

SANTA YNEZ COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors
FROM: Jose Acosta, General Manager
Clayton Tuckfield, Tuckfield and Associates
DATE: December 8, 2021
SUBJECT: Review and Discussion of the Horizon Drive Capacity Fee Cost Draft Study

Recommendation

Review, discuss and accept the Horizon Drive capacity costs draft study and final capacity fees for Horizon Drive.

Policy Implications

Tuckfield and Associates was hired to compile the costs for Horizon Drive residents to connect to sewer.

Fiscal Implications

The loan amount for the project is \$1.3M with a 20-year term. 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 capacity cost 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. This study was prepared to give the District and residents on Horizon Drive an estimated cost before the District committed to loan for the construction costs. Once the Horizon Drive project was completed, Tuckfield and Associates would finalize the study with final costs.

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 revised analysis and answer any questions the Board or public may have. The Horizon Drive capacity fee cost draft summary analysis report is attached for presentation and discussion.

Staff is seeking direction from the Board to accept the proposed capacity fees. If the Board accepts the proposed capacity fees, the capacity fees will be brought back to the **regular board meeting**, December 15, 2021, for the following steps:

1. Public hearing
2. Approval of district ordinance

The proposed ordinance will consist of Horizon Drive capacity fees, revision of District Capacity fees and HWY 246 undercrossing fees.

Attachment

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

Tuckfield & Associates

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MEMORANDUM

December 1, 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 Horizon sewer line construction has been completed with a total cost of \$1,332,254. 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 Line Capacity Charge is \$57,924 per Equivalent Residential Unit (ERU) ($\$1,332,254 \div 23 = \$57,924$). The District should be able to recover its costs from these capacity charges on a NPV basis as provided in Table 1.

SYSTEM CAPACITY CHARGE

The District's System Capacity Charges were updated with the completion of the Capacity Charge Study in June 2021. Single-family residential (SFR) customers connecting to the Horizon sewer line project will pay the current System Capacity Charge of \$6,336.98 if they connect 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). 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 (\$22.78 per month) if they finance their charges through the District. The charges and the estimated semi-annual and monthly payments are provided in Table 2.

ANNEXATION COSTS

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 Annexation Fee is currently \$1,644.78 per ERU. Additional costs include an annexation administration fee of \$350 for total Annexation Costs of \$1,994.78.

TOTAL CHARGE FOR HORIZON LINE CONNECTION

For a SFR customer connecting to the Horizon sewer line, the total charge is a sum of the Horizon Line Capacity Charge, System Capacity Charge, and Annexation Costs discussed above plus a Highway 246 undercrossing charge, a plan check fee, and an inspection fee. In addition, if a SFR customer finances these charges under the District's installment payment policy, the charges will also include District staff time and legal fees, and noticing, recording, and publication costs.

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
 Net Present Value of Annual Cash Flow of Horizon Line Capacity Charge
 Customer Payments and CSDA Financing

Fiscal Year	Horizon Capacity Charge Required ^[1]	Customers Financing		CSDA Debt Service ^[2]	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		\$17,313	(\$7,380)	(\$70,067)	(\$66,026)	
2	FY 2022-23	4	35,146	(87,380)	(52,235)	(49,236)	
3	FY 2023-24	4	53,513	(87,380)	(33,867)	(30,993)	
4	FY 2024-25	4	72,432	(87,380)	(14,948)	(13,281)	
5	FY 2025-26	4	91,918	(87,380)	4,538	3,914	
6	FY 2026-27	3	106,971	(87,380)	19,591	16,407	
7	FY 2027-28		106,971	(87,380)	19,591	15,929	
8	FY 2028-29		106,971	(87,380)	19,591	15,465	
9	FY 2029-30		106,971	(87,380)	19,591	15,015	
10	FY 2030-31		106,971	(87,380)	19,591	14,577	
11	FY 2031-32		106,971	(87,380)	19,591	14,153	
12	FY 2032-33		106,971	(87,380)	19,591	13,741	
13	FY 2033-34		106,971	(87,380)	19,591	13,340	
14	FY 2034-35		106,971	(87,380)	19,591	12,952	
15	FY 2035-36		106,971	(87,380)	19,591	12,575	
16	FY 2036-37		106,971	(87,380)	19,591	12,208	
17	FY 2037-38		106,971	(87,380)	19,591	11,853	
18	FY 2038-39		106,971	(87,380)	19,591	11,508	
19	FY 2039-40		106,971	(87,380)	19,591	11,172	
20	FY 2040-41		106,971	(87,380)	19,591	10,847	
21	FY 2041-42		89,658	0	89,658	48,196	
22	FY 2042-43		71,825	0	71,825	37,485	
23	FY 2043-44		53,458	0	53,458	27,087	
24	FY 2044-45		34,539	0	34,539	16,991	
25	FY 2045-46		15,053	0	15,053	7,189	
Totals						23	181,068

^[1] Includes mainline extension construction, engineering and legal services, construction management, easement acquisition, and notice of exemption filing. Capacity Charge increases 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

