

# Questions and Answers from the August 2006 Public Meeting

## CONSTRUCTION ASPECTS OF THE WASTEWATER PROJECT

### 1. Will construction go up both sides of the lake at the same time?

Yes, we'll start with the areas closest to the lagoon (Main Game & Parks Campground, Bullhead Point & Wade Addition on the East side; and Sandy Point & Mallard Beach, Sec 5, 6 & 7, on the West side) and gradually work our way up both sides at the same time.

The contractor would like the construction path to be clear of all items this fall from the Inlet Canal south on the West side and from Merriweather Addition south on the East side.

### 2. How will you go about getting easements from the homeowners whose land is needed for the general parts of the sewer system, including the sewer collections mains and the pump stations?

Easement forms are currently being prepared by the engineers and the SID. During the coming weeks, the SID will work directly with leaseholders to get them signed; either by mail or personal contact. The easement forms must be signed in the presence of a Notary Public and one complete signed and notarized set returned to the SID Clerk at 75102 Johnson Lake Drive, Johnson Lake NE 68937-2273.

### 3. Is the homeowner responsible for working with the utility companies to make sure our existing utilities know when to turn off the service? How long will we be out of utility service?

The contractor will be responsible for coordinating the construction process with the various utilities. We'll keep you informed of when your utilities will be temporarily shut off. It's our intention to have utility service suspended for no more than a half day for each home.

Homeowners are requested to mark/flag

their lawn sprinkler heads in advance of construction for their property's hookup. Also, if you know where additional electrical lines are buried, for example from your house to your dock, please tell the contractor about this, too. More detailed information will be coming as we get closer to construction time for your area.

### 4. Will you fix up the surface land that is damaged and return it to its original state?

Yes, the contractor will make every effort to return the property to its original condition. Home owners are encouraged to move plants and shrubs out of the construction path in advance and notify the contractor of any known buried utility lines that might be in the construction path.

### 5. What if the dirt over the trench you dig starts to settle? Do you have a warranty to make sure it's fixed for the long term?

The contractor is responsible for two years after completion, so you should notify the engineering representative immediately if you notice settling.

### 6. I have my own backhoe. Can I dig my own trench for the connection to my house?

All sewer work needs to be done by the SID's general contractor so that the work is done consistently, in a timely manner, and is in conformity with the construction standards specified in our bid letting and required by the DEQ and HHS.

### 7. What is your procedure for getting rid of the septic tank?

The procedure we will follow is in accordance with the guidelines issued by the Nebraska Department of Environmental Quality. The contractor



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will first pump out the contents of the septic tank and then fill it with sand or gravel, to prevent the tank from collapsing in the future as the tank will be left in place.

**8. Why did you have to purchase so much land for the lagoon when you're only using the northern part of it? Please show us the analysis you did of the various parcels of land you considered for the lagoon and maintenance building.**

The land purchased for the lagoon and maintenance building was the most suitable of the three primary sites out of the six initial sites that we considered both from a construction feasibility analysis and from an overall cost aspect. It was the lowest in elevation from

the lake, centrally located for better drainage access, and out of view to the traveling public.

Although the SID has condemnation powers, the Board was able to negotiate the purchase from the owners at a cost of \$270,000. The nine most recent prior farm sales in Gosper County averaged \$1,491 per acre overall, and \$1,876 per acre for irrigated land, which made the \$915 per acre negotiated for this lagoon tract very favorable.

The specific piece of land purchased was available only as a single unit; the owner would not sell only a portion. The SID will determine in the future if any of the land purchased is more than needed for future expansion.

## COSTS AND FINANCING

**1. I still don't understand the difference between costs allocated to special assessments (which appear to be roughly 66% of the overall project cost) and costs allocated to general obligation of the project. What exactly are the costs associated with the special assessments?**

Understanding this can be somewhat challenging! Much of the way costs are allocated is governed by state statutes for SID's. The PowerPoint slide shown at the meeting has helpful definitions.

The General Obligation (GO) portion is applicable to those portions of the project costs that are common to all and can't be tied to specific benefits for any individual lot. For example, the lagoon treatment facility, the maintenance building and associated items, the land they are on, the force mains and lift stations needed to move the sewage to the lagoon site, and the creation of a sinking fund for replacement needs are all part of the items considered common to all by state statutes.

The Special Assessment portion is that which directly benefits a given piece of property. It is made up of two parts: first, a proportionate share of the total gravity collection main system running by all of the lots and second, the portion that is necessary in order to connect to each individual lot.

- This portion includes pumping the tank(s), decommissioning the septic tank(s), attaching the lot's

service to the sewage main, adding one or more new clean outs, the length of line needed to hook up to the house or building, and restoration of the associated property.

- The estimated average special assessment shown at the meeting and presented in the slides, represents an average amount for both of these portions combined.

**2. Why does the assessment vary from house to house? Why will the property "benefits" differ so much? Why should I have to pay for the cost of repairing construction damage to my yard?**

Each property, business or private home, has its own unique features. In some cases, the hookup to the house is close to the collection main; in other cases, farther away. In some cases, there is an easy, straight line to the hookup; in other cases, the line may need to bend to accommodate pre-existing features. Features and construction obstacles, such as driveways, fences, sidewalks, flower beds, gardens and structures, also affect the cost of construction and therefore must be added to the individual assessment.

Ultimately, these individual hookup costs must be borne by the individual property owner rather than asking neighbors with simple, straightforward hookups to pay for the extra expense of neighbors with more costly solutions required for hookups.

