

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
By: Holly L. Heinzen, Assistant County Executive Officer

DATE: July 12, 2011

SUBJECT: Middle Fork Project - Policies and Priorities

ACTION REQUESTED:

Consider policies and priorities for development of a financing and expenditure plan for proceeds derived the Middle Fork Project (MFP):

1. Affirm policy approach for consideration of funding for regional County infrastructure and facilities from anticipated proceeds from the Middle Fork Relicensing Project;
2. Consider regional County funding priorities and alternatives including potential designation of funding for SMD 1/ Auburn and SMD 3 regional sewer infrastructure and provide direction to staff;
3. Provide direction to staff to return to the Board of Supervisors with:
 - o A formal finance and budget policy specific to the Middle Fork Project proceeds; and
 - o A financing, investment and expenditure plan relative to proceeds from the Middle Fork Project Re-licensing Project;
4. Provide other direction as necessary.

SUMMARY:

In consideration of construction of the Lincoln Regional Sewer Project on May 3, 2011 members of the Board of Supervisors indicated that there may be an interest in dedicating a share of the proceeds from the MFP to offset costs for the Regional Project. The Board directed that a broader discussion of Board priorities with respect to those proceeds be addressed prior to a final determination on the Regional Sewer project.

The following report is prepared in three sections as follows:

- I. Background on the Middle Fork Project and Financing of the MFP;
- II. Delineation of a policy basis for consideration of priorities including proposed criteria and potential funding options based upon policies previously adopted by the Board of Supervisors. In addition a range of potential funding scenarios are provided for discussion.
- III. Discussion of potential contributions to Regional Sewer Infrastructure and possible rate implications for offsetting a share of costs in SMD 1/ Auburn and in SMD 3.

I. **MIDDLE FORK PROJECT:**

A. **Background**

The Placer County Water Agency (PCWA) was formed by a special act of the Legislature in 1957 to protect the water resources of the County under the auspices of Placer County. The Board of Supervisors serving in their capacity of PCWA Board at that time was able to obtain voter approved bond financing in 1961 for the construction of the MFP. In 1975 the Board of Supervisors requested and received special state legislation to change the Placer County Water Agency Act (Act) to provide for an independently elected Board of Directors for the Agency. The Act was also changed to simultaneously retain a long-term key role for the Board of Supervisors by requiring the approval of the Board of Supervisors for all power sale contracts and for the expenditure of power revenues after 2013. Specifically the Act was amended to provide that: "No contract for the sale of electrical energy shall be executed, nor shall any revenues received pursuant to any contract for the sale of electrical energy entered into after January 1, 1975, be spent, unless previously approved by the Board of Supervisors". This license is due to expire on February 28, 2013.

The operational priorities as agreed upon by the Water Agency and Placer County include:

- 1) To provide a reliable supply of water from the MFP to the lands and inhabitants of Placer County while generating revenues from the sale of electrical energy sufficient to pay debt service on Bonds;
- 2) To maximize the revenues from the sale of electrical energy; and
- 3) The sale of water, to water customers outside of Placer County.

• **Joint Powers Financing Authority**

The Placer County Water Agency and Placer County entered into a Joint Powers Agreement (JPA) in 2006 to address issues related to relicensing and power sales. The Authority was established, with a Board consisting of two members of the Board of Supervisors and two members of the Placer County Water Agency Board, to serve the mutual interests of the County and PCWA. The Authority is responsible for:

- 1) Financing studies, programs; procedures, projects, services, improvements, modifications, and other costs that may be required to obtain a new Federal Energy Regulatory Commission (FERC) license or which may be completed under the current or subsequent FERC license of the MFP;
- 2) Approval of Future Electrical Energy Sales; and,
- 3) Distribution of revenues from future electrical energy sales.

PCWA and the County are bound together as financial partners in the MFP once the present power contract with PG&E expires in 2013. At that time, the MFP is expected to begin producing revenues in excess of the cost of operation that will be available to benefit the residents of Placer County.

- **Costs of Relicensing**

Financing for the costs of relicensing was provided to the JPA through the County Treasury. The total authorization is \$100 million and the structure of the loan provides a single draw down bond "Equity line of credit" from 2006 – 2015. Draws are provided quarterly to pay licensing costs, studies, betterments and interest (capitalized interest payments). The interest rate is variable, reset quarterly, based on the yield of the U.S. Treasury, plus 1% and matures February 15, 2036. Revenues from the MFP are dedicated for debt payments after 2013.

B. Middle Fork Relicensing - Status

In February 2011, the Agency submitted an Application for New License (Application) for the Middle Fork American River Project (MFP) to the FERC. The Application contained all of the necessary elements to enable FERC to analyze the effects of PCWA operating and maintaining the MFP for a new 50-year license term. FERC accepted the License Application and on June 7, 2011, set a formal schedule for license issuance, including an August 8, 2011 deadline for federal and state regulatory agencies to file Preliminary Terms and Conditions.

The February 2011 Application contained several proposed management and monitoring plans and measures, some of which were supported by stakeholders and others that were developed independently (due to time constraints). Since February, Agency staff has continued working with stakeholders that include federal and state natural resource agencies, interest groups and unaffiliated members of the public to come to consensus on revisions to the remaining management and monitoring plans and measures. The Agency is working on refining certain aspects of the application to ensure that multiple interests can be met consistent with the MFP's annual water budget and financial resources.

C. Middle Fork Project – Funding Priorities

Spending priorities for the expenditure of funds received from the sale of electrical energy after 2013 are:

- 1) Operation and maintenance of the MFP and repayment of debt;
- 2) Major replacement and betterment projects that are necessary for the long term operation and financial stability of the MFP; and
- 3) Equal distribution to the County and PCWA of all remaining power revenues.

Both the value of power and hydrology are extremely volatile. As this Board has discussed, the proceeds from the MFP are subject to broad fluctuations as a result. Variable precipitation and periods of drought, which may range from one to several years, affects the production and price of energy. PCWA Net Generation 1967-2003 (Attachment 1) graphically depicts this fluctuation. Many other factors also impact energy values including economic conditions and global events. In addition, legislative and regulatory changes and fluctuations in the price of natural gas (the dominant energy fuel in California) further impact the market. The production of energy obviously relies on the project continuing to produce and is subject to equipment down time which can result in the loss of energy and capacity revenue until repairs are completed. As such, uncertainty exists in both the generation amount and value.

