

MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER

To: **BOARD OF SUPERVISORS**

Date: **NOVEMBER 23, 2010**

From:  **JAMES DURFEE / WILL DICKINSON** *WJD*

Subject: **SMD 1 REGIONAL SEWER PROJECT: MOU WITH THE CITIES OF LINCOLN AND AUBURN**

ACTION REQUESTED/RECOMMENDATION: Staff recommends that your Board authorize the Chair to sign the attached Memorandum of Understanding (MOU) with the City of Lincoln and the City of Auburn, which will require the County to contribute \$42,000 toward completion of engineering studies relating to the Regional Sewer Project.

BACKGROUND: The County is currently considering two mutually exclusive compliance alternatives for treating sewage from Sewer Maintenance District 1 (SMD 1): 1) upgrading Plant 1 (Upgrade Project); or (2) decommissioning Plant 1 and constructing a pipeline to the City of Lincoln treatment plant (Regional Project).

On July 27, 2010, your Board approved an Agreement with Brown & Caldwell to perform value engineering and develop an updated cost estimate for the Regional Project. This work led to a reduction in the conceptual level capital cost estimate for completing the Regional Project from \$141 million to \$92 million. Concurrently, Owen Psomas Engineering has been preparing 60% design documents for the Upgrade Project. Capital cost estimates for this project have fallen from \$88 million to \$64 million.

In an effort to encourage both the City of Auburn and the County to pursue a Regional Project, the City of Lincoln has advanced the concept described in detail in Exhibit A. Briefly, the concept is for Lincoln to develop and own the entire Regional Project infrastructure. The County and Auburn would pay Lincoln for the costs of treating sewage and maintaining this system in perpetuity.

In order to prepare a final proposal to Auburn and the County based on this concept, the City of Lincoln has asked the two agencies to provide a total of \$70,000 for additional engineering work. The attached MOU (Exhibit B) defines the terms under which the money would be provided by Auburn and the County, and spent by Lincoln. Staff believes that this effort could lead to a viable offer from the City of Lincoln; therefore, we recommend that your Board execute the MOU and authorize the expenditure of \$42,000 from the SMD 1 Regional Sewer Capital Project Budget.

ENVIRONMENTAL CLEARANCE: Approval of this MOU leading to payment for engineering services is not considered a project under the California Environmental Quality Act. Environmental review of the proposed project will be prepared concurrently with the design.

FISCAL IMPACT: The County portion of the cost of providing services included in the MOU is \$42,000. Sufficient funds are available in the SMD 1 Regional Sewer Capital Project Budget to cover the cost of the work specified in this Agreement. A grant from the U.S. Army Corps of Engineers may reimburse 75% of the cost.

ATTACHMENTS: EXHIBITS A & B

JD:WD:LM

CC: COUNTY EXECUTIVE OFFICE

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**City of Lincoln Conceptual Proposal
For Regional Sewer**

1. The City of Lincoln would design, finance and build the entire Regional Project infrastructure, including expansion of the Lincoln Wastewater Treatment and Reclamation Facility (WWTRF), construction of approximately 18 miles of large diameter pipe, decommissioning the two existing treatment plants in the Auburn area, and construction of pump stations and storage ponds.
2. Lincoln would establish separate estimated fixed costs to Auburn and SMD 1 for completion of the project.
3. The estimated fixed cost would include \$12.2 million compensation to Lincoln for prior oversizing of various components of their treatment plant and sewer interceptor.
4. If the actual cost of completing the project exceeds the estimated fixed cost by less than the oversizing reimbursement, Lincoln would absorb the excess cost. SMD 1 and Auburn would share in the cost of any overruns that exceed the oversizing reimbursement. If the actual project cost is less than the estimated fixed cost, Lincoln would retain the savings up to an agreed maximum.
5. Lincoln would own and operate the regional infrastructure in perpetuity.
6. Lincoln would establish an initial cost for operating the treatment plant and operating and maintaining the pipelines and pump stations. With the exception of CPI adjustments, they would hold this cost for five years. Beginning in the sixth year, they would adjust the fees as necessary to cover all reasonable costs.
7. Lincoln would establish connection fees as necessary to pay for all future facility expansions.
8. Lincoln will design, build and finance any future permit compliance projects. The cost of these projects will be shared by current and future customers proportionate to their expected use.
9. Lincoln would require Auburn and SMD 1 to make "significant efforts" to reduce Inflow and Infiltration of storm and ground water, and to ensure pre-treatment of industrial discharges.
10. \$4.0 million deposit required to start design needed by March 2011.
11. Auburn and SMD 1 to provide land needed for regional facilities at current treatment plants at no cost to Lincoln. County to provide existing Bickford sewer pipeline to Lincoln at no cost.
12. Lincoln to pay fines imposed on Auburn and SMD 1 if regional facilities are not operational according to schedule.
13. Lincoln would require cooperation of Auburn and County as they pursue State Revolving Fund loans to finance the project.

