

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

BOARD MEMBERS

Preston Holdner, Director
Paul Lymberis, Director
Thomas Erwin, Director

GENERAL MANAGER

Robert Miller, P.E.

DIRECTOR'S MEETING

DATE: September 25, 2018

Meeting will directly follow Annual Shareholders Meeting

The Monarch Club – Avila Room
1645 Trilogy Parkway, Nipomo, CA

AGENDA

1. Call to Order, Establishment of Quorum
2. Appointment of officers
3. Discussion of System Operations
 - a. Consideration of Future Electronic Meter Reads for 2019 budget (information only)
 - b. Update on well pump/column replacement at Mesa Well
4. Discussion of Financial Status
 - a. Review Previously Approved Budget and status
5. Groundwater Basin Update
6. Supplemental Water Update
 - a. Agreement to Accommodate purchase of short term additional volume
 - b. Update on Permanent intertie project
 - c. Consideration of additional water purchase to meet 50% goal for NMMA Reduction
 - d. Adopt process for capital contribution from each property, including optional prepayment.
7. Shareholder comments and questions

This notice is being given in accordance with AB240. Any questions or special requests, please contact Lonnie at (805) 540-5208.

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Staff Report

TO: Board of Directors
FROM: Rob Miller, General Manager
DATE: September 25, 2018
**SUBJECT: Agenda Item 3.a – System Operations
Electronic Meter Reads**

RECOMMENDATION

Provide initial input to staff for consideration and action at a future meeting.

FUNDING

Funding for this project will be considered in the FY 2019-20 Budget Process

DISCUSSION

As buildout of the development continues, operations staff time to complete the bi-monthly manual meter reads continues to grow. In addition to the bi-monthly reads, WMWC also responds to requests from the community for start reads, re-reads and leak checks on a daily basis.

Implementation of an electronic meter read system to replace the manual read currently in use would provide a direct financial benefit to WMWC, as well as provide opportunity to customers for early leak detection.

In 2014 WMWC began installing electronic meters for all new service connections with the intention of eventually moving to an electronic read system. There are a number of technology options to consider, but the following two options are the most common:

Option 1: Walk by Technology (\$50,000 budget)

Option 2: Drive by Technology (\$150,000 budget)

Radio network options are also available at a higher cost. Prior to recommending action, staff will present the estimated savings in operator expense and conduct a payback analysis on the capital investment. Older meters installed prior to 2014 will be upgraded when the meters reach the end of their service life, generally in the range of 15 to 20 years. Of the 1,100 meters that exist within the system, approximately 1/3 are electronic. Staff estimates the annual savings to be on the order of \$10,000 in reduced labor cost in FY 2020-21 if all existing electronic meters are read using a drive by system.

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Staff Report

TO: Board of Directors
FROM: Rob Miller, General Manager
DATE: September 25, 2018
SUBJECT: **Agenda Item 3.b – System Operations
Mesa Well Update**

RECOMMENDATION

Staff recommends that the Board receive this update on the repairs in progress for the Mesa Well.

FUNDING

Funding for this repair work in the amount of \$65,193.23 will be covered by the Water Reserves for Capital Projects – Fund 2401.08

DISCUSSION

In July of this year, the Mesa Well experienced pump and column failures that required immediate repair. The pump and column had been in service for 13 years. WMWC's three domestic wells are considered mission critical for the system, and therefore action on this item was done by written consent of all Board members, consistent with the Bylaws. The Homestead and Dawn wells are each sufficient for the system demands, and therefore staff was able to take the time to solicit three bids as follows:

<u>Vendor</u>	<u>Estimate</u>	<u>Notes</u>
Miller Drilling	\$ 65,191.23	Price includes check valves and 2 passes of coating for a 12 mil thickness
Filipponi & Thompson Drilling, Inc.	\$ 80,119.43	Price does not include new wire or inline check valves
M&W Pumps	\$ 81,600.00	Price includes check valves
All American	\$ 82,132.82	Price does not include inline check valves

After careful review and consideration, the Board took action via written consent on August 20, 2018 to award a contract to the lowest responsive/responsible bidder, Miller Drilling Company, in the amount of \$65,191.23 to complete the necessary emergency repair work to Mesa Well. Final repair work is anticipated to be completed within 45 days.