D. Baseline Revenue Projection

Given the variability in production and in the market, estimates of proceeds from the project are speculative. Energy values in California have fluctuated widely over the past decade with the average of 2008 and 2009 energy values for California being about \$45 per MWh. Capacity payments and payments for ancillary services capabilities for hydroelectric projects can add an additional 10% or more to energy values.

With a modest recovery in the California economy by 2013 the relicensing team indicates it would be reasonable to reach \$55/MWh beginning in 2013 (considered a planning number only). The projected average value of MFP energy will be updated as new information on market conditions becomes available.

The annual base line estimated value of generation, using \$55/MWh and 80% of average annual generation, totals \$44,000,000 before operational expenditures debt service and required reserves.

Attachment 2 depicts projections based on 80% of the average rainfall, smoothed over time. Based on the existing financing through the County Treasury, revenue is fully generated in year 2015, although depending upon the actual agreement for power sales, could conceivably not occur until the end of that year.

Assuming that the County and the Agency are willing to set aside sufficient operating reserves in the early years to cover short periods of drought and mechanical outages, as proposed, then revenue can be estimated on an average basis instead of on a worst case basis. While the team will evaluate and is very aware of the worst case scenarios,

they are not reflected in the projections and will be addressed when and if it occurs on an exception basis.

The following discussion of funding reserves and distributions provide the policy framework presented to the JPA. These policies are relevant to ongoing revenue projections, reserve funding and distributions of net power sale proceeds. It is anticipated that the JPA will adopt these elements in a formal Business Plan to guide priorities and expenditures of proceeds. They are used here as a premise for the discussion today.

- **Funding of Reserves**

Under the relicensing loan agreements, the Finance Authority may not begin distributing funds to the Agency and the County until April 1, 2015. The spreadsheet model assumes that all revenue in excess of operating expenses before April 2015 will be used to fund Operating, and Renewal and Replacement reserves. After April 2015, the annual appropriation and funding of reserves will continue to ensure adequate levels are attained and maintained. As used, reserves will be replenished to established levels.

- **Funding Distributions**

After April 1, 2015 and thereafter the Finance Authority must pay one dollar on the loan principal balance for each dollar it distributes to the Agency and the County combined until the loan is completely repaid.

The spreadsheet model indicates that distributions can begin in 2015. Moderation in the amount of contributions to the Renewal and Replacement (R&R) reserve after the first three years is reflected so as to permit modest annual distributions plus principal payments. Once the relicensing debt is paid off both R&R contributions and distributions are increased until the R&R reserve hits full funding in 2023, after which all excess funds would be distributed.

Although not formally adopted by the JPA, the following summarizes priorities when revenues are above or below baseline projections as presented to the Joint Powers Authority. 1) When the revenue is less than the baseline, it is anticipated that there would first be a suspension of planned contributions to R&R reserve; then, distributions to the Agency and the County would be suspended; followed by a suspension of planned contributions to the Operating reserve. 2) In years when generation revenue is greater than base line, revenue would be used to replace any prior withdrawals from Operating reserves; replace suspended contributions to Operating reserves; replace suspended contributions to Renewal & Replacement reserves; accelerate contributions to the Operating reserves; then distribute the remainder to the Agency and the County.

- **Placer County Distribution**

Assuming power sale proceeds are consistent with the model as displayed, Placer County would receive a distribution in FY2015-16 at the earliest. According to the

model as described, initial funding in 2015 is projected at \$3.2 million; increases through the year 2021 to about \$4.0 million and jumps to almost \$8 million in 2022. As noted, the model smoothes hydrology and fluctuations in the power market. Actual proceeds depending on these factors and assumptions used would vary.

II. CONSIDERATION OF EXPENDITURE PRIORITIES - PLACER COUNTY:

As directed the following provides an approach for consideration of expenditures relative to anticipated disbursements to Placer County from the Middle Fork Project. For this discussion, the policies and estimates articulated above are assumed and provide a basis for funding to the County. Existing County policies, infrastructure plans and related documents are relied upon as a starting point since these policies have served Placer County well in terms of financial management and planning for operations and capital expenditures. In addition, these policies reflect Board priorities and prudent fiscal management.

A. Budget and Financial Policy

The Placer County Budget and Financial policy provides overall guidance in determining an appropriate approach for expenditures to be funded through MF disbursements. These policies were developed to promote fiscal stability, predictability, sustainability, and long-range fiscal planning. The policies provide a foundation for expenditure and revenue planning and are fundamental in consideration of expenditures supported by new revenue sources such as the MFP proceeds. Adherence to financial policies in expenditure planning is particularly important given the volatility of these funds. Outlined below are those elements of the Budget and Finance policy most relevant to the discussion.

- Budget realistic and probable revenue estimates.
 - Revenues that are volatile and/or sensitive to changes in the economy should be conservatively estimated.
- Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, sustainability, and long-range planning. New or increased, ongoing revenues will meet current obligations and reduce reliance on one-time funding and fund balance carryover.
- New programs will identify an ongoing funding source(s) not already obligated for current County operations or for the future costs of current operations.
- Annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan and Road Maintenance Master Plan.
 - Capital Budgets will expand to include a list of capital construction and road projects with brief descriptions; estimated to-date and total project costs; planned project costs for at least three future fiscal years for extended projects; length of time to project completion; and proposed

funding sources including current funding available.

- Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them *and a financing plan has been developed.*
- New programs will identify an ongoing funding source(s) not already obligated for current County operations or for the future costs of current operations.
- Where applicable, assessments, impact fees, user-based fees, and/or contributions should be used to fund capital projects. Projects benefiting other operating, internal services and enterprise funds shall be funded from those funds on a pro-rata basis.
- Where alternative sources of financing are not available or sufficient for full funding, and the project is deemed critical for the provision of services or to meet mandated services levels, debt financing may be used in accordance with the County Debt Policy. Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.

The Finance Policies speak to the importance of a capital plan when planning for expenditures and specifically reference the County's Capital Facilities Financing Plan and Road Maintenance Master Plan. Given the nature of the funding, staff is suggesting that funds be predominantly used for capital needs in projects or programs identified as a high priority by the Board of Supervisors. Other existing capital and infrastructure plans should be updated as may be needed to identify current needs, provide updated costs and identify other funding sources and timing of funding required to implement the projects.

