

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

To: **BOARD OF SUPERVISORS**

Date: **AUGUST 7, 2012**

From:  **JAMES DURFEE / BILL ZIMMERMAN** 

Subject: **MID-WESTERN PLACER REGIONAL SEWER PROJECT – APPROVAL OF DESIGN AND ENVIRONMENTAL REVIEW AGREEMENT**

ACTION REQUESTED / RECOMMENDATION: Staff recommends that your Board take the following actions with regard to the Mid-Western Placer Regional Sewer Project (Regional Project):

1. Adopt the attached Resolution authorizing the Chair to sign the Design and Environmental Review Agreement (DERA) with the City of Lincoln (Lincoln) in an amount not-to-exceed \$6,067,000.
2. Direct staff to negotiate the Construction and Initial Operations Agreement (CIOA) pursuant to the attached Deal Points Outline.
3. Provide staff direction regarding project funding alternatives for Sewer Maintenance District 1 (SMD 1) and the City of Auburn (Auburn).
4. Provide staff other direction as the Board deems appropriate.

BACKGROUND: On March 13, 2012, your Board directed staff to pursue Lincoln's offer to complete the Regional Project and to negotiate the necessary agreements between Lincoln and potentially Auburn for design and environmental review of the Regional Project. At that time, your Board also directed staff to work with Auburn and bring back rate stabilization options for both SMD 1 and Auburn. Since that time, your Board has taken the following actions to further the Regional Project:

April 10, 2012

- Authorized the Director of Facility Services (DFS) to apply for a Clean Water State Revolving Fund (SRF) loan for the Regional Project.
- Increased the Blanket Purchase Order with Capital Public Finance Group by \$100,000 to provide additional financial analysis for the Regional Project.

May 8, 2012

- Approved a \$1,000,000 Advance Payment Agreement with Lincoln to fund design and environmental analysis of the Regional Project (in addition to \$300,000 reallocated from an existing ICF Jones & Stokes agreement in April 2012).
- Approved a Budget Revision transferring \$4,000,000 from the SMD 1 WWTP Upgrade Capital Project Budget to the SMD 1 Regional Sewer Capital Project Budget.
- Authorized the DFS to execute an agreement with ICF Jones & Stokes to perform environmental review services for the Regional Project (not-to-exceed \$100,000).
- Authorized the DFS to execute an agreement with Brown & Caldwell to perform engineering design review services for the Project (not-to-exceed \$200,000).

Project Status Update

Lincoln has initiated the environmental review process for the Regional Project. Cultural surveys along the pipeline alignment have been completed, as well as initial botanical and wetland surveys. A Notice of Preparation for an Environmental Impact Report (EIR) was prepared and released for public comment. The comment period ended on July 2, 2012, and Lincoln is currently in the process of preparing the Draft EIR which is scheduled for release in November 2012. In addition, Lincoln and County staff have conducted meetings with Federal regulatory and permitting agencies to determine the Lead Federal Agency for various aspects of the Regional Project. Lincoln began detailed design work on the Regional Project on July 11, 2012. Lincoln staff has conducted weekly Project Coordination Team (PCT) meetings with County and Auburn staff to discuss progress on the environmental and design processes. In addition, County and Auburn executive level staff met to discuss Auburn's participation in the Regional Project.

County staff has met with SRF staff to begin the application process for a new SRF loan that transfers the \$6,000,000 in principal forgiveness currently committed by the SRF from the SMD 1 Upgrade Project to the Regional Project. The deadline for completing the environmental review process, securing all necessary discretionary permits, and submitting a completed application to the SRF for the Regional Project is May 30, 2013. SRF staff has indicated that an extension of 120 days to September 27, 2013 is probable, but that if a completed application is not submitted by that deadline, the Regional Project may not receive the \$6,000,000 in principal forgiveness. In addition, County staff recommends completing the rate approval process including Proposition 218 requirements in order to have a sufficient revenue stream in place prior to submitting an application package to the SRF. Approval of the DERA is necessary in order to complete the environmental review process as well as acquire the necessary state and federal permits by the SRF deadline.

Design & Environmental Review Agreement

The original Lincoln Offer included a base cost of \$5,580,000 to complete design and environmental review for a Regional Project serving SMD 1. However Lincoln recently submitted a request to increase the base cost by \$284,000 (to \$5,864,000) to capture revisions that were inadvertently left out of their offer. Lincoln has indicated that this change will not increase the total Lincoln Offer of \$73,000,000. Under the terms of the DERA, Lincoln will complete the design and environmental review for a cost of \$6,067,000, which includes the \$284,000 increase. The DERA can be amended to include Auburn's participation in the Regional Project. To that end, the DERA includes \$203,000 in services intended to maintain flexibility for Auburn's participation, including \$153,000 for environmental review of the Auburn pump station and pipeline, and \$50,000 to design a common pipeline alternative that accommodates Auburn's flows. In addition, Lincoln has submitted a claim for \$129,000 that would increase the total cost of the Lincoln Offer, however there is insufficient information at this time to provide a recommendation to your Board to approve or reject the claim. Key issues negotiated as part of the DERA include:

- The County will reimburse Lincoln for work as it is completed. Previous payments made under the ICF Jones & Stokes reallocation (\$300,000) and Advanced Payment Agreement (\$1,000,000) will be credited towards DERA cost.
- Neither the County nor Lincoln is indemnifying the other party. Under the terms of the DERA, the County and Lincoln agree to work together if there is a CEQA challenge or other legal action against the Regional Project.
- The County and Lincoln agree to work cooperatively to complete design and environmental review. The DERA does not include hard deadlines or provisions for delayed completion resulting in the loss of the \$6,000,000 in principal forgiveness.
- In the event that after completion of the environmental review process Lincoln elects not to pursue the Regional Project, the County will receive ownership of the design documents and may elect to move forward as a County led project.
- Any material changes in scope or cost will be brought back to the Board of Supervisors for approval.

A copy of the DERA is included as Attachment A.

Construction and Initial Operations Agreement

The CIOA will provide for the construction and construction management of the Regional Project as well as establish the framework for the initial operations and governance. The base cost of the CIOA will be \$73,200,000 (including DERA costs) based on the \$73,000,000 from the Lincoln Offer and the \$200,000 included in the DERA to accommodate Auburn's participation in the Regional Project. Additional costs may be added to the CIOA to reflect changes requested by the County during the design and environmental review process and to account for any delays and/or inefficiencies caused by the County. The CIOA will be presented to your Board for approval concurrently with certification of the Environmental Impact Report (EIR) for the Regional Project, which is estimated in May 2013 based on Lincoln's current schedule.

The Lincoln Offer Summary included as Attachment B will serve as the starting point for development of the CIOA. In addition, County staff is requesting your Board's approval of a Deal Points Outline included as Attachment C that will serve as a basis for negotiations with Lincoln on the CIOA Key Deal Points include:

- Lincoln will complete construction and startup of the pipeline, pump station, and wastewater treatment prior to the County's final regulatory compliance deadline of September 2015. Lincoln will be responsible for payment of any regulatory fines resulting from failure to complete the Regional Project by this deadline.
- The oversizing payment (\$7,070,338 for a SMD 1 stand-alone project) will be available for use as a contingency for the Regional Project. The CIOA will define project changes that are eligible for payment through the contingency and changes that are not. The remainder of the oversizing payment plus any construction cost savings will serve as compensation to Lincoln for oversizing in the Lincoln collection system and treatment plant. The County will be responsible for any construction cost overruns that exceed the oversizing payment.

- The County will establish a fiscal disbursement agreement to make payments for work completed under the CIOA.
- The CIOA will establish maintenance and operations (M&O) fees for the Regional Project. M&O fees will contain provisions to fund future repair and rehabilitation(R&R) of the facilities constructed as part of the Regional Project as well as the existing facilities at the Lincoln treatment plant and trunk lines in the Lincoln collection system used by the Regional Project.
- The CIOA will establish connection fees for the Regional Project. In addition, the CIOA will include provisions for a study to optimize the timing and sizing of future expansions and determine appropriate connection fees.
- The treatment plant component of the M&O and connection fees will be the same for all users of the treatment plant.
- SMD 1 will have an option to purchase up to an additional 0.4 MGD of treatment capacity once the Regional Project is constructed at the then current Lincoln connection fee.
- The CIOA will include provisions for governance during the first 5 years of operations as well as develop a framework and options for long term governance and dispute resolution.

The Deal Points Outline is not intended to provide a complete set of deal points. Through the CIOA negotiation process, additional deal points will be developed and brought back to your Board for approval.

M&O Rate Analysis

Total project cost estimates along with monthly M&O rate estimates are provided below for a Regional Project including both SMD 1 and Auburn, and for SMD 1 as a stand-alone project:

Combined SMD1 and Auburn Project

SMD 1¹

Estimated Regional Project cost:	\$69,304,000
Current M&O rate:	\$82.00/month
Estimated SMD 1 M&O rate:	\$91.62/month
Estimated SMD 1 connection fee:	\$9,501/EDU

Auburn²

Estimated Regional Project cost:	\$28,700,000
Current M&O rate:	\$60.50/month
Estimated Auburn M&O – Phase 1:	\$76.14/month

¹ The SMD 1 M&O rate and connection fee are estimates based on the best available information. Lincoln has stated that the County's flow and loading are approximately 30% higher than the City's and as a result the treatment portion of the regional connection fee may increase by 30% (approximately \$1,300) for SMD 1 customers. It is unclear at this time if or how this impacts the M&O rate.

² Auburn cost and rate estimates are for an initial project that will provide secondary treatment at Auburn and tertiary treatment at Lincoln. A second phase of the project will provide full treatment at Lincoln for an additional cost estimated at \$9,000,000 which has the potential to increase M&O rates by approximately \$3/month.

SMD 1 Stand-alone Project

Estimated Regional Project cost for SMD 1:	\$76,364,000
Estimated SMD 1 M&O rate:	\$95.78/month
Estimated SMD 1 connection fee:	\$9,776/EDU

These estimates differ from information previously presented to your Board as a result of the following changes in assumptions:

- Total projects costs have been adjusted to include an increased inflation allowance, and County staff and consultant costs.
- Monthly M&O rates have been adjusted to include a \$4.50/month contribution for future R&R.
- The SRF principal forgiveness amount has been reduced from \$7,500,000 to \$6,000,000 to be consistent with the Preliminary Funding Commitment.
- Existing user/future user cost splits have been refined based on pipeline segment specific capacities and actual current flow.
- Lincoln oversizing payments will be financed through SRF which increases the SMD 1 reserve coverage requirements.
- The \$3/month interim treatment charge included in the Lincoln Offer has been eliminated as a result of the project being revised to include construction of the Lincoln treatment plant expansion as part of the initial project.

As discussed above, in order to meet the SRF deadlines to secure the \$6,000,000 in principal forgiveness, the County will need to submit a complete application package that includes adopted environmental review documents and permits by May 30, 2013 with a potential extension to September 27, 2013. Additionally, staff intends to complete the rate setting process including compliance with Proposition 218 requirements in this timeframe. If we are unsuccessful in securing the principal forgiveness, the rate estimates provided above would increase by approximately \$3/month.

Potential Rate Scenarios

Staff has evaluated potential rate scenarios for both SMD 1 and Auburn. Detailed evaluations including estimated monthly M&O rates are provided below:

Scenario 1 – Rate Neutral

Combined SMD 1 and Auburn Project

Monthly M&O Rate	Annual Cost 30 Years	Total Nominal Dollars Paid	Net Present Value of Dollars Paid
SMD 1: \$82.00	\$917,000	\$27,497,000	\$18,309,000
Auburn: \$60.50	\$1,231,000	\$38,000,000	\$28,604,000
TOTAL	\$2,148,000	\$65,497,000	\$46,913,000

SMD 1 Stand Alone Project

Monthly M&O Rate	Annual Cost 30 Years	Total Nominal Dollars Paid	Net Present Value of Dollars Paid
SMD 1: \$82.00	\$1,314,000	\$39,413,000	\$26,243,000

Scenario 2 – Outside Funding Equal to Federal Grant Funding

The County has obtained grant funding from the USACOE and EPA totaling \$9,961,100. Of that amount, \$1,282,161 was previously spent on the Regional Project. The remainder was used to partially fund other regionalization projects including Applegate, Newcastle and SMD 3. This scenario assumes outside funding equal to the remainder (\$8,679,000) split 55% SMD 1, 45% Auburn based on each agencies proportional share of EDUs.

Combined SMD 1 and Auburn Project

Monthly M&O Rate	Annual Cost 30 Years	Total Nominal Dollars Paid	Net Present Value of Dollars Paid
SMD 1: \$88.91	\$218,000	\$6,549,000	\$4,757,000
Auburn: \$73.85	\$180,000	\$5,398,000	\$3,922,000
TOTAL	\$398,000	\$11,947,000	\$8,679,000

SMD 1 Stand Alone Project

Monthly M&O Rate	Annual Cost 30 Years	Total Nominal Dollars Paid	Net Present Value of Dollars Paid
SMD 1: \$90.35	\$398,000	\$11,948,000	\$8,679,000

Additional SMD 1 scenarios can be estimated by reducing the monthly M&O by \$1.05 per each \$100,000 of annual outside funding.

Additional Auburn scenarios can be estimated by reducing the monthly M&O by \$1.27 per each \$100,000 of annual outside funding.

Scenario 3 – Minimum Auburn Buy-in

In addition to the rate scenarios presented above, Auburn has the option to maintain its flexibility for future participation in the Regional Project by reimbursing the County for the \$200,000 in design and environmental work included in the DERA, and pay its pro-rata share of the common pipeline (estimated at \$2,600,000) as a way to facilitate construction of a common pipeline sized for both SMD 1 and Auburn.

ENVIRONMENTAL CLEARANCE: Approval of the DERA and Deal Points for the CIOA are not considered projects under the California Environmental Quality Act (CEQA Guidelines, Section 15378). Lincoln is conducting environmental review for the Regional Project concurrently with the project design.

FISCAL IMPACT: The cost of services include in the DERA is \$6,067,000. Of that amount, your Board has previously authorized \$1,300,000 through the ICF Jones & Stokes reallocation and the Advance Payment Agreement. Funding for the Regional Project is included in the SMD 1 Regional Sewer Capital Project Budget, Project 04828 (\$4,000,000 in funding was provided through a Budget Revision approved by your Board in May 2012; an additional \$3,000,000 is included in the FY 2012/13 Proposed Budget).

ATTACHMENT: RESOLUTION
 ATTACHMENT A - DERA
 ATTACHMENT B - LINCOLN OFFER SUMMARY
 ATTACHMENT C - CIOA DEAL POINTS OUTLINE

JD:BZ:LM

CC: COUNTY EXECUTIVE OFFICE

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

**In the matter of: A RESOLUTION AUTHORIZING
THE CHAIR TO EXECUTE THE DESIGN AND
ENVIRONMENTAL REVIEW AGREEMENT
WITH THE CITY OF LINCOLN FOR DESIGN AND
ENVIRONMENTAL ANALYSIS OF THE MID-WESTERN
PLACER REGIONAL SEWER PROJECT**

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

WHEREAS on August 7, 2012, the Placer County Board of Supervisors voted to pursue the City of Lincoln's offer for the Mid-Western Placer Regional Sewer Project (Project); and,

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors, County of Placer, to authorize the Chair to execute the attached Design and Environmental Review Agreement with the City of Lincoln in an amount not to exceed \$6,067,000 to fund design work and environmental analysis of the Project.

ATTACHMENT A

**DESIGN AND ENVIRONMENTAL REVIEW AGREEMENT
RELATING TO
THE MID-WESTERN PLACER REGIONAL SEWER PROJECT**

THIS DESIGN AND ENVIRONMENTAL REVIEW AGREEMENT RELATING TO THE MID-WESTERN PLACER REGIONAL SEWER PROJECT ("Agreement") is made as of the ____ day of _____, 2012, by and among and the **COUNTY OF PLACER**, a political subdivision of the State of California ("County") and the **CITY OF LINCOLN**, a city duly organized and existing under the laws of the State of California ("Lincoln").

