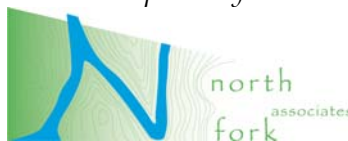


**Final
Newcastle Sanitary District
and
South Placer Municipal Utility District
Municipal Services Review**

Prepared for:

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ACRONYMS

adwf	average dry weather flows
EDU	Equivalent Dwelling Unit
gpm	gallons per minute
LAFCO	Local Agency Formation Commission
mgd	million gallons per day
MSR	Municipal Services Review
MUD	Municipal Utility District
NSD	Newcastle Sanitary District
pwwf	peak wet weather flow
SACOG	Sacramento Area Council of Governments
SOI	Sphere of Influence
SMD	Sewer Maintenance District
SPMUD	South Placer Municipal Utility District
SPWA	South Placer Wastewater Authority
WWTP	Wastewater Treatment Plant

CHAPTER 1 EXECUTIVE SUMMARY

Overview of Municipal Service Review Process

The Local Government Organization Act of 2000 governs city and special district boundary changes and reorganizations. The Act requires the Local Agency Formation Commission (LAFCO) in each county to conduct a Municipal Service Review (MSR), through which LAFCO can assess the ability of local government agencies to effectively and efficiently provide services to residents and users. LAFCO may use studies prepared through the MSR process to make reorganization decisions that promote efficient public services, including decisions regarding updating the sphere of influence (SOI) for each local agency and decisions regarding consolidation and dissolution of districts.

Service Review Requirements

LAFCO has boundary authority over special districts and cities, but does not have authority over private entities. In accordance with Government Code §56425, LAFCO must conduct service reviews prior to or in conjunction with the mandated five-year schedule for updating SOIs for the agencies under its jurisdiction. Government Code §56430 stipulates that the service review report must include an analysis of the issues and written determinations for each of the following:

- Growth and population projections for the affected area;
- Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies;
- Financial ability of agencies to provide services;
- Status of, and opportunities for, shared facilities;
- Accountability for community service needs, including governmental structure and operational efficiencies; and
- Any other matter related to effective or efficient service delivery, as required by commission policy.

This MSR will be available for use by LAFCO, the County, cities, special districts, and the public to better understand how wastewater collection and treatment services are provided within the study area. The MSR will be used by LAFCO to evaluate the proposed dissolution of the Newcastle Sanitary District (NSD) and annexation of areas currently served by NSD to the South Placer Municipal Utility District (SPMUD) service area.

LAFCO may also use the information in this service review in reviewing future proposals, and other entities as well as the public may use this report as a foundation for further study and analysis of issues relating to wastewater service within Placer County.

Service Review Process

A collaborative approach has been used throughout preparation of this MSR. Each wastewater service provider was initially asked to complete a service review questionnaire and provide supporting data for use in the analysis. The data was collected and forwarded to the consulting team for review; follow-up discussions were conducted where clarification and additional

information were needed. Each service provider was given an opportunity to review the administrative draft following LAFCO's initial review. Changes and comments were incorporated as appropriate in preparation for release of the Public Review Draft. The Public Review Draft MSR was considered at a regular hearing of the LAFCO Board of Directors on June 9, 2010. None of the comments provided in response to the Public Review Draft required further revision to the MSR. Correspondence that was received regarding the Public Review Draft is provided in Appendix A to this Final MSR.

Focus of this Municipal Service Review

This MSR considers two wastewater collection and treatment service districts within the central portion of Placer County - NSD and the SPMUD.

NSD provides wastewater collection and treatment services for the community of Newcastle. The service area covers approximately 470 acres and NSD currently serves 220 connections with a total of 285 equivalent dwelling units (EDUs). Wastewater is treated at the Newcastle Wastewater Treatment Plant (WWTP) located southwest of the town of Newcastle, north of Interstate 80 and south of Taylor Road. Treatment consists of aeration and oxidation. Effluent is chlorinated immediately prior to disposal through spray irrigation, which occurs year-round except when storm events are likely to occur or have recently occurred. In spring 2006, NSD experienced increased flows combined with rain of an extended duration. This caused both effluent storage ponds to reach flood levels, and the WWTP was required to irrigate the spray fields during the rain event to prevent overtopping of the ponds. The NSD treatment ponds do not meet current regulatory standards and must be closed or upgraded.

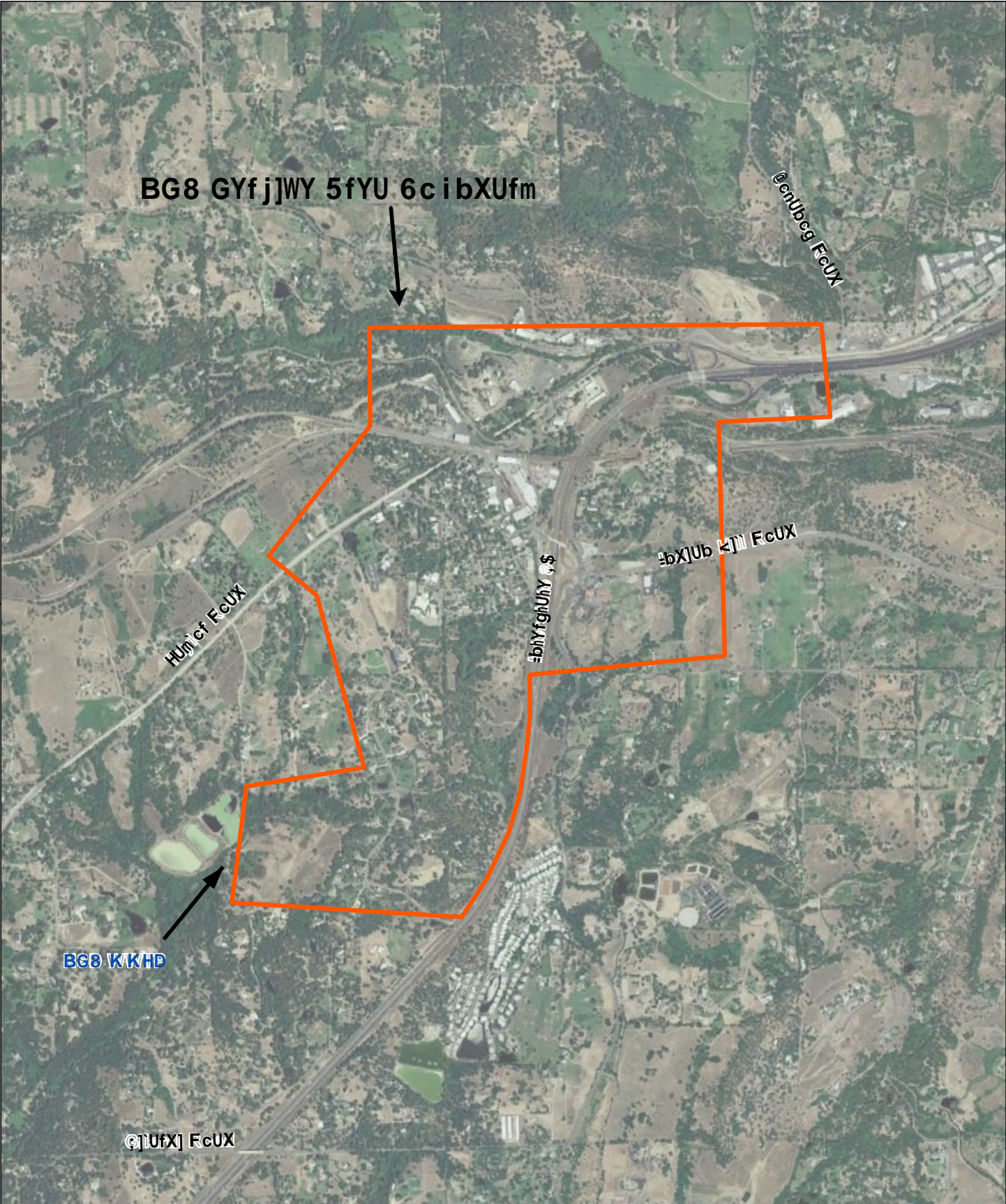
SPMUD provides wastewater collection and conveyance services in the communities of Rocklin, Loomis, Penryn, and portions of the Granite Bay area. Wastewater from the eastern portion of the SPMUD service area is conveyed to the Dry Creek Regional WWTP while wastewater from the western portion of the SPMUD service area is conveyed to the Pleasant Grove Regional WWTP. Both of the regional WWTPs are operated and maintained by the City of Roseville on behalf of the South Placer Wastewater Authority (SPWA), which is a joint powers authority formed by the City of Roseville, Placer County, and SPMUD. SPMUD has a service area of 18,560 acres and currently serves 29,666 EDUs. The collection system includes 247 miles of pipeline.

