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Nipomo Community Services District

**WATER AND SEWER FINANCIAL PLANS,  
USER RATES, AND CAPACITY CHARGES**

**FINAL REPORT**

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**May 25, 2005**



**THE REED GROUP, INC.**

**TABLE OF CONTENTS**

<b>I.</b>	<b>EXECUTIVE SUMMARY.....</b>	<b>1</b>
	<b>Introduction</b>	<b>1</b>
	<b>Financial Plans</b>	<b>2</b>
	Town Division – Water System	2
	Town Division – Sewer System	3
	Blacklake Division – Water System	3
	Blacklake Division – Sewer System	4
	<b>Proposed Water and Sewer Rates</b>	<b>4</b>
	Proposed Water Rates	4
	Proposed Sewer Rates	6
	Rate Comparisons and Customer Bills Impacts of Proposed Rates	7
	<b>Proposed Capacity Charges</b>	<b>9</b>
<b>II.</b>	<b>FIVE-YEAR FINANCIAL PLANS .....</b>	<b>11</b>
	<b>Fund and Reserve Structures and Cash Flows</b>	<b>11</b>
	<b>Financial Plan Assumptions</b>	<b>13</b>
	Basic Assumptions	13
	Water Supplies	15
	Capital Improvement Program	17
	Supplemental Water Development Costs	17
	<b>Financial Plan Findings and Conclusions</b>	<b>19</b>
	Town Division – Water System	19
	Town Division – Sewer System	21
	Blacklake Division – Water System	23
	Blacklake Division – Sewer System	25
<b>III.</b>	<b>WATER RATES.....</b>	<b>27</b>
	<b>Current Water Rates</b>	<b>27</b>
	<b>Current Customer Accounts and Water Use Data</b>	<b>27</b>
	<b>Water Rate Calculations</b>	<b>30</b>
	Annual Water Rate Revenue Requirement	30
	Cost of Service Analysis	30
	Water Rate Structure Design	32
	<b>Proposed Water Rates Schedules</b>	<b>35</b>
	Bill Impacts for Typical Single Family Customers	36
<b>IV.</b>	<b>SEWER RATES.....</b>	<b>37</b>
	<b>Current Sewer Rates</b>	<b>37</b>

<b>Current Customer Account Data</b>	<b>37</b>
<b>Sewer Rate Calculations</b>	<b>38</b>
Annual Sewer Rate Revenue Requirement	39
Cost of Service Analysis	39
Sewer Rate Structure Design	46
<b>Proposed Sewer Rates Schedules</b>	<b>48</b>
Bill Impacts for Typical Single Family Customers	48
<b>V.    CAPACITY CHARGES .....</b>	<b>50</b>
<b>Current Capacity Charges</b>	<b>50</b>
<b>Legal Requirements for Capacity Charges</b>	<b>50</b>
<b>Water and Sewer Buy-In Capacity Charge Calculations</b>	<b>52</b>
Fixed Asset Records	52
Escalation and Depreciation	54
Capital Fund Balances	54
Debt Service Adjustments	54
Existing Customers (Equivalent Meters)	55
Proposed Water and Sewer Buy-In Capacity Charges	55
<b>Supplemental Water Capacity Charge Calculations</b>	<b>55</b>
Water Supply Component	57
Transmission Pipeline Component	57
<b>Summary of Proposed Capacity Charges</b>	<b>57</b>
<b>Accounting for Capacity Charge Revenues and Expenditures</b>	<b>58</b>
Capacity Charge Updates	59
<b>APPENDIX A – FINANCIAL PLAN EXHIBITS .....</b>	<b>61</b>
<b>APPENDIX B – SEWER USER STRENGTH CLASSIFICATIONS.....</b>	<b>70</b>

## I. Executive Summary

### Introduction

In the fall of 2004 the Nipomo Community Services District retained The Reed Group, Inc. to prepare financial plans and water and sewer rate recommendations for the District's Town and Blacklake Divisions. The study included a series of five public workshops held with the District's Board of Directors to review and discuss the current financial situations, future needs, current and alternative rate structures, and other issues. Public workshops were held on:

- October 22, 2004
- December 10, 2004
- February 18, 2005
- March 23, 2005
- April 13, 2005

In addition, on May 5, 2005, following a mailed notice of proposed rate increases, the District conducted community meetings in both Blacklake and the Town divisions to explain each utility's financial situation and the basis for the proposed rates. The Blacklake meeting was held at the Blacklake clubhouse and attended by about 70 customers. While concerned about the magnitude of proposed rate increases, most attendees appreciated the information and explanations provided, and some acknowledged the equity improvements of rate structure changes. The community meeting on proposed rates for the Town division was held at the District's administrative office, and was attended by only one customer.

The District is committed to securing supplemental water to mitigate the impacts groundwater usage has on the underlying groundwater basin. In September 2004, the District signed a Memorandum of Understanding (MOU) with the City of Santa Maria to acquire up to 3,000 acre-feet (AF) of water per year. In order to use water from the City of Santa Maria the District will need to construct transmission facilities to convey water to the District's service area. As the District has proceeded with planning for and implementing its supplemental water supply strategy, issues involving new development and capacity charges entered into financial discussions. As a result, in January 2005, the financial planning and rate study was expanded to also include updating existing capacity charges and developing a new supplemental water capacity charge.

While the implementation of supplemental water will increase the cost of providing water service in both the Town and Blacklake Divisions, the proposed financial strategy should mitigate the financial impacts by helping to ensure that appropriate costs of supplemental water are included in capacity charges paid by new development.

In addition to ensuring that each of the four utilities studied is covering appropriate operating costs and capital program needs, the financial analysis also addressed the need to maintain prudent financial reserves. Finally, the study also includes proposed changes to the water and sewer rate structures intended to improve equity, reflect the cost of service to each customer, encourage water conservation, and protect the affordability of basic service.

The remainder of this Executive Summary presents primary findings and recommendations related to the four financial plans, water and sewer rates for both the Town and Blacklake Divisions, and water and sewer capacity charges, including a proposed new supplemental water capacity charge. Section II provides details on the financial plans. Section III presents water rate calculations. Section IV presents sewer rate calculations. Finally, Section V presents capacity charge calculations.

**Financial Plans**

Financial plans were developed to cover a five-year planning period from FY 05-06 through FY 09-10. The financial plans include estimated operating and maintenance costs and capital program needs. Both the water and sewer utilities of both the Town and Blacklake Divisions are operated as separate and independent utility systems, each with their own financial resources and obligations.

Financial plan models are intended to serve as planning and management tools to assist the District in evaluating the current and future needs of each utility. Underlying assumptions, financial objectives, and the proposed financial strategies are described in Section II of this report. Significant findings and recommendations resulting from the financial planning efforts are presented below for each utility.

The financial plan models were used to identify annual water/sewer rate revenue requirements for each year of the planning period. The revenue requirement is the amount needed to cover operating costs and capital program needs with consideration of other revenues and financial reserves. Annual rate increases are proposed for all four utilities. The average overall annual rate increase for each utility is summarized below. Specific recommendations regarding rate structures and rate schedules are presented later in the Executive Summary and in Sections III and IV of this report.

	<u>Town Division</u>		<u>Blacklake Division</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
FY 05-06	10%	4%	25%	4%
FY 06-07	10%	4%	20%	4%
FY 07-08	12%	4%	22%	4%
FY 08-09	10%	4%	18%	4%
FY 09-10	8%	4%	18%	4%

**Town Division – Water System**

Primary findings regarding the Town Division’s water system include:

- Budgeted expenditures and capital program transfers exceed current revenues, which results in a declining Operating Fund balance.
- The beginning-of-year (FY 04-05) Operating Fund balance was about \$100,000, with a target Operating Reserve of \$677,000.
- The Water Capital Replacement Fund has adequate cash for planned replacement and upgrade projects for the five-year planning period.

- The cost of supplemental water will increase operating costs and water rates when it becomes available in FY 07-08.

The proposed financial strategy for the Town Division's water system includes:

- Reduce the annual transfer to the Water Capital Replacement Fund to 50 percent of depreciation in FY 04-05 and to 25 percent for FY 05-06 through FY 09-10 to allow for more gradual rate increases.
- Increase water rates annually to cover current and future operating costs and to re-establish a prudent Operating Reserve equal to 50 percent of annual operating costs by the end of the five-year planning period.

Town Division – Sewer System

Primary findings regarding the Town Division's sewer system include:

- Budgeted expenditures and capital program transfers exceed current revenues, which results in a declining Operating Fund balance.
- The beginning-of-year (FY 04-05) Operating Fund balance was about \$665,000, with a target Operating Reserve of \$126,000.
- A Sewer Capital Replacement Fund nearly has adequate cash for planned replacement and upgrade projects for the five-year planning period.

The proposed financial strategy for the Town Division's sewer system includes:

- Temporarily reduce the annual transfer to the Sewer Capital Replacement Fund to 75 percent of depreciation in FY 05-06 and FY 06-07 to allow for more gradual rate increases.
- Increase sewer rates annually to cover current and future operating costs and reduce cash balances in the Operating Fund to a level near the prudent Operating Reserve equal to 25 percent of annual operating costs by the end of the five-year planning period.

Blacklake Division – Water System

Primary findings regarding the Blacklake Division's water system include:

- Budgeted expenditures and capital program transfers exceed current revenues, which results in a declining Operating Fund balance.
- The beginning of year (FY 04-05) Operating Fund balance was about \$40,000, with a target Operating Reserve of \$144,000.
- The Water Capital Replacement Fund has adequate cash for all planned replacement and upgrade projects for the five-year planning period.
- The Operating Fund is expected to have a negative cash balance at the end of FY 04-05 unless a transfer is made from the Water Capital Replacement Fund into the Operating Fund.

- The cost of supplemental water will increase operating costs and water rates when it becomes available in FY 07-08.

The proposed financial strategy for the Blacklake Division's water system includes:

- Reverse the annual transfer between the Operating Fund and Water Capital Replacement Fund by transferring \$50,000 into the Operating Fund in FY 04-05.
- Eliminate transfers into the Water Capital Replacement Fund from FY 05-06 through FY 09-10, until an adequate Operating Reserve can be established to allow for more gradual rate increases.
- Increase water rates annually to cover current and future operating costs and to re-establish a prudent Operating Reserve equal to 50 percent of annual operating costs by the end of the five-year planning period.

#### Blacklake Division – Sewer System

Primary findings regarding the Blacklake Division's sewer system include:

- Current revenues slightly exceed budgeted expenditures and capital program transfers, which results in an increasing Operating Fund balance.
- The beginning-of-year (FY 04-05) Operating Fund balance was about \$10,000, with a target Operating Reserve of \$43,000.
- A Sewer Capital Replacement Fund nearly has adequate cash for planned replacement and upgrade projects for the five-year planning period.

The proposed financial strategy for the Blacklake Division's sewer system includes:

- Maintain planned transfers to the Sewer Capital Replacement Fund to provide funds for planned and future capital replacement and upgrade projects.
- Increase sewer rates annually to cover current and future operating costs and to re-establish a prudent Operating Reserve equal to 25 percent of annual operating costs by the end of the five-year planning period.

### Proposed Water and Sewer Rates

#### Proposed Water Rates

Current and proposed future water rate schedules covering the five-year planning period are presented in **Exhibit I-1** for both the Town and Blacklake Divisions. Proposed rates are intended to generate the revenues reflected in financial plan analyses. In addition, it is recommended that the water rate structures be changed as follows:

- Maintain the bi-monthly litigation charges at current levels to help offset the costs associated with groundwater litigation and related groundwater management activities.
- Adjust bi-monthly service charges to reflect cost of service analyses and the potential demands that may be placed on the water systems by various customers.

Exhibit I-1  
Nipomo Community Services District  
Current and Proposed Water Rates

	Current (1)	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Town Division</b>						
<i>Bi-Monthly Service Charges</i>						
Up to 1"	\$ 14.72	\$ 16.76	\$ 18.43	\$ 20.64	\$ 22.71	\$ 24.52
1 1/2"	\$ 33.66	\$ 47.56	\$ 52.32	\$ 58.60	\$ 64.46	\$ 69.61
2"	\$ 46.76	\$ 75.33	\$ 82.86	\$ 92.81	\$ 102.09	\$ 110.25
3"	\$ 65.50	\$ 140.17	\$ 154.18	\$ 172.68	\$ 189.95	\$ 205.15
4"	\$ 85.00	\$ 232.77	\$ 256.05	\$ 286.77	\$ 315.45	\$ 340.68
6"	\$ 140.08	\$ 464.07	\$ 510.48	\$ 571.73	\$ 628.91	\$ 679.22
8"	\$ 160.00	\$ 741.74	\$ 815.92	\$ 913.83	\$ 1,005.21	\$ 1,085.63
<i>Commodity Rates (\$/HCF)</i>						
Residential						
Tier 1 (0-40 HCF)	\$ 1.07	\$ 1.12	\$ 1.23	\$ 1.38	\$ 1.52	\$ 1.64
Tier 2 (>40 HCF)	\$ 1.64	\$ 1.91	\$ 2.10	\$ 2.35	\$ 2.59	\$ 2.80
Non-Residential						
All Water Use	\$	\$ 1.41	\$ 1.55	\$ 1.74	\$ 1.91	\$ 2.06
<b>Blacklake Division</b>						
<i>Bi-Monthly Service Charges</i>						
Up to 1"	\$ 11.54	\$ 15.09	\$ 18.10	\$ 22.08	\$ 26.06	\$ 30.75
1 1/2"	\$ 21.94	\$ 41.73	\$ 50.07	\$ 61.09	\$ 72.08	\$ 85.06
2"	\$ 30.90	\$ 65.74	\$ 78.89	\$ 96.24	\$ 113.57	\$ 134.01
3"	\$ 44.68	\$ 121.81	\$ 146.17	\$ 178.33	\$ 210.43	\$ 248.31
4"	\$ 72.90	\$ 201.90	\$ 242.28	\$ 295.58	\$ 348.78	\$ 411.56
6"	\$ 121.92	\$ 401.93	\$ 482.32	\$ 588.42	\$ 694.34	\$ 819.32
8"	\$	\$ 642.06	\$ 770.48	\$ 939.98	\$ 1,109.18	\$ 1,308.83
<i>Commodity Rates (\$/HCF)</i>						
Residential						
Tier 1 (0-40 HCF)	\$ 0.75	\$ 0.97	\$ 1.16	\$ 1.42	\$ 1.68	\$ 1.98
Tier 2 (>40 HCF)	\$ 1.15	\$ 1.70	\$ 2.04	\$ 2.49	\$ 2.94	\$ 3.47
Non-Residential						
All Water Use	\$	\$ 1.18	\$ 1.42	\$ 1.73	\$ 2.04	\$ 2.41
<b>Bi-Monthly Litigation Charges (both Town and Blacklake Divisions)</b>						
Up to 1"	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.32
1 1/2"	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36
2"	\$ 19.92	\$ 19.92	\$ 19.92	\$ 19.92	\$ 19.92	\$ 19.92
3"	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92
4"	\$ 36.00	\$ 36.00	\$ 36.00	\$ 36.00	\$ 36.00	\$ 36.00
6"	\$ 59.58	\$ 59.58	\$ 59.58	\$ 59.58	\$ 59.58	\$ 59.58
8"	\$ 68.08	\$ 68.08	\$ 68.08	\$ 68.08	\$ 68.08	\$ 68.08

**Notes:**

(1) Current rates were previously approved to be effective January 1, 2005. Current tier rates apply to all customers.

- Maintain the two-tier commodity rate structure for single family customers, and adjust the commodity rates to reflect cost of service analyses and to provide additional incentive for water conservation.
- Simplify the commodity rates for multi-family and non-residential customers by replacing the two-tier rates with a uniform commodity rate determined based on cost of service.

Proposed Sewer Rates

Current and proposed future sewer rate schedules covering the five-year planning period are presented in **Exhibit I-2** for both the Town and Blacklake Divisions. Proposed rates are intended to generate the revenues reflected in financial plan analyses. In addition, it is recommended that the sewer rate structures be changed as follows:

**Exhibit I-2**  
**Nipomo Community Services District**  
**Current and Proposed Sewer Rates**

	Current (1)	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Town Division</b>						
<b>Residential Bi-Monthly Service Charges (\$/DU)</b>						
Single Family	\$ 37.22	\$ 41.60	\$ 43.27	\$ 45.00	\$ 46.80	\$ 48.67
Multi-Family	\$ 37.22	\$ 32.17	\$ 33.46	\$ 34.80	\$ 36.19	\$ 37.63
<b>Non-Residential Sewer Rates (2)</b>						
Bi-Monthly Service Charges						
Per DUE	\$ 37.22					
Up to 1"		\$ 16.08	\$ 16.72	\$ 17.39	\$ 18.09	\$ 18.81
1 1/2"		\$ 46.01	\$ 47.85	\$ 49.77	\$ 51.76	\$ 53.83
2"		\$ 72.99	\$ 75.91	\$ 78.95	\$ 82.11	\$ 85.39
3"		\$ 135.99	\$ 141.43	\$ 147.09	\$ 152.97	\$ 159.09
4"		\$ 225.97	\$ 235.01	\$ 244.41	\$ 254.19	\$ 264.36
6"		\$ 450.72	\$ 468.75	\$ 487.50	\$ 507.00	\$ 527.28
8"		\$ 720.53	\$ 749.35	\$ 779.32	\$ 810.49	\$ 842.91
Commodity Rate (\$/HCF)						
Low Strength		\$ 1.22	\$ 1.27	\$ 1.32	\$ 1.37	\$ 1.43
Medium Strength		\$ 1.35	\$ 1.40	\$ 1.46	\$ 1.52	\$ 1.58
High Strength		\$ 1.75	\$ 1.82	\$ 1.89	\$ 1.97	\$ 2.05
<b>Blacklake Division</b>						
<b>Residential Bi-Monthly Service Charges (\$/DU)</b>						
Single Family	\$ 63.66	\$ 71.70	\$ 74.56	\$ 77.55	\$ 80.65	\$ 83.87
Multi-Family	\$ 63.66	\$ 38.42	\$ 39.96	\$ 41.56	\$ 43.22	\$ 44.95
<b>Non-Residential Sewer Rates</b>						
Bi-Monthly Service Charges						
Per DUE	\$ 63.66					
Up to 1"		\$ 32.76	\$ 34.07	\$ 35.44	\$ 36.86	\$ 38.33
1 1/2"		\$ 94.24	\$ 98.01	\$ 101.93	\$ 106.01	\$ 110.25
2"		\$ 149.66	\$ 155.64	\$ 161.87	\$ 168.34	\$ 175.08
3"		\$ 279.05	\$ 290.21	\$ 301.82	\$ 313.89	\$ 326.45
4"		\$ 463.85	\$ 482.40	\$ 501.70	\$ 521.77	\$ 542.64
6"		\$ 925.45	\$ 962.46	\$ 1,000.96	\$ 1,041.00	\$ 1,082.64
8"		\$ 1,479.58	\$ 1,538.76	\$ 1,600.31	\$ 1,664.33	\$ 1,730.90
Commodity Rate (\$/HCF)						
Low Strength		\$ 1.38	\$ 1.44	\$ 1.49	\$ 1.55	\$ 1.61
Medium Strength		\$ 1.88	\$ 1.96	\$ 2.03	\$ 2.11	\$ 2.20
High Strength		\$ 3.00	\$ 3.12	\$ 3.24	\$ 3.37	\$ 3.51

**Notes:**

- (1) Current sewer rates include a fixed service charge for each dwelling unit or dwelling unit equivalent (DUE).
- (2) Proposed sewer rates for non-residential customers include a service charge based on the size of the water meter and a commodity charge based on sewer strength category and metered water usage.

- Maintain flat rates for both single and multi-family customers on a per-dwelling-unit basis. However, flat rates for multi-family customers should be lower than for single family due to the fact that water usage (and sewer flows) is lower for multi-family dwellings.
- Eliminate the dwelling unit equivalent (DUE) flat rates for non-residential customers and replace it with a bi-monthly service charge based on the size of the water meter and a uniform commodity rate applied to water usage. This proposed rate structure should provide additional incentive for non-residential customers to conserve water.
- Establish separate uniform commodity rates for low, medium, and high strength non-residential customers to more equitably charge based on strength characteristics, as well as water usage.

#### Rate Comparisons and Customer Bills Impacts of Proposed Rates

**Exhibit I-3** summarizes the proposed water and sewer rates for the Town and Blacklake Divisions relative to the current water and sewer rates of neighboring utilities. The bars depict the bi-monthly amounts that would be paid based on typical average water usage of single family customers within the Town Division, which is 32 HCF for a two-month period<sup>1</sup>.

The graphs in Exhibit I-3 indicate that proposed water rates for both the Town and Blacklake Divisions will remain among the lowest relative to other neighboring communities, even with the significant increases. The proposed sewer rates for the Town Division will also continue to be in the lower end of the range. Sewer rates for the Blacklake Division however, will be somewhat higher than the average amount paid regionally.

**Exhibit I-4** summarizes the bill impacts within the Town and Blacklake Divisions of various water and sewer customers. The affect of the proposed water and sewer rates on any individual customer will vary depending on the type of customer, meter size, and water usage. While most customers will have higher utility bills (since the rates in general are all increasing), some customers may see a reduction in their utility bills as rate structure changes improve the equity in billing among customers.

Multi-family customers, in particular, will experience lower sewer bills, and may see an overall decline in their total water/sewer bills. Changes to the sewer rates for non-residential customers may be the most significant. Non-residential sewer bills may be higher or lower under the proposed sewer rates. This is due to the inherent shortcomings of the current DUE-based flat sewer rates, which may bear little relation to actual demands placed on the sewer system. The proposed rates will be more equitable since sewer bills will be more directly related to actual sewer flow and strength characteristics.

Proposed rate increases for FY 06-07 through FY 09-10 are made without further rate structure changes. As a result, water and sewer bills are likely to increase by the same percentages for all customers of a utility. An exception may occur if customers make changes to their water usage in conjunction with rate structure changes.

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<sup>1</sup> 1 HCF = 100 cubic feet = 748 gallons.

**Exhibit I-3  
Nipomo Community Services District  
Comparison of Typical Single Family Utility Bills**

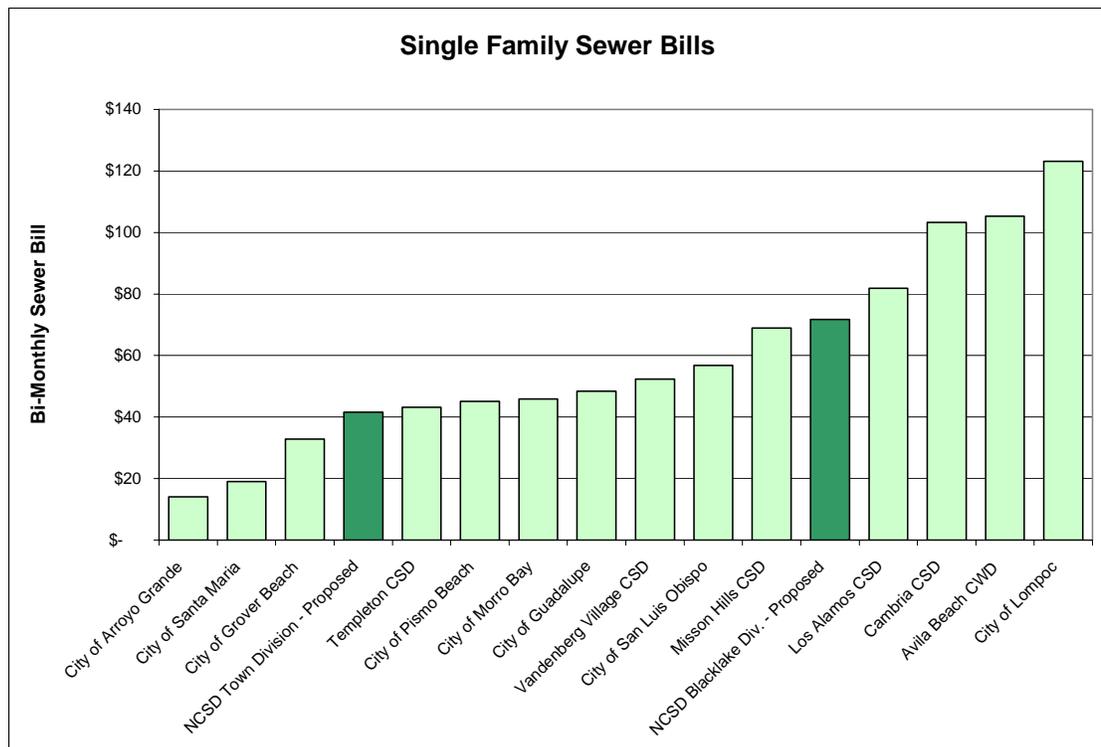
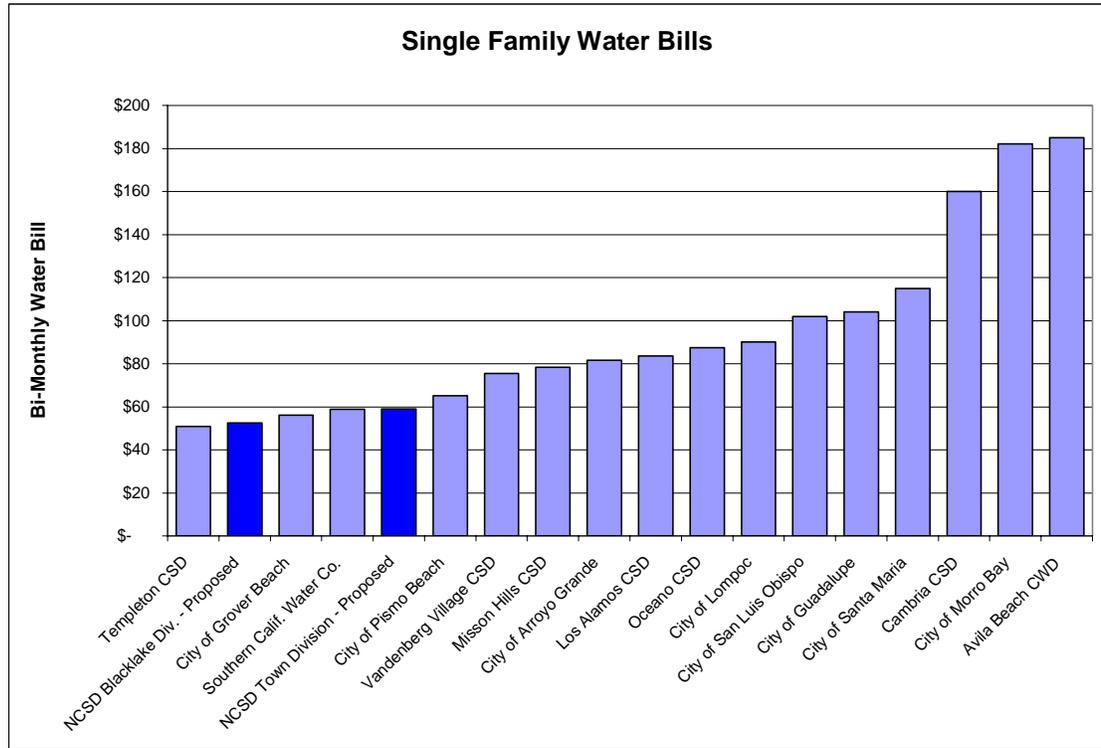