**Agreement Between
County of Placer, City of Lincoln and City of Auburn
Regional Wastewater Conveyance and Treatment Infrastructure**

Whereas, the County of Placer ("County"), City of Lincoln ("Lincoln"), and the City of Auburn ("Auburn"), (collectively known as the "Parties") share an interest in determining the feasibility and cost of constructing regional wastewater conveyance and treatment infrastructure ("Regional Project") which would provide cost effective wastewater treatment services to the residents of the County, Auburn and Lincoln, and

Whereas, in an effort to encourage both the City of Auburn and the County to pursue a Regional Project, the City of Lincoln has advanced the concept described in detail in Exhibit A which includes Lincoln development and ownership of the entire Regional Project infrastructure with certain fixed and variable costs to the County and Auburn, and

Whereas, in order for Lincoln to prepare a final proposal to the County and Auburn for the Regional Project, additional value engineering needs to be completed along with more refined cost estimates for the regional wastewater conveyance system to carry wastewater from the County and Auburn to Lincoln, and

Whereas, Lincoln proposes to select and retain a consultant to perform \$70,000 of additional and necessary value engineering and cost refinement work described as Phase 1 of the Request for Proposal and summarized in Exhibit B, and

Whereas, the City of Auburn and the County believe that the Lincoln proposal has the potential to provide great benefit to their sewer customers, and

Whereas, Lincoln has agreed to administer the consultant work and prepare the final cost proposal utilizing their own staff resources, and

Whereas, the origin of sewage flow from the Auburn area is expected to approximate 60% from Sewer Maintenance District 1 and 40% from Auburn, which provides a fair basis for sharing the cost of performing the additional work, and

Whereas, Lincoln has expended millions of dollars to oversize sewage conveyance and treatment facilities for the Regional Project, and

Whereas, Corps of Engineers grant funds may be available to reimburse part of the funds paid by the County and Auburn.

Now, therefore, the Parties agree as follow:

1. Lincoln will: a) select and retain a consultant to prepare additional and necessary value engineering and cost refinement work associated with the Regional Project conveyance system, b) transmit any draft and final work products from said consultant to Auburn and County, and c) prepare a formal offer to the County and Auburn to design, construct, own and operate the Regional Sewer Project conveyance and treatment facilities. Lincoln will use their best efforts to deliver a formal offer by the end of February 2011.
2. County will pay to Lincoln upon receipt of an invoice a total of \$42,000 as its share of the additional and necessary value engineering and cost refinement work for the Regional Project.
3. Auburn will pay to Lincoln upon receipt of an invoice a total of \$28,000 as its share of the additional and necessary value engineering and cost refinement work for the Regional Project.
4. Lincoln will return to County and Auburn any funds not expended to complete the scope of work.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date(s) shown below:

COUNTY OF PLACER

Approved as to form:

County Counsel

Kirk Uhler,
Chairman, Board of Supervisors
Date: _____

City of Auburn

Approved as to form:

City Attorney

Print Name: _____
Title: _____
Date: _____

City of Lincoln

Approved as to form:

City Attorney

Jim Estep
City Manager
Date: _____