

M E M O

TO: Board of Directors

FROM: District Manager

SUBJECT: MODIFICATION OF THE BEAR ESTATES WASTEWATER SYSTEM
RATE SCHEDULE.

DATE: May 15, 2006

RECOMMENDATION:

It is recommended that the Board of Directors review this memo and provide direction to staff regarding any proposed modifications to the Bear Creek Estates Wastewater System Rate Schedule.

BACKGROUND:

On July 14, 2000 the State of California Regional Water Quality Control Board issued Waste Discharge Requirements Order No. 00-043 to the San Lorenzo Valley Water District relative to the Bear Creek Estates Wastewater Treatment Facility. Said Order directed the District to modify the Bear Creek Estates Wastewater Treatment System to reduce effluent nitrogen levels by a minimum of 50%. In June 2004, the District moved forward with construction activities necessary to complete the required improvements. The construction project is now 100% complete. Total construction cost for the required improvements was \$223,300.00.

Bear Creek Estate Wastewater System operates as a separate "Enterprise Fund". The cost of providing all wastewater services is financed and/or recovered solely through wastewater user charges.

Your Board's Finance Committee held several neighborhood meetings with the system users to discuss the financial impacts of the improvement project. During these neighborhood meetings a "consensus" was developed to consider the recover of capital costs associated with the improvement over a proposed period of ten (10) years. These costs would be recovered as a separate "property related" charge on each user's bi-monthly wastewater bill. See Attachment 1.

Pursuant to Proposition 218 a "property related" charge requires property owner approval. The proposed "property related" charge would be established at \$87.60 per bi

monthly billing period. Procedures relative to the establishment of a new “property related” charge are as follows:

1. District shall identify each parcel subject to the proposed charge.
2. District shall provide written notice by mail of the proposed charge to the owner of each identified parcel. Notice shall include the following:
 - a. Amount of the proposed charge.
 - b. Basis upon which the amount of the proposed charge was calculated.
 - c. Reason for proposed charge.
 - d. Date, time and location of a public hearing on the proposed charge.
3. District shall conduct a public hearing on the proposed charge. The public hearing shall be held not less than forty-five (45) calendar days after mailing of the required notice.
4. At the public hearing, if written protests against the proposed charge are presented by a majority of the identified parcels, the District shall not impose the charge.
5. Following the public hearing, the proposed charge shall be submitted to and approved by a majority vote of the property owners subject to the charge. Approval may be conducted by mail ballot.
6. The election shall be conducted not less than forty-five (45) calendar days after the public hearing.

Following the April 26, 2006 Bear Creek neighborhood meeting, the residents founded a “liaison committee” relative to the wastewater system. It is recommended that your Board direct staff to meet with said committee prior to moving forward with activities relative to the proposed “property related” charge for the Bear Creek Estate Wastewater System Improvement Project.

James A. Mueller
District Manager

JAM/bsb

Agenda: 05.18.06
Attachment 1

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

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

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

“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.

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