Exhibit I-4  
Nipomo Community Services District  
Water and Sewer Bills for Typical Customers

	Water Use (HCF)	Meter Size	DUEs	Current Rates			Proposed Rates (FY 05-06)			Change in Total Bill	
				Water Bill	Sewer Bill	Total Bill	Water Bill	Sewer Bill	Total Bill	\$s	%
<b>Town Division</b>											
Single Family											
Low Usage	19	5/8"	1	\$ 41.37	\$ 37.22	\$ 78.59	\$ 44.36	\$ 41.60	\$ 85.96	\$ 7.37	9%
Median Usage	32	5/8"	1	\$ 55.28	\$ 37.22	\$ 92.50	\$ 58.92	\$ 41.60	\$ 100.52	\$ 8.02	9%
High Usage	50	1"	1	\$ 80.24	\$ 37.22	\$ 117.46	\$ 86.98	\$ 41.60	\$ 128.58	\$ 11.12	9%
<b>Multi-Family</b>											
Duplex	48	5/8"	2	\$ 76.96	\$ 74.44	\$ 151.40	\$ 90.76	\$ 64.34	\$ 155.10	\$ 3.70	2%
6 Unit Apart.	235	1"	6	\$ 383.64	\$ 223.32	\$ 606.96	\$ 354.43	\$ 193.02	\$ 547.45	\$ (59.51)	-10%
60 Unit Apart.	480	3"	60	\$ 857.82	\$ 2,233.20	\$ 3,091.02	\$ 844.89	\$ 1,930.20	\$ 2,775.09	\$ (315.93)	-10%
<b>Non-Residential</b>											
Office (L)	72	1"	3	\$ 116.32	\$ 111.66	\$ 227.98	\$ 124.60	\$ 115.44	\$ 240.04	\$ 12.06	5%
Retail (L)	16	5/8"	2	\$ 38.16	\$ 74.44	\$ 112.60	\$ 45.64	\$ 38.16	\$ 83.80	\$ (28.80)	-26%
Mixed Use (M)	94	1 1/2"	4	\$ 179.38	\$ 148.88	\$ 328.26	\$ 194.46	\$ 222.73	\$ 417.19	\$ 88.93	27%
Restaurant (H)	260	1 1/2"	12	\$ 451.62	\$ 446.64	\$ 898.26	\$ 428.52	\$ 826.01	\$ 1,254.53	\$ 356.27	40%
Small Irrigation	60	1"	----	\$ 96.64	n/a	\$ 96.64	\$ 107.68	n/a	\$ 107.68	\$ 11.04	11%
Large Irrigation	600	2"	----	\$ 1,027.88	n/a	\$ 1,027.88	\$ 941.25	n/a	\$ 941.25	\$ (86.63)	-8%
<b>Blacklake Division</b>											
Single Family											
Low Usage	25	5/8"	1	\$ 36.61	\$ 63.66	\$ 100.27	\$ 45.66	\$ 71.70	\$ 117.35	\$ 17.08	17%
Median Usage	38	5/8"	1	\$ 46.36	\$ 63.66	\$ 110.02	\$ 58.27	\$ 71.70	\$ 129.96	\$ 19.94	18%
High Usage	60	1"	1	\$ 70.86	\$ 63.66	\$ 134.52	\$ 94.21	\$ 71.70	\$ 165.90	\$ 31.38	23%
<b>Multi-Family</b>											
Condomium	6	5/8"	1	\$ 22.36	\$ 63.66	\$ 86.02	\$ 28.49	\$ 38.42	\$ 66.91	\$ (19.11)	-22%
<b>Non-Residential</b>											
Restaurant/clubhouse (H)	120	2"	8	\$ 172.82	\$ 509.28	\$ 682.10	\$ 227.26	\$ 509.66	\$ 736.92	\$ 54.82	8%
Small Irrigation	60	1"	----	\$ 70.86	n/a	\$ 70.86	\$ 92.21	n/a	\$ 92.21	\$ 21.35	30%
Large Irrigation	600	2"	----	\$ 724.82	n/a	\$ 724.82	\$ 793.66	n/a	\$ 793.66	\$ 68.84	9%

Proposed Capacity Charges

Capacity charges are one-time fees paid for each new water or sewer service connection. Capacity charges are intended to reflect the estimated reasonable cost of providing capacity in the water and sewer systems, and are proportionate to the potential demand each new connection may place on the systems. Water and sewer capacity charges currently exist for the Town Division, but not for the Blacklake Division. Updated capacity charges for the Town Division's water and sewer systems are proposed herein and described in Section V of this report. In addition, a new supplemental water capacity charge is proposed. The supplemental water capacity charge would apply to all new water service connections in both the Town and Blacklake Divisions. If additional new development is planned and approved by the County for Blacklake, then it may be appropriate for the District to adopt capacity charges for the water and sewer systems there as well.

**Exhibit I-5** summarizes the current and proposed capacity charges. Water capacity charges are based on the size of the water meter. It is recommended that the sewer capacity charges also be imposed based on the size of the water meter. This would enable the District to avoid having to make subjective determinations of the number of DUEs represented by proposed new development. The meter size approach would be simpler to explain and administer.

The proposed water system capacity charges are lower than the current capacity charges. This is due, in part, to the exclusion of groundwater facilities in the charge calculation. The proposed financial strategy for supplemental water requires new development to pay for supply capacity using supplemental water. Therefore, it would be inappropriate to include groundwater facility costs in the buy-in charge.

The supplemental water capacity charge will represent a significant increase in costs for new water service. However, as described in greater detail in Section V, the supplemental water capacity

charge (1) is critical to being able to provide water service to new development within the District, (2) reflects the cost of capital facilities needed to obtain and deliver supplemental water, (3) provides a reasonable basis for treating new customers and existing customers the same for rate-setting purposes, and (4) is a critical underpinning to the District's financial strategy for obtaining and utilizing supplemental water.

**Exhibit I-5  
Nipomo Community Services District  
Summary of Current and Proposed Capacity Charges**

	<b>Current</b>	<b>Proposed</b>
<b><i>Town Division Water System Capacity Charge</i></b>		
Up to 1" meter	\$ 3,801	\$ 2,501
1 1/2" meter	\$ 12,657	\$ 7,495
2" meter	\$ 20,259	\$ 11,996
3" meter	\$ 44,358	\$ 22,507
4" meter	\$ 76,020	\$ 37,519
6" meter	\$ 158,388	\$ 75,016
<b><i>Town Division Sewer System Capacity Charge</i></b>		
Per DUE	\$ 3,139	
Up to 1" meter		\$ 3,977
1 1/2" meter		\$ 11,919
2" meter		\$ 19,078
3" meter		\$ 35,794
4" meter		\$ 59,669
6" meter		\$ 119,302
<b><i>Supplemental Water Capacity Charge (1)</i></b>		
Up to 1" meter	-----	\$ 11,121
1 1/2" meter	-----	\$ 33,331
2" meter	-----	\$ 53,350
3" meter	-----	\$ 100,093
4" meter	-----	\$ 166,855
6" meter	-----	\$ 333,610

**Notes:**

(1) Applies to all new water service connections.

## II. Five-Year Financial Plans

This section of the report describes the five-year financial plans prepared for the Nipomo Community Services District. Four separate financial plans have been prepared. They include:

- Town Division Water System
- Town Division Sewer System
- Blacklake Division Water System
- Blacklake Division Sewer System

This section includes a description of fund and reserve structures and cash flows, financial plan assumptions including the capital improvement program and debt financing assumptions for capital projects, and a summary of each financial plan. Detailed exhibits of each financial plan model are included in **Appendix A**, at the end of this report.

The financial plans are used to determine annual water/sewer rate revenue requirements. The annual rate revenue requirement is the amount of revenue needed from user rates to cover planned operating, maintenance, and capital program costs with consideration of other revenues, including capacity charges, as well as financial reserves.

### Fund and Reserve Structures and Cash Flows

The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements and balance sheets. The financial plans model sources and uses of funds into, out of, and between the various funds and reserves of each utility.

The four financial plan models are based on the fund, reserve, and account structures currently used by the District for each of the four utilities studied. **Exhibit II-1** is a schematic diagram of the funds/reserves and major cash flows associated with each of the four financial plan models.

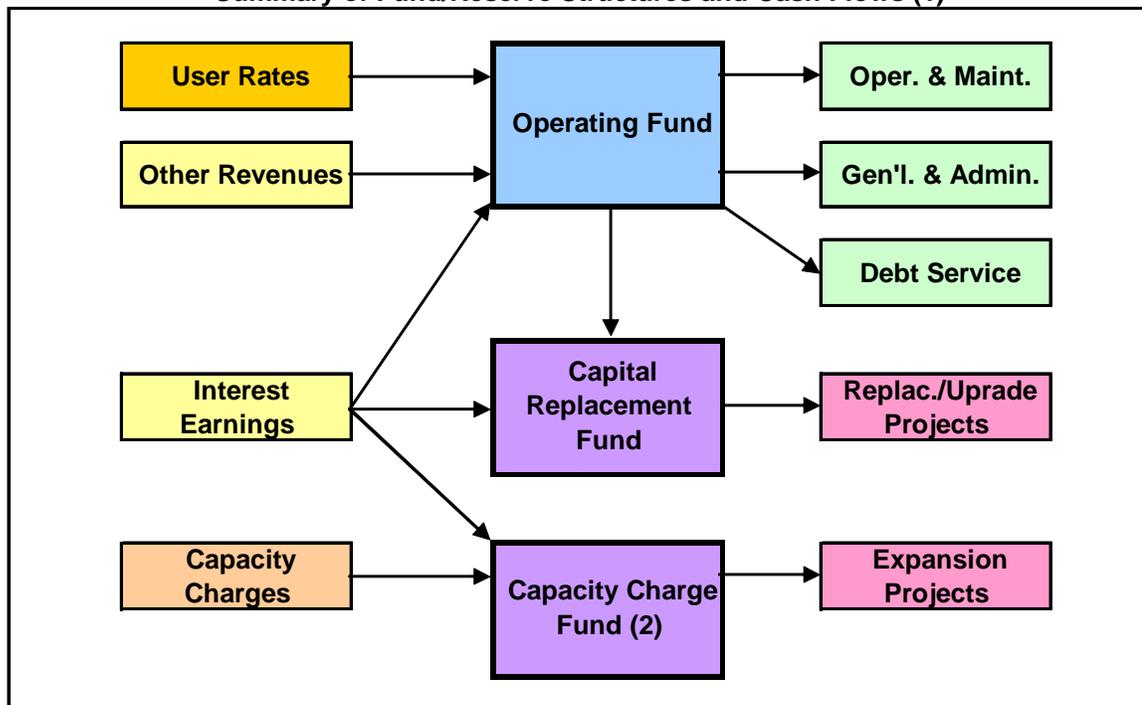
An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model annual cash flows through each utility from one year to the next. The fund/reserve structure is comprised of:

- **Operating Fund** – The Operating Fund is the primary fund within each utility. Most of each system’s revenues, including rate revenues, flow into the Operating Fund and all operating and maintenance costs, including capital outlay items and debt service payments, are paid out of this fund. Funds are also transferred from the Operating Fund to the Capital Replacement Fund to fund capital projects intended to rehabilitate and upgrade facilities.
  - **Operating Reserve** – The District currently has a policy goal to maintain Operating Reserves within the Operating Fund equal to 50 percent of annual operating and maintenance costs for water systems, and 25 percent of annual operating and maintenance costs for sewer systems. The purpose of the Operating Reserve is to provide working capital and funds for unplanned operating and maintenance

expenditures. Following discussion of these reserves during Board workshops, the financial models seek to obtain balances in the Operating Funds at least equal to the target Operating Reserves. Three of the four utilities are currently below target minimum levels. The Town Division sewer system is the exception.

- *Uncommitted Fund Balance* – The balance in the Operating Fund in excess of amounts in the Operating Reserve is shown in the financial plan exhibits (see Appendix A) as Uncommitted Fund Balance. After all other obligations are met the Uncommitted Fund Balance is available to offset rate increases, and the financial plan model attempts to reduce any Uncommitted Fund Balance. When the Operating Reserve is below target levels, the Uncommitted Fund Balance is shown as a negative value indicating the shortfall in the Operating Reserve.

**Exhibit II-1**  
**Nipomo Community Services District**  
**Summary of Fund/Reserve Structures and Cash Flows (1)**



**Notes:**

- (1) Excludes funds related to the 2003 COP proceeds and property taxes.
- (2) Not included in the Blacklake water and sewer systems.

- **Capital Replacement Fund** – The Capital Replacement Fund is used to account for capital projects intended to rehabilitate or upgrade the water and sewer systems. The primary source of money for the Capital Replacement Fund is a transfer from the Operating Fund. The District currently transfers an amount equal to annual depreciation into the Capital Replacement Fund. This is an excellent starting point. However, depreciation does not necessarily correlate with actual project needs. As an alternative, the financial plan models transfer amounts sufficient to meet requirements identified in the five-year CIP. This change helps to reduce the amount of rate increases. However, the District should review long-term replacement needs, and in the future should consider

adjusting the annual transfers to reflect long-term needs. A positive balance is maintained in each Capital Replacement Fund.

- **Capacity Charge Fund** – Capacity Charge Funds exist in the Town water and sewer systems. However, because the District has not adopted capacity charges applicable to the Blacklake Division Capacity Charge Funds for those utilities do not exist. Capacity Charge Funds are used to account for capacity charge revenues and expenditures. Capital projects funded from the Capacity Charge Funds are those needed for system expansion and to accommodate the needs of new development.
- **Property Tax and 2003 COP Funds** – The District also maintains funds to account for proceeds from the issuance of Certificates of Participation (COPs) in 2003 and also to account for property tax revenues. Property taxes have been pledged for payment of debt service related to the 2003 COPs. While property taxes and the 2003 COPs were considered in financial analyses, they are independent of general operations and are not reflected in the exhibits contained in Appendix A.

### Financial Plan Assumptions

The financial plans were created to reflect the FY 04-05 budget and financial condition as of the beginning of the fiscal year. The financial plans also reflect planned capital improvement program expenditures, as identified by staff for the five-year planning period.

The process used to develop the financial plans involved estimating future revenues and expenditures based on growth projections, inflation and interest rates, anticipated capital improvement needs, and other information. The data and assumptions used in developing the financial plans were reviewed by staff and discussed with the Board of Directors during workshops. It is important to recognize that the District does not have formal estimates of future operating and maintenance costs, and capital improvement needs are defined at a planning level. The financial plan is based on the best available information and assumptions are believed to be reasonable; however, no assurance can be provided as to the accuracy and completeness of the estimates.

### Basic Assumptions

**Exhibit II-1** summarizes the basic assumptions reflected in the financial plan model, as described below.

- **Inflation Rates** – Operating costs are inflated largely based on a factor for general inflation. An annual inflation rate of 3.0 percent was used for operational costs.
- **Interest Rates** – The District earns interest on its fund and reserve balances. Most of the District's available cash is invested in the Local Agency Investment Fund (LAIF). An annual return on fund and reserve balances is assumed to be 2.0 percent per year estimated on the beginning-of-year balances. The current interest earnings on funds deposited with LAIF is about 2.0 percent. The historical average is 4-5 percent. While the rate is expected to return toward historical averages, the assumption reflected herein is considered conservative. The District also pays interest on debt obligations within the Town Division's water utility. Interest rates and payments on existing obligations are those contained in existing contracts and repayment schedules.

**Exhibit II-2  
Nipomo Community Services District  
Summary of Financial Plan Assumptions**

Interest Earnings	2.0% per year					
General Inflation Rate	3.0% per year					
Operating Reserve - Water	50% of Operating Expenditures					
Operating Reserve - Sewer	25% of Operating Expenditures					
Customer Growth Rate						
Town Division	2.3% per year					
Black Lake Division	0.0% per year					
	<b><u>FY 04-05</u></b>	<b><u>FY 05-06</u></b>	<b><u>FY 06-07</u></b>	<b><u>FY 07-08</u></b>	<b><u>FY 08-09</u></b>	<b><u>FY 09-10</u></b>
<b>Customer Growth Rate</b>						
No. of Accounts						
Town Division						
Water System	3,130	3,202	3,276	3,351	3,428	3,507
		2.3%	2.3%	2.3%	2.3%	2.3%
Sewer System	2,721	2,793	2,867	2,942	3,019	3,098
		2.6%	2.6%	2.6%	2.6%	2.6%
Blacklake Division						
Water System	568	574	580	586	586	586
		1.1%	1.0%	1.0%	0.0%	0.0%
Sewer System	537	543	549	555	555	555
		1.1%	1.1%	1.1%	0.0%	0.0%
Incremental Conservation Factor		0.5%	0.5%	0.5%	0.5%	0.5%
<b>Water Sales (HCF)</b>						
Town Division	884,832	900,700	916,800	933,200	949,900	966,900
Blacklake Division	175,397	176,400	177,400	178,300	177,400	176,500
Total	1,060,229	1,077,100	1,094,200	1,111,500	1,127,300	1,143,400
Total (AF)	2,434	2,473	2,512	2,552	2,588	2,625
Sales per Acct.	0.66	0.65	0.65	0.65	0.64	0.64
Unacct. Losses @ 10%	270	275	279	284	288	292
Total Water Production (AF)	2,705	2,748	2,792	2,836	2,876	2,917
Production per Acct.	0.73	0.73	0.72	0.72	0.72	0.71
<b>Water Supplies (AF)</b>						
Mesa Groundwater	2,705	2,548	2,592	1,248	1,265	1,284
Off-Mesa Groundwater		200	200	200	200	200
City of Santa Maria				1,388	1,411	1,434
	2,705	2,748	2,792	2,836	2,876	2,917
<b>Variable Supply Costs (\$/AF)</b>						
Mesa GW	\$ 166	\$ 171	\$ 177	\$ 182	\$ 187	\$ 193
Off-Mesa GW		\$ 171	\$ 177	\$ 182	\$ 187	\$ 193
City of Santa Maria				\$ 1,200	\$ 1,200	\$ 1,200
Supplemental Water Credit				\$ (475)	\$ (664)	\$ (688)
Avg. Water Supply Cost (\$/HCF)	\$ 0.38	\$ 0.39	\$ 0.41	\$ 1.03	\$ 0.82	\$ 0.80
<b>Capacity Charges</b>						
Town Division - Water Buy-In	\$ 3,801	\$ 2,501	\$ 2,576	\$ 2,653	\$ 2,733	\$ 2,815
Town Division - Sewer Buy-In	\$ 3,139	\$ 3,977	\$ 4,096	\$ 4,219	\$ 4,346	\$ 4,476
Supplemental Water		\$ 11,121	\$ 11,455	\$ 11,799	\$ 12,153	\$ 12,517

- *Growth Projections* – For purposes of financial planning, an annual customer growth rate of 2.3 percent is assumed for the Town Division and 0.0 percent for the Blacklake Division, although a few new connections are expected in Blacklake as planned development is completed. Based on discussions during workshops, the growth assumptions are believed to be relatively conservative. Customer growth affects capacity charge and rate revenues, as well as total water production and sales. Average water use per account is assumed to decrease by 0.5 percent each year of the planning period. That is, customers will use, on average, slightly less water each year. Reduced water usage is expected to result from increased water conservation efforts (public education and outreach) as well as increased costs associated with water and sewer services.
- *Customer Account and Water Use Data* – In developing the financial plan models, detailed customer account and water use data were obtained for FY 03-04. Additional information on the current number and type of customers is provided in Sections III and IV of this report.
- *Water Production* – Water sales are based on past sales and growth and conservation assumptions described above. Water production is greater than water sales due to unaccounted for system losses. While losses may vary, a loss rate of 10 percent has been assumed in the financial plan models. Currently groundwater comprises 100 percent of water supplies of the District’s water supplies. The District is currently developing a new deep well which may yield additional water, but from a separate, deep water aquifer. In addition, the District is working to obtain supplemental water from the City of Santa Maria in order to mitigate impacts of groundwater withdrawals on the groundwater basin. Details of the District’s water supply strategy are described later in this section. However, the financial plan model reflects an assumption that by FY 07-08 about 56 percent of the District’s water supplies will come from supplemental water, with 44 percent from the existing groundwater basin.
- *Capacity Charge Revenues* – Capacity charge revenues reflected in the financial plans are based on the proposed capacity charge schedules presented in Section V, as well as customer growth and annual inflationary fee increases. It is recommended that the District annually increase capacity charges by the amount indicated in the *Engineering News Record* 20-cities construction cost index (20-cities CCI). Inflationary increases of 3.0 percent per year for capacity charges are included in this study.

Water Supplies

Currently the District obtains 100 percent of its water supply from groundwater from the Nipomo hydrologic sub-area of the greater Santa Maria groundwater basin. However, the District’s use of groundwater is limited to having no impact on the basin’s water supplies. As a result of recent legal actions to adjudicate the groundwater basin, the District has initiated steps to acquire supplemental water to mitigate the effects of groundwater withdrawals.

In September 2004, the District and City of Santa Maria entered into a Memorandum of Understanding (MOU) to establish terms and conditions for a contract for up to 3,000 AF per year of supplemental water from the City. Under the terms of the MOU the District must pay a \$750,000 reservation fee in installments as presented below.

<u>Installment</u>	<u>Amount</u>	<u>Est. Date</u>
MOU Date	\$37,500	Sept. 2004
Contract Date (after CEQA)	\$187,500	Fall 2005
Construction Complete	\$225,000	Spring 2007
First 300 AF Delivered	\$300,000	Summer 2007

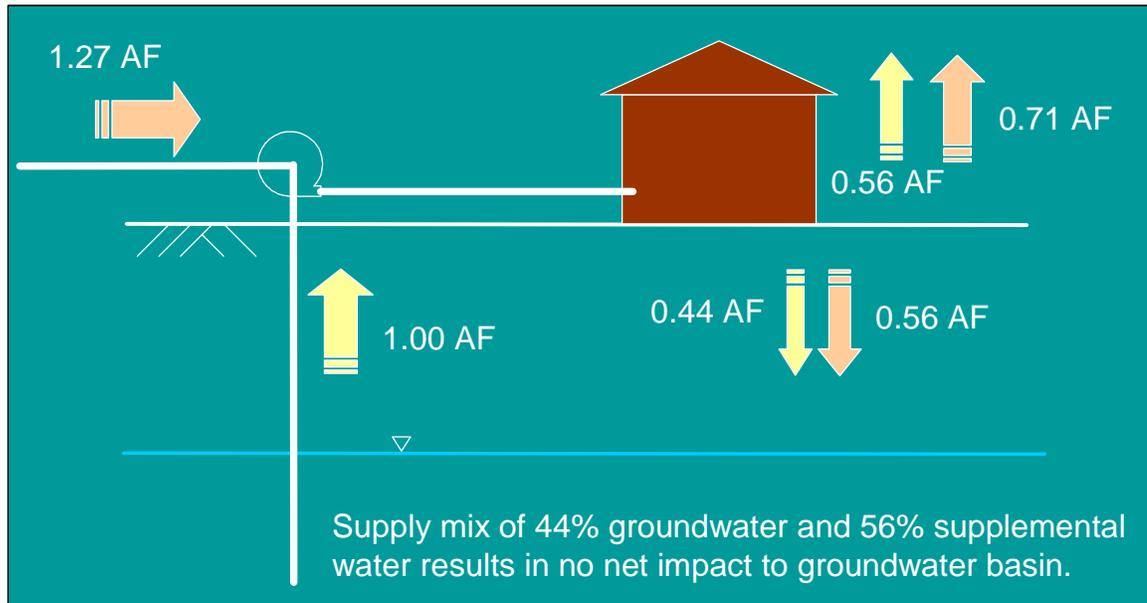
Water delivered under the agreement will cost \$1,250 per AF, although the reservation fee will be credited back at \$50 per AF over the first 15,000 AF delivered. The District will need to construct a transmission pipeline to convey water from the City to the District's service area (see discussion below).

In order to mitigate any impacts on the groundwater basin the District estimates that it will need a water supply mix of 44 percent groundwater and 56 percent supplemental water. As shown graphically in **Exhibit II-3**, for each AF of groundwater extracted from the basin an estimated 44 percent returns to the basin while 56 percent is consumed or otherwise leaves the basin. Each AF of imported supplemental water will add 44 percent to the basin, while 56 percent is consumed. The financial analyses presented herein assume that the District will utilize a 44 percent groundwater and 56 percent supplemental water supply mix beginning in FY 07-08.

In addition to the supplemental water to be provided by the City of Santa Maria, the District is currently developing a deep-water well with the potential of obtaining additional water from a deep aquifer independent from the Nipomo hydrologic sub-area. If successful, this deep well could be an additional source of supplemental water. For purposes of analyses herein, this well is assumed to produce 200 AF per year beginning in FY 05-06.

