

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

To: BOARD OF SUPERVISORS

Date: JANUARY 10, 2012

From: *JD* JAMES DURFEE / BILL ZIMMERMAN *BZ*

Subject: SEWER MAINTENANCE DISTRICT 1 WASTEWATER TREATMENT PLANT COMPLIANCE: PROGRESS UPDATE

ACTION REQUESTED/RECOMMENDATION: No action requested. This item is provided as an informational update on staff's progress on the follow up items requested by your Board related to the Sewer Maintenance District 1 compliance alternatives.

BACKGROUND: On December 6, 2011 your Board heard presentations from staff and other interested parties regarding various options to achieve compliance with current sewage treatment plant requirements in Sewer Maintenance District 1 (SMD 1). After hearing comments from the public and deliberation on the alternatives, your Board directed staff to complete the following tasks stated below and return to your Board no later than March 13, 2012 for further direction. Under each task is a brief update on our progress towards completing these tasks.

1. **Provide a side-by-side comparison of the Brown & Caldwell and City of Lincoln/Stantec cost estimates for a regional sewer project.** Facility Services staff has developed this comparison and it is included herein as Attachment A.
2. **Provide an updated realistic cost estimate for a regional sewer project.** Staff is meeting with South Placer Municipal Utility District (SPMUD) staff and others to determine the best way to arrive at a consensus on a revised cost estimate.
3. **Begin working on the initial studies necessary to complete an environmental document for a regional sewer project.** Facility Services has set up a meeting with ICF International, City of Lincoln staff, Planning, County Counsel and CEO staff to initiate preparation of a project description and initial study. Also under discussion is use of ICF or another consultant to perform an overview of the potential wetland and stream crossing impacts of the pipeline project, as well as potential impacts caused by the loss of discharge water from the SMD 1 and Auburn wastewater plants.
4. **Present a list of questions to State Revolving Fund (SRF) staff to obtain answers to several questions regarding the availability and use of SRF funds.** Facility Services prepared and sent a list of questions (Attachment B).
5. **Prepare a rate comparison between the PERC proposal and a realistic regional sewer proposal.** Staff has begun discussions with PERC to better understand the cost components of their project. When complete, this information will be combined with the new cost information developed under #2 above to compare rates projected into the future.

6. **Obtain a more formal response from the City of Auburn regarding their interest in a regional sewer project.** The Board is sending a letter to the City Council requesting that the Council place a discussion of participation in the Regional Project on an upcoming agenda.
7. **Accept any Design Build proposals submitted before January 1, 2012.** No additional proposals were received.
8. **Investigate SPMUD participation in developing a regional sewer project.** Staff has initiated discussions with SPMUD.
9. **Submit a request to the Central Valley Regional Water Quality Control Board for information regarding the potential for a new compliance schedule under a regional sewer scenario.** Staff is preparing a letter to the Executive Officer requesting that RWQCB staff provide specific guidance as to proceeding with presenting a revised compliance schedule to the Regional Board should the Board of Supervisors elect to pursue a regional project on March 13, 2012.
10. **Continue working with SRF staff to secure Facility Plan Approval (FPA)/Preliminary Funding Commitment (PFC) for the SMD 1 WWTP Upgrade and Expansion Project to lock in the terms of financing and Principal Forgiveness.** SRF staff is routing the FPA/PFC for signatures and the fully executed FPA/PFC is anticipated by mid January.

Staff will continue to make progress on these tasks with the goal of completing all of them well in advance of the March 13, 2012 meeting of your Board.