RECITALS

A. WHEREAS, the County and Lincoln wish to work cooperatively to plan, design, permit, finance, construct and operate regional wastewater conveyance and treatment facilities to serve the County's Sewer Maintenance District 1 sewer service area (the "Lincoln – County Project"); and,

B. WHEREAS, the Parties have determined that the Lincoln – County Project consisting generally of pumping facilities located at the County's existing Sewer Maintenance District 1 Wastewater Treatment Plant on Joeger Road in North Auburn (the "SMD 1 WWTP Site"), a conveyance pipeline connecting to the existing City of Lincoln Wastewater Treatment and Recycling Facility on Fiddymont Road in Lincoln (the "Lincoln WWTRF"), and certain improvements to the Lincoln WWTRF, as more fully described in the "Project Description" dated August 1, 2012 attached as Exhibit A, is in the public interest; and;

C. WHEREAS, as described in a letter from the Lincoln City Manager to the County Executive Officer dated March 8, 2012, the Lincoln City Council gave direction to Lincoln staff on February 28, 2012, to proceed with Lincoln's Mid-Western Placer Regional Sewer Project proposal with revised deal points as more fully described in the City of Lincoln staff report dated February 28, 2012, subject to further negotiation, documentation, and environmental review (the "Lincoln Offer"), for a total project cost for the County portion (if Auburn does not participate) not to exceed Seventy Three Million Dollars (\$73,000,000) and modified under the terms of this Agreement to Seventy Three Million Two Hundred Thousand Dollars (\$73,200,000) (the "County's Portion of

the Overall Lincoln – County Project Costs”) ; and,

D. WHEREAS, on March 13, 2012, the Placer County Board of Supervisors gave direction to County staff to move forward with the Lincoln - County Project based on the Lincoln Offer while keeping open the option for the City of Auburn (“Auburn”) to participate in the Mid-Western Placer Regional Sewer Project; and,

E. WHEREAS, the Parties wish to design the Lincoln - County Project in a way that provides for the participation of Auburn in the Mid-Western Placer Regional Sewer Project, should Auburn elect to participate, acknowledging that the participation of Auburn may change the terms of this Agreement and that the cost of Auburn’s participation will increase over time to cover the cost of updating the design to include the Auburn portions, separately designing the Auburn portions and/or separately constructing the Auburn portions as may be necessary depending on when Auburn decides to participate in the Mid-Western Placer Regional Sewer Project;

F. WHEREAS, the Parties desire that the Lincoln - County Project provide to the County 1.7 MGD Average Dry Weather Flow of treatment capacity at the Lincoln WWTRF, and make available to the Parties (and Auburn, if Auburn is a participant of the Mid-Western Placer Regional Sewer Project) 1.4 MGD of additional unused treatment capacity, to be made available for on a first come first served basis as desired by each Party upon completion of the Lincoln – County Project with payment at the time of connection; and,

G. WHEREAS, the Parties agree that certain additional agreements will be necessary to address, without limitation, construction, operation, maintenance, oversizing, future financing, facilities related to the Bickford Ranch development project, ongoing ownership, and Mid-Western Placer Regional Sewer Project governance, including the use of recycled water generated by the Mid-Western Placer Regional Sewer Project, and agree to work in good faith towards those agreements (the “Additional Agreements.”); and,

H. WHEREAS, the Parties agree that an initial step in the Lincoln - County Project process is execution of an Agreement regarding design, environmental review and related matters; and,

I. WHEREAS, pursuant to the Lincoln Offer and as revised in this Agreement, Lincoln has agreed to provide permitting, design, environmental review, and negotiation of right of way and/or property acquisition and project management for the Lincoln – County Project in an amount not to exceed Six Million Sixty Seven Thousand Dollars (\$6,067,000) (“DERA Costs”), as summarized in the Table of DERA Costs attached as Exhibit B hereto; and,

J. WHEREAS, the Parties wish to enter into a voluntary agreement memorializing their understanding with respect to design and environmental review of the proposed Lincoln – County Project; and

K. WHEREAS, the Parties agree that this Agreement is intended to provide a general framework for the subsequent negotiation of definitive agreements regarding the construction and operation of the Mid-Western Placer Regional Sewer Project; and,

L. WHEREAS, this Agreement does not create any binding contractual obligations with respect to the construction and operation of the Lincoln – County Project, and further does not constitute an approval of the Lincoln – County Project for the purposes of the California Environmental Quality Act (CEQA); and,

M. WHEREAS, the Parties agree that approval for the construction of the Lincoln – County Project may occur, if at all, only after completion of applicable environmental review.

AGREEMENT

NOW THEREFORE, the Parties hereto agree as follows:

1. **Definitions.** Words and phrases used in this Agreement shall have the following meanings:

Additional Agreements include, without limitation, the certain additional agreements necessary to address construction, operation, maintenance, oversizing, future financing, facilities related to the Bickford Ranch development project, ongoing ownership, and Mid-Western Placer Regional Sewer Project governance, including the use of recycled water generated by the Mid-Western Placer Regional Sewer Project.

Auburn means the City of Auburn.

Auburn City Council means the City of Auburn City Council.

Auburn Export Sewer means the pipeline portion of the Mid-Western Placer Regional Sewer Project running from the Auburn Wastewater Treatment Plant to the Junction Structure, as identified on the Project Map in Exhibit A or as otherwise modified during Lincoln – County Project design.

Average Dry Weather Flow means the average daily wastewater flow into the Lincoln - County Project, measured from July 1st through September 30th of each year.

Board of Supervisors means the Placer County Board of Supervisors.

Mid-Western Placer Regional Sewer Project means the regional wastewater project consisting generally of pumping facilities located at the County's existing Sewer Maintenance District 1 site on Joeger Road in North Auburn ("SMD 1 WWTP Site"), a conveyance pipeline connecting to the existing City of Lincoln Wastewater Treatment and Recycling Facility on Fiddymont Road in Lincoln (the "Lincoln WWTRF"), connection to and improvements to City of Auburn wastewater treatment facilities, and certain improvements to the Lincoln WWTRF, as more fully described in Exhibit A.

County means the County of Placer, a political subdivision of the State of California.

County-Approved Construction Design means the final Lincoln – County Project design approved by the County.

DERA Costs means the not to exceed amount of Six Million Sixty Seven Thousand Dollars (\$6,067,000) the County will pay to Lincoln to provide permitting, design, environmental review, and negotiation of right of way and/or property acquisition and project management for the Lincoln – County Project as set forth under this Agreement.

Joint Export Sewer means the pipeline portion of Lincoln - County Project running from the Junction Structure to the Transition Structure, as more fully described in Exhibit A, or as otherwise modified during the Lincoln - County Project design.

Junction Structure means the junction point of the SMD 1 Export Sewer and the Auburn Export Sewer, as more fully described in Exhibit A, or as otherwise modified during the Lincoln - County Project design.

Lincoln means the City of Lincoln.

Lincoln City Council means the City of Lincoln City Council.

Lincoln - County Project means the regional wastewater project consisting generally of pumping facilities located at the "SMD 1 WWTP Site", a conveyance pipeline connecting to the "Lincoln WWTRF", Joint Export Sewer sized to accommodate County and Auburn peak wastewater flows, and certain improvements to the Lincoln WWTRF, as more fully described in Exhibit A.

Lincoln Wastewater Treatment and Recycling Facility (Lincoln WWTRF) means the regional wastewater treatment plant owned and operated by the City of Lincoln.

MG means millions of gallons.

MGD means millions of gallons per day.

SRF means the State Water Resources Control Board Clean Water State Revolving Fund financial assistance program.

Transition Structure (or Energy Dissipation Structure) means the "Gravity Force Main to Gravity Transition Structure" located adjacent to State Highway 193, as more fully described in Exhibit A or as otherwise modified during the Lincoln – County Project design.

2. Purpose and Intent of Agreement. The purpose and intent of this Agreement is to address the Lincoln - County Project design, Mid-Western Placer Regional Sewer Project environmental review, and related initial project tasks, and the payment therefore, as described in the Recitals. This Agreement commits the Parties to continue to negotiate in good faith, based on the framework set forth in this Agreement. This Agreement creates no obligations with respect to implementing any particular design or construction unless and until the Parties have negotiated, executed, and delivered mutually acceptable agreements based upon information produced from the CEQA review process. The Parties agree that Lincoln shall retain absolute sole discretion as CEQA lead agency to modify the

Mid-Western Placer Regional Sewer Project as necessary to comply with CEQA in its role, including, without limitation, consideration of project alternatives and mitigation measures, and the decision whether to proceed or not proceed with the Lincoln – County Project. Nothing in this Agreement is intended to affect any legal rights or obligations of the Parties regarding the setting of utility or other rates. In the event that Lincoln terminates the Lincoln – County Project without the consent of the County, Lincoln shall provide the County with all Lincoln – County Project plans, subject to any claims from the design professionals, and cooperate with the County in negotiating rights-of-way in Lincoln.

3. Term and Termination. This Agreement shall be effective as of the date first above written and shall remain in effect for two (2) years, or until such time as the Parties agree to extend, terminate and/or supersede this Agreement. The Parties agree that this Agreement is intended to address design and environmental review and related initial Lincoln – County Project matters and provide a starting point for preparation of future agreements. The Parties agree that this Agreement will be superseded or augmented by one or more Additional Agreements that will address construction, operation, maintenance, oversizing, future financing, facilities related to the Bickford Ranch development project, ongoing ownership and Mid-Western Placer Regional Sewer Project governance, including the use of recycled water generated by the Mid-Western Placer Regional Sewer Project. These Additional Agreements will be negotiated and executed based on information produced by the CEQA review process. The expiration or sooner termination of any Additional Agreement(s) shall not automatically cause this Agreement to expire or terminate, nor shall the expiration or sooner termination of this Agreement cause any Additional Agreement(s) to expire or terminate unless expressly provided for in such Additional Agreement(s).

4. Design.

a. The Parties agree to the following framework for Lincoln – County Project design:

1. Lincoln shall design the Lincoln – County Project consistent with the Project Description attached as Exhibit A, and as further delineated below. All engineering costs, including, without limitation, administration, investigation, tests, design, and survey, are included in the DERA Costs.

2. The Lincoln – County Project conveyances shall be designed to provide the County with Fourteen and Eight Tenths (14.8) MGD of peak flow capacity from the SMD 1 WWTP Site to the Lincoln WWTRF;

3. The Lincoln – County Project shall be designed to provide emergency containment of Six (6) MG at the SMD 1 WWTP Site;

4. The Lincoln – County Project shall provide a plan for the demolition of unused structures and decommissioning of unused portions of the SMD 1 WWTP Site.

b. The Parties agree that all gravity force main conveyance pipelines shall be designed so as to not allow future connections along the pipeline except for a future connection for the Auburn Export Sewer at the Junction Structure.

c. The Parties agree that the Joint Export Sewer and the Junction Structure shall be designed with a construction bid alternate to allow for connection of the Auburn Export Sewer when and if Auburn elects to participate in the Mid-Western Placer Regional Sewer Project. These design costs are included in the DERA Costs.

d. Lincoln shall provide to County 30%, 90% and 100% completed design plans to the County for review. County shall provide comments within ten (10) business days of submission of design plans to the County. The Parties agree that Lincoln and County will continue to participate in design review meetings with the intent that all comments by County will be known and addressed prior to official issuance of the required designs.

e. After completion of environmental review, it shall be the responsibility of Lincoln to obtain all permits (from all relevant federal, state and local jurisdictions) necessary to construct the Lincoln – County Project, including, but not limited to, encroachment permits within County road right of way, building permits, and use permits.

f. By March 1, 2013, or as soon as practical following completion of environmental review, Lincoln shall deliver biddable plans and specifications to County for review and approval. The County's Director of Facility Services, or his written designee, shall approve the final Lincoln – County Project design and right of way alignment prior to Lincoln

advertising for construction bids. The County's approval shall not be unreasonably withheld. The Parties agree that the City's failure to deliver biddable plans by March 1, 2013, shall not constitute a default or breach of this Agreement.

g. Disputes related to the design shall be addressed in accordance with the dispute resolution procedures contained in Section 15 herein.

5. Environmental Review. The Parties agree as follows:

a. Lincoln shall be designated the lead agency for purposes of environmental review under the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA) as applicable, and shall perform all acts delineated below. All environmental costs, including, without limitation, permits, fees, and environmental analysis for the Mid-Western Placer Regional Sewer Project are included in the DERA Costs. Lincoln shall:

1. Perform all acts necessary to comply with state and federal environmental regulations.
2. Obtain and maintain all permits (from all relevant federal, state and local jurisdictions) necessary to construct the Lincoln – County Project.
3. Maintain all required administrative record documents.
4. In the event of litigation challenging the Mid-Western Placer Regional Sewer Project, including but not limited to challenges based on CEQA compliance, Lincoln and the County agree to cooperate in good faith to defend the lawsuit and minimize duplication of efforts.
5. Lincoln will make all reasonable and best efforts to deliver the following by May 30, 2013: All appropriate and necessary environmental documentation, including, without limitation, a certifiable or certified Environmental Impact Report for the Mid-Western Placer Regional Sewer Project, all necessary permits and all other administrative documentation required by SRF to allow the County to receive the principal forgiveness and thirty (30) year financing as delineated in the SRF Preliminary Funding Commitment dated February 16, 2012, attached hereto as Exhibit C. The Parties agree that the City's failure to deliver the

documents identified in this subsection by May 30, 2013 shall not constitute a default or breach of this Agreement.

b. County shall be a responsible agency for CEQA and NEPA purposes, and shall:

1. Perform all acts necessary to comply with state and federal regulations.

2. Cooperate and provide reasonable assistance to Lincoln in furtherance of Lincoln's Lead Agency responsibilities.

3. Take action in a timely manner on the final CEQA document as a responsible agency.

6. Right of Way and/or Property Acquisition.

a. Lincoln shall be responsible for all right of way and/or property acquisition necessary for the Lincoln – County Project. All costs associated with such acquisition including, without limitation, all site acquisition, legal fees, costs of litigation, title insurance and condemnation costs, if necessary, are included in the DERA Costs.

b. The Parties agree that the Mid-Western Placer Regional Sewer Project route in unincorporated Placer County is intended to be placed primarily within County of Placer road right of way. County agrees to issue necessary roadway and SMD 1 WWTP Site encroachment permits to Lincoln, upon submittal by Lincoln of the appropriate documentation and payment of any reasonable required fees. Lincoln agrees to abide by all reasonable conditions of such permits, including roadway and site restoration requirements, as may be established by the County Director of Public Works and/or Director of Facility Services.

c. The Parties agree that condemnation shall be used for right of way and/or property acquisition only after Lincoln's commercially reasonable attempts at voluntary acquisition have been reasonably pursued. Lincoln shall be responsible for all condemnation proceedings and shall notify the County in writing at least thirty (30) days in advance of City Council consideration of a Resolution of Necessity. County hereby consents to Lincoln exercising condemnation authority within unincorporated Placer County for purposes of the Mid-Western Placer Regional Sewer Project.

d. Lincoln shall comply with all applicable SRF requirements regarding acquisition of right of way and other property acquisition. All right of way and property acquisition shall comply with all other applicable state and federal regulations.

7. Financing.

a. The County, working cooperatively with Lincoln, shall be responsible for obtaining funding from the SRF for the Lincoln - County Project, including payment for certain oversized previously constructed by Lincoln to accommodate flows from the Parties. The Parties agree and acknowledge that obtaining financing through SRF will require meeting specific SRF-mandated deadlines. The County and Lincoln agree to work cooperatively to ensure that deadlines and all required documentation submittal requirements and related guidelines are met as required by SRF.

b. The Parties acknowledge that County has secured a Preliminary Funding Commitment (PFC) letter from SRF for the SMD 1 Wastewater Treatment Plant Upgrade Project pending the Board of Supervisors' determination to proceed with the Mid-Western Placer Regional Sewer Project. Pursuant to the PFC, the Parties agree that the County can utilize the SRF financial assistance terms, including a thirty (30) year repayment period and Six Million Dollars (\$6 million) in Principal Forgiveness, for the Lincoln - County Project as long as SRF receives a complete SRF application which can be financed by May 30, 2013. The Parties agree and acknowledge that SRF guidelines provide for the possibility of a one hundred and twenty (120) day extension for good cause. The Parties further agree and acknowledge that a complete SRF application package includes, but is not limited to, all documentation required by the Policy for Implementing The Clean Water State Revolving Fund for Construction of Wastewater Treatment Facilities as Amended March 2009, including environmental documentation with permits, credit and legal documentation, Project Performance Certifications, tax submittals, required Resolutions, a Project Facilities Plan, and specific mandated forms.

c. The Parties agree that County staff and consultant costs associated with processing the request for SRF funding shall be paid for by the County outside of the DERA Costs and have not been included in the Table of Costs attached as Exhibit B.

d. The Parties shall perform, to the best of their abilities, all acts necessary to comply with SRF guidelines. The County agrees to execute such documents and take such actions as may be reasonable or necessary to ensure that SRF funds are available for the purposes of the Lincoln – County Project.

8. Water Rights.

The Parties agree that both the County and Lincoln will cooperate in a joint Water Rights Petition process to change the amount and discharge point for effluent that is currently discharged from the SMD 1 WWTP to Rock Creek.