B. Criteria for Consideration

Staff developed initial criteria to identify broad categories of funding and potential capital investments and/or expenditures within those areas of funding for consideration by this Board today. They are by no means limited to these areas, of course. The initial criteria outlined below were applied to elements of these planning documents and to develop representative projects. Initial criteria identified would include:

- 1) Projects that have significant countywide or regional benefits (i.e. benefits two or more jurisdictions);
- 2) Project/program is consistent with existing plans and priorities identified by the Board of Supervisors, including fiscal policies;
- 3) Priority will be given to projects that will maximize long-term net revenues to the County or provide for efficiencies that result in long term savings;

- 4) Project/program does not supplant existing dedications for infrastructure or programs and/or there is an absence of outside funding sources to implement;
- 5) Project reflects costs related to regulatory constraints outside of jurisdiction's control and other funding resources available to meet the regulatory framework.

C. Development of a Funding Plan – Middle Fork Finance Policies

Staff recommends that the Board of Supervisors officially adopt funding policies and criteria to be applied specifically to Middle Fork Project proceeds. The funding plan should consider:

- Establishment and maintenance of operating reserves for ongoing expenses - Income Stabilization;
- Identify/estimate ability to "Pay as you go"; and fund projects/programs accordingly;
- Identify Capacity and Plan for Bonding as required - consistent with Budget and Financial Policy;
- Minimize finance costs for infrastructure projects to the extent feasible

D. Identification of Regional Priorities/Policy Documents

County staff reviewed a range of planning strategies relative to land use (Countywide General Plan, Sunset Industrial Area Plan, Redevelopment Plans), infrastructure development (I/T Strategic Plan, County Facilities Financing Plan, Redevelopment Plans/Implementation Plans, Road Maintenance Master Plan), and economic development (Economic Development Strategy; University studies); and other plans and staff reports such as the Emergency Services/Fire Safety Plan and Wastewater Needs Assessment. In addition, also considered were the County budget as a policy document that articulates County priorities. These documents have been either adopted or accepted by the Board and through these documents guidance has been provided to staff.

Given the nature of the funding which supports our countywide population, staff focused on capital investments and infrastructure that serve regional needs (i.e. benefiting at least two jurisdictions). While some of these documents are being updated, they nonetheless present clear priorities in a broader context that the Board might consider when developing an expenditure plan. Those priorities are identified below with the policy documents that support the priority specified under each area. The documents also identify specific projects or types of projects that could be addressed with Middle Fork Funding.

- **Economic Development Infrastructure**

- **County General Plan**

Policy - the County shall encourage the retention, expansion and development of new businesses, especially those that provide primary wage-earner jobs....and providing infrastructure in areas where resources and public facilities and services can accommodate employment generators.

- **Economic Development Strategy - Road Map (2010):**

The primary objective is to promote economic development for the County as a whole. To promote economic development, the Road map concluded that Placer County needs to:

- Provide jobs for a growing population
- Protect higher level per capita income
- Improve industry mix
 - More basis industries that bring new dollars into the County
 - Better wages throughout the County
 - Range of employment opportunities and career ladders
- Continue efforts to locate another four-year institution
- Retain and attract high quality jobs; clean industries; green tech; IT; white collar; professional occupations
- Continue to seek funding for highway improvements, wastewater, broadband
- Streetscapes, sewage treatment

- **Sunset Industrial Area (SIA) Plan (1980 with continued updates)**

The SIA Plan has long supported the Board's economic development priorities and addresses a myriad of issues affecting the development of the SIA including infrastructure needs that are impediments to the overall goal of the Plan which is to improve the opportunities for industrial and other employment-based development.

- **Redevelopment Plan and Redevelopment Implementation Plan(s)**

Identifies infrastructure needs in SIA (and other areas) to eliminate blight and foster high quality employment.

Economic development infrastructure projects may include items such as capital infrastructure funding to support certain non-residential development; mitigation fee write downs, interchange contributions or other traffic improvement projects, and funding for sewer or other improvements in the Sunset Industrial area.

• **Public Safety**

Maintain public safety for the benefit of residents and businesses in Placer County;

- **Placer County Adopted Budget(s)**

Among other needs, Public Safety is identified as a priority. The budget document identifies funding demands that are unmet, including regional public safety needs;

- **General Plan**

- Policy to protect residents of and visitors to Placer County from injury and loss of life and to protect property and watershed resources from fires.

- **I/T Masterplan (draft)**

Identify key goals and disciplines outlining the County's priorities with respect to IT services, communications and telecommunications.

Project examples might include items such as the Interoperable Radio Project, the Apollo project (criminal justice record system that allow continuity and sharing of data among multiple criminal justice agencies and the Courts), watershed based fire safety projects, and the countywide jail.

- **Regional Maintenance and Enhancement of Capital Investments**

- **Placer County Adopted Budget(s)** – Identifies unmet funding needs and priorities;
- **General Plan Policies** - To protect residents of and visitors to Placer County from injury and loss of life and to protect property and watershed resources from fires.

Projects might include expanded road overlay program for the regional road network, open space projects, etc.

- **Regional Sewer Infrastructure**

- **Placer County Adopted Budget(s)**
- **Wastewater Needs Assessment**
- **Sewer Financing Plans – Department of Facility Services**

Potential allocations could include assistance with plant closures, plant consolidations and SMD 1/Auburn and SMD 3 Regional Sewer projects (discussed in more detail below).

- **Other Areas of Need**

- Reestablishment of County General Reserve
 - During this last economic downturn the General Reserve has been depleted by \$8 million. Replenishment of this fund is advised.
- Other Priorities as Deemed Appropriate by Board

The areas outlined above, along with the supporting documents reflect representative priorities previously discussed with the Board of Supervisors. A table illustrating the regional priority and the potential allocations in those areas is attached and is provided

156

for discussion purposes (Regional Needs and Priorities - Attachment 3).

