



KANE COUNTY WATER CONSERVANCY DISTRICT

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May 19, 2008

Long Valley Estates Property Owner

Re: Water Improvement District System – Ballot Enrollment Forms and Payment Information

Dear Property Owner:

At the request of property owners in the Long Valley Estates Subdivision (POLVES) and the Long Valley Estates Water Company (LVEWC), in 2007, the Board of Directors for the Kane County Water Conservancy District (KCWCD) approved an expenditure of funds to complete an engineering analysis to determine the requirements needed to bring the LVEWC System into compliance with the State Division of Drinking Water Standards. Currently, the LVEWC system (#UTAH13050) is not approved by the Utah Department of Environmental Quality. In addition, the defined service area does not include all of the Long Valley Estates Subdivision. Some of the health issues cited in the Public Water System IPS Report include taste/odor complaints, unapproved source protection, and well security/safety concerns. In addition to the concerns outlined in the IPS Report, several major facilities issues exist with the current system that do not comply with the Division of Drinking Water rules regarding construction design and operation. A sample of these deficiencies is listed below:

- The existing well does not provide the required source capacity for the service area.
- The existing 4" water lines do not meet the 8" minimum pipe size requirements and are not buried deep enough to prevent freezing in winter months.
- The existing lines do not allow for required fire flows to the existing service area.
- The 26,000 gallon water tank will not supply adequate storage capacity.
- No water treatment facility exists to address problems associated with stagnant water.
- Failure to take routine bacteriological monitoring
- UAC R309-210-5 Major bacteriological routine monitoring violation in 2006

The engineering study recommends that due to the extensive work that would be required to correct the Utah Department of Environmental Quality issues listed above, and to adhere to the Division of Drinking Water rules, that the existing LVEWC water distribution system be abandoned and that a new replacement system be constructed. Over the past year the KCWCD has provided the services of our certified operator to make sure that the standard bacteriological tests were taken on the system. During his time, we have also been in close contact with various staff and the director of the Division of Drinking Water, assuring them that we are working closely with the owners of the existing system to come into compliance with the State Drinking

Water rules and regulations. This is a temporary fix to the problem and will not be continued beyond FY 2008 if an agreement with the water systems owner and lot owners cannot be reached concerning this system. The following describes what I believe is the solution to the problems that exist with the system, which only requires your approval to move forward.

Phase I construction of a new water system would involve the placement of approximately seven miles (39,000 feet) of 10", 8" and 6" PVC C-900 and Ductile Iron pipe, construction of a 250,000 gallon concrete storage tank at an elevation which will provide the desired water system pressures and fire protection to the area, drilling and construction of a new deep well with state approved protected aquifer status, and a modern hypo-chlorination facility. The pipe will be buried to a depth of six feet to eliminate the possibility of winter freezing. All of the tanks, wells, chlorination systems, as well as the control valves and other facilities will be interconnected by a modern Supervisory Control and Data Acquisition (SCADA) System providing the certified operator with remote access and operation as well as protection against illegal tampering with the system from unauthorized persons. All individual lot meters will be constructed with radio controls for automated readings of water usage. Fire hydrants will be installed per code at prescribed intervals. All lots in the Long Valley Estates Subdivision would be included in the expanded service area.

During the past seven years, the KCWCD has responded to the need for clean reliable year-round culinary water on Cedar Mountain. The District has also responded to the need for fire suppression water that has helped to reduce insurance costs for homeowners. At the present time, the KCWCD is delivering water to over 2,300 service connections on Cedar Mountain. KCWCD has demonstrated the ability to secure the grants and loans necessary to construct a new water distribution system that will meet Utah State Standards. Based on preliminary positive feedback from the owners of the LVEWC, numerous Long Valley Estates lot owners, and other private property owners in the area, in 2007 I instructed our engineering firm to develop plans and specifications and provide our KCWCD Board of Directors with preliminary cost estimates to supply year-round culinary water to the Long Valley Estates Subdivision. In addition, I made an application to the Rural Utilities Service, and the Utah State Division of Drinking Water for a grant and low interest loans to complete the project.

Over the past year, the KCWCD has been in contact with the owners of the LVEWC, the developer of the subdivision, many of the lot owners, and many surrounding property owners. Working with the owner of the LVEWC, we have been asked to notify each lot owner in the Long Valley Estates Subdivision with the projected overall and individual cost for participation in the new system. It is also important that we call for a vote of the lot owners for approval or disapproval of the proposed build-out. The cost estimate includes a component for the fixed fees

per connection for the property owner as well as a cost component that KCWCD will absorb in the way of grants and low interest loans. The preliminary engineering report indicates a total cost for the new system of approximately \$4,500,000.

On each of our past projects, through the approval of grants and low interest loans, and matching KCWCD tax monies, we have been able to keep the connection fees and impact fees low enough to be attractive to the various water companies. Without the grants and loans and KCWCD tax monies, the costs per lot owner would approach \$21,000/lot (based on 220 connections). This number would go much higher if all of the lot owners do not participate. As I stated above, we have preliminary approval from the United States Department of Agriculture, Rural Utility Service (RUS) and the Utah Division of Drinking Water for grants and low interest loans to complete this project. The approval of the Long Valley Estates lot owners is all that is needed to move forward. If there are a high percentage of lot owners in favor of the project, we could expect to break ground by mid-summer and hopefully finish construction of the system by late fall of 2008. Based on the projected costs to construct the new system and accounting for the RUS loan/grant, and the Division of Drinking Water loans and grant, the KCWCD Board of Directors has agreed to offer Long Valley Estates Lot Owners a connection to the new system in exchange for the following assets and fees:

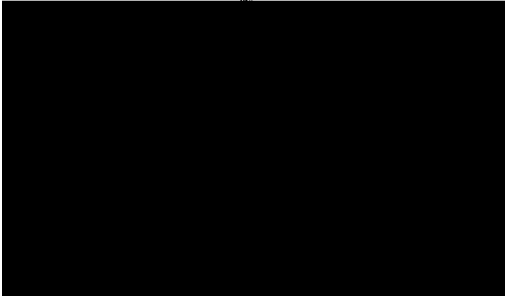
1. One time **Impact Fee** of \$6,000: Will be used to defray approximately 10% of the cost of the new \$4.5 million dollar system (i.e., wells, storage tanks, etc.)
2. One time **Connection Fee** of \$1,500: This is strictly a pass through cost to pay for the installation of a frost-free meter box, piping, and a radio read 5/8" X 3/4" badger meter (standard residential meter) to your property line. (Larger commercial meters will cost more.)
3. One time **Water Right Fee** of \$1,250: This additional fee is only for those lot owners who do not transfer a minimum of .25 acre/ft. of water rights to the KCWCD. Lot owners who are a part of the LVEWC (Lynn Overtree's company) will not be required to pay this fee as she is deeding all of the water rights in that company to the district.
4. Ongoing **Monthly Fees**: A residential fee of \$15.00/month for a 12-month water system. In order to keep these monthly fees low, the \$15.00/month charge does not come with any fixed amount of water; it only entitles the user to purchase water on a \$2.00 per 1,000 gallon basis for the first 15,000 gallons of use each month - which is more water than 99% of residents use in the Cedar Mountain area. If you go over the 15,000 you will be charged \$2.25 for the next 5,000 gallons and then \$2.50 per 1,000 for anything above 20,000 gallons per month. Meters will be read monthly and residents will be billed on a monthly basis. **To reiterate, you will be billed a \$15.00/month charge regardless of**

water use.

5. The KCWCD will finance 80% of the total fees of either \$7,500 (with water right) or \$8,750 (no water right) with 20% down at 6% interest over a 10-year period. The down payment for \$7,500 will be \$1,500 with monthly payments of \$66.60. The down payment for \$8,750 will be \$1,750 with monthly payments of \$77.70. Low-income homeowners on fixed incomes that can demonstrate a verifiable need can present that evidence to the KCWCD Board of Directors for further consideration of additional financing options. If you take advantage of the finance option there will be a lien placed on your property until the note is satisfied. If you sell or transfer title to your property, the note will become due and payable at the time of the transfer or sale.
6. Existing water rights must be transferred to KCWCD by the lot owner. The LVEWC has agreed to transfer to the KCWCD all of their water rights along with the sources of water supply, existing facilities, funds, and any easements, rights-of-way, property, or other assets required by the KCWCD to construct, operate, and maintain the new facility.

In order for the KCWCD Board of Directors to continue with the planning for your new system, we need assurances that the Long Valley Estates Lot Owners are supportive of the KCWCD taking over the system. In the past the board liked to see a super-majority (75% or more) of the lot owners vote in favor of the new system before more funds are committed to the project. I am happy to report that of the 15 companies that we have assimilated into our system, property owners responded to our offer with over 90% support. **However, there is no intent on the KCWCD Board of Directors to force any company/membership on the new system. We are merely responding to a need and request for services.**

Please review this proposal and then make a selection **for or against** joining with KCWCD by returning the signed and dated enclosed ballot to the KCWCD with the appropriate box checked before June 15th, 2008. **Your name and lot number will be included on the ballot.** A ballot is enclosed for each lot that you own. If there is a change of ownership or address for the ballots enclosed, please note it in the space provided. **Only those that vote for or against the new system will have a voice in the outcome.** As stated above, we have received a great deal of support and encouragement from your Board and from many owners in the Long Valley Estates Subdivision. If you own more than one lot you only need to pay the appropriate fees for those lots you want water service on. If you own multiple lots and decide not to put a meter on every lot at this time, but decide at a future date to install a meter, you can expect to incur additional costs due to inflationary pressure, re-mobilization, and increased water right costs. In the future, water rights will not be transferable, but must be purchased from the KCWCD.



In conclusion, we only expect each lot owner to vote for or against the proposal as presented. If a substantial majority of the voting owners votes yes, the KCWCD will proceed with the project. If a majority of the voting owners votes no, we will reevaluate the project. **In other words, it is for the Long Valley Estates lot owners to decide for themselves if they want the KCWCD to provide them with water.** As stated above, we anticipate starting the work on the system this summer and having all of the work completed by late fall of 2008. I know this is a long and detailed letter, but I have tried to answer all of the questions that have previously come up in the past with other water company members and lot owners. If you still have questions, please contact our office at the phone numbers or e-mail address listed above or contact a member of your Board of Directors. A copy of this letter with additional frequently asked questions will also be posted on our website at www.kcwcd.com.

The Long Valley area is a beautiful part of Kane County. I firmly believe that the proposed new culinary water system will add reliability and value to your property, and with increased fire protection it should reduce your insurance costs. I encourage you to review this letter carefully and then decide for yourself the best direction to take for your Water Company and subdivision. If we build the new system in 2008, we will make sure that you have uninterrupted road access to your property during the summer and every effort will be made to keep existing water connections in operation until the new system is functional. The KCWCD is a Municipal Public Corporation organized under the laws of the State of Utah. The seven member Board of Directors is accountable to the taxpayers in the county and has oversight by the Kane County Commission. The pending loans are approved and monitored by the United States Department of Agriculture Rural Development Administration and the Utah State Division of Drinking Water. Please take the time to review the information in this letter and then return your ballot as soon as possible.

We look forward to serving you!

Sincerely,

Michael Noel
Executive Director

Enclosure: Ballot(s)