9. Payment. Pursuant to Exhibit B, County shall pay to Lincoln the sum of Six Million Sixty Seven Thousand Dollars (\$6,067,000) for the work to be performed by Lincoln under this Agreement as described above, as follows:

a. All sums advanced by the County to Lincoln, and other amounts to which the County is otherwise entitled to a credit, pursuant to the Advance Payment Agreement between the Parties dated May 8, 2012 are set forth in Exhibit D Payments for DERA Costs attached and shall be credited against the DERA Costs due to Lincoln under this Agreement.

b. Following deduction for payments for DERA Costs already advanced to Lincoln as listed in Exhibit D, County shall pay the remaining balance of Lincoln's costs incurred for work described in this Agreement under the following terms and conditions:

1. Lincoln shall provide to County documentation of Lincoln – County Project costs incurred together with all backup information including but not limited to, invoices, time sheets, and any and all documentation as may be required by the State Water Resources Control Board Clean Water State Revolving Fund financial assistance program. Each accounting shall include a statement from a duly authorized Lincoln representative indicating all work completed and invoiced was conducted in accordance with this Agreement for the Lincoln – County Project;

2. Lincoln shall make payment requests not more frequently than every thirty (30) days;

3. Payments shall be made only for costs incurred by Lincoln for work which Lincoln is obligated to perform under the terms and conditions as described in this Agreement;

4. Reimbursement of Lincoln's costs for work not authorized under this Agreement shall require the County's written approval prior to such costs being incurred.

5. County shall pay the requested sums to Lincoln within thirty (30) days of receipt of the written accounting and all backup documentation which meets the parameters delineated above. County agrees to make reasonable best efforts to expedite payments to the extent feasible.

6. Disputed DERA Costs shall be addressed in accordance with the dispute resolution procedures contained in Sections 15 and 16 herein.

c. The DERA Costs are subject to revision as agreed to in writing by both Parties.

d. All DERA Costs paid by the County shall be credited toward County's portion of the Overall Lincoln – County Project Costs.

10. Project Coordination Team.

a. The Parties agree to work together at the technical level through a Project Coordination Team (PCT). The PCT will include one (1) technical staff member from each Party together with Consultants and other staff as required. The PCT will meet periodically as agreed by its members to review progress and cooperate in completion of the work described in this Agreement.

b. Lincoln agrees to provide information on the progress of the work and review analyses and decisions relative to the work with the PCT. Lincoln agrees to receive input from the PCT and endeavor to timely address concerns or other issues raised by the PCT.

c. The Parties agree that Lincoln will be responsible for making day-to-day decisions regarding design and environmental review, subject to the County's ultimate design review and approval rights as described herein. The County shall act in a manner that is commercially reasonable

and shall not unreasonably withhold approval.

d. In the event of a dispute regarding design and environmental review, the Parties agree to utilize the dispute resolution procedures described in Sections 15 and 16 herein.

11. Additional Agreements. The Parties agree that this Agreement is intended to address design and environmental review and related initial matters and provide a starting point for preparation of future agreements. The Parties agree to diligently and cooperatively negotiate and develop Additional Agreements regarding construction, operation, maintenance, oversizing, future financing, facilities related to the Bickford Ranch development project, ongoing ownership and Mid-Western Placer Regional Sewer Project governance, including the use of recycled water generated by the Mid-Western Placer Regional Sewer Project and any other pertinent matters. The Parties agree that all such agreements shall be considered and approved consistent with applicable CEQA requirements.

12. Auburn Participation. The Parties agree to consider in good faith amending this Agreement, and any Additional Agreements, as may be necessary to include Auburn as a party should Auburn elect to participate in the Mid-Western Placer Regional Sewer Project. The Parties agree that the total cost of the Mid-Western Placer Regional Sewer Project is Ninety Four Million Seven Hundred and Ten Thousand Dollars (\$94,710,000) for a combined Lincoln - County/Auburn Project, with the County's share being Sixty Six Million and Ten Thousand Dollars (\$66,010,000.). The cost of the combined County/Auburn project is subject to change, and any increase in the total cost will be at the expense of Auburn given that Auburn has not yet decided to participate in the Mid-Western Placer Regional Sewer Project.

13. General Provisions

a. Compliance With Other Agreements; Prompt Payment. Each party shall comply with all agreements made by the Parties in furtherance of the Lincoln – County Project, and shall promptly pay or cause to be paid all consultant costs, fees and other expenses due and payable under such agreements or otherwise associated with the Lincoln – County Project.

b. No Encumbrances. Except for the purposes of public financing, no party shall mortgage or otherwise encumber, pledge or place any charge upon the Lincoln - County Project or any part thereof.

c. Records and Accounts. Each party shall keep proper books of record and accounts of the finances of the Lincoln – County Project, in which complete and correct entries shall be made of all transactions relating to the Lincoln – County Project. Said books shall, upon reasonable request, be subject to inspection by the Parties and SRF staff.

d. Further Assurances. Each party shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the purposes and intent of this Agreement.

e. Amendment. This Agreement may be amended only by the written agreement of the Parties.

f. Jurisdiction and Venue. This Agreement shall be governed by the laws of the State of California. Any legal proceeding brought under this Agreement shall be brought in County of Placer, State of California.

g. Exhibit Revisions. Exhibit A attached hereto is based on the field conditions and Lincoln – County Project design at the time the exhibit was created and is subject to modification based on design changes.

h. No Third Party Beneficiaries. Nothing in this Agreement is intended to, or does, create any third party beneficiaries.

14. Notices. Any notices to Parties required by this Agreement shall be delivered or mailed, U.S. first class, postage prepaid, addressed as follows:

If to County:

County of Placer
Department of Facilities Services
Attention: James Durfee, Director
11476 "C" Avenue
Auburn, CA 95603

With a copy to:
Placer County Counsel
175 Fulweiler Avenue
Auburn, CA 95603

If to Lincoln:

City of Lincoln
Attn: Jim Estep, City Manager

With a copy to:
Jonathan Hobbs

600 6th Street
Lincoln, CA 95648

City Attorney, City of Lincoln
400 Capitol Mall, 27th Floor
Sacramento, CA 95814

Notices under this Agreement shall be deemed given and received at the earlier of actual receipt, or the second business day following deposit in the United States mail, as required above. Any party may amend its address for notice by notifying the other Parties.

15. Dispute Resolution - Engineering Matters.

a. Any disagreement between the Parties regarding engineering matters covered by this Agreement shall be first submitted to the County's Deputy Director of Facility Services and the City Engineer for review. In the event the County's Deputy Director of Facility Services and the City Engineer cannot agree on a resolution, the Parties agree to submit the matter for non-binding engineering review. The Parties may agree on one engineer. If the Parties cannot agree on one engineer, there shall be three, with each party naming one engineer in writing within thirty (30) days after demand for engineering review is given. Once the Parties have designated their engineers, the engineers shall appoint a third engineer and proceed to consider the matter. All engineers so designated shall be licensed by the State of California.

b. A hearing on the matter shall take place before the engineers(s) in the County of Placer, State of California, at the time and place selected by the engineers(s), or the Parties may agree in advance for the engineer(s) to consider the matter without a hearing. If a hearing is conducted, the engineers(s) shall select the time and place promptly and shall give each party written notice of the time and place at least ten (10) days before the date selected. During engineering review, any relevant evidence may be presented by any party, and the formal rules of evidence applicable to judicial proceedings shall not govern. The engineers(s) shall hear and determine the matter and shall render a nonbinding decision in writing and cause a copy of the writing to be delivered to each of the Parties.

c. The Parties shall share equally the costs of the engineering review proceeding. Engineering review costs are not included in the DERA Costs and shall not be considered Lincoln – County Project Operation and Maintenance Costs. In the event the Parties do not both agree to accept the results of the engineering review, either party, acting through its

legislative body at a regularly scheduled meeting, may terminate this Agreement on sixty (60) days notice to the other party. In the event of termination, the Parties agree to immediately cease all work pursuant to this Agreement. Referral to engineering review shall be a pre-condition to any legal proceeding made pursuant to this Agreement on engineering or technical matters.

16. Dispute Resolution - Other Matters. Any disagreement between the Parties regarding non-engineering matters covered by this Agreement shall be first submitted for the County's Director of Facility Services and the City Public Services Director for review. In the event the County's Director of Facility Services and the City Public Services Director cannot agree on a resolution, the Parties agree to submit the matter to the Lincoln City Manager and County Chief Executive Officer for review and consideration. The City Manager and Chief Executive Officer may elect to resolve the matter if within the scope of their authority or submit the matter to their respective legislative bodies at a regularly scheduled meeting for review and consideration. In the event the legislative bodies cannot agree on a resolution within 60 days of submission, either party may terminate this Agreement on sixty (60) days notice to the other party. In the event of termination, the Parties agree to immediately cease all work pursuant to this Agreement. Referral to the process identified in this Section 16 shall be a pre-condition to any legal proceeding made pursuant to this Agreement on non-engineering matters.

17. Counterparts. This Agreement may be executed in any number of counterparts, and by different Parties in separate counterparts, each of which, when executed and delivered, shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties have each caused their duly authorized officers to execute this Agreement effective as of the date first written above.

COUNTY OF PLACER

BY: _____
Chair, Board of Supervisors

APPROVED AS TO FORM:

BY: _____
County Counsel

ATTEST:

BY: _____
Clerk, Board of Supervisors

CITY OF LINCOLN

BY: _____
City Manager

ATTEST:

BY: _____
City Clerk

APPROVED AS TO FORM:

BY: _____
City Attorney

Exhibit List:

- Exhibit A: Project Description dated July 25, 2012
- Exhibit B: Table of DERA Costs
- Exhibit C: SRF Preliminary Funding Commitment dated February 16, 2012
- Exhibit D: Payments for DERA Costs

DERA EXHIBIT A

Exhibit A

Project Description Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln)

1 Summary & Purpose

The Mid-Western Placer Regional Sewer Project (Project) will consolidate wastewater treatment from the County's North-Auburn Sewer Maintenance District 1 (SMD 1) and the City of Lincoln ("Lincoln"). The purpose of this project description is to generally describe the features and design considerations of the various aspects of the proposed Project.

The two main elements of the Project are:

1. Wastewater conveyance facilities consisting of a new pump station and new and existing pipelines which run from the existing SMD 1 Wastewater Treatment Plant (WWTP) to the Lincoln Wastewater Treatment and Reclamation Facility (WWTRF)
2. Expanding the treatment capacity of the existing Lincoln WWTRF

2 Proposed Project Components

As mentioned above, the project includes both wastewater conveyance and treatment elements. These are further described below.

Wastewater conveyance facilities from the SMD 1 WWTP to Lincoln WWTRF

The wastewater conveyance facilities include:

1. SMD 1 Export Pump Station - A Pump Station at the current SMD 1 WWTP with odor control, and emergency containment basins;
2. SMD 1 Export Sewer - A gravity force main from the SMD 1 Export Pump Station to the Junction Structure where a pipe from the City of Auburn ("Auburn") WWTP may connect;
3. Junction Structure - A junction structure to facilitate the connection of a potential Auburn Export Sewer (gravity force main pipeline from the Auburn WWTP) with the SMD 1 Export Sewer, with odor control, and energy dissipation as necessary;
4. Joint Export Sewer - A gravity force main from the Junction Structure to the location of an Energy Dissipation Structure near Sierra College Blvd.;
5. Energy Dissipation Structure - An Energy Dissipation Structure to facilitate the transition from gravity force main flow to gravity flow located at the end of the Joint Export Sewer, and odor control;
6. Bickford Sewer - The gravity sewer designed and partially constructed by the Bickford subdivision.
7. Lincoln Sewers - The Project will also make use of existing sewers through Lincoln.

Exhibit A (con't)

**Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln)
Project Description**

SMD 1 Export Pump Station

Overview

The SMD 1 Export Pump Station will pump raw wastewater received directly from the collection system. It will be located in the Southeast corner of the SMD 1 WWTP site so that construction of the pump station will not interfere with the operation of the SMD 1 WWTP. Once flows can be diverted to the Lincoln WWTRF, selected existing SMD 1 WWTP water bearing structures will be retrofitted to be utilized for emergency containment. A basin will be constructed to provide the remainder of the emergency containment. This basin will be located on the north side of the existing plant site in the vicinity of the existing sludge drying beds.

Design Criteria

Design criteria are presented below.

Project Component	Flow and Load Basis¹		
SMD 1 Export Pump Station Structures and Piping	SMD 1 Service Area Buildout	Parameter	Value
		Design Flows, Mgal/d	
		Average Dry Weather Flow, ADWF	4.2
		Peak Hourly Flow, PHF	14.8
SMD 1 Export Pump Station Pumps	SMD 1 Existing Service Area and near-term growth	Parameter	Value
		Design Flows, Mgal/d	
		Average Dry Weather Flow, ADWF	1.8
		Peak Hourly Flow, PHF	11.0
SMD 1 Emergency Containment– Retrofit of Existing Structures	Volume of Existing SMD 1 WWTP Structures	Parameter	Value
		Design Volume, Mgal	~1.5
SMD 1 Emergency Containment– New Basin	Volume of Existing SMD 1 WWTP Structures	Parameter	Value
		Design Volume, Mgal	~4.5 To Total 6 Mgal with existing structures

¹ Design should consider the full range of flows and loading anticipated

The construction of Project improvements at the SMD 1 WWTP will be designed and constructed so as to not interfere with the continued operation of the SMD 1 WWTP until completion of all of the improvements with the exception of the decommissioning, the emergency containment basin and retrofitting of the existing WWTP structures for containment use.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

Specific Improvements

The proposed SMD 1 Export Sewer Pump Station design will include the following features:

- A. Piping and structures designed for the SMD 1 Service Area Peak Hour Flow (PHF) of 14.8 Mgal/d.
- B. Pumps to accommodate a PHF of 11 Mgal/d, expandable without the need for major structural changes up to 14.8 Mgal/d with the number and size of pumps necessary to accommodate the range of flows in an economical manner.
- C. Dual wet well configuration for redundancy with discharge piping and valves at grade or in shallow vaults to facilitate operation.
- D. Wastewater storage (possibly as part of an oversized wet well) for pipeline flushing such that all solids will not accumulate in the pipelines where daily flows do not provide scour velocities. Flushing will be sufficient to migrate solids through the conveyance system to the WWTRF in two to five cycles so that solids do not accumulate in the pipeline.
- E. Screening and grit removal upstream of the pump station to protect the pumps and minimize solids deposition in the pipeline.
- F. Odor control utilizing chemical injection and/or an activated carbon scrubber system, other synthetic media, or biofilter.
- G. Surge control facilities as may be required by the pipe material and hydraulic conditions.

Other SMD 1 WWTP site work

The Project also includes the following additional site work at the SMD 1 WWTP site:

1. Retrofit existing water bearing structures for use as emergency containment.
2. Construction of a new basin to provide for a total of 6 Mgal of emergency containment in combination with the retrofit of the existing SMD 1 WWTP water bearing structures.
 - o This basin will be located on the north side of the existing plant site in the vicinity of the existing sludge drying beds.
 - o The basin will be designed to allow it to drain freely to shed rainfall when not needed for use as emergency containment.
3. Lining of the basin as necessary to prevent sewage infiltration to underlying groundwater or the adjacent creeks.
4. Frontage, fire protection, and other improvements as required by the conditions of approval for use permits.

See Figure 1 for an approximate layout of the existing SMD 1 WWTP and the new SMD 1 Export Pump Station and related improvements.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

SMD 1 Export Sewer

Overview

This pipe is 16-inch to 24-inch in diameter and extends from the SMD1 WWTP site to the Junction Structure. See Figure 2.

Project Component	Flow and Load Basis ¹		
	SMD1 Service Area Buildout	Parameter	Value
SMD1 Pipeline ^(a)		Design Flows, Mgal/d	
		Average Dry Weather Flow, ADWF	4.2
		Peak Hourly Flow, PHF	14.8

¹ Design should consider the full range of flows and loading anticipated

Specific Improvements

The proposed SMD 1 Export Sewer design will include the following features:

- A. Pipeline will be buried below finished grade in existing road rights-of-way and in appropriate easements. In-roadway excavation will be such that a minimum of 3-feet of cover from the top of pipe to finished grade will be maintained. Excavation in unpaved areas will be such that a minimum of 4-feet of cover from the top of pipe to finished grade will be maintained. Pipelines will be appropriately marked above and below grade to prevent damage from excavation. Pipe location tracer wire or other appropriate location means will be provided for all below grade piping.
- B. Road sections will be restored to match existing or better conditions.
- C. Air valves to be provided as necessary to prevent air binding in the pipe and as well as vacuum relief valves to protect the pipe from collapse due to the net fall in elevation from the pump station discharge point to the discharge point.
- D. All air valves will be outfitted with odor scrubbers to reduce odors at air valve locations.
- E. Appurtenances will be in below grade vaults.
- F. Access to all valves and odor facilities will be secured from vandalism and shielded aesthetically with dull colors or otherwise camouflaged to minimize any attractive nuisance and visual impacts.
- G. Pipeline extra work areas or laydown sites will be located in areas identified along the pipe alignment .