Maps depicting the service boundaries for each district are provided in Figures 1 and 2.

Regional Wastewater Treatment Systems and Issues

There are four wastewater service districts in the study area - NSD, SPMUD, and Placer County Sewer Maintenance Districts 2 and 3. As discussed above, NSD is a small district, serving 285 EDUs, and SPMUD is larger district, serving close to 30,000 EDUs.

SMD #2 has 118 miles of sewer pipe and five sewage pump stations. There are 7,016 EDUs served by SMD #2. SMD #2 collects wastewater from its customers and conveys the wastewater to the Dry Creek Regional WWTP in Roseville. SMD #3 has 16 miles of sewer pipe and three sewage pump stations serving 610 EDUs. SMD #3 operates a small WWTP. However Placer County is considering decommissioning that WWTP and consolidating SMD #3 with SMD #2.



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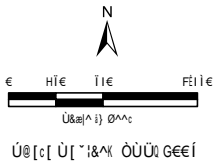
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NSD / SPMUD MSR

As noted above, the SPWA was formed as a joint powers authority between Placer County, the City of Roseville, and SPMUD to facilitate financing, operations, and maintenance of jointly shared trunk sewers and the Roseville Regional WWTPs. Through the SPWA, Roseville continues to be fully responsible for operation and maintenance of the treatment plant and the trunk sewers and the SPWA is primarily responsible for financing the facilities.

As part of the joint powers authority of the SPWA, SPMUD conveys sewer flows to both the Dry Creek and Pleasant Grove WWTPs, which are owned and managed by the City of Roseville. Each WWTP also receives sewer flows from a portion of the City of Roseville and from some areas within Placer County.

Although growth in the area has slowed in recent years, it is expected that the region will continue to grow. For example, under the Sacramento Area Council of Governments (SACOG) Regional Blueprint Scenario, the population of Placer County is expected to reach 642,000 by 2050. This is an increase of approximately 164,000 compared with the population in 2000.

In addition, water quality standards applicable to wastewater treatment services are expected to continue to become more stringent. Providing treatment for a growing regional population while meeting updated water quality standards will require ongoing capacity and treatment process improvements for all WWTPs in the area.

Additional Review Process Information

Additional background documents, such as previous sphere studies, are available from the LAFCO office:

145 Fulweiler Avenue, Suite 110
Auburn, California 95603
(530) 889-4097

In addition, information about this document's public review and adoption process are available at the LAFCO office as well as through the LAFCO web page:

<http://www.placer.ca.gov/LAFCO/LAFCO.htm>

Summary of Service Review Conclusions

As noted above, this MSR report must provide written determinations for each of six factors for each service district subject to review. The required analysis and determinations are provided in Chapters 2 and 3, and are briefly summarized below.

NSD

1. Growth and Population - the NSD service area is expected to grow by between three percent per year over a 20-year period and ten percent total.
2. Present and Planned Capacity - the NSD WWTP has sufficient capacity for the existing service area under dry weather conditions, but has exceeded capacity during significant storm events. The NSD WWTP does not have sufficient capacity for future development in the service area under wet weather conditions.

3. Financial Ability to Provide Services – While the NSD operates under a balanced annual budget, improvements needed to provide wastewater treatment that meets current water quality standards would likely require substantial expenditures that could represent a financial hardship for this small district.
4. Opportunities for Shared Facilities – no opportunities for shared facilities have been identified.
5. Accountability for Community Service Needs – NSD has a high level of accountability to the population within its service area. No opportunities for improving governmental structure or operational efficiencies under NSD have been identified.
6. Additional Discussions – the proposed dissolution of NSD and annexation of the NSD service area to the SPMUD service area would allow more effective and efficient wastewater treatment to be provided to the existing NSD customers. This action would slightly reduce the accessibility of service providers to the local community, making the existing NSD customers part of a larger service district. However, the SPMUD is also a local district and maintains a high degree of accessibility and accountability to its customers.

SPMUD

1. Growth and Population – the SPMUD service area is expected to grow by 9,098 EDUs in the near-term (12 to 15 years) and by approximately 21,000 EDUs under long-range development (20 years).
2. Present and Planned Capacity – the SPMUD wastewater collection and conveyance infrastructure has sufficient capacity for the existing service area under dry weather conditions, but sewer modeling shows exceeding capacity during significant storm events. The SPMUD wastewater collection and conveyance infrastructure does not have sufficient capacity for future development in the service area under modeled wet weather conditions. Specific improvements to provide the necessary capacity are identified in the SPMUD Master Plan. Additional refinement in the sewer model will be made to address the assumptions in the Master Plan.
3. Financial Ability to Provide Services – SPMUD is in sound financial condition to continue to provide wastewater collection and conveyance services.
4. Opportunities for Shared Facilities – no opportunities for shared facilities have been identified.
5. Accountability for Community Service Needs – SPMUD has a high level of accountability to the population within its service area. No opportunities for improving governmental structure or operational efficiencies under SPMUD have been identified.
6. Additional Discussions – the proposed dissolution of NSD and annexation of the NSD service area to the SPMUD service area would not impair service to existing SPMUD customers.

CHAPTER 2 NEWCASTLE SANITARY DISTRICT

Overview

NSD provides wastewater collection and treatment services for the community of Newcastle. The service area covers approximately 470 acres and NSD currently serves 220 connections with a total of 285 EDUs. Revenue for wastewater collection and treatment is derived from service charges and usage fees. The NSD is governed by a board of directors, which is comprised of five individuals elected from the community.

A map of the NSD service boundaries is provided in Figure 1, above.

Growth and Population

The NSD serves a residential community within an unincorporated area in the western portion of Placer County. The area is primarily zoned for single-family residential and agriculture, with limited areas zoned for commercial and retail uses. The *Draft Newcastle Sanitary District Feasibility Study* anticipated that wastewater inflow would increase approximately three percent per year over a 20-year period (Domenichelli & Associates 2003, as cited in ICF Jones & Stokes 2008). This could correlate to a similar increase in population of the service area. Alternatively, the *Initial Study for the Newcastle Sanitary District Wastewater Treatment Plant Closure and Pipeline Project* reports that with infill development, the NSD service population could expand by approximately ten percent (ICF Jones & Stokes 2008).

Present and Planned Capacity

NSD maintains approximately 5.6 miles of pipeline and two pump stations. The NSD WWTP facilities include two treatment ponds (Ponds 1 and 2), two storage ponds (Ponds 3 and 4), a spray field pumping and chlorination facility, and a storage building. The facilities are located on a 12-acre site southwest of the town of Newcastle. The spray field consists of 25 acres, of which 15 acres are used for spray irrigation and 10 acres function as a buffer from surrounding land uses. Pond 1 provides aeration of the wastewater, while Pond 2 provides oxidation. Chlorination of the treated effluent occurs as the water is pumped through an approximately 1,000-foot force-main to the spray field.

Current average dry weather flows (adwf) to the NSD WWTP are approximately 0.065 million gallons per day (mgd). With an estimated growth of three percent per year, projected adwf would be 0.11 mgd. The NSD WWTP has an adwf capacity of 0.4 mgd, which is sufficient for existing and projected flows. The peak wet weather flow (pwwf) capacity is 0.52 mgd. This capacity has been exceeded during high stormflow events. The existing capacity of the NSD WWTP is not sufficient to meet existing or future service demands during peak wet weather conditions.

No improvements to the NSD WWTP are planned. Rather, NSD has proposed that the NSD be dissolved and the NSD service area be annexed to SPMUD. Under this proposal, the NSD WWTP would be decommissioned and new wastewater pump and equalization storage facilities would be constructed on the NSD WWTP site. The pump station would consist of four pumps, located in two 12-foot concrete manholes. The pump system would consist of two

pumps located in the wet well, with each pump having a capacity of approximately 125 gallons per minute (gpm).

Financial Ability to Provide Services

The NSD is funded through service charges and fees. The following summarizes the District's budget for the 2008/2009 fiscal year:

Category	Amount
Income/Balance Forward	
Current Secured Taxes	\$37,442
Current Unsecured Taxes	994
Unitary & Nonunitary Taxes	3,472
Supplemental Taxes	37
Interest Beginning Balance (estimated)	0
H/O Property Tax Redemption	363
Current Secured Apec. Asses.	291,111
Sewer Connection Fee (estimated)	5,500
Other Service/Non-Tax	0
Grand Total	\$338,919
Expenditures	
Salaries and Employee Expenses	\$23,294
Services and Supplies, etc	2,075
Directors Fees	7,000
Bookkeeper, Attorney, CPA, Audit	12,000
Pacific Gas and Electric	30,000
Insurance	5,500
Plant and Line Repairs	63,450
Loan Indebtedness	60,000
Projects, All Other	5,000
Infrastructure, I&I	62,000
Right-of-Way	48,390
Annexation	20,210
Grand Total	\$338,919

The existing NSD WWTP wastewater treatment and disposal technology does not meet current water quality standards. Continuing to operate the NSD WWTP would require improvements and upgrades to the existing facility to comply with water quality standards. This would likely require substantial increases in sewer rates, which would be borne by the small number of customers of the NSD (220 existing connections). This could represent a financial hardship for this small district.

