



COUNTY SANITATION DISTRICTS OF LOS ANGELES COUNTY

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GRACE ROBINSON HYDE
Chief Engineer and General Manager

May 2, 2014

File: 32-00.11-00

Board of Directors
Santa Clarita Valley Sanitation District
of Los Angeles County

Directors:

Wastewater Revenue Program For Fiscal Years 2014-15 Through 2019-20

The agenda for the May 7, 2014 meeting of the Santa Clarita Valley Sanitation District Board of Directors contains an item regarding the proposed sewerage system service charge rates for the next six fiscal years. The current service charge rate ordinance set rates for three years, the last of which is FY 2013-14. **In order to implement new rates and to continue to collect these charges on the property tax roll, the Board must take certain actions.** Specifically, pursuant to state law, the Board must: (1) order a service charge report to be filed with the District Clerk, (2) establish the date, time, and place for a public hearing on the report, the proposed rates, and the proposed collection of the service charge on the tax roll, and (3) direct the publication of the required notices.

Service Charge Rates Background

The Board is being asked to consider adopting new rates for each of the next six fiscal years to provide for the continued operation and maintenance of existing facilities, and for the construction and start-up of facilities needed to comply with the State-mandated chloride (salt) limit. Multi-year rates have been utilized in the past as part of a planned, phased approach to service charge rate increases to avoid the added expense of having to mail annual notices that would be required under Proposition 218 if separate rates were adopted each year. The six year rate increase will also provide full funding, in conjunction with anticipated State Revolving Fund (SRF) financing and a Proposition 84 grant expected to be awarded, of the chloride compliance facilities. Full funding is needed to ensure the District can qualify for the maximum SRF financing that may be needed, and to enable State and Federal agencies to move forward with regulatory amendments that will allow the District to remain in compliance without incurring additional fines. A discussion of the status of efforts to comply with the State-mandated chloride (salt) limit and funding requirements is discussed herein.

The current service charge rate is \$20.58 per month per single-family home (\$247 per year). The proposed service charge rates for fiscal years 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 are \$22.25 per month (\$267 per year), \$23.92 per month (\$287 per year), \$25.58 per month (\$307 per year), \$27.33 per month (\$328 per year), \$29.08 per month (\$349 per year), and \$30.83 per month (\$370 per year), respectively, per single family home, an increase of \$1.67 per month per year through fiscal year 2016-17 and an increase of \$1.75 per month per year in fiscal years 2017-18 through 2019-20. Multi-family residential units will pay 60% of the adopted single-family home rate and condominiums will pay 75% of the adopted single-family home rate. Likewise, commercial and industrial dischargers

will pay in proportion to their use compared to a single-family home. Dischargers with verified low water usage (particularly seniors or retirees) can also qualify for a significantly reduced charge.

Status of Efforts to Comply with the State-mandated Chloride (Salt) Limit

As has been discussed extensively over the last several years, the State set a chloride (salt) limit of 100 milligrams per liter for treated effluent discharged from the District's two water reclamation plants. For over 10 years, the District has aggressively challenged the State's limit and deadlines. Despite our best efforts, the State has repeatedly rejected our requests and has already fined the District \$225,000 for failing to comply with the mandated limit. Given the State's position, the Board hired independent legal counsel to evaluate the chances of success if a lawsuit were to be filed against the State. Based on the court record, they determined that this kind of lawsuit has little to no chance of success, would be very costly to ratepayers, would result in steep State fines, and, most importantly, would not eliminate the District's obligation to comply with the State's mandated limit. After careful consideration, the Board decided that this course of action would pose a very high risk to the ratepayers.

As a result, the Board directed staff to undertake the preparation of a facilities plan and environmental impact report (EIR) to evaluate possible alternatives for complying with the State's chloride mandate. This included extensive public outreach involving homeowner organizations, neighborhood councils, the business community, and other stakeholder groups. Based on their input and following a lengthy public hearing, a project involving ultraviolet (UV) disinfection, microfiltration/reverse osmosis (MF/RO), and brine disposal through deep well injection was approved as the least expensive alternative that complied with the State's strict limit (Compliance Project). This action, which was taken by the Board on October 28, 2013, met one of the State's deadlines and, at least in the interim, avoided additional fines that would have been levied by the State.

Although the approved Compliance Project will allow the District to meet the State's strict mandated limit, the construction and start-up of the needed facilities cannot be completed by the current State deadline of May 4, 2015. Unless both the State and Federal regulators agree to extend this deadline, the District will be in violation of the chloride limit at that time, and will again face steep mandatory State fines. Consequently, the District has requested an extension of the State's deadline from 2015 to 2019 and other changes to the State's requirements that will reduce the cost of the Compliance Project. These changes can only be made if the Basin Plan for the Los Angeles Region is amended through a long process of hearings and State and Federal approvals.

Given the lengthy statutorily-required review periods, the Regional Water Quality Control Board - Los Angeles Region (Regional Water Board) must issue its draft Basin Plan Amendments by August 2014. However, the Regional Water Board has indicated they will not move forward with the process unless the District Board has adopted service charge rates sufficient to fund the approved Compliance Project. Thus, the District's rate setting process must be complete by July 2014, or the District will once again be subject to steep State fines.

