

For Your Information

About the Lake of the Pines Wastewater Treatment Plant Improvement Project



An information FAQ Sheet from the Nevada County Sanitation District No. 1

Issued: December 21, 2004

This fact sheet answers common questions about the Lake of the Pines Wastewater Treatment Plant Improvement Project. We hope this will help you to be better informed on the current status of the project. For more information, go to: www.mynevadacounty.com/loptreatmentplant

1. What are the proposed user fee increases for this project?

Currently: The annual user fee is \$550/yr for connected units or \$80/yr for standby. These fees cover existing plant operation and maintenance (O&M) costs.

July 2005: The rate is **estimated** to increase by \$340/yr for 25 years for standby and connected units. This increase will pay for the debt service requirements for the existing rate payers' share of improvements to the treatment plant. (see question 11.)

July 2006: The rate is **estimated** to increase \$150/yr for connected units or \$20 for standby units to cover the increased O&M costs for the treatment plant with its improvements.

July 2007: The rates are not anticipated to increase in 2007.

IMPORTANT NOTES:

The July 2005 and 2006 increases are projected increases and will be adjusted to reflect the actual capital and O&M costs for the treatment plant with its improvements.

Rate payers will be notified of any proposed rate increases which will be considered for approval by the SD No. 1 Board of Directors at a public hearing. Proposed rate increases are subject to Proposition 218 which specifies that rates cannot be increased if there is a majority protest. For information see:

http://www.lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html

2. What is the history of the plant and of recent rate increases?

The original plant was constructed in the early 1970's and the last significant upgrade occurred in 1987.

From 1996 through June, 2004, the annual rate for connected and stand-by units remained unchanged: \$315/year for connected units and \$43/year for stand-by units. In 2004, the rates were increased to their current level of \$550/year for connected units and \$80/year for stand-by units.

3. What is the project permit compliance deadline and what are the consequences of not meeting that deadline?

The project permit compliance date is April 30, 2007. All conditions of the current permit must be met by that date. If the permit conditions are not met by April 30, 2007, there will be a mandatory \$3,000 (three-thousand dollars) daily fine for violation of each of 10 specific criteria required in the permit - which could reach \$30,000 (thirty-thousand dollars) per day.

More information on this can be found in the "Water Quality Enforcement Policy" document by the State Water Resources Control Board at: <http://www.swrcb.ca.gov/plnspols/docs/wqep.doc>.

4. What are the legal and fiscal responsibilities of the SD No. 1, users, and County for the operational activities of the SD No. 1?

The County of Nevada has no authority whatsoever over the Sanitation District No. 1. The SD No. 1 is a separate legal entity that can sue or be sued in its own name (Calif. Health & Safety Code section 4738). It has a separate legal existence from the County. All the costs of operation of the SD No. 1 are covered by the SD No. 1 and each **zone** of the SD No. 1 covers its costs attributable to the operations within the zone. Users of the Zone 2 sewerage system are the property owners within the zone serviced by the LOP WWTP, and they pay for the benefits through rates and assessments. Due to the legal and fiscal separation, the County cannot subsidize the SD No. 1 with County funds. See the project web site for the full County Counsel opinion: www.mynevadacounty.com/loptreatmentplant.

5. What are the respective responsibilities for payment of state-imposed penalties for non-compliance of the permit? What happens if Zone 2 (those using the LOP WWTP) user rejection of assessments and higher rates causes non-compliance and penalties?

It would be the responsibility of the SD No. 1 to pay any penalties imposed because of non-compliance by the Zone 2 treatment plant. But the funds to pay the penalties are restricted to the funds available to Zone 2. Other zones, and the County itself, would not be liable.

Assessments and rates are dependent on user approval under Proposition 218, a constitutional amendment that augmented Proposition 13. If Zone 2 users rejected assessments and higher rates, causing non-compliance and penalties, then solely Zone 2 would be liable. If Zone 2 could not meet its financial responsibilities, the Zone could tumble into insolvency. Non-payment of penalties could lead to a facility shutdown, either by action of the SD No. 1, or by state action through a cease and desist order.

6. What can be done to change the current water quality permit conditions?

These permit requirements are mandated by federal and state law, therefore legislative action is required to change these laws. Such action will take considerable time and energy to accomplish and will most likely not effect the current permit requirements. Supervisor Sue Horne is currently pursuing this avenue with legislative representatives and the State Board. Supervisor Horne encourages you to communicate your concerns to your legislative representatives. The names and addresses of your local representatives are available on the project web site at: www.mynevadacounty.com/loptreatmentplant.