E. Potential Allocation Graphs

As previously stated Middle Fork revenues will not be received by the County for several years, with initial receipts commencing in 2015-16 at an estimated \$3.1 million per year slowly ramping up to a projected \$8 million in 2022. The hypothetical allocation graphs were prepared to depict various combinations of how these future proceeds *could be* utilized based upon various combinations of Board priorities. Three common elements are contained in each of the four graphs presented including:

- General Fund Reserve set aside –

During the last three years the General Fund reserve has been depleted by \$8 million. Although the proposed 2011-12 Budget does not further reduce this reserve, it is unlikely economic conditions will provide for sufficient resources to replenish this fund. Therefore all hypothetical graphs include an allocation to refresh this reserve.

- SMD 3 Regionalization -

Closure of SMD 3 Sewer Treatment Plant and regionalization by routing flows to the Roseville Treatment Plant lacks sufficient funding by a projected \$13.5 million. The approximately 600 customers served by this facility currently pay \$111 month and it is unrealistic to expect rates could be further increased to pay for this expense.

- Technical Grant Set side-

As previously mentioned, these grants are modeled in a similar technical grant process administered by PCWA. The Community Development Block Grant Program (CDBG) also has a similar technical assisted block program. The purpose of this allocation would be to fund initial technical studies to further refine and plan for future regional funding priorities.

Allocation Graph Models

Four hypothetical models were prepared for discussion. In addition to the three common elements, potential combinations of other regional priorities with certain emphasis on spending levels in the early years (2016-2021) and later years (2021 and beyond) are displayed in the attached graphs. Assumptions for these models and the graphic depictions are included as Attachment 4.

III. DISCUSSION of MFP CONTRIBUTION FOR REGIONAL SEWER INFRASTRUCTURE:

The sewer system managed by the County for the unincorporated area consists of wastewater treatment facilities in various locations: Sewer Maintenance District 1 (No. Auburn), Sewer Maintenance District 2 Granite-Bay area, Sewer Maintenance District 3 Auburn-Folsom Road area, County Service Areas 28, Zone 6 (Sheridan Sewer, Water and Lighting SWL), and CSA 28, Zone 24 (Applegate).

On several occasions, your Board has discussed the financial challenges faced by SMD 1/Auburn, the Applegate Sewer CSA, the Sheridan SWL CSA and SMD3. 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 operation costs such as labor, lab testing, electrical power and chemical use.

In particular, Applegate CSA, Sheridan SWL CSA and SMD 3 serve very small populations, have rather limited opportunity to grow, and cannot realistically be expected to fund required compliance projects. Both Applegate and Sheridan have received and/or have been designated sufficient outside funding to cover their required infrastructure costs. However, SMD 3 funding needs have yet to be resolved and is a priority for new infrastructure funding.

At your meeting on May 3, 2011, the Board requested additional information as to the potential implications of making a contribution to the Regional Sewer project as proposed by the City of Lincoln. The Contribution would offset a share of the cost of the project to the benefit of rate payers in SMD 1/Auburn and in the City of Auburn. While there are many variables affecting rates, the following table illustrates the potential implications of varying contributions from the MFP assuming costs as proposed by the City of Lincoln and the rate structure utilized by the City of Auburn.

UTILIZATION OF MIDDLE FORK FUNDS ON SMD 3/ROSEVILLE REGIONAL SEWER PROJECT - POSSIBLE FEE IMPACTS

	Contribution	Distribution of MF funds	Current SMD3 Monthly Fees	SMD3 Monthly Fees w/ MFP Contribution
1	\$13.5 million	Regionalize – SMD 3/City of Roseville	\$ 111	(a) \$ 111

(a) Note: After regionalization is complete a portion of those fees will be available for debt service.

**UTILIZATION OF MIDDLE FORK FUNDS ON LINCOLN REGIONAL SEWER
 PROJECT - POSSIBLE FEE IMPACTS**

	Contribution	Distribution of MF funds	SMD 1 Monthly Fees	Auburn Monthly Fees (1)
U	\$0	Upgrade both plants	\$85	\$60
R	\$0	Regionalize with no MF funds, (Auburn in)	\$100	\$80
1	\$13 million	All funds applied 60/40 to shared pipe segments (Auburn in)	\$94	\$75
2	\$20 million	All funds to SMD #1(Auburn in)	\$85	\$80
3	\$27 million	All funds to SMD #1 (Auburn out)	\$85	\$60
4	\$20 million	All funds to Auburn SMD/ #1 in	\$100	\$60
5	\$40 million	Funds distributed 50/50	\$85	\$60
6	\$92 million	Funds pay entire capital cost, 70/30 split	\$68	\$60
7	\$25 million	\$13 million 60/40, \$12 million 70/30 SMD1/ Auburn	\$88	\$71

(1) **Note:** Chart developed using Lincoln capitol cost estimates and rough approximation of fee impacts based on order of magnitude estimates. Auburn data based on input from Auburn staff. Ultimate fee impacts to be confirmed based on ultimate costs and fee methodology to be confirmed by the City of Auburn.

FISCAL IMPACT:

It is assumed that a funding contribution from the MFP would be used to service debt payments that would be required from a loan to be secured within the next two to three years to fund the Regional Sewer Project. To provide context for the Board's consideration with respect to other priorities the Board might have for the MF monies, these graphs illustrate the debt service payments. Included in Regional Sewer Infrastructure are funds for SMD 3 to regionalize as well, since this project is imminent in terms of sewer infrastructure needs and lacks other available funding to meet state mandated permit conditions.

Recognizing there are many variations to secure funding for the project, to simplify, the graphs assume a standard loan from the State Infrastructure Bank at 3% over 20 years. In each scenario, the graphs depict utilization of funds primarily for loan servicing in the initial years and then suggests expenditure priorities that would be addressed in the outlying years as additional funding is available.

Should this Board dedicate a share of Middle Fork monies to the Regional Sewer Project, staff would return to the Board with a loan package for participation in the Regional Project that would best meet the funding needs of the project at the lowest cost and be consistent with the Debt Management Policy.

IV. CONCLUSION:

Conclusion and Requested Action

Consistent with direction from this Board on May 3, the Middle Fork Project discussion is being addressed at this time, so that early consideration can be given to a possible contribution to Regional Sewer Infrastructure. Within that framework a range of priorities and policy issues are addressed that your Board may provide additional direction on.

