

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

To: **BOARD OF SUPERVISORS**

Date: **APRIL 10, 2012**

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

Subject: **SOLID WASTE MANAGEMENT ENTERPRISE FUND LOAN TO COUNTY
SERVICE AREA 28, ZONE 24, APPLGATE SEWER**

ACTION REQUESTED / RECOMMENDATION: Staff recommends that your Board:

1. Adopt the attached Resolution authorizing a loan from the Solid Waste Management Enterprise Fund (SWMEF) to County Service Area 28, Zone 24, Applegate Sewer (Applegate CSA) in an amount not to exceed \$300,000 to provide operating funds for FY 2011/12 and 2012/13, and
2. Approve the attached Budget Revision to the Fiscal Year 2011/12 Final Budget appropriating \$100,000 of the above-referenced loan to the Applegate CSA.

BACKGROUND: The Applegate CSA consists of a wastewater collection system and pond treatment facility serving 27 connections (36 equivalent dwelling units). The current operation and maintenance fee is \$82 per month which provides an annual operating budget of approximately \$35,000. Current operating costs are approximately \$185,000 per year. In order to achieve long term regulatory compliance and financial stability, your Board has approved the Applegate Regional Sewer Pipeline Project (Project). Completion of the Project is scheduled for Spring of 2013 at which time the Applegate CSA can be annexed into Sewer Maintenance District 1.

For the past several years, your Board has provided funding to the Applegate CSA through loans from the County General Fund, and most recently through a loan from the SWMEF that is backed by the County General Fund. In June 2009, your Board forgave previous General Fund loans to the Applegate CSA totaling \$1,348,000. In June 2010, your Board approved a \$260,000 loan from the SWMEF to provide funding for FY 2009/10 and 2010/11. The terms of the loan require repayment in 10 years with interest equal to what the SWMEF would have earned had the funds remained in the Placer County Treasury (2%). Interest only payments under these terms are \$5,200 annually. The current outstanding principal and interest balance, assuming repayment in June 2019, is \$301,600.

In order to provide funding through construction of the Project and annexation of the Applegate CSA into SMD 1, staff recommends you Board authorize an additional \$300,000 loan from the SWMEF for FY 2011/12 and 2012/13. Interest only payments at 2% would be \$6,000, with the balance due in 10 years. The total outstanding principal and interest obligation for both loans would be \$661,600 assuming principal repayment at the end of each loan term.

The SWMEF currently holds reserves of \$17,400,000 which have accumulated over a period of years in order to have a readily available source of funding for unknown potential liabilities associated with three former County landfills that were officially closed during the 1990s. While it is necessary to preserve these funds over the long term in order to protect against potential future liabilities, staff believes that using a portion of these funds as a source of short term financing is a viable financing opportunity for the Applegate CSA.

ENVIRONMENTAL CLEARANCE: This action is exempt from CEQA pursuant to Section 15061(b)(3) of the CEQA Guidelines.

FISCAL IMPACT: It is not anticipated that the Applegate CSA will generate sufficient revenues during the proposed loan term to repay the annual interest; therefore, the repayment obligation will likely fall to the County General Fund. In the short term, as described above, the interest only payment for the \$300,000 loan would be \$6,000 annually with the principal repayment due within 10 years. The combined annual interest payment for both loans would be \$11,200; the total outstanding principal and interest obligation for both loans would be \$661,600 assuming principal repayment at the end of each loan term.

JD:BZ:KK:LM

CC: COUNTY EXECUTIVE OFFICE

ATTACHMENT: RESOLUTION
BUDGET REVISION

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

In the matter of: AUTHORIZE A LOAN FROM THE
SOLID WASTE MANAGEMENT ENTERPRISE FUND
TO COUNTY SERVICE AREA 28, ZONE 24,
APPLEGATE SEWER IN THE AMOUNT OF \$300,000

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

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors, County of Placer, State of California, that Solid Waste Management Enterprise Fund is authorized to make loan to the County Service Area 28, Zone 24, Applegate Sewer in the amount of \$300,000.

NOW BE IT FURTHER RESOLVED, that said loan from the Solid Waste Management Enterprise Fund shall be under the following terms and conditions:

1. Repayment from the General Fund of the principal shall take place within ten (10) years of the date of this Resolution;
2. Annual payment from the General Fund of interest shall be made to the Solid Waste Management Enterprise Fund in an amount equal to what would have been earned had the funds remained in the Placer County Treasury.

PAS DOCUMENT NO. _____

BUDGET REVISION

POST DATE:

| DEPT NO. | DOC TYPE | Total \$ Amount | TOTAL LINES |
|----------|----------|-----------------|-------------|
| 12 | BR | 100,000.00 | 1 |

- Cash Transfer Required
Fund 220 Subfund 450
- Reserve Cancellation Required
- Establish Reserve Required

- Auditor-Controller
- County Executive
- Board of Supervisors

| ESTIMATED REVENUE ADJUSTMENT | | | | | | | | | | APPROPRIATION ADJUSTMENT | | | | | | | | | | | | |
|------------------------------|-----|-----|------|----------|-----|-----|-------|-------|-----------|--------------------------|----------|-----|-----|------|----------|--------|-------|-------|-------|-----------|--------|------------|
| DEPT NO. | T/C | Rev | Fund | Sub Fund | OCA | PCA | OBJ 3 | PROJ. | PROJ. DTL | AMOUNT | DEPT NO. | T/C | Rev | Fund | Sub Fund | OCA | PCA | OBJ 3 | PROJ. | PROJ. DTL | AMOUNT | |
| | | | | | | | | | | | 12 | 014 | | 502 | 24 | 996824 | 96824 | 2970 | | | | 100,000.00 |
| TOTAL | | | | | | | | | | TOTAL | | | | | | | | | | | | |
| 0.00 | | | | | | | | | | 100,000.00 | | | | | | | | | | | | |

REASON FOR REVISION: TO APPROPRIATE LOAN FROM THE SOLID WASTE ENTERPRISE FUND TO THE APPLGATE SEWER BUDGET.

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

Date: 4/10/12
 Page: _____

Budget Revision # _____ FOR INDIVIDUAL DEPT USE

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