TOWN of YUCCA VALLEY

Wastewater System Financing

March 15, 2011

Background

- June 2008 – HDWD, RWQCB, & Town enter into an MOA **"with respect to addressing groundwater contamination in and around Yucca Valley caused by septic tank treatment and subsurface disposal systems and with respect to a proposed municipal sewage treatment and water reclamation project."**
- December 8, 2010 – HDWD & TYV hold joint workshop to review status of the project and to review potential areas of collaboration between the Town and HDWD;
- December 14, 2010 -- "Basin Plan Amendment to Prohibit Septic Tank Discharges in the Town of Yucca Valley" (draft) released

Background (cont…)

- HDWD has been working towards formation of an Assessment District to generate the capital resources required to construct
- HDWD and Town staff working on potential alternative financing strategies that reduces the costs to the property owners AND provides a future revenue stream to the Town of Yucca Valley
- HDWD and Town form Ad-Hoc committees to discuss alternatives
  - Strategies presented on February 25, 2011
  - Asked to bring back strategies to each agency

Why an Assessment District?

ALBERT A. WEBB ASSOCIATES

Assessment District Definition – property lien to secure financing for public infrastructure improvements, approved by the majority of property owners.

- Very specific regarding what will be financed
- Voting is based on financial obligation (benefit) and requires a simple majority.
- Voting is by the Property Owners only

Assessment District Requirements

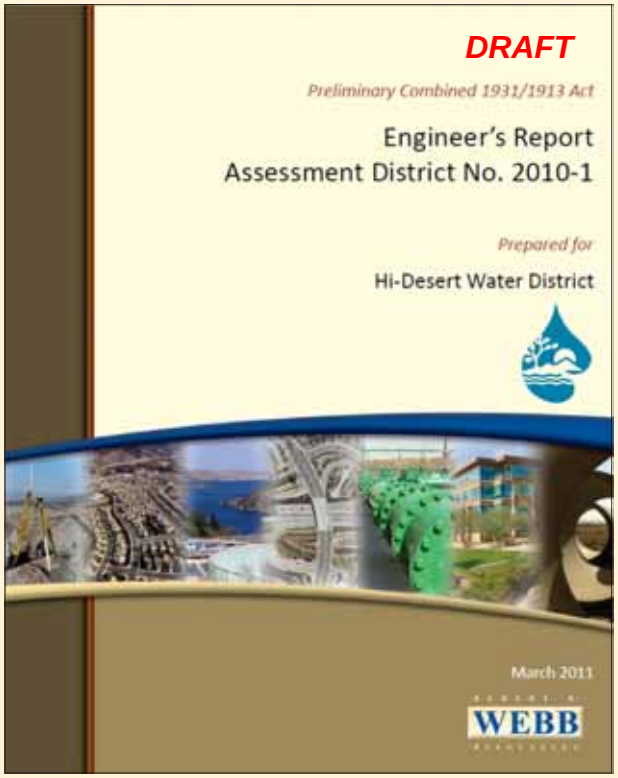
ALBERT A. WEBB ASSOCIATES

Boundary Map

Assessment Diagram

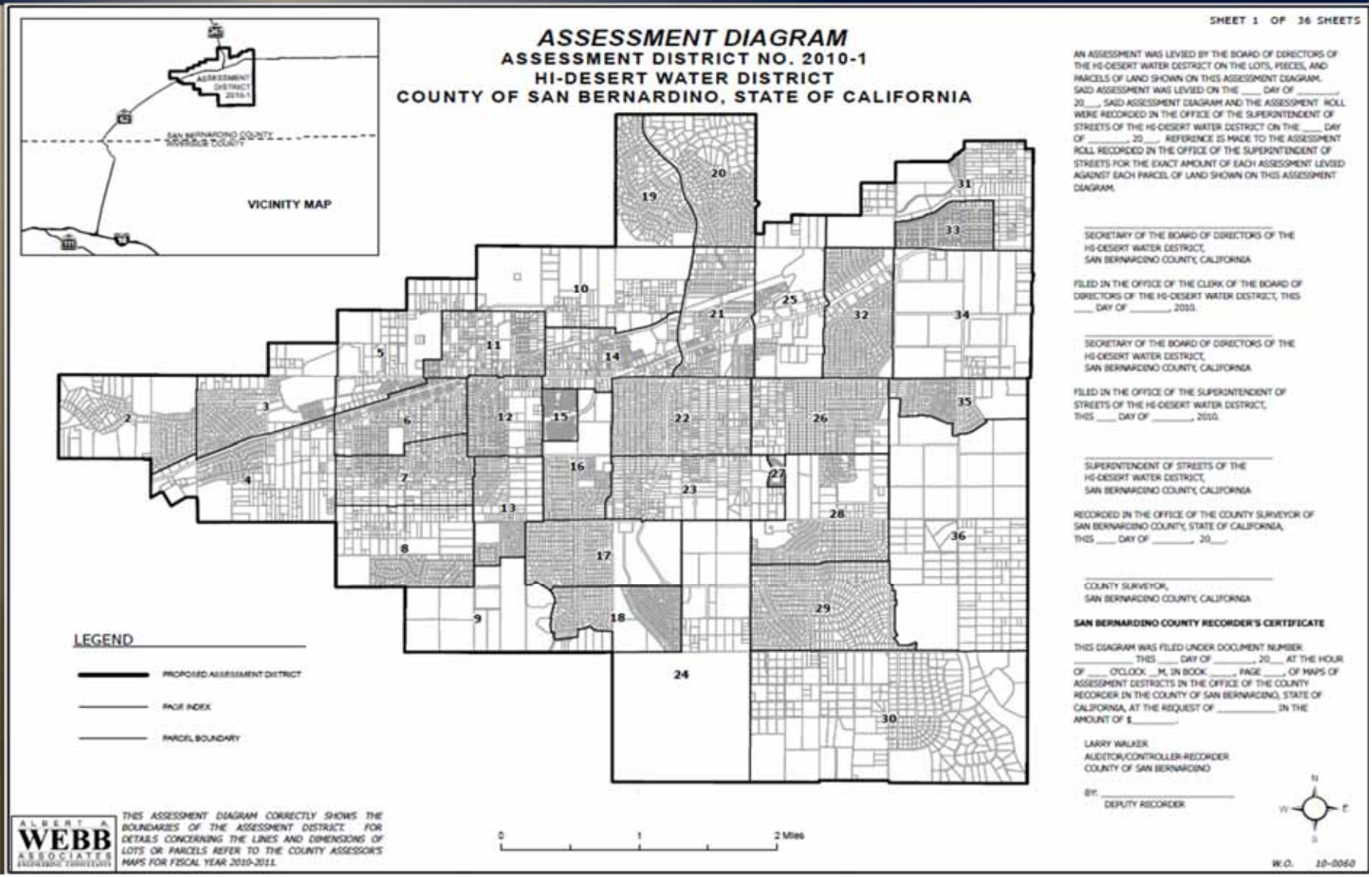
Engineer's Report

- Description of Work
- Plans and Specifications
- Estimate of Costs
- Method of Apportionment
- Preliminary and Confirmed Assessments



Proposed Assessment Diagram

ALBERT A. WEBB ASSOCIATES



Basis of Assessment is an Equivalent Dwelling Unit (EDU)

ALBERT A. WEBB ASSOCIATES

One EDU = 210 gallons wastewater/day

- Developed SFR parcel = 1 EDU
- Undeveloped parcel = 1 EDU
- Multi-family unit/parcel = 3/4 EDU (75%)
- Mobile home unit = 3/5 EDU (60%)
- Commercial = 80% of avg. daily water use
- Industrial = 80% of avg. daily water use
- Public/churches = 80% of avg. daily water use
- Schools = 80% of avg. daily water use/student

Difference Between a Lien and Assessment

ALBERT A. WEBB ASSOCIATES

When approved, each parcel will receive an Assessment

- Assessment **Lien** Recorded
- **Actual** Assessment – Determine for each debt increment

It is anticipated that debt will be issued incrementally:

- First Debt Increment – Design and Soft Costs
- Second Debt Increment – Common Facilities
- Subsequent Debt Increments – Phase 1 Developed

What does it cost?

