

**NOTICE OF SAN LORENZO VALLEY
WATER DISTRICT MEETING
BEAR CREEK ESTATES WASTEWATER SYSTEM
IMPROVEMENT PROJECT**

**WEDNESDAY, APRIL 26, 2006
BEAR CREEK COUNTRY CLUB**

San Lorenzo Valley Water District invites all residents and users of the Bear Creek Estates Wastewater System to attend a very important neighborhood meeting of the San Lorenzo Valley Water District to be held on Wednesday, April 26, 2006, 7:00 p.m. at the Bear Creek Country Club, 15685 Forest Hill Drive, Boulder Creek, CA. The district will review and discuss the financial impacts of the Bear Creek Estates Wastewater System Improvement Project at this meeting. Please review the enclosed project information and plan to attend this important meeting. If you have any questions or need additional information regarding this meeting please do not hesitate to contact the District at (831)430-4625. Additional information regarding this matter is available on the District Website at www.slvwd.com.

SUMMARY OF PROJECT INFORMATION
BEAR CREEK ESTATES WASTEWATER SYSTEM
IMPROVEMENT PROJECT
APRIL 26, 2006

The information contained herein is intended to provide the residents and users of the Bear Creek Wastewater System with background and overview information relative to the Bear Creek Estates Wastewater System Improvement Project.

PURPOSE OF PROJECT

The purpose of the Bear Creek Estates Wastewater System Improvement Project was to modify and enhance the existing Bear Creek Estates wastewater treatment system in order to reduce effluent nitrogen levels by a minimum of 50% prior to disposal in the subsurface soil absorption system. The original wastewater treatment system was an onsite septic disposal system constructed in 1985. The original system did not provide for the treatment and removal of nitrogen. The requirement for a minimum of 50% nitrogen reduction was established and ordered on July 14, 2000 by the California Regional Water Quality Control Board. The Regional Board issued Compliance Order No. 00-043 to the San Lorenzo Valley Water District for the required improvements. The California Regional Water Quality Control Board provides regulatory authority over the San Lorenzo Valley Water District for operation of the Bear Creek Estates Wastewater System.

PROJECT BACKGROUND

In April 2002, San Lorenzo Valley Water District engaged the services of Fall Creek Engineering, Inc. to evaluate alternatives and complete the design of wastewater system improvements which would comply with Regional Board Discharge Order No. 00-043. Fall Creek Engineering, Inc. is an environmental and water resources engineering firm located in Santa Cruz, CA which specializes in small community projects of this nature.

In June 2003, on behalf of the San Lorenzo Valley Water District, Fall Creek Engineering, Inc. submitted a design and engineering report to the California Regional Water Quality Control Board relative to required wastewater system improvements. Proposed improvements included the installation of a high-rate, two-stage trickling filter wastewater treatment system, including all related appurtenances, additional equipment, and control and monitoring mechanisms. The estimated cost of the

proposed improvement project was \$225,000.00. The California Regional Water Quality Control Board approved the proposed project on August 8, 2003.

In June 2004, the District moved forward with construction activities necessary to complete the required improvements. The District substantially completed construction activities in June 2005. The new treatment facilities were placed into service in July 2005 and, have been performing as designed. The construction project is now 100% complete. Total actual construction for the Bear Creek Estates Wastewater System Improvement Project was \$223,300.00

FINANCIAL IMPACTS

The Bear Creek Estates Wastewater System operates as a separate “Enterprise Fund”. The cost of providing wastewater services is financed and/or recovered solely through wastewater user charges. The District is proposing to provide debt financing for the Bear Creek Estates Wastewater System Improvement Project through an inter-fund loan. The District’s Water Fund would loan the Bear Creek Estates Wastewater System the necessary funds for the improvement project.