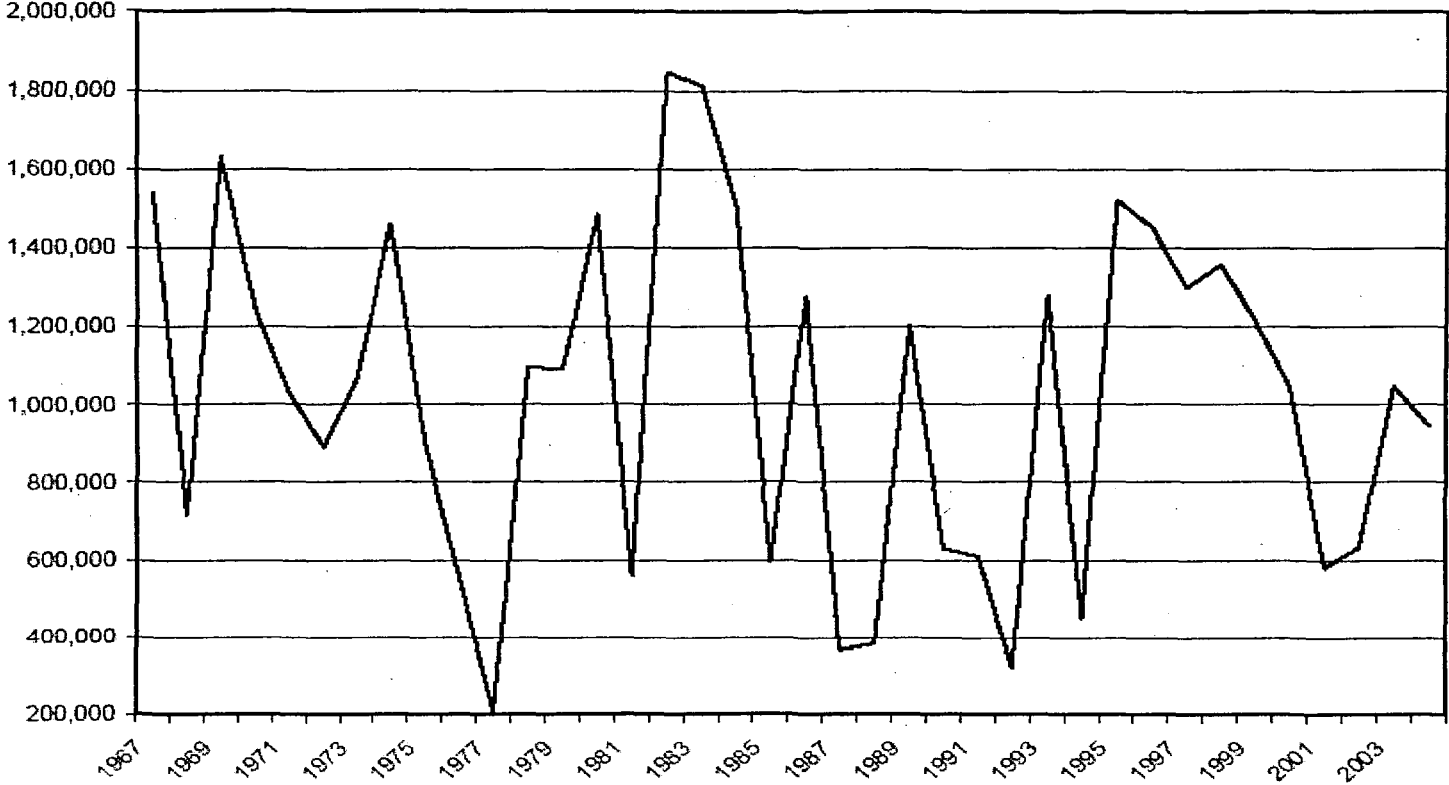
Staff recommends that the Board of Supervisors consider policies and priorities for development of a financing and expenditure plan for proceeds derived the Middle Fork Project and:

1. Confirm or provide direction regarding policy approach for consideration of funding for regional County infrastructure and facilities from anticipated proceeds from the Middle Fork Relicensing Project including;
 - o Criteria for funding of programs and projects with proceeds from the Middle Fork Project;
 - o Development of a funding plan for investment and expenditure of proceeds from the Middle Fork Project
2. Consider Regional County funding priorities and alternatives including potential designation of funding for SMD 1/Auburn and SMD 3 regional sewer infrastructure;
 - o Confirm \$10.5 for SMD 3 (in addition to existing federal funding)
 - o Confirm a dedicated amount for SMD 1/ Auburn sewer infrastructure for participation in the Lincoln Regional Sewer project or provide other direction to staff;
 - o Confirm or provide direction on regional priorities outlined in this report;
3. Provide direction to staff to return to the Board of Supervisors with:
 - o A formal finance and budget policy specific to the Middle Fork Project proceeds; and
 - o A financing, investment and expenditure plan relative to proceeds from the Middle Fork Project Re-licensing Project;
4. Provide other direction as necessary.

TM/HH

Attachments: PCWA Net Generation
Middle Fork Project Budget Schedule
Regional Needs and Priorities
Allocation Graph Models

PCWA Net Generation (MWH)



191

Middle Fork Project Budget Schedule - 2010 - 2023 with Actual 2006 - 2009

#	Ref.	Historical				Transition							Post-Transition					Total	
		2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget		2022 Budget
Middle Fork Project Finance Authority																			
Financing Sources and Revenue:																			
1	2																		
3																			
4																			
5																			
6																			
7																			
8																			
9																			
Expenditures:																			
10																			
11																			
12																			
13																			
14																			
15																			
16																			
17																			
Distributions:																			
18																			
19																			
20																			
21																			
22																			
PCWA - Power Division & Agency Wide																			
Includes Hill State Power																			
Revenue and Contributions:																			
23																			
24																			
25																			
26																			
27																			
28																			
29																			
30																			
31																			
Expenses																			
32																			
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35																			
36																			
37																			
38																			
39																			
Additions & Betterments (Multi Yr Budget):																			
40																			
41																			
42																			
43																			
Debt Service (principal & interest):																			
44																			
45																			
46																			
Reserve Contributions:																			
47																			
48																			
49																			
50																			
51																			