ALBERT A. WEBB ASSOCIATES

There are a three cost components:

- Assessment District (public system)
- Private property hook-up
- Monthly sewer bill (service charges)

ASSESSMENT DISTRICT COST

ALBERT A. WEBB ASSOCIATES

Phase 1—Developed

Assessment Cost by EDU	=	$14,600 (before grants)
with 30% Grants	=	**$10,220**
Annual Assessment*	=	$620 per year / $52 per month

All others (Phases 2, 3* and undeveloped Phase 1**)**

Assessment Cost by EDU	=	$4,100 (before grants)
with 30% Grants	=	**$2,870**
Annual Assessment*	=	$174 per year / $15 per month

**Based on tax assessment debt financed over 25 years at a combined rate of 3.5%.*

***Vacant land when developed will be required to pay the capacity/development fee prior to connecting. This cost is estimated to be $7,350 for an EDU/ single family residence, which will be updated annually.*

****When it is time to expand the system to build the collection system and upgrade the plant for Phases 2 & 3 separate assessments will be voted on at that time.*

PRIVATE PROPERTY COSTS

ALBERT A. WEBB ASSOCIATES

- **<u>Estimated to be $2,500 to $5,000 for SFR</u>.**

- **Will need to hook-up around 2015-2016.**
- Depends of property characteristics.
- This includes permits, pumping the septic tank, filling it with sand, and running the collector line from the house to the collection system.
- The District is exploring ways to assist customers with financing this portion of the costs. *The District could sell revenue bonds and finance private property costs for those who do not have the cash up front.*

SERVICE CHARGE SEWER BILL

ALBERT A. WEBB ASSOCIATES

- Charged once the system is up and running for Phase 1.
- A single family residence (1 EDU) monthly sewer bill is estimated at $36 per month. (begins around 2016).

Based on consultant Brown & Caldwell's Rate Study completed in 2008. These rates have not been adopted by the Board and will be updated prior to the completion of the project.

How are we going to pay for it?

ALBERT A. WEBB ASSOCIATES

- Grants (30-50%)
  - Identify partners (Federal, State, Local)
- Assessment District (Property Owners)
  - Security for Low Interest Loans & Bonds (if necessary)

Next Steps

ALBERT A. WEBB ASSOCIATES

- Finalize Assessment District Report & Costs
- Public outreach/information – facts only!
- Survey
- Property owner mailed ballot
- Vote
- Public Hearing (HDWD Board of Directors)
- If passed, begin survey/mapping, final design & construction.
- If not, re-evaluate, more outreach, and go to another vote.

What Can the Town Do?

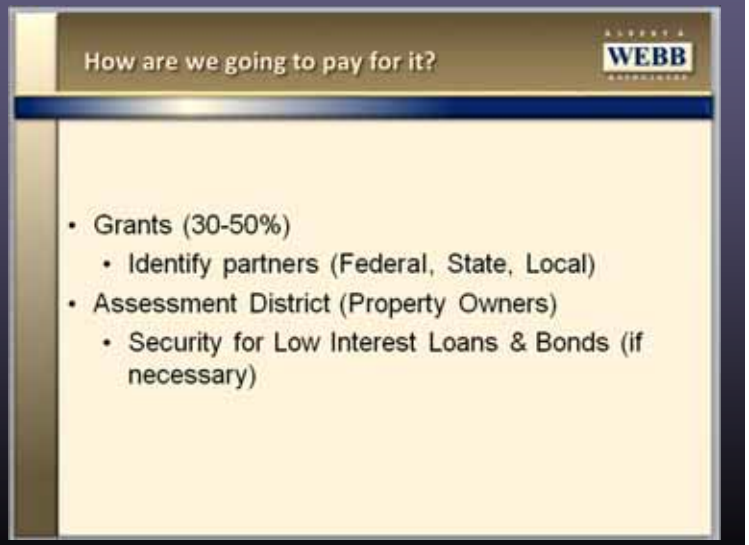
How are we going to pay for it?

ALBERT A. WEBB ASSOCIATES

- Grants (30-50%)
  - Identify partners (Federal, State, Local)
- Assessment District (Property Owners)
  - Security for Low Interest Loans & Bonds (if necessary)

Local Revenue Sources

- Sales Tax Measure
- TOT Increase
- Town / Agency Loan(s)



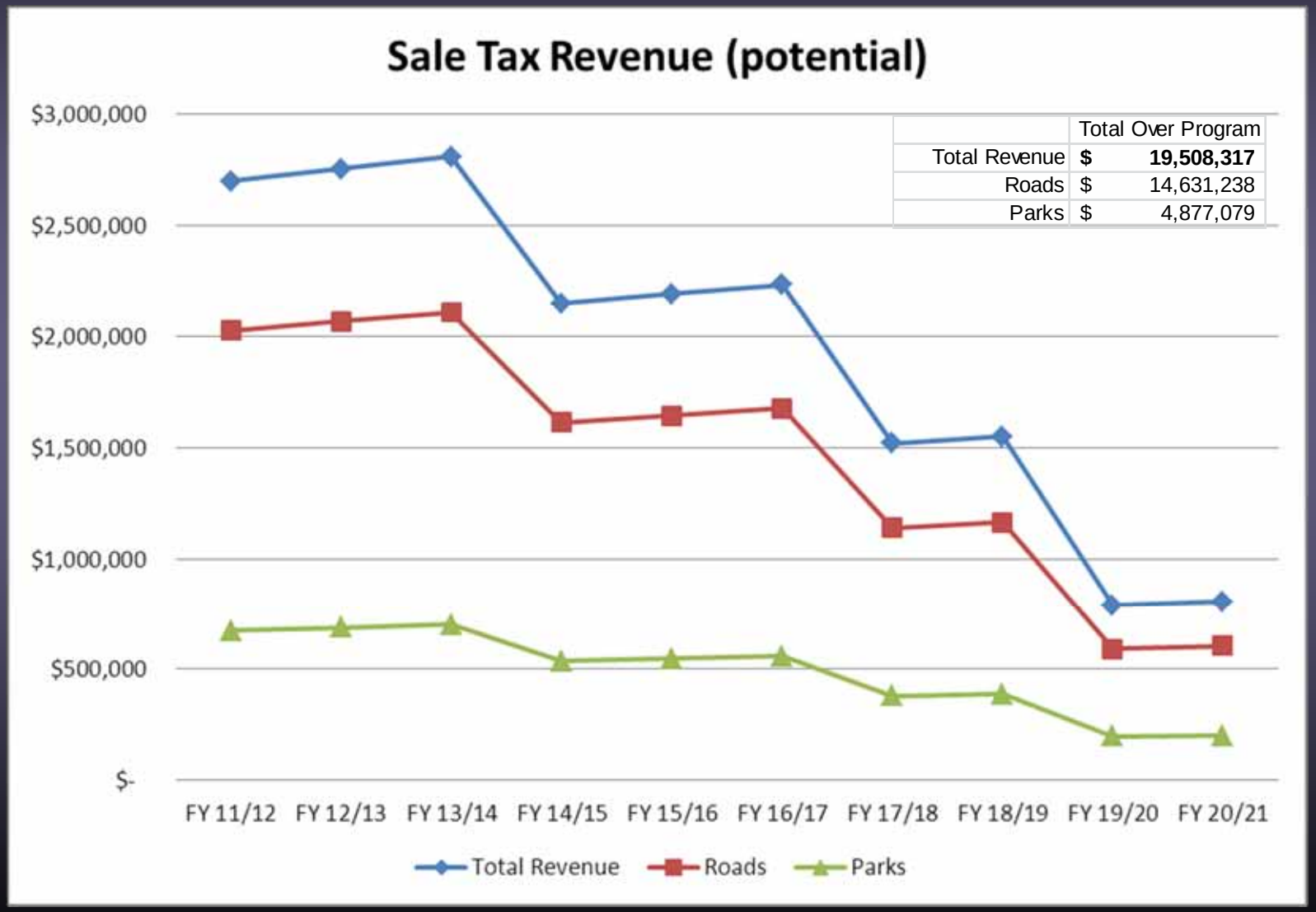
Funding Opportunity

- Through various sources, Town becomes a source of financing / grant partner in W/W treatment solution
- Low cost of money to HDWD / ratepayers (0.5% for 50 years)
  - Creates an “annuity” to the General Fund
  - Payments extend through 2075
  - Included in operating costs rather than assessment district formation