Opportunities for Shared Facilities

NSD does not currently share facilities with any other wastewater collection and treatment service provider and has limited opportunity to share facilities with other agencies due to its

location. There is no sewer service provided in unincorporated areas of Placer County surrounding the NSD service area. Most areas in the vicinity rely on individual septic systems for wastewater treatment and disposal.

NSD has proposed dissolving the existing service district and annexing the service boundary to SPMUD. Under this scenario, a new pump station and storage facilities would be constructed on the existing NSD WWTP site. However the new facilities would be owned and operated by SPMUD and would not represent shared facilities between NSD and SPMUD.

Accountability for Community Service Needs

As a small local district governed by community members, the NSD has a high degree of accountability to the local community.

Governmental Structure

The NSD governmental structure consists of a governing board comprised of five members elected from the community. Monthly meetings of the Board of Directors are open to the public; the agenda for each meeting is posted 72 hours in advance. Although the public is free to participate, there is minimal public participation. No citizen participation or oversight committees have been established.

As described above, NSD has proposed dissolving the existing service district and annexing the service boundary to SPMUD. Under this scenario, the NSD government structure would be dissolved, and service would be provided under the existing government structure of SPMUD. The SPMUD government structure is discussed in more detail in Chapter 3 of this MSR. It is similar to NSD in that it consists of a governing board comprised of members elected from the community at large.

Operational Efficiencies

NSD relies on outside consultants to assess sewer needs, prepare and update Master Plan documents, prepare finance plans, complete administration functions (payroll), and undertake some maintenance and repair functions. NSD has an in-house treasurer who submits monthly reports to an outside accountant. No improvements to operational efficiencies have been identified through this MSR. Dissolving the district and annexing the NSD Service area to the SPMUD service boundaries is not anticipated to negatively affect operational efficiencies experienced by existing customers of either district.

Additional Discussions

Government Code §56430 states that the MSR should address other matters related to effective or efficient service delivery. As noted above, the existing wastewater treatment and disposal technology used at the NSD WWTP does not meet current water quality standards. Continuing to operate the NSD WWTP and providing effective wastewater treatment service would require improvements and upgrades to the existing facility to comply with water quality standards. This would likely require substantial increases in sewer rates, which would be borne by the small number of customers of the NSD (220 connections).

The proposed dissolution of NSD and annexation of the NSD service boundary to SPMUD would allow more effective and efficient wastewater treatment to be provided to the existing NSD customers. SPMUD provides wastewater collection and treatment services. Wastewater collected within the SPMUD service area is conveyed to one of two regional WWTPs, which are operated by the City of Roseville on behalf of the SPWA. Both of these WWTPs use technology that meets current water quality standards, providing tertiary treatment of wastewater. The treated effluent is then reused as allowed under State law. This reduces overall potable water usage in the region.

Annexing the existing NSD service area to SPMUD's service area would improve the efficiency of wastewater treatment services by contributing to regionalization of wastewater treatment services, allowing greater economies of scale in providing these services by avoiding the need for management of a small district, and reducing direct costs to existing NSD customers associated with substantial improvements to the existing NSD facilities. In addition, by conveying wastewater to a WWTP that provides a high level of wastewater treatment, the proposed annexation would improve the effectiveness of wastewater treatment services for customers in the existing NSD service area.

Annexing the existing NSD service area to SPMUD's service area would slightly reduce the accessibility of service providers to the local community, making the existing NSD customers part of a larger service district. However, the SPMUD is also a local district and maintains a high degree of accessibility and accountability to its customers.

CHAPTER 3 SOUTH PLACER MUNICIPAL UTILITY DISTRICT

Overview

SPMUD provides wastewater collection and conveyance services for the communities of Rocklin, Loomis, Penryn, and portions of the Loomis Basin. SPMUD has a service area of 18,560 acres and currently serves 29,666 EDUs. The collection system includes 247 miles of pipeline and eight pump stations. Wastewater from the eastern portion of the SPMUD service area is conveyed to the Dry Creek Regional WWTP while wastewater from the western portion of the SPMUD service area is conveyed to the Pleasant Grove Regional WWTP. Both of the regional WWTPs are operated and maintained by the City of Roseville on behalf of the SPWA.

Growth and Population

As noted above the SPMUD serves 29,666 EDUs, of which 23,917 EDUs represent residential customers. One EDU is equivalent to the amount of wastewater generated by an average SPMUD single-family detached home. SPMUD estimates that the residential population within the service area is approximately 75,000. Additional land uses within the SPMUD service area include 4,860 EDUs of commercial land uses, 121 EDUs of combined residential and commercial uses, and 768 EDUs of school uses.

The SPMUD Master Plan assumes that growth in the area will add 750 EDUs to the SPMUD service area annually in the near-term. Over the course of the next 12 to 15 years, it is expected that this near-term development will add a total of 9,098 EDUs to the system. Ultimate long-range development of areas within the SPMUD's Master Plan Study Area Boundary is expected to add approximately 21,000 EDUs to the system, with the majority of the long-range development expected to be in residential land uses.

Present and Planned Capacity

The SPMUD Wastewater Collection System Master Plan evaluates the capacity of the existing wastewater collection system, identifies planned and recommended improvements to correct existing deficiencies, and identifies planned and recommended improvements to accommodate future development within the Study Area Boundary. The capacity analysis considers system function during a 10-year frequency storm occurring over a 6-hour period. Therefore, this analysis reflects the necessary system capacity to convey peak flows associated with wastewater generation and additional inflow and infiltration associated with a 10-year 6-hour storm.

The analysis identifies occurrences of manhole surcharges and overflows, noting that the system can accommodate some degree of surcharging before an overflow occurs. SPMUD has determined that surcharging less than six inches from the ground surface is acceptable. Surcharging greater than six inches from the ground surface is considered a capacity deficiency.

As noted above, the SPMUD system includes 247 miles of pipeline serving approximately 18,560 acres. The system also includes ten lift stations. Seven of these stations have two pumps, while one has three pumps. The capacity of each station ranges from 10 to 550 gpm. The system is divided into seven basins, with basins 1 through 6 located in the eastern portion and basin 7 located in the western portion. Clover Valley Creek generally separates the two portions. Wastewater collected from the western portion (basin 7 - northwest Rocklin) is

conveyed to the Pleasant Grove Regional WWTP, while wastewater collected from the eastern portion is conveyed to the Dry Creek Regional WWTP.

Existing System Capacity – Dry Weather Flow

Modeling conducted as part of the SPMUD Master Plan found that during average daily dry weather flows, all pipes within the SPMUD wastewater collection system flowed at less than 80 percent capacity and no manholes experienced surcharging. The existing system has adequate capacity for average dry weather flows and no improvements are recommended.

Existing System Capacity – Design Storm

Modeling conducted as part of the SPMUD Master Plan estimated that the 10-year 6-hour design storm would generate a peak hourly wet weather flow of 15.2 mgd at SPMUD's outlet to the Dry Creek Regional WWTP and 7.3 mgd at SPMUD's outlet to the Pleasant Grove Regional WWTP. The modeled peak hourly wet weather flows were predicted to cause overflows and manhole surcharging in three trunk lines within the eastern portion of the SPMUD system – the Bankhead, Lower Loomis, and Fiberboard trunks. No overflows or surcharging was predicted in the western portion of the system.

In order to refine the modeling, the SPMUD Master Plan recommends that additional flow monitoring data be collected and specifically identifies three locations recommended for additional permanent flow monitor installation.

Assuming that this additional monitoring data confirms the results of the modeling, the SPMUD Master Plan identifies several capacity improvements for the system to avoid the overflows and surcharging for existing development under the design storm scenario. Improvements consist of upsizing specific stretches of pipes along four trunk lines – the Bankhead, Fiberboard, Lower Secret Ravine, and Woodside trunks. Refer to section 7.2 of the SPMUD Master Plan for specific details of these improvements. Preliminary cost estimates for these improvements (in 2008 dollars, including a 30 percent estimating contingency and a 10 percent design/administration fee) total approximately \$5,710,000.

In addition, the SPMUD Master Plan notes that several infrastructure improvements to accommodate peak hourly wet weather flows from existing development were recommended in the previous Master Plan and are already being planned by SPMUD. These improvements include a new lift station at Sierra College Boulevard; a new Diversion Line; installation of a 15-inch Line from Boyington Lift Station to Diversion Line; and upsizing an existing gravity sewer serving the Diversion Line and Sierra College Boulevard lift station.