162

Regional Needs and Priorities

	<u>Regional Priority</u>	<u>Expenditure</u>		<u>Potential Allocations</u>	<u>PCWA Overlap</u>
		Capital	Oper.		
I.	Regional Sewer Infrastructure				Possibly - Water Quality
		x		Plant Closures	
		x		Plant Consolidations	
		x		SMD1 & SMD-3 Regional Sewer	
II.	Public Safety	x	x		Watershed Fire Safety Projects
	Maintain public safety for benefit of residents and businesses in Placer County	x	x	Interoperable Radio Project	
		x	x	Apollo	
			x	Countywide Jail	
		x		Watershed Based Fire Safety	
III.	Economic Development				Water System Related Infrastructure
	•Foster regional non-residential development leading to sustainable primary wage earner jobs	x		Infrastructure Capital Funding	
	•Further Goals of higher education opportunities	x		Mitigation Write-Down	
		x		Sunset Industrial Area	
IV.	Regional Maintenance/Enhancements				FERC Area Open Space
	•Maintenance and Enhancement of Capital Investments	x		Road Overlays	
	•Regional/Countywide Levels of Service	x		Open Space	
V.	Development of New Regional Priorities	x		Technical Assistant Grants	Similar to PCWA Grant Plan

ATTACHMENT 3

163

Allocation Graph Models Assumptions

Hypothetical Allocation #1

Early years

- Full finance capacity for SMD 3 regionalization
- Slowly builds up General Fund reserve (approximately \$4 million by 2020)
- Funds technical assistance grants at \$50,000 a year
- Provides for an estimated finance capacity of \$20 million towards SMD 1/ Auburn regionalization
- Contributes approximately \$1 million towards Regional Public Safety

Later years

- Continue the early year's allocations (increases level to Regional Public Safety)
- Contributes to regional priorities of PCCP / Fire Safe Community, and Economic Development Infrastructure, including higher education

Hypothetical Allocation #2

Early years

- Full finance capacity for SMD 3 regionalization
- Slowly builds up to the General Fund reserves (approximately \$4 million by 2020)
- Funds technical assistance grants at \$50,000 a year
- Provide contributions to Economic Development Infrastructure including higher education of approximately \$6.0 million

Later years

- Continue the early year's contributions
- Contribute to regional priorities of Regional Roads as well as PCCP / Fire Safe Community, and Regional Public Safety

Hypothetical Allocation #3

Early years

- Full finance capacity for SMD 3 regionalization
- Slowly builds of General Fund reserve (approximately \$4 million by 2020)
- Funds technical assistance grants by \$50,000 per year
- Provides for an estimated finance capacity of \$25 million towards SMD #1 regionalization.

Later years

- Continue the early year's contributions
- Contribute to regional priorities; PCCP / Fire Safe Community, Economic Development Infrastructure, including higher education, and Regional Public Safety.

Hypothetical Allocation #4

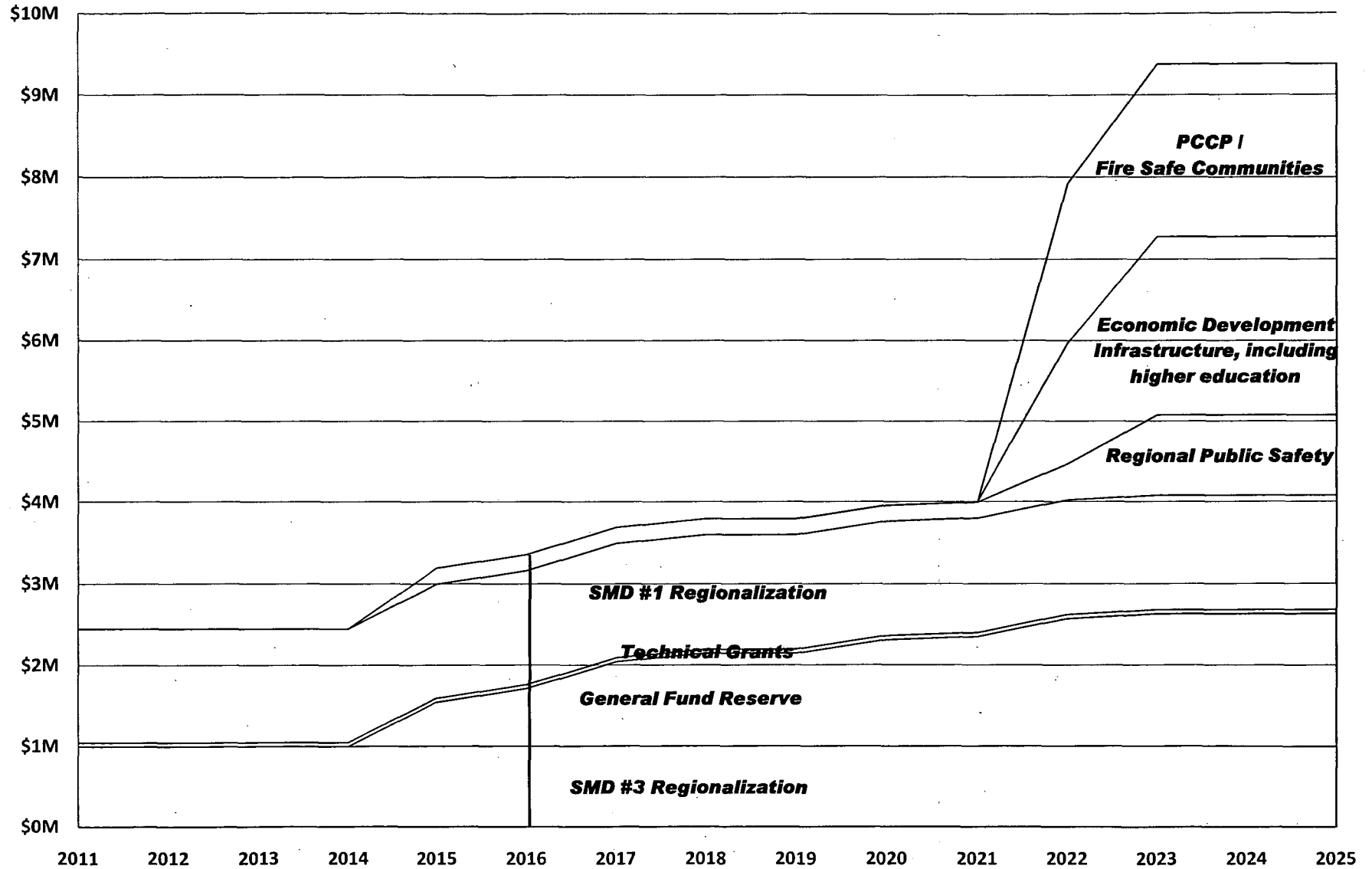
Early years

- Full finance capacity for SMD #3 regionalization
- Funds technical assistance grants at \$50,000 per year
- Slowly builds up General Fund Reserve (approximately \$4 million by 2020)
- Contributes approximately \$1.5 million per year or \$6 million in the first four years to regional roads

