

IMPORTANT MESSAGE ON MANDATED SEWER SYSTEM REPLACEMENT COSTS AND RATES

You can act to reduce your cost now!

Dear Resident,

As you may know, the City's wastewater system is over 50 years old and no longer meets the treatment standards mandated by the State of California. The City has no choice but to replace it now or pay heavy fines until it is replaced. The replacement cost is estimated in the \$12 million range. The City will pursue the maximum amount of State and Federal grants in order to minimize the impact on Rio Dell residents.

The most likely scenario for us is to be granted up to 50% of the cost from State and Federal grants with a 3% loan for the balance. Obviously individual rate payers will be responsible for the local cost not covered by outside funds. The City Council recognizes that this will be a hardship on many individuals and households and is committed to meeting our legal requirement at the least possible cost.

The present basic monthly rate for wastewater services per household is **\$60.13, which could jump to \$75.30, a 25% increase** based on a local share of cost noted above. However, there is a way to actually eliminate the need for a rate increase and perhaps to even reduce the present monthly rate, and that is through sharing the cost of the new system with neighboring Scotia who also has an old system and faces issues with the State regarding compliance.

A regional solution would benefit the residents of both communities because the local cost is spread amongst a larger number of households. **Under annexation and the scenario noted above new monthly sewer rates would be \$63.67, if we shared the cost. This could save a household \$140 per year!** Annexation could save everyone, residents and businesses, more than \$254,000 per year. This option is only possible under the City's annexation proposal. For the 800 future residents of Scotia who may be facing the replacement of an aging existing plant on their own, the cost savings to them is very significant, in the range of \$10 million dollars. So, annexation and a regional solution for wastewater systems makes sense!

On September 15th at 9 am a public hearing will be held by the Humboldt Local Agency Formation Commission (LAFCo) in the Eureka Courthouse, Board of Supervisors Chambers, 825 Fifth Street, to decide if Scotia will be established under a Community Services District (CSD) or annexed to the City. If LAFCo approves the formation of a CSD, then Scotia will pursue their own wastewater system solution later after the developer leaves town, and there will be no opportunity for residents of either community to take advantage of a shared facility. **Your voice can make the difference of paying more or less.**

Annexation also saves taxpayers money by sharing costs of administration, public safety, fire service and any number of other services.

If you are interested in this topic and want more information before the September 15, 2010, LAFCo meeting, the Rio Dell City Council has scheduled a public meeting on September 2, 2010, at 7 pm at the Middle School multi-purpose room to share information and answer questions. The City Council supports annexation because it benefits residents of both communities.

For more information on projected sewer rates, scenarios and the benefits of annexation, one can also visit the City's web site at www.riodellcity.com.

Help us reduce the cost of sewer service. Support annexation and attend the LAFCo meeting on September 15th.

Rio Dell City Council,

Julie Woodall, Mayor

6 Scenarios for Possible Sewer Rate Changes

The following are 6 scenarios projecting possible rate structures needed to finance the new Sewer Facility and Effluent Disposal Project. The scenarios are based on a range of assumptions. As more information becomes available these rates will be subject to modification.

Scenarios	Monthly Cost Per EDU		
	Current City of Rio Dell	Projected City of Rio Dell	Projected City of Rio Dell with Scotia Annexation
Scenario 1. Low Depreciation Funding & Capital financing with 0% interest rate	60.13	69.27	59.33
Scenario 2. Low Depreciation Funding & Capital financing with 3% interest rate	60.13	75.30	63.67
Scenario 3. Partial Depreciation Funding & Capital financing with 0% interest rate	60.13	72.45	61.62
Scenario 4. Partial Depreciation Funding & Capital financing with 3% interest rate	60.13	78.48	65.96
Scenario 5. Fully Funded Depreciation & Capital financing with 0% interest rate	60.13	80.66	67.53
Scenario 6. Fully Funded Depreciation & Capital financing with 3% interest rate	60.13	86.70	71.87

The City Council is NOT considering a change in rates at this time. However, a rate increase will be necessary in 2011 in conjunction with the financing of the new sewer system unless annexation occurs now.

Why is annexation better than CSD formation?

In one sentence annexation will provide a higher level of service at a reduced cost to both communities!

1. Rio Dell can provide the full range of municipal services immediately.
2. The cost of government to residents of both communities will be much less under annexation. The CSD unnecessarily duplicates the City's costs.
3. Scotia residents will have use of a new, compliant, sanitary sewer system to be constructed in 2011.
4. Scotia residents will not have to address the cost of replacement of their existing system in the future at a cost of approximately 10 million dollars.
5. The Scotia sewer outfall in the Eel River, located upstream from the Rio Dell water intake, will be removed thereby eliminating the possible contamination of Rio Dell's water supply.
6. Annexation would result in one fire service serving both communities more effectively and cost efficiently.
7. One larger city is more financially sound over the long run and better able to address the needs of the citizens.
8. Local public safety for Scotia provided by an expanded Rio Dell police department.
9. Annexation does not propose to assess additional property taxes to pay for services as does the CSD.

Support Annexation and Lower Sewer Rates

Attend the LAFCo meeting on September 15th at 9 am in the Eureka Courthouse Board of Supervisors Chambers.

This is **your** opportunity to potentially lower your cost of sewer by 15% or \$140 per year!