Refer to Section 7.3 of the SPMUD Master Plan for additional details regarding these improvements. Preliminary cost estimates for these improvements (in 2008 dollars, including a 30 percent estimating contingency and a 10 percent design/administration fee) total approximately \$12,120,000.

System Capacity With Near-Term Development – Design Storm

Modeling results from consideration of near-term development were similar to those for the existing system. The peak hourly wet weather flow at SPMUD's outlet to the Dry Creek Regional WWTP increased to 18.9 mgd, while the peak hourly wet weather flow at SPMUD's

outlet to the Pleasant Grove Regional WWTP increased to 10.3 mgd. No overflows or surcharging was predicted in the western portion of the system, while the modeling indicated increases in overflows, capacity-limited pipelines, and manhole surcharging in the eastern portion. In addition to capacity issues in the Bankhead, Lower Loomis, and Fiberboard trunks, the Near-Term Development Scenario also showed capacity issues in the Foothill and Clover Valley trunks.

The SPMUD Master Plan identifies additional system improvements to accommodate flows from under the Near-Term Development Scenario. These improvements are categorized as Capital Improvement Projects (CIP) Phase I. Improvements include upsizing segments of the Foothill, Lower Secret Ravine, Woodside, and Clover Valley trunks. Refer to Section 7.4.1 of the SPMUD Master Plan for additional details regarding these improvements. Preliminary cost estimates for these improvements (in 2008 dollars, including a 30 percent estimating contingency and a 10 percent design/administration fee) total approximately \$10,240,000. The SPMUD Master Plan also identifies the need for new trunk sewer lines in currently unsewered areas where near-term development is projected to occur. Refer to Section 7.4.3 of the SPMUD Master Plan for additional details regarding these new trunk sewers and Section 7.5.5 regarding estimated costs for construction of these new trunk sewers.

System Capacity With Long-Range Development – Design Storm

SPMUD's Master Plan found that the addition of long-range development, which would contribute an additional 22,000 EDUs to the system, would overwhelm the existing east-side infrastructure. Most of the long-range development is projected to occur in the eastern portion of the system. Overflows and surcharging would occur in a significant portion of the system – in 110 locations, compared with 47 locations under the near-term development scenario. No overflows or surcharging was predicted in the western portion of the system.

The SPMUD Master Plan identifies system improvements to accommodate flows from the Long-Range Development Scenario as CIP Phase II projects. Improvements include upsizing segments of the Penryn, Lower Loomis, Middle Secret Ravine, Foothill, Woodside, Lower Antelope Creek, Lower Clover Valley, and Roseville trunks. Refer to Section 7.4.2 of the SPMUD Master Plan for additional details regarding these improvements. Preliminary cost estimates for these improvements (in 2008 dollars, including a 30 percent estimating contingency and a 10 percent design/administration fee) total approximately \$28,530,000. The SPMUD Master Plan also identifies the need for new trunk sewer lines in currently unsewered areas where long-range development is projected to occur. Refer to Section 7.4.3 of the SPMUD Master Plan for additional details regarding these new trunk sewers and Section 7.5.5 regarding estimated costs for construction of these new trunk sewers.

Financial Ability to Provide Services

SPMUD is funded through connection fees, service charge, plan check/inspection fees, taxes, interest income, and miscellaneous revenue. Service fee rates are reviewed annually. SPMUD contracts with outside consultants to prepare 5-year Financing Plans. The consultants who prepared the 2009 plan found “the District maintains a healthy balance in both the General Fund and the Capital Outlay Fund, and is projected to sustain a prudent level of reserves and debt service coverage through the five-year financing plan period while planning for capital improvements to the system as well as contributing to a rehabilitation fund for the regional

wastewater treatment plants.” As shown in the table below, the District does rely in part on property tax revenues from Placer County. These revenues have decreased in recent years. In addition, as a participant in the SPWA, SPMUD is responsible for 25 percent of debt service on SPWA bonds. In the 2008/2009 fiscal year, SPMUD paid to SPWA \$3,189,038 in connection fees and \$4,439,829 in maintenance and operation expenses. While property tax revenues are decreasing, monthly service charges are projected to increase. In fiscal year 2008/2009, the monthly service charge was \$20.50 per EDU. In fiscal year 2009/2010, the monthly service charge is \$24.00 per EDU. Service charges are projected to increase in each subsequent year, with a charge of \$30.00 per EDU in fiscal year 2013/2014.

The following table summarizes SPMUD’s revenues and expenses for fiscal year 2008/2009, as reported in SPMUD’s financial statements for that fiscal year. The financial statements were prepared by SPMUD and audited by an outside accountant.

<i>Revenue/Expense</i>	<i>2008/2009</i>
Operating Revenues	
Service charges	\$7,250,894
Connection fees	696,125
Permits and other fees	102,231
Total	8,049,250
Operating Expenses	
Collection and treatment	\$6,927,431
Administration and general	1,130,248
Depreciation	1,058,521
Total	9,116,200
Operating income (loss)	(\$1,066,950)
Non-Operating Revenues	
Property taxes	\$718,957
Interest income	1,059,780
Gain on sale of assets	496,039
Other revenues	39,219
Total	2,313,995
Net income before capital contributions (operating income plus non-operating revenues)	\$1,247,045
Capital contributions	\$477,350
Increase in net assets	\$1,724,395
Net assets, July 1	\$90,703,247
Prior period adjustment	(\$88,356)
Net assets, June 30 (2009)	\$92,339,286

In accordance with the California Municipal Utility District Act (MUD Act), which is found in Division 6 of the California Public Utility Code (beginning with §11501), SPMUD publishes an annual financial statement. This statement is sent to the County Auditor and State Controller. The last outside audit was prepared in October 2009 for Fiscal Year 2008/2009.

Opportunities for Shared Facilities

SPMUD is solely responsible for maintenance of the 247 miles of wastewater conveyance pipeline within its service boundaries. A portion of these facilities are shared with Placer County's SMD #2 as wastewater from the Rodgersdale area of SPMUD's existing system discharges to Placer County's SMD #2.

Placer County is considering decommissioning the WWTP for SMD #3. It is possible that flows from that district could be conveyed through SPMUD's system. This may represent additional sharing of facilities. Alternatively, flows from SMD #3 could be conveyed through the SMD #2 system.

SPMUD shares WWTP facilities with the City of Roseville and Placer County through the SPWA joint powers agreement. Wastewater from the eastern portion of the SPMUD service area is conveyed to the Dry Creek Regional WWTP while wastewater from the western portion of the SPMUD service area is conveyed to the Pleasant Grove Regional WWTP. Both of the regional WWTPs are operated and maintained by the City of Roseville on behalf of the SPWA.

Accountability for Community Service Needs

As a moderately sized local district governed by community members, SPMUD has a high degree of accountability to the local community. Monthly meetings of the Board of Directors are open to the public; the agenda for each meeting is posted 72 hours in advance. Although the public is free to participate, there is minimal public participation. No citizen participation or oversight committees have been established. The primary method of customer communication is SPMUD's website. SPMUD also provides occasional bill inserts to facilitate customer communication in special circumstances.

Governmental Structure

SPMUD operates under the MUD Act. Its governmental structure consists of a governing board whose members are elected at large. As required by the MUD Act, the board is the legislative body for SPMUD, and is responsible for establishing policy and managing administration and operation of the district.

Operational Efficiencies

SPMUD relies on outside consultants to assess sewer needs, prepare and update Master Plan documents, and prepare finance plans. SPMUD does not contract any administration, accounting, or operational functions to outside consultants. The 2003 5-Year Financing Plan found that although the number of SPMUD customers had doubled in the previous 11 years, the same number of staff manage the District, resulting in excellent economies of scale and operational efficiency. No improvements to operational efficiencies have been identified through this MSR.

Additional Discussions

Government Code §56430 states that the MSR should address other matters related to effective or efficient service delivery. SPMUD provides effective and efficient wastewater collection and conveyance services. Through its participation in the SPWA, SPMUD also provides effective and efficient wastewater treatment services that meet current water quality standards.

The proposed dissolution of NSD and annexation of the NSD service boundary to SPMUD would allow more effective and efficient wastewater treatment to be provided to the existing NSD customers, and is not anticipated to reduce the effectiveness or efficiency of services provided to existing SPMUD customers.

APPENDIX A CORRESPONDENCE ON PUBLIC REVIEW DRAFT MSR

In response to review of the Draft MSR, the City of Roseville submitted a comment letter indicating concern regarding the available capacity at the Dry Creek WWTP and the acceptance of flows from the Newcastle Sanitary District. SPMUD staff met with City of Roseville staff to review the City's concerns, and the two agencies reached agreement regarding future additions to the SPWA service area. Based on that agreement, the City has withdrawn their letter of concern and opposition to the proposed annexation of NSD to SPMUD. The letters from the City of Roseville and SPMUD are provided here in Appendix A to the Final MSR.