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Staff Report

TO: Board of Directors
FROM: Rob Miller, General Manager
DATE: September 25, 2018
**SUBJECT: Agenda Item 4.a – Financial Status
Review Previously Approved budget and Status**

RECOMMENDATION

Staff recommends that the Board review the adopted two year budget for FY 2017-18 & FY 2018-19. No amendments are recommended at this time.

FUNDING

Preparation of the budget and budget review is included in the budget under Contract Services – Fund 2102 – Administration.

DISCUSSION

The Board of Directors adopted a two-year budget for FY 17/18 & FY 18/19 in July of 2017. A summary of each fund is provided below.

Water Fund

The Water Fund is projected to end in a positive FY 2017-18 year-end balance.

Sewer Fund

The Sewer Fund is projected to end in a positive FY 2017-18 year-end balance.

Supplemental Water Fund

Quarterly payments to NCSD continue, and the rate adjustment implemented in 2017 continues to produce acceptable year-end balances.

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Staff Report

TO: Board of Directors

FROM: Rob Miller, General Manager

DATE: September 25, 2018

**SUBJECT: Agenda Item 6.a - Supplemental Water Update
Agreement to Accommodate purchase of short-term additional
volume**

RECOMMENDATION

Staff recommends that the Board authorize Staff to execute an Amendment No. 1 to Nipomo Supplemental Water Management and Groundwater Replenishment Agreement with Nipomo Community Services District (NCSD) to allow for the periodic and temporary purchase of additional supplemental water

FUNDING

Funding for any future purchases would be covered under Fund 300 - Supplemental Water

DISCUSSION

Under the terms of the Nipomo Supplemental Water Management and Groundwater Replenishment Agreement dated September 2015 (Agreement), WMWC is obligated to purchase 16.67% of all supplemental water that is delivered to the Nipomo Mesa from the City of Santa Maria. However, the Agreement does not include the flexibility to purchase additional water over and above this percentage. In addition to WMWC, the parties to the agreement include Nipomo CSD and Golden State Water Company. All parties favor the incorporation of some flexibility to purchase additional water, if it is available, on a temporary basis. The decision to temporarily purchase more water would be made annually at the sole discretion of the purchaser.

Additional water supply could be purchased during periods of drought or low groundwater levels, to assist in meeting groundwater production reduction goals. For example, the three parties to the Agreement have set a pumping reduction goal of 50% compared to a 2013 baseline, and WMWC has only been able to achieve a reduction of approximately 30% to date. The ability to purchase additional temporary water is especially relevant prior to the year 2025, when the full volume of supplemental water must be imported from the City of Santa Maria.

Amendment No. 1 to the Agreement is attached for Board review. It was previously approved by the NCSD Board. The fiscal impact of this Amendment will depend on the volume of water the Board decides to purchase, if any. Staff will bring back a recommended volume to the Board prior to the end of 2018, for incorporation into a revised supplemental water budget.

**AMENDMENT NO. 1 TO NIPOMO SUPPLEMENTAL WATER PROJECT
SUPPLEMENTAL WATER MANAGEMENT AND GROUNDWATER
REPLENISHMENT AGREEMENT**

This Amendment No. 1 to Nipomo Supplemental Water Project - Supplemental Water Management and Groundwater Replenishment Agreement (“the Agreement” hereinafter) is made and entered into this *10th* day of *January* 2018 by and between the Nipomo Community Services District (“NCS D” hereinafter), Woodlands Mutual Water Company of San Luis Obispo County (“WMWC” hereinafter), and Golden State Water Company (“GSWC” hereinafter).

I. Recitals.

A. The parties hereto entered into the Agreement to allocate the benefits and costs of the provision of Supplemental Water through NCS D to the Nipomo Mesa Management Area through the implementation of an agreement referred to as the NCS D-City Agreement.

B. Subsequent to the consummation of the Agreement, GSWC succeeded to the position of Rural Water Company provided for in the Agreement.