Junction Structure

Overview

This structure will facilitate the connection of a future Auburn Export Sewer with the SMD 1 Export Sewer, with odor control, and energy dissipation as necessary.

Exhibit A (con't)

**Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln)
Project Description**

Project Component	Flow and Load Basis ¹		
	SMD1 and Auburn Service Area Buildout	Parameter	Value
Design Flows, Mgal/d			
Average Dry Weather Flow, ADWF		6.7	
Peak Hourly Flow, PHF		20.0	

¹ Design should consider the full range of flows and loading anticipated

Specific Improvements

The proposed Junction Structure design will include the following features:

- A. Site safety and security including lighting, fencing, safety showers, and eyewash systems as appropriate.
- B. Access to all above and below ground facilities will be secured from vandalism.
- B. Minimization as an attractive nuisance and shielded aesthetically with dull colors or otherwise camouflaged.
- C. Site will be designed to provide for maintenance as may be required to all above and below ground structures with cranes, hoists, and heavy service vehicles.
- D. Parking so that service vehicles will not be parked on adjacent public road.
- E. Odor control utilizing an activated carbon system, other synthetic media, or biofilter.
- F. Surge control facilities as may be required by the pipe material and hydraulic conditions.
- G. Energy dissipation as may be required by the hydraulic conditions.

Joint Export Sewer

Overview

This pipe extends from Junction Structure to the Energy Dissipation Structure. See Figure 5.

Design Criteria

See table in Junction Structure above.

Specific Improvements

See SMD 1 Export Sewer above.

Energy Dissipation Structure

Overview

A transition structure to transition from a gravity force main hydraulic configuration to a gravity sewer, with energy dissipation and odor control.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

Design Criteria

See table in Junction Structure above.

Specific Improvements

See Junction Structure above.

Bickford Sewer

Overview

If an alternate route as currently proposed is not selected or is unattainable, the Project will need to complete construction of Bickford pipeline from Energy Dissipation Structure to the end of the constructed portion (approximately 3000 ft west of the intersection of Hwy 193 and Sierra College Blvd.).

Design Criteria

The Bickford Sewer was sized to accommodate flows from Bickford Lincoln, the County, and Auburn (as well as other agencies who are no longer participating in the Project). The completion of the Bickford Sewer must maintain these design capacities.

The vertical alignment of Bickford Sewer being constructed as part of the Project will need to be such that it accommodates the gravity flow of wastewater from the Bickford subdivision.

Specific Improvements

The Project will need to complete construction of Bickford pipeline as designed from the end of the constructed portion (approximately 3000 ft west of the intersection of Hwy 193 and Sierra College Blvd.) to the point of connection with the Energy Dissipation Structure.

Additionally, the Project will need to make any repairs to completed pipeline sections as required by the approving agency as well as final site and roadway restorations as required by those agencies responsible for those facilities.

Lincoln Sewer

Overview

Lincoln also has approximately six miles of influent sewer running from the west end of the Bickford Sewer to the WWTRF sized to serve SMD1, Auburn, Bickford and Lincoln needs.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

Design Criteria

The Lincoln Sewer was sized to accommodate flows from Bickford, Lincoln, the County, and Auburn (as well as other agencies who are no longer participating in the Project).

Specific Improvements

Some odor control improvements may be necessary. The County's Portion of the Overall Lincoln – County Project Costs to be paid by SMD 1 to Lincoln includes an "oversizing reimbursement" to cover the "buy-in" cost of using the existing Lincoln Sewer which will provide peak flow capacity for current SMD 1 flows with future "oversizing reimbursements" to cover the "buy-in" cost for future connections.

Expanded Lincoln WWTRF

Overview

Lincoln has a compliant wastewater treatment and reclamation facility (WWTRF) that came online in 2004 designed to be readily expandable with space for treatment capacity to serve the City of Lincoln's General Plan and the General Plans for the SMD1 and Auburn service areas. The Lincoln WWTRF is designed to produce disinfected tertiary water, as described by Title 22 for unrestricted reuse options.

The existing WWTRF nominal capacity is 4.2 MGD average dry weather flow (ADWF). The Proposed Regional Project will expand the WWTRF capacity to 5.9 Mgal/d ADWF.

Description	ADWF (Mgal/d)	RWWFD (Mgal/d)
Existing Capacity at Lincoln WWTRF:	4.2	15.2
Proposed Regional Project Capacity Expansion at Lincoln WWTRF:	1.7	10.4
Total Proposed Capacity at Lincoln WWTRF	5.9	25.6
Current Permitted Capacity at Lincoln WWTRF	8.4	-
Capacity Available for Future Connections by All Member Agencies after Expansion	1.4	4.2

Exhibit A (con't)

**Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln)
Project Description**

Design Criteria

Design criteria are presented below.

Project Component	Flow and Load Basis		
Treatment and Disposal	SMD1 Service Area Existing	Parameter	Value
		Design Flows, Mgal/d	
		Average Dry Weather Flow, ADWF	1.7
		Average Annual Flow, AAF	2.0
		Maximum Monthly Flow, MMF	3.6
		Maximum Daily Flow, MDF	8.4
		Peak Hourly Flow, PHF	10.4
		BOD Load, lb/d	
		Average Annual Load, AAL	4,000
		Maximum Monthly Load, MML	5,000
		TSS Load, lb/d	
		AAL	4,000
		MML	5,000
		TKN Load, lb/d	
		AAL	1,000
		MML	1,200

Specific Improvements

Many WWTRF facilities will not require upgrades (or will require only minor adjustments). Other WWTRF require unique improvements such as new land disposal facilities, but most unit treatment processes can be expanded efficiently by providing new, identical improvements in the space provided, such as the headworks, oxidation ditches and clarifiers, and other unit processes.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

The Table below is a summary of the existing facilities and associated capacities. The WWTRF initial construction included oversizing of some facilities which explains why some facilities do not need to be expanded for the Project.

Treatment Component		Design Capacity (Mgal/d) ^(b)	Capacity Required for Current WWTRF (Mgal/d)	Approximate Capacity to Facilitate Proposed Regional Project (Mgal/d) ^(b)
1	Influent Sewer	21	4.2 ^(c)	8
2	Influent Pump Station	12.6 ^(d)	4.2	8.4
3	Headworks	6.3 ^(d)	4.2	2.1
4	Oxidation Ditch Splitter Box	12.6	4.2	8.4
5	Anoxic and Oxidation Basins	4.2	4.2	0
6	Clarifier Splitter Box	4.2 ^(d)	4.2	0
7	Secondary Clarifiers	4.2	4.2	0
8	Scum Pump Station	4.2	4.2	0
9	SC Drain Pump Station	8.4	4.2	4.2
10	RAS Pump Station	4.2	4.2	0
11	WAS Metering Station	4.2	4.2	0
12	Maturation Pond Pump Station	8.4 ^(d)	4.2	4.2
13	Maturation Ponds	8.4 ^(d)	4.2	4.2
14	Dissolved Air Flootation Clarifier	4.2	4.2	0
15	DAFT Splitter Box	4.2 ^(d)	4.2	0
16	DAFT Float Pump Station	4.2	4.2	0
17	DAFT Recirculation Pump Station	4.2	4.2	0
18	Filter Feed Pump Station	12.6 ^{(d)(e)}	4.2	8.4 ^(e)
19	Filter Rapid Mix Basin	6.3 ^(e)	4.2	2.1 ^(e)
20	Filter Flocculation Basins	6.3 ^(e)	4.2	2.1 ^(e)
21	Tertiary Filters	4.2 ^{(d)(e)}	4.2	0
22	Filter Mud Well	12.6 ^(e)	4.2	8.4 ^(e)
23	Filter Clear Well	12.6 ^(e)	4.2	8.4 ^(e)
24	Plant Water Pump Station	12.6 ^(e)	4.2	8.4 ^(e)
25	UV Disinfection	8.7 ^{(d)(e)}	4.2	4.5 ^(e)
26	Reaeration Basins	8.4 ^{(d)(e)}	4.2	4.2 ^(e)
27	Effluent Pump Station	12.6 ^{(d)(e)}	4.2	8.4 ^(e)
28	Chemical Facilities	12.6 ^(e)	4.2	8.6 ^(e)
29	Solids Holding Facilities	8.4 ^(d)	4.2	4.2
30	Reclamation Booster Pump Station	12.6 ^{(d)(e)}	4.2	8.4
31	Creek Outfall	6.3 ^(e)	4.2	2.1
32	Effluent Storage	4.2 (8.2) ^(f)	4.2	4.0
33	Disposal Land	4.2	4.2	0
34	Cooling Facilities	0	0	0
35	Laboratory Facilities	12.6	4.2	8.6
36	Administration Facilities	8.2	4.2	4.0
37	Maintenance Facilities	12.6	4.2	8.6
38	General Site Work	6 to 12.6 ^(g)	4.2	2.6 ^(g)

Exhibit A (con't)

**Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln)
Project Description**

Treatment Component		Design Capacity (Mgal/d) ^(b)	Capacity Required for Current WWTRF (Mgal/d)	Approximate Capacity to Facilitate Proposed Regional Project (Mgal/d) ^(b)
39	Yard Piping and Appurtenances	12.6 ^(h)	4.2	8.4 ^(h)
40	Electrical and Instrumentation (main service & switch gear)	12.6	4.2	8.4

- (a) All flows are presented as average dry weather flow (ADWF).
- (b) The structure hydraulic capacity is cited. Additional equipment, pipe, etc. may be required.
- (c) The Capacity of the influent sewer designated for City use is approximately 13 Mgal/d.
- (d) Designed to be readily expandable, with knock-out walls, connecting wing-walls, etc.; may not actually include additional capacity, as indicated.
- (e) Design flows downstream of the Maturation Pond are ADWF*1.7 (peak month flow) plus recycle flows.
- (f) 4.2 Mgal/d includes existing tertiary storage basins (TSB); 8.2 Mgal/d includes TSB plus the unimproved storm basin(s).
- (g) No new site work will be required for in-fill facilities; some new site work will be required for outward expansion elements.
- (h) Some arterial piping and main distribution pipes are oversized. New individual facilities will require new piping.

The following sections briefly describe the improvements for each unit process at the Lincoln WWTRF for the Project. All of the improvements identified are approximate; final design may modify details, including the improvements identified below. See Figure 6 for the approximate location of these new facilities.

Influent Pump Station

While the influent pump station structure is sized for 12.6 MGD, two new pumps, piping, and valves will be constructed for the Proposed Regional Project to provide the required additional pumping capacity.

Headworks

The headworks screening serves to remove large materials such as rags from the sewage stream to protect downstream equipment and produce cleaner water and sludge. The maximum flow capacity of the existing headworks channel and screen is about 23 Mgal/d (peak flow). The Proposed Regional Project will have peak flows equal to almost 30 Mgal/d. As a result, the project will include one new headworks channel, screen, washer compactor, and flow control gates. This will occur adjacent to the existing headworks channel.

Parshall Flume

The existing headworks nested Parshall flume will also be modified to accurately measure higher flow rates.

Oxidation Ditches and Anoxic Basins

The oxidation ditch and anoxic basins work as a system with the clarifiers and RAS pump station to remove organics and nitrogen compounds from the wastewater through an activated sludge treatment technology, utilizing biological microorganisms. To provide sufficient treatment capacity, the Proposed Regional Project will include the addition of one oxidation ditch and anoxic basin, including new aeration and mixing equipment.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

Secondary Clarifiers

To provide regional capacity for the separation of activated sludge from the liquid stream, the Proposed Regional Project will include two additional secondary clarifiers and equipment. The clarifier splitter box will also be expanded to accommodate the additional clarifiers with two new splitter chambers, gates and weirs.

Return Activated Sludge (RAS) Pump Station

The RAS pump station returns biologically active sludge settled in the secondary clarifier back to the aeration and anoxic basin treatment basins. The two new clarifiers will require one new RAS pump station for the Proposed Regional Project, including pumps, piping, valves and appurtenances.

Scum Pump Station

The scum pump station moves scum from the surface of the secondary clarifiers and conveys it to the solids handling facilities (centrifuges with disposal to a landfill). One new scum pump station will be configured to serve the two new clarifiers, with pumps, piping, valves and appurtenances.

Secondary Clarifier Drain Pump Station

The purpose of the secondary clarifier drain pump station is to facilitate clarifier maintenance by allowing it to be taken off-line and drained. The Proposed Regional Project includes one new drain pump station with pumps, piping, valves and appurtenances.

Waste Activated Sludge (WAS) Metering Station

With a continuous inflow of organics with the wastewater stream, there is continuous growth of the biologically active sludge. Some must be wasted regularly to the solids handling facility to maintain a consistent concentration in the oxidation ditch and anoxic basin for optimal treatment. A new WAS metering station will be included in the Proposed Regional Project to facilitate the wasting process.

Dissolved Air Flotation Thickener (DAFT)

The maturation pond (not expanded with the Project) is a large basin with partially treated wastewater that grows algae in the presence of sunlight. The DAFT utilizes pressurized air (like soda carbonation) to float the algae to the water surface where it is skimmed off and disposed of with the solids handling facilities. This is necessary to avoid fouling the tertiary filters with algae. The DAFT also functions to remove algae grown in effluent stored in the TSB prior to delivery for reuse. With the higher flows from a regional project, two additional DAFT units are required, including the DAFT basins themselves with equipment, recirculation pumps and compressors and an expanded splitter box, along with the required piping valves and appurtenances.

Exhibit A (con't)

Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln) Project Description

Filter Feed Pump Station

With higher flows, the Project will expand the filter feed pump station which conveys flows from the DAFT to the filters for further treatment. The pump station expansion will include additional pumps, valves and pipe in the existing wet well structure.

Filter Facilities

The filtration process removes small particulate matter that remains in the wastewater prior to disinfection. With higher flows, additional filter cells are required. The proposed project includes two new sand filter cells with underdrains and associated piping and control valves.

Chemical Facilities

The chemical feed facilities include provisions for pH control, on-site system disinfection and coagulants used in the flocculation basin and solids handling processes. To accommodate the Project flows, the chemical facilities will be modified to include larger chemical feed pumps to increase the dosing range and larger chemical storage tanks to limit the frequency between material deliveries.

Solids Handling Facilities

The polymer feed system injects polymer into the waste solids to facilitate the dewatering process by binding the solids together, making the solid/water separation more efficient. The existing solids holding tank, sludge pumps, centrifuge and building are sufficient to meet the needs of the proposed Regional Project. However, polymer feed improvements are necessary to limit the frequency of material deliveries with increased use of the dewatering facilities. These are included with the Project.

Effluent Pump Station

While the low head effluent pump station (for flood irrigation and creek discharge) structure (wet well) is sized for 12.6 MGD, two new pumps, piping, and valves will be constructed for the Project to provide the required additional pumping capacity.

Effluent Disposal Improvements

The Project includes piping west on East Catlett Road from a new connection to an existing 24-inch force main in Fiddyment Road. The pipe will provide irrigation water (effluent disposal) to approximately 1,000 acres of land used to grow fodder crops. The pipe will be constructed in the East Catlett roadway and will connect to existing farmer irrigation systems.

The Project includes coordination with the farmer to provide the required improvements for compliance with all water reuse laws as applicable, including run-off containment ditches, berms recapture basins, seasonal run-off control gates, groundwater monitoring wells and separation from potable water wells.

Exhibit A (con't)

**Mid-Western Placer Regional Sewer Project (SMD 1 & Lincoln)
Project Description**

A metering and control station will also be included at points of connection as required to meter and control the flow of water, as well as prevent backflow into the transmission main.

Booster Pump Station

The existing high head booster pump station (for sprinkler application of reclaimed water) structure (wet well) that will supply new off-site land disposal improvements is sized for 12.6 MGD, two new pumps, piping, and valves will be constructed for the Proposed Regional Project to provide the required additional pumping capacity.