Sales Tax Measure (Original)

- Ten Year Sunset:
  - Starts at 1% (Years 1 – 3)
  - Steps down to 0.75% (Years 4 – 6)
  - Steps down to 0.5% (Years 7 – 8)
  - Steps down to 0.25% (Years 9 -10)
- State Law allows for use on Roads & Park maintenance, construction, reconstruction

Sales Tax Measure (cont)

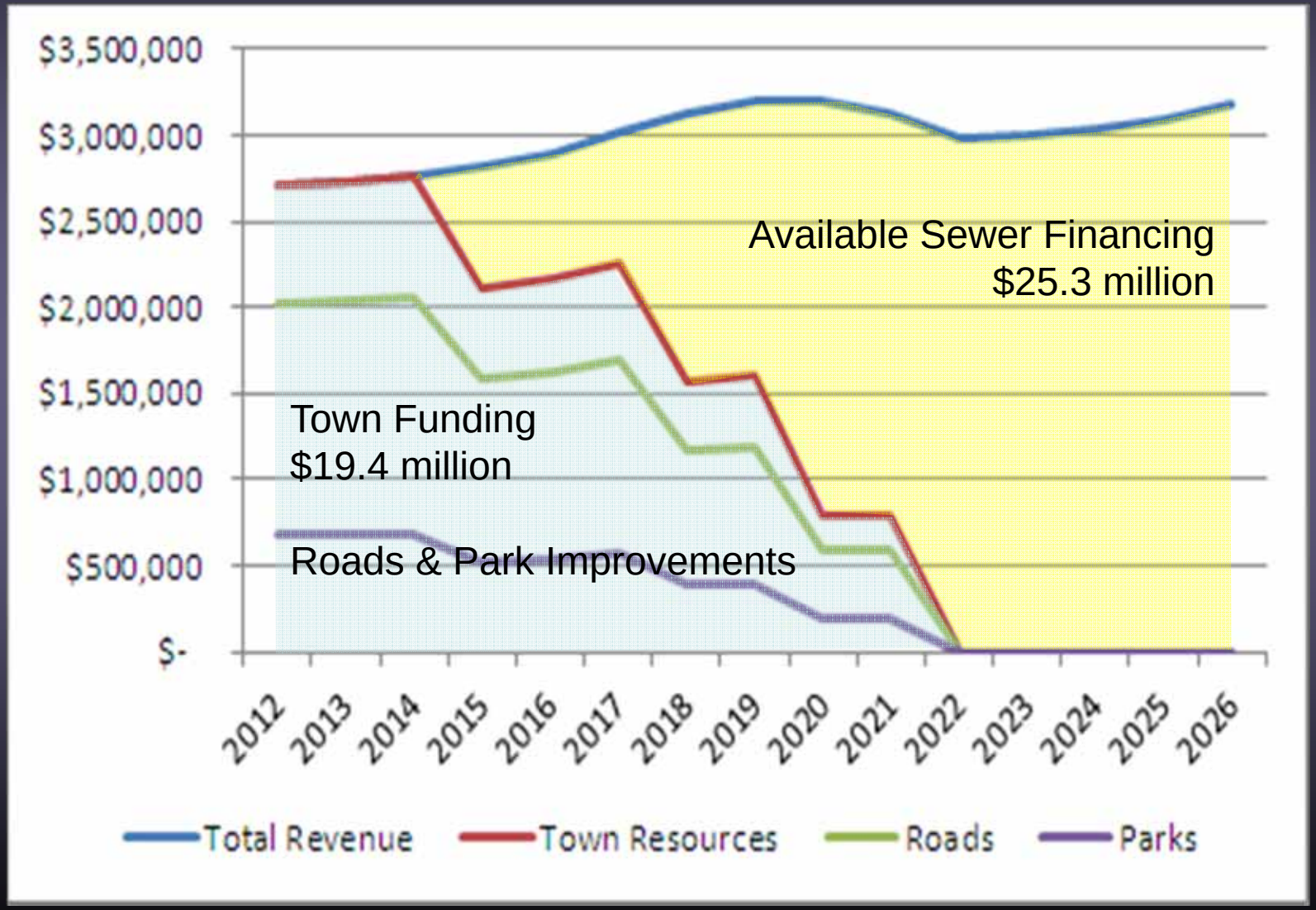


	Total Over Program	
Total Revenue	**$**	**19,508,317**
Roads	$	14,631,238
Parks	$	4,877,079

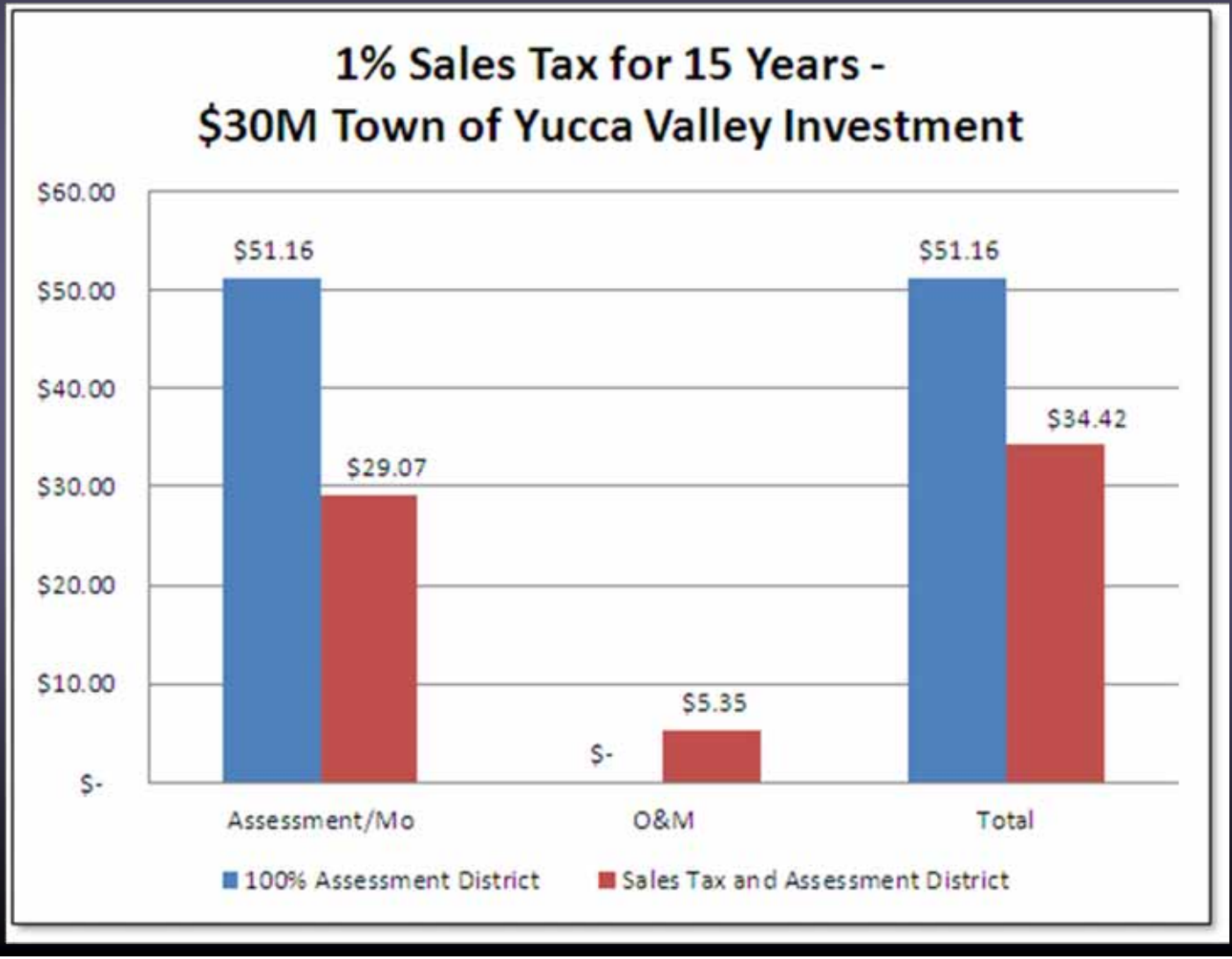
Sales Tax Measure (Alternative 1)

