

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

To: **BOARD OF SUPERVISORS**

Date: **JANUARY 8, 2008**

From: **JAMES DURFEE / WILL DICKINSON**

Subject: **SEWER MAINTENANCE DISTRICT NO. 3 - NOTIFICATION REGARDING REGIONALIZATION**

ACTION REQUESTED / RECOMMENDATION: Authorize the Chairman to sign the attached letter to the Central Valley Regional Water Quality Control Board (RWQCB) indicating that the County intends to pursue regionalization of the Sewer Maintenance District 3 Wastewater Treatment Plant (Plant 3).

BACKGROUND: Sewer Maintenance District 3 provides sewer service to approximately 528 connections (615 EDUs) in the Horseshoe Bar area. Plant 3, constructed in 1961, uses biological and filtration processes that cannot meet current regulatory standards as defined in a new permit for Plant 3 approved by the RWQCB in June 2007. Through the terms of this permit and an accompanying Cease and Desist Order, the County must meet specific deadlines for coming into compliance with each new standard. Failure to achieve compliance with the new discharge standards will result in additional enforcement action from the RWQCB, including the assessment of penalties that could total several hundreds of thousands of dollars per year.

Two alternatives exist for bringing Plant 3 into compliance with its permit requirements:

1. Upgrade Plant 3 by constructing modern treatment processes.
2. Regionalize the system by abandoning Plant 3 and constructing a pipeline and pump station to convey flows through Sewer Maintenance District 2 to the City of Roseville's wastewater treatment plant.

In 2005 your Board approved hiring RMC, an engineering consulting firm, to conduct a preliminary study of the feasibility of both alternatives. Based on this study, staff has considered the following factors in order to provide a recommendation regarding regionalization:

Net Present Cost: The RMC study showed that regionalization will result in a higher initial capital cost to serve the predicted General Plan build out population, but it will have lower operation and maintenance costs. When viewed over a forty year time frame, this results in a marginally lower net present cost for the regionalization option.

Capital Cost To Current Customers: Due to economies of scale, if we were to upgrade Plant 3 it would make sense to size the new facility for future buildout as predicted in the General Plan (894 additional Equivalent Dwelling Units). This is not the case for the regionalization alternative, however, because the capital cost of regionalizing includes upsizing existing pipes located within Sewer Maintenance District 2 and payment of connection fees to the City of Roseville. These costs are both dependent on the number of customers, so serving current customers will require significantly less capital than serving buildout populations. As shown in Exhibit A, net capital costs for regionalization to serve existing customers is projected at \$10.1 million while the capital cost of upgrading the treatment plant is \$14.6 million.

Capital Cost To Future Customers: For the upgrade alternative, there is no change anticipated in capital costs up to the General Plan limits unless prompted by new regulations. For the regionalization option, an additional \$8.3 million would be needed to accommodate 894 new EDUs. If this cost is placed entirely on new customers through higher connection fees, it would not burden current customers; however, it could create a hardship for new customers and discourage growth of the service area.

Operating Costs: As shown in Exhibit A, annual operating costs for the regionalization option are almost 50% less than the treatment plant option.

Cost of Compliance With Future Regulations: If state and federal regulators continue to expect higher treatment standards for wastewater, it is very likely that additional capital investments will be required to meet the new standards. This could be extremely expensive for a small facility serving only 600 to 1,500 EDUs. The regionalization alternative provides better insulation against future regulations because it is less expensive on a per customer basis to upgrade a large regional facility.

The June 2007 permit for Plant 3 requires the County to provide the RWQCB with a decision regarding regionalization by January 31, 2008. Although the County cannot make a final decision until environmental review of the alternatives is complete, regionalization appears to be the preferred alternative at this time. Staff recommends that we notify the RWQCB that: a) our intent is to proceed with design of a project to convey flows to the Roseville treatment plant, and b) your Board will make a final decision regarding the project upon completion of the environmental review process.

If new information becomes available during design and environmental review that significantly changes the results of the preliminary feasibility studies, staff will return to your Board with a revised recommendation.