Funding for the project, currently estimated to cost \$130 million, will be accomplished through a combination of low-interest state (State Revolving Fund or SRF) loans, use of District's cash reserves, and "pay-as-you go". SRF loans were chosen as the preferred means because of their low-interest rates (one-half of the State's general obligation bond rate), which could save up to \$49 million in lower interest costs as compared with other long-term financing.

In addition to using SRF loans, the following items help reduce annual costs to ratepayers:

- Continued removal of automatic water softeners
- Recent State action to extend the repayment period for SRF loans from 20 years to 30 years
- Use of SRF loans to minimize the debt service coverage requirements (1.2 times coverage)
- \$2.5 million Integrated Regional Water Management Plan (IRWMP) grant
- Ramping rates up over a six year period
- In addition, at the last Board meeting, Director Weste requested an evaluation of borrowing from the Capital Improvement Fund (CIF). A total of \$20 million is available from the CIF, which would reduce the total increase in the service charge rate by \$3.

The cost of the Compliance Project is allocated to each discharger in proportion to their use of the sewerage system, with every user paying the same rate per sewage unit (a sewage unit being equal to the discharge from a single-family home). As shown below, the total increase in the service charge rate related to the Compliance Project was previously projected to be \$140 per sewage unit in the EIR. Using the above mentioned efforts, the projected increase has been reduced by \$40 per sewage unit.

Reductions to Proposed Rates Required for Chloride Compliance Project			
	Annual Increase	Total Increase in FY 2019-20	Savings to Ratepayers
In Environmental Impact Report (EIR)	\$23.00	\$140	
After Reductions	\$16.67	\$100	\$40

Reductions in Total Annual Rate Increase

State Revolving Fund Loan (30 years)	-\$25
Lower Debt Coverage (1.2 x)	-\$11
\$2.5 Million Prop 84 Grant	-\$1
Capital Improvement Fund Loan	<u>-\$3</u>
Total Savings to Ratepayers	\$40

Budget for Fiscal Year 2014-15

Enclosed for your review is the preliminary budget for fiscal year 2014-2015 and a list of capital projects that impact the budget. The budget provides a comparison with the current 2013-14 budget and a breakdown of the items included in the budget. In preparing the budget, it is projected that the general revenue sources available to the District for meeting expenses during the coming fiscal year include cash on hand, capital improvement fund monies, a pro rata share of the ad valorem (property) taxes, industrial wastewater surcharge, interest income, and contract revenue. The supplemental revenue required to meet expenses will be collected through the proposed service charges. A final budget will be presented to the

Board for consideration in July as part of the overall budgetary process, including approving appropriations and establishing appropriations limits administrative actions required of agencies that receive ad valorem taxes.

The budget has been prepared in accordance with the Joint Administration Agreement. This agreement allocates Joint Administration costs to each signatory District according to the ratio of the number of sewage units in a District to the total number of sewage units in all the Districts signatory to the agreement. A sewage unit represents the average daily sewage flow and strength (measured in terms of chemical oxygen demand and suspended solids) from a single-family home. This method of allocating costs considers flow as well as the strength of sewage from all types of users and is the most equitable way to distribute Joint Administration costs.

Maximizing the Benefit of Cost-Saving Strategies

The strategies discussed below relate to all the Districts, and the District receives the benefit of these programs through the Joint Administration Agreement.

Reducing Staff — There has been an on-going concerted effort to re-evaluate staffing needs and to eliminate positions. As positions are eliminated, the Districts have re-allocated remaining staff to areas in the organization most in need of resources, resulting in a much leaner and more efficient organization. This has allowed staff Districts-wide to be reduced by approximately 270 positions (13%) over the past five years, as shown in the table below.

Los Angeles County Sanitation Districts Staffing

Staffing Unit	Staffing Numbers as of December 2008	Staffing Numbers as of January 2014	% Change
Management	59	50	-15.3
Confidential/White Collar	155	140	-9.7
Professional	434	383	-11.8
Non-Prof. Supervisory	93	82	-11.8
Energy Recovery	59	44	-25.4
Technical Support	281	296	5.3
Blue Collar	758	676	-10.8
Hourly	173	72	-58.4
Total	2,012	1,743	-13.4

It should also be noted that the Districts routinely utilize temporary employees to satisfy certain staffing needs, e.g., specialized technical skills or peak workloads in various locations. This philosophy is designed to facilitate efficient operations with reduced overall costs.

Maximizing Energy Revenue and Minimizing Energy Costs — Historically, energy costs have represented a significant portion of the cost of operating the wastewater treatment plants. In order to address the impact of energy costs, the Districts have a dedicated Energy Recovery Engineering (ERE) Section that focuses on reducing the cost of electricity and developing renewable energy sources. The ERE Section keeps electricity costs down through three major activities: (1) being an active player in the electricity market to obtain the lowest purchase price possible, (2) reducing the amount of energy used, and (3) developing the Districts own sources of renewable energy through the use of treatment by-

products (e.g., digester and landfill gas). The Districts also keep their cost of purchased electricity lower primarily by buying power from non-traditional sources. Specifically, the Districts have purchased power through California's Direct Access (DA) program, which in fiscal year 2012-13 offered power at a rate 7% below that of standard utility rates.