The relative costs of groundwater and supplemental water supplies are discussed in Section III of this report.

**Exhibit II-3**  
**Nipomo Community Services District**  
**Groundwater and Supplemental Water Supply Strategy**



### Capital Improvement Program

In January 2005 District staff prepared a five-year capital improvement plan for each utility. **Exhibit II-4** summarizes the capital improvement plan. Individual projects are identified along with expected (planning level) costs and the year of construction. The two columns on the right of Exhibit II-4 summarize the allocation of projects costs between replacement/upgrade and expansion purposes. Replacement/upgrade project costs are assigned to the Capital Replacement Funds and expansion costs are assigned to the Capacity Charge Funds.

### Supplemental Water Development Costs

As described above, the District is currently working to obtain 3,000 AF per year of supplemental water through a contract with the City of Santa Maria. A Memorandum of Understanding (MOU) calls for payments totaling \$750,000 in several installments to solidify the contractual arrangement. In addition, the District has estimated that it may cost about \$6 million to construct needed transmission facilities to convey supplemental water from the City to the District's service area. Water under the contract with Santa Maria would cost the District \$1,250 per AF. This cost of water includes both amortized capital facility costs as well as operating costs.

The supplemental water capacity charge calculation presented in Section V of this report incorporates both the amortized capital facility cost included in the Santa Maria water rate as well as the capital costs associated with transmission facilities.

Costs associated with facilities needed to utilize supplemental water are not included in Exhibit II-4 however they are reflected in **Exhibit II-5**. Under the proposed financial strategy, the District would utilize a combination of new supplemental water capacity charge revenues, funds from the 2003 COP proceeds, and other sources to construct transmission facilities and to solidify the contract with Santa Maria. Future supplemental water capacity charge revenues would reimburse the District for some of the initial costs by effectively reducing future water rates. This rather complex strategy provides benefits to new and existing customers of the District, and may avoid the need to borrow additional funds to finance needed facilities.

The financial strategy assumes that the District will make 1,000 AF/year of conveyance capacity in the planned transmission facilities available to other purveyors, and that the purveyor(s) would pay a proportionate share of transmission facility costs. Details of any arrangement with other purveyors are unknown at this time and beyond the scope of this study.

Exhibit II-4  
Nipomo Community Services District  
Capital Improvement Projects

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	Total	% Repl./ Upgrade	% Expan.
<b>Town Division - Water</b>									
UWMP Update	\$ 20,000	\$ 40,000					\$ 60,000	100%	0%
Master Plan Update				\$ 45,000			\$ 45,000	50%	50%
Replace 8" water line on Hetrick		\$ 250,000					\$ 250,000	100%	0%
New deep well eastside (in addition to Hermreck)				\$ 600,000			\$ 600,000	0%	100%
Willow Road line upgrade Pomeroy to via Concha			\$ 750,000				\$ 750,000	50%	50%
Water line on Pomeroy between Willow and Aden		\$ 800,000					\$ 800,000	0%	100%
Auto meter reading upgrade			\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 240,000	100%	0%
Sub-Total	\$ 20,000	\$ 1,090,000	\$ 810,000	\$ 705,000	\$ 60,000	\$ 60,000	\$ 2,745,000	35%	65%
<b>Town Division - Sewer</b>									
Upgrade Frontage Trunk (Division to Plant)		\$ 1,000,000					\$ 1,000,000	0%	100%
Master Plan Update				\$ 45,000			\$ 45,000	50%	50%
Upgrade Frontage Trunk (Tefft to Division) (50%)		\$ 600,000	\$ -				\$ 600,000	0%	100%
Upgrade headworks at Southland		\$ 1,000,000	\$ -				\$ 1,000,000	50%	50%
Lift station refurbishment (one per year)		\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 1,000,000	100%	0%
Gravity by-pass Palms Lift Station			\$ 250,000				\$ 250,000	100%	0%
Upgrade various gravity collector lines (Division, Story)					\$ 330,000		\$ 330,000	0%	100%
Southland yard/shop upgrade	\$ 30,000	\$ 100,000					\$ 130,000	100%	0%
Sub-Total	\$ 30,000	\$ 2,900,000	\$ 450,000	\$ 245,000	\$ 530,000	\$ 200,000	\$ 4,355,000	44%	56%
<b>Blacklake Division - Water</b>									
Water system upgrade (pumps, controllers, pres. tanks)		\$ 250,000					\$ 250,000		
Master Plan Update				\$ 5,000			\$ 5,000		
Irrigation meter replacement		\$ 6,000					\$ 6,000		
Water tank maintenance			\$ 50,000				\$ 50,000		
Auto meter reading upgrade			\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 80,000		
Sub-Total	\$ -	\$ 256,000	\$ 70,000	\$ 25,000	\$ 20,000	\$ 20,000	\$ 385,000		
<b>Blacklake Division - Sewer</b>									
Liner replacement Pond 2						\$ 200,000	\$ 200,000		
Master Plan Update				\$ 5,000			\$ 5,000		
Headworks, contact chamber, pumps upgrade							\$ -		
Sub-Total	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 200,000	\$ 205,000		
<b>GRAND TOTAL</b>	<b>\$ 50,000</b>	<b>\$ 4,246,000</b>	<b>\$ 1,330,000</b>	<b>\$ 980,000</b>	<b>\$ 610,000</b>	<b>\$ 480,000</b>	<b>\$ 7,690,000</b>		

Exhibit II-5  
Nipomo Community Services District  
Santa Maria Supplemental Water Fund

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Supplemental Water Fund</b>						
<b>BEGINNING BALANCE</b>	-	-	1,192,000	-	-	-
<b>REVENUES AND TRANSFERS</b>						
Suppl. Water Capacity Charges (1)		867,000	912,000	960,000	937,000	987,000
Transfer from 2003 COP Fund (2)	237,500	1,312,500				
Contribution from Other Purveyors (3)		2,000,000				
Transfer from Capital Reserves (4)			1,121,000			
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>237,500</b>	<b>4,179,500</b>	<b>2,033,000</b>	<b>960,000</b>	<b>937,000</b>	<b>987,000</b>
<b>EXPENDITURES AND TRANSFERS</b>						
MOU Reservation Fee	37,500	187,500	225,000	300,000		
Pipeline Project	200,000	2,800,000	3,000,000			
Transfer to Town Water Fund (5)				554,100	789,500	834,600
Transfer to Blacklake Water Fund (5)				105,900	147,500	152,400
<b>TOTAL EXPENDITURES</b>	<b>237,500</b>	<b>2,987,500</b>	<b>3,225,000</b>	<b>960,000</b>	<b>937,000</b>	<b>987,000</b>
<b>ENDING FUND BALANCE</b>	<b>-</b>	<b>1,192,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assumptions</b>						
Suppl. Water Capacity Charge (1)		\$ 11,121	\$ 11,455	\$ 11,799	\$ 12,153	\$ 12,517
New Water Connections		78	80	81	77	79
SM Water Purchases (AF)				1,388	1,411	1,434
Net Cost of SM Water (\$/AF)				\$ 725	\$ 536	\$ 512
Net Cost of SM Water (\$/HCF)				\$ 1.66	\$ 1.23	\$ 1.17

**Notes:**

- (1) Revenue estimates based on proposed supplemental capacity charges presented in Section V.
- (2) Estimated COP proceeds to be loaned for supplemental water purposes.
- (3) Assumes other purveyors contract for 1,000 AF/yr of capacity in transmission facilities.
- (4) Specific source to be determined.
- (5) Funds available to offset supplemental water costs in water rates.

Financial Plan Findings and Conclusions

The preceding portion of this section describes the basic framework and assumptions underlying the financial analyses. Specific findings and conclusions pertaining to each of the four utilities is presented below, beginning with a description of the current situation for each utility.

Both the Town and Blacklake sewer systems are in good financial condition, and only modest annual rate increases are anticipated during the planning period. However, both the Town and Blacklake water systems are in need of significant annual rate increases during the planning period. Both water utilities currently have deficits (i.e., expenses and transfers exceed revenues of the Operating Funds), and the Operating Fund balance in both water utilities are substantially below the minimum Operating Reserves established by current District policy.

Town Division – Water System

Currently the Town Division’s water system has:

- Budgeted expenditures and transfers that exceed current revenues, which results in a declining Operating Fund balance.

- A beginning-of-year (FY 04-05) Operating Fund balance of about \$100,000, with a target Operating Reserve of \$677,000.
- A Water Capital Replacement Fund with adequate cash for planned replacement and upgrade projects for the five-year planning period.
- An expectation that the cost of supplemental water will increase operating costs and water rates when it becomes available in FY 07-08.

Water rates and other Operating Fund revenues should normally cover all operating and maintenance costs, plus providing ongoing support for capital replacement and upgrade needs through annual transfers to the Water Capital Replacement Fund. Current water rates and other revenues do not meet this requirement.

The District normally budgets for an annual transfer to the Capital Replacement Fund an amount equal to annual depreciation. However, because of the current financial situation, such a transfer in FY 04-05 would leave the Operating Fund with a balance near \$0. Because the Capital Replacement Fund has sufficient funds for planned replacement and upgrade projects during the planning period, the financial strategy proposed herein includes reducing the annual transfer and increasing water rates. Once adequate Operating Reserves are re-established then the District can return the annual transfer to the Capital Replacement Reserve to levels needed for the long-term. The proposed financial strategy for the Town Division's water system includes:

- Reduce the annual transfer to the Water Capital Replacement Fund to 50 percent of depreciation in FY 04-05 and to 25 percent for FY 05-06 through FY 09-10.
- Increase water rates annually to re-establish a prudent Operating Reserve equal to 50 percent of annual operating costs by the end of the five-year planning period.

The proposed overall average annual rate increases needed to achieve the above objective are shown below.

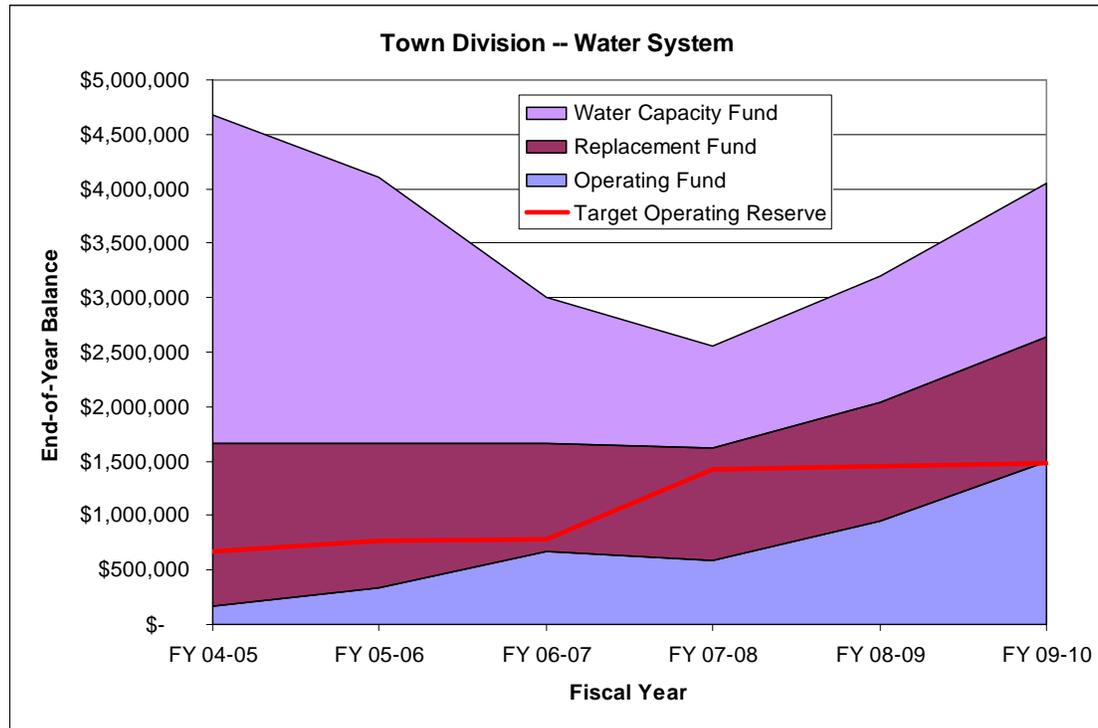
	<u>Overall Average Rate Increase</u>
FY 05-06	10%
FY 06-07	10%
FY 07-08	12%
FY 08-09	10%
FY 09-10	8%

At present, water rates generate about \$1.51 million annually. Future supplemental water costs for the Town Division will total about \$1.4 million annually, representing a potential increase in the annual water rate revenue requirement approaching 100 percent. However, the proposed supplemental water capacity charge (see Section V) should reduce the net cost of supplemental water to about \$600,000 to \$700,000 per year. Therefore, the proposed rate increases should be sufficient to cover the added cost of supplemental water. Details of proposed changes to the water rates are included in Section III of this report.

**Exhibit II-6** summarizes the end-of-year fund balances in each of the Town Division's water funds during the planning period. The graph shows that the Operating Fund will reach the target Operating Reserve (red line) by the end of the planning period. Funds for capital projects (both the

Water Capital Replacement Fund and the Water Capacity Charge Fund) are estimated to be adequate throughout the planning period.

**Exhibit II-6  
Nipomo Community Services District  
Estimated End-of-Year Fund Balances**



Town Division – Sewer System

Currently the Town Division’s sewer system has:

- Budgeted expenditures and transfers that exceed current revenues, which results in a declining Operating Fund balance.
- A beginning-of-year (FY 04-05) Operating Fund balance of about \$665,000, with a target Operating Reserve of \$126,000.
- A Sewer Capital Replacement Fund with nearly adequate cash for planned replacement and upgrade projects for the five-year planning period.

Sewer rates and other Operating Fund revenues should normally cover all operating and maintenance costs, plus providing ongoing support for capital replacement and upgrade needs through annual transfers to the Sewer Capital Replacement Fund. Current sewer rates and other revenues do not meet this requirement. However, the Operating Fund balance is well in excess of the minimum Operating Reserve established by District policy. As a result, while it is important to increase rates to cover appropriate costs, the rates can be increased gradually and the uncommitted fund balance can be used offset the revenue shortfall.

The proposed financial strategy for the Town Division's sewer system includes:

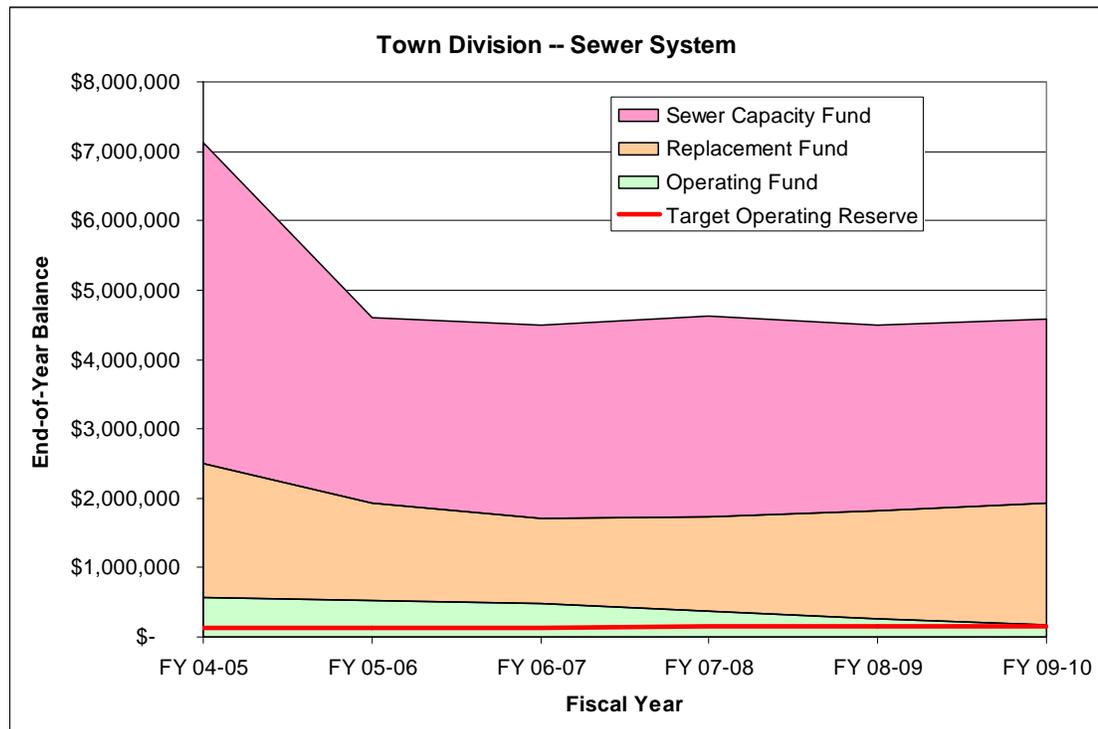
- Temporarily reduce the annual transfer to the Sewer Capital Replacement Fund to 75 percent of depreciation in FY 05-06 and FY 06-07 to allow for gradual rate increases.
- Increase sewer rates annually to re-establish a prudent Operating Reserve equal to 25 percent of annual operating costs by the end of the five-year planning period.

The proposed overall average annual rate increases needed to achieve the above objective are shown below.

	<u>Overall Average Rate Increase</u>
FY 05-06	4%
FY 06-07	4%
FY 07-08	4%
FY 08-09	4%
FY 09-10	4%

**Exhibit II-7** summarizes the end-of-year fund balances in each of the Town Division's sewer funds during the planning period. The graph shows that the Operating Fund will reach the target Operating Reserve (red line) by the end of the planning period. Funds for capital projects (both the Sewer Capital Replacement Fund and the Sewer Capacity Charge Fund) are estimated to be adequate throughout the planning period. Details of the proposed sewer rates for the Town Division are included in Section IV of this report.

**Exhibit II-7  
Nipomo Community Services District  
Estimated End-of-Year Fund Balances**



Blacklake Division – Water System

Currently the Blacklake Division's water system has:

- Budgeted expenditures and transfers that exceed current revenues, which results in a declining Operating Fund balance.
- A beginning of year (FY 04-05) Operating Fund balance of about \$40,000, with a target Operating Reserve of \$144,000.
- A Water Capital Replacement Fund with adequate cash for all planned replacement and upgrade projects for the five-year planning period.
- An expectation the Operating Fund will have a negative cash balance at the end of FY 04-05 unless a transfer is made from the Water Capital Replacement Fund into the Operating Fund.
- An expectation that the cost of supplemental water will increase operating costs and water rates when it becomes available in FY 07-08.

Water rates and other Operating Fund revenues should normally cover all operating and maintenance costs, plus providing ongoing support for capital replacement and upgrade needs through annual transfers to the Water Capital Replacement Fund. Current water rates and other revenues do not meet this requirement. Furthermore, the rates and other operating revenues do not cover operating and maintenance costs, and money within the Operating Fund will be insufficient to meet cash needs in the current fiscal year.

To rectify the current situation, it is recommended that the District transfer funds from the Water Capital Replacement Reserve into the Operating Fund to keep the fund from having a negative balance. Rate increases are urgently needed, not only to cover current costs, but to build prudent minimum reserves consistent with District policy. Additional future rate increases will be required to cover the additional costs of supplemental water when it becomes available in FY 07-08.

The proposed financial strategy for the Blacklake Division's water system includes:

- Reverse the annual transfer between the Operating Fund and Water Capital Replacement Fund by transferring \$50,000 into the Operating Fund in FY 04-05.
- Eliminate transfers into the Water Capital Replacement Fund from FY 05-06 through FY 09-10, until an adequate Operating Reserve can be established.
- Increase water rates annually to re-establish a prudent Operating Reserve equal to 50 percent of annual operating costs by the end of the five-year planning period.

The proposed overall average annual rate increases needed to achieve the above objective are shown below.

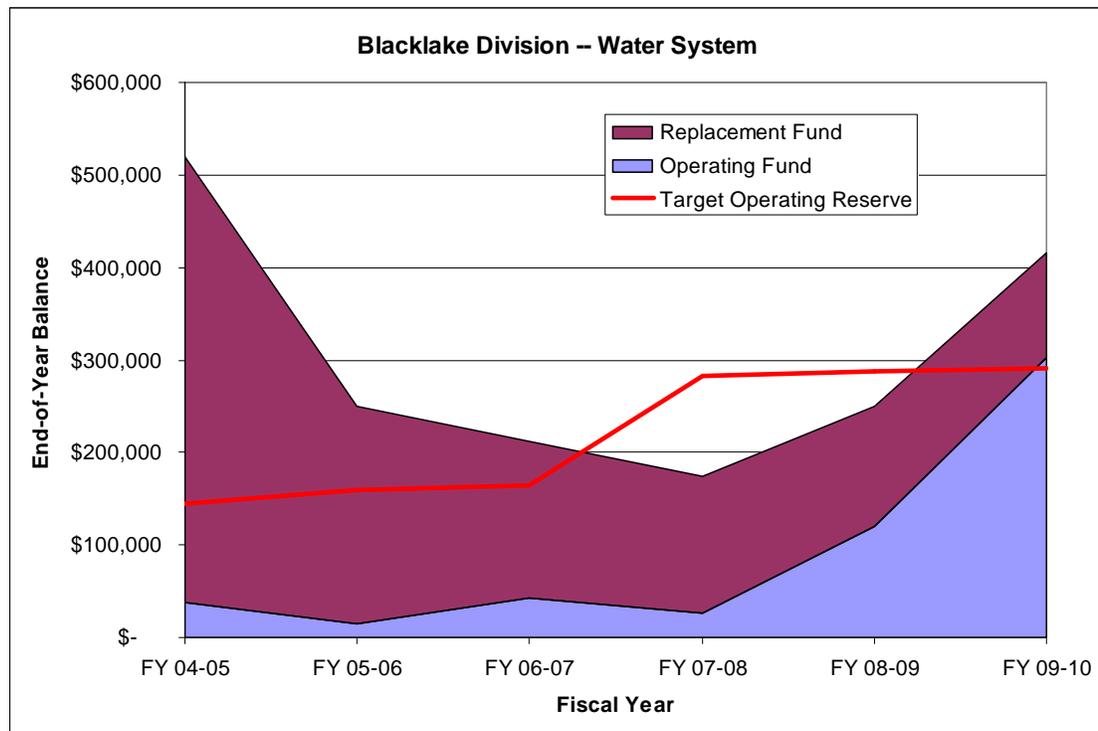
**Overall Average  
Rate Increase**

FY 05-06	25%
FY 06-07	20%
FY 07-08	22%
FY 08-09	18%
FY 09-10	18%

At present, water rates generate about \$230,000 annually. Future supplemental water costs for the Blacklake Division will total about \$265,000 annually, representing a potential increase in the annual water rate revenue requirement exceeding 100 percent. However, the proposed supplemental water capacity charge (see Section V) should reduce the net cost of supplemental water to about \$110,000 to \$125,000 per year. Therefore, the proposed rate increases should be sufficient to cover the added cost of supplemental water (as well as to re-establish adequate reserves). Details of proposed changes to the water rates are included in Section III of this report.

**Exhibit II-8** summarizes the end-of-year fund balances in each of the Blacklake Division's water funds during the planning period. The graph shows that the Operating Fund will reach the target Operating Reserve (red line) by the end of the planning period. Funds in the Water Capital Replacement Fund are estimated to be adequate throughout the planning period.

**Exhibit II-8  
Nipomo Community Services District  
Estimated End-of-Year Fund Balances**



Blacklake Division – Sewer System

Currently the Blacklake Division’s sewer system has:

- Current revenues slightly exceed budgeted expenditures and transfers, which results in an increasing Operating Fund balance.
- A beginning-of-year (FY 04-05) Operating Fund balance of about \$10,000, with a target Operating Reserve of \$43,000.
- A Sewer Capital Replacement Fund with nearly adequate cash for planned replacement and upgrade projects for the five-year planning period.

Unlike the other three utilities summarized above, sewer rates and other Operating Fund revenues for the Blacklake sewer system currently cover all operating and maintenance costs, plus providing ongoing support for capital replacement and upgrade needs through annual transfers to the Sewer Capital Replacement Fund. However, the Operating Fund balance is below the prudent minimum Operating Reserve. As a result, modest rate increases are required to re-establish adequate reserves, and to keep pace with cost increases.

The proposed financial strategy for the Blacklake Division’s sewer system includes:

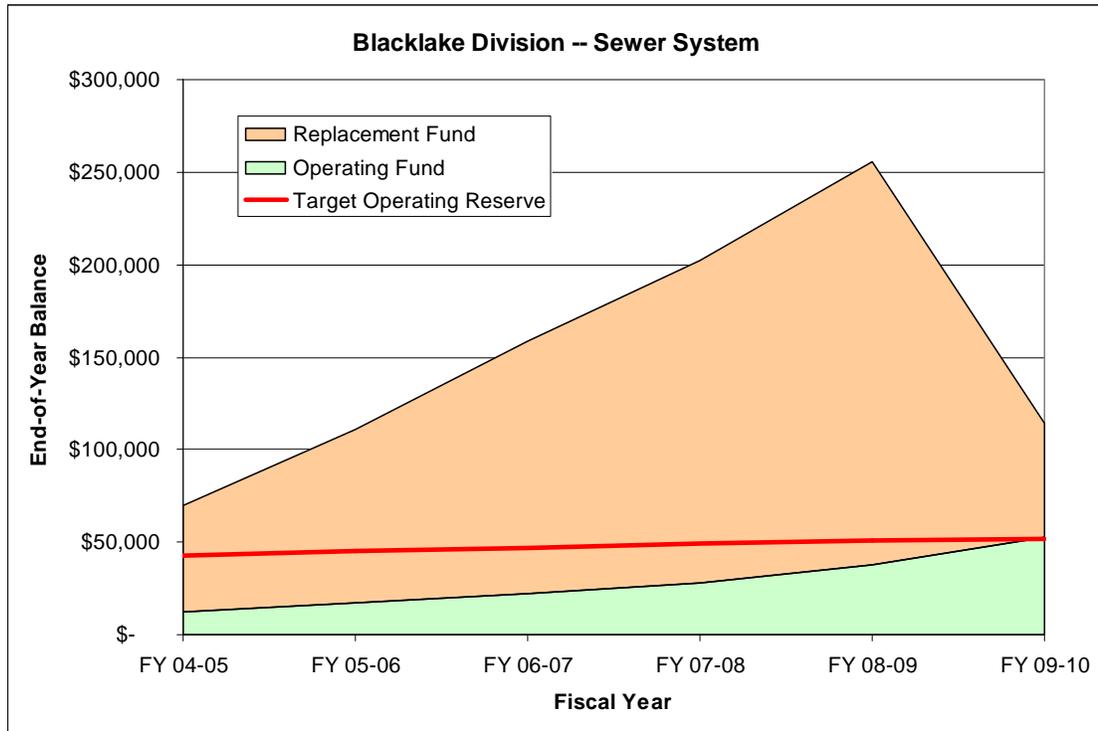
- Maintain planned transfers to the Sewer Capital Replacement Fund to provide funds for planned and future capital replacement and upgrade projects.
- Increase sewer rates annually to re-establish a prudent Operating Reserve equal to 25 percent of annual operating costs by the end of the five-year planning period.