JD:BZ:LM

CC: COUNTY EXECUTIVE OFFICER

ATTACHEMENTS: ATTACHMENT A

ATTACHMENT B

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EXHIBIT A

| | <u>LINCOLN PROPOSAL</u> ¹ | <u>B&C TAC ESTIMATE</u> ² |
|-------------------------------------|--------------------------------------|--|
| CONSTRUCTION | | |
| SMD1 Pump Station | | |
| Pump Station | \$ 4,900,000 | \$ 6,100,000 |
| Operational Storage ³ | \$ - | \$ 5,100,000 |
| Emergency Storage | \$ - | \$ 5,000,000 |
| | \$ 4,900,000 | \$ 16,200,000 |
| Pipeline | | |
| SMD 1 to junction | \$ 13,500,000 | \$ 12,700,000 |
| Common pipeline | \$ 7,300,000 | \$ 6,600,000 |
| Hwy 193 completion | \$ - | \$ 2,400,000 |
| Odor Control | \$ 600,000 | \$ - |
| | \$ 21,400,000 | \$ 21,700,000 |
| CONSTRUCTION SUBTOTAL | \$ 26,300,000 | \$ 37,900,000 |
| WWTP EXPANSION | \$ 18,900,000 | \$ 27,800,000 |
| CONSTRUCTION CONTINGENCY | \$ - | \$ 9,000,000 |
| OVERSIZING REIMBURSEMENT | \$ 7,100,000 | \$ 9,300,000 |
| ENGINEERING & SOFT COSTS | \$ 12,200,000 ⁴ | \$ 8,500,000 |
| | \$ 64,500,000 | \$ 92,500,000 |

MAJOR DIFFERENCES:

WWTP Capacity (1.7MGD vs. 2.1MGD) - \$11.1M (incl. increase in reimbursement pmt.)

Use of oversizing reimbursement as contingency - \$9.0M

Emergency Storage - \$5.1M (not incl. contingency)

Operational Storage - \$5.0M (not incl. contingency)

NOTES:

- 1 From Table 1-1, Scenario 4 - City of Lincoln TM1, January 2011
- 2 From Auburn Area Regional Sewer Project - Value Engineering, October 2010
- 3 Required to meet City of Lincoln limit of 3.5x ADWF
- 4 Includes the following:
 - 10% Engineering and environmental
 - 8% Construction Management, Inspection, and State Revolving Fund Reporting
 - 1% Project Management
 - 2% Inflation during design and construction
 - 6% Contingency



**COUNTY OF PLACER
FACILITY SERVICES DEPARTMENT**

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December 16, 2011

Christopher Stevens
Program Manager
Division of Financial Assistance
State Water Resources Control Board
1001 I Street, 16th Floor
Sacramento, CA 95814

RE: CLEAN WATER STATE REVOLVING FUND PROCESS QUESTIONS

Dear Mr. Stevens:

Pursuant to the Placer County Board of Supervisors meeting which you attended on December 6, 2011, County staff was directed to obtain additional information regarding the State Revolving Fund (SRF) process. Specifically, the details of the SRF process for a regionalization and/or privatization project and how various scenarios might affect the pending Facility Plan Approval/Preliminary Funding Commitment (FPA/PFC) for the SMD 1 Wastewater Treatment Plant Upgrade and Expansion Project (SRF-C-06-5275-110). Below are the scenarios and their attendant questions:

1. **PERC Design/Build Proposal** - The County received a proposal from a company (PERC Water) to complete the upgrade and expansion of its SMD 1 treatment plant. If accepted, this project concept would replace the SMD 1 upgrade project that was bid out and subject to the current FPA/PFC. The proposal contemplates using a design/build project delivery method to contract with PERC.
 - a. Once the current FPA/PFC is executed, can it be revised to allow a design/build option?
 - b. Since the project would be changing, the current environmental documents will need to be revised. How would that affect the FPA/PFC?
 - c. Section XI B 1 of the Policy for Implementing the CWSRF for Wastewater Treatment Facilities as amended in March 2009 delineates the two-phase selection process (RFQ and RFP) for design-build projects. Is there any process that the County might complete that will satisfy this process without conducting an RFQ and RFP?
 - d. If the executed FPA/PFC is amended for the PERC proposal, assuming it contains Principal Forgiveness, will the PF remain available?

