County of Placer Board of Supervisors

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Placer County Regional Wastewater Project Financing

Introduction

Residents of western Placer County, California are served by seven separate wastewater treatment agencies. These agencies provide wastewater treatment services to approximately 200,000 residents.

In 1998, Placer County commissioned a study to evaluate available options to meet the County's increased wastewater treatment needs. The study evaluated affordability, impacts on local receiving waters, impacts on water supply (including potential reuse), and ease of implementation. In addition, compliance with the State of California's increasingly stringent water quality standards and treatment/disposal criteria was a priority. The resultant study recommended that the County pursue a regionalized wastewater treatment plan that would include: 1) construction of two new regional wastewater treatment plants, one in Roseville and one in Lincoln; 2) the upgrade of an existing wastewater treatment facility in Roseville; and, 3) closure of six small, inefficient facilities.

There are currently five agencies affected by this project, including the County of Placer, the cities of Auburn and Lincoln, the Newcastle Sanitary District, and the South Placer Municipal Utility District. These agencies and municipalities support the sub regional sewer project and in 2000 they entered into a Joint Powers of Authority Agreement (JPA). The JPA, known as the Placer Nevada Wastewater Authority, will carry out this regional wastewater conveyance treatment and reclamation project. The local agencies have made significant progress. The two new regional treatment plants are constructed and operating. The City of Lincoln has decommissioned its old treatment plant, and construction of a pipeline that will allow the Newcastle Sanitary District to close their treatment ponds is underway and should be completed this calendar year. The County has completed design of a pipeline to allow the closure of its Applegate treatment plant, and should begin construction on that pipeline within the next year, and approximately seven miles of the main transmission line between Lincoln and Auburn has already been constructed using local resources.

The regional solution will provide a number of environmental benefits to local watersheds in Placer County and contribute to an improvement in water quality in the Bay Delta Region. As a County that has been fully committed to the implementation of a landscape-level conservation plan for western Placer County, we can fully appreciate the benefits of improving environmental quality at the watershed-scale. The County has prepared CALFED-compliant ecosystem restoration plans for all of the major western County stream watersheds including the three watersheds that are affected by the regional project. In the watershed planning process, Placer County developed watershed level goals and program level objectives to realize boarder policy ambitions. In addition, Placer County adopted the Cosumnes American Bear Yuba Integrated Regional Water Management Plan (IRWMP) in 2008 and is a stakeholder to the Regional Water Authority's American Basin IRWMP. The watershed-level objective of those plans, combined with the County's Natural Communities Conservation Plan/Habitat Conservation Plan for endangered species, gives us a comprehensive understanding of local benefits and benefits to the Bay-Delta Region. Placer County is committed through both our regional

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wastewater and conservation planning efforts to control pollution, manage stormwater, and restore and enhance stream system habitats and the uplands that surround them. In particular the regional project will provide the following environmental benefits:

- Reduce or eliminate discharges into the County's three salmonid-bearing watersheds: 1)
 Auburn Ravine, 2) Dry Creek (including two salmon-bearing tributaries Linda Creek and Miner's
 Ravine), and , 3) Coon Creek. All three watersheds have been designated as critical habitat for
 Central Valley Steelhead (CVSH), and each watershed is vital to maintaining the overall genetic
 diversity of the Central Valley populations of fall-run Chinook salmon and CVSH.
- Improving the ecological health of these local streams by reducing temperatures, eliminating
 potentially toxic treatment plant discharges from events associated with mechanical failures
 and human error.
- Providing critical water quality benefits to salmon and steelhead in the upper watersheds of Dry
 Cry, Coon Creek and Auburn Ravine since the regional wastewater management strategy is
 focused on plant discharges being below the spawning and rearing areas for both species. The
 ultimate goal of the regional wastewater approach is to maintain and improve the quality and
 quantity of aquatic resources within these watersheds.
- Improving flows to the Bay-Delta ecosystem during dry seasons by increasing unallocated water flows lower in the watershed through increased reclamation of surface water directly upstream of the Cross Canal.
- Making a significant contribution to existing efforts in the County's consideration of watershed scale features such as aquatic habitat diversity, habitat connectivity, floodplain protection, and relationships to hydrologic sources (including the availability of water rights) of western Placer County watersheds.

Regionalization is clearly the preferred approach to compliance and it accrues significant environmental, water quality and water supply benefits. However; constructing the necessary transmission infrastructure is initially more expensive than upgrading the current treatment plants, and while the regional approach will ultimately provide operational efficiencies, it may take decades to recover the initial capital investment through operational cost savings, making the cost to the current users unfairly high. In essence, the current users would carry the cost and future users would receive the cost benefits.

The project is at a very critical stage. Both Auburn and Placer County face strict deadlines for compliance with discharge requirements, and the County must begin construction of either upgrades or the Regional Project in order to avoid severe penalties. The Board of Supervisors must decide this autumn whether to upgrade its treatment plant or proceed with the Regional Project. If financing solutions are not identified the Board will be forced to proceed with an upgrade and the ability to use local reserves to fund the regional project will be lost.

The Partners are evaluating the final engineering, environmental and financial issues surrounding the project and will be deciding this autumn whether to proceed with design and construction of the main transmission lines. Financing options under consideration include State Revolving Fund (SRF) loans, conventional bond financing, and private equity financing. SRF loans are clearly the most cost effective; however, typically SRF loans carry a 20 year repayment ter. The Partners understand in working with the State Water Resources Board staff that with EPA concurrence it is possible to get 30 or even 40 year repayment terms through the SRF. Extending the repayment period for the Regional Project makes sense from several perspectives. First, it reduces the annual debt service, keeping costs to the customers that pay the fees within reasonable limits. Longer term financing also helps to bridge the costs to future customers who will benefit most from a regional

project. The majority of the regional infrastructure has a 50 to 75 year lifespan, making longer-term collateralization feasible.

Clearly, a longer-term financing helps make the project feasible. The County and its partners are requesting EPA support in their efforts to acquire long-term financing for this important regional project. We are specifically requesting that EPA provide direction to California agencies including CalEPA and the State Water Resources Control Board regarding the importance of this project and requesting that the agencies consider long=-term financing as applications from the Regional Partners come forward.