.020 of the District Code. As explained in the Water Rate Study, private fire protection costs are recovered from those customers that receive the direct private fire protection benefit. Private fire protection is a fire protection service provided to commercial buildings (and possibly other large buildings like schools, etc.) where a water line is connected from a water main that goes directly into the building for the purpose of fire suppression. It is a service that is not available publicly to any other customer and may or may not be metered (detector check valve). It is not a residential service, and residential customers do not pay for it. Fire protection for residential customers is available through the public fire hydrants in the streets or through the larger 1-inch meter serving newer homes that provide additional capacity for fire suppression.

2. Comment/Question:

The notice does not address the increase in water usage rate for businesses.

Response:

As set forth in the response to comment no. 1 of objection no. 4, the notice of the public hearing on the proposed water rates complies with Proposition 218. It should also be noted that the notice does address proposed water rates for businesses. The water rates consist of fixed and variable charges. The fixed charges consist of monthly charges by meter size and are applicable to all customers. Variable charges include a uniform rate charged separately to existing District customers and to customers annexed to the District. The notice sets forth the proposed rates for the fixed charges and variable charges. The notice is not required to describe customer bill impacts. However, because Table 4 of the Water Rate Study shows that about 85% of the District customers are single-family residents, the District included in the notice information regarding the impacts of the proposed rate increases on the bills for single-family residential customers. The Water Rate Study details water rates for businesses.

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2025-1750**

**RESOLUTION RESPONDING TO TIMELY FILED WRITTEN
OBJECTIONS TO THE PROPOSED WATER RATES AND
INCREASING DISTRICT WATER RATES AND
ESTABLISHING SEPARATE VARIABLE WATER RATES FOR
CUSTOMERS THAT ANNEX INTO THE DISTRICT
AS OF NOVEMBER OF 2024**

EXHIBIT A

Objection 6

1. Comment/Question:

If you look at your own tables for a usage rate of 12 HCF, you want to increase water rates by 9%, 30%, and 49% which does not add up.

Response:

Table ES-2 and Table 22 of the Water Rate Study show that an in-District customer (i.e., an existing customer) with a 1-inch or smaller meter size using 12 HCF will experience an increase in their water bill of 9.3% the first year.

For the second year, an in-District customer with a 1-inch or smaller meter size meter using 12 HCF will experience an increase in their water bill of 19.3% (\$30.23/\$156.31).

$[(\$65.70 + 12 * \$10.07) = \$186.54 - \$156.31 = \$30.23]$.

For the third year, an in-District customer with a 1-inch or smaller meter size using 12 HCF will experience an increase in their water bill of 13.8% [\$25.91/\$186.54].

$[(\$81.17 + 12 * \$10.94) = \$212.45 - \$186.54 = \$25.91]$.

As set forth in the Water Rate Study, 13.8% annual revenue increases are necessary for the next three years to meet the District's projected revenue requirements for providing water service. The percentage rate increases are not linear across-the-board increases to the current water rates because of the differences in the level of water consumed and the costs recovered in different sizes of the water meter. Not every customer uses the same amount of water each month even though they are in the same class of customers (e.g., single family residential). Tables ES-2 and Table 22 of the Water Rate Study show that a SFR customer's percentage increase in their bill depends on how much water they consume each month, and the increase is not across-the-board. The proposed variable rates (volume charges per one hundred cubic feet (HCF) of water consumed) consist of separate uniform rates for existing District customers (in-District customers) and annexed customers. The District's financial records are audited, and a public report is presented each fiscal year. Prior year's audited financial statements are available on the District's website.

As demonstrated in the Water Rate Study and the foregoing responses, the District complied with the procedures in subdivision (a) of Section 6 of Article XIII D for increasing the water rates

**NIPOMO COMMUNITY SERVICES DISTRICT
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AS OF NOVEMBER OF 2024**

EXHIBIT A

and the proposed water rates comply with the substantive requirements in subdivision (b) of Section 6 or Article XIII D, including that the revenues derived from the proposed water rates will not exceed the funds required to provide water service and the amount of the charge imposed upon any parcel or person as an incident of property ownership will not exceed the proportional cost of water service attributable to the parcel. Accordingly, the Board of Directors of the District determines that the written objections and the District's responses set forth above do not warrant any clarification to the proposed water rates, the rates do not need to be reduced or modified, further review is not required before making the foregoing determinations, and there is no need to delay the public hearing on the proposed rates.

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2025-1750**

**RESOLUTION RESPONDING TO TIMELY FILED WRITTEN
OBJECTIONS TO THE PROPOSED WATER RATES AND
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CUSTOMERS THAT ANNEX INTO THE DISTRICT
AS OF NOVEMBER OF 2024**

EXHIBIT "B"

MONTHLY USER FEES (WATER)

	Current Rate	February 1, 2026	January 1, 2027	January 1, 2028
Meter Size	Fixed Charge (\$ per month)			
5/8 thru 1 inch	\$41.56	\$47.23	\$65.70	\$81.17
1-1/2 inch	\$57.19	\$64.48	\$89.73	\$111.02
2 inch	\$79.45	\$89.95	\$125.17	\$155.01
3 inch	\$167.87	\$197.40	\$274.70	\$340.35
4 inch	\$232.94	\$271.48	\$377.82	\$468.35
6 inch	\$459.73	\$523.83	\$729.15	\$904.67
8 inch	\$718.92	\$812.23	\$1,130.67	\$1,403.32
	Variable Charge (\$ per HCF)			
District Rate (\$/HCF)	\$8.45	\$9.09	\$10.07	\$10.94
Annex Rate (\$/HCF)	n/a	\$10.46	\$11.54	\$12.41



State of California - Department of Fish and Wildlife
**2025 ENVIRONMENTAL DOCUMENT FILING FEE
CASH RECEIPT**
DFW 753.5a (REV. 01/01/25) Previously DFG 753.5a

RECEIPT NUMBER:
40-12162025-266
STATE CLEARINGHOUSE NUMBER (If applicable)

SEE INSTRUCTIONS ON REVERSE. TYPE OR PRINT CLEARLY.