- 15 Year Sunset:
  - Remains at 1% Across the entire 15 years
- Funding Would be Allocated to:
  - Road Maintenance ($14 million)
  - Park Development / Maint ($5 million)
  - Sewer System Financing ($25 million)
- Generates Revenue to the Town over 50 years -- $774,000 / yr

Sales Tax Measure (cont)



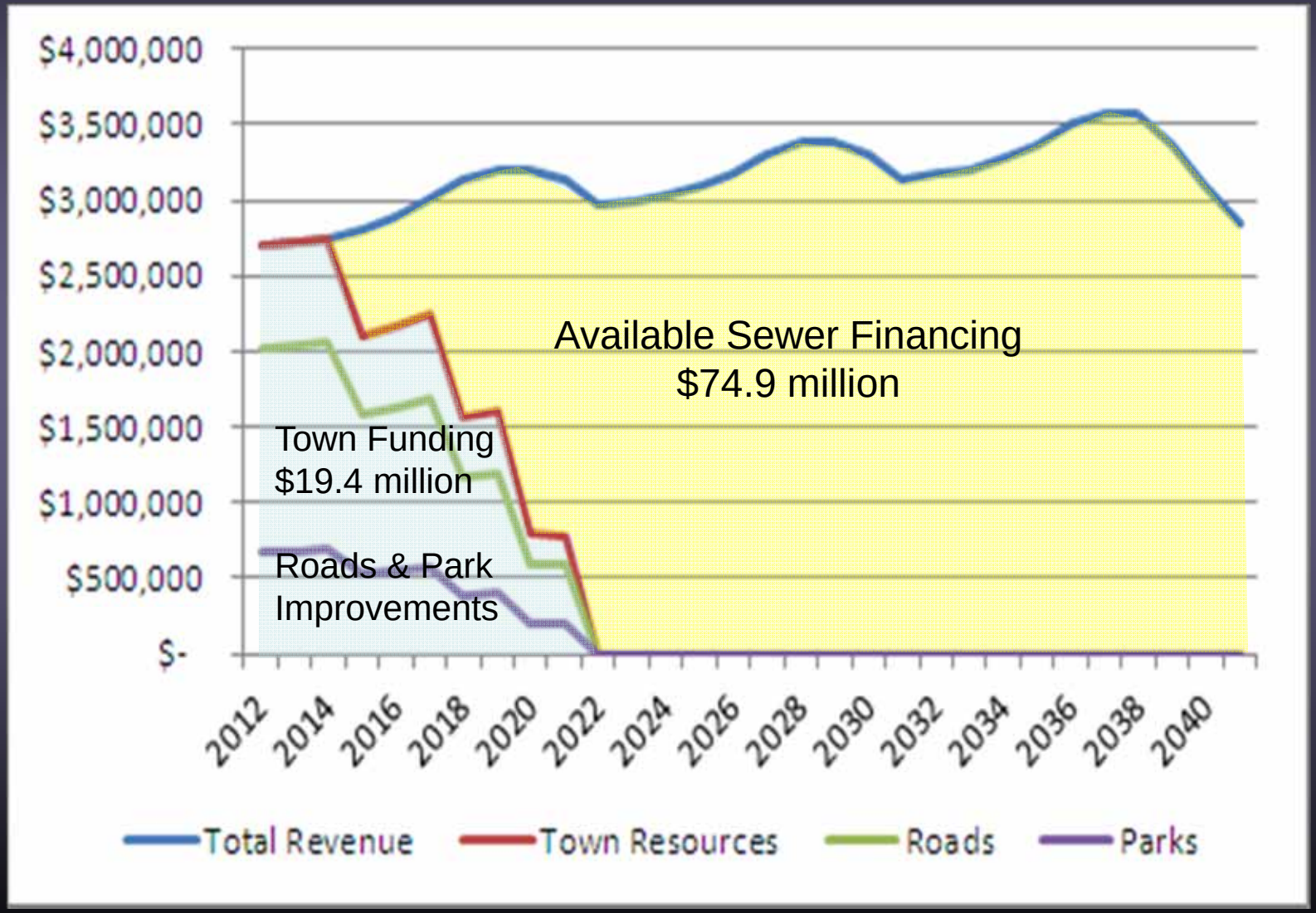
Sales Tax Measure (Alternative 1) – Financing Cost Impacts to Customers



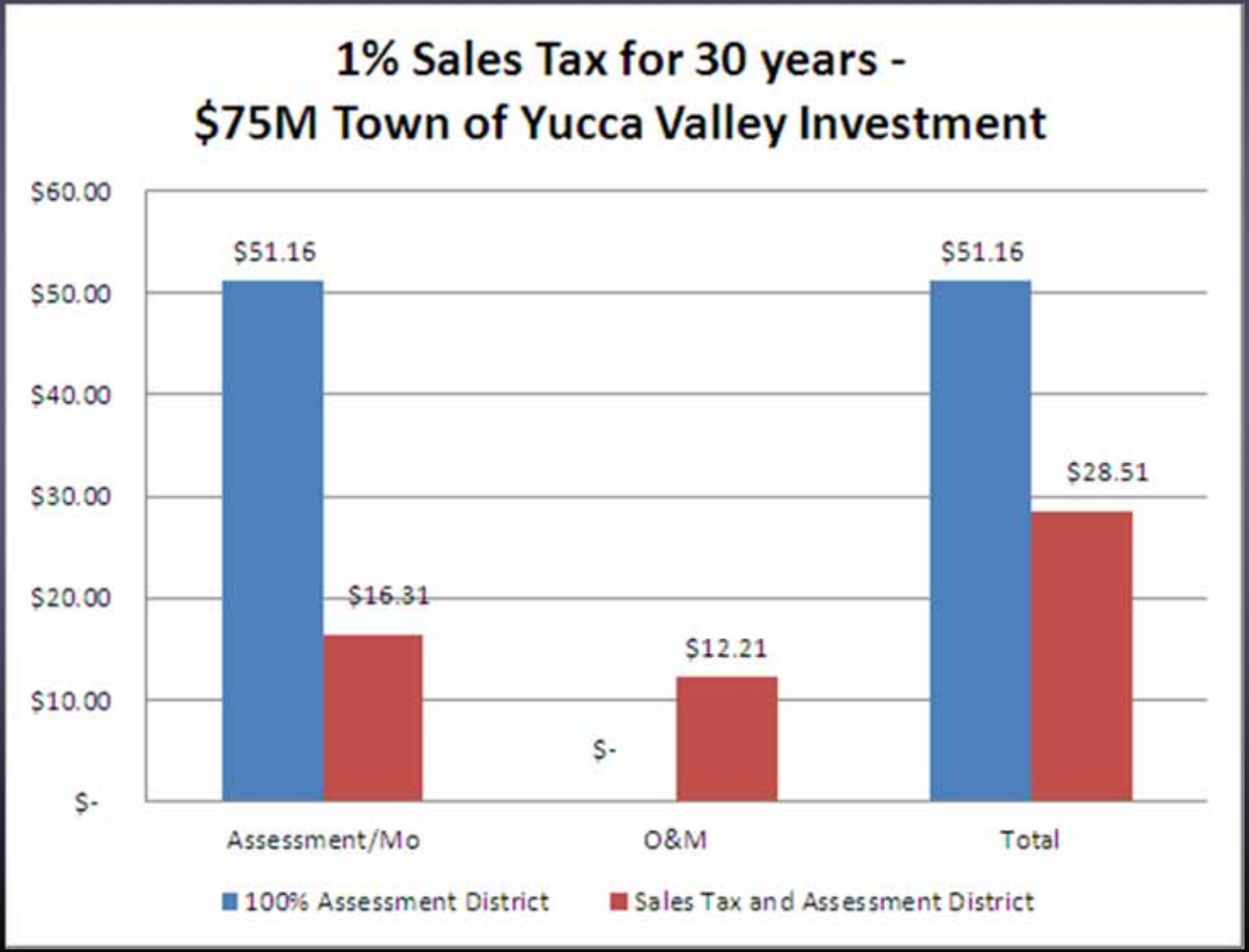
Sales Tax Measure (Alternative 2)