**Environmental Utilities
Administration**
2005 Hilltop Circle
Roseville, California 95747

R E C E I V E D
MAY 14 2010
LAFCO

May 13, 2010

Ms. Kris Berry
Executive Officer
Placer County Local Agency Formation Commission
145 Fulweiler Avenue, Suite 110
Auburn, CA 95603

Re: Draft Newcastle Sanitary District and South Placer Municipal Utility District, Municipal Services Review dated April 2010

Dear Ms. Berry:

Thank you for the opportunity to comment on the subject document. As the Environmental Utilities Director for the City of Roseville (City), I would like to take the opportunity to summarize the City's role in providing wastewater treatment services for the region. The South Placer Wastewater Authority (SPWA) was formed as a funding and financing authority pursuant to a Joint Powers Agreement. We are one of the partners of the Authority and the City operates regional wastewater and recycled water infrastructure on behalf of the three partners (the participants): the City of Roseville, the South Placer Municipal Utility District (SPMUD) and portions of Placer County. Regional infrastructure includes trunk sewers and two wastewater treatment plants (WWTPs) that transmit and treat the wastewater from all three participants. SPWA also monitors compliance with the Funding Agreement and the Operations Agreement to ensure that regional facilities can be expanded to provide the appropriate level of service for the participants. The Funding Agreement outlines each participant's responsibility for issued debt and funding of the regional infrastructure. The Operations Agreement documents the responsibilities for the maintenance and operation of the regional infrastructure (primarily the wastewater treatment plants) and establishes Roseville as owner and operator of the two WWTPs that provide treatment for the participants.

The Operations Agreement established a regional service area boundary that has been subsequently updated and approved by the SPWA board, but not ratified by all the participants. Appropriate environmental analysis has been completed for areas inside the updated boundary and the SPWA board has considered their adequacy for CEQA compliance. Providing wastewater treatment for areas outside the updated service area boundary cannot be provided unless the appropriate environmental analysis has been completed and the SPWA has had an opportunity to consider the adequacy of the documentation. Once that review has occurred, then the participants will need to agree to modify the boundary which was included in the Operations Agreement.

SPMUD apparently intends on sending flow from the NSD annexation area to the Dry Creek Wastewater Treatment Plant (DCWWTP). NSD is outside the existing and updated service area boundary. The ability to service the area with treatment or regional transmission capacity has not been analyzed under any of the existing CEQA documentation considered by the SPWA.

Roseville, as well as SPWA, has expressed opposition to the NSD annexation in letters dated September 28, 2009 and January 6, 2009. These letters are attached and incorporated into this comment letter by reference. In these letters, we have made it very clear that annexation

of NSD into the SPMUD service area with the express intent of conveying the flow to the DCWWTP is not consistent with the CEQA process for the SPWA and not consistent with the Agreements among the participants. However, if SPMUD has other treatment options, then the City has no further interest or concern with this annexation.

Notwithstanding the above overarching concerns with the proposed annexation, we offer the following specific comments on the subject document:

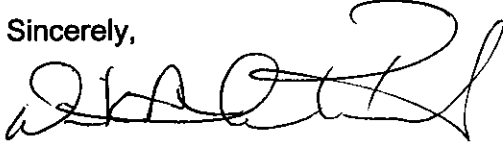
1. Page 1, last paragraph: this paragraph indicates that a collaborative process has been used and that each wastewater provider was initially asked to complete a questionnaire. The City of Roseville was not contacted or asked to complete a service review questionnaire. Since the DCWWTP is owned and operated by the City of Roseville and the SPWA has the financing authority and responsibility for regional facilities, failure to include the City and SPWA results in an incomplete analysis and potentially incorrect results.
2. Page 2, 1st partial paragraph, 1st full sentence: this sentence indicates that each service provider was given an opportunity to review the administrative draft. The City of Roseville provides wastewater treatment services and was not given the opportunity to participate in either the questionnaire or the review identified in the document.
3. Page 2, 3rd full paragraph: While it is correct to document that SPMUD provides wastewater collection and conveyance, it does not provide conveyance all the way to the treatment facility. Portions of the downstream wastewater collection system are owned and operated by the City of Roseville. As stated in the attached letters, there is no analysis of the ability to convey the quantity of wastewater needed through the City-owned system. Moreover, SPMUD (as correctly noted) does not provide treatment services. The City of Roseville provides these services and impacts on our ability to provide the service long-term was not included in the analysis.
4. Page 6, Item 2, under heading SPMUD: This section is deficient in that it fails to address treatment capacity.
5. Page 11, Present and Planned Capacity: This section is also deficient in that it fails to address treatment capacity and associated CEQA issues for the SPWA to consider. When using SPWA financed treatment facilities to treat wastewater flow from outside the SPWA 2005 Service Area Boundary, a proper CEQA analysis is needed for the SPWA. Additionally, it is deficient in that conveyance capacity through the City of Roseville is not addressed.
6. Page 13, Financial Ability to Provide Services: This section fails to recognize that SPMUD relies on the SPWA to finance the construction of regional infrastructure. Not recognizing the need to expand the facilities in the future and provide the appropriate environmental analysis need to complete the expansion put anticipated financing at risk. Therefore the analysis is incomplete.
7. Page 15, Opportunities for Shared Facilities, 3rd paragraph: this paragraph states that SPMUD "shares WWTP facilities with the City of Roseville". As stated previously, this statement is incorrect. The City of Roseville owns and operates the DCWWTP and PGWWTP and SPWA oversees the financing of regional infrastructure. SPMUD contracts with the City of Roseville through the operations agreement to provide wastewater treatment capacity for the District.

In summary, Roseville is concerned that annexation of NSD into SPMUD with treatment to be provided at the DCWWTP violates existing agreements entered into by the participants. We are also concerned that this annexation is based on inadequate CEQA and technical review. Roseville is and has been fully willing to cooperate with SPMUD and NSD to ensure that an

adequate environmental review can be completed and identify the appropriate technical analysis for the proposed annexation. We respectfully request that you deny or continue the request for approval of annexation until the municipal services and environmental reviews can be corrected.

Thanks for your interest in this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Derrick Whitehead". The signature is fluid and cursive, with a large initial "D" and "W".

Derrick Whitehead
Environmental Utilities Director

cc: Art O'Brien/City of Roseville



Environmental Utilities
Administration
2005 Hilltop Circle
Roseville, California 95747

September 28, 2009

Mr. Ed Sander
Treasurer
Newcastle Sanitary District
PO Box 857
Newcastle, CA 95658

Mr. Charles Clark
General Manager
South Placer Municipal Utility District
5807 Springview Dr
Rocklin, CA 95677

SUBJECT: NSD Annexation to SPMUD

Dear Messrs. Sanders and Clark

Thank you for your letters dated September 10, 2009 and September 8, 2009 regarding your intentions to annex the Newcastle Sanitary District (NSD) into the South Placer Municipal Utility District (SPMUD). The City of Roseville (City) is concerned about your intentions regarding this annexation and your plans to direct this wastewater flow to the City owned and operated Dry Creek Wastewater Treatment Plant (DCWWTP).

The City, SPMUD, and the Placer County (County) are participants in the South Placer Wastewater Authority (SPWA). The SPWA is a joint powers authority formed to fund regional wastewater and recycled water facilities in southwestern Placer County for three partner agencies (the "participants"). The regional facilities funded by the SPWA thus far include recycled water facilities, trunk sewer lines, and two wastewater treatment plants (WWTPs). All three participants transmit wastewater from within the 2005 Service Area Boundary (SAB) to these WWTPs. SPWA also monitors compliance with operational criteria established in the Funding and Operations Agreements among the participants.

The Operations Agreement among the participants identifies operational and use conditions, and cost allocations along with identifying the City as owner of Regional Wastewater Facilities. Section 2.d of the Operations Agreement states:

Each Participant shall have the right to (1) maintain connections between such Participant's System and the Regional Wastewater Facilities at all locations existing as of the date first above written, and (2) establish new connections to the Regional Wastewater Facilities as needed, subject to the City's prior written approval of the location of such connection, with approval shall not be unreasonably withheld.

SPMUD plans on establishing a new connection to the Regional Wastewater Facilities with the annexation of NSD service area. Section 2.d of the Operations agreement requires that SPMUD seek written approval of the location of such connection. At this time, SPMUD has not sought this written approval. Even if written approval from the City is sought, the City would reasonably withhold this approval based on gaps in project and technical analysis in the environmental documentation.