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The most important item is to have each homeowner and business owner work closely with the JLET team and the contractor to inform us of any feature in your landscape that needs to be kept in mind when doing the sewer hookup.

**3. How will you calculate the interest rate on the special assessment financing? Why are you using an 8% figure if the SID is getting 3 ¾% money from the State Revolving Loan Fund?**

The interest rate on special assessments is set forth in Section 31-753 of the Nebraska Statutes which provides that all special assessments become due fifty (50) days after the date of the levy and may be paid within that time without interest. If not so paid, they bear interest until delinquent at the greater of (1) the rate of interest accruing on construction fund warrants registered against such district sixty (60) days prior to the actual levy of the special assessments or (2) the average rate of interest accruing on the construction fund warrants issued to pay for the improvements for which the special assessments are levied adjusted to the next greater one-half percent. The assessments become delinquent in equal annual installments over such period of years, not exceeding twenty (20), as the Board of Trustees determine at the time of making the levy. Delinquent installments bear interest at two percent per annum above the rate set by the district on installments before delinquency.

There is no specific interest provision for construction projects which are primarily funded through State Revolving Loan Fund as opposed to construction fund warrants. However, SID legal counsel will pursue the possibility of using a blended rate of interest on the special assessment installments.

**4. How is the interest rate calculated for the SID bonds?**

The interest rate on the SID bonds is determined by market conditions at the time the bonds are issued and will be set by the SID Board of Trustees, with the advice of the SID's fiscal agent. We have used an interest rate of 5% for the present estimates.

**5. Is the SID tax levy that we received this year a continuing thing? In other words, will we continue**

**to have to pay that in the future along with the addition of the SID tax levy for the project construction costs?**

The SID will continue to annually levy a tax on all assessable property within the district. This levy will be made in order to cover all costs of the SID which are not recouped through special assessments. This will include not only construction and related costs, but also operational costs incurred by the district.

**6. Why weren't we able to get any grant money? Is the SID being treated differently from municipalities?**

The SID board thoroughly investigated the possibility of getting grants from state or federal agencies to help with the cost of this project. An SID is eligible for the same means of financing as a village or a city. There is very little grant money available for wastewater projects; and is available only for entities with low median household incomes. The average median household incomes within Gosper and Dawson Counties are too high to qualify for any grants; and an insufficient number of local cabin/home owner income surveys were returned to establish otherwise.

**7. Is there any prepayment penalty for paying off the special assessment loan?**

No. You may prepay at any time. You can pay the full amount within fifty (50) days of the assessment without any interest. You may prepay remaining installments in any given year during which you have financed your assessment.

**8. When and how is the property's value taken into account? It seems like this project will increase the value of my property, which means my assessment will be higher.**

It is uncertain at this time as to exactly how this project will affect the lake's individual property values other than the fact that it will prevent values from deteriorating. Properties might not have been able to sell in the past because of the various potential septic system encroachments.

It is anticipated that property values will increase over

time, as most property values do. However, it should be pointed out that property values do not affect special assessments. Property values only come into play during the levying of property taxes.

**9. Who will send out the tax statements? Why are the Operation and Maintenance charges included in the tax statements?**

The County Treasurer will mail out all tax statements. The operation and maintenance costs for the wastewater system may be included in the general fund portion of the annual tax levy of the SID; or the SID may decide to establish a sewer use fee to pay for the operation and maintenance costs and then that charge will be sent out by the SID or possibly through a public utility.

**10. Does the assessment have to be paid off in order to sell my house?**

If you sell your house, the way you handle the remaining assessment will depend upon the agreement you make with the buyer, as it then becomes a negotiable item between the two parties.

**11. Why doesn't Central have to pay for this project, since they own the land? My lease is renewed each year; it seems like I'm paying for something that benefits Central.**

The leases state that the lessee must pay all general taxes and all special assessments levied against the property being leased. Central will pay for its share of the costs on those developable properties not being leased, as stated in the District Court ruling and upheld by the Nebraska Supreme Court.

**12. Please give us a breakdown of the items in the "other costs" category.**

These are the best estimates we have at this point for each of these items:

- Feasibility Study \$ 268,600
- Survey, Soils, Wetlands & Endangered Species \$ 122,000
- Land purchase \$ 271,000
- Engineering Design \$ 977,000

- Legal Services, including easement work \$ 702,400
- Construction Observation and Resident Project Services \$ 960,000
- Post-Construction Services, Operations and Maintenance Manual, Expenses, Special Assessment Plats \$ 185,000
- Fiscal and Interest \$ 196,000
- Contingency Reserve \$ 201,500
- Estimated Total \$ 3,883,500**

**13. What provisions have you made for cost overruns?**

We have a contingency account set up, as indicated above. We have allocated some of that so far towards the necessary facilities and equipment. The JLET team and the contractors use very detailed project management tools in order to track costs and be as efficient as possible. However, if final costs exceed the amount estimated, an appropriate adjustment will have to be made to the amount of money borrowed to pay for the project.

**14. How many bidders did you have on the maintenance building? How did their bids compare?**

There were three bids on the maintenance building during the final letting, ranging from \$238,250 to \$344,500. T L Sund Constructors of Lexington had the low bid and was awarded the contract.

**15. Are interest payments on the special assessments tax deductible?**

Generally, special assessments are not tax deductible. However, you should check with your tax adviser regarding interest payments.