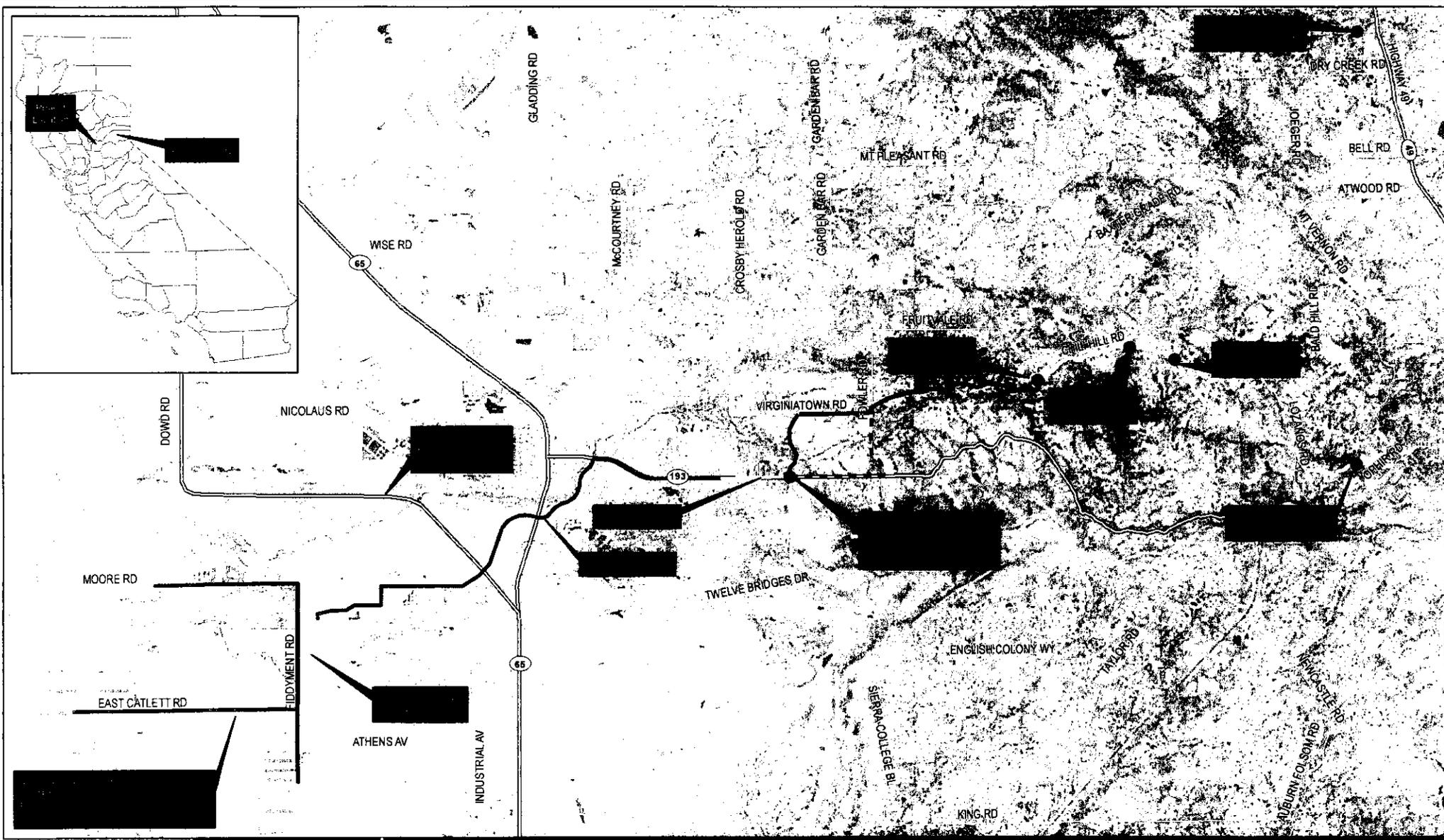


Figure 1
Location and Vicinity
 Midwestern Placer Regional Sewer

0 **Stantec** 2
 Miles
 1 inch = 5,669 feet

Project: 184030296, Sources: Stantec 2012, ECO LOGIC 2008, ESRI 2011, Placer County GIS 2012, City of Lincoln GIS 2012, Created By: K. Smith, Updated: 5/24/2012



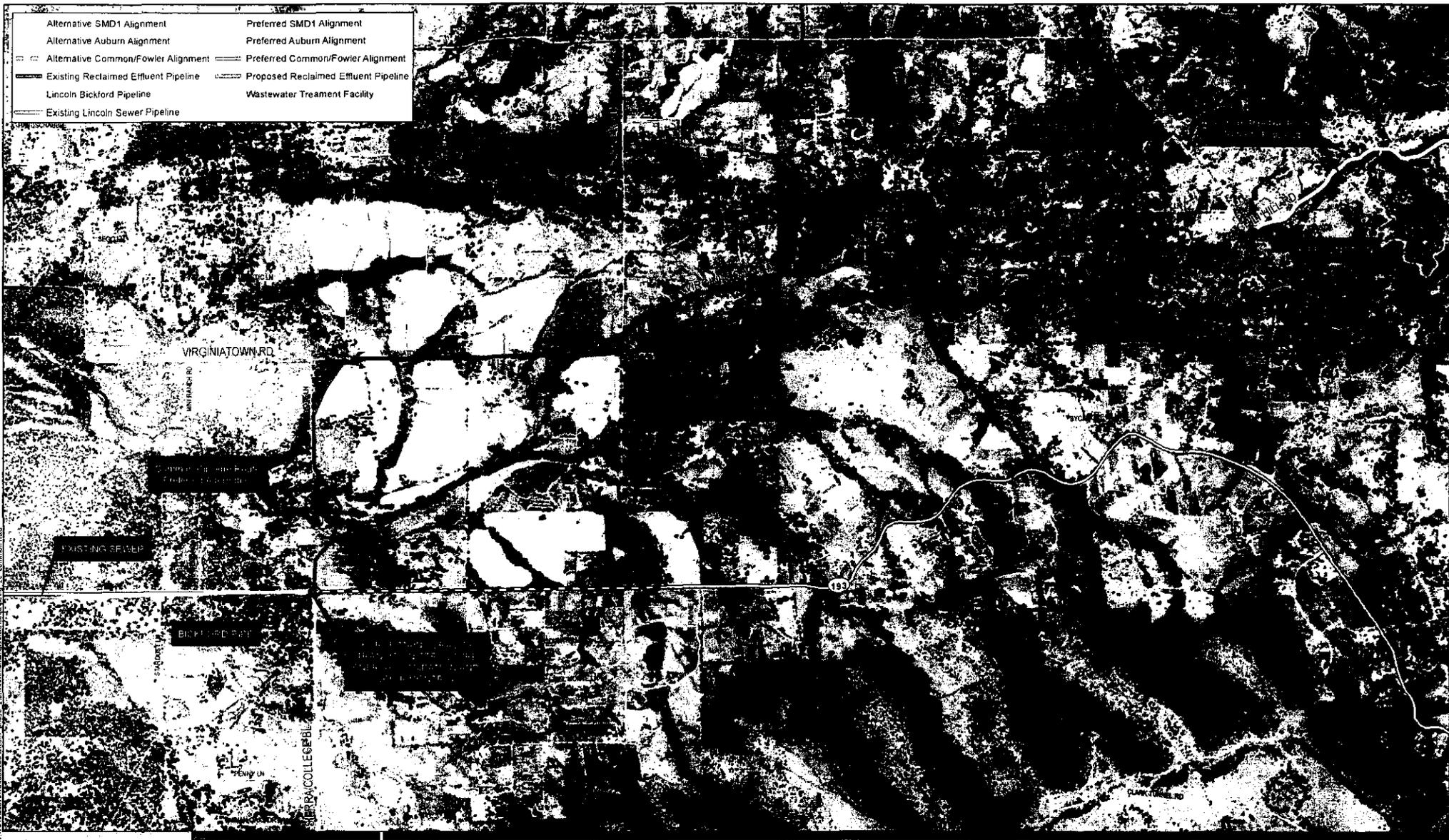
Figure
SMD1 Regional Pipeline
Midwestern Placer Regional Sewer



0 3,000 Feet
 1 inch = 1,495 feet
 Stantec

Project: 18462028A, Auburn - SMD1 2012 ECOLONGIC 2006, ESR1, 2011, Street Layout GIS 2012, City of Lincoln GIS 2012, Created By: K. Smith, Updated: 5/7/2012

Figure 2b
 Auburn Regional Pipeline
 Midwestern Placer Regional Sewer



0 **Stantec** 3,000
Feet
1 inch = 1,508 feet

Figure 2c
Common Regional Pipeline
Midwestern Placer Regional Sewer

Project: 184020298, Sources: Stantec 2012, ECO LOGIC 2009, ESRI 2011, Placer County GIS 2012, City of Lincoln GIS 2012, Created By: K Smith, Updated: 5/24/2012

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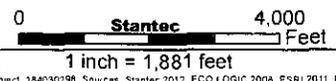


Figure 2d
Lincoln WWTRF Expansion and Effluent Recycling Options
Midwestern Placer Regional Sewer

Project: 184030298. Sources: Stantec 2012, ECO LOGIC 2008, ESRI 2011, Placer County GIS 2012, City of Lincoln GIS 2012. Created By: K.Smith. Updated: 5/24/2012

DERA EXHIBIT B

EXHIBIT B
TABLE OF DERA COSTS

Mid-Western Regional Sewer Project

Lincoln Offer Design & Environmental Cost:	\$5,580,000
Lincoln Revision to Design & Environmental Cost:	\$284,000
CEQA for Auburn Portion:	\$153,000
Design Joint Export Sewer for Auburn: as a bid alternative	\$50,000
 Total:	 \$6,067,000

DERA EXHIBIT C

State Water Resources Control Board

**DIVISION OF FINANCIAL ASSISTANCE (DIVISION)
PRELIMINARY FUNDING COMMITMENT (PFC)
CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM
COUNTY OF PLACER (COUNTY)
SEWER MAINTENANCE DISTRICT (SMD) 1 WASTEWATER TREATMENT PLANT
UPGRADE PROJECT (PROJECT)
CWSRF PROJECT NO.: C-06-5275-110
DETERMINATION NO.: DFA-2011-48**

FINDINGS

1. The State Water Board, on March 17, 2009, adopted the amended *Policy for Implementing the CWSRF for Construction of Wastewater Treatment Facilities*;
2. The County's Project is a routine and non-controversial project that is consistent with the policies, regulations, and agreements the State Water Board has adopted for implementation of the CWSRF Program;
3. The County's Project is listed on the current CWSRF Project Priority List;
4. In accordance with the CWSRF Intended Use Plan principal forgiveness is available to disadvantaged communities;
5. As a small (less than 20,000 persons) disadvantaged community (median household income [MHI] less than 80 percent of the statewide MHI) with wastewater user rates more than 1.5 percent of the community's MHI, the County may receive 50 percent principal forgiveness for eligible Project costs up to \$6 million in principal forgiveness;
6. The County is the lead agency under the California Environmental Quality Act and prepared an Initial Study and Mitigated Negative Declaration (IS/MND; State Clearinghouse No. 2011042083) for the Project;
7. The County adopted the final IS/MND and a Mitigation Monitoring and Reporting Program, and approved the Project on July 12, 2011;
8. The County filed a Notice of Determination with the Placer County Clerk on July 15, 2011 and Governor's Office of Planning and Research on August 2, 2011;
9. The County incorporated mitigation measures or alterations into the Project to avoid or substantially reduce potentially significant environmental impacts;
10. The IS/MND and the supporting documents provided an adequate disclosure of the environmental relationships of all water quality aspects of the Project. The Project will not result in any significant adverse water quality impacts;

11. As determined by the County's credit review, the financing agreement is subject to the following conditions;
- The County is pledging net revenues of Sewer Maintenance District 1.
 - The Recipient may not incur future senior debt. The Recipient's future debt may be on parity with CWSRF debt if policy conditions are met. (Section X, G1)
 - The Recipient shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.10 times the total annual debt service.
 - The Recipient shall establish a Reserve Fund in an amount equal to one year's debt service prior to the construction completion date.
 - The Financing Agreement shall be limited to a maximum of \$58,376,044, unless new information supporting the credit review changes and a supplemental credit review is performed.

APPROVALS

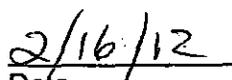
Using the authority delegated by the State Water Board in the March 17, 2009, Policy amendment and incorporating the conditions in the foregoing Facilities Plan Approval, agreed to by Division staff and the County, I hereby:

1. Approve a CWSRF PFC of \$58,376,044 for the County's Project with a repayment period of 30-years at an interest rate of one half the general obligation bond rate obtained by the State Treasurers Office as of the date of the PFC, with \$6,000,000 in Principal Forgiveness. The first repayment shall be due one year after completion of construction;
2. Direct the Division staff to allocate \$58,376,044 consistent with the construction schedule and availability of funds.
3. The County must sign an initial financing agreement for the SMD 1 Upgrade Project on or before August 30, 2012. Division staff may approve up to a 120-day extension for good cause.
4. Withdraw this PFC if the County does not submit an Approval of Award (AOA) package and start of construction of the SMD 1 Upgrade Project, or a complete application for an alternative project that can be financed by May 30, 2013. Division staff may approve up to a 120-day extension for the alternative project, not the upgrade project, for good cause.

State Water Board action on this item will assist the Water Boards in reaching Goal 1 of the Strategic Plan Update: 2008-2012 to (1) implement strategies to fully support the beneficial uses for all 2006-listed water bodies by 2030.

Preliminary
Funding
Commitment


Ms. Elizabeth L. Haven, Deputy Director
Division of Financial Assistance


Date



EDMUND G. BROWN JR.
GOVERNOR



MATTHEW RODRIGUEZ
SECRETARY FOR
ENVIRONMENTAL PROTECTION

State Water Resources Control Board

**DIVISION OF FINANCIAL ASSISTANCE (DIVISION)
FACILITY PLAN APPROVAL (FPA)
CLEAN WATER STATE REVOLVING FUND (CWSRF) PROGRAM
COUNTY OF PLACER (COUNTY)
SEWER MAINTENANCE DISTRICT (SMD) 1
WASTEWATER TREATMENT PLANT UPGRADE PROJECT (PROJECT)
CWSRF PROJECT NO.: C-06-5275-110**

FEB - 6 2012

CERTIFIED MAIL NO.: 7003-3110-0003-0771-1992
Return Receipt Requested

Mr. James Durfee
Director of Facility Services
Placer County
11476 C Avenue
Auburn, CA 95603

RECEIVED
FACILITY SERVICES
2012 FEB - 8 PM 12: 54

Division staff prepared this FPA based on the County's CWSRF Program application and supporting documents. The FPA documents our understanding of the County's Project, and the conditions that will apply to the financing agreement for the Project. You must agree with these FPA findings and conditions before we can proceed with funding the Project.

This FPA constitutes a final staff decision. The FPA does not reserve funds for your Project and it is not the financing agreement. After the Division receives the County agreement on the eligibility decisions, schedule, and conditions in this FPA, the Project Manager will request approval of a CWSRF Preliminary Funding Commitment (PFC) for your Project by the Division's Deputy Director. After the Deputy Director approves the PFC, the initial financing agreement will be prepared and sent to the County for execution. A copy of the proposed PFC is attached to this FPA. To expedite this process, please sign in the space provided below and return the FPA to your CWSRF Program Project Manager immediately at:

Ms. Jennifer Toney, P.E.
State Water Resources Control Board
Division of Financial Assistance
P.O. Box 944212
Sacramento, CA 94244-2120
Phone: (916) 341-5646
E-mail: jtoney@waterboards.ca.gov

For your convenience, a draft copy of the CWSRF Program financing agreement template for Wastewater and Water Recycling Repayment and/or Partial Forgiveness is available online at: http://www.waterboards.ca.gov/water_issues/programs/grants_loans/srf/docs/cwsrf/cwsrf_cntr_ct_tmplte.pdf.

CHARLES R. HOPPIN, CHAIRMAN | THOMAS HOWARD, EXECUTIVE DIRECTOR

1001 I Street, Sacramento, CA 95814 | Mailing Address: P.O. Box 100, Sacramento, CA 95812-0100 | www.waterboards.ca.gov

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If you do NOT agree with this FPA, then you must request a Final Division Decision within ten working days from the date you receive this approved FPA. Your request should specify the items of disagreement and suggest the exact changes with which you will agree. Please send the request to:

Ms. Elizabeth L. Haven, Deputy Director
Division of Financial Assistance
P.O. Box 944212
Sacramento, CA 94244-2120

DIVISION STAFF APPROVAL

Sign Here:  James Maughan, Assistant Deputy Director
Division of Financial Assistance
Date: 2/3/12

APPLICANT AGREEMENT

Using the authority delegated by the County on May 18, 2010, in Resolution No. 2010-115, I hereby agree, on behalf of the County, with the content and conditions of this CWSRF FPA for Project No. C-5275-110, and have reviewed the draft financing agreement template.