The City commented on the *Initial Study and Draft Negative Declaration (IS/DND) for the NSD Wastewater Treatment Plant Closure and Pipeline Project (Project)* in our January 6, 2009 letter to Mr. Sander (attached). Our comments revealed significant errors and impacts not addressed in the IS/DND. However, the NSD adopted this Negative Declaration on March 11, 2009 in their Resolution 2009-3. We have not yet received any response to our comments.

Section 8.d of the proposed agreement between SPMUD and NSD regarding annexation and dissolution states:

Upon payment from NSD to SPMUD of the regional component of the participation charge for NSD's existing customers, SPMUD shall secure from SPWA wastewater treatment and disposal capacity for the existing NSD customers, which shall occur after annexation of the NSD lands to SPMUD and before NSD execution of the construction contract for the Project. Connections of the existing NSD customers to the SPMUD system shall be deemed made when SPMUD adopts the resolution set forth in subparagraph a. above.

This section requires SPMUD to secure wastewater treatment and disposal capacity for the existing NSD customers from the SPWA. As the SPWA indicated in its January 6, 2009 letter, there was insufficient analysis completed in order for SPWA to consider the expansion of the service boundary.

As you know, the SPWA cannot approve financing for any regional facilities, nor can City approve construction of additional treatment and disposal capacity, without considering a proper and adequate environmental document. Of course, the regional facilities are designed and committed to serve existing and future development within the 2005 service boundary on a first come/first serve basis among the partners. A unilateral expansion of the 2005 service boundary without adequate environmental analysis creates the potential for an unfair cost shift to the SPWA partners in the event another service boundary expansion and/or additional facilities improvements are desired, or a discharge permit renewal is required. Partners will have to, at added cost and effort, grapple with preparing adequate environmental documentation while somehow accounting for the gap in environmental information associated with the NSD add-on to the 2005 service boundary. Additional cost inequities may arise, if as a result of the NSD, flow additional treatment and transmission capacity improvements are required for the partners to meet existing commitments to serve future development contemplated by the 2005 service boundary.

In summary, SPMUD is required to obtain prior written approval for connections to Regional Wastewater Facilities. At this time, the City would reasonably withhold that

approval pending proper environmental analyses of the annexation and direction of flows to the DCWWTP. Upon completion of proper environmental analyses, board staff would be in a position to request the SPWA board to consider the analyses and modify the 2005 SAB. Upon completion of these items the City could then approve the connection.

Please contact me if we can provide further clarification.

Sincerely,



Derrick Whitehead
Director, Environmental Utilities

- c. Jim Durfee/Placer County Facility Services
LAFCO
SPWA Board Members
Kirk Trost

SOUTH PLACER WASTEWATER AUTHORITY

2005 Hilltop Circle
Roseville, CA 95747
916-774-5770
fax 916-774-5690

January 6, 2009

Newcastle Sanitary District
PO Box 857
Newcastle, CA 95658

Subject: Initial Study and Draft Negative Declaration (IS/DND) for the NSD Wastewater Treatment Plant Closure and Pipeline Project (Project)

To whom it may concern:

The South Placer Wastewater Authority (SPWA) appreciates the opportunity to comment on the IS/DND for the subject project. The SPWA is a joint powers authority formed to fund regional wastewater and recycled water facilities in southwestern Placer County for three partner agencies (the "participants"): the City of Roseville, the South Placer Municipal Utility District (SPMUD), and portions of Placer County. The regional facilities funded by the SPWA thus far include recycled water facilities, trunk sewer lines, and two wastewater treatment plants (WWTPs). All three participants transmit wastewater from within the 2005 Service Area Boundary (SAB) to these WWTPs. SPWA also monitors compliance with operational criteria established in the Funding and Operations Agreements among the participants.

The Funding Agreement outlines each participant's responsibility for debt service on SPWA's bonds and funding of regional facilities. The Operations Agreement documents maintenance and operations responsibilities for regional facilities (primarily the wastewater treatment plants) and establishes the City of Roseville as the owner and operator of the two WWTPs on behalf of the participants.

The Operations Agreement also identifies a regional service area boundary which delineates the area served by SPWA-funded regional facilities. Projects that require wastewater treatment using SPWA-funded regional facilities – especially projects outside the 2005 service area boundary – require appropriate environmental analyses. The SPWA Board considers the adequacy of the environmental documentation for such projects to ensure that regional facilities needs are met. Once that review has occurred, the participants may agree to modify the service area boundary identified in the Operations Agreement.

To project future regional wastewater needs, SPWA prepared the *South Placer Regional Wastewater and Recycled Water Systems Evaluation Project Report* (Systems Evaluation Report) dated June 2007. This report, and report updates, can be found on the City's website at: http://www.roseville.ca.us/eu/wastewater_utility/south_placer_wastewater_systems_evaluation.asp. This report documents the wastewater facilities needs for the "2005 Service Area Boundary" (SAB) and provides the necessary technical information to analyze projects under CBQA. The

information includes engineering evaluations for regional trunk sewer, recycled water, and treatment facilities which were based on the County's General Plan (1991) for areas inside the 2005 SAB.

For the SPWA Board to consider the impact of the Project on wastewater treatment capacity, treatment conveyance, and funding, the environmental document for the Project should include the following:

1. Clearly document and depict the Project boundaries as they relate to the 2005 SAB shown in the Systems Evaluation Report.
2. For all parcels outside the 2005 SAB, identify issues relating to the construction and installation of wastewater collection and conveyance facilities, and treated wastewater discharges that could result in, or contribute to, exceeding currently permitted wastewater capacity and/or discharge limits. To the extent that the Systems Evaluation Report can provide the basis for the needed technical evaluation, please feel free to use it. Emphasis also must be placed on cumulative impacts. Attachment A provides specific guidance on the preparation of the CEQA document.

General comments on the IS/DND are provided below. Specific comments follow the general comments:

1. The entire NSD falls outside the 2005 SAB and the IS/DND does not contain a discussion of the environmental impacts of adding the NSD to the SAB. The IS/DND does not even identify the SPWA as an agency in the "Permits and Approvals" section, and makes no mention of coordination with the SPWA or the participants. We do not believe that the proposed project, which includes accepting wastewater flow from areas outside the SAB into SPWA regional facilities, can be approved without such environmental review.
2. The Systems Evaluation Report does not provide any technical analysis associated with NSD. Therefore, the environmental analysis should include a full evaluation and analysis of adding wastewater flow to the SPWA regional facilities prior to NSD's approval and commencement of the project. During the development of the Systems Evaluation Report, the participants spent considerable time and resources identifying Urban Growth Areas (UGAs) outside the 2005 SAB. Despite that extensive effort, NSD was not identified as an UGA. Therefore, there is no technical analysis associated with accepting NSD's wastewater into SPWA regional facilities.
3. In 1996, the City of Roseville finalized the *Roseville Regional Wastewater Treatment Service Area Master Plan (WW Master Plan)* and certified the *Roseville Regional Wastewater Treatment Service Area Master Plan EIR (WW Master Plan EIR)*. The NSD was offered the opportunity to be considered in the 1996 WW Master Plan EIR certification but, at the time, declined. As a consequence, the certified EIR did not include wastewater flows from NSD.
4. The IS/DND also fails to analyze the impacts of NSD's wastewater flow to the City of Roseville's trunk sewer system. Without this analysis, the IS/DND is insufficient and incomplete.

Specific comments on the IS/DND follow:

1. Page 1-1, Overview, 2nd paragraph: this paragraph indicates that the NSD flow "...would then be conveyed to the Regional Dry Creek Wastewater Treatment plant..." There is no environmental analysis associated with the treatment of this flow from outside the 2005 SAB. Therefore, the IS/DND is insufficient and incomplete.