The proposed overall average annual rate increases needed to achieve the above objective are shown below.

	<u>Overall Average Rate Increase</u>
FY 05-06	4%
FY 06-07	4%
FY 07-08	4%
FY 08-09	4%
FY 09-10	4%

**Exhibit II-9** summarizes the end-of-year fund balances in each of the Blacklake Division’s sewer funds during the planning period. The graph shows that the Operating Fund will reach the target Operating Reserve (red line) by the end of the planning period. Funds for the Sewer Capital Replacement Fund estimated to be adequate throughout the planning period with planned transfers. Details of the proposed sewer rates for the Blacklake Division are included in Section IV of this report.

Exhibit II-9  
Nipomo Community Services District  
Estimated End-of-Year Fund Balances



III. Water Rates

This section of the report describes proposed water rates for the Town and Blacklake Divisions of the Nipomo Community Services District. A five-year rate plan is presented. This section also includes information on the current water rates, customer account and water use data, the affect that supplemental water may have on water rates, and the impact of proposed rates on typical water bills.

Current Water Rates

**Exhibit III-1** summarizes the current water rates of both the District’s Town and Blacklake Divisions. For each customer class, metered water rates include a fixed service charge based on the size of the water meter and a two-tier commodity rate applicable to metered water consumption. In addition, the District implemented a litigation charge applicable to all water customers to help defray the costs of litigation regarding the adjudication of the groundwater basin. Current water rates became effective in January 2005.

Exhibit III-1  
Nipomo Community Services District  
Summary of Current (2005) Water Rates

	1" or Less	1 1/2"	2"	3"	4"	6"	8"
<b>Water Service Charges (\$/2-mos.)</b>							
Town Division	\$ 14.72	\$ 33.66	\$ 46.76	\$ 65.50	\$ 85.00	\$ 140.08	\$ 160.00
Blacklake Division	\$ 11.54	\$ 21.94	\$ 30.90	\$ 44.68	\$ 72.90	\$ 121.92	
<b>Litigation Charge (\$/2-mos.)</b>	\$ 6.32	\$ 14.36	\$ 19.92	\$ 27.92	\$ 36.00	\$ 59.58	\$ 68.08
<b>Water Commodity Rates (\$/HCF)</b>		<b>0-40 HCF</b>	<b>41+ HCF</b>				
Town Division		\$ 1.07	\$ 1.64				
Blacklake Division		\$ 0.75	\$ 1.15				

Average bi-monthly water use for a single family customer in the Town Division is 32 HCF<sup>2</sup>. A water bill for this usage in the Town Division (with a meter size 1” or less) is currently \$55.28.

Average bi-monthly water use for a single family customer in the Blacklake Division is 38 HCF. A water bill for this usage in the Blacklake Division (with a meter size 1” or less) is currently \$46.36.

Current Customer Accounts and Water Use Data

The District currently provides water service to about 3,700 water service customers. **Exhibit III-2** summarizes the current number of customer accounts by meter size for each of the divisions. Annual water use is also summarized.

<sup>2</sup> 1 HCF = 100 cubic feet = 748 gallons.

Exhibit III-2  
Nipomo Community Services District  
Summary of Water Service Customers

Customer Class	Meter Size							Total	Ann. Wtr. Use (CCF)
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"		
<b>No. of Accounts</b>									
<b>Town Division</b>									
Single Family	1,669	18	1,144	1				2,832	743,911
Multi-Family	39	1	125		3		2	170	41,933
Irrigation	3		24	8	2	1	-	38	51,713
Commercial	29	2	30	13	7	1	1	83	38,536
Agricultural			1		1			2	7,319
Outside - Single Family	1	2	-					3	731
Outside - Multi-Family		2						2	589
Sub-Total	1,741	25	1,324	22	13	2	3	3,130	884,732
<b>Black Lake Division</b>									
Single Family	448		20					468	128,042
Multi-Family	68							68	2,765
Irrigation			7	8	16			31	43,886
Commercial					1			1	705
Sub-Total	516	-	27	8	17	-	-	568	175,398
<b>Total Water Accounts</b>	<b>2,257</b>	<b>25</b>	<b>1,351</b>	<b>30</b>	<b>30</b>	<b>2</b>	<b>3</b>	<b>3,698</b>	<b>1,060,130</b>

**Notes:**

(1) Based on data from FY 03-04.

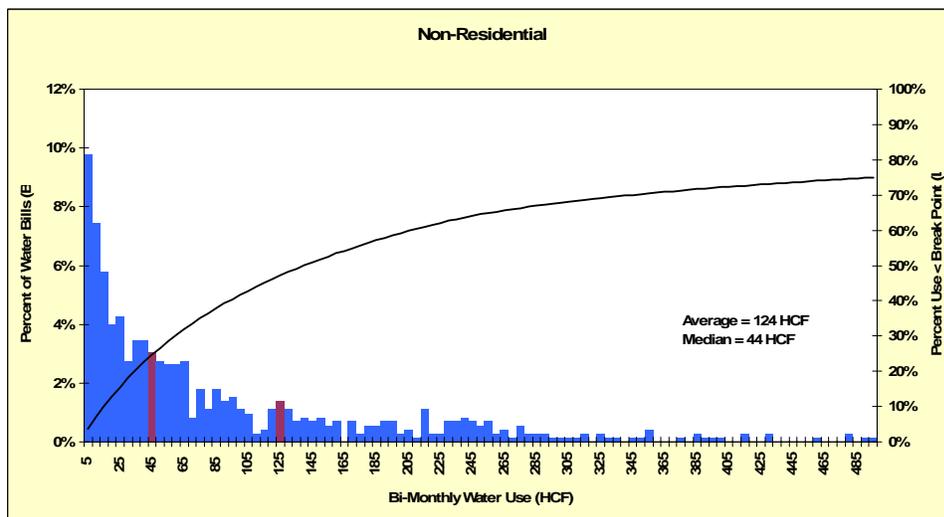
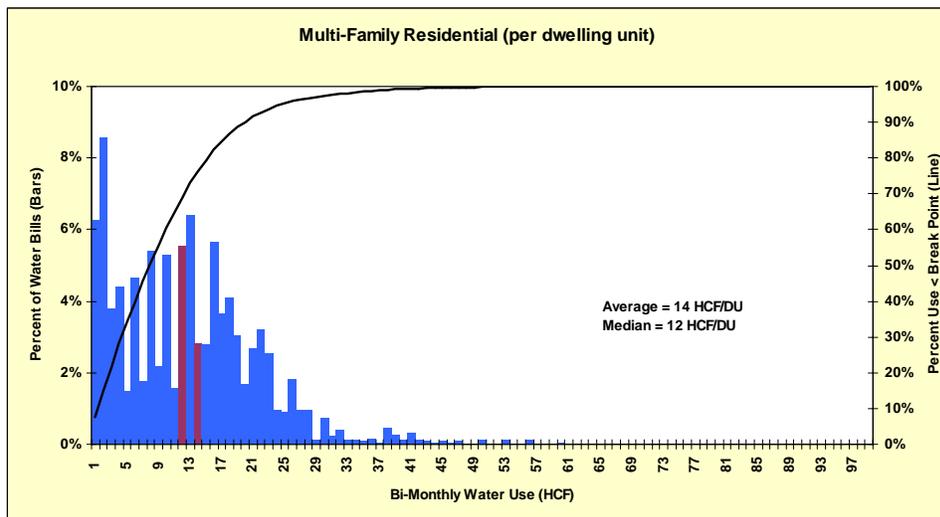
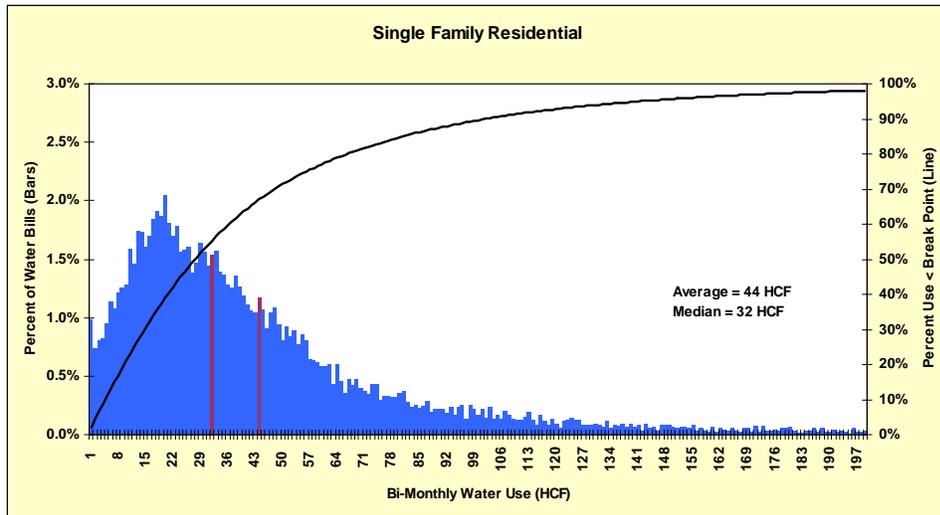
Critical to the analysis of any tiered rate structure is the analysis of water use characteristics. The amount of revenue generated from each tier is related to each customer's bi-monthly water usage. Therefore, tier rate analysis requires obtaining detailed water use information for each customer account.

Water use varies, sometimes dramatically, for customer in each customer class. This is shown graphically in the data from the Town Division presented in **Exhibit III-3**. The graphs depict water use characteristics of single family, multi-family, and non-residential customers, respectively. Multi-family water use is presented on a per-dwelling-unit basis.

- Single family water use varies throughout the year based on seasonal irrigation demands. Water use also varies for other reasons as well including number of people per household, landscape characteristics, personal habits, and other factors. Even with this variation, the graph at the top of Exhibit III-3 suggests a fairly well defined range of typical water use. The long tail on the right part of the graph indicates a relatively small number of customers using large amounts of water. This tail is typical in any single family profile.
- Multi-family water use, when expressed on a per-dwelling-unit basis, exhibits much more uniform water usage characteristics. This can be explained by the fact that landscape irrigation is often minimal or captured through a separate water meter. The number of people per dwelling is also frequently lower than single family homes.
- Non-residential water use characteristics shown at the bottom of Exhibit III-3 suggest that there is wide variation in water use among non-residential customers. The diverse water usage characteristics are even evident within a single meter size.

Data for the Blacklake Division is similar to the Town Division. While median single family water usage within Blacklake is slightly higher than the Town Division (38 HCF vs. 32 HCF), there is less variation in usage (i.e., tighter bell distribution). This narrower distribution is indicative of the greater uniformity in lot sizes and other factors resulting in more homogeneous water use within Blacklake.

**Exhibit III-3  
Nipomo Community Services District  
Estimated End-of-Year Fund Balances**



Water Rate Calculations

The calculation of water rates involves a three-step process. First, the annual water rate revenue requirement must be determined. The water rate revenue requirement is that amount of revenues to be generated annually to meet operating and capital program needs with consideration of other water system revenues and reserves. Annual water rate revenue requirements were determined using the five-year financial plan models described in the previous section. The second step in the rate setting process is a cost of service analysis accomplished by the allocation of water system costs to rate components. Finally, the third step in the process is rate design and the development of water rate schedules.

Annual Water Rate Revenue Requirement

The annual water rate revenue requirements were determined for each fiscal year for both the Town and Blacklake Divisions using the five-year financial planning models. The annual revenue requirements are summarized below, and are also contained in the financial plan exhibits included in Appendix A.

	<u>Town</u> <u>Division</u>	<u>Blacklake</u> <u>Division</u>
FY 05-06	\$1,697,000	\$289,000
FY 06-07	\$1,909,000	\$350,000
FY 07-08	\$2,188,000	\$432,000
FY 08-09	\$2,462,000	\$510,000
FY 09-10	\$2,720,000	\$605,000

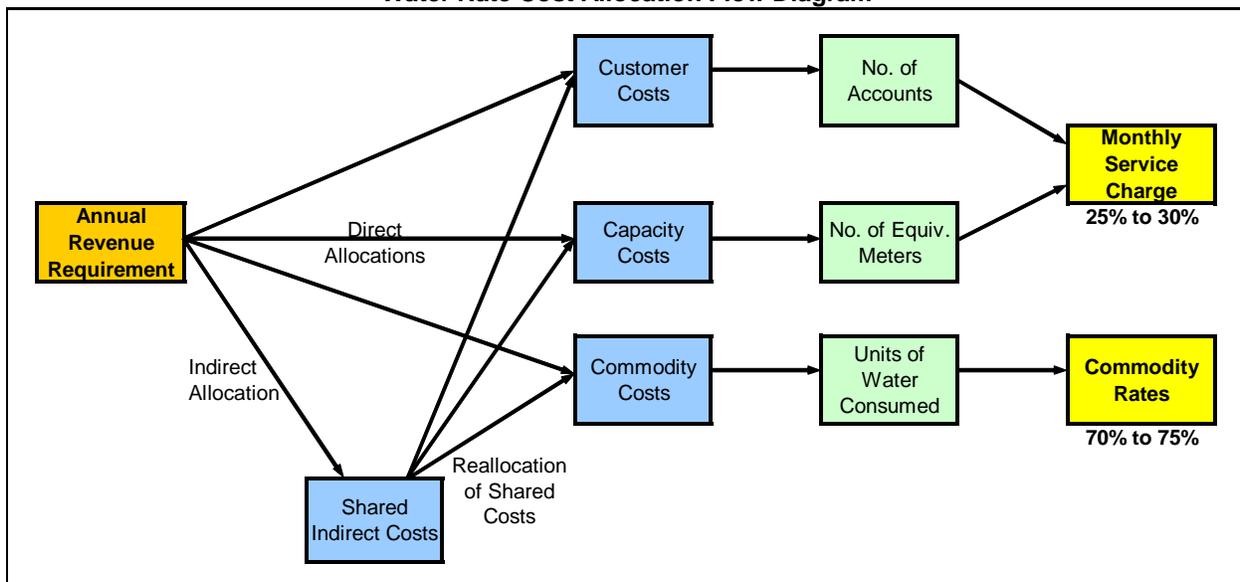
Current water rates have been estimated to generate about \$1,510,000 and \$230,000 for the Town and Blacklake Divisions, respectively, during FY 04-05. The water rate schedules developed for each of the next five years are intended to generate the amount of revenue listed above. Rate calculations also reflect assumptions for new development, which adds to the number of customers receiving water service each year.

Cost of Service Analysis

Cost allocation is the method by which the annual water rate revenue requirement is recovered from each customer class based on the cost of providing water service. The cost allocation process is shown schematically in **Exhibit III-4**. There are a number of ways to allocate costs for rate setting purposes. Some are rather complex and require detailed knowledge of water system costs, cost drivers, and customer water use characteristics (including peaking characteristics). Others are somewhat simpler to understand and administer. The approach used herein is commensurate with available data that categorizes water system costs into three specific categories. These include:

- *Customer Costs* – Customer costs such as meter reading, billing, and customer service are fixed costs that tend to vary as the function of the number of customers served. Customer costs are allocated equally to all customers based on the total number of accounts, and are included in the bi-monthly service charge.

Exhibit III-4  
Nipomo Community Services District  
Water Rate Cost Allocation Flow Diagram



- *Capacity Costs* – Capacity costs are also fixed costs. However, they tend to vary in relation to the capacity of the water system. Customers that can place greater or lesser demands on the water system should bear greater or lesser shares of these costs. The water system is sized to meet peak demands. The demand that each customer could potentially place on the water system is reflected in the size and capacity of the water meter. Capacity costs include fixed operating costs, water system maintenance, and debt service. Capacity costs are allocated to each customer based on the size and capacity of the water meter, and are included in the bi-monthly service charge calculation.
- *Commodity Costs* – Commodity costs include those costs that vary with the amount of actual water usage. Water treatment and pumping costs are the most significant examples. In addition, other costs that may not be truly variable are often allocated based on water usage because allocating these costs to each customer based on water usage is an equitable basis. Commodity costs are used to determine the commodity rates of the rate structure. Many utilities also place what may be considered fixed costs into the variable commodity component as a means of encouraging water conservation. It is fairly typical for commodity rates to account for 65 to 90 percent of water rate revenues, even when a majority of costs might be considered fixed.
- *Shared (Indirect) Costs* – Some cost items are not directly allocated to any of the three components identified above. Instead these costs are first allocated as shared (indirect) costs, and subsequently reallocated to each of the three components based on the percentage of costs that were directly allocated to these components.

The allocation of costs to each of the cost components occurs at the individual line-item level of detail in the District’s budget and account structure. Most costs are allocated directly to the customer, capacity, or commodity components, although some are categorized as shared costs then reallocated indirectly. As shown in Exhibit III-4, the cost allocation results in about 25-30 percent of costs to be recovered from service charges and 70-75 percent to commodity rates. This is about the same as the current rate structure.

### Water Rate Structure Design

Water rate design and the development of rate schedules takes place after the annual water rate revenue requirement is determined and after the cost of service analysis is been performed. Current water rate schedules were reviewed and discussed with the Board of Directors during public workshops. In addition, a number of alternative rate structures were also considered (some qualitatively and some quantitatively), including:

- Uniform commodity rates
- Tiered rates for multi-family customers based on number of dwelling units
- Two-, three-, and four-tier commodity rates
- Seasonal rates

The proposed rates continue to include both a fixed service charge based on meter size and continuation of a two-tier commodity rate for single family customers. However, it is recommended that the District simplify the rate structure for multi-family and non-residential customers to simply a uniform commodity rate. Because of the wide variation of use among multi-family (total water use, rather than per-dwelling-unit) and non-residential customers the uniform rate is more equitable. The two-tier structure continues to be an equitable and conservation-oriented rate approach for single family customers.

### Service Charges

**Exhibits III-5 and III-6** present the bi-monthly service charge calculations for the Town and Blacklake Divisions, respectively. The service charges recover customer and capacity costs from each customer. Customer costs are allocated equally to all customers, and capacity costs are allocated based on hydraulic capacity factors.

Each meter type and size has a rated maximum flow capacity. Hydraulic capacity factors are determined by taking the ratio of the rated capacity for each meter size to that of the standard meter size (typically a ¾" or 1" meter). Because the District treats all meters up to 1" as equivalent the standard rated capacity was determined by calculating the weighted average capacity of all existing meters up to 1" in size<sup>3</sup>. This resulted in a standard rating of 33 gpm. Capacity factors for meters larger than 1" was determined by taking the ratio of each meter size's rated capacity to the standard of 33 gpm. For example, the capacity factor for a 1 1/2" meter is 3.0 (100 gpm / 33 gpm).

Following discussion with the Board of Directors, the litigation charge has been retained at the current level. This charge is expected to remain throughout the planning period, as there is expected to be a certain level of ongoing legal and groundwater monitoring costs associated with the management of the groundwater basin.

The service charges shown in Exhibits III-5 and III-6 combine both the basic service charge and the litigation charge. These are presented separately in proposed rate schedules presented later in this section, and in the Executive Summary.

<sup>3</sup> Rated capacities for 5/8", ¾", and 1" meters are 20 gpm, 30 gpm, and 50 gpm, respectively.

Exhibit III-5  
Nipomo Community Services District  
Calculation of Water Service Charges for the Town Division

	Meter Size							Total	
	1" or Less	1 1/2"	2"	3"	4"	6"	8"		
<b>Customer Accounts</b>									
No. of Customers	3,090	22	13	2	3	-	-	3,130	
No. of Equivalent Meters	3,090	66	62	18	45	-	-	3,281	
Hydraulic Capacity Factor (1)	1.0	3.0	4.8	9.0	15.0	30.0	48.0		
<b>Bi-Monthly Service Charges</b>									
Customer Cost	\$ 1.33	\$ 1.33	\$ 1.33	\$ 1.33	\$ 1.33	\$ 1.33	\$ 1.33		
Capacity Cost	\$ 15.43	\$ 46.23	\$ 74.00	\$ 138.84	\$ 231.44	\$ 462.74	\$ 740.41		
Litigation Charge (2)	\$ 6.32	\$ 14.36	\$ 19.92	\$ 27.92	\$ 36.00	\$ 59.58	\$ 68.08		
<b>Total Service Charges</b>	<b>\$ 23.08</b>	<b>\$ 61.92</b>	<b>\$ 95.25</b>	<b>\$ 168.09</b>	<b>\$ 268.77</b>	<b>\$ 523.65</b>	<b>\$ 809.82</b>		
<b>Annual Service Charge Revenue</b>									
Single Family	\$ 391,967	\$ 372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 392,338	
Multi-Family	\$ 22,845	\$ -	\$ 1,714	\$ -	\$ 3,225	\$ -	\$ -	\$ 27,785	
Non-Residential	\$ 13,015	\$ 7,802	\$ 5,715	\$ 2,017	\$ 1,613	\$ -	\$ -	\$ 30,162	
<b>Total Srv. Chrg. Revenue</b>	<b>\$ 427,827</b>	<b>\$ 8,174</b>	<b>\$ 7,429</b>	<b>\$ 2,017</b>	<b>\$ 4,838</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 450,285</b>	
<b>Water Rate Revenue Requirement</b>									
Customer Costs	\$	24,971	1.5%	<b>Notes:</b>					
Capacity Costs	\$	303,709	17.9%	(1) See text of report for discussion of capacity factors.					
Commodity Costs (3)	\$	1,246,715	73.5%	(2) Litigation charges remain unchanged.					
Litigation Charge	\$	121,605	7.2%	(3) Commodity costs recovered through commodity rates.					
<b>Total Revenue Requirement</b>	<b>\$</b>	<b>1,697,000</b>		See Exhibit III-7.					

Exhibit III-6  
Nipomo Community Services District  
Calculation of Water Service Charges for the Blacklake Division

	Meter Size							Total	
	1" or Less	1 1/2"	2"	3"	4"	6"	8"		
<b>Customer Accounts</b>									
No. of Customers	543	8	17	-	-	-	-	568	
No. of Equivalent Meters	543	24	82	-	-	-	-	649	
Hydraulic Capacity Factor (1)	1.0	3.0	4.8	9.0	15.0	30.0	48.0		
<b>Bi-Monthly Service Charges</b>									
Customer Cost	\$ 1.74	\$ 1.74	\$ 1.74	\$ 1.74	\$ 1.74	\$ 1.74	\$ 1.74		
Capacity Cost	\$ 13.34	\$ 39.98	\$ 64.00	\$ 120.07	\$ 200.15	\$ 400.19	\$ 640.32		
Litigation Charge (2)	\$ 6.32	\$ 14.36	\$ 19.92	\$ 27.92	\$ 36.00	\$ 59.58	\$ 68.08		
<b>Total Service Charge</b>	<b>\$ 21.41</b>	<b>\$ 56.09</b>	<b>\$ 85.66</b>	<b>\$ 149.73</b>	<b>\$ 237.90</b>	<b>\$ 461.51</b>	<b>\$ 710.14</b>		
<b>Annual Service Charge Revenue</b>									
Single Family	\$ 60,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,106	
Multi-Family	\$ 8,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,733	
Non-Residential	\$ 899	\$ 2,692	\$ 8,737	\$ -	\$ -	\$ -	\$ -	\$ 12,329	
<b>Total Srv. Chrg. Revenue</b>	<b>\$ 69,738</b>	<b>\$ 2,692</b>	<b>\$ 8,737</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 81,168</b>	
<b>Water Rate Revenue Requirement</b>									
Customer Costs	\$	5,945	2.1%	<b>Notes:</b>					
Capacity Costs	\$	51,911	18.0%	(1) See text of report for discussion of capacity factors.					
Commodity Costs (3)	\$	207,832	71.9%	(2) Litigation charges remain unchanged.					
Litigation Charge	\$	23,312	8.1%	(3) Commodity costs recovered through commodity rates.					
<b>Total Revenue Requirement</b>	<b>\$</b>	<b>289,000</b>		See Exhibit III-8.					

**Commodity Rates**

Exhibits III-7 and III-8 present the commodity rate calculations for the Town and Blacklake Divisions, respectively. A uniform commodity rate is proposed for multi-family and non-residential customers. A two-tier structure is proposed for single family customers.

The two-tier single family commodity rate includes the same tier allocations as the current rate structure. That is, the first 40 HCF of bi-monthly water use is at the first tier rate, and any additional water usage is at the second tier rate. Tier rates were calculated to generally reflect the difference in cost between groundwater supplies and supplemental water supplies. Once supplemental water becomes available and proposed supplemental water capacity charges are implemented, the net cost of supplemental water is estimated to be about \$0.70 to \$0.80 per HCF higher than the cost of groundwater. In effect, the proposed tier rates reflect an approach whereby all customers will benefit from the lower cost of groundwater for base (Tier 1) water usage, and then pay the higher cost of supplemental water with water usage in excess of the base amount.