C. The parties now desire to amend the Agreement to provide flexibility in the short term allocation of the benefits and costs in the Agreement.

II. Amendment No. 1.

A. Section VI. of the Agreement hereby is amended to read as follow:

“VI. USE OF NIPOMO SUPPLEMENTAL WATER.

NCS D shall be responsible for the distribution and use of the Nipomo Supplemental Water between and among the Parties subject to the following:

A. Subject to the groundwater management and recharge protocols provided in this Agreement, the presumed quantity and rate of delivery of Nipomo Supplemental Water for each Party shall be as provided in the table below, based upon an assumed delivery of 2,500 AFY. To the extent Nipomo Supplemental Water is not available for delivery at the volumes of rates shown, each Party’s deliveries shall be reduced on a proportional basis or on a basis specified in a Temporary Water Sales Agreement between NCS D and either or both GSWC and WMWC. Any such Temporary Sales Agreement shall be effective for one year and shall require the parties to pay the cost obligation provided in Sections VIII, IX.A. hereof, modified to reflect the changed delivery or attribution percentage, and a corresponding percentage of the annual capital costs of the NSWP applicable during the Temporary Water Sales Agreement term. Any Temporary Water Sales Agreement may contain other terms and conditions agreed to by the parties thereto which are consistent with the terms stated in this Agreement. To the extent the implementation of groundwater management and recharge protocols provide for alternative deliveries, each Party

shall be responsible for its portion of the Costs as otherwise provided in this Agreement.

Entity	Annual (AF)	Quarterly (AF)	Maximum per Month (AF)
NCSD	1668	417	139
GSWC	416	104	35
WMWC	416	104	35

C. The highest priority use of Nipomo Supplemental Water shall be to offset groundwater pumping within those regions within the NMMA where depressed groundwater levels exist.

D. Provided that such reduction does not materially and adversely affect its ability to provide water for the reasonable and beneficial use of its customers, for each AF of the 2,500 AFY Nipomo Supplemental Water used within the NMMA, the user shall reduce its groundwater pumping by the same amount. The Parties shall develop a method of confirming this reduction in groundwater use.

E. Over the term of this Agreement, the Advisory Committee (as defined in XII.A) shall periodically meet and confer with the NMMA Technical Group regarding the distribution of the Nipomo Supplemental Water between the Parties, given the priority specified in subsections VI.A and B, above. Based on the input from the Advisory Committee and the NMMA Technical Group, the status of Points of Interconnection as provided in the Section VII.A below and other relevant hydrologic conditions, NCSD shall determine the distribution of Nipomo Supplemental Water among the Parties. NCSD shall make its determination regarding the distribution of Nipomo Supplemental Water following the consultation described in this subsection and based upon a reasonable, good faith interpretation of how best to manage the then existing hydrologic conditions within the NMMA, the availability of Nipomo Supplemental Water and the ability to rely on existing Points of Interconnection and establish a new Point of Interconnection with GSWC, if one has not yet been established.

F. Pursuant to Section VI(B)(3) of the Stipulation, provided WMWC is concurrently using or has made arrangements for other Parties to use within the NMMA the Nipomo Supplemental Water allocated to the WMWC under Section VI(A), above, WMWC shall not be subject to restriction in the reasonable and beneficial use of groundwater necessary for full development of its service area; provided however, nothing in this Agreement is intended to modify or amend the benefits and obligations provided in the Stipulation and the Judgment applicable

to WMWC, or the court's retained jurisdiction pursuant to the Stipulation and the Judgment."

B. Other than as expressly amended by this Amendment No. 1, the Agreement and each and every term and provision contained therein shall remain in full force and effect.

III. Signature Clause.

The signatories hereto represent that they have been appropriately authorized to enter into this Amendment No. 1 on behalf of the Party for whom they sign.