Previously, the District held three (3) neighborhood Bear Creek Estates Wastewater Meetings to discuss the project, and its financial impact to you the users of the system. (October 1, 2003, January 14, 2004 & May 27, 2004). Through these neighborhood meetings a “consensus” was developed to recover the capital costs of the improvements over a period of ten (10) years as a separate line item on your bi-monthly wastewater bills. The District is planning to implement a “property related” charge on each user’s bi-monthly wastewater bill. Pursuant to Proposition 218 the proposed “property related” charge requires property owner approval. The District is ready to move forward with required procedures relative to property owner approval. The inter-fund loan would be for a term of ten (10) years, with an interest rate commensurate to the yield return for a Ten (10) Year U.S. Treasury Note. The current interest rate for a Ten (10) Year U.S. Treasury Note is approximately 5.0%. Based upon actual costs of the improvements (\$223,300.00) the financial implications are as follows:

ASSUMPTIONS:

| | |
|-------------------------------|--------------|
| PRINCIPAL AMOUNT | \$223,300.00 |
| TERM OF REPAYMENT @ 10 YEARS | |
| INTEREST RATE @ 5.0% PER YEAR | |

Note: Interest rate based on current Ten (10) Year U.S. Treasury Note

CURRENT NUMBER OF CONNECTIONS TO BEAR CREEK ESTATES
WASTEWATER SYSTEM = 54 HOUSES

CALCULATE PER CONNECTION PRO RATA SHARE OF TOTAL PROJECT
COST, WITHOUT INTEREST CHARGES

$$\frac{\$223,300.00}{54 \text{ HOUSES}} = \$4,135.18/\text{HOUSE} \quad \text{CALL } \$4,135.00$$

CALCULATE ESTIMATED BI-MONTHLY CHARGE PER CONNECTION WITH
INTEREST CHARGES

TOTAL BI-MONTHLY “PROPERTY RELATED” CHARGE AMOUNT
REQUIRED TO AMORTIZE PROJECT, INCLUDING INTEREST

\$223,300.00 @ 5.0% interest for a term of 10 years = \$4,730.52/BI-
MONTHLY

$$\frac{\$4,730.52}{54 \text{ HOUSES}} = \$87.60 \text{ BI-MONTHLY CHARGE PER CONNECTION}$$

“PROPERTY RELATED” CHARGE = \$87.60/BI-MONTHLY/PER
CONNECTION

SUMMARY OF “PROPERTY RELATED” CHARGE

- BI-MONTHLY CHARGE OF \$87.60 ADDED AS SEPARATE LINE ITEM TO USERS WASTEWATER BILLS FOR PERIOD OF TEN (10) YEARS
- CHARGE WOULD “SUNSET” AFTER TEN (10) YEARS
- DISTRICT WOULD BE RESTRICTED TO USE REVENUES RECEIVED FROM CHARGE FOR SOLELY FOR DEBT SERVICE PAYMENTS ON THIS PROJECT
- DISTRICT WOULD STRUCTURE CHARGE TO ALLOW INDIVIDUAL PROPERTY OWNERS TO PREPAY ENTIRE AMOUNT TO AVOID ANY INTEREST CHARGES

- ONLY CURRENT SYSTEM USERS PAY PROPOSED CHARGE; ALL NEW OR ADDITIONAL USERS PAY THROUGH INCREASED CONNECTION CHARGE (APPROXIMATELY FIVE (5) ADDITIONAL VACANT PARCELS ELIGIBLE FOR CONNECTION TO SYSTEM)
- REQUIRES PUBLIC HEARING AND NOTICE BY BOARD OF DIRECTORS
- CHARGE REQUIRES PROPERTY OWNER APPROVAL

A very important neighborhood meeting of the San Lorenzo Valley Water District will be held on Wednesday April 26, 2006, 7:00 p.m. , May 27, 2004 at the Bear Creek Country Club, 15685 Forest Hill Drive, Boulder Creek, California at 7:00 p.m. The purpose of this special meeting is to review and discuss the financial impacts of the Bear Creek Estates Wastewater System Improvement Project. Please review the enclosed information and plan to attend this important meeting.

If you have any questions or need additional information regarding this matter please do not hesitate to contact the District at (831)430-4625 or www.slvwd.com.