ENVIRONMENTAL CLEARANCE: Providing the RWQCB with a letter stating that the County intends to focus our efforts on pursuing regionalization is not considered a project under the California Environmental Quality Act. Environmental review of the project will be performed concurrently with the design.

FISCAL IMPACT: There is no direct fiscal impact associated with informing the RWQCB of the County's intent to pursue regionalization of SMD 3. The fiscal impact of the project will be evaluated in detail at the time plans and specifications are presented to your Board for approval. It is clear that either alternative will result in costs far exceeding current budgetary requirements for SMD 3. In the absence of new funding sources, monthly fees charged to customers in SMD 3 will likely need to double under either alternative. Per your Board's direction, staff will begin convening meetings with the new Sewer Infrastructure Financing Committee this month. We hope to find favorable solutions to these and other funding issues through this process.

Attachment: Letter
Exhibit A

JD:WD

County of Placer Board of Supervisors

175 FULWEILER AVENUE
AUBURN, CALIFORNIA 95603
530-889-4010 • FAX: 530-889-4009
PLACER CO. TOLL FREE # 800-488-4308

F.C. "ROCKY" ROCKHOLM
District 1

ROBERT M. WEYGANDT
District 2

JIM HOLMES
District 3

KIRK UHLER
District 4

BRUCE KRANZ
District 5



January 8, 2008

Central Valley Regional Water Quality Control Board
NPDES Compliance Unit
Attn: Spencer Joplin
11020 Sun Center Drive, Suite No. 200
Rancho Cordova, CA 95670-6114

**RE: NOTIFICATION REGARDING REGIONALIZATION OF PLACER COUNTY
SEWER MAINTENANCE DISTRICT 3 WASTEWATER TREATMENT PLANT -
WASTE DISCHARGE REQUIREMENTS ORDER NO. R5-2007-0070; NPDES
NO. CA0079367**

Dear Mr. Joplin:

Placer County (County) is submitting this notification in compliance with Provision C.1.a of the referenced Waste Discharge Requirements (WDRs) for Placer County Sewer Maintenance District 3 Wastewater Treatment Plant (Plant 3). Provision C.1.a requires the County to submit a final decision regarding regionalization of Plant 3 to the Central Valley Regional Water Quality Control Board (RWQCB) by January 31, 2008.

On January 8, 2008, the Placer County Board of Supervisors authorized the Chairman to sign this letter providing the RWQCB with written notification of the County's intent to proceed with design of a project to regionalize Plant 3 and convey flows to the City of Roseville treatment plant. The County cannot make a final decision on the project until environmental review of the alternatives is complete. Upon completion of the environmental review process, the Board of Supervisors will make a final decision regarding the project.

If you have any questions or concerns regarding this notification, please contact Will Dickinson, Deputy Director of Facility Services at (530) 886-4980.

Sincerely,

Chairman
Board of Supervisors

222

EXHIBIT A

SMD 3 ALTERNATIVE COMPARISON

			Regional	Upgrade
Capital Costs to Serve Current Customers (to year 2012)	+	\$	10,799,000	\$ 14,592,000
Connection Fees to Roseville	+	\$	2,845,000	\$ -
Potential Grant Funds Available	-	\$	3,500,000	\$ -
Net Capital Cost to Current Customers	=	\$	10,144,000	\$ 14,592,000
Additional Capital Costs to Serve Future Customers (+894 EDUs)	+	\$	8,305,000	
Future Roseville Connection Fees	+	\$	4,739,000	\$ -
Net Capital Cost to Future Customers	=	\$	13,044,000	\$ -
total Capital Cost		\$	23,188,000	\$ 14,592,000
Annual Operating Costs, Year 1 (EDUs: 678)		\$	142,000	\$ 285,000

Notes:

- 1) Roseville connection fee assumed to remain at \$ 5,300/EDU.
- 2) Grant funds have been authorized but only partially appropriated.
- 3) All costs expressed in current dollars.