Reference Only

Period	Effective Date ⁽¹⁾	Horizon Capacity Charge ⁽²⁾	System Capacity Charge ⁽³⁾	Owner Costs ⁽⁴⁾	Est. Total Customer Charge One ERU	Est. Total Semi-Annual Customer Payment ⁽⁵⁾	Est. Total Monthly Payment One ERU
Application Prior to							
1	May 1, 2022	\$57,924.10	\$6,336.98	\$3,938.61	\$68,199.69	\$2,548.07	\$424.68
2	May 1, 2022	\$57,924.10	\$9,995.56	\$3,938.61	\$71,858.27	\$2,684.76	\$447.46
3	January 1, 2023	\$59,661.82	\$10,295.43	\$3,938.61	\$73,895.86	\$2,760.89	\$460.15
4	January 1, 2024	\$61,451.68	\$10,604.29	\$3,938.61	\$75,994.58	\$2,839.30	\$473.22
5	January 1, 2025	\$63,295.23	\$10,922.42	\$3,938.61	\$78,156.26	\$2,920.06	\$486.68
6	January 1, 2026	\$65,194.08	\$11,250.09	\$3,938.61	\$80,382.79	\$3,003.25	\$500.54
7	January 1, 2027	\$67,149.91	\$11,587.59	\$3,938.61	\$82,676.11	\$3,088.93	\$514.82
8	January 1, 2028	\$69,164.40	\$11,935.22	\$3,938.61	\$85,038.24	\$3,177.19	\$529.53
9	January 1, 2029	\$71,239.34	\$12,293.28	\$3,938.61	\$87,471.22	\$3,268.09	\$544.68
10	January 1, 2030	\$73,376.52	\$12,662.08	\$3,938.61	\$89,977.20	\$3,361.72	\$560.29
11	January 1, 2031	\$75,577.81	\$13,041.94	\$3,938.61	\$92,558.36	\$3,458.15	\$576.36
12	January 1, 2032	\$77,845.15	\$13,433.20	\$3,938.61	\$95,216.95	\$3,557.48	\$592.91
13	January 1, 2033	\$80,180.50	\$13,836.19	\$3,938.61	\$97,955.30	\$3,659.79	\$609.97
14	January 1, 2034	\$82,585.92	\$14,251.28	\$3,938.61	\$100,775.80	\$3,765.17	\$627.53
15	January 1, 2035	\$85,063.49	\$14,678.82	\$3,938.61	\$103,680.92	\$3,873.71	\$645.62
16	January 1, 2036	\$87,615.40	\$15,119.18	\$3,938.61	\$106,673.19	\$3,985.51	\$664.25
17	January 1, 2037	\$90,243.86	\$15,572.76	\$3,938.61	\$109,755.23	\$4,100.66	\$683.44
18	January 1, 2038	\$92,951.18	\$16,039.94	\$3,938.61	\$112,929.73	\$4,219.26	\$703.21
19	January 1, 2039	\$95,739.71	\$16,521.14	\$3,938.61	\$116,199.46	\$4,341.43	\$723.57
20	January 1, 2040	\$98,611.90	\$17,016.77	\$3,938.61	\$119,567.28	\$4,467.26	\$744.54

⁽¹⁾ Effective date of a charge increase.
⁽²⁾ Includes mainline extension construction, engineering and legal services, construction management, easement acquisition, and notice of exemption filing.
⁽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, 2022, 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, Amexation Costs, plan check fee, and inspection fee. District staff time and legal fees, and noticing, recording and publication costs apply if charges are financed. 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 December 3, 2021

Description	Total Cost	Allocation	Owner Share	Comments
CONSTRUCTION COSTS				
Construct mainline extension	\$ 1,090,409	4.35%	\$ 47,409	Based on Specialty Construction final construction cost and 23 parcels (1/23 = 4.35%)
Engineering services	\$ 107,180	4.35%	\$ 4,660	Includes Terre Verde, Earth Systems, Tuckfield, Geo Solutions
Legal services	\$ 34,046	4.35%	\$ 1,480	
Construction management	\$ 36,906	4.35%	\$ 1,605	Kerr fees
Easement acquisition services (Hamner Jewell)	\$ 32,453	4.35%	\$ 1,411	Hamner Jewell
Acquire 3 easements	\$ 31,210	4.35%	\$ 1,357	Easements and escrow
Notice of Exemption filing	\$ 50	4.35%	\$ 2	
Construction Cost Total	\$ 1,332,254	4.35%	\$ 57,924	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	0.48%	\$ 654	Allocated among 208 parcels
Owner Cost Total			\$ 9,271	This additional cost is paid to the District by each customer that connects to the new Horizon line.
Owner Share Total			\$ 67,195	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	\$ 67,195
District staff time and legal fees	\$ 500
Noticing, recording and publication costs	\$ 500
Installment Payment Plan Total	\$ 68,195
Prime rate = 3.25% + 1% = 4.25%	
Amortized cost at 4.25% for 20 years	\$ 2,548
	Payable two times per year. Annual payment = \$5096