LEAD AGENCY SAN LUIS OBISPO COUNTY	LEAD AGENCY EMAIL rdienzo@ncsd.ca.gov	DATE 12/16/2025
COUNTY/STATE AGENCY OF FILING COUNTY OF SAN LUIS OBISPO		DOCUMENT NUMBER

PROJECT TITLE
RESOLUTION TO INCREASE WATER RATES AND ESTABLISHING SEPARATE VARIABLE ANNEXATION RATES

PROJECT APPLICANT NAME NIPOMO COMMUNITY SERVICES DISTRICT	PROJECT APPLICANT EMAIL rdienzo@ncsd.ca.gov	PHONE NUMBER (805) 929-1133
PROJECT APPLICANT ADDRESS P.O. BOX 326	CITY NIPOMO	STATE CA
		ZIP CODE 93444

PROJECT APPLICANT (Check appropriate box)

☒ Local Public Agency ☐ School District ☐ Other Special District ☐ State Agency ☐ Private Entity

CHECK APPLICABLE FEES:

☐ Environmental Impact Report (EIR)	\$4,123.50	\$	
☐ Mitigated/Negative Declaration (MND)(ND)	\$2,968.75	\$	
☐ Certified Regulatory Program (CRP) document - payment due directly to CDFW	\$1,401.75	\$	

☒ Exempt from fee
 ☒ Notice of Exemption (attach)
 ☐ CDFW No Effect Determination (attach)
☐ Fee previously paid (attach previously issued cash receipt copy)

☐ Water Right Application or Petition Fee (State Water Resources Control Board only)	\$850.00	\$	
☒ County documentary handling fee		\$	\$81.00
☐ Other		\$	

PAYMENT METHOD:

☐ Cash ☒ Credit ☐ Check ☐ Other

TOTAL RECEIVED \$ \$81.00

SIGNATURE

x Melissa Katz

AGENCY OF FILING PRINTED NAME AND TITLE

Melissa Katz, Deputy County Clerk-Recorder

Filed in County Clerk's Office
Elaina Cano
San Luis Obispo - County Clerk-Recorder

40-12162025-266

12/16/2025
FISH
Pages: 20
Fee: \$ 81.00

By mkatz, Deputy





NOTICE OF EXEMPTION

NIPOMO COMMUNITY SERVICES DISTRICT
P.O. BOX 326, NIPOMO, CA 93444-0326
805-929-1133



PROJECT TITLE: Resolution to Increase Water Rates and establishing separate variable annexation rates

Project Location (Specific address): 148 S. Wilson Street Nipomo, CA 93444	Project Applicant & Phone No.: Nipomo Community Services District 805-929-1133
Project Location (County): San Luis Obispo	Applicant Address (specific): P.O. Box 326 Nipomo, CA 93444

Description of Nature, Purpose and Beneficiaries of Project

On September 24, 2025 the Board of Directors of the Nipomo Community Services District ("District") approved the Water Rate Study and initiated the Proposition 218 public notice and hearing process to adopt increased water rates for all customers receiving water service from the District. A Public Hearing was duly noticed and held on December 10, 2025, and the Board of Directors determined that a Majority Protest did not exist under Proposition 218. Article XIII D of the California Constitution, and the Proposition 218 Omnibus Implementation Act, Government Code § 53750, et seq. The Board of Directors adopted the Resolution No. 2025-1750, approving the resolution to increase water rates and establish a separate variable water rate for customers that annex into the District as of November 2024 at its December 10, 2025 Regular meeting, and the new water rates will go into effect February 1, 2026. No new physical change to the environment not previously evaluated under CEQA is included as a part of this project.

NAME OF PUBLIC AGENCY APPROVING PROJECT: Nipomo Community Services District

Exempt Status: (Check One)

- ☐ Ministerial {Sec. 21080(b)(1); 15268}
- ☐ Declared Emergency {Sec. 21080(b)(3); 15269(a)}
- ☐ Emergency Project {Sec. 21080(b)(4); 15269(b)(c)}
- ☐ Categorical Exemption {Sec. 15303 and 15319}
- ☒ Statutory Exemption {PRC Sec. 21080(b)(8); CEQA Guidelines Sec. 15273}

Reason why project is exempt: Adoption of Resolution No. 2025-1750, approving the resolution to increase water rates and establish separate variable water rate for customers that annex into the District as of November 2024, is exempt from California Environmental Quality Act ("CEQA") review pursuant to Public Resources Code §21080(b)(8) and CEQA Guidelines Sections §15273 because it establishes rates and charges for the purpose of meeting operating expenses and financial reserve needs and requirements, and providing funds for capital projects necessary to maintain service within existing services areas. No physical change to the environment is proposed or approved by this action.

Ray Dienzo, General Manager
Lead Agency Contact Person

805-929-1133
Telephone

If filed by applicant:

1. Attach certified document of exemption finding
2. Has a notice of exemption been filed by the public agency approving the project? (Circle)
YES ☒ NO ☐ N/A

Signature Raymond Dienzo Date 12/12/2025

Name (Print) Raymond Dienzo Title General Manager