11476 C Avenue Auburn CA 95603
Entrance at 2855 2nd Street

- e. Does the timing of when the environmental documents are complete affect the PF availability?
- f. Are there any restrictions through SRF regarding contracted third party operation of the treatment plant?
- g. Are there any differences or restrictions in the SRF process between a design/build and a design/build/operate?

2. Regional Project - As an alternative to upgrading and expanding the SMD 1 treatment plant, the County could partner with other local agencies in a regional treatment plant. Such a project would require the construction of several miles of pipeline as well as the expansion of an existing treatment plant currently owned by the City of Lincoln. At this time, there are many details that need to be worked out regarding ultimate governance and ownership of both the pipeline and treatment plant. Availability of low interest financing through SRF could potentially have an impact on the manner in which this type of project is ultimately organized.

- a. How would SRF evaluate a regional project for the purposes of determining whether it could be designated as a DAC?
 - i. Does the ownership of the capital improvements impact this?
 - ii. If the two components of the project are separated out into two different projects and financed separately, would this impact the DAC status?

3. Regional Project – Lincoln Owned

- a. In order to be eligible to receive ETF and PF, does the project area to be served have to be designated as a DAC?
 - i. How is the project area to be served defined?
 - ii. What if only a portion of the area is designated as a DAC?
 - iii. Although the City of Lincoln would own and construct both the pipeline and expansion of the treatment plant, the construction would specifically benefit the SMD 1 service area, not the City of Lincoln service area. Would this project still qualify as a DAC?
- b. Would it be possible to transfer the PF from the current FPA/PFC to a new FPA/PFC with the understanding that it would be at least one year (for environmental clearance) before the FPA/PFC were ready for signature and that the applicant would change from Placer County to the City of Lincoln?
- c. If, at the same time but as a separate entity, Auburn were to construct a regional pipeline that joined the new pipeline constructed for SMD 1, and assuming Auburn qualified as a DAC, would Auburn be eligible for the \$7.5 million regional PF?
- d. What if only portions of Auburn qualified as a DAC? Would there be a proportionate share of PF that might be available?

Christopher Stevens
 SRF Process Questions
 December 16, 2011
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4. Regional Project – Placer Owned

- a. Would it be possible to transfer the PF from the current FPA/PFC to a new FPA/PFC with the understanding that it would be at least one year (for environmental clearance) before the FPA/PFC were ready for signature and that the applicant would remain the County?

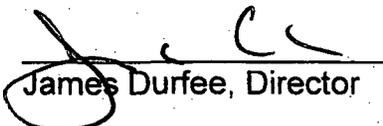
5. Regional Project – Joint Powers Authority (JPA)

- a. Would the JPA have to be formed prior to applying for the SRF loan?
- b. Would there be any effect to the SRF loan if the original applicant was Placer County or Lincoln, but then a JPA was formed?
- c. Does the JPA have to own the pipeline and pump station in order to be the applicant for the SRF loan?
- d. If there is a JPA in place, how does that affect the SRF loan process?
- e. What is the effect, if any, on the SRF process if the JPA does not own the infrastructure?
- f. If a JPA is the applicant, does that change anything about how a determination is made for a DAC?
- g. If we are utilizing a JPA structure that includes both Lincoln and Auburn as members, assuming both SMD 1 and Auburn qualify as DACs and that there are PF funds available, is there a potential for both Lincoln and Auburn to each receive \$7.5 million in PF for regionalization?

We expect the Board to make a final decision regarding the options outlined above in March 2012. However, we intend to return to the Board in January to insure that we are proceeding as envisioned by the Board. Therefore, if possible, it would be most advantageous if we could obtain the answers to our questions by the end of this year. Please feel free to answer the questions in whatever format/order is most conducive to conveniently convey the information.

We greatly appreciate all of the efforts extended by yourself and your staff as we explore the various available options. If you have any questions or need any clarification, please feel free to contact Bill Zimmerman at (530) 886-4986 or bjimmerm@placer.ca.gov.

Sincerely,


 James Durfee, Director

JD:KK:lm

cc: Jennifer Toney, CWSRF

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