

# CAPITOLA SOQUEL TIMES

COMMUNITY NEWS THAT MAKES A DIFFERENCE

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Serving Central Santa Cruz County

## Michael Olson named 2012 Al Smith Friend of Agriculture



Michael Olson

Broadcast Personality and Speaker for Agriculture Presented Award

The 2012 Al Smith Friend of Agriculture award was presented today to the Michael Olson who is an award winning broadcast personality and speaker. The award was presented at the Santa Cruz County Farm Bureau and Agri-Culture's National Agriculture Day Spring Luncheon held at the Codiga Center & Museum located at the Santa Cruz County Fairgrounds. This year's presenter was Laura Tourte, Director, University of California Cooperative Extension Service, which was the 2011 award recipient.

Al Smith was the founder of Orchard Supply Hardware and donated 3,000 acres (Swanton Pacific Ranch) on our north coast to Cal Poly. The ranch has row crops, timber and even a one-third-scale railroad, which was Al's hobby. This is why the award is on a piece of redwood with a train depicted on it. The award is presented annually to an individual, business or organization not involved in production agriculture but has done much for the industry.

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Will Santa Cruz, Capitola, Soquel and Aptos areas support Desalination?

Water Wars — Part 2

## THE ECONOMICS OF DESALINATION FOR SANTA CRUZ COUNTY

By Noel Smith

In part one of Water Wars — The 'Why' of Desalination for Santa Cruz County — a summary of the reasons for considering desalination in order to provide a sustainable and reli-

able water supply for our area — even under drought conditions — was presented. (find it at [www.tpgonlinedaily.com](http://www.tpgonlinedaily.com))

However, it isn't enough to just find rational justification for a public project; two other hurdles must be cleared, cost and

the effect on the environment. Cost of the scwd2 desalination project includes both the cost to build, and the cost to operate.

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### Cost of Construction

As the proposed start of the actual construction of the

project is eight to ten years in the future, final figures have to wait until the go ahead is given and construction bids are received. Here are the current estimates:

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"Water Wars Part 2" from pg 1

- \$2M:** Permits (city, county, state and federal)
- \$60M:** Cost of the 2.5 million gallon-per-day seawater desalination plant
- \$22M:** Cost of the seawater intake
- \$12M:** Cost of Infrastructure (Includes the connecting pipeline between the Santa Cruz Water Department and the Soquel Creek Water District – The seawater pipeline from ocean intake to desal plant – Desal plant's brine disposal pipeline to the municipal wastewater treatment plant)
- \$4M:** (Rough estimate) Other costs include property acquisition, staff/project management, environmental support, legal support, etc.).

**Estimated Total = \$100 Million.**

Because this is the first major municipal desalination project on the West Coast in 20 years, the total cost may rise by another 20 to 30 percent due to regulatory requirements at all levels of government.

A current estimate used by scwd2 for planning purposes of the total project cost is approximately \$115 million.

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**Paying for Construction**

The \$115M cost of the project's construction will be shared between the Santa Cruz Water Department, which will be responsible for 59 percent (\$68M) and the Soquel Creek Water District responsible for 41 percent (\$47M).

Both the Santa Cruz Water Department and the Soquel Creek are looking at financial mechanisms and models to independently fund their portion of the desal project.

According to Piret Harmon, Administration and Finance Manager, Santa Cruz Water Department, the department has two capital project/contingency funds. One of approximately \$30M collected from its rate fees and \$7M collected from its connection fees. A portion of both funds would be available for building the desalination project. Harmon estimates that the two funds could provide the Santa Cruz Water Department's portion of the construction costs.

Both the Santa Cruz Water Department and the Soquel Creek are looking at financial mechanisms and models to independently fund their portion of the desal project.

lar contingency (\$14.9M) and capital improvement (\$12.4M) funds, portions of which would be available to help fund construction.

There may also be government grants available at the time of construction to help pay for the project. However, this will probably depend on the state of the economy at that time.

