

**MEMORANDUM  
DEPARTMENT OF FACILITY SERVICES  
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **OCTOBER 9, 2012**

From: **JAMES DURFEE / BILL ZIMMERMAN**

Subject: **SOUTH PLACER WASTEWATER AUTHORITY - APPROVAL OF AGREEMENTS  
FOR REALLOCATION OF CAPACITY AND DEBT OBLIGATIONS**

**ACTION REQUESTED:**

1. Adopt a Resolution authorizing the Chair to execute the following Agreements related to the South Placer Wastewater Authority (SPWA) at no net County cost:
  - a. The Amended and Restated South Placer Wastewater Authority Joint Exercise of Powers Agreement
  - b. The Amended and Restated Funding Agreement Relating to the South Placer Regional Wastewater Facilities
  - c. The Amended and Restated Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities
  - d. The Reallocation and Repayment Agreement
2. Direct staff to make a payment of \$987,163 to the SPWA Rate Stabilization Fund, at no net County cost, on a proportional basis from Sewer Maintenance District 2 (SMD 2), County Service Area 28, Zone 173 – Dry Creek Sewer, County Service Area 28, Zone 2A3 – Sunset Whitney Sewer, and County Service Area 28, Zone 55 – Livoti Sewer.

**BACKGROUND:** The SPWA Joint Powers Authority was formed by the City of Roseville (Roseville), South Placer Municipal Utility District (SPMUD), and Placer County in 2000 to finance regional wastewater facilities to serve member agencies. Major SPWA financed projects included the construction of Roseville's Pleasant Grove Treatment Plant and improvements to Roseville's existing Dry Creek Treatment Plant. The SPWA currently provides wastewater treatment for SMD 2, and the Dry Creek, Sunset Whitney, and Livoti County Service Areas (CSAs).

The SPWA is governed by three Agreements:

1. **SPWA Joint Exercise of Powers Agreement (JPA Agreement)** formed the SPWA and provides the governance structure for the Joint Powers Authority. Supervisors Duran and Weygandt currently sit on the SPWA Board of Directors along with elected officials from Roseville and SPMUD.
2. **The Funding Agreement Relating to the South Placer Regional Wastewater Facilities (Funding Agreement)** provides the bond financing structure to construct the regional wastewater treatment and recycled water facilities. The Funding Agreement also establishes a Rate Stabilization Fund (RSF) that is used to fund annual debt service as well as an ongoing capital improvement program. In addition to an initial contribution, each agency deposits the Regional Connection Fee component for new connections into the RSF.
3. **The Agreement Regarding the Operation and Use of the South Placer Regional Wastewater Facilities (Operations Agreement)**, provides for the payment of operations and maintenance costs based upon each agency's metered usage of the regional facilities.

The capacity of the regional wastewater facilities and associated costs were determined and allocated based on existing usage and growth projections provided by each agency. This information was used to estimate the amount of wastewater treatment capacity needed by each agency, and to establish their respective financial obligations. Both Roseville and SPMUD provided larger initial contributions to the RSF to reflect their respective levels of buildout. The County provided a smaller initial contribution, and relied heavily on future connections to fund its share of the RSF. The County's growth projections focused primarily on the West Placer area including the Placer Vineyards, Riolo Vineyards and Regional University developments.

Due to the downturn in the economy, development in these areas has occurred slower than anticipated, and the number of new County connections to the SPWA system has been significantly less than our projections. As a result of limited number of new connections, the County's Regional Connection Fees have not kept pace with expenditures from the RSF, and the County currently has a negative RSF balance. As of April 30, 2012 the County's RSF balance was -\$21.3 million. In 2008, the County began negotiations with Roseville and SPMUD to reallocate each agencies treatment capacity and financial obligations. These negotiations resulted in the Amended and Restated JPA, Operations, and Funding Agreements, and the Reallocation and Repayment Agreement. The intended goal of these agreements is to ensure that each agency will have a positive RSF balance prior to the next planned expansion of the Pleasant Grove Treatment Plant scheduled for 2022. Key terms of the Reallocation and Repayment Agreement include:

- The County's cost share allocation decreases from 20.83% to 15.91% to reflect actual usage.
- The County's RSF deficit decreases from -\$21,331,889 to -\$11,373,292.
- The County agrees to the make the following payments into the RSF:
  - An initial contribution of \$5 million within 30 days of execution of the agreements.
  - Annual contributions of \$500,000 (submitted on a quarterly basis) until such time that the County achieves a positive RSF balance.
  - Additionally, the County may institute a surcharge to the Regional Connection Fee in order to achieve a positive RSF balance within the timeline delineated above.

A summary of the key terms to the SPWA governing agreements is attached. Complete copies of the agreements are available for review at Facility Services and at the Clerk of the Board.

Staff is also requesting Board direction to contribute an additional \$987,163 into the RSF. These funds were received from the SPWA as part of the true-up of operational costs for the period FY 2005/06 through 2010/11. The contribution of these funds into the RSF is needed to help the County reach a positive RSF balance within the above timeline.