NIPOMO COMMUNITY SERVICES DISTRICT

By: 
MARIO IGLESIAS
GENERAL MANAGER

Date: 1-19-18

GOLDEN STATE WATER COMPANY

By: _____

Date: _____

WOODLANDS MUTUAL WATER COMPANY

By: _____

Date: _____

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Staff Report

TO: Board of Directors
FROM: Rob Miller, General Manager
DATE: September 25, 2018
**SUBJECT: Agenda Item 6.b - Supplemental Water Update
Update on Permanent Intertie Project**

RECOMMENDATION

Staff recommends that the Board receive an update from Staff on the Supplemental Water Project Permanent Intertie.

DISCUSSION

Nipomo CSD is in the process of completing the final design for a permanent supplemental water intertie with both WMWC and Golden State Water Company. The permanent intertie will allow WMWC to receive wet water deliveries from the NCSD system. The purpose of the intertie is twofold:

- Receive regular supplemental water delivery at a continuous, average rate throughout the year. This rate would begin at approximately 60 gallons per minute (gpm), and it would reach 258 gpm in the year 2025.
- Receive emergency temporary supplies at a higher rate to assist WMWC in the event of a fire or major equipment failure. It should be noted that WMWC possesses reliable facilities with appropriate backup measures, so this function would not be used frequently.

Currently, the NCSD system uses chloramines for disinfection, while WMWC uses only free chlorine. A number of WMWC customers have expressed concerns over the safety of chloramines for sensitive segments of the population, including those in need of dialysis equipment. As a result, Staff is currently performing bench scale testing with a third party vendor to review various carbon-based filtration systems that can remove chloramines prior to introducing the above supplies into the WMWC system. Staff will bring the results back to the Board along with cost estimates for installing and operating the filters. Given that the intertie is scheduled for completion near the end of 2019, adequate time will be provided to implement filtration if the Board desires. In addition, clear notice will be provided to all shareholders prior to the Board discussion and decision.

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Staff Report

TO: Board of Directors

FROM: Rob Miller, General Manager

DATE: September 25, 2018

**SUBJECT: Agenda Item 6.d - Supplemental Water Update
Adopt process for capital contribution from each property**

RECOMMENDATION

Staff recommends that the Board receive an update and provide direction to Staff, as well as convene a November meeting of the Resident Advisory Committee to review the principal prepayment program and customer notice prior to distribution to shareholders.

FUNDING

Funding for the above will be covered under Fund 300 - Supplemental Water

DISCUSSION

Woodlands Mutual Water Company (WMWC) purchases Supplemental Water from Nipomo Community Services District (NCSD) as part of its portfolio to provide a reliable water supply to its customers, and also in compliance with the 2008 Stipulation and 2015 Nipomo Supplemental Water Management and Groundwater Replenishment Agreement. WMWC's capital obligation to the project is currently being met through a loan from NCSD which is described in three loan schedules (Schedules 1 through 3) based on phased implementation of the Supplemental Water Project (Project) and WMWC's proportional share of capital costs spent to date. NCSD has agreed to allow WMWC to prepay all or a portion of the principal owed in a single prepayment event and subsequently re-amortize the remaining principal owed to reduce the interest burden on WMWC and its customers.

In addition, the Board has adopted a general policy that each parcel of land within its service area should pay the same principal cost for capital on the Project, in proportion to the number of Equivalent Dwelling Units (EDU's) assigned to each property. This capital obligation would run with the land, as opposed to the land owner. David Taussig and Associates (DTA) has been retained as a third-party expert in this matter to design and manage the program for implementing this policy. The program will also be updated from time to time as future phases of the Project are implemented by NCSD.

Parcels have been contributing to a distinct Supplemental Water Fund since the beginning of WMWC operations. These funds are kept separate from normal system operations and are only used for supplemental water and to comply with the 2008 Stipulation approved by the Court. Typical expenses paid from this fund include the following:

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
 ARROYO GRANDE, CA 93421
 www.woodlandsmwc.com

TELEPHONE 805-540-5208
 FAX 805-544-4294

- Legal expenses related to the Stipulation, including special water counsel (distinct from general WMWC counsel)
- Participation in the Nipomo Mesa Management Area (NMMA) Technical Group, as mandated by the Stipulation.
- Supplemental water capital, including the NCSD Project as well as other projects such as the development of Shallow Well 1. It should be noted that Shallow Wells 2 and 3 were funded by the developer.
- Supplemental water quarterly payments to NCSD, which includes both loan repayment and the cost of the water from the City of Santa Maria.