The Districts routinely conduct energy audits at the various water reclamation plants (WRPs) to coordinate energy efficiency programs, identify new energy efficiency projects, obtain energy efficiency rebates from Southern California Edison (SCE), and review electricity bills in detail to optimize rates and correct errors. These activities collectively saved over \$5 million Districts-wide in fiscal year 2012-13 and have saved over \$21 million since the program inception in 2006.

The Districts have long incorporated energy efficiency into its treatment plant designs. One example is the retrofitting of the existing WRPs with high efficiency process air compressors and return activated sludge pumps with variable frequency drives for the dual purpose of making the plants operate more efficiently and saving money. In fiscal year 2012-13, these modifications resulted in a 20% reduction in energy usage and electricity savings of nearly \$1.3 million Districts-wide.

Savings on Chemicals by Buying in Bulk and Promoting Supplier Competition — The Districts collectively purchase needed supplies in bulk when possible to capture pricing discounts and minimize costs. The large quantities of chemicals purchased on behalf of all treatment plants and sewer maintenance groups results in the Districts receiving volume discounts. While the chemicals used by the Districts do not have set price breaks for buying over a specified limit (the typical method of offering price discounts), by virtue of their size, the Districts are able to leverage their purchasing power and obtain extremely favorable price structures for all chemicals purchased when compared to market prices. This has resulted in a total annual savings on chemical purchases of over \$1.9 million.

Use of SRF Loans to Reduce Interest Costs — Projects that have already received state low-interest loans include power generation equipment, expansion of the Valencia WRP, modifications of the WRPs to remove nitrogen, and upgrade of the Valencia WRP steam boiler. In total, the District has received \$64 million in state low-interest loans. Taking advantage of the lower interest rate of the loans as compared to bonds has allowed the Districts to realize a net present value savings of approximately \$12 million.

Refinancing Existing Debt to Take Advantage of Lower Interest Rates — In 1993, the Districts sold bonds in a pre-emptive move to prevent the State from taking more of the Districts' historic share of the property taxes. In 2003, interest rates had dropped to, what were then, all-time historic lows. The Districts took advantage of that opportunity to refinance that existing debt and to sell some additional bonds to fund needed capital improvements. In 2011, rates had dropped even further and the Districts were able to refinance approximately \$138 million of those 2003 bonds, resulting in a collective net present value savings of \$10.6 million Districts-wide. In 2013, the Districts were able to refinance the remaining \$154 million of the 2003 bonds, at a collective net present value savings of \$29 million.

Significant Capital Expenditures

Treatment Facilities Upgrades — Capital improvements scheduled for the Valencia WRP include process air system improvements (\$1.5 million in FY 2014-15), enhancement of the nitrification-denitrification (removal of nitrogen) process (\$300,000 in FY 2014-15), and the improvement of odor control facilities (\$250,000 in FY 2014-15). Additionally, \$451,000 has been budgeted in FY 2014-15 for miscellaneous WRP and laboratory improvements at both the Valencia and Saugus WRPs.

Proposed Service Charge Rates

After taking into account projected revenue and expenses, the change in the SRF loan program, the Capital Improvement Fund Loan, and the expected grant, staff revised service charge projections to develop recommended rates. The proposed service charge rates for fiscal years 2014-15 through 2019-20 are shown below.

Proposed Rates*			
Fiscal Year	Total Cost Monthly	Total Cost Annually	Amount of Annual Chloride Compliance Charge to Fund Project
Current	\$20.58	\$247	
FY 2014-15	\$22.25	\$267	\$16
FY 2015-16	\$23.92	\$287	\$32
FY 2016-17	\$25.58	\$307	\$49
FY 2017-18	\$27.33	\$328	\$66
FY 2018-19	\$29.08	\$349	\$83
FY 2019-20	\$30.83	\$370	\$100
FY 20-21 to FY 49-50**	\$30.83	\$370	\$100

* Proposed rates include annual inflation

** Future rates will be adjusted for inflation

Please note that there are some possible future savings that may be realized. These include:

- Elimination of pipeline from Valencia Water Reclamation Plant to Saugus Water Reclamation Plant (based on averaging chloride at the two plants instead of individually) **\$11 million**
 - State Water Bond grant funding for the ultraviolet disinfection system **\$30 million**
 - Potential Integrated Regional Water Management Plan (IRWMP) Grant **\$5 million**
- Total Possible Additional Savings **\$46 million****

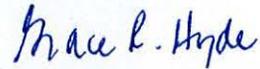
Because of the uncertainty of these possible savings, they have not been included in the rate projections at this time. As they become more certain and as specific dollar amounts are known, downward adjustments would be made in the rates.

