

SANTA YNEZ COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors
FROM: Jose Acosta, General Manager
Clayton Tuckfield, Tuckfield and Associates
DATE: September 15, 2021
SUBJECT: Review and Discuss Horizon Drive Connection Fee Costs Draft Study

Recommendation

Review and discuss Horizon Drive connection costs draft study.

Policy Implications

The CSD has requested Tuckfield and Associates to compile the costs for Horizon Drive residents to connect to sewer.

Fiscal Implications

The loan amount for the project will be \$1.3M and for a term of 20 years. The terms for capacity fees are included in the analysis report. The district does offer an installment payment plan for the customers to consider and allows for payments over a 20-year period.

Alternatives Considered

No alternatives.

Discussion

At the May 19, 2021 regular Board meeting, the Board requested staff to contact Clayton Tuckfield and Associates to complete an updated Horizon Drive connection costs analysis. The Board elected to schedule a Special Board meeting for June 2, 2021, to share this information with residents of Horizon Drive and the public. At the June 2, 2021 meeting, the Board approved the Horizon Drive Rate Study as presented.

Staff reassessed the connections for the project and discovered additional 3 parcels that could benefit from the project. These additional parcels were included in the capacity fee structure, expanding the cost share amongst all parcels. Mr. Tuckfield recompiled the draft study to include this new information, along with additional input from staff and legal counsel.

Also, included in this staff report, is an estimated cost summary spreadsheet with a breakdown of all costs, inclusive of construction costs, owners' costs, installment payment plan costs, and owners' additional costs.

The district has accepted and received the funds for the loan from Municipal Finance Corporation in the amount of \$1.3M, with a repayment term of 20 years and interest rate of 2.93%.

Clayton Tuckfield will be present, via Zoom, at the Board meeting to discuss the analysis and answer any questions the Board or public may have. The Horizon Drive capacity fee costs draft summary analysis report is attached for presentation and discussion. The draft is for review and discussion as the final analysis will not be available until the project is complete and all associated costs can be included.

Attachment

- Tuckfield and Associates Horizon Drive project costs analysis report
- Estimated cost summary spreadsheet

Tuckfield & Associates

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MEMORANDUM

September 10, 2021

Subject: Horizon Line Capacity Charge Update

To: Mr. Jose Acosta, General Manager, Santa Ynez Community Services District

From: G. Clayton Tuckfield, PE MBA, Tuckfield & Associates

INTRODUCTION

The Santa Ynez Community Services District (District) commissioned a Wastewater Rate Study (Rate Study) that was completed in March 2021 which included updating three separate capacity charges of the District. These charges included Annexation Fees, wastewater system capacity charges (System Capacity Charges), and the Horizon Line Capacity Charge. Since the completion of the Rate Study, the Horizon sewer line construction cost estimates have changed. Additionally, the District commissioned a Capacity Charge Study for the wastewater system that was completed in June 2021 which increased the System Capacity Charges.

Considering these changes, the District desires to inform the new single-family residential (SFR) customers that will connect to the Horizon sewer line of their total charges given these updates as well as to provide an estimate of their semi-annual and monthly payments should they choose to finance their capacity charges through District provided financing.

HORIZON LINE CAPACITY CHARGE

In the Rate Study, the Horizon sewer line project was assumed to connect 20 new customers to the sewer line over the next five years. These new connections will be charged the entire cost to construct the Horizon Line. Previously, the Horizon Line Capacity Charges were calculated with the following assumptions.

- The Horizon Line project cost is \$800,000, financed through the CSDA Finance Corporation at 3 percent for 20 years
- The Horizon Line Capacity Charge is calculated as $\$800,000 / 20 = \$40,000$ per ERU
- The Horizon Line Capacity Charge increases annually at 3 percent
- Customers connect to the sewer line at a rate of 4 ERUs annually for a total of 20 ERUs
- Customers finance their Horizon Line Capacity Charges through the District at 4.25 percent for 20 years
- The annual cash flow of the Horizon customer payment revenue less the annual CSDA debt service payments is discounted at 3 percent annually to provide the Net Present Value

Table 15 of the Rate Study indicated that the District would recover its costs from the capacity charges to the new customers under the assumptions stated above on a cash flow and net present value (NPV) basis.