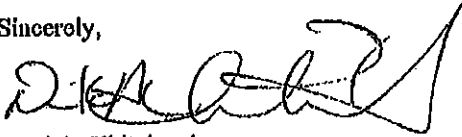
2. Page 1-5, 1st paragraph: this paragraph states that the NSD flow would increase from 0.1 million gallons per day (mgd) to 0.18 mgd of average dry weather flow (ADWF) by 2022. At the regional unit flow factor of 190 gallons per day (gpd) per equivalent dwelling unit (edu), this results in 526 edus initially proposed for connection to the SPWA regional facilities, growing by an additional 421 edus for a total of 947 edus by 2022. At the current minimum regional connection fee of \$5850, this results in fees to the NSD of \$3.08 million, with an additional \$2.46 million as the flow grows by 0.08 mgd to 0.18 mgd. The discussion in the IS/DND of this flow, and the related impacts, is insufficient and incomplete.
3. Page 2-1, Annexation of the NSD Service Area into the SPMUD Service Area: this paragraph indicates that the NSD service area would be annexed into the SPMUD service area. Again, as noted above, this statement in the IS/DND assumes usage of the SPWA regional facilities and the Roseville trunk sewer system, but the document provides no analysis of the environmental impacts of that usage. Therefore, the IS/DND is insufficient and incomplete.
4. Page 2-18, Permits and Approvals: there is no mention of any approval from the SPWA or the City of Roseville. As mentioned previously, the SPWA must consider the environmental document to fund projects that accept flow from outside the 2005 SAB. There is no such analysis in the IS/DND. Recent CEQA documents prepared by the County of Placer for the Placer Vineyards Specific Plan and the Regional University Specific Plan recognized the need for these permits and approvals. It is suggested that this IS/DND use those environmental documents as a guide to address this deficiency.
5. Page 2-19, Project Alternatives: The *Newcastle Sanitary District Wastewater Treatment Plant Decommissioning Project Report* prepared by MHM dated January 2008 (MHM Project Report), mentions an alternative that would convey all the NSD flows to the Lincoln Regional Wastewater Treatment and Reclamation Facility. There is no discussion of this alternative in the IS/DND. Considering the lack of environmental review and analyses in this IS/DND associated with conveying the flow to SPWA funded regional facilities, this project alternative needs to be considered and evaluated.
6. Page 3-95, paragraph b., e.: this paragraph indicates that there is 1.2 mgd of capacity available at the DCWWTP and, since NSD's flow is 0.18 mgd, there are no new or expanded facilities needed. It goes on to state that the impacts to wastewater treatment at the DCWWTP were addressed in the 1996 Master Plan BIR, and that these impacts would be *less than significant*. This paragraph and its conclusion is incorrect in several areas as follows:
 - a. Any remaining capacity at the DCWWTP is available to the regional participants/partners on a first-come, first-served basis for areas inside the 2005 SAB. The NSD is outside the 2005 SAB. Therefore, this remaining capacity is not available to NSD without the proper environmental review and consideration by the SPWA.
 - b. The statement that "...no new or expanded facilities would need to be constructed" is not supported by technical analyses. Since the NSD was not included as a UGA in the Systems Evaluation Report, there is no known analyses demonstrating that capacity exists at the DCWWTP. Any new or expanded facilities funded by SPWA must have appropriate environmental review and consideration. This IS/DND is not sufficient for the SPWA to consider.
 - c. The statement that the impacts to wastewater treatment at the DCWWTP were discussed in the 1996 Master Plan BIR is not technically correct. While the 1996 WW Master Plan included NSD in the report, the certified EIR did not include wastewater flows from NSD. NSD chose not to participate in the regional project at the time. Furthermore, the impacts of this additional discharge of

treated wastewater on DCWWTP is not analyzed anywhere in this IS/DND and, therefore, the IS/DND is inadequate.

In summary, the SPWA considers the IS/DND insufficient and incomplete. The Authority cannot support a project resulting in wastewater from outside the 2005 SAB utilizing SPWA regional facilities without full environmental review and consideration by the SPWA. If we are mistaken, however, and the NSD wastewater will not utilize any SPWA regional facilities or Roseville trunk sewer, the SPWA has no objections to the project or the environmental document.

Please do not hesitate to contact us if you have any further questions.

Sincerely,



Derrick Whitehead
Executive Director

cc: Art O'Brien/City of Roseville
Mark Morse/City of Roseville
Bob Schmitt/City of Roseville
Charley Clark/SPMUD
Jim Durfee/Placer County
Scott Finley/Placer County
Kirk Trost/Miller, Owen & Trost

ATTACHMENT A

GUIDANCE FOR ENVIRONMENTAL AND TECHNICAL ANALYSES

Background

The City of Roseville (City), the South Placer Municipal Utility District (District), and the County of Placer (County) entered into a Joint Powers Agreement (JPA) and formed the South Placer Wastewater Authority (SPWA) in October 2000. The SPWA was created for the purposes of, among other duties, funding and financing of Regional Wastewater Facilities. The SPWA and the Participants (City, District, and County) entered into a Funding Agreement and an Operations Agreement. The Funding Agreement established the revenue, debt service, and flow obligations among the Participants. The Operations Agreement recognized the City's role in owning, operating, and maintaining the Regional Wastewater Facilities.

The 1996 *Roseville Regional Wastewater Treatment Service Area Master Plan EIR* (WWMP EIR) was certified by the City of Roseville in November 1996 and was considered by the SPWA in October 2000 as part of the formation of the JPA. The Master Plan identifies the wastewater service area and contains the assumptions used to identify and design for wastewater conveyance and treatment facilities. Wastewater service within the current service area is based on a first come, first served basis, as outlined in the Funding Agreement.

The above agreements outline responsibilities and approval authorities among SPWA Participants relating to CEQA. The purpose of this document is to provide SPWA Participants and local agencies that prepare CEQA documents with the process and scoping guidance they will need to ensure adequate CEQA analysis is prepared for discretionary approvals of projects impacting Regional Wastewater Facilities .

For the purpose of this guidance document, Urban Growth Areas (UGAs) are defined as areas located wholly or partially outside the current service area.

Densification/Intensification projects (D/I Projects) are defined as areas located within the current service area where proposed zone changes would result in an increase in wastewater generation compared to the assumptions in the WWMP EIR.

Process for SPWA and Participant Involvement in UGA and/or D/I Projects

When local agencies with land use authority propose new UGAs or D/I Projects, it is appropriate for the local jurisdiction to consult with SPWA and Participant staff to ensure a comprehensive analysis of related wastewater impacts, including appropriate CEQA documentation. This effort should proceed in two phases and be based on the most recent available information as discussed below.

Phase 1: Early Consultation. The first phase should involve early consultation between the Lead Agency, SPWA, and Participant staff. The goal of early consultation is to

identify and agree upon the project's wastewater treatment and recycled water demands, parameters for cumulative flow analysis, and potential impacts to conveyance and treatment facilities. This effort should rely on the technical analyses contained in the *Regional Wastewater and Recycled Water Systems Evaluation* Report, which can be reviewed at the City of Roseville's website at: http://www.roseville.ca.us/eu/wastewater_utility/south_placer_wastewater_systems_evaluation.asp. Once agreement is reached on project generated wastewater, and related conveyance, treatment and storage requirements, system upgrades necessary to accommodate the project can be identified.

Phase 2: CEQA Documentation. Phase two of the consultation process focuses on CEQA documentation. During this phase, upgrades to the wastewater system identified during Phase 1 would be incorporated in the CEQA document prepared by the local lead agency. It is recommended that any new or modified Regional Wastewater Facilities identified during Phase 1, as needed to serve the UGA or D/I Project, be incorporated into CEQA document project description and identified as off-site improvements. The related CEQA analysis should address construction and operation of these facilities at a "project-level" so that no subsequent or supplemental CEQA review is required.

This phased process helps to ensure that CEQA documentation will be adequate for any and all discretionary actions as discussed below.

CEQA Responsibility and Approval Authority Among Local Agencies with Land Use Authority, the SPWA, and the Participants

As discussed above, the CEQA process for UGA and/or D/I Projects is initiated by the local jurisdiction with land use authority. This could include any of the following agencies that receive sewer service from the SPWA: Placer County, the City of Roseville, the City of Rocklin, and the Town of Loomis. These agencies are collectively referred to as "local Lead Agencies."

Local Lead Agencies. Local Lead Agencies are the first agency to take discretionary action relating to the approval of a proposed UGA and/or D/I Project. As a result, they are the CEQA Lead Agency and are responsible for preparation of the first tier CEQA document for the UGA or D/I Project.

Local Lead Agencies should carefully follow the guidance provided herein to ensure the CEQA documentation for wastewater issues is adequate for all future related discretionary actions on the project. To ensure proper coordination, distribution of the CEQA Notice of Preparation (NOP) and/or any early consultation materials initiated or distributed by the local Lead Agency in accordance with CEQA Guidelines Section 15063 (g), shall include the SPWA and SPWA Participants. This coordination is extremely important to ensure that the local Lead Agency CEQA document is adequate for any future SPWA and Participant discretionary actions subject to CEQA necessary to

support the project. It is also important to ensure that the most current cumulative wastewater flow scenario is used for related analyses (to be provided by the SPWA as discussed below).

Since the UGAs and D/I Projects will generate wastewater flow and may require recycled water supply, capital facilities (e.g. wastewater treatment plants) will need to be modified, expanded, or constructed to accommodate the UGAs and possibly D/I Projects. Impacts from new or modified capital facilities that are required to serve new UGAs or D/I Projects, including any increased discharge of treated wastewater to the creeks, must be analyzed in the CEQA documentation prepared for the UGA or D/I Project.

The SPWA. The SPWA serves as a funding and financing authority for the construction of Regional Wastewater Facilities. In doing so, the SPWA acts as a **CEQA Responsible Agency**. As a Responsible Agency, the SPWA relies on the UGA or D/I Project CEQA documentation prepared by local Lead Agencies when taking discretionary actions related to funding or financing. The SPWA does not act as a Lead Agency.