All of the above payments will be prorated on a metered flow basis between SMD 2, and the Dry Creek, Sunset Whitney, and Livoti CSAs. A summary of the key terms of the revisions to the SPWA governing agreements is attached.

**ENVIRONMENTAL CLEARANCE:** Signing the agreements and making the payments is exempt from California Environmental Quality Act pursuant to Section 15060(c)(3) of the CEQA Guidelines.

**FISCAL IMPACT:** Total payments to the RSF for FY 2012/13 are \$6,487,163 and will be spread across the affected district budgets on a metered flow basis. The budgeted contribution for FY 2012/13 for each district is: SMD 2 - \$5,796,929; CSA 173 Dry Creek - \$497,566; CSA 2A3 Sunset - \$184,235; and CSA 55 Livoti - \$8,433. There will be no fiscal impact to the General Fund. Staff estimates that sewer service fee increases of approximately 6 percent per year for FY 2013/14 and FY 2014/15 may be needed to fund the annual contributions beyond FY 2012/13. Staff will return to your Board with a specific recommendation for those increases.

JD:BZ:DA:KK:LM

CC: COUNTY EXECUTIVE OFFICE

ATTACHMENT: RESOLUTION  
SUMMARY OF KEY TERMS OF THE REVISIONS TO THE SPWA GOVERNING AGREEMENTS

AVAILABLE AT THE CLERK OF THE BOARD: AMENDED AND RESTATED SPWA JOINT EXERCISE OF POWERS AGREEMENT  
AMENDED AND RESTATED FUNDING AGREEMENT RELATING TO THE SOUTH PLACER REGIONAL  
WASTEWATER FACILITIES  
AMENDED AND RESTATED AGREEMENT REGARDING THE OPERATION AND USE OF THE SOUTH PLACER  
REGIONAL WASTEWATER FACILITIES  
REALLOCATION AND REPAYMENT AGREEMENT

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**Before the Board of Supervisors  
County of Placer, State of California**

**In the matter of: AUTHORIZE THE CHAIR TO EXECUTE  
AGREEMENTS WITH SOUTH PLACER WASTEWATER  
AUTHORITY TO REALLOCATE CAPACITY AND DEBT  
OBLIGATIONS**

Resolution \_\_\_\_\_

The following RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held \_\_\_\_\_, by the following vote on roll call:

Ayes:

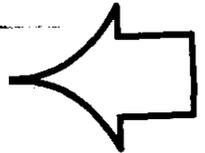
Noes:

Absent:

Signed and approved by me after its passage.

\_\_\_\_\_  
Chair, Board of Supervisors

Attest:



\_\_\_\_\_  
Clerk of said Board

**WHEREAS**, on October 1, 2000, by adoption of the Joint Exercise of Powers Agreement for the South Placer Wastewater Authority, the County of Placer (County), together with City of Roseville (Roseville) and the South Placer Municipal Utility District (SPMUD) (collectively the Partners), formed a joint powers agency, known as the South Placer Wastewater Authority (SPWA), for the purpose of jointly financing the Pleasant Grove Wastewater Treatment Plant, improvements to the Dry Creek Wastewater Treatment Plant, and Related Regional Infrastructure; and

**WHEREAS**, effective October 1, 2000, SPWA and the Partners entered into the Funding Agreement Relating to the South Placer Regional Wastewater Facilities (Funding Agreement) and the Agreement regarding the Operation and Use of the South Placer Regional Wastewater Facilities (Operations Agreement) to provide for, among other things, (i) capital funding for the Regional Wastewater Facilities, (ii) the Partners' respective responsibilities to pay debt service, (iii) the Partners' respective rights to use the Regional Wastewater Facilities, and (iv) the operation and maintenance of the Regional Wastewater Facilities; and

**WHEREAS**, SPWA and the Partners desire to amend the Funding Agreement and Operations Agreement, and to enter into the Reallocation and Repayment Agreement in order to provide for, among other things: (i) reallocation of the Partners' Proportional Shares, (ii) reallocation of wastewater treatment capacity and modification of provisions concerning future capacity usage, (iii) reallocation of amounts in the Partners' subaccounts within the Rate Stabilization Fund created under the Funding Agreement, (iv) future additions to the wastewater

treatment service area, (v) transfer of recycled wastewater infrastructure to the City, and (vi) makeup contributions by the County to address the shortfall in its Rate Stabilization Fund subaccount; and

**WHEREAS**, the Partners also intend to amend the Joint Exercise of Powers Agreement creating the SPWA consistently with the changes in the Funding Agreement and the Operations Agreement.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Supervisors, County of Placer, State of California authorizes the Chair to execute the following agreements:

1. Amended and Restated South Placer Wastewater Authority Joint Exercise of Powers Agreement
2. Amended and Restated Funding Agreement relating to the South Placer Regional Wastewater Facilities;
3. Amended and Restated Agreement regarding the Operation and Use of the South Placer Regional Wastewater Facilities; and
4. Reallocation and Repayment Agreement.