Summary of Required Actions

State law requires the Board of Directors to order a Service Charge Report (copy attached) be filed with the District Clerk and to instruct the District Clerk to mail individual Proposition 218 notices (copy of notice enclosed) to all impacted property owners and to publish newspaper notices to inform the

public of the date, time, and place for a public hearing on the Service Charge Report, the proposed service charge, industrial wastewater surcharge rates, and the collection of the service charge on the property tax roll. It is recommended that the public hearing be set for June 30, 2014, at 6:00 p.m. in the Santa Clarita City Council Chambers. After the public hearing is closed, the Board would consider adoption of the Service Charge Report and introduction of ordinances establishing the service charge and industrial wastewater surcharge rates for all six fiscal years, and providing for the collection of the service charge on the property tax roll. Adoption of the ordinances, which requires the affirmative vote of two-thirds (2/3) of the members of the Board of Directors (2 affirmative votes), is proposed for July 7, 2014.

Very truly yours,



Grace Robinson Hyde

GRH:ew
Enclosures

**SANTA CLARITA VALLEY SANITATION DISTRICT OF LOS ANGELES COUNTY
SEWERAGE SYSTEM FINAL BUDGET FOR 2014-15**

REQUIREMENTS FOR FISCAL YEAR

<u>APPROPRIATION:</u>	2013-14	2014-15
O&M - Joint Administration	\$ 530,000	\$ 679,000
O&M - Technical Services	4,620,000	4,415,000
O&M - Local District Sewers	425,000	541,000
O&M - Treatment Facilities	15,950,000	16,084,000
Capital - Joint Administration	364,000	321,000
Capital - Local Capital	4,372,000	2,501,000
Capital - Chloride Compliance	1,435,000	5,351,000
Bond Repayment	3,350,000	3,323,000
Loan Repayment	3,025,000	3,282,000
Capital Improvement Fund Loan Repayment	765,000	736,000
Contingency for Emergency	<u>1,000,000</u>	<u>1,000,000</u>
	\$ 35,836,000	\$ 38,233,000
 TRANSFER TO RATE STABILIZATION FUND	 -	 1,571,000
 CASH FLOW REQUIREMENT (for period JULY 1 THROUGH DECEMBER 31)	 <u>16,123,000</u>	 <u>14,651,000</u>
 TOTAL BUDGET:	 \$ 51,959,000	 \$ 54,455,000

ESTIMATED CASH AND REVENUE:

Cash on Hand July 1	\$ 15,783,000	\$ 16,321,000
Transfer from Capital Improvement Fund	4,440,000	4,793,000
Taxes	5,902,000	6,607,000
Service Charge	22,831,000	24,497,000
Loans	736,000	-
Industrial Waste	454,000	408,000
Interest and Contracts	1,774,000	1,829,000
Transfer from Rate Stabilization Fund	<u>39,000</u>	<u>-</u>
 TOTAL RESOURCES:	 \$ 51,959,000	 \$ 54,455,000

SERVICE CHARGE CALCULATION

Number of Sewage Units	92,432	91,749
Charge Per Sewage Unit	\$ 247.00	\$ 267.00

**SANTA CLARITA VALLEY SANITATION DISTRICT OF LOS ANGELES COUNTY
JULY 1, 2014 THROUGH JUNE 30, 2015**

PROPOSED CAPITAL PROJECTS

JOINT ADMINISTRATION: \$ 321,000

LOCAL:

1. Valencia WRP North Process Air Systems Improvements	\$ 1,500,000	
2. Valencia WRP NDN Enhancements	300,000	
3. Valencia WRP Odor Control Facilities	250,000	
4. Miscellaneous WRP Projects	<u>451,000</u>	
		\$ 2,501,000

CHLORIDE COMPLIANCE PROJECT DESIGN:

1. Microfiltration and Reverse Osmosis	\$ 1,854,000	
2. Deep Well Injection	1,782,000	
3. UV Disinfection	762,000	
4. Water Conveyance System	278,000	
5. Force Main to Deep Well Injection Site	175,000	
6. Miscellaneous	<u>500,000</u>	
		\$ 5,351,000

TOTAL PROPOSED CAPITAL PROJECTS: \$ 8,173,000

**SANTA CLARITA VALLEY SANITATION DISTRICT OF LOS ANGELES COUNTY
JULY 1, 2014 THROUGH JUNE 30, 2015**

	Fiscal Year 2014-15
Rate Stabilization Fund	
Beginning Balance	\$ 12,038,000
Interest	87,000
Revenues	<u>1,571,000</u>
Ending Balance	\$ 13,696,000

SANTA CLARITA VALLEY SANITATION DISTRICT SERVICE CHARGE REPORT FOR FISCAL YEAR 2014-15

INTRODUCTION

Santa Clarita Valley Sanitation District of Los Angeles County encompasses a portion of the city of Santa Clarita and unincorporated Los Angeles County.

Santa Clarita Valley Sanitation District provides wastewater management services for the area described above. The District is responsible for the operation and maintenance of the Saugus and Valencia Water Reclamation Plants and the large trunk sewers which convey wastewater to these facilities. These services are essential to protect the public health of the people served by the system.