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Since the completion of the Rate Study, the District has received construction bids for the Horizon sewer line which indicate a construction cost of \$1,300,000. Also, three new customers have been identified that will connect to the sewer line. Using this cost and revised customer count with the same assumptions discussed above, the Horizon Capacity Charge is \$56,522 per ERU ($\$1,300,000 \div 23 = \$56,522$). The District should be able to recover its costs from these capacity charges on a cash flow and NPV basis as provided in Table 1.

SYSTEM CAPACITY CHARGE

The System Capacity Charges were updated with the completion of the Capacity Charge Study in June 2021. For a single-family residential (SFR) customer connecting to the District's wastewater system, the System Capacity Charge increased from \$6,336.98 to \$9,995.56.

ANNEXATION FEE

The Annexation Fee was established with the District's purchase of the original wastewater collection system in 1983 and includes the Highway 246 pump station. The current Annexation Fee is \$1,639.85 per ERU.

TOTAL CHARGE FOR HORIZON LINE CONNECTION

For a SFR customer connecting to the Horizon sewer line, the total charge is a sum of the three charges discussed above plus a Highway 246 undercrossing charge, administration fee, plan check and inspection fee, District staff time, and noticing, recording, and publication costs. This District has decided to offer SFR customers the option to pay the current System Capacity Charge of \$6,336.98 if they connect to the Horizon sewer line project before May 1, 2022. After this date, the charges will increase to \$9,995.56 and will continue to increase each January 1 with the increase in Engineering News Record (ENR) Construction Cost Index (CCI). The charges and the estimated semi-annual and monthly payments are provided in Table 2.

For SFR customers connecting after May 1, 2022, the System Capacity Charge would increase as discussed above. If a SFR customer waits to connect until after May 1, 2022 but before January 1, 2023, they will pay \$3,658.58 more than if they pay their total charges before May 1, 2022, or \$136.69 more semi-annually or \$22.78 more per month if they finance their charges through the District.

I appreciate the opportunity to serve the District on this matter. If there are any questions regarding the analyses, please contact me at 949-760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES

G. Clayton Tuckfield
Principal Consultant
Tuckfield & Associates

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Table 1
Development of Horizon Line Capacity Charges
Using CSDA Financing

Fiscal Year	Horizon Capacity Charge Required ^[1]	Customers Financing		CSDA Debt Service ^[3]	Annual Cash Flow	NPV at 3.0% of Annual Cash Flow
		Number of New ERU's Annually	Horizon Customer Payment ^[2]			
1	FY 2021-22	4	\$17,006	(\$87,380)	(\$70,374)	(\$68,324)
2	FY 2022-23	4	34,523	(87,380)	(52,858)	(49,824)
3	FY 2023-24	4	52,565	(87,380)	(34,816)	(31,861)
4	FY 2024-25	4	71,148	(87,380)	(16,233)	(14,423)
5	FY 2025-26	4	90,288	(87,380)	2,908	2,508
6	FY 2026-27	3	105,075	(87,380)	17,694	14,819
7	FY 2027-28		105,075	(87,380)	17,694	14,387
8	FY 2028-29		105,075	(87,380)	17,694	13,988
9	FY 2029-30		105,075	(87,380)	17,694	13,561
10	FY 2030-31		105,075	(87,380)	17,694	13,166
11	FY 2031-32		105,075	(87,380)	17,694	12,783
12	FY 2032-33		105,075	(87,380)	17,694	12,410
13	FY 2033-34		105,075	(87,380)	17,694	12,049
14	FY 2034-35		105,075	(87,380)	17,694	11,698
15	FY 2035-36		105,075	(87,380)	17,694	11,357
16	FY 2036-37		105,075	(87,380)	17,694	11,026
17	FY 2037-38		105,075	(87,380)	17,694	10,705
18	FY 2038-39		105,075	(87,380)	17,694	10,393
19	FY 2039-40		105,075	(87,380)	17,694	10,091
20	FY 2040-41		105,075	(87,380)	17,694	9,797
21	FY 2041-42		88,068	0	88,068	47,341
22	FY 2042-43		70,552	0	70,552	36,820
23	FY 2043-44		52,510	0	52,510	26,606
24	FY 2044-45		33,927	0	33,927	16,690
25	FY 2045-46		14,786	0	14,786	7,062
Totals						154,806