Sign Here:  James Durfee, Director of Facility Services
Placer County
Date: 2/14/12

POLICY

Policy for Implementing the Clean Water State Revolving Fund (CWSRF) for Construction of Wastewater Treatment Facilities (Policy) amended on March 17, 2009.

TYPE OF FUNDING REQUESTED

The County is requesting financing at one-half the General Obligation (GO) bond rate, and Principal Forgiveness (PF), as available through the CWSRF Program.

TOTAL PROJECT COST
\$58,376,044

TOTAL CWSRF FUNDING REQUEST
\$58,376,044

AUTHORIZED REPRESENTATIVE

Mr. James Durfee
Director of Facility Services
Placer County
11476 C Avenue
Auburn, CA 95603
(530) 889-6829

PROJECT DIRECTOR

Ms. Kathy Kane
Project Manager
Placer County
11476 C Avenue
Auburn, CA 95603
(530) 886-4909

TECHNICAL REVIEW

PROJECT LOCATION

The Sewer Maintenance District (SMD) 1 Wastewater Treatment Plant (WWTP) is located at 11755 Joeger Road in Auburn, California.

EXISTING FACILITIES

Placer County Department of Facility Services operates and maintains nine separate sanitary sewer systems within Placer County, all of which derive their operating revenue from sewer user fees. SMD 1 is one of these nine separate sanitary sewer systems, and is governed by the Placer County Board of Supervisors.

The WWTP's average dry weather flow (ADWF) design capacity is 2.18 million gallons per day (mgd). The WWTP's peak wet weather flow capacity is 11.9 mgd. The plant currently provides a tertiary level of treatment when influent flows are 3.5 mgd or less, and a mixture of secondary and tertiary treatment when flows are greater than 3.5 mgd.

The SMD 1 WWTP currently consists of headworks that include comminution (pulverization) and aerated grit removal, four primary clarifiers, three rotating biological contactor (RBC) trains, four secondary clarifiers, two trickling filters, six tertiary gravity filters with anthracite media, three chlorine contact chambers, primary and secondary anaerobic digesters, a belt press, and sludge drying beds, which are used when the belt press is not in operation. Dewatered sludge is disposed at the Western Regional Sanitary Landfill near Lincoln.

The SMD 1 WWTP currently discharges into Rock Creek, a water of the United States (US) within the Upper Coon–Upper Auburn watershed, at two locations. Rock Creek is a tributary to Dry Creek, a 303d listed waterbody, which flows into the Bear River and ultimately into the Sacramento River. The primary discharge point is located 200 feet upstream of the confluence of Dry Creek and Rock Creek. A secondary discharge point, used only when the primary discharge is taken out of service for regular cleaning and maintenance, is located on Rock Creek another 200 feet upstream of the primary discharge location. After the upgrade is complete, the secondary discharge point will no longer be required.

The SMD 1 WWTP presently operates and discharges treated effluent to Rock Creek under waste discharge requirements (WDRs) set forth in a National Pollutant Discharge Elimination System (NPDES) permit issued by the Central Valley Regional Water Quality Control Board (Regional Water Board) as Order No. R5-2010-0092 (NPDES Permit No. CA 0079316). The NPDES permit includes final effluent limitations for biochemical oxygen demand, total suspended solids, total coliform organisms and ammonia, and requires full compliance with these final effluent limitations by September 1, 2015. In addition, the Regional Water Board has adopted Cease and Desist Order (CDO) No. R5-2010-0093 because the SMD 1 WWTP does not consistently comply with effluent limitations for aluminum, chlorodibromomethane, chloroform, dichlorobromomethane, nitrate plus nitrite, and nitrite. The CDO No. R5-2010-0093 requires full compliance with final effluent limitations for these constituents by September 1, 2015.

PROJECT OBJECTIVES

- Provide wastewater treatment that consistently complies with the discharge standards, operational requirements, and project delivery milestones included in NPDES Permit Order No. R5-2010-0092 issued by the Regional Water Board in September 2010.
- Provide wastewater treatment facilities that utilize proven processes and technologies, include adequate operational safeguards, and are efficient to operate.
- Protect and/or enhance the environment by improving overall water quality of effluent, preserving existing riparian habitat, protecting beneficial aquatic uses, improving stormwater drainage and management, enhancing odor control, and increasing energy efficiency.

PROJECT DESCRIPTION

The SMD 1 WWTP Project construction will occur at two locations: 1) the WWTP; and 2) the outfall locations. The Project components are described below.

1. Construction activities at the WWTP

- Septage Receiving Station – Installing a new septage receiving station.
- Headworks – Constructing a new headworks with automated screening equipment, flow measurement equipment, influent sampling equipment, and a aerated grit removal system with a grit washer.
- Primary Treatment – Constructing two new circular primary clarifiers and primary sludge and scum pumps.
- Secondary Treatment – Installing two new secondary clarifiers with a return and waste activated sludge pump station and a splitter box; and constructing two new aeration basins with anoxic zones, fine-bubble aeration diffusers, centrifugal blowers, and recycle pumps. The aeration system will use an activated sludge process, which uses multiple chambers to biologically treat the wastewater and provide nutrient removal.
- Site Work – Completing site work, including grading, roadwork, fencing and site lighting. Access roads will be provided to all major process and maintenance centers.
- Solids Handling – a) Sludge thickener: installing a new gravity belt thickener or rotary screen thickener with storage tanks and pumps; b) anaerobic digesters: installing a new anaerobic digester, renovating and upgrading the two existing anaerobic digesters, installing new pumps, mixing, heating and digester gas systems; and c) sludge dewatering system: installing a new belt or rotary press for sludge dewatering.
- Tertiary Treatment – Adding a new screen to filter secondary clarifier effluent, new modular up-flow filtration units (the existing filters will serve as backup filters), a secondary clear well and pump station, backwash tanks and associated facilities.
- Disinfection – Installing a new ultraviolet disinfection system.

- Other Improvements – a) Upgrading a supervisory control and data acquisition system with critical alarms; b) adding new conduits and piping; c) upgrading the existing non-potable water supply system; d) modifying an existing drainage system; e) constructing a new chemical feed building and storage facilities; f) converting existing buildings into maintenance and storage facilities; g) constructing a new operations control building, a modern analytical laboratory, and a new safety training facility; and h) installing a new security system.

2. Outfall and In-stream Work

- Stream Monitoring Equipment: Installing stream monitoring equipment to allow continuous stream flow and water quality monitoring. Sensors for pH and pressure will be placed in Dry and Rock Creeks
- Primary Outfall: Constructing a new primary outfall in Rock Creek.
- Secondary Outfall: Removing the existing secondary outfall.
- Concrete Pipe: Removing an existing abandoned concrete pipe located in Rock Creek.

The County is also considering the following two alternatives: 1) a design/build/operate option with PERC Water Corporation; or 2) a regionalization project where the wastewater from SMD 1 would be diverted to the City of Lincoln's WWTP. If the County selects either one of these options it will require an amended or a new FPA/PFC.

Water Code 5103, Statement of Diversion and Use of Water, does not apply to the County.

The Project is listed on the current CWSRF Project Priority List.

The Project is listed in the current CWSRF Intended Use Plan (IUP).

The Project is routine and non-controversial based on documents and communications with the County: Yes No

CWSRF PROJECT COSTS

The following table outlines the estimated County's Project cost:

TYPE OF WORK	Estimated Costs
A. Construction	\$48,300,000
B. Allowances (Soft Costs)	
1. Planning	\$909,182
2. Design	\$3,158,738
3. Construction Management	\$5,623,848
4. Administration	\$384,276
5. Value Engineering	\$0
Subtotal of Allowances	\$10,076,044
TOTAL	\$58,376,044

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ELIGIBLE COSTS

The items listed below are eligible for CWSRF financing. Detailed Project component eligibility and eligible component size will be determined during the review of the final Plans and Specifications (P&S) as part of the Approval of Award (AOA), will be consistent with this FPA, and will be included in the CWSRF financing agreement.

- Facilities for administration, operations, maintenance, and laboratory space
- Ultraviolet disinfection system
- Headwork structures and associated equipment
- Primary clarifiers and associated equipment
- Secondary clarifiers and associated equipment
- Septage receiving station
- Site preparation, access, or security improvements
- Traffic control during construction
- Sludge thickener, anaerobic digesters, and sludge dewatering equipment
- Filters and associated equipment
- Control instrumentation and alarms
- Chemical feed equipment
- Relocate/Demolish/Remodel existing treatment process buildings as needed for installation of new facilities
- Monitoring equipment
- Outfall structure
- Allowances (soft costs) for planning, design, construction management, and administration
- Mitigation measures mandated by State and/or Federal agencies

INELIGIBLE COSTS

- Construction costs prior to the issuance of the PFC
- Construction change orders and claims exceeding the amount of the CWSRF financing agreement
- Engineering costs included as part of the construction bid
- Decorative items (artwork, sculptures, reflective ponds, etc.)
- License fee(s) for proprietary treatment processes
- Construction contingencies
- Operation and maintenance costs and extended warranties for equipment
- Act of God insurance costs
- Portable furniture and appliances
- All other items not included in the construction contract except allowances
- Demolition of existing facilities NOT required to provide space for eligible new facilities

ELIGIBLE DESIGN PARAMETERS

The Project's eligible design parameters will be consistent with Order No. 2010-0092 (NPDES Permit No. CA0079316). A table of eligible design parameters is provided below:

PARAMETER	VALUE
Population Served	27,200 persons (Year 2034) ¹
Average Dry Weather Flow	2.7 MGD ¹
Peak Wet Weather Flow	11.9 MGD ¹
Influent Biochemical Oxygen Demand (BOD ₅)	6,720 lbs/day ²
Influent Total Suspended Solids	6,400 lbs/day ²
Influent TKN (Total Kjeldahl Nitrogen)	1,600 lbs/day ²
Effluent BOD ₅	10 mg/L (Average monthly limit) ³
Effluent TSS	10 mg/L (Average monthly limit) ³
Effluent Total Nitrogen (TN, Nitrate plus Nitrite)	10 mg/L (Average Monthly Limit) ³
Effluent Ammonia Nitrogen (NH ₃ -N)	1.4 mg/L (Average Monthly Limit) ³
Effluent pH	Between 6.5 and 8.2 ³
¹ Source is the County's Preliminary Design Report submitted August 2010.	
² Influent loads reported as annual averages.	
³ Source is the Regional Water Board WDR Order No. R5-2010-0092, NPDES Permit No. CA0079316.	

PROJECT SCHEDULE

This tentative schedule does not supersede any regulatory enforcement schedule. Special attention to the Project milestones is critical. Schedules must be compatible with requirements of the Regional Water Board enforcement actions related to the planned facilities. Approval of a schedule not compatible with the Regional Water Board requirements does not relieve the County of its responsibility to achieve compliance.

COUNTY MILESTONES	SCHEDULED DATE
Advertise for Bids	July 22, 2011 (complete)
Open Bids	September 22, 2011 (complete)
Start Construction (Notice to Proceed)	March 30, 2012
Submit AOA Package	April 30, 2012
Submit Construction Status Reports	Due Quarterly During Construction of Project
Completion of Construction	February 27, 2015
Initiation of Operations	March 27, 2015
Submit Project Performance Certification Report	June 27, 2016

ENVIRONMENTAL REVIEW

State Water Board staff conducted a Tier I environmental review, reviewed the environmental documents provided by the County, and determined that the Project will not result in any significant adverse water quality impacts. The County is in the process of obtaining necessary permits, and has initiated consultation with the United States Army Corps of Engineers (USACE) for Clean Water Act (CWA) Section 404 Nationwide Permits (NWP 5, 7 and 33), the Regional Water Board for a CWA Section 401 Water Quality Certification, and the California Department of Fish and Game (DFG) for a Lake and Streambed Alteration Agreement (SAA) under Section 1602 of the DFG code. The USACE initiated consultations with the United States Department of the Interior Fish and Wildlife Service (USFWS) under Section 7 of the federal Endangered Species Act (ESA) and the State Historic Preservation Officer (SHPO) under Section 106 of the National Historic Preservation Act (Section 106), as part of the permitting process.

The County is the lead agency under the California Environmental Quality Act, and prepared an Initial Study and Mitigated Negative Declaration (IS/MND) for the Project. The IS/MND was circulated to the public and distributed through the State Clearinghouse (SCH No. 2011042083) for review from April 25, 2011 through May 24, 2011. The County received comments from the State Water Board, the Regional Water Board, the California Department of Transportation, the Nevada Irrigation District, the Dry Creek Conservancy, the Ophir Property Owners Association, Inc., and the Auburn Ravine Preservation Committee. The County responded to the comments, and included them in the final IS/MND. The County adopted the final IS/MND and a Mitigation Monitoring and Reporting Program (MMRP), and approved the Project on July 12, 2011. The County filed a Notice of Determination (NOD) with the Placer County Clerk on July 15, 2011 and the Governor's Office of Planning and Research (OPR) on August 2, 2011.

Dry and Rock Creeks are perennial streams and are considered relatively permanent waters (RPW). The Project will involve dewatering portions of Rock and Dry Creeks to install the stream monitoring equipment and a new primary outfall, and to remove a secondary outfall and pipeline. The stream dewatering will be completed through the use of cofferdams and a pipe bypass system or a horseshoe-shaped cofferdam. The Project will also involve placing approximately 250 cubic yards (cy) of rip rap above the ordinary high water mark (OHWM) in Rock Creek and approximately 600 cy of rip rap above the OHWM in Dry Creek.

The Project will permanently impact approximately 0.0034 acre of waters of the US, and temporarily impact approximately 0.17 acre of waters of the US. The County will implement compensatory mitigation, including re-vegetating the stream bank of Rock Creek near the existing secondary outfall to compensate for the permanent water quality impacts, and re-vegetate freshwater marsh habitat to compensate for the temporary water quality impacts. The County will also implement mitigation measures to reduce water quality impacts to a less than significant level. Thus, the Project will have less than significant impacts to waters of the US, wetlands and riparian habitat. The County initiated Section 7 informal consultation under the federal Endangered Species Act with the USACE on September 26, 2011. The USACE is in the process of completing its required federal consultations as part of the permitting process, and is expected to issue the CWA Section 404 NWPs soon thereafter.

The Project area does not provide suitable habitat and is outside the known range of federally listed species, except for the federally threatened California red-legged frog (CRLF; *Rana draytonii*). There is suitable CRLF habitat located in Dry and Rock Creeks and in the freshwater marsh that abuts the streams. Field surveys were completed for the Project, including a reconnaissance-level field survey on July 29, 2010, a reconnaissance-level aquatic and riparian field survey along Rock and Dry Creeks on December 2, 2010, and a wetland jurisdictional delineation on December 7, 2010. No CRLF individuals were observed during the surveys. The nearest CRLF population occurs in the Michigan Bluff area of the Foresthill Divide, which is located more than 20 miles northeast of the Project area.

The USFWS determined that the CRLF is not likely to occur in the Project area, due to the distance from known occurrences and the diminished quality of the habitat from the presence of non-native predators (bullfrogs [*Rana catesbeiana*] and largemouth bass [*Micropterus salmoides*]). The USFWS also agreed with the USACE's finding that the Project may affect, but is not likely to adversely affect the CRLF.

The County will implement mitigation measures to reduce biological resource impacts to a less than significant level. Therefore, the Project will have no impact to federal special-status species.

The USACE requested a Section 106 concurrence and a finding of "no adverse effect to historic properties" from the SHPO on September 26, 2011. The SHPO has not yet responded. However, the State Water Board's Cultural Resources Officer (CRO) reviewed the documents submitted by the County for this Project. The CRO determined that the County provided sufficient documentation to support a Section 106 determination of "no historic properties affected."

The State Water Board will file an NOD with OPR following funding approval.

FINANCIAL AND FISCAL REVIEW

FISCAL IMPACT ON APPLICANT

A credit review was completed to analyze Placer County SMD 1's ability to enter into a financing agreement for the amount of \$58,376,044 for construction and allowance costs. The credit review provided recommendations regarding the financing agreement terms, maximum CWSRF financing amount, financial capacity and reserve fund requirements for the financing agreement.

The SMD 1 service area's estimated 2011 median household income (MHI) is \$44,405, approximately 76 percent of the State of California MHI. The estimated 2011 population is 11,114. The SMD 1 service area qualifies as a small disadvantaged community, and qualifies for extended term financing and principal forgiveness.

