



**Board Administrative Committee
June 6, 2019**

SUBJECT:

Set Time and Place for a Public Hearing Regarding Collection of Annual Financing Payments for Wine Country Sewer Special Benefit Area Financing Participants

BACKGROUND:

On October 9, 2013, EMWD staff met with property owners in the Temecula Wine Country regarding the establishment of a Special Benefit Area in order to fund the construction of a sewer collection system within the Temecula Wine Country area. Prior to construction, many of the wineries in the area relied on on-site disposal systems, which limited the County's ability to implement land use revisions and prohibited many of the wineries from expanding. It was estimated at the time, that the cost to provide service to the entire Special Benefit Area was approximately \$28,844,000. Riverside County committed to contribute \$5,000,000 to the project, leaving \$23,844,000 to be spread over the estimated 4,383 EDU's within the benefit area. Staff calculated a surcharge participation payment at \$5,440 per equivalent dwelling unit (EDU) based on dividing the remaining project cost by the 4,383 estimated EDU's.

On November 6, 2013, the District approved and authorized the formation of a Special Benefit Area in the Wine Country area of Temecula to collect extraordinary costs associated with the construction of the Wine Country Infrastructure project. The Board also authorized a financing program to assist property owners with the payment of their Special Benefit Surcharge. For those property owners who committed to sharing the cost of the sewer project prior to construction by signing a Project Participation Agreement (PPA), their surcharge was locked in at \$5,440 per EDU and were guaranteed a 3.75 percent interest rate over a term not to exceed 20 years.

All property owners who signed the PPA committed to repaying or financing their portion of the Special Benefit Surcharge, whether or not they chose to connect, within twelve months of notification that the sewer system was available for connection. Construction of the Wine Country Sewer system was completed in October 2015, which resulted in a PPA surcharge assessment due date of October 1, 2016. The PPA participants either elected to pay their surcharge at that time, or were charged their first annual payment on the Fiscal Year 2016-17 property tax levy. One PPA agreement was paid in full last year.

For those connecting to the sewer system without a PPA, the Special Benefit Surcharge was initially set at \$5,440 per EDU, with future adjustments to be made automatically based on the annual change in the Engineering News Record Construction Cost Index (ENR-CC Index), along with a reconciliation for actual construction costs. The Board approved an increase to the surcharge based on actual construction costs in September 2016, setting the fee at \$6,308 per

EDU for owners who had not executed a PPA. The fee is currently \$6,750 due to annual ENR-CC Index adjustments. There are no new surcharge agreements this year.

On August 10, 2015, the Board approved a Wine Country Financial Participation Charge (FPC) financing plan, which authorized the financing of FPCs for a term no longer than five years, and an interest rate of prime plus two percent. The FPC, which is an additional charge upon connection to the sewer system, was \$7,644 per EDU in August 2015. There are no new FPC agreements this year.

Pursuant to Health and Safety Code 5473, the Board adopted Ordinance No. 2016-006 on July 6, 2016, electing to have infrastructure improvement charges collected on the tax roll at the same time as general taxes. The code also requires that a written report be prepared each year, which contains a description of each parcel of real property corresponding with the assessor maps on file with the County Assessor and containing the corresponding charges for the upcoming fiscal year. The Wine Country Sewer Infrastructure Financing Special Assessment Report (Exhibit B) for Fiscal Year 2019-20 contains 28 annual finance charges that total \$246,177.61. The charges consist of 17 PPA agreements, eight surcharge agreements, and three FPC financing plan agreements. The report is filed with the Board Secretary who must cause notice of the filing of the report and the time and place of a public hearing once a week for two successive weeks. The public hearing will be held in order to hear comments from affected property owners regarding the levy of financing payments.

Upon adoption of the Resolution (Exhibit A), the date and time for the public hearing will be set to July 17, 2019, at 9:00 a.m. This allows sufficient time to notice the property owners, while allowing the Board to complete all administrative requirements in order to levy the charges on the County property tax roll for Fiscal Year 2019-20. At the public hearing, the Board will receive and file the affidavit of posting and the proof of publication of the two public notices presented by the Board Secretary. The Board will inquire whether there have been any written communications and if anyone present wishes to address the Board regarding the financing assessment. At the completion of public comment, if there has not been a protest made by the owners of a majority of separate parcels of property described in the report, the Board has the option to adopt, revise, change, reduce, or modify any charges in the report. If the Board elects to place the charges on the tax roll, it will then approve the report, adopting the Resolution to place Wine Country Infrastructure Financing payments on the Fiscal Year 2019-20 tax roll.

FINANCIAL IMPACT:

Collection of the surcharge will reimburse the District for costs associated with the construction of the Wine Country Sewer. An estimated \$148,470.00 will be collected on the property tax roll for Fiscal Year 2019-2020. Approximately \$97,708 in financial participation charges will also be collected on the Fiscal Year 2019-2020 property tax roll through the FPC financing agreement.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Ensure financial stability and demonstrate responsible stewardship of public funds.

ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Approve and authorize the following:

1. Adopt the proposed Resolution setting a date and time of July 17, 2019, at 9:00 a.m. to hear and consider objections, if any, to the District's report listing properties subject to the assessment of financing payments, and adopt, revise, change, reduce, or modify any charge;
2. Receive and file the report, prepared per Health and Safety Code 5473, outlining the parcels which have signed Wine Country Special Benefit Area financing agreements, Wine Country Financial Participation Charge Financing Agreements, and Wine Country Project Participation Agreements, along with the annual financing payment to be collected from those parcels for Fiscal Year 2019-20; and
3. Direct the Secretary of the Board to file the report and to cause notice of the filing of the report, as well as the time and place of the subsequent public hearing once a week for two successive weeks pursuant to Section 6066 of the Government Code.

SUBMITTED BY:


Paul D. Jones II, P.E., General Manager

5/23/2019


Laura Nomura, Deputy General Manager

5/22/2019

Attachment(s):

Exhibit A - Resolution

Exhibit B - Report

06/19/19 Board Meeting

Staff Contact: Charles Turner