General Manager of the Soquel Creek Water District, Laura Brown, said that part of the funding of the project for the Soquel Creek Water District could be either through the selling of revenue bonds, or through low-cost State Revolving Fund (SRF) loans both of which will be paid back though the revenues collected from rate payers.

**Cost of Operation**

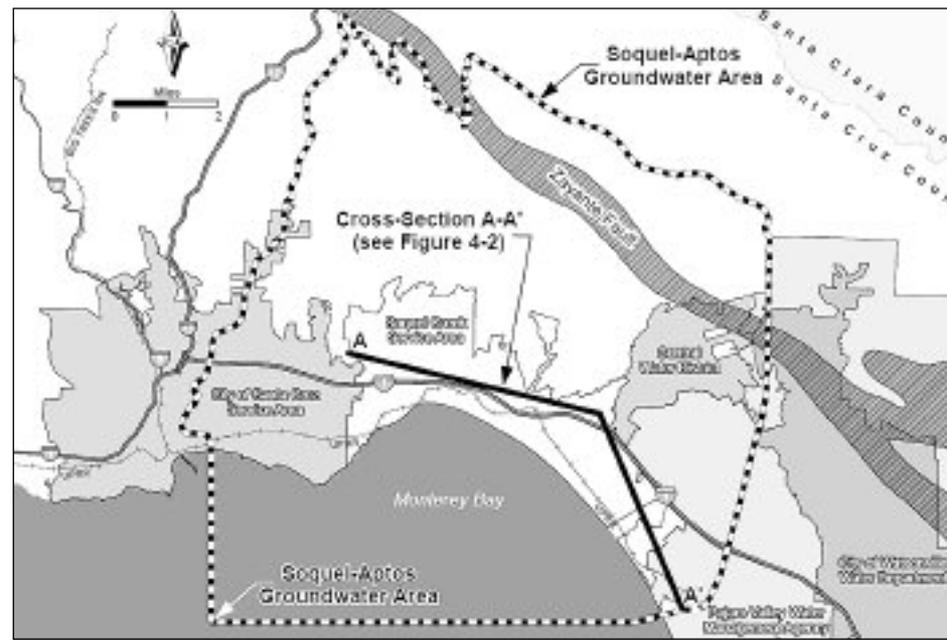
The cost of operating the desalination plant, according to Harmon, is estimated at \$3M per year, which will be allocated depending on which entity is using the water. The Soquel Creek Water District will be paying for the plant's operation during the wet winter months while the Santa Cruz Water Department will be covering the cost of operation during the dry portions of the year when they have first priority and are using the water.

Initial estimates provided by Harmon show that the average split for operating the plant over a 6-year period between the two water providers is \$500,000 per year for the Santa Cruz Water Department and \$2.5M per year for the Soquel Creek Water District.

Because the Santa Cruz Water Department has first priority on the water produced by the desalination plant, they are providing 59 percent of the cost of construction. However, because they only will be using this water on an as-needed basis, i.e. dry periods, they will be paying an estimated one-sixth of cost to operate the plant. The Soquel Creek Water District will be using most of the plant's output so will be paying an estimated average of five-sixths of the operating cost.

**Cost to Consumer**

According to a presentation made by Harmon to the Santa Cruz Neighbors on February 21, the estimated increase in water costs contributed to desal in a single-family residential water bill from the Santa Cruz Water Department will be about \$5 per month. This will include both its por-



tion of the capital cost to build and the cost of operating the plant.

At the April 3 board meeting, the Soquel Creek Water District staff will be presenting to its Board of Directors a financial analysis of the additional cost added to its customer's water bill for the District's portion of the cost of construction and operation of the proposed desalination plant. The meeting will start at 7 p.m. at the

District Office, 5180 Soquel Drive, Soquel, California. For a copy of the April 3 agenda and Board Packet visit the district's website at [www.soquelcreekwater.org](http://www.soquelcreekwater.org).

Coming soon, Water Wars – Part 2a: Cost to Soquel Creek Water District Customers  
 Water Wars – Part 3: Effect on the Environment • Energy and Water Conservation

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