Santa Clarita Valley Sanitation District must provide the revenue required to operate and maintain its facilities. The general revenue sources currently available to Santa Clarita Valley Sanitation District include cash on hand, capital improvement fund monies, a pro rata share of the ad valorem (property) taxes, industrial waste surcharge, interest income, and contract revenue. For fiscal year 2014-15, the proposed expenditures exceed these revenue sources and necessitate a service charge to supplement the other revenue sources.

PROPOSED SYSTEM DESCRIPTION

The required supplemental revenue under the Service Charge Ordinance will be allocated among classes of developed parcels of real property on the basis of use of the sewerage system. The revenue derived from the service charge will be used for operation and maintenance and capital costs.

All industrial dischargers in Santa Clarita Valley Sanitation District discharging more than 1.0 million gallons per year are required to file a wastewater surcharge statement as prescribed in the Wastewater Ordinance to pay their appropriate share of the costs based on their use of the sewerage system. All other users of the sewerage system, except for contractual and local government users, will pay service charges.

The basic term used to define the service charge is a sewage unit. A sewage unit represents the average daily quantity of sewage flow and strength from a single-family home measured in terms of flow, chemical oxygen demand, and suspended solids. The number of sewage units (SU) per unit of measure shall be determined by the following formula:

$$SU = A \left(\frac{FLOW_{avg}}{FLOW_{sfh}} \right) + B \left(\frac{COD_{avg}}{COD_{sfh}} \right) + C \left(\frac{SS_{avg}}{SS_{sfh}} \right)$$

where:

A = The proportion of the total operation and maintenance and capital costs required for conveyance, treatment, and disposal of wastewater for the fiscal year which is attributable to flow;

B = The proportion of the total operation and maintenance and capital costs required for conveyance, treatment, and disposal of wastewater for the fiscal year which is attributable to COD;

C = The proportion of the total operation and maintenance and capital costs required for conveyance, treatment, and disposal of wastewater for the fiscal year which is attributable to suspended solids;

FLOW_{sfh} = Average flow of wastewater from a single-family home in gallons per day;

COD_{sfh} = Average loading of COD in the wastewater from a single-family home in pounds per day;

- SS_{sth} = Average loading of suspended solids in the wastewater from a single-family home in pounds per day;
- FLOW_{avg} = Estimated flow of wastewater which will enter the sewerage system from a user in gallons per day;
- COD_{avg} = Estimated loading of COD which will enter the sewerage system from a user in pounds per day;
- SS_{avg} = Estimated loading of suspended solids which will enter the sewerage system from a user in pounds per day.

For fiscal year 2014-15, the proportions of the total operation and maintenance and capital costs attributable to flow, chemical oxygen demand, and suspended solids have been assigned the following values:

A	=	0.2798
B	=	0.3239
C	=	0.3963

The service charge for each sewage unit is determined by dividing the total required supplemental revenue by the total number of sewage units in the District. The service charge for each parcel is determined by multiplying the service charge for each sewage unit by the number of sewage units attributable to the parcel, which in turn, is determined by the class of real property and the sewage unit formula and the flow, COD and SS loadings from Table 1, which shows the corresponding value for each class of real property in Santa Clarita Valley Sanitation District.

Based upon presently anticipated sources of funds, the service charge rate for fiscal year 2014-15 is \$267 per sewage unit. Parcels with significantly lower water usage may be eligible for a reduced rate pursuant to the terms of the Master Service Charge Ordinance of Santa Clarita Valley Sanitation District of Los Angeles County.

DESCRIPTION OF PARCELS RECEIVING SERVICES AND IDENTIFICATION OF AMOUNT OF CHARGE FOR EACH PARCEL

All parcels of real property within the 2014-15 Tax Rate Areas as shown in Table 2 are receiving or benefiting from the services and facilities of Santa Clarita Valley Sanitation District. Additionally, the parcels listed in Table 3, which do not fall within the Tax Rate Areas shown in Table 2, are receiving or benefiting from the services and facilities Santa Clarita Valley Sanitation District. Said parcels are more particularly described in maps prepared in accordance with Section 327, Revenue and Taxation Code, which are on file in the office of the County Assessor, which maps are hereby incorporated herein by reference.

All commercial and institutional parcels assessed a service charge based on the Los Angeles County Assessor's current tax roll shall be charged on the basis of not less than one (1.0) sewage unit.

No charge shall be imposed on the owner or owners of any parcels as to which the fair market value of improvements is less than \$1,000 as determined on the basis of the Assessor's current tax roll. This assumption is predicated on the fact that this type of parcel would be a vacant piece of land; however, should subsequent evaluation reveal that the property is not vacant, then an appropriate service charge would be levied.