23

^[1] For FY 2021-22, Capacity Charge = (\$1,300,000 / 23). Capacity Charges increase at 3.0% annually.
^[2] Horizon Line Capacity Charge financed at 4.25% for 20 years.
^[3] Includes debt service payments related only to the CSDA loan of \$1,300,000 at 3.0% for 20 years.

Table 2
Estimate of Total Horizon Line Charges and Semi-Annual Payment

Period	Effective Date ⁽¹⁾	Horizon Capacity Charge ⁽²⁾⁽³⁾	System Capacity Charge ⁽⁴⁾	Owner Costs ⁽⁵⁾	Est. Total Customer Charge One ERU	Est. Total Semi-Annual Customer Payment ⁽⁶⁾	Reference Only Est. Total Monthly Payment One ERU
1	Application Prior to May 1, 2022	\$56,521.74	\$6,336.98	\$3,740.03	\$66,598.75	\$2,488.25	\$414.71
2	May 1, 2022	\$56,521.74	\$9,995.56	\$3,740.03	\$70,257.33	\$2,624.94	\$437.49
3	January 1, 2023	\$58,217.39	\$10,295.43	\$3,740.03	\$72,252.85	\$2,699.50	\$449.92
4	January 1, 2024	\$59,963.91	\$10,604.29	\$3,740.03	\$74,308.23	\$2,776.29	\$462.72
5	January 1, 2025	\$61,762.83	\$10,922.42	\$3,740.03	\$76,425.28	\$2,855.39	\$475.90
6	January 1, 2026	\$63,615.72	\$11,250.09	\$3,740.03	\$78,605.84	\$2,936.86	\$489.48
7	January 1, 2027	\$65,524.19	\$11,587.59	\$3,740.03	\$80,851.81	\$3,020.77	\$503.46
8	January 1, 2028	\$67,489.91	\$11,935.22	\$3,740.03	\$83,165.16	\$3,107.21	\$517.87
9	January 1, 2029	\$69,514.61	\$12,293.28	\$3,740.03	\$85,547.92	\$3,196.23	\$532.70
10	January 1, 2030	\$71,600.05	\$12,662.08	\$3,740.03	\$88,002.15	\$3,287.92	\$547.99
11	January 1, 2031	\$73,748.05	\$13,041.94	\$3,740.03	\$90,530.02	\$3,382.37	\$563.73
12	January 1, 2032	\$75,960.49	\$13,433.20	\$3,740.03	\$93,133.72	\$3,479.65	\$579.94
13	January 1, 2033	\$78,239.31	\$13,836.19	\$3,740.03	\$95,815.53	\$3,579.85	\$596.64
14	January 1, 2034	\$80,586.48	\$14,251.28	\$3,740.03	\$98,577.79	\$3,683.05	\$613.84
15	January 1, 2035	\$83,004.08	\$14,678.82	\$3,740.03	\$101,422.93	\$3,789.35	\$631.56
16	January 1, 2036	\$85,494.20	\$15,119.18	\$3,740.03	\$104,353.41	\$3,898.84	\$649.81
17	January 1, 2037	\$88,059.03	\$15,572.76	\$3,740.03	\$107,371.81	\$4,011.61	\$668.60
18	January 1, 2038	\$90,700.80	\$16,039.94	\$3,740.03	\$110,480.77	\$4,127.77	\$687.96
19	January 1, 2039	\$93,421.82	\$16,521.14	\$3,740.03	\$113,682.99	\$4,247.41	\$707.90
20	January 1, 2040	\$96,224.48	\$17,016.77	\$3,740.03	\$116,981.28	\$4,370.64	\$728.44

⁽¹⁾ Effective date of a charge increase.

