Bear Valley Water District
Tertiary Facilities Assessment District
December 29, 2007

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Presentation Outline

- Need for Project
- Alternatives to Project
- Recommended Project
- Financing Alternatives
- Recommended Financing
- Next Steps and Q & A

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Need For Project

- Spills occurred in ‘95, ‘96, ‘98, and ’99
- Regional Board issued Cease & Desist Order
- District obtained additional temporary disposal land from US Forest Service to get by
- 2003 projections indicated that capacity would be reached within 5 years, so District applied for NPDES permit
- 2006 Effluent Storage Reservoir had to be sandbagged to avoid a spill

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Need For Project (cont)

- District requested NPDES permit for secondary effluent to Bloods Creek
- Due to objections from downstream users and Regional Board pressures, NPDES permit was issued with tertiary treatment requirement in October of 2005
- Tertiary treatment is now <u>mandatory</u> regardless of the size of Bear Valley

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Alternatives to Project

- Expansion of Effluent Storage Reservoir
- Acquisition of additional land for storage and disposal
- Treat to tertiary level for only discharge to Bloods Creek
- Pursue relief from the Regional Board permit requirements through legal means
- No-project alternative (C&D, moratorium, and fines)

Recommended Project

- Build system to accommodate District master plan development at 0.5 Mgal/d
- Keep existing pond as secondary process until expansion/change is necessary
- Utilize membrane ultrafiltration as best means of meeting permit requirements
- Pre-treat before filter with dissolved air flotation (DAF)
- Disinfect utilizing ultraviolet radiation

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Recommended Project (cont)

Opinion of Probable Capital Cost for Build-out Tertiary Facilities Project

Capital Expense	Notes	Capital Expenditure
Total Construction Cost	a	$9,420,000
Design Engineering Allowance	b	$895,000
Engineering Services During Construction (at 4%)	b	$377,000
Construction Management, Inspection, and System Startup (at 8%)	b	$754,000
Incurred Capital Costs plus administration/legal (at 1%)	c	$369,000
Total Capital Cost		**$ 11,815,000**

a – Projected to a mid-point of construction ENR CCI of 8768 for August 2009 and 10% contingency.
b – Budget allocations with actual costs to be based on a detailed scope of work for each component.
c – Includes expenses incurred up through June 2007 and allocation of 1% for administration and legal not related to the assessment district.

Recommended Project (cont)

- Costs are preliminary and intended to represent conservative upper limit
- Cost savings measures will be considered during design
- Actual project costs will be based on competitively bid construction project
- Project costs for this facility are expected to be higher than similar capacity facilities at lower elevations

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Financing Alternatives

Funding Sources

- **Grants**
- **Federal and State Loan Programs**
- **Commercial Bank Loans**
- **Bonds:**
  - Revenue Bonds
  - Limited Obligation Imp. Bonds

Revenue Sources

- **User Fees**
- **Special Taxes**
- **Assessments**
- **Connection Fees**
- **Upfront Developer Contributions**

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Financing Alternatives (cont)

Analysis of Plausible Financing Strategies

- **State Loan Programs**
  - Secured by user fees
  - High user fees ($2,280/year/EDU with $1,350 for tertiary facilities)
  - Not equitable
  - Limited ability to refinance previous debt
- **Special Tax**
  - Limited ability to tax vacant land or federal land
  - Cost per unit goes up
  - Not equitable
- **Assessment District**
  - Assess current and future users equally based on benefit
  - Flexible refinancing options
  - Reduced cost per unit as current and future benefit is equally distributed ($669/year/EDU)
  - Limited ability to lien federal lands

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Recommended Financing

- **Limited obligation improvement bonds (1913 Act) to finance project**
- **Assessment District combined with user fees for users on federal lands to pay down bonds**

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Recommended Financing (cont)

Total Project Cost and Incidental Expenses for Recommended Financing Approach

Description	Notes	Expense
Total Capital Cost	a	$11,815,000
Refinancing of Existing Debt	b	$550,000
Assessment District Engineering Fees		$75,000
Legal Fees		$140,000
Out of Pocket Expenses of Special Bond Counsel (at 10%)		$14,000
Capitalized Interest	c	$828,000
Reserve Fund	d	$1,126,000
Underwriters Discount	e	$150,000
Miscellaneous Expenses (public notices and printing)		$4,000
Total Capital Cost		**$14,702,000**

a – Projected total capital cost as outlined in Table 1-6.
b – Refinancing of F&M Line of Credit for Outfall Project.
c – Based on one year of capitalized interest.
d – Reserve fund of one year of debt service.
e – Based on 1% of bond.

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Recommended Financing (cont)

Resulting Assessment and Cost Comparison

Description	Cost per Sewer Service Unit[c]	Cost per EDU
Total Cost for Prepayment of Assessment	$2,915	$8,745
Annual Cost of Bond Repayment[a]	$223	$669
Total Cost to Repay Bonds[a]	$6,690	$20,070
Alternative Phase I Project Annual Debt Service Cost[b]	$450	$1,350

a – Annual cost assuming 6.5% annual interest rate and 30 year term
b – Debt service cost for Phase I facility financed with loan proceeds.
c – Sewer service unit as defined by District Ordinance No. 1

Next Steps

- **District receives input from public**

- **If assessment district appears to be feasible, then:**
  - Prepare facilities design
  - Prepare assessment district engineer's report
  - Hold public hearing and receive ballots from assessed land owners
  - Bid project and issue bonds based on bid costs
  - Record assessments
  - Construct project and administer assessment district

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Next Steps (cont)

- **Notes on the assessment district proceedings:**
  - Ballots sent to assessed land owners
  - Ballots weighted according to assessment
  - Assessment district vote passes if weighted ballots received in favor of the assessment district is greater than the weighted ballots received in opposition to the assessment district
  - Ballots not sent in have no weight
  - Assessments can be pre-paid to avoid financing charges

More Information

Additional information can be found at:

www.ecologic-eng.com/project_links.htm

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Q & A