TABLE 1
LOADINGS FOR EACH CLASS OF LAND USE

<u>DESCRIPTION</u>	<u>UNIT OF MEASURE</u>	<u>FLOW (Gallons per Day)</u>	<u>COD (Pounds per Day)</u>	<u>SUSPENDED SOLIDS (Pounds per Day)</u>
RESIDENTIAL				
Single Family Home	Dwelling Unit	260	1.22	0.59
Condominiums	Dwelling Unit	195	0.92	0.44
Multi-Unit Residential	Dwelling Unit	156	0.73	0.35
Mobile Home Parks	No. of Spaces	156	0.73	0.35
COMMERCIAL				
Hotel/Motel/Rooming House	Room	125	0.54	0.28
Store	1000 ft ²	100	0.43	0.23
Supermarket	1000 ft ²	150	2.00	1.00
Shopping Center	1000 ft ²	325	3.00	1.17
Regional Mall	1000 ft ²	150	2.10	0.77
Office Building	1000 ft ²	200	0.86	0.45
Medical, Dental, Veterinary Clinic or Building	1000 ft ²	300	1.29	0.68
Restaurant	1000 ft ²	1,000	16.68	5.00
Indoor Theatre	1000 ft ²	125	0.54	0.28
Car Wash				
Tunnel - No Recycling	1000 ft ²	3,700	15.86	8.33
Tunnel - Recycling	1000 ft ²	2,700	11.74	6.16
Wand	1000 ft ²	700	3.00	1.58
Bank, Credit Union	1000 ft ²	100	0.43	0.23
Service Shop, Vehicle Maintenance & Repair Shop	1000 ft ²	100	0.43	0.23
Animal Kennels	1000 ft ²	100	0.43	0.23
Gas Station	1000 ft ²	100	0.43	0.23
Auto Sales	1000 ft ²	100	0.43	0.23
Wholesale Outlet	1000 ft ²	100	0.43	0.23
Nursery/Greenhouse	1000 ft ²	25	0.11	0.06
Manufacturing	1000 ft ²	200	1.86	0.70
Light Manufacturing	1000 ft ²	25	0.23	0.09
Lumber Yard	1000 ft ²	25	0.23	0.09
Warehousing	1000 ft ²	25	0.23	0.09
Open Storage	1000 ft ²	25	0.23	0.09
Drive-in Theatre	1000 ft ²	20	0.09	0.05
Night Club	1000 ft ²	350	1.50	0.79
Bowling/Skating	1000 ft ²	150	1.76	0.55
Club & Lodge Halls	1000 ft ²	125	0.54	0.27
Auditorium, Amusement	1000 ft ²	350	1.50	0.79
Golf Course and Park (Structures and Improvements)	1000 ft ²	100	0.43	0.23
Campground, Marina, Recreational Vehicle Park	Sites, Slips, or Spaces	55	0.34	0.14
Convalescent Home	Bed	125	0.54	0.28
Horse Stables	Stalls	25	0.23	0.09
Laundromat	1000 ft ²	3,825	16.40	8.61

<u>DESCRIPTION</u>	<u>UNIT OF MEASURE</u>	<u>FLOW (Gallons per Day)</u>	<u>COD (Pounds per Day)</u>	<u>SUSPENDED SOLIDS (Pounds per Day)</u>
COMMERCIAL				
Mortuary, Funeral Home	1000 ft ²	100	1.33	0.67
Health Spa, Gymnasium				
With Showers	1000 ft ²	600	2.58	1.35
Without Showers	1000 ft ²	300	1.29	0.68
Convention Center, Fairground, Racetrack, Sports Stadium/Arena	Average Daily Attendance	10	0.04	0.02
INSTITUTIONAL				
College/University	Student	20	0.09	0.05
Private School	1000 ft ²	200	0.86	0.45
Library, Museum	1000 ft ²	100	0.43	0.23
Post Office (Local)	1000 ft ²	100	0.43	0.23
Post Office (Regional)	1000 ft ²	25	0.23	0.09
Church	1000 ft ²	50	0.21	0.11

TABLE 2

TAX RATE AREAS IN SANTA CLARITA VALLEY SANITATION DISTRICT

000221	000708	001635	006648	008704
000223	000717	001689	006665	008706
000227	000719	001731	006705	008710
000274	000729	001753	006707	008712
000275	000732	001754	006786	008717
000281	000749	001778	006818	008733
000282	000769	001811	006819	008742
000325	000777	001862	006822	008762
000326	000801	002242	006823	008777
000330	000802	002469	006825	008779
000331	000803	002473	006828	008780
000332	000824	002477	006838	008828
000351	000826	002500	006865	008845
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TABLE 3

**PARCEL NUMBERS SERVED BY
SANTA CLARITA VALLEY SANITATION DISTRICT**

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SANTA CLARITA VALLEY SANITATION DISTRICT
P.O. BOX 4000
WHITTIER, CA 90607-4000

Este material
esta disponible en
español en la pagina
electronica:
www.lacsd.org

ASSESSOR'S ID: 1234567890
Dave Bruns
12345 HAPPY LANE
WHITTIER, CA 90607-4000

Notice of Public Hearing

Notice of Public Hearing

A public hearing
will be held to consider
proposed rate increases
for sewage treatment.

Information
meetings have been
scheduled.
Read inside
to learn more.