The tier rate determination also reflects another calculation. The average cost of water for single family customers as a group (i.e., weighted average of all single family water sales) is estimated to equal the uniform commodity rate applicable to multi-family and non-residential customers. This criterion maintains rate equity between the customer classes.

**Exhibit III-7**  
**Nipomo Community Services District**  
**Calculation of Water Commodity Rates for the Town Division**

No. of Accts.	Customer Class	Ann. Water Use (HCF)	FIRST TIER		Break Point	SECOND TIER		Annual Revenue
			Rate (\$/HCF)	Revenue		Rate (\$/HCF)	Revenue	
2,832	Single Family % of Water Use --> % of Water Bills -->	743,911	\$ 1.12	\$ 529,615 63.6% 61.0%	40	\$ 1.91	\$ 517,687 36.4% 39.0%	\$ 1,047,302
170	Multi-Family	41,933	\$ 1.41	\$ 59,126				\$ 59,126
128	Non-Residential	98,888	\$ 1.41	\$ 139,432				\$ 139,432
-	Special Irrigation	-	\$ 1.41	\$ -				\$ -
<b>3,130</b>	<b>TOTALS</b>	<b>884,732</b>						<b>\$ 1,245,860</b>
<b>Summary of Commodity Costs</b>								
Total Commodity Costs		<b>\$ 1,246,715</b>	(from Exhibit III-5)					

**Exhibit III-8**  
**Nipomo Community Services District**  
**Calculation of Water Commodity Rates for the Balcklake Division**

No. of Accts.	Customer Class	Ann. Water Use (HCF)	FIRST TIER		Break Point	SECOND TIER		Annual Revenue
			Rate (\$/HCF)	Revenue		Rate (\$/HCF)	Revenue	
468	Single Family % of Water Use --> % of Water Bills -->	128,042	\$ 0.97	\$ 87,554 70.5% 55.2%	40	\$ 1.70	\$ 64,227 29.5% 44.8%	\$ 151,780
68	Multi-Family	2,765	\$ 1.18	\$ 3,263				\$ 3,263
32	Non-Residential	44,591	\$ 1.18	\$ 52,617				\$ 52,617
-	Special Irrigation	-	\$ 1.18	\$ -				\$ -
<b>568</b>	<b>TOTALS</b>	<b>175,398</b>						<b>\$ 207,660</b>
<b>Summary of Commodity Costs</b>								
Total Commodity Costs		<b>\$ 207,832</b>	(from Exhibit III-6)					

Proposed Water Rates Schedules

Exhibit III-9 presents the proposed water rate schedule for FY 05-06 through FY 09-10 for the Town and Blacklake Divisions. The proposed rates are intended to meet the annual revenue needs of each water utility, as estimated in the financial plans described in Section II. The proposed rates include annual adjustments and are assumed to be effective in July of each year.

Exhibit III-9  
Nipomo Community Services District  
Current and Proposed Water Rates

	Current (1)	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Town Division</b>						
<b>Bi-Monthly Service Charges</b>						
Up to 1"	\$ 14.72	\$ 16.76	\$ 18.43	\$ 20.64	\$ 22.71	\$ 24.52
1 1/2"	\$ 33.66	\$ 47.56	\$ 52.32	\$ 58.60	\$ 64.46	\$ 69.61
2"	\$ 46.76	\$ 75.33	\$ 82.86	\$ 92.81	\$ 102.09	\$ 110.25
3"	\$ 65.50	\$ 140.17	\$ 154.18	\$ 172.68	\$ 189.95	\$ 205.15
4"	\$ 85.00	\$ 232.77	\$ 256.05	\$ 286.77	\$ 315.45	\$ 340.68
6"	\$ 140.08	\$ 464.07	\$ 510.48	\$ 571.73	\$ 628.91	\$ 679.22
8"	\$ 160.00	\$ 741.74	\$ 815.92	\$ 913.83	\$ 1,005.21	\$ 1,085.63
<b>Commodity Rates (\$/HCF)</b>						
Residential						
Tier 1 (0-40 HCF)	\$ 1.07	\$ 1.12	\$ 1.23	\$ 1.38	\$ 1.52	\$ 1.64
Tier 2 (>40 HCF)	\$ 1.64	\$ 1.91	\$ 2.10	\$ 2.35	\$ 2.59	\$ 2.80
Non-Residential						
All Water Use	\$	\$ 1.41	\$ 1.55	\$ 1.74	\$ 1.91	\$ 2.06
<b>Blacklake Division</b>						
<b>Bi-Monthly Service Charges</b>						
Up to 1"	\$ 11.54	\$ 15.09	\$ 18.10	\$ 22.08	\$ 26.06	\$ 30.75
1 1/2"	\$ 21.94	\$ 41.73	\$ 50.07	\$ 61.09	\$ 72.08	\$ 85.06
2"	\$ 30.90	\$ 65.74	\$ 78.89	\$ 96.24	\$ 113.57	\$ 134.01
3"	\$ 44.68	\$ 121.81	\$ 146.17	\$ 178.33	\$ 210.43	\$ 248.31
4"	\$ 72.90	\$ 201.90	\$ 242.28	\$ 295.58	\$ 348.78	\$ 411.56
6"	\$ 121.92	\$ 401.93	\$ 482.32	\$ 588.42	\$ 694.34	\$ 819.32
8"	\$	\$ 642.06	\$ 770.48	\$ 939.98	\$ 1,109.18	\$ 1,308.83
<b>Commodity Rates (\$/HCF)</b>						
Residential						
Tier 1 (0-40 HCF)	\$ 0.75	\$ 0.97	\$ 1.16	\$ 1.42	\$ 1.68	\$ 1.98
Tier 2 (>40 HCF)	\$ 1.15	\$ 1.70	\$ 2.04	\$ 2.49	\$ 2.94	\$ 3.47
Non-Residential						
All Water Use	\$	\$ 1.18	\$ 1.42	\$ 1.73	\$ 2.04	\$ 2.41
<b>Bi-Monthly Litigation Charges (both Town and Blacklake Divisions)</b>						
Up to 1"	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.32	\$ 6.32
1 1/2"	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36	\$ 14.36
2"	\$ 19.92	\$ 19.92	\$ 19.92	\$ 19.92	\$ 19.92	\$ 19.92
3"	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92	\$ 27.92
4"	\$ 36.00	\$ 36.00	\$ 36.00	\$ 36.00	\$ 36.00	\$ 36.00
6"	\$ 59.58	\$ 59.58	\$ 59.58	\$ 59.58	\$ 59.58	\$ 59.58
8"	\$ 68.08	\$ 68.08	\$ 68.08	\$ 68.08	\$ 68.08	\$ 68.08

Notes:

(1) Current rates were previously approved to be effective January 1, 2005. Current tier rates apply to all customers.

Bill Impacts for Typical Single Family Customers

The typical single family residential customer in the Town Division uses an average of 32 HCF per bi-monthly billing period. The typical single family customer in the Blacklake Division uses an average of 38 HCF per billing period. Water bills for these typical customers over the five-year planning period are summarized below

	<b>Town Division</b>	<b>Blacklake Division</b>
Current	\$ 55.28	\$ 46.36
FY 05-06	\$ 58.92	\$ 58.27
FY 06-07	\$ 64.18	\$ 68.65
FY 07-08	\$ 71.12	\$ 82.37
FY 08-09	\$ 77.60	\$ 96.06
FY 09-10	\$ 83.30	\$ 112.21

Additional bill comparison information is included at the end of the Executive Summary (Section I) of this report.

**IV. Sewer Rates**

This section of the report describes proposed sewer rates for the Town and Blacklake Divisions of the Nipomo Community Services District. A five-year rate plan is presented. This section also includes information on the current sewer rates, customer account data, and the impact of proposed rates on typical sewer bills.

Current Sewer Rates

The current sewer rates of both the District’s Town and Blacklake Divisions are summarized below. All sewer customers are charged a flat amount for sewer service based on the number of dwelling unit equivalents (DUEs). All residential dwellings (both single family and multi-family) are considered one DUE. The determination of the number of DUEs for any non-residential account can be a subjective, and may have little relation to actual water usage or sewer discharges. Current sewer rates became effective in July 2004.

Town Division	\$37.22 per DUE
Blacklake Division	\$63.66 per DUE

Current Customer Account Data

The District currently provides sewer service to nearly 2,500 customers in the Town Division and to about 540 customers in the Blacklake Division. **Exhibit IV-1** summarizes the current number of customer accounts by customer class for each of the divisions. The Town Division includes about 444 homes that are served by the County.

**Exhibit IV-1  
Nipomo Community Services District  
Summary of Sewer Service Customers**

	No. of Accts.	No. of DUEs	Avg. Min. Win. Use/DUE (CCF)
<b>Town Division</b>			
Single Family	1,826	1,843	18.6
Multi-Family	141	389	11.7
Commercial	63	248	13.9
Homes Served by County	444	444	
Sub-Total	2,474	2,924	
<b>Black Lake Division</b>			
Single Family	468	469	25.0
Multi-Family	68	68	3.6
Commercial	1	8	13.0
Sub-Total	537	545	
<b>Total Sewer Accounts</b>	<b>3,011</b>	<b>3,469</b>	

The sewer flow generated by a single family residence is typically used to define the flow of one DUE. Winter water use is used to estimate residential sewer flows because irrigation usage should be at a minimum. Exhibit IV-1 indicates that average water use during the minimum winter period is about 19 HCF in the Town Division and 25 HCF in the Blacklake Division. Winter water use among multi-family customers is considerably less than single family. In the Town Division winter water use averages about 12 HCF (63 percent of single family) and in the Blacklake Division it averages about 4 HCF (15 percent of single family). This is noteworthy because multi-family dwellings are currently charged the same as single family residences.

Most water used by non-residential customer tends to end up on the sewer system. Exceptions existing when significant irrigation occurs from on the water service (i.e., no separate irrigation meter). For rate setting purposes, 90 percent of non-residential water usage is assumed to end up in the sewer system. The following examples illustrate how flat rates based on the number of DUEs may not provide the most equitable approach for non-residential sewer service. Each of the customers listed below were extracted from the District's utility billing system. Customer #2 in each set is likely paying an appropriate amount based on water use and estimated sewer flow. Customer #1 in each set is disadvantaged, and Customer #3 in each set is advantaged by the current DUE approach.

<b>Establishment</b>	<b>Est. Sewer Flow (2 months)</b>	<b>Assigned DUEs</b>	<b>Sewer Flow Per DUE</b>
Restaurant #1	28 HCF	5	6 HCF
Restaurant #2	59 HCF	3	20 HCF
Restaurant #3	76 HCF	1	76 HCF
Office #1	43 HCF	7	6 HCF
Office #2	65 HCF	3	22 HCF
Office #3	154 HCF	2	77 HCF

As a result of the disparate results observed with the current DUE approach, it was recommended that an alternative approach for sewer rates be developed for non-residential customers. Also, it was recommended that the flat rate for multi-family dwellings reflect the differences in winter water usage observed between single family and multi-family customers. During public workshops the Board of Directors concurred with these recommended changes.

**Sewer Rate Calculations**

The calculation of sewer rates is both similar and different to water rate calculations. Sewer rate calculations are similar to water rates in that it involves a three-step process. First, the annual sewer rate revenue requirement must be determined. The sewer rate revenue requirement is that amount of revenues to be generated annually to meet operating and capital program needs with consideration of other sewer system revenues and reserves. Annual sewer rate revenue requirements were determined using the five-year financial plan models described in Section II. The second step in the rate setting process is a cost of service analysis accomplished by the allocation of sewer system costs to rate components. Finally, the third step in the process is rate design and the development of sewer rate schedules.

Sewer rates differ from water rates in that costs are allocated not only on flow, but also on strength characteristics of sewer flows, which affect the cost of treatment. The amount of biochemical oxygen demand (BOD) and suspended solids (SS) are used in addition to sewer flow to calculate sewer rates. Restaurants, for example, generate a high strength waste that is more costly to treat

than waste from a retail store or office building. In developing sewer rates for the District non-residential customers have been categorized into low, medium, and high strength categories.

Annual Sewer Rate Revenue Requirement

The annual sewer rate revenue requirements were determined for each fiscal year for both the Town and Blacklake Divisions using the five-year financial planning models. The annual revenue requirements are summarized below, and are also contained in the financial plan exhibits included in Appendix A.

	<u>Town</u> <u>Division</u>	<u>Blacklake</u> <u>Division</u>
FY 05-06	\$698,000	\$220,000
FY 06-07	\$745,000	\$231,000
FY 07-08	\$795,000	\$243,000
FY 08-09	\$848,000	\$253,000
FY 09-10	\$905,000	\$263,000

Current sewer rates have been estimated to generate about \$654,000 and \$209,000 for the Town and Blacklake Divisions, respectively, during FY 04-05. The sewer rate schedules developed for each of the next five years are intended to generate the amount of revenue listed above. Rate calculations also reflect assumptions for new development, which adds to the number of customers receiving sewer service each year.

Cost of Service Analysis

Once the annual revenue requirement has been determined, sewer rates are calculated following cost of service and rate design principles. Cost of service analysis includes the allocation of costs (the revenue requirement) to the categories described below. The cost allocation was performed at the line-item level of detail in the budget.

- *Customer Costs* – Customer costs such as billing and customer service are fixed costs that tend to vary as the function of the number of customers served. Customer costs are allocated equally to all customers based on the total number of accounts, and are included in the bi-monthly service charge.
- *Capacity Costs* – Capacity costs are fixed costs associated with maintaining and rehabilitating the sewer system. These costs include maintenance costs as well as the annual transfer to the Sewer Capital Replacement Fund. Capacity costs tend to vary in relation to the total capacity of the collection system. Customers who have the ability to place a greater or lesser demand on the sewer system (as indicated by the size of the water meter) should bear a greater or lesser share of fixed capacity costs, respectively. The sewer system is sized to meet peak demands. Therefore, fixed capacity costs are allocated to sewer connections in proportion to the capacity provided by various sized meters. They are included in the service charge portion of the sewer rates.
- *Collection System Costs* – Collection system costs are variable costs associated with the operation and maintenance of the underground pipelines and lift stations prior to the treatment plant. As there are no treatment costs associated with conveying sewer flows to the treatment plant, collection system costs are assigned to each customer in relation to estimated sewer flows from each customer. Collection system costs are recovered through the commodity rate portion of the sewer rates.

- *Treatment Costs* – The costs of providing sewer treatment and disposal are considered variable costs. However, treatment costs are assigned to customers based not only on sewer flows, but also BOD and SS. For purposes of rate analyses presented herein, treatment costs are allocated 34 percent to flow, 33 percent to BOD, and 33 percent to SS.
- *Shared (Indirect) Costs* – Some cost items are not directly allocated to any of the four components identified above. Instead these costs are first allocated as shared (indirect) costs, and subsequently reallocated to each of the four components based on the percentage of costs that were directly allocated to these components.

The allocation of costs to each of the cost components occurs at the individual line-item level of detail in the District’s budget and account structure. Most costs are allocated directly to the customer, capacity, collection, or treatment components, although some are categorized as shared costs then reallocated indirectly. The resulting allocation of costs between the Town and Blacklake Divisions differs somewhat due to the unique cost structures of each utility. Using the FY 05-06 revenue requirement as the basis for cost allocations, costs were allocated as follows:

<u>Component</u>	<u>Town Div.</u>	<u>Blacklake Div.</u>
Customer Costs	2.5%	3.0%
Capacity Costs	35.5%	45.5%
Collection Costs	44.0%	23.0%
Treatment Costs	<u>18.0%</u>	<u>28.5%</u>
Total	100.0%	100.0%

The allocation of costs to sewer customers is more complex than water rate allocations because the allocations are based on estimated sewer flows (rather than water usage), and because treatment costs must be allocated on multiple bases – flow, BOD, and SS. Exhibits on the following pages provide details for both Town and Blacklake sewer rate cost allocations. These include:

- **Exhibits IV-2 and IV-3**      Step 1 – Identification of Users and Pollutant Levels
- **Exhibits IV-4 and IV-5**      Step 2 – Determination of Unit Costs
- **Exhibits IV-6 and IV-7**      Step 2A – Sewer Service Charge Calculation
- **Exhibits IV-8 and IV-9**      Step 3 – Sewer Rate Calculation by Cost Component
- **Exhibits IV-10 and IV-11**      Step 4 – Final Sewer Rate Determination

**Exhibit IV-2  
Nipomo Community Services District  
Sewer Rate Calculation for the Town Division  
Step 1 -- Identification of Users and Pollutant Levels**

No. of Accounts	No. of Dwelling Units	User Group	FLOW:				BOD:		SS:		
			Year/Winter Water Consumption Per User Class (HCF)	Rate of Return	Adjust for Rate of Return (HCF)	Annual Capacity (MG)	Total Annual Flow (MGD)	BOD User (mg/l)	Annual Capacity (lbs)	SS Per User (mg/l)	Annual Capacity (lbs)
2,270	2,270	<b>RESIDENTIAL:</b>									
140	388	Single Family	256,200	Applied	256,200	191.6	0.53	250	399,551	250	399,551
		Multi-Family	27,600	Applied	27,600	20.6	0.06	250	43,043	250	43,043
<b>2,410</b>	<b>2,658</b>	<b>Subtotal- Residential</b>	<b>283,800</b>		<b>283,800</b>	<b>212.3</b>	<b>0.58</b>		<b>442,594</b>		<b>442,594</b>
		<b>NON-RESIDENTIAL:</b>									
33		Low	13,800	90%	12,420	9.3	0.03	250	19,369	250	19,369
17		Medium	9,800	90%	8,820	6.6	0.02	400	22,008	400	22,008
13		High	8,900	90%	8,010	6.0	0.02	1000	49,967	700	34,977
<b>63</b>		<b>Subtotal Non-Residential</b>	<b>32,500</b>		<b>29,250</b>	<b>21.9</b>	<b>0.06</b>		<b>91,345</b>		<b>76,355</b>
<b>2,473</b>		<b>TOTAL</b>	<b>316,300</b>		<b>313,050</b>	<b>234.2</b>	<b>0.64</b>		<b>533,939</b>		<b>518,949</b>

**Exhibit IV-3  
Nipomo Community Services District  
Sewer Rate Calculation for the Blacklake Division  
Step 1 -- Identification of Users and Pollutant Levels**

No. of Accounts	No. of Dwelling Units	User Group	FLOW:				BOD:		SS:		
			Year/Winter Water Consumption Per User Class (HCF)	Rate of Return	Adjust for Rate of Return (HCF)	Annual Capacity (MG)	Total Annual Flow (MGD)	BOD User (mg/l)	Annual Capacity (lbs)	SS Per User (mg/l)	Annual Capacity (lbs)
468	468	<b>RESIDENTIAL:</b>									
68	68	Single Family	71,100	Applied	71,100	53.2	0.15	200	88,706	200	88,706
		Multi-Family	1,500	Applied	1,500	1.1	0.00	200	1,871	200	1,871
<b>536</b>	<b>536</b>	<b>Subtotal- Residential</b>	<b>72,600</b>		<b>72,600</b>	<b>54.3</b>	<b>0.15</b>		<b>90,577</b>		<b>90,577</b>
		<b>NON-RESIDENTIAL:</b>									
-		Low	1	90%	1	0.0	0.00	200	1	200	1
-		Medium	1	90%	1	0.0	0.00	400	2	400	2
1		High	700	90%	630	0.5	0.00	1000	3,930	700	2,751
<b>1</b>		<b>Subtotal Non-Residential</b>	<b>702</b>		<b>632</b>	<b>0.5</b>	<b>0.00</b>		<b>3,933</b>		<b>2,754</b>
<b>537</b>		<b>TOTAL</b>	<b>73,302</b>		<b>73,232</b>	<b>54.8</b>	<b>0.15</b>		<b>94,511</b>		<b>93,332</b>

**Exhibit IV-4  
Nipomo Community Services District  
Sewer Rate Calculation for the Town Division  
Step 2 -- Determination of Unit Costs**

<b>Cost Category</b>	<b>Parameter Allocation Percentages</b>	<b>Annual Cost Allocated To Each Parameter</b>	<b>Total Quantities</b>	<b>Unit Cost For Each Parameter</b>
Fixed O,M,&R Costs (Customer and Capacity)				
Less Other Revenues				
Per Fixed Cost Billing Unit	100%	\$ 267,237	2,770	\$ 96.48
Variable O&M Costs for Collection (Semi-Variable & Variable)				
Flow (MG)	100%	\$ 305,120	234.161	\$ 1,303.03
Variable O&M Costs for Treatment (Semi-Variable & Variable)				
Flow (MG)	34%	\$ 42,718	234.161	\$ 182.43
BOD (LBS.)	33%	\$ 41,462	533,939	\$ 0.0777
SS (LBS.)	33%	\$ 41,462	518,949	\$ 0.0799

**Exhibit IV-5  
Nipomo Community Services District  
Sewer Rate Calculation for the Blacklake Division  
Step 2 -- Determination of Unit Costs**

<b>Cost Category</b>	<b>Parameter Allocation Percentages</b>	<b>Annual Cost Allocated To Each Parameter</b>	<b>Total Quantities</b>	<b>Unit Cost For Each Parameter</b>
Fixed O,M,&R Costs (Customer and Capacity)				
Less Other Revenues				
Per Fixed Cost Billing Unit	100%	\$ 106,268	541	\$ 196.59
Variable O&M Costs for Collection (Semi-Variable & Variable)				
Flow (MG)	100%	\$ 50,511	54.777	\$ 922.12
Variable O&M Costs for Treatment (Semi-Variable & Variable)				
Flow (MG)	34%	\$ 21,495	54.777	\$ 392.41
BOD (LBS.)	33%	\$ 20,863	94,511	\$ 0.2207
SS (LBS.)	33%	\$ 20,863	93,332	\$ 0.2235

**Exhibit IV-6**  
**Nipomo Community Services District**  
**Sewer Rate Calculations for the Town Division**  
**Step 2A -- Sewer Service Charge Calculation**

<b>Customer Class</b>	<b>1" or Less</b>	<b>1 1/2"</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>	<b>6"</b>	<b>8"</b>	<b>Total</b>
<b>Number of Accounts</b>								
Single Family (DUs)	2,270							2,270
Multi-Family (DUs)	388							388
Non-Residential - Low	27	3	3					33
Non-Residential - Medium	7	7	3					17
Non-Residential - High	9	3	1					13
<b>Total</b>	<b>2,701</b>	<b>13</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,721</b>
Hydraulic Cap. Factor	1.0	3.0	4.8	9.0	15.0	30.0	48.0	
<b>Number of Equivalent Meters</b>								
Single Family (DUs)	2,270							2,270
Multi-Family (DUs)	388							388
Non-Residential - Low	27	9	14	0	0	0	0	50
Non-Residential - Medium	7	21	14	0	0	0	0	42
Non-Residential - High	9	9	5	0	0	0	0	23
<b>Total</b>	<b>2,701</b>	<b>39</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,774</b>
<b>Bi-Monthly Service Charge</b>								
Customer Costs	\$1.09	\$1.09	\$1.09	\$1.09	\$1.09	\$1.09	\$1.09	
Capacity Costs	\$14.99	\$44.92	\$71.90	\$134.90	\$224.88	\$449.63	\$719.44	
<b>Total Monthly</b>	<b>\$16.08</b>	<b>\$46.01</b>	<b>\$72.99</b>	<b>\$135.99</b>	<b>\$225.97</b>	<b>\$450.72</b>	<b>\$720.53</b>	
<b>Customer Equiv. Factor</b>	<b>1.00</b>	<b>2.86</b>	<b>4.54</b>	<b>8.46</b>	<b>14.05</b>	<b>28.03</b>	<b>44.81</b>	
<b>Summary of Fixed Costs</b>								
Customer Costs	\$17,799							
Capacity Costs	\$249,439							
	<u>\$267,237</u>							
<b>Number of Equivalent Customers</b>								
Single Family (DUs)	2,270							2,270
Multi-Family (DUs)	388							388
Non-Residential - Low	27	9	14	0	0	0	0	49
Non-Residential - Medium	7	20	14	0	0	0	0	41
Non-Residential - High	9	9	5	0	0	0	0	22
<b>Total</b>	<b>2,701</b>	<b>37</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,770</b>

**Exhibit IV-7**  
**Nipomo Community Services District**  
**Sewer Rate Calculations for the Blacklake Division**  
**Step 2A -- Sewer Service Charge Calculation**

<b>Customer Class</b>	<b>1" or Less</b>	<b>1 1/2"</b>	<b>2"</b>	<b>3"</b>	<b>4"</b>	<b>6"</b>	<b>8"</b>	<b>Total</b>
<b>Number of Accounts</b>								
Single Family (DUs)	468							468
Multi-Family (DUs)	68							68
Non-Residential - Low								0
Non-Residential - Medium								0
Non-Residential - High			1					1
<b>Total</b>	<b>536</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>537</b>
Hydraulic Cap. Factor	1.0	3.0	4.8	9.0	15.0	30.0	48.0	
<b>Number of Equivalent Meters</b>								
Single Family (DUs)	468							468
Multi-Family (DUs)	68							68
Non-Residential - Low	0	0	0	0	0	0	0	0
Non-Residential - Medium	0	0	0	0	0	0	0	0
Non-Residential - High	0	0	5	0	0	0	0	5
<b>Total</b>	<b>536</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>541</b>
<b>Bi-Monthly Service Charge</b>								
Customer Costs	\$1.98	\$1.98	\$1.98	\$1.98	\$1.98	\$1.98	\$1.98	
Capacity Costs	\$30.79	\$92.26	\$147.68	\$277.07	\$461.87	\$923.47	\$1,477.60	
<b>Total Monthly</b>	<b>\$32.76</b>	<b>\$94.24</b>	<b>\$149.66</b>	<b>\$279.05</b>	<b>\$463.85</b>	<b>\$925.45</b>	<b>\$1,479.58</b>	
<b>Customer Equiv. Factor</b>	<b>1.00</b>	<b>2.88</b>	<b>4.57</b>	<b>8.52</b>	<b>14.16</b>	<b>28.25</b>	<b>45.16</b>	
<b>Summary of Fixed Costs</b>								
Customer Costs	\$6,376							
Capacity Costs	\$99,892							
	<u>\$106,268</u>							
<b>Number of Equivalent Customers</b>								
Single Family (DUs)	468							468
Multi-Family (DUs)	68							68
Non-Residential - Low	0	0	0	0	0	0	0	0
Non-Residential - Medium	0	0	0	0	0	0	0	0
Non-Residential - High	0	0	5	0	0	0	0	5
<b>Total</b>	<b>536</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>541</b>