The most recent rate increases were approved following the Proposition 218 guidelines on May 12, 2009. The current monthly wastewater charge is \$82.00 per EDU, and there are currently 7,855 EDU's. Rates are projected to increase to \$85.00 beginning in fiscal year 2012/13. The current wastewater charge of \$82.00 per month equals \$984.00 per year which equals two percent of the 2011 median household income.

The first debt service payments are projected to be due in fiscal year 2015/16. After allowing for operations and maintenance costs projected at \$6,447,368 for fiscal year 2015/16, the estimated net revenues available for debt service will be \$3,164,886. The County has no outstanding debt secured by Sewer Maintenance District No. 1 net revenues.

PRINCIPAL FORGIVENESS ANALYSIS

As outlined in the CWSRF IUP for SFY 2010/2011, adopted by the State Water Board on August 3, 2010, \$97,770,482 in principal forgiveness is available to two categories of disadvantaged communities: 1) Small, Disadvantaged Communities with Substantial Water Quality Investment; and 2) Other Disadvantaged Communities.

The County's service area qualifies for principal forgiveness under Category 1. The County's service area has an estimated 2010 population of 11,420 persons. As of May 12, 2009, the County's wastewater rates are 82.00/month (2.0 percent of the community's MHI). As a small disadvantaged community with wastewater user rates more than 1.5 percent of the service area's MHI, the County may receive 50 percent principal forgiveness for eligible Project costs up to \$6 million in principal forgiveness. With an estimated eligible cost of \$58.3 million the Project qualifies for \$6 million in PF.

The County submitted an evaluation regarding how the Project addresses the "Livability Principles" established by the United States (US) Department of Housing and Urban Development, US Department of Transportation, and US Environmental Protection Agency.

The final principal forgiveness amount may be modified based on the AOA determination, and the final financing agreement will be updated accordingly.

SECURITY AND SOURCE OF FINANCING REPAYMENT

Placer County SMD 1 shall dedicate the net revenues of SMD 1 to the repayment of the Financing Agreement.

A financing agreement for the amount of \$58,376,044, with \$6,000,000 in principal forgiveness, with an extended term of thirty years and an estimated interest rate of 2.20 percent will have an annual debt service of \$2,403,387. When compared to the net revenues of the SMD 1, the result is debt service coverage of 1.32 for fiscal year 2015/16. This exceeds the CWSRF policy requirement that net revenues be at least 1.10 times the total debt service.

COMPARATIVE REVENUES AND EXPENSES ANALYSIS

Revenues and expenses for Placer County SMD 1 for fiscal years 2008/09 through 2010/11; and projections for fiscal year 2011/12 through 2015/16 are summarized below.

County of Placer-Sewer Maintenance District #1

Fiscal Year	2008/09	2009/10	2010/11	2011/12 Projections	2012/13 Projections	2013/14 Projections	2014/15 Projections	2015/16 Projections*
Direct Service Charges	\$6,465,022	\$7,738,830	\$7,861,636	\$7,938,033	\$8,282,272	\$8,363,488	\$8,467,119	\$8,591,716
Inspection Fees	\$26,813	\$9,940	\$6,000	\$6,060	\$6,121	\$6,243	\$6,430	\$6,623
Connection Fees	\$507,637	\$534,425	\$305,439	\$301,498	\$362,565	\$443,135	\$523,705	\$604,275
Annexation Fees	\$42,980	\$25,025	\$28,647	\$28,933	\$29,222	\$59,614	\$61,402	\$63,244
Interest Revenues	\$365,943	\$280,637	\$206,000	\$189,732	\$204,138	\$195,168	\$196,310	\$346,396
Total Operating Revenues	\$7,408,395	\$8,588,857	\$8,407,722	\$8,464,256	\$8,884,318	\$9,067,648	\$9,254,966	\$9,612,254
Operating Expenses	\$5,242,375	\$5,003,353	\$5,621,988	\$5,923,763	\$5,962,760	\$5,996,362	\$6,185,054	\$6,447,368
Net Revenues	\$2,166,020	\$3,585,504	\$2,785,734	\$2,540,493	\$2,921,558	\$3,071,286	\$3,069,912	\$3,164,886
Proposed Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$2,403,387	\$2,403,387
Debt Service Coverage	n/a	n/a	n/a	n/a	n/a	n/a	1.28	1.32

*First payment due fiscal year 2015/16

A reserve fund equal to one year's debt service shall be established from available cash. A reserve fund equal to one year's debt service is maintained so that in the event of non-payment, there are funds available to cover the debt service.

It is recommended that the Division approve the Preliminary Funding Commitment for the maximum amount of \$58,376,044 with \$6,000,000 in Principal Forgiveness

FISCAL IMPACT ON THE CWSRF PROGRAM

(as of 12/01/2011)	SFY 2011-12	SFY 2012-13	SFY 2013-14	SFY 2014-15	SFY 2015-16
Beginning Balance:	\$432,604,699	\$79,849,145	(\$163,020,954)	(\$152,547,014)	(\$8,830,856)
Estimated Repayments	\$220,104,778	\$230,104,778	\$240,104,778	\$250,104,778	\$260,104,778
Debt Service on Revenue Bonds	(\$30,228,204)	(\$27,714,204)	(\$23,821,829)	(\$20,966,279)	(\$19,356,506)
Estimated Capitalization Grants	\$68,764,114	\$32,087,000	\$28,800,000	\$28,800,000	\$28,800,000
Local Match Credits	\$3,511,387	\$2,515,245	\$895,696	\$936,409	\$1,058,550
Est. SMIF Interest:	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Estimated Disbursements	(\$583,020,792)	(\$384,790,558)	(\$197,052,003)	(\$98,736,840)	(\$33,043,997)
Subtotal	\$113,235,982	(\$66,448,594)	(\$112,594,312)	\$9,091,054	\$230,231,969
Pending Preliminary Funding Commitments	Estimated Disbursements				
City of San Clemente, #4516-110 (10/17/2011)		(\$7,422,003)	(\$4,948,002)		
City of San Diego, #4905-110 (09/26/2011)	(\$9,411,837)	(\$11,057,258)			
South Bayside System Authority, #5216-120 (11/10/2011)	(\$13,000,000)	(\$19,000,000)	(\$4,329,000)		
City of Turlock, #5256-110 (09/21/2011)	(\$4,000,000)	(\$11,000,000)	(\$9,000,000)		
Placer County Sewer Maintenance District 1, #5275-110 (12/01/2011)	(\$1,250,000)	(\$20,750,000)	(\$14,000,000)	(\$16,376,044)	
City of Redding, #5380-110 (11/15/2011)	(\$2,000,000)	(\$10,000,000)	(\$600,000)		
City of Vista, #5698-110 (09/08/2011)		(\$5,542,770)			
City of Santa Barbara, #6401-110 (09/21/2011)	(\$1,600,000)				
City of Stockton, #7085-110 (03/30/2011)	(\$1,625,000)				
City of Rio Dell, #7401-110 (05/18/2011, 08/25/2011)	(\$500,000)	(\$6,924,895)			
Valley Center MWD, #7454-110 (11/08/2011)		(\$437,268)	(\$1,083,204)	(\$180,528)	
Valley Center MWD, #7454-120 (11/08/2011)		(\$4,003,166)	(\$4,095,996)	(\$1,365,338)	
Valley Center MWD, #7454-130 (11/08/2011)		(\$435,000)	(\$1,896,500)		
	\$79,849,145	(\$163,020,954)	(\$152,547,014)	(\$8,830,856)	\$230,231,969

FISCAL IMPACT ON CWSRF PROGRAM PRINCIPAL FORGIVENESS

(as of 12/01/2011)	Principal Forgiveness			
	Category 1	Category 1 SCG fees	Category 2	Total
Beginning Balance	\$57,662,289	\$1,000,000	\$40,108,193	\$98,770,482
City of Williams, #4049-110 (final)	(\$6,000,000)			
City of San Diego, #4905-110			(\$3,000,000)	
City of Redding, #4971-240 (final)			(\$3,000,000)	
City of Modesto, #5175-210 (final)			(\$3,000,000)	
Russian River County Sanitation District, #5201-110 (final)	(\$1,942,225)			
San Luis Obispo (Los Osos), #5230-110	(\$7,500,000)			
Calaveras County Water District, #5249-110 (final)	(\$4,420,880)			
Placer County Sewer Maintenance District 1, #5275-110	(\$6,000,000)			
Heber Public Utility District, #5302-110 (final)	(\$6,000,000)			
Victor Valley Wastewater Rec Authority, #5376-110 (final)			(\$3,000,000)	
City of Tehachapi, #5563-110 (final)			(\$2,121,030)	
Susanville Sanitary District, #5727-110 (final)			(\$1,392,595)	
City of Redding, #5835-110 (final)			(\$1,233,052)	
City of East Palo Alto, #5956-110			(\$276,250)	
City of Los Angeles, #7055-110			(\$3,000,000)	
City of Stockton, #7085-110			(\$1,625,000)	
Santa Nella County Water District, #7132-110			(\$2,146,875)	
Earlhart Public Utility District, #7190-110 (final)			(\$359,707)	
Eastern Municipal Water District, #7203-110			(\$5,000,000)	
City of Rio Dell, #7401-110	(\$6,000,000)			
City of Redding, #7456-110 (final)			(\$1,682,280)	
City of Anaheim, #7620-110			(\$1,560,479)	
City of Anaheim, #7622-110 (final)			(\$374,383)	
City of Anaheim, #7630-110			(\$513,178)	
Planada CSD, #7649-110	(\$300,000)			
City of Yuba City, #7668-110			(\$3,000,000)	
Sutter County, #7732-110 (final)	(\$400,180)	(\$1,000,000)		
City of Anaheim, #7800-110 (final)			(\$923,344)	
City of Colfax, #7806-110 10 (final)	(\$3,319,000)			
Subtotal	(\$41,882,285)	(\$1,000,000)	(\$37,208,173)	(\$80,090,458)
Ending Balance	\$15,780,004	\$0	\$2,900,020	\$18,680,024

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LEGAL REPRESENTATIONS

The County's attorney represents that the County complied with Proposition 218 requirements for setting rates

The County will be required to perform a two year educational outreach program because the Proposition 218 protest rate exceeded five percent.

The County's attorney has certified that the County holds sufficient property rights to enable the County to access, construct, operate, maintain, repair, monitor, and inspect the Project for the life of the Project or the term of the CWSRF financing, whichever is longer.

The County's attorney has represented that there is no pending or anticipated litigation, contractual or ratepayer/taxpayer disputes or adverse findings by outside auditors that may detrimentally affect the applicant's payment source, the ability of the applicant to agree to or pay the CWSRF financing or manage and implement the project financed by the CWSRF Program.

The County certified, on August 22, 2011, that it is not an urban water supplier as the term is understood pursuant to the provisions of Section 529.5 of the water code.

SPECIAL CONDITIONS

1. This FPA includes only the Project described above and does not include any associated projects that may have been referred to in the County's Project Report, dated April 2011. This approval does not guarantee that a CWSRF financing agreement will be awarded for this Project;
2. As determined by the County's credit review, the financing agreement is subject to the following conditions:
 - The County is pledging net revenues of Sewer Maintenance District 1.
 - The Recipient may not incur future senior debt. The Recipient's future debt may be on parity with CWSRF debt if policy conditions are met. (Section X, G1)
 - The Recipient shall covenant to establish rates and charges in amounts sufficient to generate net revenues equal to at least 1.10 times the total annual debt service.
 - The Recipient shall establish a Reserve Fund in an amount equal to one year's debt service prior to the construction completion date.
 - The Financing Agreement shall be limited to a maximum of \$58,376,044, unless new information supporting the credit review changes and a supplemental credit review is performed.
3. In accordance with the CWA and Section 106, the County shall obtain the necessary approvals and permits from the USACE, the SHPO, the Regional Water Board and the California Department of Fish and Game, prior to the start of any Project construction activities, and shall implement and abide by any measures and conditions of those approvals. The County shall provide the approvals and copies of permits to the Division prior to the issuance of a final finance agreement. Special conditions may be included in the final CWSRF financing agreement to assure compliance, if necessary;

4. The County may jeopardize CWSRF financing if construction begins prior to the PFC. Construction after the PFC and prior to issuance of the Financing Agreement is eligible for CWSRF funding;
5. The County will submit an Approval of Award (AOA) package. The Division, through the AOA package, will use the project bid results accepted by the County along with the final Project P&S to review final project eligibility and Performance Standards. After review and approval, the Division will prepare an amendment to the financing agreement consistent with the final eligibility determination and credit review. Signature of the amended agreement by the County will constitute agreement with the Division's decisions on the AOA package;
6. The County must comply with the Disadvantaged Business Enterprises and Davis-Bacon requirements and certify compliance with all federal laws;
7. The County must sign an initial financing agreement for the SMD 1 Upgrade Project on or before August 30, 2012. Division staff may approve up to a 120-day extension for good cause.
8. The County must submit an Approval of Award (AOA) package and start construction of the SMD 1 Upgrade Project by May 30, 2013. If the County selects an alternative project, this FPA and the initial agreement will be void.
9. If an alternative project is selected, the County must submit a complete application for the selected project to the Division, and the initial financing agreement must be executed or be executable by May 30, 2013. Division staff may approve up to a 120-day extension for good cause.
10. The final principal forgiveness amount may be modified based on the AOA determination, and the final financing agreement will be updated accordingly. The total principal forgiveness amount will not exceed \$6,000,000. The principal forgiveness can be used for one of the alternatives if an amended PFC is made before this one expires. After the expiration date the Division cannot guarantee that principal forgiveness funds will be available.
11. Unless the upper limit is modified in the future, principal forgiveness is capped at \$10 million per agency over the next three (3) SFY (July 1, 2010 – June 30, 2013).
12. The County is required to implement a public education program for two years beginning no later than October 2012 because the County received more than five percent opposition to their last wastewater rate increase;

DISTRIBUTION

cc: Ms. Pamela Creedon
Executive Officer
Central Valley Regional Water Board (via email)

Mr. Bob Crandall
Assistant Executive Officer
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DERA EXHIBIT D

**EXHIBIT D
PAYMENTS FOR DERA COSTS**

Payments attributable to Lincoln by County for DERA Costs in accordance with the Advance Payment Agreement and the ICF Second Reallocation as of August 1, 2012 are as follows subsequent to all parties' rights to confirm the proper application of these amounts to the DERA Costs:

<u>Contract</u>	<u>Amount</u>
ICF Reallocation	\$300,834.00
Advance Payment Agreement	\$31,964.85
Total	\$332,798.85

END OF DERA EXHIBITS

Lincoln Offer Summary

Mid-Western Placer Regional Sewer Project

BACKGROUND

On February 8, 2011 the City of Lincoln City Council approved the initial Lincoln Offer regarding completion of the Mid-Western Placer Regional Sewer Project (the "Project"), subject to completion of environmental review, design, financing, and other contingencies.

On February 28, 2012 the City of Lincoln City Council approved proposed deal point revisions, clarifications and changes to the initial Lincoln Offer.

The February 8, 2011 and February 28, 2012 City of Lincoln City Council actions constitute the "Lincoln Offer." This Lincoln Offer is summarized below.

SUMMARY OF LINCOLN OFFER

Project: The City of Lincoln ("Lincoln") offers to complete the environmental review, design, construction and initial operation of a regional sewer facility. The two main components of the Project are: 1) wastewater conveyance facilities which shall run from the existing Placer County ("County") wastewater treatment plant on Joeger Road and/or the existing City of Auburn ("Auburn") wastewater treatment plant on Ophir Road to Lincoln; and 2) an expanded Lincoln Waste Water Treatment and Reclamation Facility ("WWTRF"). The conveyance facilities include: 1) sewer pump station(s) at the current County and Auburn treatment plants including emergency containment basins; 2) a force main pipeline from the new pump station(s) to a junction structure where County and Auburn force mains would combine; 3) a force main pipeline from the junction structure to a Sierra College Blvd. dissipation structure; and 4) a gravity pipeline from the dissipation structure to the existing gravity sewer pipe in SR 193. The Project will also involve the decommissioning of the Placer Sewer Maintenance District No. 1 (SMD 1) wastewater treatment plant. The Auburn wastewater treatment plant will continue to be operated by Lincoln for secondary treatment of sewage prior to conveyance to Lincoln for final treatment. In addition, to meet possible regulatory requirements related to fish, Lincoln may maintain the Auburn Wastewater Treatment plant in an operational status so that in creek water shortages, the Auburn treatment plant can be reactivated and treated effluent released into Auburn Ravine. Lincoln WWTRF will be expanded to accommodate added sewage flow from the County and Auburn.