Based on the cash flow needs generated from the above expenses, Staff estimates that \$300,000 of available cash can be safely deployed to re-amortize the WMWC loan and pay down Project debt. A portion of this amount will be credited to each parcel in proportion to the parcel's supplemental water payments received to date. Parcels that have been paying into the funds for a longer duration will receive a larger credit.

The principal loan balance for the Project as of January 1, 2019 will be as follows:

SCHEDULE 1	\$2,754,947.37
SCHEDULE 2	\$212,727.70
SCHEDULE 3	\$378,542.89
Total	\$3,346,217.96

At full buildout, the total development EDU count, not including existing and future open space areas, is 1465.51 units. Based on this total, the principal amount due per EDU as of January 1, 2019 equates to \$2,283.31 (based on \$3,346,217.96 / 1465.51 EDU units). The below table summarizes the principal prepayment amount for each lot type, based on EDU count, again not including any existing or future open space / common area lots.

Type	User	EDU/Unit	Prepayment Amount
A	Residential Single Family (RSF)	1.00	\$ 2,283.31
B	Residential Multi-Family (RMF)	0.22	\$ 507.40
C	Community Center and Irrigation	34.70	\$ 79,239.31
D	Visitor Center and Irrigation	16.94	\$ 38,675.32
E	Clubhouse and Irrigation	20.14	\$ 45,976.28
F	Commercial Park and Irrigation	2.72	\$ 6,215.68
G	Monarch Ridge Townhome Irrigation	10.06	\$ 22,974.05
H	Golf Operations Commercial	0.62	\$ 1,423.55
I	Hotel (120 Rooms)	59.16	\$ 135,070.47
J/K	Open Space/Irrigation (WMA)	267.01	\$ -
	Future Phase 2A & 2B OS WMA ³	133.10	\$ -

Recommended Pre-Payment Program

WOODLANDS MUTUAL WATER COMPANY

PO BOX 19
ARROYO GRANDE, CA 93421
www.woodlandsmwc.com

TELEPHONE 805-540-5208
FAX 805-544-4294

Even though the Project is not yet fully complete, Staff believes 2019 would be an appropriate year to request each parcel to consider pre-paying its capital obligation accrued to date. The reasons for this are as follows:

- Based on current estimates, the Project capital is more than 80% complete, with full completion expected by the year 2025.
- Shareholders may prefer to avoid interest on the capital obligation incurred to date, given that the interest rate being paid to NCSD is 7%.
- As mentioned above, \$300,000 of accrued savings can be used to pay down debt and avoid interest, and these funds can be equitably assigned to each parcel based on its past contributions to supplemental water.
- NCSD and the Project will benefit from additional funds, which would minimize the need for third party financing or withdrawal from restricted reserves.

David Taussig and Associates (DTA) is a public finance, facilities planning, and urban economics consulting firm hired to assist WMWC with the creation, implementation, and annual administration of the Facilities Financing Program and any principal prepayment program. Per the attached Exhibit A – Scope of Services from DTA, (A) Database Deployment has been completed and billed. (B) “Concept B” Methodology and (C) Prepayment Program and Calculations are the next phases of work to be completed by DTA, at a cost of \$7,500 and \$3,500 annually, respectively. With respect to the Principal Prepayment Program, DTA will track each customer’s principal loan obligations depending on whether each customer chooses the prepayment option, and they will administer these obligations annually. Debt service schedules will be prepared for each parcel and distributed each year. Phases (B) and (C) of the DTA contract have been previously contracted and no further Board action is necessary at this time.

Staff recommends that the Resident Advisory Committee convene for a workshop with DTA to explain the program and review the language of the mailing to customers prior to executing the program, and to bring the final materials back to the Board for approval prior to sending them out to each owner. DTA is able to provide this conference call workshop within the bounds of their currently authorized contract.