7. What is the status of the Placer Nevada Wastewater Authority (PNWA) Lincoln Regional Wastewater Treatment and Reclamation Facility (Lincoln Regional WWTRF) and what is the estimated cost to connect to the Regional Plant?

The Lincoln Wastewater Treatment and Reclamation Facility is expected to be expanded and may be able to serve the Lake of the Pines area in 2011 or 2012. The estimated capital cost for LOP to connect to this facility is \$14.2 million assuming 75% Federal Grant Funding is received. To use the Lincoln Regional WWTRF, LOP customers would pay an estimated \$2.9 million for annual O&M costs, which would be divided among all LOP customers. The Lincoln Regional WWTRF O&M cost could be 3.5 times more, based on current estimates, than the O&M costs for the proposed plant upgrade project. The Lincoln Regional WWTRF project will be tracked over the next year to determine if there are any significant changes in cost estimates.

8. Can we delay implementation of this project until more info is available on the Lincoln Regional Wastewater Treatment and Reclamation Facility project?

On July 1, 2004 Supervisor Sue Horne wrote to the California Regional Water Quality Control Board, Central Valley Region (CVRWQCB) and delivered the petition submitted by residents of Lake of the Pines. On July 16, 2004, Thomas R. Pinkos, Executive Officer for the CVRWQCB, submitted a reply that detailed why a time extension could not be granted. Mr. Pinkos stated "... the Regional Board already has granted the maximum time for compliance allowed by federal and state law through the permit and accompanying cease and desist order." On August 2, 2004 Supervisor Horne responded to Mr. Pinkos' letter with clarifications of the SD No. 1's position and requests for additional information from the CVRWQCB. Given the current estimated high cost to ratepayers to join the Lincoln Regional WWTRF Project and the CVRWQCB response to deny a permit compliance extension, the county must proceed with the proposed LOP WWTP Improvement Project.

9. Is the proposed plant upgrade project really necessary, or is there a better and more cost-effective alternative?

The existing discharge permit issued by the CVRWQCB and effective as of June 7, 2002 places new limits on ammonia, nitrate, nitrite and aluminum discharges to Magnolia Creek. Effective April 30, 2007, the plant must achieve full tertiary treatment of effluent with new limitations for turbidity and total coliform for discharges to Magnolia Creek. The proposed membrane bioreactor (MBR) treatment process chosen for the upgrade of the existing facility provides the most cost-effective and reliable method of meeting these new discharge limits.

While an added benefit of the MBR technology is its ability to meet anticipated future discharge requirements, this technology was not chosen solely for this benefit. The County of Nevada Sanitation District No. 1 (SD No. 1) staff followed a structured decision-making process in choosing the MBR technology and other treatment technologies required to reliably meet the new discharge limitations. This decision-making process is summarized in the Facility Master Plan for Lake of the Pines and within Technical Memorandum No. 6 prepared by Kennedy/Jenks Consultants. The ability of the MBR process to meet future discharge requirements was one of many considerations that went into the MBR's selection. Please see the Facility Master Plan for more details.

10. Could irrigating the golf course with effluent from the plant reduce the cost of improvements to the WWTP?

According to our research and cost estimates, this is not a cost-effective solution because it will add millions more to the cost of improving the current LOP WWTP. Irrigating a public area such as a golf course would require that the wastewater receive the same level of treatment as if it were discharged to Magnolia Creek under the new permit. Therefore, the costs for the treatment plant upgrade will be the same. In addition, there would be new costs to pump the water to the golf course. There would also be new costs for storing the treated wastewater during the winter months when the golf course does not need irrigation. And, depending on storage options used, these additional costs would range from \$3.8 million to \$7.4 million in addition to WWTP improvement costs. Please see the Facility Master Plan for details (Section 5.2.2.3)

11. Is additional capacity being provided in the plant upgrade project for future development and what is the associated cost?

Additional capacity for 500 equivalent dwelling units (EDU's) located within the current SD No. 1 Sphere of Influence is proposed to be provided in the plant improvements. This is a conservative estimate of projected growth in the area over the next 10 years and was based on the recent 2004 LAFCO report of wastewater infrastructure needs in western Nevada County. The cost to provide this additional capacity is \$1.26 million or 9.2% of the construction and engineering costs of the \$13.68 million proposed plant upgrade project. The total project cost including financing costs is estimated to be \$14.8 million.