Later years

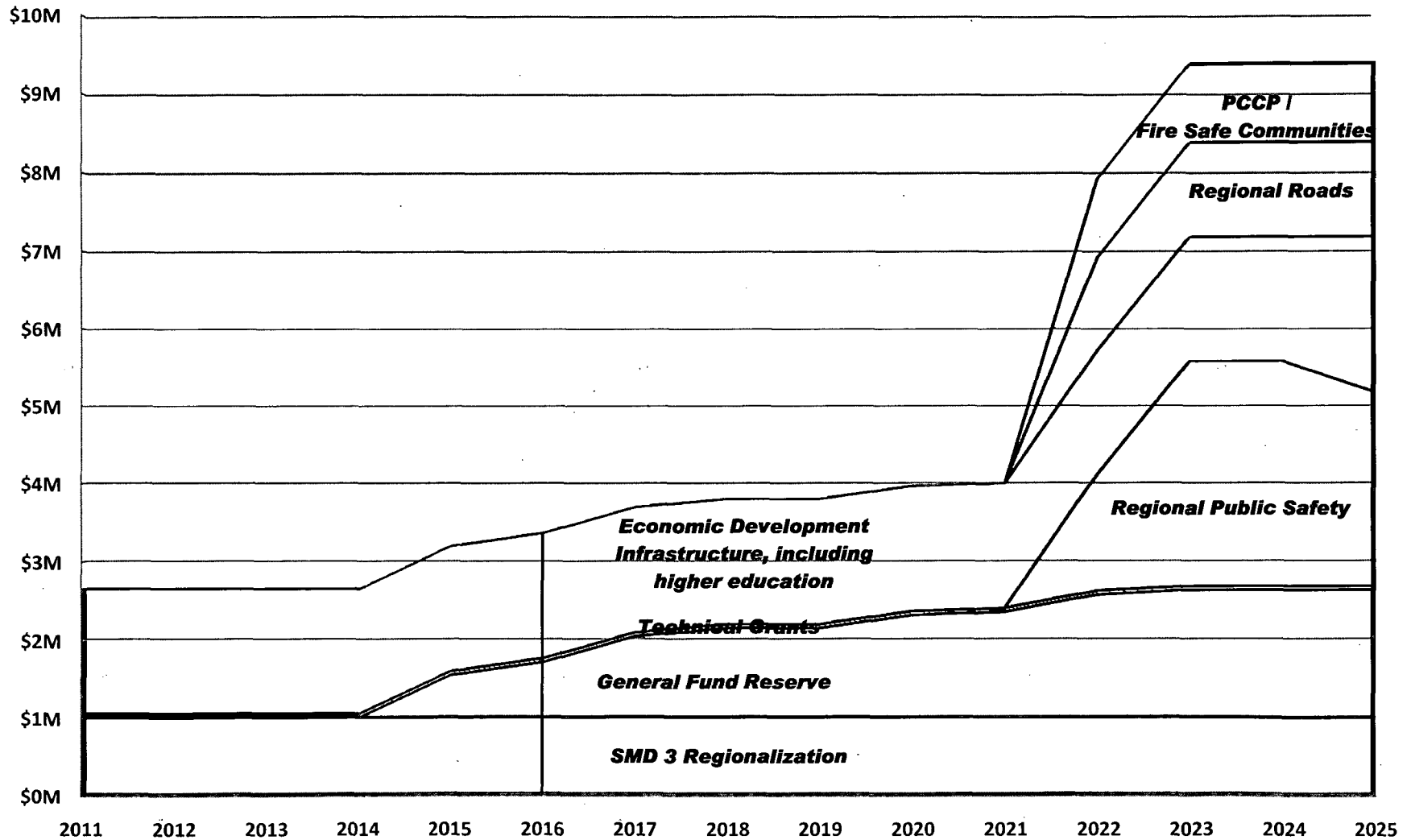
- Continue the early year's contributions
- Contribute to new categories of PCCP, Community and Cultural Services, Fire Safe Communities, Economic Development Infrastructure, including higher education.