**Monday
June 30, 2014
6:00 p.m.**

**Santa Clarita City Hall
23920 Valencia Blvd.
Santa Clarita, CA**

Meeting the State's Chloride (Salt) Mandate

...Funding the Compliance Project



FUNDING THE STATE-MANDATED CHLORIDE (SALT) COMPLIANCE PROJECT

The State has set strict limits for the amount of chloride (salt) in the Santa Clarita Valley's treated wastewater (sewage), which is produced by the Valley's homes and businesses. The Santa Clarita Valley must meet these strict limits and the State's deadlines, or risk steep State fines that Valley property owners would have to pay.

Sewage Treatment in Santa Clarita Valley: The Santa Clarita Valley Sanitation District is a local agency that provides wastewater management (sewage service) to most of the City of Santa Clarita and some of the surrounding unincorporated area. We serve 250,000 residents and businesses, treating nearly 20 million gallons of sewage a day, 7 days a week, 365 days a year. We transport the sewage generated in your homes and businesses in over 42 miles of sewers to one of two wastewater treatment plants, where we process it and clean the water so that it can be discharged into the Santa Clara River.



State Sets Regulations: Discharges from the Santa Clarita Valley's treatment plants must also comply with strict State and Federal regulatory mandates that are enforced by the California Regional Water Quality Control Board, L.A. Region (Regional Water Board). The State is requiring the Santa Clarita Valley to reduce the chloride (salt) levels in the treated wastewater discharged to the Santa Clara River, and has set deadlines that the Valley must meet.



Ten Years of Challenging the State: For over 10 years, we've aggressively challenged the State's chloride (salt) limit and deadlines. A detailed chronology of the actions we've taken to protect our ratepayers is provided on our website (www.lacsd.org). Despite our best efforts, the State repeatedly rejected our requests, and has already fined the Santa Clarita Valley \$225,000 for failing to comply with the State-mandated chloride limit. These fines must be paid by you, the ratepayers.

Given the State's position, one possible option would have been to file a lawsuit. We hired independent legal counsel who specializes in environmental law to evaluate our chances of success. Based on the court record, they determined that this kind of lawsuit has little to no chance of success, would be very costly to ratepayers, would result in steep State fines, and would not eliminate the Valley's obligation to comply with the State's chloride (salt) limits. After careful consideration, the Board of Directors decided that this course of action would pose a very high risk to the District's ratepayers.

(continued on page two, State Mandate)

SUSTAINABLE WATER

Water is always in short supply in Southern California. The Valley's two treatment plants produce approximately 20 million gallons per day of recycled water. While some of it must go to maintain the habitat of the Santa Clara River, up to seven million gallons per day of this water is available for irrigation of schools, parks, and other community facilities – providing the opportunity for a more sustainable future for our community.

WHO MANDATES AND ENFORCES?

The Federal and State governments, through the California Regional Water Quality Control Board (Regional Water Board), issue permits for the Valley's sewage treatment plants, set limits, enforce those limits and timelines, and levy fines. The Governor appoints the seven-member Regional Water Board.

Ultimately, the Valley must comply with the State's chloride (salt) limit or pay recurring and increasingly larger State fines.

CONNECTION FEES WHO PAYS FOR GROWTH?

You've told us repeatedly that everyone should pay their fair share and that growth should pay for itself. That's exactly what the connection fee does. It requires new users to pay a one-time fee when they connect to the sewer system, based on the incremental cost of new or increased sewage treatment capacity needed to handle the additional wastewater. Existing users never have to pay a connection fee unless they are expanding. More detailed information on the connection fee rates is available on our website (www.lacsd.org).

COST SAVING MEASURES

Before asking for any kind of rate increase, we need to be sure that we've reduced costs everywhere we can and sought as much outside funding as possible. To that end, we:

- Reduced staff Districts-wide by 13% over the last 5 years.
- Refinanced past debt for a savings of \$4 million.
- Received a \$2.5 million State grant under Proposition 84.
- Used State low-interest loans to save \$17 million in interest costs.
- Filed claim with the State Commission on Mandates for funding of the chloride compliance project. Filed suit against the Commission after the claim was rejected.

STATE DEADLINES AND FINES

One of the key steps in avoiding steep and recurring fines is the Regional Water Board amending its Basin Plan by May 2015. To meet that deadline, the Regional Water Board must release a draft Plan by August 2014. However, they have already stated that they will not begin that process until new rates are adopted.

Without the Basin Plan Amendment, the Valley will violate the State's chloride limit. If the violations continue long enough, the US EPA can then issue Federal fines that ratepayers would have to pay. We would also risk losing local control to a court-appointed agent. In addition to the fines, the State will still require the chloride compliance project to be built. Valley ratepayers would then pay both expensive State and Federal fines and the cost of building the chloride compliance project.