- 30Year Sunset:
  - Remains at 1% Across the entire 30 years
- Funding Would be Allocated to:
  - Road Maintenance ($14 million)
  - Park Development / Maint ($5 million)
  - Sewer System Financing ($75 million)
- Generates Revenue to the Town over 50 years -- $1,700,000 / yr

Sales Tax Measure (cont)



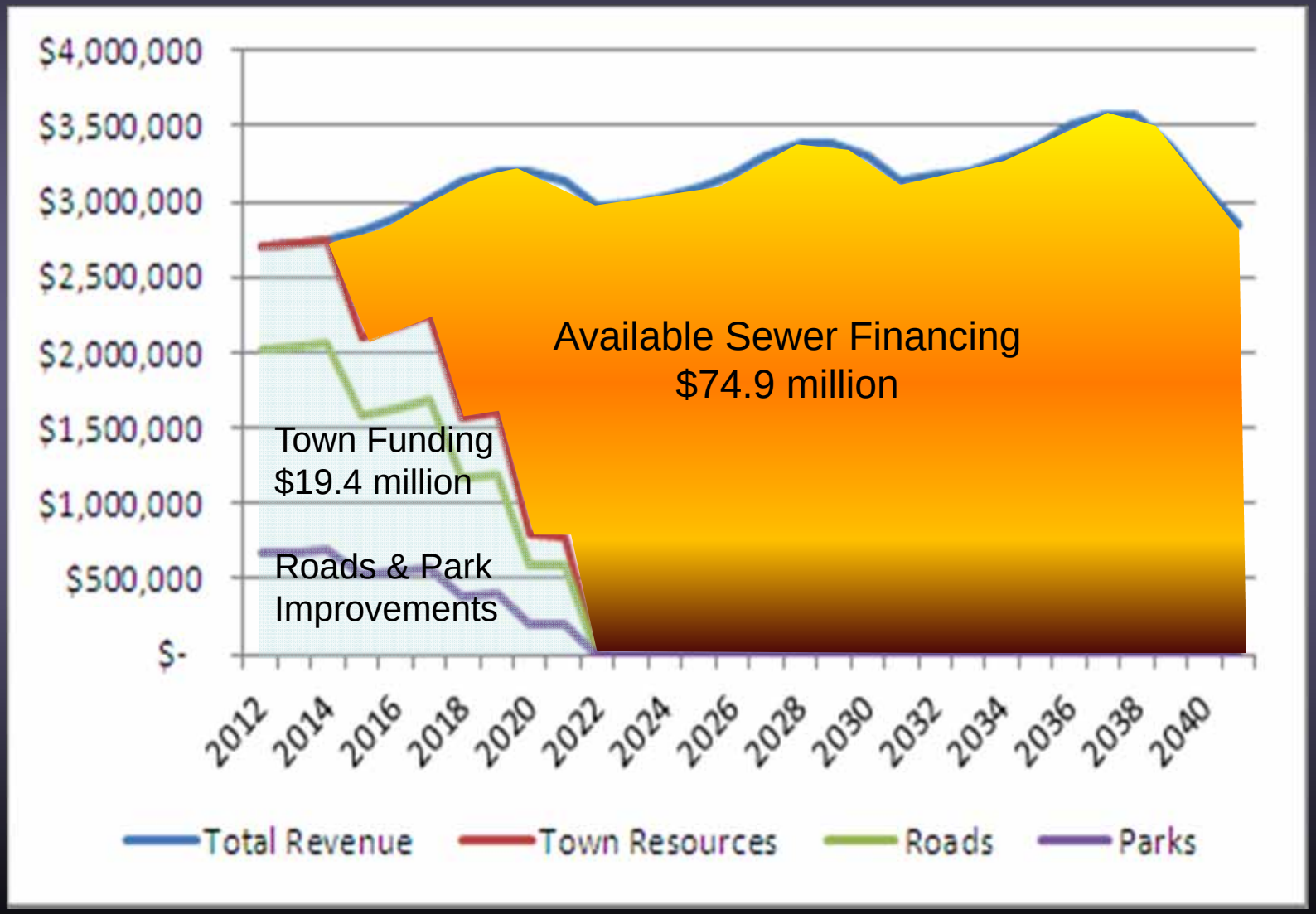
Sales Tax Measure (Alternative 2) – Financing Cost Impacts to Customers



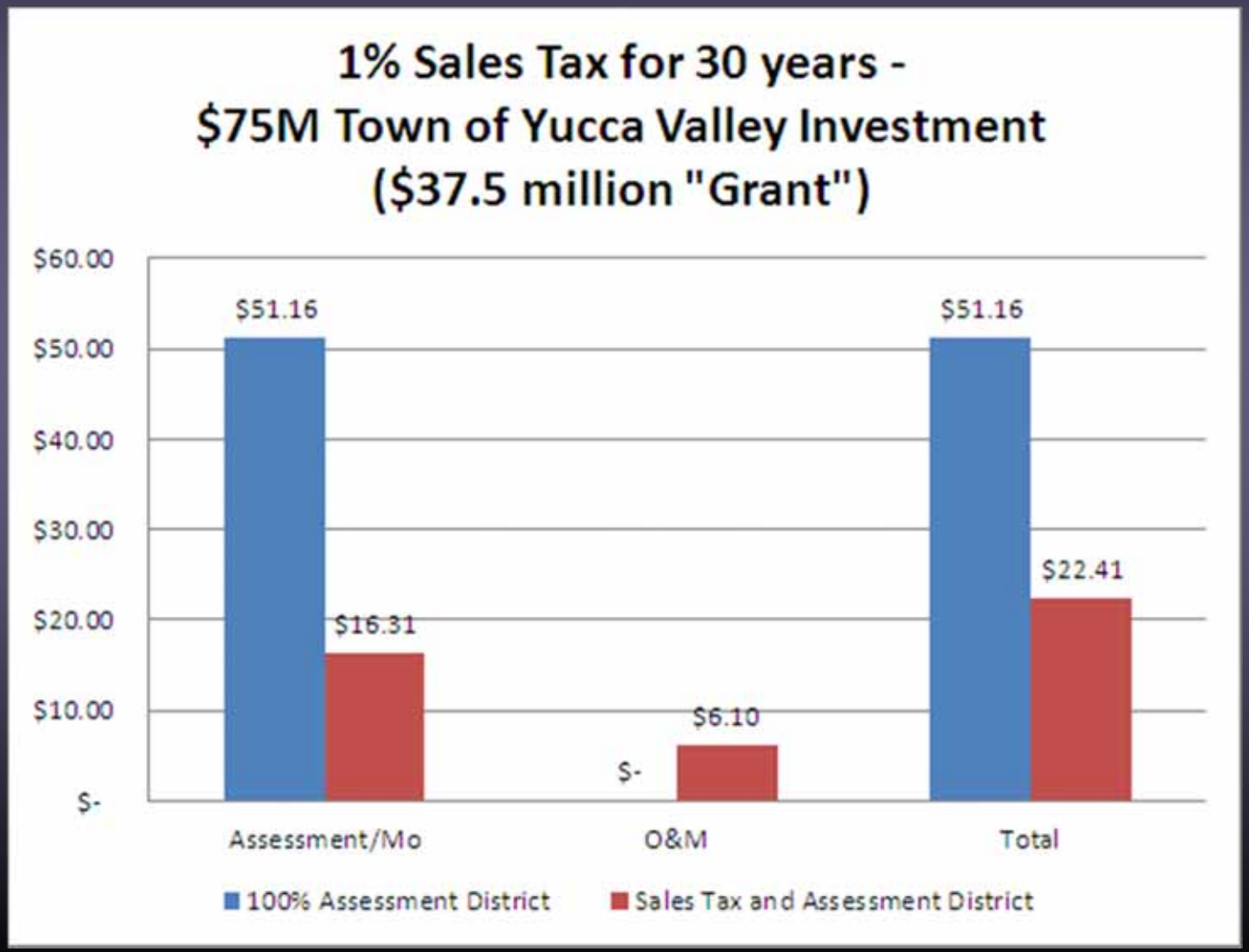
Sales Tax Measure (Alternative 3)

