

Article for SLCWD Website

ISSUE: NUMBER OF ADDITIONAL SEWER CONNECTIONS TO REQUEST AND PAYMENT FOR THEM

A companion article discusses the present status of the upgrade and expansion of the DSPUD Wastewater Treatment Plant (WWTP) that treats Serene Lakes' wastewater. In the near future SLCWD will have to decide how many connections we should commit to in the modified plant. This issue has many planning and financial ramifications, which are outlined below.

The first issue is the expected rate at which new houses will be built in the District's service area. The service area includes the present subdivision lots plus 10 neighboring large parcels owned by Royal Gorge LLC. There are about 250 un-built lots in the subdivision plus the 10 parcels (which each have a right to one connection), for a total of 260 potential maximum future connections. Discounting for a moment the Royal Gorge parcels, the 250 lots have the potential to be built upon over time. Since the building boom of a few years ago, there have been very few new applications for sewer and water connections at Serene Lakes. It is expected that growth will only occur gradually over the next 10 to 20 years, and in fact may not ever reach complete build-out. The many un-built lots in just about any mature community bear this out. The proposed large Royal Gorge development cannot be considered at all in this discussion, except for the 10 parcels noted above. Because that development is of such a scale that it would dwarf any regular growth of the area, an entirely different approach would be required to satisfy the development's wastewater treatment needs.

In connection with the anticipated rate of growth of Serene Lakes the planning time frame must be considered, as well as the flexibility of the eventually adopted plant design to accommodate future growth. This will depend on the type of plant modification that is expected to be adopted in early 2010. If the modification will be essentially a significant modification of the existing plant, with a relatively short planning time horizon (say, on the order of 10 years), then later plant modifications in response to changing effluent discharge requirements as well as future area growth can be made and are expected, and the planning time frame for additional connections can be relatively short. On the other hand, if the present plant is to be largely scrapped in favor of an entirely new treatment concept, that plant will be expected to serve the community without significant changes for a long time. In this case the planning time frame will need to be longer. Therefore the number of additional connections we should commit to may be different in the two cases.

Another consideration is the number of lot owners that are reasonably expected to ever desire a connection. About 50 lots are owned by the adjacent homeowners; although these owners have the option to sell these lots or build on them in the future, these lots are less likely than other lots to ever be built on. (However, unless these lots are either merged with the adjacent lots or a permanent conservation easement is placed on them, they do remain buildable.) Several other lots are practically unbuildable. Considering the important cost and payment issues discussed

later herein, the owners of these lots may be forced to make decisions on maintaining their option to develop these lots.

On the basis of these growth considerations, the number of connections we might request may be anywhere between about 80 (for a 10-year planning horizon) and over 200 (for a long-term planning horizon).

A huge consideration in how many additional connections to request is how to pay for these connections. Because it is unlikely that the existing homeowners would be willing to pay for the additional capacity, the financial burden of the plant expansion is expected to fall on the vacant lot owners. In addition, the lot owners will also have to participate in the plant upgrade component of the costs, since they will also benefit from the upgrades. Our preliminary historic review of past payments indicates that the present plant, that we all know is at its treatment capacity, has been paid for by the present homeowners with the assistance of government grants. The lot owners' past bond payments, which were discontinued many years ago when the bonds were fully paid for, paid for the existing subdivision infrastructure, mostly piping in the ground. Their "standby payments", which the District discontinued collecting about 10 years ago, paid for their share of the maintenance cost of that infrastructure. Therefore a method must be found to have the lot owners commit to pay now for their right to connect in the future. Various alternatives are being explored to fund the plant expansion, as discussed below. However, in each alternative it may be necessary to distinguish between "participating lots" that will have the right to a future connection, and "non-participating lots" that will not have such a right.

DSPUD is attempting to secure a loan for the entire plant upgrade/expansion, but this is not likely to succeed. If successful this would take care of the financing, but would still require an apportionment of our District's debt service cost share between present homeowners (for much of the upgrade costs) and the participating lot owners (for their part of the upgrade costs and all of the expansion costs).

A second financing option for both the upgrade and expansion is through formation of a Benefit Assessment District. It may be possible to set up the District so that the payments would be tax exempt. Payments would be different for the present homeowners, who would be paying for the majority of the upgrade, and the participating lot owners, who would be paying for their share of the upgrade and all of the expansion. The details of this option are being explored.

A lot of work will be needed in the next few months to sort through these issues, including (a) finding a loan, (b) identifying participating lots, and (c) allocating costs and therefore payments to homeowners and participating lot owners. It appears clear from the concepts described above that these financial issues will strongly influence the number of new connections that the District will request.

To assist in these considerations, we note some present potential order-of-magnitude cost estimates. A “ballpark” estimate of the costs of the plant upgrade, with a minor capacity increase, has been given informally by Eco:Logic Engineering, DSPUD’s planning and design consultant, as \$7.5 million to \$15 million. Estimating approximately 1650 present connections plus about 300 new connections (for both DSPUD and SLCWD), the capital costs of the plant upgrade may range from \$4,000 to \$8,000 for each current or participating connection. The costs of plant expansion could be up to twice these numbers, ranging up to \$16,000 per participating connection.