⁽²⁾ The initial Horizon Capacity Charge = (\$1,300,000 / 23).

⁽³⁾ Horizon Capacity Charges adjust annually on January 1 and increase at 3.0% annually.

⁽⁴⁾ System Capacity Charges increase to \$9,995.56 on May 1, 2021, and then adjust annually on January 1 commencing with January 1, 2023 and increase with the Engineering News Record Construction Cost Index National Average. Charges are assumed to increase annually at 3.0%.

⁽⁵⁾ Owner Costs include Highway 246 undercrossing charge, Annexation Fee, administration charge, plan check and inspection fee, District staff time, and noticing, recording and publication costs. The District may increase Owner Costs in the future.

⁽⁶⁾ Horizon Line Total Customer Charge financed at 4.25% for 20 years with semi-annual payments.

HORIZON DRIVE SEWER MAINLINE EXTENSION
Estimated Cost Summary - Updated September 9, 2021

Description	Total Cost	Allocation	Owner Share	Comments
CONSTRUCTION COSTS				
Construct mainline extension	\$ 998,315	4.35%	\$ 43,405	Based on Specialty Construction bid and 23 parcels (1/23 = 4.35%)
Contingency	\$ 100,000	4.35%	\$ 4,348	10% of construction bid (approx)
Engineering services	\$ 53,615	4.35%	\$ 2,331	Estimated. Includes Terra Verde and Earth Systems fees.
Legal services	\$ 50,000	4.35%	\$ 2,174	Estimated
Construction management	\$ 37,000	4.35%	\$ 1,609	Kerr proposal
Easement acquisition services (Hamner Jewell)	\$ 31,000	4.35%	\$ 1,348	\$23,500 + \$7,500
Acquire 3 easements	\$ 30,020	4.35%	\$ 1,305	
Notice of Exemption filing	\$ 50	4.35%	\$ 2	
Construction Cost Total	\$ 1,300,000	4.35%	\$ 56,522	This is the Horizon Drive capacity charge.
OWNER COSTS				
Capacity fee	\$ 6,337	100%	\$ 6,337	
Inspection fee	\$ 115	100%	\$ 115	
Plan check fee	\$ 175	100%	\$ 175	
Annexation fee	\$ 1,645	100%	\$ 1,640	
Annexation administrative charge	\$ 350	100%	\$ 350	
Hwy 246 undercrossing	\$ 135,996	0.49%	\$ 660	Allocated among 206 parcels
Owner Cost Total			\$ 9,277	This additional cost is paid to the District by each customer that connects to the new Horizon line.
Owner Share Total			\$ 65,799	This is the total cost paid to the District by each customer that connects to the new Horizon line.

Installment Payment Plan

Owner share total	\$ 65,799
District staff time and legal fees	\$ 500
Noticing, recording and publication costs	\$ 300
Installment Payment Plan Total	\$ 66,599
Prime rate = 3.25% + 1% = 4.25%	
Amortized cost at 4.25% for 20 years	\$ 2,488
	Payable two times per year. Annual payment = \$4,976

Additional Costs paid Directly by Owners

Abandon septic tank and construct lateral to connect to Horizon line	\$ 9,000	100%	\$ 9,000	Contractor estimate: \$8K to \$10K. Includes permit fee (\$301). County estimate for septic system abandonment: \$3k to \$5K.
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