Exhibit IV-8  
Nipomo Community Services District  
Sewer Rate Calculation for the Town Division  
Step 3 -- Sewer Rate Calculation By Cost Component

No. of Users	User Group	Fixed O,M,&R Costs		Variable O, M, & R Costs				Total Annual Revenue Required
		Number of Units	Fixed Cost	Collection System	Sewer Treatment			
				Flow	Flow	BOD	SS	
		Unit Cost = \$96.48 (\$/Eq. Cust.)	Unit Cost = \$1,303.03 (\$/MG)	Unit Cost = \$182.43 (\$/MG)	Unit Cost = \$0.0777 (\$/lb)	Unit Cost = \$0.0799 (\$/lb)		
2,270	RESIDENTIAL Single Family	2,270	\$219,001	\$249,710	\$34,961	\$31,026	\$31,923	\$566,621
140	Multi-Family	388	\$37,433	\$26,901	\$3,766	\$3,342	\$3,439	\$74,881
2,410	Subtotal- Residential	2,658	\$256,434	\$276,611	\$38,727	\$34,369	\$35,361	\$641,503
33	NON-RESIDENTIAL Low	49	\$4,747	\$12,105	\$1,695	\$1,504	\$1,548	\$21,599
17	Medium	41	\$3,922	\$8,597	\$1,204	\$1,709	\$1,758	\$17,189
13	High	22	\$2,134	\$7,807	\$1,093	\$3,880	\$2,795	\$17,709
63	Subtotal-Non-Residential	112	\$10,803	\$28,509	\$3,991	\$7,093	\$6,100	\$56,497
2,473	<b>Total</b>	2,770	\$ 267,237	\$ 305,120	\$ 42,718	\$ 41,462	\$ 41,462	\$ 698,000
Check Total-->								\$ 698,000

Exhibit IV-9  
Nipomo Community Services District  
Sewer Rate Calculation for the Blacklake Division  
Step 3 -- Sewer Rate Calculation By Cost Component

No. of Users	User Group	Fixed O,M,&R Costs		Variable O, M, & R Costs				Total Annual Revenue Required
		Number of Units	Fixed Cost	Collection System	Sewer Treatment			
				Flow	Flow	BOD	SS	
		Unit Cost = \$ 196.59 (\$/Eq. Cust.)	Unit Cost = \$ 922.12 (\$/MG)	Unit Cost = \$ 392.41 (\$/MG)	Unit Cost = \$0.2207 (\$/lb)	Unit Cost = \$0.2235 (\$/lb)		
468	RESIDENTIAL Single Family	468	\$92,002	\$49,041	\$20,869	\$19,581	\$19,829	\$201,323
68	Multi-Family	68	\$13,368	\$1,035	\$440	\$413	\$418	\$15,674
536	Subtotal- Residential	536	\$105,370	\$50,075	\$21,310	\$19,995	\$20,247	\$216,997
0	NON-RESIDENTIAL Low	0	\$0	\$1	\$0	\$0	\$0	\$1
0	Medium	0	\$0	\$1	\$0	\$0	\$1	\$2
1	High	5	\$898	\$435	\$185	\$868	\$615	\$3,000
1	Subtotal-Non-Residential	5	\$898	\$436	\$185	\$868	\$616	\$3,003
537	<b>Total</b>	541	\$ 106,268	\$ 50,511	\$ 21,495	\$ 20,863	\$ 20,863	\$ 220,000
Check Total-->								\$ 220,000

Exhibit IV-10  
Nipomo Community Services District  
Sewer Rate Calculation for the Town Division  
Step 4 -- Final Sewer Rate Determination

No. of Equiv. Cust.	User Group	Ann./Win. Water Consumption Per User Class (HCF)	Rate of Return	Adjust For Rate of Return (HCF)	BOD Per User (MG/L)	SS Per User (MG/L)	Bi-Monthly Service Charge (1" Mtr.)	Commodity Rate (\$/HCF)	Annual Fixed Fee Revenue	Annual Variable Revenue	Bi-Monthly Flat Rate per DU
2,270	RESIDENTIAL: Single Family	256,200	Applied	256,200	250	250	\$16.08	\$1.36	\$ 219,001	\$ 347,620	\$41.60
388	Multi-Family	27,600	Applied	27,600	250	250	\$16.08	\$1.36	\$ 37,433	\$ 37,449	\$32.17
2,658	Subtotal- Residential	283,800		283,800					\$ 256,434	\$ 385,068	
49	NON RESIDENTIAL: Low	13,800	90%	12,420	250	250	\$16.08	\$1.22	\$ 4,747	\$ 16,852	
41	Medium	9,800	90%	8,820	400	400	\$16.08	\$1.35	\$ 3,922	\$ 13,267	
22	High	8,900	90%	8,010	1000	700	\$16.08	\$1.75	\$ 2,134	\$ 15,575	
112	Subtotal Non-Residential	32,500		29,250					\$ 10,803	\$ 45,694	
2,770	<b>TOTAL ALL USERS:</b>	<b>316,300</b>		<b>313,050</b>					<b>\$ 267,237</b>	<b>\$ 430,763</b>	<b>\$698,000</b>

Exhibit IV-11  
Nipomo Community Services District  
Sewer Rate Calculation for the Blacklake Division  
Step 4 -- Final Sewer Rate Determination

No. of Equiv. Cust.	User Group	Ann./Win. Water Consumption Per User Class (HCF)	Rate of Return	Adjust For Rate of Return (HCF)	BOD Per User (MG/L)	SS Per User (MG/L)	Bi-Monthly Service Charge (1" Mtr.)	Commodity Rate (\$/HCF)	Annual Fixed Fee Revenue	Annual Variable Revenue	Bi-Monthly Flat Rate per DU
468	RESIDENTIAL: Single Family	71,100	Applied	71,100	200	200	\$32.76	\$1.54	\$ 92,002	\$ 109,320	\$71.70
68	Multi-Family	1,500	Applied	1,500	200	200	\$32.76	\$1.54	\$ 13,368	\$ 2,306	\$38.42
536	Subtotal- Residential	72,600		72,600					\$ 105,370	\$ 111,627	
-	NON RESIDENTIAL: Low	1	90%	1	200	200	\$32.76	\$1.38	\$ -	\$ 1	
-	Medium	1	90%	1	400	400	\$32.76	\$1.88	\$ -	\$ 2	
5	High	700	90%	630	1000	700	\$32.76	\$3.00	\$ 898	\$ 2,102	
5	Subtotal Non-Residential	702		632					\$ 898	\$ 2,105	
541	<b>TOTAL ALL USERS:</b>	<b>73,302</b>		<b>73,232</b>					<b>\$ 106,268</b>	<b>\$ 113,732</b>	<b>\$220,000</b>

Sewer Rate Structure Design

The final step in the sewer rate setting process is to design sewer rates for each customer class. Like water rates the proposed sewer rates include a fixed bi-monthly service charge and a commodity rate. Current sewer rates are flat bi-monthly charges for all customers based on the number of DUEs assigned to each account. It is recommended that the District maintain a system of flat rates for residential customers. However, it is also recommended that non-residential customers pay for sewer service based on actual water usage. This will maintain rate simplicity for most customers while providing a more equitable basis for non-residential customers. The proposed non-residential approach will also encourage water conservation.

Residential Sewer Rates

Residential flat rates include a fixed service charge and a commodity charge. The service charge is based on meter size up to 1", which is standard for single family customers. Multi-family customers are also assigned a service charge on a per-dwelling-unit basis. Service charges recover the fixed customer and capacity costs assigned to the residential class.

The commodity charge for single family residential customers was determined based on average water usage during the lowest-use winter months when irrigation usage is minimal. Water used during winter months is assumed to end up in the sewer system, and further assumed to produce a comparable sewer flow throughout the year. Multi-family sewer flows were estimated in the same manner – based on the average minimum winter water use on a per-dwelling-unit basis. Using these sewer flow estimates, a fixed flow rate per dwelling unit was estimated. For single family residences the sewer flow was determined to be about 19 HCF and 25 HCF for the Town and Blacklake Divisions, respectively. For multi-family residences the sewer flow rates were determined to be about 12 HCF and 4 HCF for the Town and Blacklake Divisions, respectively.

Because multi-family customers generate less sewer flow than single family customers they should be charged a lesser amount for the service. Currently, sewer rates are the same for single family and multi-family dwelling units. Based on costs and revenue needs for FY 05-06, the proposed residential flat rates are:

	<u>Town Div.</u>	<u>Blacklake Div.</u>
Current	\$ 37.22	\$ 63.66
Proposed for FY 05-06		
Single Family	\$ 41.60	\$ 71.70
Multi-family (per DU)	\$ 32.17	\$ 38.42

Non-Residential Sewer Rates

Sewer rates for non-residential customers include a bi-monthly service charge based on the size of the water meter and a uniform commodity rate that varies depending on the strength category for each customer. Basing service charges on the size of the water meter enables rates to reflect the cost of providing sewer service capacity to customers in relation to the potential demand that they can place on the system.

Variable treatment and collection costs are recovered through the commodity rates. The rates vary for each strength category to reflect the added costs associated with treating BOD and SS. It is recommended that the District charge non-residential users on the basis of monthly water use. Unlike residential sewer flows that are based on minimum winter water use, non-residential demands can vary based on a variety of factors that can not be easily simplified into a unit usage value. Undoubtedly a portion of non-residential water use is used for irrigation purposes, and does not contribute to sewer flows. However, many non-residential customers also have separate irrigation meters. For purposes of rate analyses, 90 percent of non-residential water usage is assumed to become sewer flows.

The strength categories – low, medium, and high – are proposed for the non-residential sewer rates. Examples of types of customers that would fit into each of these categories include:

- *Low Strength* – Retail, office, beauty shop, Laundromat, car wash, schools, bar without food, storage
- *Medium Strength* – Hotel, service station, auto dealer, commercial/industrial laundry, manufacturing (various types), mixed use (e.g., retail/restaurant)
- *High Strength* – Restaurant, bar with food, grocery with food grinder or bakery, bakery, mortuary, manufacturing (various types)

**Appendix B**, at the end of this report, includes a compilation of data on the strength characteristics of various types of establishments. This information should be used by the District as a guideline for assigning each non-residential sewer customer to a strength category.

In determining the strength-based commodity rates all variable collection costs are allocated based on flow alone and make up an equal amount to each of the commodity rates. Treatment costs are allocated to the three strength rates based on an allocation of 34 percent to flow, 33 percent based on BOD and 33 percent based on SS. The average composite loading factors used in rate calculations are:

	<u>BOD (mg/l)</u>	<u>SS (mg/l)</u>
Residential	250	250
Low strength	250	250
Medium strength	400	400
High strength	1,000	700

**Proposed Sewer Rates Schedules**

**Exhibit IV-12** presents the proposed sewer rate schedule for FY 05-06 through FY 09-10 for the Town and Blacklake Divisions. The proposed rates are intended to meet the annual revenue needs of each sewer utility, as estimated in the financial plans described in Section II. The proposed rates include annual adjustments and are assumed to be effective in July of each year.

**Bill Impacts for Typical Single Family Customers**

The typical single family residential customer in the Town Division is estimated to generate a sewer flow of 19 HCF per bi-monthly billing period. The typical single family customer in the Blacklake Division is estimated to generate a sewer flow of 25 HCF per billing period. Flat rate sewer bills for single family customers over the five-year planning period are summarized below

	<u>Town Division</u>	<u>Blacklake Division</u>
Current	\$ 37.22	\$ 63.66
FY 05-06	\$ 41.60	\$ 71.70
FY 06-07	\$ 43.27	\$ 74.56
FY 07-08	\$ 45.00	\$ 77.55
FY 08-09	\$ 46.80	\$ 80.65
FY 09-10	\$ 48.67	\$ 83.87

Additional bill comparison information is included at the end of the Executive Summary (Section I) of this report.

Exhibit IV-12  
Nipomo Community Services District  
Current and Proposed Sewer Rates

	Current (1)	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
<b>Town Division</b>						
<b>Residential Bi-Monthly Service Charges (\$/DU)</b>						
Single Family	\$ 37.22	\$ 41.60	\$ 43.27	\$ 45.00	\$ 46.80	\$ 48.67
Multi-Family	\$ 37.22	\$ 32.17	\$ 33.46	\$ 34.80	\$ 36.19	\$ 37.63
<b>Non-Residential Sewer Rates (2)</b>						
Bi-Monthly Service Charges						
Per DUE	\$ 37.22					
Up to 1"	\$ 16.08	\$ 16.72	\$ 17.39	\$ 18.09	\$ 18.81	
1 1/2"	\$ 46.01	\$ 47.85	\$ 49.77	\$ 51.76	\$ 53.83	
2"	\$ 72.99	\$ 75.91	\$ 78.95	\$ 82.11	\$ 85.39	
3"	\$ 135.99	\$ 141.43	\$ 147.09	\$ 152.97	\$ 159.09	
4"	\$ 225.97	\$ 235.01	\$ 244.41	\$ 254.19	\$ 264.36	
6"	\$ 450.72	\$ 468.75	\$ 487.50	\$ 507.00	\$ 527.28	
8"	\$ 720.53	\$ 749.35	\$ 779.32	\$ 810.49	\$ 842.91	
Commodity Rate (\$/HCF)						
Low Strength	\$ 1.22	\$ 1.27	\$ 1.32	\$ 1.37	\$ 1.43	
Medium Strength	\$ 1.35	\$ 1.40	\$ 1.46	\$ 1.52	\$ 1.58	
High Strength	\$ 1.75	\$ 1.82	\$ 1.89	\$ 1.97	\$ 2.05	
<b>Blacklake Division</b>						
<b>Residential Bi-Monthly Service Charges (\$/DU)</b>						
Single Family	\$ 63.66	\$ 71.70	\$ 74.56	\$ 77.55	\$ 80.65	\$ 83.87
Multi-Family	\$ 63.66	\$ 38.42	\$ 39.96	\$ 41.56	\$ 43.22	\$ 44.95
<b>Non-Residential Sewer Rates</b>						
Bi-Monthly Service Charges						
Per DUE	\$ 63.66					
Up to 1"	\$ 32.76	\$ 34.07	\$ 35.44	\$ 36.86	\$ 38.33	
1 1/2"	\$ 94.24	\$ 98.01	\$ 101.93	\$ 106.01	\$ 110.25	
2"	\$ 149.66	\$ 155.64	\$ 161.87	\$ 168.34	\$ 175.08	
3"	\$ 279.05	\$ 290.21	\$ 301.82	\$ 313.89	\$ 326.45	
4"	\$ 463.85	\$ 482.40	\$ 501.70	\$ 521.77	\$ 542.64	
6"	\$ 925.45	\$ 962.46	\$ 1,000.96	\$ 1,041.00	\$ 1,082.64	
8"	\$ 1,479.58	\$ 1,538.76	\$ 1,600.31	\$ 1,664.33	\$ 1,730.90	
Commodity Rate (\$/HCF)						
Low Strength	\$ 1.38	\$ 1.44	\$ 1.49	\$ 1.55	\$ 1.61	
Medium Strength	\$ 1.88	\$ 1.96	\$ 2.03	\$ 2.11	\$ 2.20	
High Strength	\$ 3.00	\$ 3.12	\$ 3.24	\$ 3.37	\$ 3.51	

**Notes:**

- (1) Current sewer rates include a fixed service charge for each dwelling unit or dwelling unit equivalent (DUE).
- (2) Proposed sewer rates for non-residential customers include a service charge based on the size of the water meter and a commodity charge based on sewer strength category and metered water usage.

V. Capacity Charges

The section of the report describes the calculation of water and sewer capacity charges for the Town Division based on the system buy-in method. In addition, new capacity charges related to acquiring and delivering supplemental water supplies are proposed and described herein. Capacity charges are one-time charges paid at the time of connection to the water and sewer systems, and represent the estimated reasonable cost of providing system capacity to new development. The calculation of capacity charges is consistent with the statutory requirements contained in Government Code Section 66013.

Current Capacity Charges

The District currently charges developers or other new customers connecting to the Town Division’s water and sewer systems one time charges for capacity in each system. Current capacity charge schedules are summarized below. Water system capacity charges are based on meter size and reflect the potential demand on the water system that each new connection could impose.

<u>Town Division</u> <u>Current Capacity Charges</u>	
<b>Water System</b>	
Up to 1” meter	\$ 3,801
1 ½” meter	\$ 12,657
2” meter	\$ 20,259
3” meter	\$ 44,358
4” meter	\$ 76,020
6” meter	\$ 158,388
<b>Sewer System</b>	\$3,139 per DUE

The sewer capacity charge is based on the District’s determination of the number of dwelling unit equivalents (DUEs) represented by the proposed development. The DUE determination then becomes the basis for current sewer rates. As described in Section IV, the DUE approach is subjective and may bear little relation to the actual demands a new customer may place on the sewer system. For this reason, it was recommended that the District consider sewer service charges that are based on the size of the water meter. The District’s Board of Directors concurred with this recommendation during one of the public workshops held during the study.

Legal Requirements for Capacity Charges

The District has broad authority to charge users for capital facilities. The limitations of that authority are encompassed by the requirement that charges on new development bear a *reasonable relationship* to the needs created by and the benefits accruing to that development. California courts have long used the *reasonableness* standard to evaluate the constitutionality of exactions, including capacity charges.

During the 1988 session of the California Legislature sections of the Government Code were added to codify constitutional and decisional law related to fees imposed on new development.

Assembly Bill 1600 (AB 1600) enacted Government Code Sections 66000-66003 related to development fees. These code sections generally contain three requirements:

1. Local agencies must follow a process set forth in the statutes and make certain determinations regarding the purpose and use of the fee and to establish a nexus or connection between a development project and the public improvement being financed with the fee.
2. The fee revenue must be segregated from the general fund in order to avoid commingling of development fees and the general fund.
3. If a local agency has unspent or uncommitted development fees for five years or more, then it must make annual findings describing the continuing need for that money, or it must refund the fees.

Since the passage of AB 1600 various code sections have been added and modified to further clarify and expand the requirements related to developer fees. In particular, Government Code Section 66013 contains requirements specific to water and sewer connection fees and capacity charges. The most pertinent part of Section 66013 states:

...when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed...

The key to the statutory requirements for water and sewer capacity charges is that they shall not exceed the *estimated reasonable cost* of providing service. The District's water and sewer system capacity charges should also meet the reasonable relationship standard mentioned earlier and should reflect consideration of the following criteria, which would likely be considered by a court in evaluating the validity of capacity charges:

*Need* – Water and sewer capacity charges should only be imposed on development that will need capacity in facilities provided by the District (i.e., development with a connection to the water and/or sewer system).

*Benefit* – Improvements to be funded (or reimbursed) by capacity charges should satisfy the service needs related to the development on which the charges are imposed (i.e., new development is served by the facilities paid for by the charges).

*Amount* – The amount of the capacity charges should reflect the estimated reasonable cost of providing service capacity, and the share of the costs attributable to the service needs of new development (i.e., the charges should reflect a proportionate share of costs).

*Earmarking* – Revenue from water and sewer capacity charges should be segregated from other funds and used solely to pay for the facilities for which the charges are imposed.

*Timely Expenditure* – Revenue from water and sewer capacity charges should be expended within a reasonable time after it is collected.

Applying these criteria to the District's situation requires an understanding of how improvement needs are established, how capacity is provided to new development, how costs are estimated and allocated, and how fee revenues are accounted for and spent.

## Water and Sewer Buy-In Capacity Charge Calculations

The proposed water and sewer system capacity charges for the Town Division are based on the system buy-in methodology. There are numerous methodologies for calculating capacity charges. The number has proliferated with the growing popularity of this type of charge. Various methodologies have evolved to meet changing public policy, legal requirements, and the unique or special circumstances of each local agency.

The buy-in methodology is based on the current customers' average investment in the water or sewer system. Under this approach, capacity charges are based upon the buy-in concept that existing users through service charges, past up-front charges, and other contributions have developed a valuable public capital facility. The charge is computed by establishing the current value of the system and dividing this by the number of existing customers to arrive at an average investment per customer. By paying the buy-in capacity charge new customers buy into the existing water or sewer system on par with existing customers. Responsibility for new capital improvements is then shared equally by all customers.

The basic equation for buy-in capacity charges is:

$$\frac{\text{Value of Existing System}}{\text{No. of Existing Customers}}$$

In calculating buy-in capacity charges, the value of the water or sewer system assets were determined using fixed asset accounting records obtained from the District. Several adjustments to these records were made, as described below. In addition to fixed assets, the valuation includes the funds available in the Town Division's Capital Replacement and Capacity Charge Fund for capital improvements. These funds include money intended for improvements to the water and sewer systems. Finally, the valuation also reflects interest paid on long-term debt as well as a reduction for outstanding principal related to long-term debt.

Capacity charge calculations are described in greater detail below. The calculations for water and sewer are summarized in **Exhibits V-1 and V-2**, respectively.

### Fixed Asset Records

Central to the buy-in capacity charge calculation is the District's water and sewer fixed asset records. A complete listing of the Town Division's fixed assets was obtained and used for the buy-in charge calculations. The following adjustments were made to these asset records for purpose of the capacity charge calculation:

- *Groundwater Facilities Omitted* – Because new development will pay for water supply capacity through the proposed supplemental water capacity charge, it would be inappropriate to also charge for groundwater facilities. As a result, groundwater facilities identified in the fixed asset records are omitted from the water system buy-in charge calculation.
- *Facilities Financed with 2003 COPs Omitted* – In 2003 the District issued Certificates of Participation (COPs) to help finance a variety of water system improvements. Because the COPs will be repaid from the property taxes paid by property owners within the District (including properties not yet connected to the water system), it would be inappropriate to include the cost of COP financed facilities in the buy-in charge calculation. Doing so could potentially result in double charging for facilities.

**Exhibit V-1  
Nipomo Community Services District  
Town Division Water System Buy-In Capacity Charge**

<b>Asset Class (1)</b>	<b>Original Cost</b>	<b>Depreciated Cost</b>	<b>Replacement Cost</b>	<b>Depreciated Replacement Cost</b>
<b>Water System Assets</b>				
Pumping (1520)	\$ 2,986,811	\$ 1,510,002	\$ 4,059,935	\$ 1,821,401
Less Groundwater Wells	\$ (1,187,403)	\$ (507,586)	\$ (1,653,640)	\$ (629,699)
Transmission (1525)	\$ 3,127,175	\$ 2,556,967	\$ 4,468,236	\$ 3,269,867
Distribution (1530)	\$ 553,610	\$ 245,489	\$ 1,079,382	\$ 342,007
Buildings (1540)	\$ 55,187	\$ 34,952	\$ 74,474	\$ 47,167
Land and Land Rights (1560)	\$ 279,973	\$ 271,926	\$ 344,192	\$ 334,751
Less COP Financed Facilities	\$ (1,419,389)	\$ (1,381,940)	\$ (1,485,123)	\$ (1,445,542)
<b>Water System Asset Total</b>				<b>\$ 3,739,952</b>
<b>Adjustments to Valuation</b>				
Plus Replacement Fund (800)				\$ 1,525,000
Plus Capacity Charge Fund (700)				\$ 2,800,000
Plus Past Interest on Long-Term Debt				\$ 294,900
Less Principal on Outstanding Debt				\$ (154,000)
<b>Total Water System Valuation</b>				<b>\$ 8,205,852</b>
Current 3/4" Equivalent Meters				3,281
<b>Water System Buy-In Capacity Charge (up to 1" meter)</b>				<b>\$ 2,501</b>

**Notes:**

- (1) Excludes groundwater wells, machinery/equipment, office furniture, vehicles, computer equipment, water meters, facilities financing with 2003 COPs, and contributed facilities.

**Exhibit V-2  
Nipomo Community Services District  
Town Division Sewer System Buy-In Capacity Charge**

<b>Asset Class (1)</b>	<b>Original Cost</b>	<b>Depreciated Cost</b>	<b>Replacement Cost</b>	<b>Depreciated Replacement Cost</b>
<b>Sewer System Assets</b>				
Sanitation (1505)	\$ 4,617,419	\$ 3,610,675	\$ 6,381,768	\$ 4,833,565
Buildings (1540)	\$ 55,187	\$ 34,952	\$ 74,474	\$ 47,167
Land and Land Rights (1560)	\$ 456,162	\$ 456,162	\$ 666,009	\$ 666,009
<b>Sewer System Asset Total</b>				<b>\$ 5,546,740</b>
<b>Adjustments to Valuation</b>				
Plus Replacement Fund (810)				\$ 4,500,000
Plus Capacity Charge Fund (710)				\$ 1,925,000
Plus Past Loan Issuance Costs				\$ 256,880
Less Principal on Outstanding Loans				\$ (1,197,900)
<b>Total Sewer System Valuation</b>				<b>\$ 11,030,720</b>
Current 3/4" Equivalent Meters				2,774
<b>Sewer System Buy-In Capacity Charge (up to 1" meter)</b>				<b>\$ 3,977</b>

**Notes:**

- (1) Excludes machinery/equipment, office furniture, vehicles, computer equipment, contributed facilities, and grant funded facilities.