Middle Fork Project Hypothetical Allocation 1



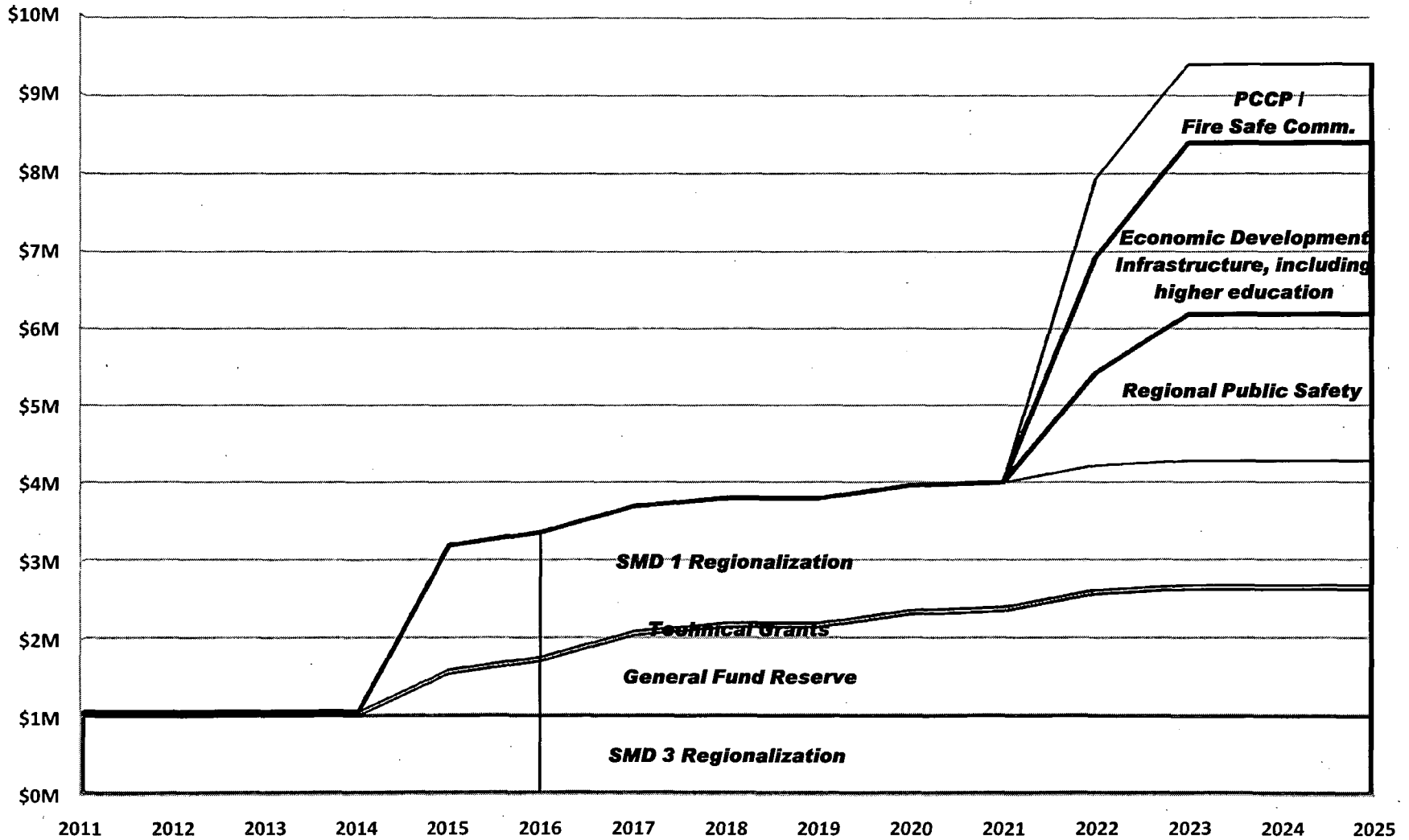
166

Middle Fork Project Hypothetical Allocation 2



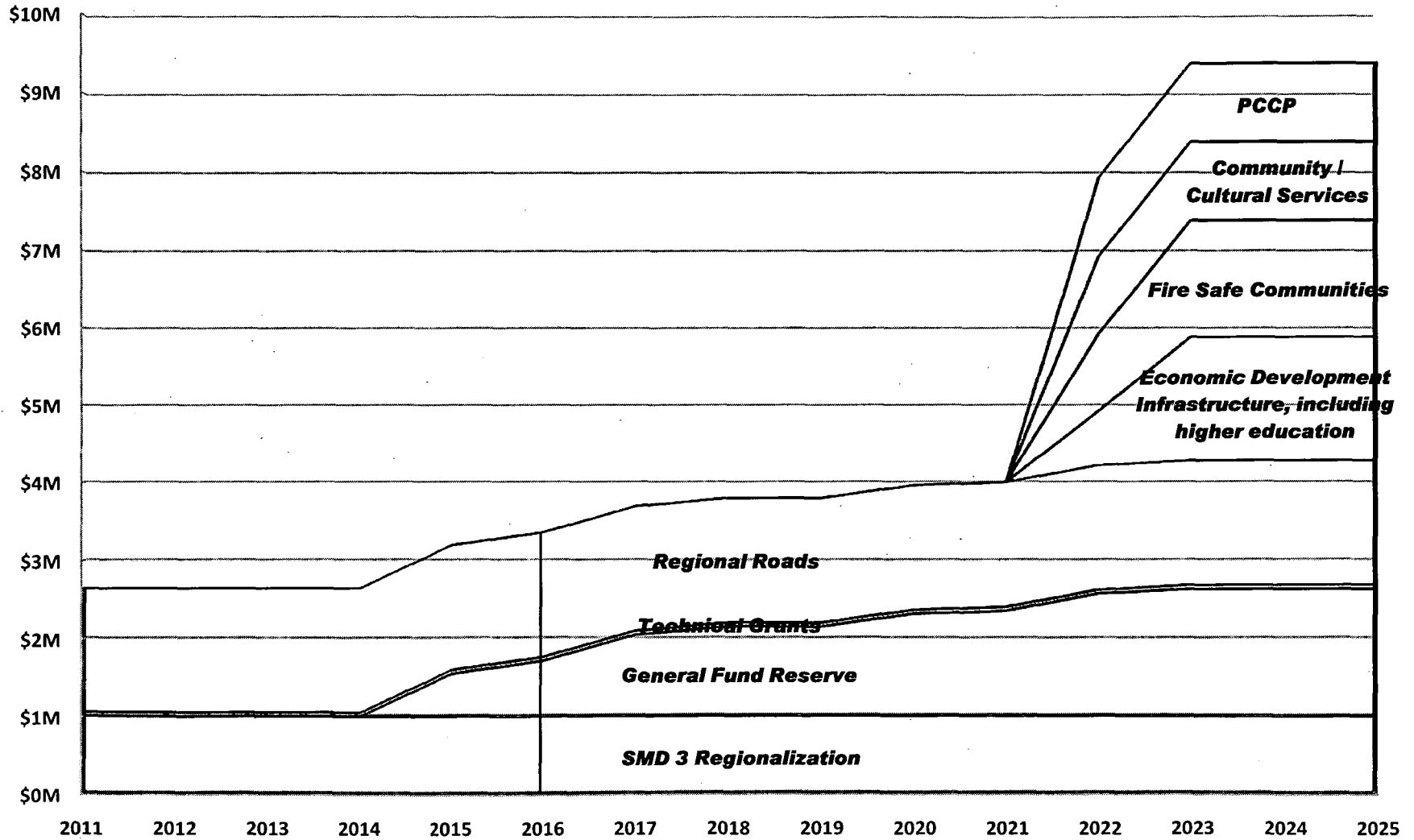
167

Middle Fork Project Hypothetical Allocation 3



168

Middle Fork Project Hypothetical Allocation 4



169