Project components are further described in the February 23, 2012 Stantec report entitled "Mid-Western Placer Regional Sewer Project Preliminary Project Description," a true and correct copy of which is attached hereto as Exhibit 1.

Auburn is still in the process of determining whether it will participate in the Project. As a result, the following elements of the Project have not yet been decided: 1) inclusion of the Auburn pump station and force main; 2) sizing of the common force main; 3) sizing of the Lincoln WWTRF expansion; and 4) the amount County will pre-fund, if any, for the cost of the environmental review, design and construction needed for Auburn's participation in the Project. Any reference to Auburn herein is subject to Auburn participation in the Project. Should Auburn decline to participate in the Project, the provisions hereof shall not apply to Auburn.

Lincoln Responsibilities: Lincoln will complete Project environmental review (as CEQA lead agency), design, right of way acquisition (including use of eminent domain, if necessary and subject to the Lincoln's City Council's discretion) and construction of the Project. Lincoln will operate the Project upon completion. Lincoln will retain ownership of the WWTRF. Lincoln will own the regional conveyance facilities east of Lincoln unless and until Auburn and the County agree to a change in ownership which relieves Lincoln of any responsibility for the conveyance facilities east of Lincoln. Lincoln will reasonably cooperate with County in providing documentation needed for financing through the State Revolving Fund. Lincoln will operate, maintain, enlarge and improve regional facilities in an economical manner in compliance with any applicable regulatory requirements with an emphasis on minimizing long term costs.

County and Auburn Responsibilities: County and Auburn shall apply for a State Revolving Fund (SRF) loan for the Project which when combined with other County and Auburn funds will total the Capital Costs defined below. County and Auburn will provide such funding to Lincoln as costs are incurred by Lincoln for the environmental review, design, right of way and construction of the Project. County and Auburn shall fund, with initial SRF loan proceeds, the Lincoln Oversizing costs defined below and Lincoln agrees to hold these funds in reserve until completion of the Project for possible use as a contingency. County and Auburn (as applicable) will make timely payments to Lincoln for the environmental review, design, Lincoln oversizing, right-of-way acquisition, construction, and operation of the Project, but in no event shall payment be received more than 30 days after receipt of an invoice from Lincoln, unless the parties have a dispute concerning the amount or propriety of charges identified on such invoice. In the event of such a dispute, the parties shall meet and confer in good faith to resolve the dispute before pursuing legal action.

County and Auburn will serve as CEQA responsible agencies. County and Auburn will provide reasonably timely input regarding environmental review, as well as construction of the Project in accordance with a yet to be developed Construction and Operation agreement that shall be substantially consistent with the Lincoln Offer. County and Auburn shall make timely decisions as responsible agencies and in approval of a Construction and Operation agreement.

Capital Charge: The Capital Charge for the Project as offered by Lincoln includes Lincoln's cost for: environmental review, design, right-of-way acquisition, construction, construction management, Project management, a 2% inflationary allowance, oversizing reimbursement to

Lincoln, and contingencies. Based on *Lincoln Regional Offer Price and Schedule Confirmation*, developed by Stantec, and dated February 23, 2012 the Capital Charge for the Project as offered by Lincoln is as follows:

	<u>County and Auburn</u>	<u>Stand Alone</u>
County	\$66,010,000	\$73,000,000
Auburn	\$28,700,000	\$39,000,000

The County's Capital Charge under the "County and Auburn" heading (\$66,010,000) is the cost to the County if both Auburn and the County decide to participate in the project from the beginning. Auburn's Capital Charge under the "County and Auburn" heading (\$28,700,000) is the cost to Auburn if both Auburn and the County decide to participate in the project from the beginning. The Stand Alone Capital Charges are the costs to the County (\$73,000,000) and Auburn (\$39,000,000) if only one agency decides to participate in the Project.

Lincoln Oversizing: Lincoln previously oversized its WWTRF and sewer transmission lines through Lincoln to accommodate the Project. Lincoln shall be reimbursed through the Capital Charge for this oversizing. The oversizing construction has already been completed, and the Capital Charges listed above include the payment to Lincoln for the oversizing. The amounts budgeted for Lincoln oversizing are:

County	\$7,070,338
Auburn	\$4,962,876

The actual amount received by Lincoln for oversizing will depend on the Actual Cost of the Project (the "Actual Cost") which includes the amounts paid by Lincoln to complete the Project. The amount received by Lincoln for oversizing will be the difference between the Capital Charge and the Actual Cost unless the Actual Cost is more than the Capital Charge, in which case Lincoln will receive no reimbursement and the County and Auburn will share in the Actual Costs in excess of the Capital Charge.

Loans from the State Revolving Fund to the County and Auburn in combination with other funds from the County and Auburn are intended to finance the "Capital Buy-In Charges." The Capital Buy-In Charge will be the amount received by Lincoln for oversizing. This amount will be estimated and initially paid to Lincoln as the amount budgeted for oversizing and then adjusted at completion of the Project to reflect the actual amount received by Lincoln. Lincoln will hold any oversizing payment received until completion of the Project in case it is needed for Project completion.

Adjustments to Capital Charge: The Capital Charge for Auburn and the County are subject to adjustments for the following factors:

Inflation – If the ENR 20 City Construction Charge Index exceeds the 2% inflation allowance included in the Capital Charge, the Construction and Construction Management portions of the Capital Charge will be increased to reflect the ENR index. If not all of the 2% inflation allowance is used, the Capital Charge will be reduced by the amount of unused allowance.

County and Auburn Changes – Changes to the Project required or caused by the County or Auburn including delays that will increase Actual Cost.

Variable Oversizing- If the Actual Cost (excluding oversizing) exceeds the Capital Charge then the Actual Cost over the Capital Charge will increase the Capital Charge paid by the County and Auburn. Lincoln will track Actual Costs by project component (Auburn conveyance, SMD#1 conveyance, joint conveyance, Bickford pipe, WWTRF expansion, effluent disposal) and will assign Actual Costs that exceed the Capital Charge to each agency in proportion to flow. Project savings that increase the amount received by Lincoln for oversizing will partially offset the cost of interest on the oversizing (approximately \$9 million).

Operations Charge: The Operations Charge for the Project (the “Operations Charge”) includes all operating and maintenance costs for the WWTRF, effluent disposal, regional pipelines, Auburn Secondary Treatment, creek water (required by regulatory agencies beyond the amount currently purchased by the County) and pump stations and subject to the adjustments described below are as follows for the first five years of operation:

	<u>County and Auburn</u>	<u>Stand Alone</u>
County	\$22 per EDU per month	\$24 per EDU per month
Auburn	\$21 per EDU per month	\$25 per EDU per month

These amounts were calculated based on January 2011 costs. The Operations Charge for the first five years of operation will be this amount escalated from January 2011 based on electricity, chemical, disposal and operator cost indices as described below. Electrical, chemical and disposal costs indices will be based on unit costs for electricity, chemicals and disposal at the WWTRF. The labor indices will be based on the operator labor cost at five similar wastewater treatment plants. No fund for future replacement of regional facilities will be established during the initial operation period.

Each agency will establish it’s own user fee amounts.

Current non-complaint discharges to the creek from SMD#1 are anticipated to cease as soon as practical and prior to the time the WWTRF expansion is fully operational. To accommodate this early termination, extra operating costs will be incurred until the expanded WWTRF is fully operational. An additional \$3 per EDU Operations Charge will be paid by the County per month for SMD#1 flows from initial connection until the expanded WWTRF is fully operational.

Lincoln operations may continue indefinitely at the request of the County and Auburn at costs based on actual costs with WWTRF and conveyance costs through Lincoln allocated proportionally to the weighted Biochemical Oxygen Demand ("BOD") and flow from each agency. Pipeline and pump station operations costs outside Lincoln will be paid by Auburn and the County proportional to the flow from each agency.

Schedule: Lincoln agrees to complete necessary parts of the Project and to cease SMD#1 creek discharges by August 31, 2015 to meet the requirements of Central Valley Regional Water Quality Control Board (RWQCB) SMD#1 CEASE AND DESIST ORDER NO. R5-2010-0093. This completion date is based on the following project milestones:

- a. Commitment to fund Lincoln environmental and design by March 30, 2012 (status: commitment to fund environmental made on May 8, 2012).
- b. Scheduled completion date for environmental review March 2013 with up to six months additional time if needed per the State Revolving Fund commitment to reserve SMD#1 approved principal forgiveness funds.
- c. Commitment to fund Lincoln construction subject to and upon approval of environmental document scheduled for March 2013.
- d. Completion of SMD#1 conveyance facilities to Lincoln and partial expansion of Lincoln WWTRF to accommodate SMD#1 flow scheduled for March 2014 with up to 12 months additional time if needed to meet Regional Water Quality Control Board Permit requirements for SMD#1.
- e. Completion of Auburn conveyance facilities and treatment capacity at Lincoln WWTRF scheduled for March 2016.
- f. First payment for SRF loan would be in 2017 - one year after anticipated completion of construction.

If the discharges are not terminated by the required date due to Lincoln's sole failure to perform, the fines to be paid after this date to the RWQCB (minus funds that can be used by Placer County for a supplemental environmental project as defined by the RWQCB) will be deducted from the Capital Charge paid to Lincoln.

The Project schedule range attached hereto as Exhibit 2 establishes targets for completion of various tasks. Lincoln, Placer County and Auburn recognize that time is of the essence in completion of the Project because delays most often result in increased costs. Delays caused by Lincoln and their resulting costs are Lincoln's responsibility and delays caused by the County or Auburn and their resulting costs are the respective responsibility of the County and Auburn. The parties intend to cooperate and work together with the goal of achieving the early completion dates of the schedule ranges.

Good Faith Cooperation: Lincoln, County and Auburn agree to work cooperatively together in good faith to complete the Project efficiently and in a timely manner.

Oversight: An ad-hoc Project Coordination Team including staff and consultants from Lincoln, County, and Auburn will meet at least monthly during design and construction of the Project. In addition, elected officials from Lincoln, County and Auburn may meet quarterly or more often, as deemed appropriate, during design and construction. Lincoln will provide biweekly status updates to Auburn and the County during design and construction of the Project. During operations Lincoln will prepare Budgets, Operations Reports and Compliance and Expansion Implementation Plans annually for review and input by Auburn and the County. Further details regarding this oversight are to be agreed upon by the parties as the Project progresses and in the Construction and Operations agreement.

Additional EDU: WWTRF unused capacity will be available to each Project participant (Lincoln, County, and Auburn) on a first come basis. Each participant shall establish, collect and reserve its own connection charges to pay that agency's share of future expansion. Auburn and County may use the same connection charge used by Lincoln, subject to compliance with any applicable laws setting such charges.

Auburn currently produces 1.2 million gallons per day ("Mgal/d") of Average Dry Weather Flow ("ADF"). SMD#1 currently produced 1.7 Mgal/d ADF. For each new connection causing Auburn to exceed 1.2 Mgal/d, Auburn shall pay Lincoln a connection charge for capacity in the conveyance facilities across Lincoln of \$152 per EDU adjusted for inflation according to the ENR 20 City Construction Cost Index from 2004 (based on the incremental cost of pipe capacity paid by Lincoln). For each new connection causing the SMD#1 to exceed 1.7 Mgal/d ADF the County shall pay Lincoln a connection charge for capacity in the conveyance facilities across Lincoln of \$152 per EDU adjusted for inflation according to the ENR 20 City Construction Cost Index from 2004 (based on the incremental cost of pipe capacity paid by Lincoln).

Future Expansion: When Average Dry Weather Flow is expected to exceed capacity within three years, as determined by comparing design capacity with expected flows (current flows plus projected growth from Lincoln, County and Auburn), work shall begin on expansion planning, design and construction. Lincoln will perform this calculation at least annually and as needed based on expected growth. Each participating agency shall pay for expansion needed to accommodate that agency's flow and BOD. No agency shall object to or delay expansion funded by another agency. The participating agencies will fund the expansion through connection charges and other fund sources as determined by the participating agency. Development projects larger than 400 EDU shall provide advance funding for expansion as needed, and as determined by the agency in which the development is proposed.

Future Regulatory Requirements: Each agency shall fund its proportional share of costs necessary for compliance with any applicable regulatory requirements based on flow and BOD.

No Connections to Force Main: No connections will be allowed to the force main between the Auburn and County pump stations and Sierra College Blvd. Any connections to the gravity main outside Lincoln and west of Sierra College Blvd. will require the written approval of Lincoln and County.

Reclaimed Water: Lincoln, Auburn, and County are each responsible for the costs of disposal of their share of reclaimed water. The initial Operating Charge includes the net cost of disposal after any revenues. After the initial five years of operation, each participant will share in the cost and revenues associated with reclaimed water disposal proportionally to the amount of reclaimed water each agency needs to dispose. Lincoln will assume all costs for use of its share of reclaimed water for reuse in Lincoln (reduces Lincoln's amount for disposal).

**CIOA Deal Points Outline
Mid-Western Placer Regional Sewer Projects**

1. PROJECT CONSTRUCTION

- 1.1 Construction & Construction Management.** The CIOA will establish the roles and responsibilities of each jurisdiction related to the construction and construction management of the project.
- 1.2 Project Schedule.** Lincoln will complete construction and startup of the pipeline, pump station, and wastewater treatment prior to the County's final regulatory compliance deadline of September 2015. Lincoln will be responsible for payment of any regulatory fines resulting from failure to complete the project by this deadline.
- 1.3 Construction Change Orders.** The CIOA will define the roles and responsibilities as well as the approval process for any potential change orders that arise during construction of the project.
- 1.4 Delays.** The CIOA will include provisions to evaluate the schedule and cost impacts of any project delays.

2. PAYMENT

- 2.1 Project Cost.** The total project cost will be \$73,200,000 including the \$6,067,000 cost of the DERA. Additional County costs may be incurred as a result of County requested changes in the project and/or any delays/inefficiencies caused by the County. The County will be responsible for any construction cost overruns that exceed the oversizing payment. Lincoln will provide the County prior notice before proceeding with any work that will increase the County's cost.
- 2.2 Construction Cost Inflation.** The construction cost included in the Lincoln Offer will be adjusted to account for inflation at the mid-point of construction. The Lincoln Offer includes a 2% construction cost inflation allowance that will be credited against the actual inflationary adjustment.
- 2.3 Project Contingency.** The oversizing payment (\$7,070,338 for a SMD 1 stand-alone project) will be available for use as a project contingency. The CIOA will define project changes that are eligible for payment through the contingency and changes that are not. The remainder of the oversizing payment will serve as compensation to Lincoln for oversizing in the Lincoln collection system and treatment plant.
- 2.4 Fiscal Disbursement Agreement.** The County will establish a fiscal disbursement agreement to make payments for work completed under the CIOA.
- 2.5 Other Lincoln Obligations.** The CIOA will include provisions to protect the County from any Lincoln obligations to development projects that may be triggered as a result of construction of the Regional Project.

3. OPERATIONS

- 3.1 **Initial Operations (First 5 Years).** Lincoln will own, operate and maintain the improvements from the point of connection in the SMD 1 collection system.
- 3.2 **M&O Fees.** The CIOA will establish maintenance and operations (M&O) fees for the Regional Project. M&O fees will contain provisions to fund future repair and rehabilitation(R&R) of the facilities constructed as part of the Regional Project as well as the existing facilities at the Lincoln treatment plant and trunk lines in the Lincoln collection system used by the Regional Project. The treatment plant component of the M&O fee will be the same for all users of the treatment plant.
- 3.3 **Repair & Rehabilitation.** The parties agree to complete an analysis of R&R projects along with estimates for the timing and cost of the projects. The analysis will include an evaluation of the R&R needs from the first 8 years (2004-2012) of operations at the Lincoln treatment plant. The CIOA will include provisions to ensure that adequate funding is available from each party when needed to fund R&R work.
- 3.4 **Connection Fees.** The CIOA will establish connection fees for the Regional Project. In addition, the CIOA will include provisions for a study to optimize the timing and sizing of future expansions and determine appropriate connection fees. The treatment plant component of the connection fee will be the same for all users of the treatment plant.
- 3.5 **Additional Capacity.** SMD 1 will have an option to purchase up to an additional 0.4 MGD of treatment capacity once the Regional Project is constructed at the then current Lincoln connection fee.
- 3.6 **Bickford Pipeline Reimbursements.** The CIOA will include provisions for reimbursements from future connections to the Bickford section of pipeline.
- 3.7 **Ongoing Operations (Beyond First 5 Years).** The CIOA will include provisions for the parties to work together to develop a strategy for operations beyond the first 5 years.

4. GOVERNANCE

- 4.1 **Governance.** The CIOA will include provisions for governance during the first 5 years operations as well as develop a framework and options for long term governance.