- *Short-Lived Assets Omitted* – Assets with useful lives of less than 10 years were excluded from the buy-in calculations. Short-lived assets typically include vehicles, equipment, machinery, computers, office furnishings, etc. While these assets make up part of the overall value of the water and sewer utilities, they are generally not part of the service delivery systems. Arguably short-lived assets could be included in the buy-in charge calculation, however excluding them is conservative. New customers will pay for short-lived assets as ratepayers.
- *Meters and Service Lines Omitted* – To the extent they could be identified, water meters and service lines are omitted from the fixed asset records for buy-in charge purposes. These improvements are typically the direct responsibility of each new development, and it would be inappropriate to include meters and service lines in the calculation.
- *Grant Funded Facilities Omitted* – The Town Division's sewer system was the recipient of grants for sewer treatment improvements. To the extent identifiable in the fixed asset records, grant funded assets have been omitted from the analysis.
- *Developer Contributed Facilities Omitted* – Fixed asset records include a variety of water and sewer assets that were contributed by developers. Most of these facilities are likely in-tract or development project-specific improvements (e.g., water distribution or sewer collection lines within a subdivision). In tract facilities are appropriately excluded from the buy-in charge calculation because they may not provide system-wide benefits. In some cases developer contributed facilities may include some system improvements with broad system-wide benefits. However, such facilities are not readily identifiable from the fixed asset listing, and omitting all contributed facilities is conservative.

#### Escalation and Depreciation

The valuation of water and sewer assets was adjusted to current value by (1) escalating historical costs to replacement cost in current dollars using the *Engineering News Record* 20-cities construction cost index (20-cities CCI), and (2) depreciating from the date of construction to 2005 based on the service life of each asset. Both of these adjustments are typical (though not required) in buy-in charge calculations. Historical costs were escalated to replacement value using the 20-cities CCI value of 7,298 for February 2005.

Service lives for fixed asset depreciation are the same as those used for accounting depreciation. Water and sewer assets have service lives of up to 50 years. Straight-line depreciation is used. The last column in Exhibits V-1 and V-2 show the value of water and sewer assets based on the depreciated replacement cost.

#### Capital Fund Balances

At the end of FY 03-04 the Town Division had about \$10.75 million in Capital Replacement and Capacity Charge funds of the water and sewer systems. While these funds are not capital facilities, they are intended to be used for capital projects that will rehabilitate, upgrade, and/or expand the water and sewer systems. Cash in capital funds are therefore appropriately included in the buy-in charge calculation.

#### Debt Service Adjustments

As of the end of FY 03-04, the District had \$154,000 outstanding on water revenue bonds issued in 1978 related to water facilities in the Town Division. In addition, in 1998 and in 1999 the District

obtained loans from the State Water Resources Control Board for sewer treatment plant improvements. Outstanding balances on those two loans currently total nearly \$1.2 million. These amounts have been deducted from the water and sewer system valuations, respectively, since they reflect amounts still owed on existing assets.

A second adjustment is also made related to long-term debt obligations. Past debt issuance and interest costs on long-term debt can be added to the value of the water and sewer systems. Financing costs are real costs associated with acquiring and constructing facilities and can be added to the valuation. Past interest on the water revenue bonds now total about \$295,000. The SWRCB loans to the sewer system were zero-interest loans, but were only obtained with a 16.67 percent loan fee paid at loan issuance. The loan fees totaling about \$257,000 are added to the sewer system valuation as a debt issuance cost.

#### Existing Customers (Equivalent Meters)

The system buy-in method for calculating capacity charges for new development bases the charges on the average value of the water and sewer systems for existing customers. Hence, once the value of the systems have been determined it is necessary to divide this amount by the number of customers, or more appropriately, the number of equivalent meters. The number of existing equivalent meters was determined in Section III for water rate service charge calculations and in Section IV for sewer rate service charges. The number of existing water and sewer customers, expressed in equivalent meters, is 3,281 and 2,774 for the water and sewer systems, respectively.

#### Proposed Water and Sewer Buy-In Capacity Charges

Proposed water and sewer system capacity charges for meter sizes up to 1" are shown at the bottom of Exhibits V-1 and V-2, respectively. Complete capacity charge schedules for all meter sizes are presented at the end of this section.

The proposed base water system capacity charge is about one-third lower than the current capacity charge (for the standard meter size). This is due, in part, to the exclusion of groundwater facilities from the calculation. As described previously, groundwater facility costs have been excluded because the supplemental water capacity charge, presented below, will reflect the cost of water supply capacity for new development. It would be inappropriate to also require new development to pay for groundwater facilities.

The proposed sewer system capacity charge is about 27 percent higher than the current sewer capacity charge. Furthermore, it is recommended that the capacity charge be imposed based on size of the water meter, rather than a DUE determination, which is more subjective.

#### Supplemental Water Capacity Charge Calculations

In September 2004 the District entered into a Memorandum of Understanding (MOU) with the City of Santa Maria to provide up to 3,000 AF of water annually to the District. Supplemental water is needed in order to mitigate the impacts of groundwater extraction and to meet the water demands of new growth and development within the District's service area.

As described in Section II of this report, the District's water supply strategy is to use a mix of groundwater and supplemental water. Based on an estimate that 44 percent of the water pumped from the groundwater basin returns to the basin, the District would need a supply mix of 44 percent



Water Supply Component

Water rate under the MOU	\$ 1,250 per AF
Portion of rate associated with capital costs	69%
Amortized capital cost of water supply	\$ 862.50 per AF
Term of water deliveries under contract <sup>5</sup>	58 years
Assumed discount rate on future costs	5.0%
Net present value of capital cost for 1 AF/yr	\$ 16,232
Est. avg. single family water use for new development <sup>6</sup>	0.55 AF
Required production for new single family development <sup>7</sup>	0.61 AF
Proposed water supply component (up to 1" meter)	<b>\$ 9,901</b>

Transmission Pipeline Component

Estimate cost of transmission facilities	\$ 6 million
Planned capacity of transmission facilities	3,000 AF per year
Capital cost for 1 AF of capacity	\$ 2,000
Req'd production for new SF development (see above)	0.61 AF
Proposed trans. pipeline component (up to 1" meter)	<b>\$ 1,220</b>

The total supplemental water capacity charge would be **\$11,121** for meter sizes up to 1". The charge for larger meter sizes would be based on the rated capacity of each meter size, as described elsewhere in this report. A complete schedule of the proposed supplemental water capacity charge is presented below.

Under the proposed approach, new development would acquire water supply capacity for 100 percent of their estimated demands with supplemental water. As customers, however, new development would receive a blended water supply (44 percent groundwater and 56 percent supplemental water) and would pay water rates based on the supply blend. Existing customers have invested in developing facilities for the District's groundwater supply. All new demands must be met with supplemental water. The proposed approach for the supplemental water capacity charge is reasonable and consistent with the water resource management framework controlling activity in the region.

Summary of Proposed Capacity Charges

**Exhibit V-3** summarizes the proposed water and sewer system buy-in capacity charge schedule for the Town Division. The exhibit also summarizes the schedule for the proposed supplemental water capacity charge. Proposed capacity charges should be imposed based on the size of water meters. The charges are scaled across meter sizes based on the hydraulic capacity of each meter size relative to the District's standard of meters up to 1", as described in Section III of this report.

<sup>5</sup> Assumes deliveries begin in FY 07-08 and contract ends in 2065.

<sup>6</sup> Assumes new development achieves the District's long-term water conservation goal of a 15 percent reduction in historical average water use.

<sup>7</sup> Based on unaccounted for loss rate of 10 percent.

**Exhibit V-3  
Nipomo Community Services District  
Summary of Current and Proposed Capacity Charges**

	<b>Current</b>	<b>Proposed</b>
<b><i>Town Division Water System Capacity Charge</i></b>		
Up to 1" meter	\$ 3,801	\$ 2,501
1 1/2" meter	\$ 12,657	\$ 7,495
2" meter	\$ 20,259	\$ 11,996
3" meter	\$ 44,358	\$ 22,507
4" meter	\$ 76,020	\$ 37,519
6" meter	\$ 158,388	\$ 75,016
<b><i>Town Division Sewer System Capacity Charge</i></b>		
Per DUE	\$ 3,139	
Up to 1" meter		\$ 3,977
1 1/2" meter		\$ 11,919
2" meter		\$ 19,078
3" meter		\$ 35,794
4" meter		\$ 59,669
6" meter		\$ 119,302
<b><i>Supplemental Water Capacity Charge (1)</i></b>		
Up to 1" meter	----	\$ 11,121
1 1/2" meter	----	\$ 33,331
2" meter	----	\$ 53,350
3" meter	----	\$ 100,093
4" meter	----	\$ 166,855
6" meter	----	\$ 333,610

**Notes:**

(1) Applies to all new water service connections.

Accounting for Capacity Charge Revenues and Expenditures

Under Government Code Section 66013(c) the District is required to separately account for capacity charge revenues in a manner that avoids commingling of capacity charge revenues with other revenues and to expend capacity charge revenues solely for the purpose for which the charges have been collected.

Under Government Code Section 66013(d), within 180 days after the end of each fiscal year, the District is required to make the following information related to capacity charges publicly available for the prior fiscal year:

- A brief description of the type of capacity charge in each account or fund
- The amount of the capacity charges
- The beginning and ending balance of the account or fund
- The amount of the capacity charges collected and the interest earned

- Identification of each capital improvement on which capacity charges were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the improvement that was funded with the charges
- Identification of each capital improvement on which capacity charges were expended that were completed during the fiscal year
- Identification of each capital improvement that is anticipated to be undertaken in the following fiscal year
- Description of any interfund transfers or loans made from capacity charge accounts or funds, including the capital improvement on which the transferred or loaned funds will be expended, and in the case of a loan the date on which the loan will be repaid, and the interest to be received

It is recommended that the District consult with legal counsel and financial auditors regarding specific accounting requirements and their application to the District.

Capacity charge revenues should be expended for purposes for which they are collected. Because the water and sewer buy-in charges are intended to reimburse the water and sewer utilities for prior investments in water and sewer system assets, the use of fee revenues is to reimburse each utility. For this reason, in our opinion the requirements for separate accounting of capacity charge revenues is negated (capacity charges are used to reimburse the District for prior investments), and the District could consolidate the Capital Replacement and Capacity Charge Funds in each utility. It is recommended that the District use buy-in charge revenues for capital improvement projects (including debt service) that expand and extend the useful life of the Town Division's water and sewer system.

Under the proposed financing strategy for the District's supplemental water and related transmission facilities, supplemental water capacity charges should be used to (1) reimburse the District for the cost of planning and constructing supplemental water transmission facilities, (2) reimburse the District for the cost of acquiring the contract for supplemental water (i.e., the reservation fee), and (3) pay for the amortized capital costs embodied in the rate paid for supplemental water under the agreement with the City of Santa Maria. Exhibit II-5 in Section II shows how supplemental water capacity charges would be used during the planning period.

#### Capacity Charge Updates

At a minimum, it is recommended that the District's capacity charges be adjusted annually for inflation based on the 20-cities CCI. This is a common means of updating capacity charges and works reasonably well for a few years. A more comprehensive and accurate way to update the buy-in capacity charges is to recalculate them using the same calculation methodology used in this report. It is recommended that a comprehensive update be performed at least every 3 to 5 years.

The buy-in methodology used to calculate the Town Division's water and sewer capacity charges is relatively simple to update once the procedures are put in place. The recalculation of buy-in capacity charges entails making the following updates to the calculations:

- Add new water/sewer facilities included in fixed asset records, and delete those taken out of service.
- Update the fixed asset valuation for inflation (using the 20-cities CCI) and depreciation. The fees proposed herein have been indexed to the 20-cities CCI value for February 2005 of 7,298.

- Update cash balance information in capital funds.
- Adjust historical debt service costs for inflation, recent interest payments, and any new debt issuance costs.
- Update the current number of equivalent meters included in the existing water/sewer systems

The supplemental water capacity charge should also be reviewed and updated once the District begins taking delivery of supplemental water. At that time the District should have actual cost information pertaining to transmission facilities.

## Appendix A – Financial Plan Exhibits

The following exhibits summarize the five-year financial plans developed for the District and described in Section II of this report. Financial plan exhibits are presented for:

- Exhibit A-1           Town Division Water System
- Exhibit A-2           Town Division Sewer System
- Exhibit A-3           Blacklake Division Water System
- Exhibit A-4           Blacklake Division Sewer System

Exhibit A-1  
Nipomo Community Services District  
Multi-Year Financial Plan for Town Division Water System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Proposed Overall Rate Increase -->		10.0%	10.0%	12.0%	10.0%	8.0%
<b>Operations Fund (120)</b>						
<b>BEGINNING FUND BALANCE</b>	100,000	167,208	336,858	666,708	569,408	909,158
<b>REVENUES</b>						
Water - Fixed Revenues	388,000	450,000	506,000	580,000	653,000	721,000
Water - Consumption Revenues	1,120,000	1,247,000	1,403,000	1,608,000	1,809,000	1,999,000
Fees and Penalties	35,500	35,500	35,500	35,500	35,500	35,500
Meter and Connection Fees	13,750	13,750	13,750	13,750	13,750	13,750
Plan Check and Inspection Fees	2,500	2,500	2,500	2,500	2,500	2,500
Miscellaneous Income (1)	23,500	23,500	23,500	23,500	23,500	23,500
Transfers In-From Property Tax Fund	-	-	-	-	-	-
Transfer from Suppl. Water Fund	-	-	-	554,100	789,500	834,600
Interest Earnings	1,400	3,300	6,700	13,300	11,400	18,200
<b>TOTAL REVENUES</b>	<b>1,584,650</b>	<b>1,775,550</b>	<b>1,990,950</b>	<b>2,830,650</b>	<b>3,338,150</b>	<b>3,648,050</b>
<b>EXPENDITURES</b>						
<b>OPERATIONS &amp; MAINTENANCE</b>						
Wages	111,600	154,900	159,500	184,300	189,800	195,500
Wages - Overtime	21,000	21,600	22,200	22,900	23,600	24,300
Payroll Taxes	2,250	2,300	2,400	2,500	2,600	2,700
Retirement	21,100	21,700	22,400	23,100	23,800	24,500
Medical and Dental	23,500	24,200	24,900	25,600	26,400	27,200
Workers Comp Insurance	9,150	9,400	9,700	10,000	10,300	10,600
Electricity-pumping	290,000	303,500	317,600	169,600	176,800	184,300
Natural Gas-pumping	65,000	68,000	71,200	38,000	39,600	41,300
Chemicals	4,000	4,200	4,400	2,400	2,500	2,600
Santa Maria Water Purchases	-	-	-	1,398,000	1,426,000	1,455,000
Lab Tests and Sampling	13,000	13,400	13,800	14,200	14,600	15,000
Operating Supplies	21,000	22,100	23,300	24,600	25,900	27,300
Outside Services	20,000	20,600	21,200	21,800	22,500	23,200
Permits and Operating Fees	9,000	9,300	9,600	9,900	10,200	10,500
Repairs & Maintenance	48,000	49,400	50,900	52,400	54,000	55,600
Repairs & Maintenance - Vehicles	5,700	5,900	6,100	6,300	6,500	6,700
Painting	5,000	5,200	5,400	5,600	5,800	6,000
Engineering	8,000	12,000	16,000	16,500	17,000	17,500
Fuel	15,000	15,800	16,600	17,500	18,400	19,400
Paging and Cellular Service	2,700	2,800	2,900	3,000	3,100	3,200
Meters - New Installations	15,000	15,500	16,000	16,500	17,000	17,500
Automatic Meter Reading-New Installation	15,000	15,500	16,000	16,500	17,000	17,500
Meters - Replacement Program	12,000	12,400	12,800	13,200	13,600	14,000
Uniforms	2,400	2,500	2,600	2,700	2,800	2,900
Oper Transfer Out - Funded Replacement	164,000	82,000	88,000	92,000	95,000	95,000
<b>TOTAL OPERATIONS &amp; MAINTENANCE</b>	<b>903,400</b>	<b>894,200</b>	<b>935,500</b>	<b>2,189,100</b>	<b>2,244,800</b>	<b>2,299,300</b>
<b>GENERAL &amp; ADMINISTRATIVE</b>						
Wages	81,200	83,600	86,100	88,700	91,400	94,100
Wages - Overtime	-	-	-	-	-	-
Payroll Taxes	1,650	1,700	1,800	1,900	2,000	2,100
Retirement	16,900	17,400	17,900	18,400	19,000	19,600
Medical and Dental	16,600	17,100	17,600	18,100	18,600	19,200
Workers Comp Insurance	1,550	1,600	1,600	1,600	1,600	1,600
Audit	2,550	2,600	2,700	2,800	2,900	3,000
Bank Charges and Fees	300	300	300	300	300	300
Computer Expense	11,000	11,300	11,600	11,900	12,300	12,700
Director Fees	9,250	9,500	9,800	10,100	10,400	10,700
Dues and Subscriptions	4,000	4,100	4,200	4,300	4,400	4,500
Education and Training	3,750	3,900	4,000	4,100	4,200	4,300
Elections	2,000	2,100	2,200	2,300	2,400	2,500
Insurance - Liability	15,120	15,600	16,100	16,600	17,100	17,600
Landscape and Janitorial	3,800	3,900	4,000	4,100	4,200	4,300
Legal - General Counsel	40,500	41,700	43,000	44,300	45,600	47,000
Legal - Water Counsel	170,000	255,000	255,000	255,000	255,000	255,000
Professional Services (1)	27,200	28,000	28,800	29,700	30,600	31,500
Miscellaneous	500	500	500	500	500	500
Newsletter and Mailers	1,155	1,200	1,200	1,200	1,200	1,200
Office Supplies	4,250	4,400	4,500	4,600	4,700	4,800
Outside Services	8,500	8,800	9,100	9,400	9,700	10,000
Postage	8,000	8,400	8,900	9,400	9,900	10,400
Public Notices	2,400	2,500	2,600	2,700	2,800	3,000

Exhibit A-1 -- Continued  
Nipomo Community Services District  
Multi-Year Financial Plan for Town Division Water System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Repairs and Maintenance - Office	1,500	1,500	1,500	1,500	1,500	1,500
Repairs and Maintenance - Buildings	1,000	1,000	1,000	1,000	1,000	1,000
Property Taxes	640	700	700	700	700	700
Telephone	2,500	2,600	2,700	2,800	2,900	3,000
Travel and Mileage	3,750	3,900	4,000	4,100	4,200	4,300
Oper Transfer Out - Funded Administration	129,777	133,700	137,700	141,800	146,100	150,500
<b>TOTAL GENERAL &amp; ADMINISTRATIVE</b>	<b>571,342</b>	<b>668,600</b>	<b>681,100</b>	<b>693,900</b>	<b>707,200</b>	<b>720,900</b>
<b>OTHER EXPENDITURES</b>						
Wtr. Rev. Bond - Debt Service - Interest	7,700	7,300	6,900	6,450	6,000	5,500
Wtr. Rev. Bond - Debt Service - Principal	8,000	8,000	9,000	9,000	10,000	10,000
Fixed Assets Purchases	27,000	27,800	28,600	29,500	30,400	31,300
<b>TOTAL OTHER EXPENDITURES</b>	<b>42,700</b>	<b>43,100</b>	<b>44,500</b>	<b>44,950</b>	<b>46,400</b>	<b>46,800</b>
<b>TOTAL EXPENDITURES</b>	<b>1,517,442</b>	<b>1,605,900</b>	<b>1,661,100</b>	<b>2,927,950</b>	<b>2,998,400</b>	<b>3,067,000</b>
<b>ENDING FUND BALANCE</b>	<b>167,208</b>	<b>336,858</b>	<b>666,708</b>	<b>569,408</b>	<b>909,158</b>	<b>1,490,208</b>
Operating Reserve (50% of Expend.)	677,000	762,000	787,000	1,418,000	1,452,000	1,486,000
Uncommitted Fund Balance	(509,792)	(425,142)	(120,292)	(848,592)	(542,842)	4,208
<b>Replacement Fund (800)</b>						
<b>BEGINNING BALANCE</b>	1,525,000	1,498,350	1,320,350	999,750	1,029,250	1,084,850
<b>REVENUES AND TRANSFERS</b>						
Interest Earnings	-	30,000	26,400	20,000	20,600	21,700
Operating Transfers In	164,000	82,000	88,000	92,000	95,000	95,000
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>164,000</b>	<b>112,000</b>	<b>114,400</b>	<b>112,000</b>	<b>115,600</b>	<b>116,700</b>
<b>EXPENDITURES</b>						
Budgeted Replacement Projects	170,650					
Capital Improvement Program	20,000	290,000	435,000	82,500	60,000	60,000
<b>TOTAL EXPENDITURES</b>	<b>190,650</b>	<b>290,000</b>	<b>435,000</b>	<b>82,500</b>	<b>60,000</b>	<b>60,000</b>
<b>ENDING FUND BALANCE</b>	<b>1,498,350</b>	<b>1,320,350</b>	<b>999,750</b>	<b>1,029,250</b>	<b>1,084,850</b>	<b>1,141,550</b>
<b>Water Capacity Charges Fund (700)</b>						
<b>BEGINNING BALANCE</b>	2,800,000	3,013,815	2,454,115	1,197,215	798,615	1,025,615
<b>REVENUES AND TRANSFERS</b>						
Interest Earnings	56,000	60,300	49,100	23,900	16,000	20,500
Capacity Charges	247,065	180,000	190,000	200,000	211,000	222,000
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>303,065</b>	<b>240,300</b>	<b>239,100</b>	<b>223,900</b>	<b>227,000</b>	<b>242,500</b>
<b>EXPENDITURES</b>						
Budgeted Capital Projects	89,250	-	-	-	-	-
Capital Improvement Projects	-	800,000	375,000	622,500	-	-
Supplemental Water Pipeline	-	-	1,121,000	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>89,250</b>	<b>800,000</b>	<b>1,496,000</b>	<b>622,500</b>	<b>-</b>	<b>-</b>
<b>ENDING FUND BALANCE</b>	<b>3,013,815</b>	<b>2,454,115</b>	<b>1,197,215</b>	<b>798,615</b>	<b>1,025,615</b>	<b>1,268,115</b>

Exhibit A-2  
Nipomo Community Services District  
Multi-Year Financial Plan for Town Division Sewer System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Proposed Overall Rate Increase -->		4.0%	4.0%	4.0%	4.0%	4.0%
<b>Operations Fund (130)</b>						
<b>BEGINNING FUND BALANCE</b>	665,000	563,297	536,477	491,397	363,287	257,447
<b>REVENUES</b>						
Sewer Revenues	654,000	698,000	745,000	795,000	848,000	905,000
Plan Check and Inspection Fees	2,000	2,000	2,000	2,000	2,000	2,000
Lift Station Fees	-	-	-	-	-	-
Miscellaneous Income (1)	-	-	-	-	-	-
Interest Earnings	13,000	11,300	10,700	9,800	7,300	5,100
<b>TOTAL REVENUES</b>	<b>669,000</b>	<b>711,300</b>	<b>757,700</b>	<b>806,800</b>	<b>857,300</b>	<b>912,100</b>
<b>EXPENDITURES</b>						
<b>OPERATIONS &amp; MAINTENANCE</b>						
Wages	50,500	53,300	54,900	71,500	73,600	75,800
Wages - Overtime	9,700	10,000	10,300	10,600	10,900	11,200
Payroll Taxes	1,050	1,080	1,110	1,140	1,170	1,210
Retirement	9,550	9,800	10,100	10,400	10,700	11,000
Medical and Dental	10,500	10,800	11,100	11,400	11,700	12,100
Workers Comp Insurance	4,150	4,300	4,400	4,500	4,600	4,700
Electricity-pumping	140,000	148,000	156,500	165,400	174,800	184,700
Chemicals	6,000	6,300	6,700	7,100	7,500	7,900
Lab Tests and Sampling	7,000	7,200	7,400	7,600	7,800	8,000
Operating Supplies	12,000	12,700	13,400	14,200	15,000	15,900
Outside Services	23,000	24,300	25,700	27,200	28,700	30,300
Permits and Operating Fees	3,000	3,100	3,200	3,300	3,400	3,500
Repairs & Maintenance	36,000	37,100	38,200	39,300	40,500	41,700
Repairs & Maintenance - Vehicles	3,200	3,300	3,400	3,500	3,600	3,700
Painting	5,000	5,200	5,400	5,600	5,800	6,000
Engineering	1,000	1,500	2,000	2,060	2,120	2,180
Fuel	5,750	6,100	6,400	6,800	7,200	7,600
Paging and Cellular Service	1,035	1,070	1,100	1,130	1,160	1,190
Uniforms	920	950	980	1,010	1,040	1,070
Oper Transfer Out - Funded Replacement	267,650	213,000	256,000	351,000	356,000	366,000
<b>TOTAL OPERATIONS &amp; MAINTENANCE</b>	<b>597,005</b>	<b>559,100</b>	<b>618,290</b>	<b>744,740</b>	<b>767,290</b>	<b>795,750</b>
<b>GENERAL &amp; ADMINISTRATIVE</b>						
Wages	53,000	54,600	56,200	57,900	59,600	61,400
Wages - Overtime	-	-	-	-	-	-
Payroll Taxes	1,060	1,090	1,120	1,150	1,180	1,220
Retirement	11,350	11,700	12,100	12,500	12,900	13,300
Medical and Dental	8,350	8,600	8,900	9,200	9,500	9,800
Workers Comp Insurance	1,020	1,050	1,080	1,110	1,140	1,170
Audit	1,020	1,050	1,080	1,110	1,140	1,170
Computer Expense	4,400	4,500	4,600	4,700	4,800	4,900
Director Fees	3,700	3,800	3,900	4,000	4,100	4,200
Dues and Subscriptions	1,500	1,550	1,600	1,650	1,700	1,750
Education and Training	1,200	1,240	1,280	1,320	1,360	1,400
Elections	800	820	840	870	900	930
Insurance - Liability	6,050	6,200	6,400	6,600	6,800	7,000
Landscape and Janitorial	1,520	1,570	1,620	1,670	1,720	1,770
Legal - General Counsel	6,000	6,200	6,400	6,600	6,800	7,000
Professional Services (1)	-	-	-	-	-	-
Miscellaneous	500	520	540	560	580	600
Newsletter and Mailers	230	240	250	260	270	280
Office Supplies	1,700	1,800	1,900	2,000	2,100	2,200
Outside Services	2,600	2,700	2,800	2,900	3,000	3,100
Postage	3,100	3,300	3,500	3,700	3,900	4,100
Public Notices	920	950	980	1,010	1,040	1,070

