

LRWRP UPGRADE CHARGE FREQUENTLY ASKED QUESTIONS

When was the Lompoc Regional Wastewater Reclamation Plant (LRWRP) upgraded?

On November 17, 2009, Vandenberg Village CSD joined the city of Lompoc in celebrating the dedication of the LRWRP upgrade project. VVCSD has capacity rights to 16.18% of the LRWRP and a contractual obligation to pay that percentage of the LRWRP upgrades. VVCSD's share of the \$115 million project is approximately \$20 million, payable over 20 years. This effectively doubled our wastewater operating budget. Prior to the implementation of the monthly \$30.12 LRWRP Upgrade Charge, VVCSD took measures to minimize the impact of the project on its ratepayers. Details can be found at:

<http://vvcasd.org/pdf/inserts/2010/LRWRP2010.pdf>

Why was the LRWRP upgraded?

On May 18, 2001, the State of California Central Coast Regional Water Quality Control Board issued Order No. 01-87 which required the City of Lompoc to bring the LRWRP into compliance with updated waste discharge standards.

http://www.waterboards.ca.gov/centralcoast/board_info/agendas/2004/sept/item16/item16_attach3.pdf

What is the LRWRP Upgrade charge?

The LRWRP Upgrade Charge covers District expenses related to the LRWRP upgrade project. This includes the annual \$742,558 payment for our share of the State Revolving Fund (SRF) loan used to fund the upgrade project, our contractual obligation for any capital expenditures performed on the plant, and a portion of our depreciation expense related to the asset.

Is this a new charge?

No. The LRWRP Upgrade Charge was established in 2007 when the project began. The current charge of \$30.12 per month was adopted in 2010 after the project was complete and the final cost was known.

<http://vvcasd.org/pdf/inserts/2007/Prop218Notice.pdf>
<http://vvcasd.org/pdf/inserts/2010/LRWRP2010.pdf>

Is the LRWRP Upgrade charge being increased?

No. If approved by the VVCSD Board of Directors, the \$30.12 per month charge would be annualized and placed on the tax roll.

\$30.12 x 12 months = \$361.44

<http://vvcasd.org/uploads/8/6/9/0/86900974/notice-lrwrp.pdf>

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Will the LRWRP Upgrade charge increase in the future?

Because the SRF loan payment amount is fixed through 2028, VVCSD does not anticipate any changes to the LRWRP Upgrade charge. This fact was one of the many factors behind staff's recommended change in billing process.

Will the LRWRP Upgrade charge increase as my property value increases?

No. The LRWRP Upgrade charge is a fixed charge, not part of the ad valorem property taxes.

If my monthly bill goes down for the LRWRP Upgrade charge, won't it just go up somewhere else?

VVCSD is a not-for-profit government agency. Our monthly rates are based on our annual budget and the resultant revenue requirements. As expenditures increase, rates may also increase. However, VVCSD must demonstrate a relationship between the rate and its anticipated use.

http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CONS§ionNum=SEC.%206.&article=XIII%20D

The notice states that the Board may adopt or revise the charges and penalties at the August 1 meeting. Does this mean that the amount may increase at the meeting?

No. The VVCSD Board of Directors cannot increase the fee beyond the amount stated on the notice.

When will the LRWRP Upgrade be paid off?

The SRF loan will be paid off in July 2028. Other LRWRP expenditures may continue beyond that date.

Why are you moving the LRWRP Upgrade charge from the VVCSD bill to the property tax bill?

There were many factors that led to the staff's recommendation to the Board of Directors that the billing process be changed.

- The SRF loan payment is a fixed amount through 2028 and the expenditure is similar to a municipal bond payment.
- It has the added benefit of lowering the monthly bill to customers without increasing their annual cost. Some customers may also be able to deduct the expense on their Federal Income Tax Return.
- It also simplifies the process for both VVCSD and City of Lompoc staff because we can pay the SRF loan payment on the same cycle as the city rather than split it into monthly payments.

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Is the LRWRP Upgrade charge tax deductible?

The LRWRP Upgrade charge is not tax deductible as presented on the monthly VVCSD bills. However, for some customers, it may be deductible if billed on the annual property tax statement.

https://www.ftb.ca.gov/individuals/Real_Estate_Tax_Deduction/index.shtml

My tenant pays the water bill, why am I receiving this notice?

If the VVCSD Board of Directors approve the change in billing process, the property owner will be responsible for paying the LRWRP Upgrade charge with their property taxes. As a rental property expense, this may be tax deductible.

Why do I have to pay the LRWRP Upgrade charge when my property is vacant and water service is off?

The property's connection to a sewer system, as opposed to a septic system, is a property related benefit that is borne by all property owners.

I am a 100% disabled vet and am exempt from property taxes, would I still pay LRWRP Upgrade charge?

Yes. The LRWRP Upgrade charge is a fixed charge, not part of the ad valorem property taxes for which you are exempted.

If I don't pay my property tax bill, will VVCSD put a lien on my property?

No. VVCSD cannot put a lien on the property for an unpaid property tax bill. That would be the responsibility of the County of Santa Barbara. However, Government Code §61115(c) allows VVCSD to place a lien on the property for unpaid water and/or wastewater bills. The process is onerous so the provision has not been implemented but it is an option.

http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=61115.

The meeting is August 1, 2017 but the notice states that the charge starts in July 1, 2017. How is this possible?

The VVCSD fiscal year runs from July 1 through June 30 and we collect \$361.44 each fiscal year from each residential customer to pay the LRWRP Upgrade expenditures. To comply with this annual requirement, we were required to list the annual amount in our notice. The County of Santa Barbara mails property tax bills in October. Therefore, VVCSD will continue to bill \$30.12 on the monthly bill in July, August, and September. In October 2017, the charge will drop off of the VVCSD bill and a prorated amount for nine months (\$271.08) will appear on the Santa Barbara County Property Tax Notice. In October 2018, the amount on the Property Tax Notice will be for the entire 12-month period (\$361.44).