

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

To: **BOARD OF SUPERVISORS**

Date: **JUNE 9, 2009**

From: **JAMES DURFEE / WILL DICKINSON**

Subject: **DEBT FORGIVENESS FOR SMD 3, CSA 28 ZONE 6, AND CSA 28 ZONE 24**

**ACTION REQUESTED / RECOMMENDATION:** It is recommended that your Board approve the attached Budget Revision to implement the following actions as recommended by the Sewer Infrastructure Financing Committee:

1. Forgive existing debt totaling \$1,370,000 owed by County Service Area (CSA) 28, Zone 6 (Sheridan Sewer, Water and Lighting) to the County Service Area Revolving Fund.
2. Forgive existing debt totaling \$1,348,000 owed by CSA 28, Zone 24 (Applegate Sewer) to the County Service Area Revolving Fund.
3. Forgive existing debt totaling \$1,065,000 owed by Sewer Maintenance District 3 (SMD 3) to the County Service Area Revolving Fund.

**BACKGROUND:** After approving sewer Maintenance & Operations Fee increases in 2007, your Board directed staff to establish a Sewer Infrastructure Financing Committee to review and comment on funding plans for major capital projects. The committee has met five times since its creation, and has approved detailed reports on the financial challenges faced by the Applegate Sewer CSA, the Sheridan Sewer, Water and Lighting CSA and SMD 3. These reports provide recommendations for actions the County should take to provide funding of mandated capital projects and ongoing operations. Included in those recommendations are the three actions requested above.

CSA 28, Zone 6, provides the community of Sheridan with sewage collection and treatment, domestic water service and street lighting service for approximately 200 connections. CSA 28, Zone 24 provides sewer collection and treatment service to 32 connections within the community of Applegate. SMD 3 serves the Auburn Folsom Road area, providing sewer collection and treatment for approximately 528 connections. These are all small and financially challenged districts that must build very expensive capital improvements in order to comply with State and Federal regulations that are impacting sewer and water districts throughout California. In addition, new permit requirements are driving up operating costs such as labor, lab testing, electrical power and chemical use.

Over the last several years, your Board has authorized several loans to each of the three districts in order to cover operating shortfalls and invest in new infrastructure. The loans now total \$3,783,000.

On May 12<sup>th</sup>, your Board significantly raised Maintenance & Operation Fees to each of these districts. Because of the small size of the districts, it is not possible to raise sewer fees high enough to repay the existing loans while continuing to invest in further capital improvements needed to comply with the law. Debt forgiveness is therefore an essential part of the plan to improve their financial standing and make them truly independent.

**ENVIRONMENTAL CLEARANCE:** Approval of this action is not a project as defined in the California Environmental Quality Act.

**FISCAL IMPACT:** The County General Fund was the funding source for the CSA Revolving Fund loans. Because the recommended actions would forgive existing loans of \$3,783,000, they result in a one-time expense to the General Fund. However, the actual transfer of General Fund cash took place at the time of the loans; therefore, the recommended actions will not impact available General Fund fund balance.

ATTACHMENT: BUDGET REVISION

JD:WD

CC: COUNTY EXECUTIVE OFFICE

T:\FBSMEMO2009\EE\DEBT FORGIVENESS FOR THREE SEWER DISTRICTS.DOC

**BUDGET REVISION**

POST DATE:

DEPT NO.	DOC TYPE	Total \$ Amount	TOTAL LINES
12 BR		7,566,000.00	6

Cash Transfer Required  
 Reserve Cancellation Required  
 Establish Reserve Required

Auditor-Controller  
 County Executive  
 Board of Supervisors

**ESTIMATED REVENUE ADJUSTMENT**

DEPT NO.	T/C	Rev	Fund	Sub Fund	OCA	PCA	OBJ 3	PROJ.	PROJ. DTL	AMOUNT
12	006		502	6	996806	96806	8779			1,370,000.00
12	006		502	24	996824	96824	8779			1,348,000.00
12	006		503	3	990732	90732	8779			1,065,000.00
<b>TOTAL</b>										<b>3,783,000.00</b>

**APPROPRIATION ADJUSTMENT**

DEPT NO.	T/C	Rev	Fund	Sub Fund	OCA	FCA	OBJ 3	PROJ.	PROJ. DTL	AMOUNT
10	014		100		107800	10780	3780			1,370,000.00
10	014		100		107800	10780	3780			1,348,000.00
10	014		100		107800	10780	3780			1,065,000.00
<b>TOTAL</b>										<b>3,783,000.00</b>

REASON FOR REVISION: TO INCREASE APPROPRIATIONS IN THE GENERAL FUND CONTRIBUTION TO FACILITIES & INFRASTRUCTURE FOR THE FORGIVENESS OF LOAN; TO SHERIDAN SEWER (68060), APPLGATE SEWER (68240) AND SEWER MAINTENANCE DISTRICT #3 (07320).

Prepared by Valerie Bayne Ext 6803  
 Department Head *Valerie Bayne*  
 Board of Supervisors

Date: 6/9/09  
 Page:

Budget Revision # \_\_\_\_\_ FOR INDIVIDUAL DEPT USE

95