Exhibit A-2 -- Continued  
Nipomo Community Services District  
Multi-Year Financial Plan for Town Division Sewer System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Repairs and Maintenance - Office	600	620	640	660	680	700
Repairs and Maintenance - Buildings	400	410	420	430	440	450
Property Taxes	80	80	80	80	80	80
Telephone	1,000	1,030	1,060	1,090	1,120	1,150
Travel and Mileage	1,500	1,500	1,500	1,500	1,500	1,500
Oper Transfer Out - Funded Administration	49,748	51,200	52,700	54,300	55,900	57,600
<b>TOTAL GENERAL &amp; ADMINISTRATIVE</b>	<b>163,348</b>	<b>168,320</b>	<b>173,490</b>	<b>178,870</b>	<b>184,250</b>	<b>189,840</b>
<b>OTHER EXPENDITURES</b>						
Debt Service - Interest	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-
Fixed Assets Purchases	10,350	10,700	11,000	11,300	11,600	11,900
<b>TOTAL OTHER EXPENDITURES</b>	<b>10,350</b>	<b>10,700</b>	<b>11,000</b>	<b>11,300</b>	<b>11,600</b>	<b>11,900</b>
<b>TOTAL EXPENDITURES</b>	<b>770,703</b>	<b>738,120</b>	<b>802,780</b>	<b>934,910</b>	<b>963,140</b>	<b>997,490</b>
<b>ENDING FUND BALANCE</b>	<b>563,297</b>	<b>536,477</b>	<b>491,397</b>	<b>363,287</b>	<b>257,447</b>	<b>172,057</b>
Operating Reserve (25% of Expend.)	126,000	131,000	137,000	146,000	152,000	158,000
Uncommitted Fund Balance	437,297	405,477	354,397	217,287	105,447	14,057
<b>Replacement Fund (810)</b>						
<b>BEGINNING BALANCE</b>	1,925,000	1,933,500	1,385,200	1,218,900	1,371,800	1,555,200
<b>REVENUES AND TRANSFERS</b>						
Interest Earnings	-	38,700	27,700	24,400	27,400	31,100
Operating Transfers In	267,650	213,000	256,000	351,000	356,000	366,000
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>267,650</b>	<b>251,700</b>	<b>283,700</b>	<b>375,400</b>	<b>383,400</b>	<b>397,100</b>
<b>EXPENDITURES</b>						
Budgeted Replacement Projects	229,150					
Capital Improvement Projects	30,000	800,000	450,000	222,500	200,000	200,000
<b>TOTAL EXPENDITURES</b>	<b>259,150</b>	<b>800,000</b>	<b>450,000</b>	<b>222,500</b>	<b>200,000</b>	<b>200,000</b>
<b>ENDING FUND BALANCE</b>	<b>1,933,500</b>	<b>1,385,200</b>	<b>1,218,900</b>	<b>1,371,800</b>	<b>1,555,200</b>	<b>1,752,300</b>
<b>Sewer Capacity Charges Fund (710)</b>						
<b>BEGINNING BALANCE</b>	4,500,000	4,625,900	2,673,905	2,786,845	2,883,545	2,674,744
<b>REVENUES AND TRANSFERS</b>						
Interest Earnings	90,000	92,500	53,500	55,700	57,700	53,500
Capacity Charges	128,699	132,553	136,489	140,548	140,548	
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>218,699</b>	<b>225,053</b>	<b>189,989</b>	<b>196,248</b>	<b>198,248</b>	<b>53,500</b>
<b>EXPENDITURES</b>						
Budgeted Capital Projects	15,750	-	-	-	-	-
Capital Improvement Projects	-	2,100,000	-	22,500	330,000	-
Debt Service - Interest	-	-	-	-	-	-
Debt Service - Principal	77,049	77,049	77,049	77,049	77,049	77,049
<b>TOTAL EXPENDITURES</b>	<b>92,799</b>	<b>2,177,049</b>	<b>77,049</b>	<b>99,549</b>	<b>407,049</b>	<b>77,049</b>
<b>ENDING FUND BALANCE</b>	<b>4,625,900</b>	<b>2,673,905</b>	<b>2,786,845</b>	<b>2,883,545</b>	<b>2,674,744</b>	<b>2,651,195</b>

Exhibit A-3  
Nipomo Community Services District  
Multi-Year Financial Plan for Blacklake Division Water System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Proposed Overall Rate Increase -->		25.0%	20.0%	22.0%	18.0%	18.0%
<b>Operations Fund (140)</b>						
<b>BEGINNING FUND BALANCE</b>	40,000	38,556	15,006	41,956	21,106	112,256
<b>REVENUES</b>						
Water - Fixed Revenues	66,000	81,000	98,000	121,000	143,000	169,000
Water - Consumption Revenues	163,000	208,000	252,000	311,000	367,000	433,000
Fees and Penalties	2,000	2,000	2,000	2,000	2,000	2,000
Meter and Connection Fees	4,950	4,950	4,950	4,950	4,950	4,950
Plan Check and Inspection Fees	-	-	-	-	-	-
Miscellaneous Income (1)	-	-	-	-	-	-
Transfer from Suppl. Water Fund	-	-	-	105,900	147,500	152,400
Interest Earnings	850	800	300	800	400	2,200
<b>TOTAL REVENUES</b>	<b>236,800</b>	<b>296,750</b>	<b>357,250</b>	<b>545,650</b>	<b>664,850</b>	<b>763,550</b>
<b>EXPENDITURES</b>						
<b>OPERATIONS &amp; MAINTENANCE</b>						
Wages	38,900	47,600	49,000	60,500	62,300	64,200
Wages - Overtime	8,000	8,200	8,400	8,700	9,000	9,300
Payroll Taxes	800	800	800	800	800	800
Retirement	7,340	7,600	7,800	8,000	8,200	8,400
Medical and Dental	9,300	9,600	9,900	10,200	10,500	10,800
Workers Comp Insurance	3,220	3,300	3,400	3,500	3,600	3,700
Electricity-pumping	90,000	94,200	98,600	52,700	54,900	57,200
Chemicals	1,100	1,200	1,300	700	700	700
Santa Maria Water Purchases	-	-	-	267,200	266,400	265,600
Lab Tests and Sampling	3,000	3,100	3,200	3,300	3,400	3,500
Operating Supplies	4,700	4,900	5,100	5,300	5,500	5,700
Outside Services	6,000	6,200	6,500	6,800	7,000	7,200
Permits and Operating Fees	1,500	1,500	1,500	1,500	1,500	1,500
Repairs & Maintenance	10,000	10,300	10,600	10,900	11,200	11,500
Repairs & Maintenance - Vehicles	600	600	600	600	600	600
Painting	2,000	2,100	2,200	2,300	2,400	2,500
Engineering	500	800	1,100	1,100	1,100	1,100
Fuel	2,000	2,100	2,200	2,300	2,400	2,500
Paging and Cellular Service	360	400	400	400	400	400
Meters - New Installations	2,700	2,800	2,900	3,000	3,100	3,200
Automatic Meter Reading-New Installation	2,000	2,100	2,200	2,300	2,400	2,500
Meters - Replacement Program	4,000	4,100	4,200	4,300	4,400	4,500
Uniforms	320	300	300	300	300	300
Oper Transfer Out - Funded Replacement	(50,000)	-	-	-	-	-
<b>TOTAL OPERATIONS &amp; MAINTENANCE</b>	<b>148,340</b>	<b>213,800</b>	<b>222,200</b>	<b>456,700</b>	<b>462,100</b>	<b>467,700</b>
<b>GENERAL &amp; ADMINISTRATIVE</b>						
Wages	9,000	9,300	9,600	9,900	10,200	10,500
Wages - Overtime	-	-	-	-	-	-
Payroll Taxes	200	200	200	200	200	200
Retirement	1,950	2,000	2,100	2,200	2,300	2,400
Medical and Dental	1,700	1,800	1,900	2,000	2,100	2,200
Workers Comp Insurance	200	200	200	200	200	200
Audit	360	400	400	400	400	400
Bank Charges and Fees	60	100	100	100	100	100
Computer Expense	1,540	1,600	1,600	1,600	1,600	1,600
Director Fees	1,295	1,300	1,300	1,300	1,300	1,300
Dues and Subscriptions	560	600	600	600	600	600
Education and Training	525	500	500	500	500	500
Elections	280	300	300	300	300	300
Insurance - Liability	2,120	2,200	2,300	2,400	2,500	2,600
Landscape and Janitorial	1,730	1,800	1,900	2,000	2,100	2,200
Legal - General Counsel	1,000	1,000	1,000	1,000	1,000	1,000
Legal - Water Counsel	30,000	45,000	45,000	45,000	45,000	45,000
Professional Services (1)	4,800	4,900	5,000	5,200	5,400	5,600
Miscellaneous	500	500	500	500	500	500
Newsletter and Mailers	175	200	200	200	200	200
Office Supplies	600	600	600	600	600	600
Outside Services	7,210	7,400	7,600	7,800	8,000	8,200
Postage	1,200	1,200	1,200	1,200	1,200	1,200
Public Notices	320	300	300	300	300	300

Exhibit A-3 -- Continued  
Nipomo Community Services District  
Multi-Year Financial Plan for Blacklake Division Water System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Repairs and Maintenance - Office	210	200	200	200	200	200
Repairs and Maintenance - Buildings	140	100	100	100	100	100
Telephone	800	800	800	800	800	800
Travel and Mileage	525	500	500	500	500	500
Oper Transfer Out - Funded Administration	17,304	17,800	18,300	18,800	19,400	20,000
<b>TOTAL GENERAL &amp; ADMINISTRATIVE</b>	<b>86,304</b>	<b>102,800</b>	<b>104,300</b>	<b>105,900</b>	<b>107,600</b>	<b>109,300</b>
<b>OTHER EXPENDITURES</b>						
Debt Service - Interest	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-
Fixed Assets Purchases	3,600	3,700	3,800	3,900	4,000	4,100
<b>TOTAL OTHER EXPENDITURES</b>	<b>3,600</b>	<b>3,700</b>	<b>3,800</b>	<b>3,900</b>	<b>4,000</b>	<b>4,100</b>
<b>TOTAL EXPENDITURES</b>	<b>238,244</b>	<b>320,300</b>	<b>330,300</b>	<b>566,500</b>	<b>573,700</b>	<b>581,100</b>
<b>ENDING FUND BALANCE</b>	<b>38,556</b>	<b>15,006</b>	<b>41,956</b>	<b>21,106</b>	<b>112,256</b>	<b>294,706</b>
Operating Reserve (50% of Expend.)	144,000	160,000	165,000	283,000	287,000	291,000
Uncommitted Fund Balance	(105,444)	(144,994)	(123,044)	(261,894)	(174,744)	3,706
<b>Replacement Fund (820)</b>						
<b>BEGINNING BALANCE</b>	575,000	481,300	234,900	169,600	148,000	131,000
<b>REVENUES AND TRANSFERS</b>						
Interest Earnings	-	9,600	4,700	3,400	3,000	2,600
Operating Transfers In	(50,000)	-	-	-	-	-
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>(50,000)</b>	<b>9,600</b>	<b>4,700</b>	<b>3,400</b>	<b>3,000</b>	<b>2,600</b>
<b>EXPENDITURES</b>						
Budgeted Replacement Projects	43,700					
Capital Improvement Projects	-	256,000	70,000	25,000	20,000	20,000
<b>TOTAL EXPENDITURES</b>	<b>43,700</b>	<b>256,000</b>	<b>70,000</b>	<b>25,000</b>	<b>20,000</b>	<b>20,000</b>
<b>ENDING FUND BALANCE</b>	<b>481,300</b>	<b>234,900</b>	<b>169,600</b>	<b>148,000</b>	<b>131,000</b>	<b>113,600</b>

Exhibit A-4  
Nipomo Community Services District  
Multi-Year Financial Plan for Blacklake Division Sewer System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Proposed Overall Rate Increase -->		4.0%	4.0%	4.0%	4.0%	4.0%
<b>Operations Fund (150)</b>						
<b>BEGINNING FUND BALANCE</b>	10,000	12,619	17,109	22,229	28,099	38,219
<b>REVENUES</b>						
Sewer Revenues	209,000	220,000	231,000	243,000	253,000	263,000
Plan Check and Inspection Fees	-	-	-	-	-	-
Lift Station Fees	-	-	-	-	-	-
Miscellaneous Income (1)	-	-	-	-	-	-
Interest Earnings	50	300	300	400	600	800
<b>TOTAL REVENUES</b>	<b>209,050</b>	<b>220,300</b>	<b>231,300</b>	<b>243,400</b>	<b>253,600</b>	<b>263,800</b>
<b>EXPENDITURES</b>						
<b>OPERATIONS &amp; MAINTENANCE</b>						
Wages	30,000	32,200	33,200	39,200	40,400	41,600
Wages - Overtime	5,300	5,500	5,700	5,900	6,100	6,300
Payroll Taxes	600	620	640	660	680	700
Retirement	5,600	5,800	6,000	6,200	6,400	6,600
Medical and Dental	6,700	6,900	7,100	7,300	7,500	7,700
Workers Comp Insurance	2,480	2,600	2,700	2,800	2,900	3,000
Electricity-pumping	22,000	22,900	23,800	24,800	25,500	26,300
Chemicals	15,000	15,600	16,200	16,900	17,400	17,900
Lab Tests and Sampling	10,000	10,300	10,600	10,900	11,200	11,500
Operating Supplies	5,000	5,200	5,400	5,600	5,800	6,000
Outside Services	2,500	2,600	2,700	2,800	2,900	3,000
Permits and Operating Fees	3,500	3,600	3,700	3,800	3,900	4,000
Repairs & Maintenance	6,000	6,200	6,400	6,600	6,800	7,000
Repairs & Maintenance - Vehicles	1,000	1,030	1,060	1,090	1,120	1,150
Painting	1,000	1,030	1,060	1,090	1,120	1,150
Engineering	500	750	1,000	1,030	1,060	1,090
Fuel	2,250	2,300	2,400	2,500	2,600	2,700
Paging and Cellular Service	405	420	430	440	450	460
Uniforms	360	370	380	390	400	410
Oper Transfer Out - Funded Replacement	34,000	36,000	40,000	40,000	40,000	40,000
<b>TOTAL OPERATIONS &amp; MAINTENANCE</b>	<b>154,195</b>	<b>161,920</b>	<b>170,470</b>	<b>180,000</b>	<b>184,230</b>	<b>188,560</b>
<b>GENERAL &amp; ADMINISTRATIVE</b>						
Wages	9,000	9,300	9,600	9,900	10,200	10,500
Wages - Overtime	-	-	-	-	-	-
Payroll Taxes	200	210	220	230	240	250
Retirement	1,950	2,000	2,100	2,200	2,300	2,400
Medical and Dental	1,700	1,800	1,900	2,000	2,100	2,200
Workers Comp Insurance	200	210	220	230	240	250
Audit	410	420	430	440	450	460
Computer Expense	1,760	1,800	1,900	2,000	2,100	2,200
Director Fees	1,480	1,500	1,500	1,500	1,500	1,500
Dues and Subscriptions	640	660	680	700	720	740
Education and Training	600	620	640	660	680	700
Elections	320	330	340	350	360	370
Insurance - Liability	2,420	2,500	2,600	2,700	2,800	2,900
Landscape and Janitorial	600	620	640	660	680	700
Legal - General Counsel	500	520	540	560	580	600
Professional Services (1)	-	-	-	-	-	-
Miscellaneous	500	520	540	560	580	600
Newsletter and Mailers	90	90	90	90	90	90
Office Supplies	700	720	740	760	780	800
Outside Services	2,240	2,300	2,400	2,500	2,600	2,700
Postage	1,300	1,400	1,500	1,600	1,600	1,600
Public Notices	360	370	380	390	400	410

Exhibit A-4 -- Continued  
Nipomo Community Services District  
Multi-Year Financial Plan for Blacklake Division Sewer System

	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Repairs and Maintenance - Office	240	250	260	270	280	290
Repairs and Maintenance - Buildings	160	160	160	160	160	160
Property Taxes	-	-	-	-	-	-
Telephone	750	770	790	810	830	850
Travel and Mileage	600	620	640	660	680	700
Oper Transfer Out - Funded Administration	19,466	20,000	20,600	21,200	21,800	22,500
<b>TOTAL GENERAL &amp; ADMINISTRATIVE</b>	<b>48,186</b>	<b>49,690</b>	<b>51,410</b>	<b>53,130</b>	<b>54,750</b>	<b>56,470</b>
<b>OTHER EXPENDITURES</b>						
Debt Service - Interest	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-
Fixed Assets Purchases	4,050	4,200	4,300	4,400	4,500	4,600
<b>TOTAL OTHER EXPENDITURES</b>	<b>4,050</b>	<b>4,200</b>	<b>4,300</b>	<b>4,400</b>	<b>4,500</b>	<b>4,600</b>
<b>TOTAL EXPENDITURES</b>	<b>206,431</b>	<b>215,810</b>	<b>226,180</b>	<b>237,530</b>	<b>243,480</b>	<b>249,630</b>
<b>ENDING FUND BALANCE</b>	<b>12,619</b>	<b>17,109</b>	<b>22,229</b>	<b>28,099</b>	<b>38,219</b>	<b>52,389</b>
Operating Reserve (25% of Expend.)	43,000	45,000	47,000	49,000	51,000	52,000
Uncommitted Fund Balance	(30,381)	(27,891)	(24,771)	(20,901)	(12,781)	389
<b>Replacement Fund (830)</b>						
<b>BEGINNING BALANCE</b>	150,000	57,100	94,200	136,100	173,800	217,300
<b>REVENUES AND TRANSFERS</b>						
Interest Earnings	-	1,100	1,900	2,700	3,500	4,300
Operating Transfers In	34,000	36,000	40,000	40,000	40,000	40,000
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>34,000</b>	<b>37,100</b>	<b>41,900</b>	<b>42,700</b>	<b>43,500</b>	<b>44,300</b>
<b>EXPENDITURES</b>						
Budgeted Replacement Projects	126,900	-	-	-	-	-
Capital Improvement Projects	-	-	-	5,000	-	200,000
<b>TOTAL EXPENDITURES</b>	<b>126,900</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>200,000</b>
<b>ENDING FUND BALANCE</b>	<b>57,100</b>	<b>94,200</b>	<b>136,100</b>	<b>173,800</b>	<b>217,300</b>	<b>61,600</b>

## Appendix B – Sewer User Strength Classifications

The following exhibit provides information on sewer strength characteristics for various types of establishments from published information. This information should be used as a guideline for establishing the appropriate sewer classification for the District's non-residential customers.

Exhibit B-1  
Nipomo Community Services District  
Compilation of Published Data on Sewer User Strength Classifications

User Classification Description	Proposed Strength (mg/l)			Percent of Single Family	Data Source
	BOD	SS	Weighted Average		
Strength Weighting Factor	50%	50%			
Residential Single Family	250	250	250	100%	SWRCB
<b>LOW STRENGTH CLASSICATION</b>					
<b>Low I Strength:</b>					
Soft Water Service	3	55	29	12%	SWRCB
Office With Public Access	80	80	80	32%	SWRCB
Car Wash	20	150	85	34%	SWRCB
Veterinarian	130	80	105	42%	Los Angeles
Business Equipment Rental	130	80	105	42%	Los Angeles
Business Services -- Other	130	80	105	42%	Los Angeles
Office (Finance, Insurance, etc.)	130	80	105	42%	Los Angeles
Office (No Public Access)	130	80	105	42%	SWRCB
Office (Medical Services)	130	80	105	42%	Los Angeles
Personal Services (Other)	130	80	105	42%	Los Angeles
Photo & Portrait Studios	130	80	105	42%	Los Angeles
Manufacturing - Textile Mill Products	115	115	115	46%	Metcalf & Eddy
Schools	130	100	115	46%	SWRCB
<b>Low II Strength:</b>					
Laundromat-Public	150	110	130	52%	SWRCB
Landscaping Services	150	150	150	60%	Los Angeles
Amusement & Recreation: Indoor & Out	150	150	150	60%	Los Angeles
Auto Parking	150	150	150	60%	Los Angeles
Barber Shop	150	150	150	60%	Los Angeles
Beauty Shop	150	150	150	60%	Los Angeles
Church (No Kitchen)	150	150	150	60%	Los Angeles
Community Center (No Kitchen)	150	150	150	60%	Los Angeles
Grocery Market (No Butcher or Baker)	150	150	150	60%	Los Angeles
Health Spa	150	150	150	60%	Los Angeles
Kennel	150	150	150	60%	Los Angeles
Malls/Dept. Stores (No Food Svcs)	150	150	150	60%	SWRCB
Manufacturing (Other)	150	150	150	60%	Los Angeles
Manufacturing (Apparel & Other Textiles)	150	150	150	60%	Los Angeles
Manufacturing (Furniture)	150	150	150	60%	Los Angeles
Membership Organizations	150	150	150	60%	Los Angeles
Museum/Art Gallery	150	150	150	60%	Los Angeles
Nursery/Greenhouse	150	150	150	60%	Los Angeles
Office (Construction)	150	150	150	60%	Los Angeles
Massage Parlor	150	150	150	60%	Los Angeles
Retail Apparel and Accessory Store	150	150	150	60%	Los Angeles
Retail Bldg. (Materials & Gardening)	150	150	150	60%	Los Angeles
Retail (Packaged) Food (No Sewer Disposal)	150	150	150	60%	Los Angeles
Retail Furniture & Home Furnishings	150	150	150	60%	LACSD
General Merchandise -- Retail/Wholesale	150	150	150	60%	SWRCB
Retail Trade -- Misc. (Except Food/Drink)	150	150	150	60%	SWRCB
Storage, Warehouse & Outdoor	150	150	150	60%	Los Angeles
Studio/Recording Sound Stage	150	150	150	60%	Los Angeles
Theater/Auditorium (No Food)	150	150	150	60%	Los Angeles

Exhibit B-1 -- Continued  
Nipomo Community Services District  
Compilation of Published Data on Sewer User Strength Classifications

User Classification Description	Proposed Strength (mg/l)			Percent of Single Family	Data Source
	BOD	SS	Weighted Average		
<b>Low III (Residential) Strength:</b>					
Convalescent Homes	250	100	175	70%	SWRCB
Hospital	250	100	175	70%	SWRCB
Other Health Services	250	100	175	70%	SWRCB
Transp. & Utilities (SIC 400 through 489)	200	150	175	70%	Metcalf & Eddy
Agricultural Production	150	250	200	80%	Metcalf & Eddy
Agricultural Services - Other	250	150	200	80%	Metcalf & Eddy
Bar Without Restaurant	200	200	200	80%	SWRCB
Restaurant -- Preprocessed Only	200	200	200	80%	Los Angeles
Social Services	200	200	200	80%	SWRCB
<b>MEDIUM STRENGTH CLASSICATION</b>					
<b>Medium I Strength:</b>					
Hotel (No Restaurant)	310	120	215	86%	SWRCB
Prison With Food Service	310	120	215	86%	Los Angeles
Auto Repair (No Steam Cleaning)	180	280	230	92%	SWRCB
Auto Service Station (No Steam Cleaning)	180	280	230	92%	SWRCB
Agricultural Services -- Animal	350	150	250	100%	Metcalf & Eddy
Auto/Vehicle Sales	300	200	250	100%	Metcalf & Eddy
Repair Services -- Misc.	250	250	250	100%	Metcalf & Eddy
Manufacturing -- Rubber/Plastic Products	200	350	275	110%	Metcalf & Eddy
<b>Medium II Strength:</b>					
Manufacturing -- Electric/Electronic Equipment	300	350	325	130%	Metcalf & Eddy
Manufacturing - Instruments	300	350	325	130%	Metcalf & Eddy
Manufacturing -- Fabricated Metal Products	300	350	325	130%	Metcalf & Eddy
Manufacturing -- Transport Equipment	400	250	325	130%	Metcalf & Eddy
Laundromat, Commercial	450	240	345	138%	SWRCB
Transportation -- Bus/Air Terminal	350	350	350	140%	Metcalf & Eddy
<b>Medium III Strength:</b>					
Malls/Shopping (Including Food Sales)	400	400	400	160%	Los Angeles
Manufacturing -- Machine Shops	290	550	420	168%	Los Angeles
Manufacturing -- Metal Industry	290	550	420	168%	Los Angeles
Manufacturing -- Lumber & Wood Products	431	431	431	172%	Los Angeles
Manufacturing -- Stone, Clay, Glass Products	200	700	450	180%	Metcalf & Eddy
Reproduction/Mailing Service	500	400	450	180%	Metcalf & Eddy
Hotel (With Restaurant)	500	600	550	220%	SWRCB
Manufacturing -- Paper/Containers	700	500	600	240%	Metcalf & Eddy
Manufacturing -- Printing & Publishing	700	500	600	240%	Metcalf & Eddy
Laundry (Industrial)	670	680	675	338%	SWRCB
<b>HIGH STRENGTH CLASSICATION</b>					
<b>High I Strength:</b>					
Agricultural Production - Livestock	1,200	350	775	310%	Metcalf & Eddy
Mortuary	800	800	800	320%	SWRCB
Grocery (W/Butcher or Baker)	800	800	800	320%	SWRCB
Manufacturing -- Baked Foods	1,000	600	800	320%	SWRCB
Restaurant/Bar (W/Food Preparation)	1,000	600	800	320%	SWRCB
Manufacturing -- Beverages	1,500	300	900	360%	Metcalf & Eddy
Manufacturing -- Paint	1,300	1,100	1,200	480%	Metcalf & Eddy
Manufacturing -- Other Chemical Products	1,300	1,100	1,200	480%	Metcalf & Eddy
<b>High II Strength:</b>					
Manufacturing -- Dairy Products	2,369	922	1,646	658%	Los Angeles
Steam Cleaning -- Auto	1,150	2,150	1,650	660%	SWRCB
Manufacturing -- Other Food Products	2,213	1,453	1,833	733%	Los Angeles
<b>High III Strength:</b>					
Septage	5,400	12,000	8,700	3480%	SWRCB