- 30Year Sunset:
  - Remains at 1% Across the entire 30 years
- Funding Would be Allocated to:
  - Road Maintenance ($14 million)
  - Park Development / Maint ($5 million)
  - Sewer System Financing ($75 million)
- 50% of sewer financing amount would be credited as a grant to the ratepayers
- Generates Revenue to the Town over 50 years -- $880,000 / yr

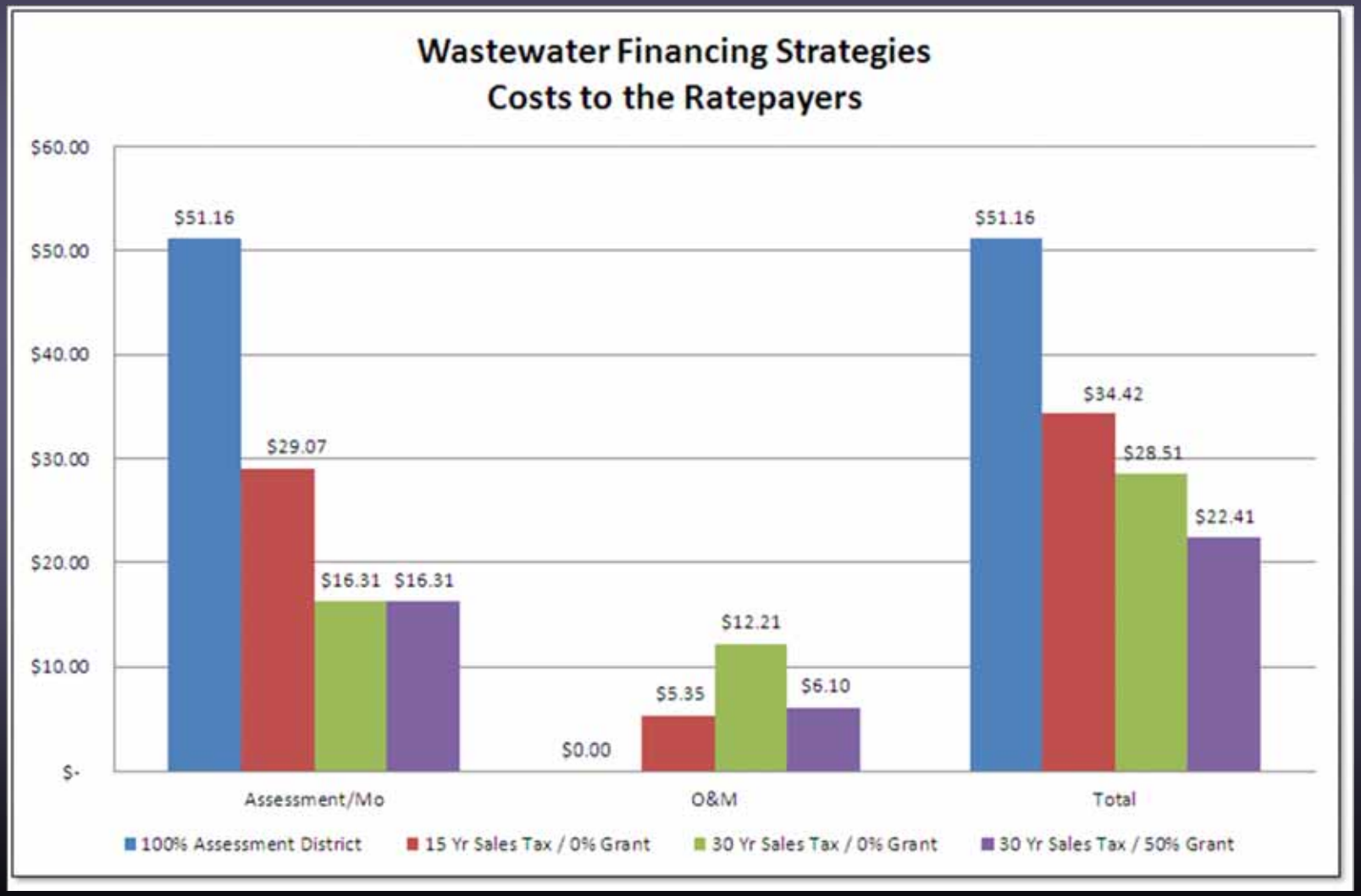
Sales Tax Measure (cont)



Sales Tax Measure (Alternative 3) — Financing Cost Impacts to Customers



Cost Summary of Waste Water Financing Alternatives



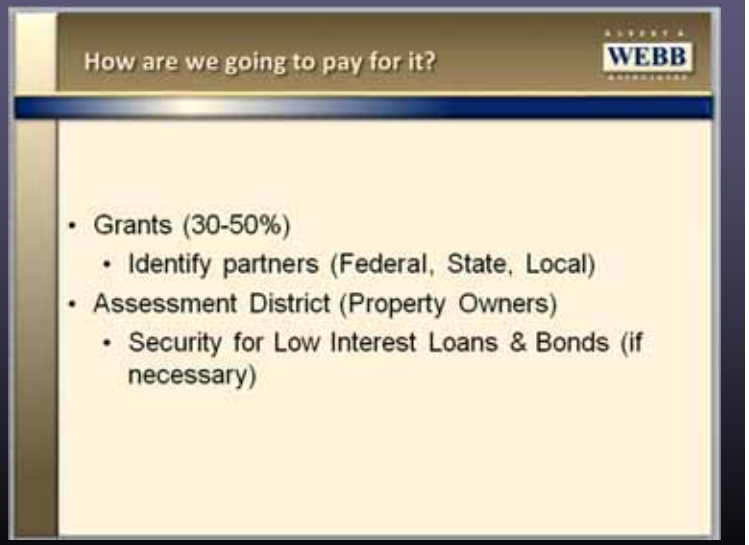
Alternatives Comparison

		Original Assessment	Scenario 1 (15 yr, 0% Grant)	Scenario 2 (30 yr, 0% Grant)	Scenario 3 (30 yr, 50% Grant)
Phase 1 Developed	Assessment Cost (Before Grants)	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
	with 30% grants	$ 10,220	$ 6,859	$ 3,847	$ 3,847
	Monthly Assessment	$ 51.16	$ 29.07	$ 16.31	$ 16.31
	Annual Assessment	$ 613.92	$ 348.88	$ 195.67	$ 195.67
Phase 1 Undeveloped Phase 2 & Phase 3	Assessment Cost (Before Grants)	$ 4,100	$ 2,207	$ 1,238	$ 1,238
	with 30% grants	$ 2,870	$ 1,545	$ 866	$ 866
	Monthly Assessment	$ 14.37	$ 2.58	$ 1.45	$ 1.45
	Annual Assessment	$ 172.44	$30.98	$17.38	$17.38
Phase 1 Developed	Monthly O&M	$ -	$ 5.35	$12.21	$6.10
	Annual O&M	$ -	$ 64.19	$ 146.49	$ 73.25
Phase 1 Undeveloped Phase 2 & Phase 3	Monthly O&M	$ -	$5.35	$12.21	$6.10
	Annual O&M	$ -	$ 64.19	$ 146.49	$ 73.25
	Annual Savings to Customers (2016-2041)		$ 265.04	$ 418.25	$ 418.25
	Annual Cost Increase to Customers (2022-2072)		$ (64.19)	$ (146.49)	$ (73.25)
	Lifetime Savings vs Original Assessment		$ 3,416.30	$ 3,131.67	$ 6,793.93

Local Revenue Sources

✓Sales Tax Measure

- TOT Increase
- Town / Agency Loan(s)



TOT Increase

- 5% Increase in TOT (currently 7%)
- Revenues generated from TOT could offset costs for hotels/motels to connect
- Excess revenues could provide low-income or other assistance program(s)
  - If desired, How Many Years?