12. Why should we support expanding the plant, how much of the total plant cost will new development pay for?

Under the principle of "economy of scale," spreading the cost over a large number of customers will reduce each customer's bill. By planning a plant upgrade for a larger number of residents, we save the current ratepayer an estimated \$95/year. For example, under the proposed plan to upgrade the plant to accommodate 500 additional connections, the annual user fee is estimated to increase \$340 per year in July 2005. If the proposed plan is to upgrade the plant only for the existing LOP service area, the annual user fee is estimated to increase \$435 per year in July 2005. (see question 1) Connection fees from new development could generate \$3.55 million in operating monies for the SD No. 1 which could reduce the existing customers' share of improvement costs by \$2.29 million. Note: Fees for new connections are proposed to be \$9,700 per unit. These fees will go toward repayment of the bonds/loans used to finance the construction project.

13. If the connection fee development is \$9,700 and 500 new units connect, that generates \$4.85 million, yet new development pays for \$3.55 million of the cost of the new plant. What happens to the difference?
Construction projects like this are very expensive and typically must be financed over a number of years. Therefore, there are interest fees associated with borrowing \$3.55 million dollars. The \$1.30 million difference noted above is the interest that accrues on the borrowed \$3.55 million which will be financed over a 25-year period. The connection fees collected from new development will be combined with annual user fees to repay the bonds /loans used to finance the construction of the project.

14. What happens if new development does not occur as quickly as projected?

The SD No. 1 has been very conservative in estimating the potential revenue from new growth. No revenue from new development is projected until Fiscal Year 2007/08, and then only 20 connections per year are necessary to cover the annual debt service. (Note that the 2004 LAFCO report estimated that 60 new connections per year will occur over the next 25 years.) Present land zoning designated the LOP/Higgins Corner area is one of the three areas in the county where growth is to occur. Lending and bonding institutions require that the SD No. 1 maintain reserves in the event of revenue shortfalls. The SD No. 1 is projected to have \$1.7 million in reserves that can be used to cover revenue shortfalls.

15. What methods of financing the WWTP improvements are currently being considered?

We developed a financing plan that assumes the borrowed money will be paid back over a 25-year period with 6% interest. It is likely we will secure a much better rate. We are exploring the option to use the California Infrastructure Bank (I-Bank), whose current 20-year interest rate is 2.6% and 30-year rate is 2.91%. If we can secure funds from the I-Bank, we may be able to reduce the annual user fee and the new connection fee. Another source being considered is the State Revolving Fund (SRF) which is a low-interest loan that has recently been re-instituted by the State. The SRF Interest rates are still being finalized, and are expected to be at or lower than I-Bank rates. Any savings we can find in financing will be passed on to the ratepayer.

16. Instead of paying \$340 per year for 25 years (a total of \$8,500) can I pay an up-front, lump sum payment?

Details of a lump sum payment still need to be finalized. The following is one option which is currently being considered. The first annual assessment will be sent out with the tax bills next summer. After making that payment you may elect to pay the remaining improvement costs in one lump sum payment of approximately \$4,500 payable by December 31, 2005. If additional costs or savings are incurred, any rate payer who selected this lump-sum payment option will receive an adjustment for the difference.

17. Will existing residences or lots in the Sanitation District No. 1 sphere of influence have to connect to the treatment plant?

No. Existing residences or lots in the sphere of influence outside of the existing Zone 2 district will not be required to connect to the treatment plant.

18. What are the next steps to be taken in the project?

An ad hoc committee recently formed by the LOP homeowners association is monitoring Sanitation District No. 1 plans being developed for the improvement project and to keep LOP members informed. The SD No. 1 Board of Directors authorized the preparation of environmental documents and preliminary design of the new treatment plant to begin. An environmental impact report and preliminary design of the new treatment plant are scheduled to be completed by June 2005. Final design of the improvements is scheduled to be completed by March 2006. Construction is scheduled to begin in May 2006 and will be completed by April 2007.

January 10, 2005 is the date of the next ad hoc committee meeting. The committee meets in the dining room of the Lake of the Pines clubhouse. Guests are welcome to attend any of these meetings which are held typically on the second and fourth Monday of every month at 7:00 p.m.

19. How can I get more information on this project?

The best way to get more information is from the project web site:

www.mynevadacounty.com/loptreatmentplant.