**BE IT FURTHER RESOLVED** that the Director of Facility Services, or his designee, is authorized to pay the sum of \$987,163 to the City as an additional contribution to the County's Rate Stabilization subfund on a flow proportional basis from Sewer Maintenance District 2 (SMD 2), and County Service Area 28, Zones 173 – Dry Creek Sewer, 2A3 – Sunset Whitney, and 55 – Livoti Sewer.

**SUMMARY OF KEY TERMS OF THE REVISIONS TO THE SOUTH PLACER WASTEWATER AUTHORITY GOVERNING AGREEMENTS**

The following bullet points provide a summary of the changes incorporated into the existing SPWA governing agreements and a summary of the new Reallocation and Repayment Agreement.

**AMENDED AND RESTATED SPWA JOINT EXERCISE OF POWERS (REVISIONS TO EXISTING)**

- Modifies the Definitions and Amendments section to conform to the changes in the Funding Agreement.

**AMENDED AND RESTATED FUNDING AGREEMENT RELATING TO THE SOUTH PLACER REGIONAL WASTEWATER FACILITIES (REVISIONS TO EXISTING)**

- Reallocates wastewater treatment capacity among the JPA Participants and establishes a maximum capacity usage for each Participant.
- Rescinds the "first-come-first-served" policy for allocation of unused wastewater treatment capacity. Future reallocations, if any, will require agreement among the Participants. If a Participant needs to purchase additional wastewater treatment capacity from one of the other Participants, it will not be unreasonably withheld, but the cost will be at a negotiated rate. If the Participants cannot agree on a future reallocation, the agreement provides for reallocation by arbitration.
- Reallocates each partner's obligation for the costs of the regional facilities based upon actual usage through 2010 and projected usage thereafter and changes the partners' percentages as shown in the table below.

**Table of SPWA Partner Original and Revised Proportionate Shares**

<b>Participant</b>	<b>Original Cost Share</b>	<b>Revised Cost Share</b>
City of Roseville	54.17	61.66
South Placer Municipal Utility District	25.00	22.43
Placer County	20.83	15.91

- Removes references to the reclaimed/recycled water infrastructure in view of the transfer to the City (discussed below).
- Modifies Section 14 (Amendments) to conform to the procedures for amending the indenture for the Authority's bonds.
- Modifies definitions to give effect to the foregoing changes and to reflect changed circumstances since October 2000 (e.g., updates references to bond issuances).

**AMENDED AND RESTATED AGREEMENT REGARDING THE OPERATION AND USE OF THE SOUTH PLACER REGIONAL WASTEWATER FACILITIES (REVISIONS TO EXISTING)**

- Conforms the definitions and other provisions of the agreement to the modified provisions of the Funding Agreement and includes updates to reflect changed circumstances since October 2000.
- Provides a mechanism to allow parcels to be incorporated into the SPWA service area without the need for formal annexation by SPWA. Impacts related to adding parcels that could be served as part of the Dry Creek Wastewater Treatment Plant drainage basin will be studied with an evaluation through the appropriate CEQA process. A similar method was already completed for impacts resulting from providing wastewater treatment service to possible new parcels in the Pleasant Grove Wastewater Treatment Plant drainage basin. These analyses

will eliminate the need for a separate SPWA annexation process for every parcel outside the current SPWA service area.

- Adds the Flow Reporting Methodology agreed to by the County and the City in June 2009.
- Requires the City and the County to negotiate an agreement to provide reclaimed water to projects already approved by the County, which agreement will supersede the existing reclaimed water provisions in Section 14.c.
- Modifies Section 17 (Amendments) to conform to the procedures for amending the indenture for the Authority's bonds.

#### **REALLOCATION AND REPAYMENT AGREEMENT (NEW)**

- Reallocates the JPA Participants' subaccounts within the Rate Stabilization Fund (RSF) to reflect the reallocation of Proportionate Shares under the Funding Agreement.
- Provides for makeup contributions by the County to address the deficit balance in its Rate such that it will have a positive RSF subaccount balance in time for the next planned treatment plant expansion (2022 for Pleasant Grove WWTP and 2030 for Dry Creek WWTP).  
Specifically the County:
  - Will contribute the sum of \$5,000,000 within 30 days of execution of the agreements into the RSF.
  - Will contribute the additional sum of \$500,000 annually on a quarterly basis until such time as the County has a positive balance in the RSF.
  - May institute a surcharge in addition to the minimum Regional Connection Fee in order to meet the repayment date delineated above.
- The City will own and operate the recycled water system and have the right to all the effluent from both plants and the operating revenue received from the sale of the recycled water. The City and County will develop the appropriate agreements to allow the City to operate the Recycled Water Utility throughout the SPWA service area.
- Provides for the City's reimbursement of the County's design and construction costs related to the recycled water line being constructed as part of the relocation of the Cook-Riolo bridge.