STATE MANDATE

(CONTINUED FROM PAGE ONE)

Public Input Helped Select Compliance Project:

As a result, we undertook the preparation of a facilities plan and Environmental Impact Report (EIR) to evaluate possible alternatives for complying with the State-mandated chloride (salt) limit. This included extensive public outreach involving homeowner organizations, neighborhood councils, the business community, and other stakeholder groups. They offered invaluable input on different alternatives and financial impacts. Based on this input and following a lengthy public hearing, a project involving UV disinfection, microfiltration/reverse osmosis (MF/RO), and brine disposal was selected as being the least expensive alternative that complied with the State's strict chloride (salt) mandate. A complete copy of the facilities plan and EIR is available on our website at www.lacsd.org.

PROPOSED RATES TO COMPLY WITH STATE'S CHLORIDE (SALT) MANDATE

The estimated cost (in today's dollars) of the chloride compliance project is approximately \$130 million. Like other major utilities, this cost must be borne by the people who actually use the service. The fairest way of doing this is to divide the cost in proportion to each user's sewage discharge. Your sewage discharge is estimated using standard loading factors corresponding to the type(s) and size(s) of facilities on your parcel.

To minimize costs to our ratepayers, we're proposing that some of the project be funded on a pay-as-you go basis, and that the majority of the project be funded using long-term borrowing to spread the cost over 30 years. This allows the rates to be implemented over a number of years, lessening the impact on ratepayers in any given year. The current and proposed rates, on a per sewage unit (SU) basis (a SU is equal to the discharge from one single-family home), are:

	Total Cost		Portion of Annual Charge for Chloride Project
	Monthly	Annually	
Current	\$20.58	\$247	
FY 2014-15	22.25	267	\$16
FY 2015-16	23.92	287	\$32
FY 2016-17	25.58	307	\$48
FY 2017-18	27.33	328	\$65
FY 2018-19	29.08	349	\$82
FY 2019-20	30.83	370	\$100

Your parcel (Assessor's ID 1234567890, 1234 Main Street, Santa Clarita) has 9.25 sewage units. This takes into account the 40% low-water rebate you have already qualified for in FY 2014-15. If your water use continues to be low, you will receive a similar reduction in future years.

SAVE MONEY

The Low-Water Rebate Program

We want to give you credit if you've taken steps to conserve water. We recognize that your actual discharge may vary from the estimated amount of your sewage discharge, which is based on standard loading factors. Under the low-water rebate program, if your actual water use is significantly less than our estimate, you may be eligible for a rebate this year and a lower charge in future years. It's a simple 1-2 process to apply. The application is available on our website at www.lacsd.org. Additional information can be found there as well or you can call us at (855) 240-9506.

1

WATER USE

Get copies of your water bills for the last fiscal year (July – June). Calculate the daily flow for the whole year and for the winter months. Use the smaller number. If the daily average is less than 0.26 HCF, you may be eligible.

2

APPLICATION

Fill out the simple application form (it's available on our web page). It doesn't require much more than your name, address, and parcel ID. Mail the application form (including copies of your water bills) to us, and we'll do the rest.

PROPOSITION 218 AND THE PROTEST PROCESS



Proposition 218 requires that all protests of the proposed rate structure must be submitted in writing prior to the conclusion of the public hearing. The protest must identify your parcel by including the Assessor's ID provided herein and be signed by the owner. It can be mailed to the Sanitation Districts at P.O. Box 4000, Whittier, CA 90607-4000 or turned in at the public hearing. A scanned copy of your protest, including your signature, may be submitted via email to rates@lacsd.org.

FIND OUT MORE

In addition to the meetings listed to the right, there are several other resources available where you can find out more about the State-mandated chloride (salt) limit for the Santa Clarita Valley and how the Santa Clarita Valley Sanitation District is working hard to protect its ratepayers.

Visit our website at www.lacsd.org

Email us at rates@lacsd.org

Send regular mail to us at Sanitation Districts, P.O. Box 4000, Whittier, CA 90607-4000

Call us toll free at (855) 240-9506

INFORMATION MEETINGS

Wednesday, June 11, 2014
7:00 p.m.
Sulphur Springs Elementary
16628 Lost Canyon Road
Canyon Country, CA

Thursday, June 12, 2014
7:00 p.m.
Valencia High School
27801 N. Dickason Drive
Santa Clarita, CA

Saturday, June 14, 2014
9:00 a.m. (tour)
10:30 a.m. (information mtg)
Valencia Water Reclamation Plant
28185 The Old Road
Valencia, CA

As part of this meeting, we will be offering a tour of this facility. For safety reasons, we request you sign up in advance by calling (562) 908-4288, ext. 2300 or sending an email to nmadigan@lacsd.org.

Tuesday, June 17, 2014
7:00 p.m.
Stevenson Ranch Elementary
25820 Carroll Lane
Stevenson Ranch, CA

Thursday, June 19, 2014
7:00 p.m.
Live Oak Elementary
27715 Saddleridge Way
Castaic, CA

Wednesday, June 25, 2014
7:00 p.m.
Santa Clarita Aquatics Center
20850 Centre Pointe Parkway
Santa Clarita, CA



PUBLIC HEARING

Monday, June 30, 2014
6:00 p.m.

Santa Clarita City Hall
23920 Valencia Blvd.
Santa Clarita, CA