In the capacity of a Responsible Agency, the SPWA will respond to CEQA notices for early consultation, including NOPs or other similar consultation requests, and will comment, as appropriate, to ensure the local Lead Agency's CEQA document includes the proper scope and analysis for wastewater issues. This includes providing the local Lead Agency with the most current assumptions for wastewater cumulative analysis. The SPWA will similarly comment on draft CEQA documents, as necessary, to ensure that the documentation is adequate to support any discretionary actions by the SPWA, including but not limited to future funding or financing discretionary actions, or modifications to the Funding and Operations Agreements.

The City of Roseville. The City of Roseville owns and operates the Regional Wastewater Facilities on behalf of the Participants. In this capacity, the City maintains the necessary permits to process and discharge treated wastewater (i.e., NPDES permits from the Regional Water Quality Control Board), and approves the design and carries out construction of any new or expanded Regional Wastewater Facilities. This includes approvals such as construction documents, bid authorizations, and the award of construction contracts. In this role, the City acts as a **CEQA Lead Agency**. However, when taking discretionary actions related to Regional Wastewater Facilities, the City relies on the UGA or D/I Project CEQA document prepared by the local Lead Agency. As such, the City of Roseville needs to review UGA and/or D/I Project NOPs or other similar consultation requests issued by local Lead Agencies to ensure the CEQA document includes the appropriate scope and "project-level" analysis of Regional Wastewater Facilities. The City of Roseville will similarly comment on the draft CEQA document to ensure that the documentation is adequate to support any discretionary actions by the City, including but not limited to construction and operation-related approvals, and modifications to the Funding and Operations Agreements.

The City of Roseville relies on the SPWA, acting as a CEQA Responsible Agency, for related construction financing approvals.

Other SPWA and Participant Approvals needed for UGA Projects. For those UGAs located outside (in whole or in part) the current regional service area boundary, it is important to recognize that the service area boundary is only modified by agreement of the SPWA and the Participants. It is, therefore, paramount that CEQA documentation for UGAs and D/I Projects be adequate to support discretionary actions by the SPWA and the Participants to modify, if necessary, the Funding and Operations Agreements to include land area outside the current service area or flows beyond those assumed at the formation of the SPWA, and as documented in the WWMP EIR. As such, Participant agencies should also review UGA or D/I Project NOPs, or other similar consultation requests issued by local Lead Agencies, to ensure the proposed scope and analysis for CEQA documents will be adequate for this future action. Participant agencies will similarly comment on the draft CEQA document to ensure that it is adequate to support future discretionary actions.

Guidance to Ensure Adequate CEQA Review by Local Lead Agencies

The following is intended to assist local Lead Agencies when determining the proper scope and analysis for CEQA documentation of UGA and D/I Project wastewater issues.

Wastewater Issues of Concern. In general, the following conditions create CEQA issues of concern for the SPWA, the City of Roseville, and the Participants when fulfilling their future CEQA responsibilities related to their approval authorities discussed above:

- The creation of conditions that may exceed the capacity of Regional Wastewater Facilities;
- The creation of conditions that may exceed the wastewater quantity analyzed or certified in the WWMP EIR;
- Installation of new Regional Wastewater Facilities;
- Expansion of existing Regional Wastewater Facilities, including conveyance infrastructure;
- Modifications of approved SPWA service area boundaries; and
- The creation of conditions that exceed permitted discharges from the Regional Wastewater Treatment Plants or exceed the ability to handle offsite disposal or reuse of biosolids.

The Scope of CEQA Analysis. In order for the CEQA document prepared for a UGA and/or D/I Project to be complete and adequate for use by subsequent SPWA and Participant agencies as discussed above, it must contain project-level analyses of the following, at a minimum:

- Construction and Operation of new wastewater collection and conveyance facilities;
- Alteration of the quality and/or quantity of discharges from wastewater treatment facilities beyond discharge levels permitted under the current NPDES discharge permits, and production of biosolids needing offsite disposal and/or reuse in excess of current permitted capacity;

- Construction and operation of additional wastewater treatment facilities required to serve the proposed UGA or D/I Project (beyond those considered in current documents);
- Delineation of areas in each UGA that are outside the current service area boundary and documentation of wastewater flow and recycled water demands in quantities greater than what is included in the WWMP BIR or reallocation of wastewater flow and recycled water demands as compared to those shown in the WWMP EIR or more current documents;
- Inducing growth as a result of removing obstacles to growth;
- Potential cumulative effects associated with other past, present, or foreseeable future projects;
- Alternatives analysis for each of the systems (wastewater collection, treatment, disposal, and recycled water storage and distribution) listed above.

Mitigation Measures for Significant Adverse Impacts. It is expected that CEQA documents prepared by local Lead Agencies will identify and provide project-level CEQA analysis for all Regional Wastewater Facilities necessary to implement the UGA or D/I Project. Local Lead Agency CEQA documents prepared for UGA and D/I Projects may not include mitigation that defers to a future date analysis of the construction and operation of required Regional Wastewater Facilities. Project-level analysis of these facilities is required in the local Lead Agency CEQA document in order to fulfill the other related SPWA and Participant CEQA actions as discussed in this guidance document.

Although no deferred wastewater mitigation should be included in local Lead Agency CEQA documents, it is possible that mitigation may be required to ensure that required Regional Wastewater Facilities are permitted, constructed, and operational prior to their need. Although the City of Roseville would serve as applicant for any required modification to Regional Water Quality Control Board waste discharge permits, the local Lead Agency needs to ensure through CEQA mitigation that building permits for related UGA and/or D/I Projects are withheld until all required permit modifications are secured and financing for Regional Wastewater Facilities has been approved by the SPWA.



**Environmental Utilities
Administration**
2005 Hilltop Circle
Roseville, California 95747

June 8, 2010

Ms. Kris Berry
Executive Officer
Placer County Local Agency Formation Commission
145 Fulweiler Avenue, Suite 110
Auburn, CA 95603

Re: Draft Newcastle Sanitary District and South Placer Municipal Utility District, Municipal Services Review dated April 2010: City of Roseville's waiver of objection.

Dear Ms. Berry:

In our letter dated May 13, 2010, the City requested that LAFCO deny or continue the request for approval the annexation of Newcastle Sanitary District (NSD) into the South Placer Municipal Utility District (SPMUD). The City had expressed concern that annexation of NSD into SPMUD with treatment to be provided at the DCWWTP violates existing agreements entered into by the participants. We were also concerned that this annexation is based on inadequate CEQA and technical review.

Since our May 13, 2010 letter, the City has had discussions with SPMUD and we have reached an agreement with SPMUD to continue working together to achieve a common approach and understanding with regard to CEQA analysis of proposed annexations. Attached is a letter from SPMUD dated June 8th, 2010, that addresses our concerns relative to the Newcastle Sanitation District annexation to SPMUD. Based on the SPMUD letter, we now respectfully withdraw our request to deny or continue the annexation of NSD into SPMUD.

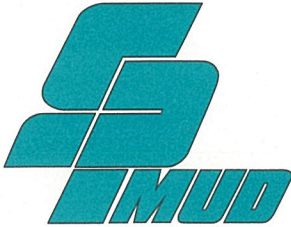
Thanks for your interest in this project.

Sincerely,

A handwritten signature in blue ink, appearing to read "Derrick Whitehead". The signature is stylized and cursive.

Derrick Whitehead
Environmental Utilities Director

cc: Bob Schmitt/City of Roseville
Art O'Brien/City of Roseville
Charles Clark/SPMUD



SOUTH PLACER MUNICIPAL UTILITY DISTRICT

June 8, 2010

Derrick Whitehead
Director, Environmental Utilities
City of Roseville
2005 Hilltop Circle
Roseville, CA 95747

Dear Mr. Whitehead:

This letter will confirm our agreement concerning the annexation of the Newcastle Sanitation District (NSD) to the South Placer Municipal Utility District (District).

The District agrees with the City of Roseville (City) that it is essential to analyze the environmental impacts of adding new service areas to the boundaries of the South Placer Wastewater Authority (SPWA), as required by the California Environmental Quality Act (CEQA). The District and City also acknowledge that no annexations are anticipated to occur in either the District or City within the next six months that have not addressed the appropriate issues under CEQA to allow the treatment facilities to be expanded. During the next six-month period, the District and City agree to use their best efforts to pursue, and agree to, a procedure for future additions to the SPWA service area, which procedure shall ensure appropriate environmental analysis under CEQA.

Based on this agreement, and based on the fact that the NSD annexation involves a small number of wastewater connections, and with the understanding that the NSD wastewater connections will pay the regional connection fee, the City will withdraw its objection to processing the NSD annexation through the Placer County Local Area Formation Commission.

Respectfully,

Charles W. Clark
SPMUD General Manager