TOT Survey – SB & Riv

Agency	County	Rate
Palm Springs	Riverside	13.5%
Blythe	Riverside	13.0%
Barstow	San Bernardino	12.5%
Desert Hot Springs	Riverside	12.0%
Yucca Valley (Proposed)	**San Bernardino**	**12.0%**
Ontario	San Bernardino	11.8%
Cathedral City	Riverside	11.0%
La Quinta	Riverside	11.0%
Riverside	Riverside	11.0%
Adelanto	San Bernardino	10.0%
Beaumont	Riverside	10.0%
Calimesa	Riverside	10.0%
Canyon Lake	Riverside	10.0%
Chino Hills	San Bernardino	10.0%
Colton	San Bernardino	10.0%
Corona	Riverside	10.0%
Hemet	Riverside	10.0%
Hesperia	San Bernardino	10.0%
Indio	Riverside	10.0%
Lake Elsinore	Riverside	10.0%
Loma Linda	San Bernardino	10.0%
Menifee	Riverside	10.0%
Montclair	San Bernardino	10.0%
Murrieta	Riverside	10.0%
Needles	San Bernardino	10.0%
Perris	Riverside	10.0%

Agency	County	Rate
Rancho Cucamonga	San Bernardino	10.0%
Rancho Mirage	Riverside	10.0%
Redlands	San Bernardino	10.0%
San Bernardino	San Bernardino	10.0%
Upland	San Bernardino	10.0%
Wildomar	Riverside	10.0%
Indian Wells	Riverside	9.3%
Coachella	Riverside	9.0%
Palm Desert	Riverside	9.0%
Rialto	San Bernardino	9.0%
Twentynine Palms	San Bernardino	9.0%
Big Bear Lake	San Bernardino	8.0%
Chino	San Bernardino	8.0%
Fontana	San Bernardino	8.0%
Moreno Valley	Riverside	8.0%
Norco	Riverside	8.0%
San Jacinto	Riverside	8.0%
Temecula	Riverside	8.0%
Highland	San Bernardino	7.0%
Victorville	San Bernardino	7.0%
Yucaipa	San Bernardino	7.0%
Yucca Valley (Current)	**San Bernardino**	**7.0%**
Apple Valley	San Bernardino	6.0%
Banning	Riverside	6.0%
Grand Terrace	San Bernardino	none

TOT Increase vs Assessments

Town of Yucca Valley TOT Collections Fiscal Year 09/10 Actual

	Business "A"	Business "B"	Business "C"	Business "D"	Business "E"	Business "F"	Business "G"	Business "H"	Business "I"	Business "J"	TOTALS
FY 09/10 TOT Totals	$59,887.51	$906.57	$2,641.45	$2,990.16	$1,030.05	$6,653.06	$2,480.56	$42,552.64	$22,261.75	$1,043.12	$142,446.87
5% Increase in TOT	$42,776.79	$647.55	$1,886.75	$2,135.83	$735.75	$4,752.19	$1,771.83	$30,394.74	$15,901.25	$745.09	$101,747.77

Sewer Connection Charges

Original Assessment ($10,220 / EDU)	$150,956	$18,351	$24,016	$41,409	$15,319	$224,201	$20,984	$171,382	$289,067	$28,484	$984,169
Alternative 1 Assessment ($6,859 / EDU)	$101,312	$12,316	$16,118	$27,791	$10,281	$150,469	$14,083	$115,020	$194,003	$19,117	$660,510
Alternative 2 / 3 Assessment ($3,847 / EDU)	$56,823	$6,908	$9,040	$15,587	$5,766	$84,393	$7,899	$64,511	$108,810	$10,722	$370,460

TOT Increase Combined with a 30 Year Sales Tax

Town of Yucca Valley TOT Collections Fiscal Year 09/10 Actual

	Business "A"	Business "B"	Business "C"	Business "D"	Business "E"	Business "F"	Business "G"	Business "H"	Business "I"	Business "J"	TOTALS
FY 09/10 TOT Totals	$59,887.51	$906.57	$2,641.45	$2,990.16	$1,030.05	$6,653.06	$2,480.56	$42,552.64	$22,261.75	$1,043.12	$142,446.87
5% Increase in TOT	$42,776.79	$647.55	$1,886.75	$2,135.83	$735.75	$4,752.19	$1,771.83	$30,394.74	$15,901.25	$745.09	$101,747.77

Sewer Connection Charges

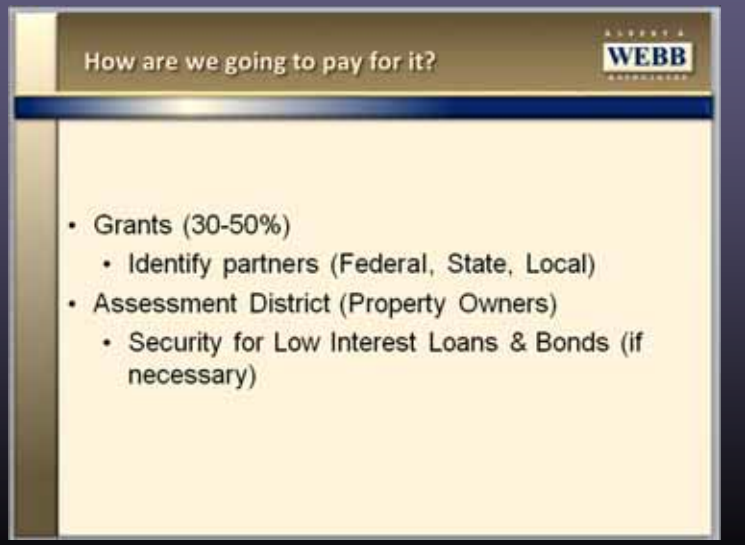
Alternative 2 / 3 Assessment ($3,847 / EDU)	**$56,823**	**$6,908**	**$9,040**	**$15,587**	**$5,766**	**$84,393**	**$7,899**	**$64,511**	**$108,810**	**$10,722**	**$370,460**
											Subsidy Resources
2012	$ 14,046	$ 6,260	$ 7,153	$ 13,451	$ 5,031	$ 79,641	$ 6,127	$ 34,117	$ 92,909	$ 9,977	$ 28,731
2013	$ -	$ 5,613	$ 5,266	$ 11,316	$ 4,295	$ 74,889	$ 4,355	$ 3,722	$ 77,008	$ 9,232	$ 69,450
2014	$ -	$ 4,965	$ 3,380	$ 9,180	$ 3,559	$ 70,137	$ 2,583	$ -	$ 61,107	$ 8,487	$ 73,172
2015	$ -	$ 4,317	$ 1,493	$ 7,044	$ 2,823	$ 65,385	$ 811	$ -	$ 45,205	$ 7,742	$ 74,526
2016	$ -	$ 3,670	$ -	$ 4,908	$ 2,088	$ 60,632	$ -	$ -	$ 29,304	$ 6,996	$ 76,830
2017	$ -	$ 3,022	$ -	$ 2,772	$ 1,352	$ 55,880	$ -	$ -	$ 13,403	$ 6,251	$ 79,329
2018	$ -	$ 2,375	$ -	$ 636	$ 616	$ 51,128	$ -	$ -	$ -	$ 5,506	$ 94,350
2019	$ -	$ 1,727	$ -	$ -	$ -	$ 46,376	$ -	$ -	$ -	$ 4,761	$ 95,603
2020	$ -	$ 1,080	$ -	$ -	$ -	$ 41,624	$ -	$ -	$ -	$ 4,016	$ 95,603
2021	$ -	$ 432	$ -	$ -	$ -	$ 36,871	$ -	$ -	$ -	$ 3,271	$ 95,818
2022	$ -	$ -	$ -	$ -	$ -	$ 32,119	$ -	$ -	$ -	$ 2,526	$ 96,250
2023	$ -	$ -	$ -	$ -	$ -	$ 27,367	$ -	$ -	$ -	$ 1,781	$ 96,250
2024	$ -	$ -	$ -	$ -	$ -	$ 22,615	$ -	$ -	$ -	$ 1,036	$ 96,250
2025	$ -	$ -	$ -	$ -	$ -	$ 17,863	$ -	$ -	$ -	$ 291	$ 96,705
2026	$ -	$ -	$ -	$ -	$ -	$ 13,111	$ -	$ -	$ -	$ -	$ 96,996
											$ 1,265,863

Local Revenue Sources

✓Sales Tax Measure

✓TOT Increase

- Town / Agency Loan(s)



Town / Agency Loan(s)

- Provide additional loan(s) to HDWD to initiate Detailed Design of System
- Loan repayment terms combined with other revenues provided to HDWD (i.e. Sales Tax, TOT)
  - 0.5 % APR
  - 50 year repayment to General Fund
  - Payments starting in 2022 /23

Town / Agency Loan(s) …

- Allows HDWD to delay assessment vote
  - Until after other (Sales Tax/ TOT) revenue measures are taken to voters
  - HDWD to continue pursuit of other grant funds
- Assessment District vote could take place as design is further along / completed
  - Better cost information
  - More certain commitments of state / federal funding sources

Town / Agency Loan(s) …

- Potential Sources
  - Redevelopment Agency Loan
  - CDBG Loan
  - New Sales Taxes (road improvement funds)
- HDWD could credit these loans to the benefit of assistance to targeted groups
  - Low Income
  - Non-profits / Public Agencies
  - Restaurants / other hospitality

Other Observations

- Lease Payment to Town is a fixed amount
  - As Growth occurs, the number of EDUs contributing to the lease payment increases
  - Monthly rate will decrease to the customers (example – Mojave pipeline)
- Lease payment to Town can be delayed to 2022 / 2023
  - Sales taxes to Town cease
  - Mojave pipeline capital assessment ends

Bottom Line

- The mandate requiring a regional wastewater system presents a Fiscal Crisis that rivals the effects of the Landers Earthquake

- Without a viable funding strategy to deliver a regional wastewater system …
  - Economic development is impaired
  - Commercial and residential property values are impacted
  - Continued business operations are jeopardized
  - Water quality remains threatened

Bottom Line …

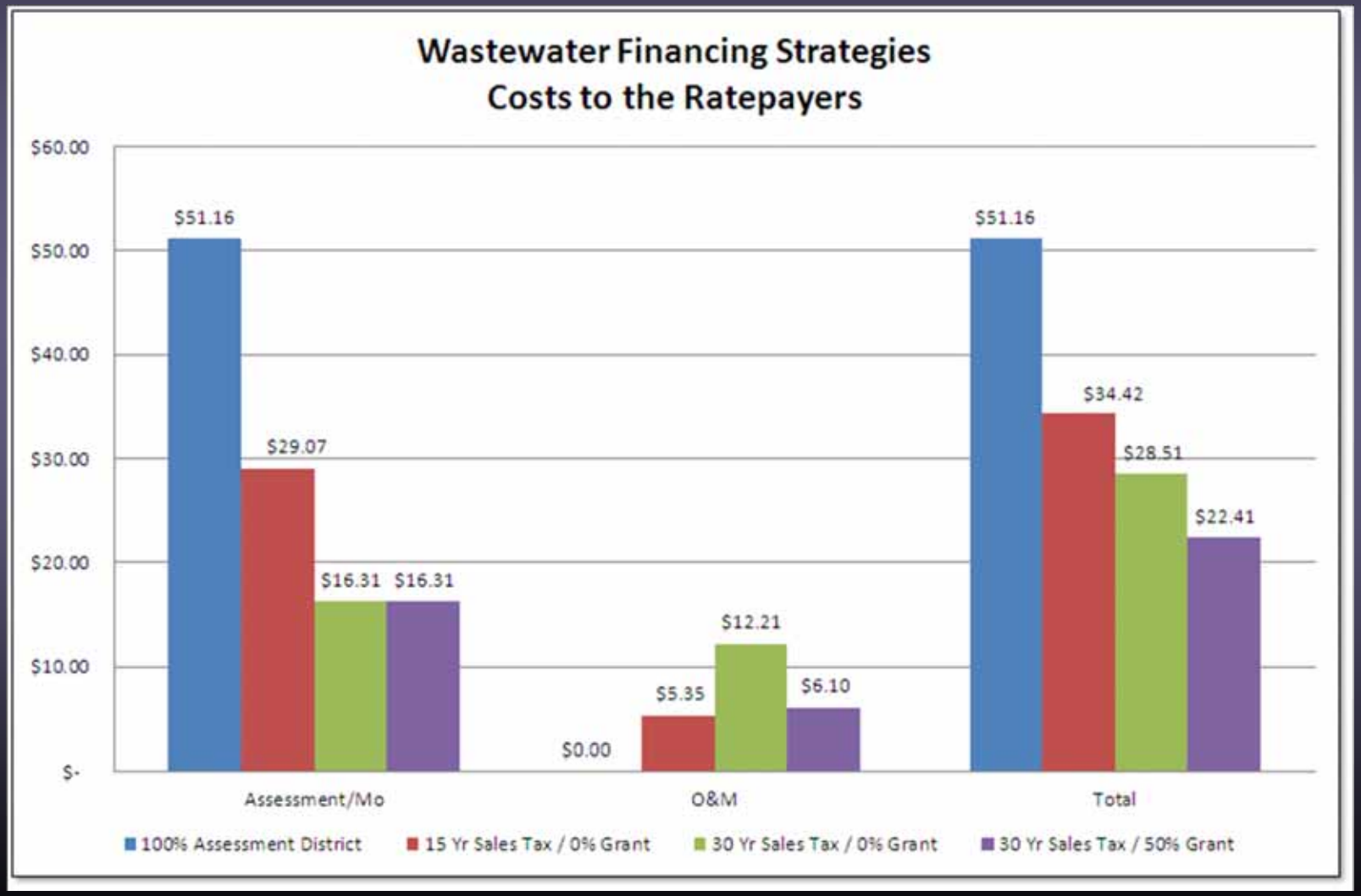
- 1% Sales Tax over 15 (30) years will:
  - Drop “lien” on properties by 33% (62%) ($10,220 vs $6,859 vs $3,847)
  - Community benefits from road and park improvements
  - Over 40-45% of sales tax from “visitors”
  - Generates an annuity to the Town for 50 years

- 5% TOT Increase will
  - Allow hospitality to afford connection
  - Generate “subsidy” resources (low income, restaurants)

Next Steps

- Present to Advisory Committee(s)
- Community Meeting(s) to introduce the concept
- Update Sales Tax projections
- Media Outreach
- Polling

Direction Needed Tonight

- Repayment terms:
  - Analysis assumes a 0.5% APR, 50 year
- Sales Tax measure:
  - 15 yr. vs. 30 yr. vs. none
  - Credit to ratepayers (Alt 3 included a 50% credit of taxes as a grant to HDWD)
- TOT measure
  - 5% increase
  - How long should additional TOT be credited to assistance program(s)?

Cost Summary of Waste Water Financing Alternatives