

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

To: **BOARD OF SUPERVISORS**

Date: **APRIL 27, 2010**

From:  **JAMES DURFEE / WILL DICKINSON**

Subject: **SEWER SERVICE REGULATORY COMPLIANCE AND FUNDING UPDATE**

ACTION REQUESTED / RECOMMENDATION: No action requested. This is an informational workshop only.

BACKGROUND: In the last three years your Board has taken several actions to initiate new capital projects that will improve sewer service delivery and meet new regulatory standards imposed by Federal and State agencies. You have also proactively addressed funding needs by authorizing grant applications, providing funds from the County General Fund in some cases, and approving sewer fee increases when necessary. The purpose of this workshop is to report on progress achieved and to discuss remaining funding challenges.

Exhibit A contains a list of the major capital projects either recently completed by County sewer districts, currently under construction or planned for the near future. Although there is much more work ahead of us, considerable progress has been achieved.

As shown in Exhibit A, funding for some projects has not yet been completely secured. To summarize, the currently anticipated funding shortfall for major capital projects is as follows:

Project	Total Project Cost	Shortfall FY 2010-11	Shortfall FY 2011-12	Shortfall FY 2012-13
SMD 3 Regional Sewer	\$ 18,300,000			\$12,200,000
Applegate Regional	\$ 7,300,000	\$ 4,600,000		
Sheridan Water	\$ 1,500,000		\$ 925,000	
Sheridan Spray Field	\$2,500,000	\$ 160,000		

In addition, three of the nine sewer operating budgets cannot become self-supporting until major capital projects in their districts are complete. Their anticipated funding needs for this Fiscal year and over the next three years are as follows:

District	Shortfall FY 2009-10	Shortfall FY 2010-11	Shortfall FY 2011-12	Shortfall FY 2012-13
Sheridan	\$ 100,000	\$ 145,000		
Applegate	\$ 120,000	\$ 140,000	\$ 60,000	
SMD 3		\$ 90,000	\$ 300,000	\$ 100,000

It is anticipated that Sewer Maintenance District 3 will become self supporting after completion of the SMD 3 Regional Sewer Project, provided the District is not required to repay any debt associated with capital projects. Staff anticipates seeking Board approval to merge the Applegate Sewer CSA into Sewer Maintenance District 1 upon completion of the Applegate Regional Sewer Project. The Sheridan Sewer and Water CSA budget will improve over the next two years with the further implementation of a three year fee increase approved by your Board last May. The Sheridan CSA should become completely self-sufficient shortly after the sewer and water moratorium is lifted upon completion of the Sheridan Water System Project.

Completing the identified major capital projects and providing short term operating fund support for these three districts is essential for achieving compliance and financial self-sufficiency. Given the need to protect General Fund reserves, staff has investigated funding options and identified a possible solution that would not impact current General Fund revenue sources. Briefly stated, the concept is to take out short term loans from the Solid Waste Management (SWMEF) Enterprise Fund and repay them with General Fund or other revenues anticipated in the future.

The SWMEF currently holds reserves of \$17,000,000, which were generated over a period of several years to protect the County against potential liabilities associated with three old landfills that were officially closed during the 1990s. Because there are no potential liabilities evident on the immediate horizon, it seems reasonable to consider using a portion of these funds as a source of short term financing. Staff has checked with County Counsel to confirm that it is legal to initiate such a loan, provided the principal is fully repaid and interest equal to that which the fund would have earned in the Placer County Treasurer's Pool is paid on an annual basis. The County General Fund would be required to guarantee repayment of the loan.

Staff would appreciate any feedback your Board wishes to provide on this funding concept. Because of the immediate need to fund the Fiscal Year 09-10 Sheridan and Applegate operating budgets, staff would like to prepare the necessary documents for Board approval of an initial loan in June if possible.

Attachments: Exhibit A – Major Capital Projects

JD/WD

T:\FAC\BSMEMO2010\EE\sewer issues bos wkshp 4-10.doc

EXHIBIT A

**MAJOR CAPITAL PROJECTS
FOR SEWER DISTRICTS**

Project	Purpose	Budget	Progress	Completion
SMD 1 Upgrade	Design and build new treatment plant in Auburn	\$87 million. Loans and fee increases needed to complete.	Preliminary design complete. Design and environmental contracts ready to approve.	December 2014
SMD 1 Regional Sewer	Design and build pipeline from Auburn to Lincoln treatment plant (as alternative to Upgrade)	\$141 million. Partially grant funded. Additional funding needed.	Preliminary cost estimating complete. Engineering work needed to produce more accurate cost estimate identified.	No date established.
Auburn Ravine Basin Siphon Relief Project	Design and build a new liftstation, reduce I&I and peak flow	\$2.8 million. 71% grant funded.	Project nearly complete and lift station operational. Only punchlist items remain.	April 2010
SMD 3 Denitrification	Design and build a new treatment process to remove nitrates	\$1.5 million.	Project under construction.	January 2011
SMD 3 Regionalization	Design and build pipeline from Auburn Folsom plant to SMD 2 trunk sewer for conveyance to Roseville	\$18 million. Partially grant funded. Additional funding needed.	Conceptual design done. Design and environmental contracts due for Board approval in June 2010.	2015
Sheridan Sprayfields	Eliminate discharge to surface water, increase capacity of wastewater treatment system and improve operations.	\$2.5 million. 81% grant funded.	Project under construction.	November 2010
Sheridan Water	Meet new state standards for water capacity and lift moratorium on new connections.	\$725,000 to \$1,500,000. Partial grant funding expected.	Contract for design to Board on 4/27/10.	June 2012

Project	Purpose	Budget	Progress	Completion
Applegate Regional Sewer	Close existing pond treatment system by building a pipeline from Applegate to SMD 1 for treatment in North Auburn	\$7.3 million. 28% grant funded.	Project in design and environmental review stage. Plan to bid construction work in May 2011.	July 2012
Trenchless Pipe Lining	Repair pipes to reduce infiltration of water into sewer lines	\$510,000	13,544 feet of pipe lined to date.	Ongoing
Manhole Coating	Coat manholes to reduce infiltration of water into sewer lines	\$147,000	69 manholes coated to date. 101 scheduled for completion this summer.	Ongoing
Sewer line video inspection	Identify pipes needing repair and prepare work orders	\$200,000	175,535 feet completed to date. Another 90,000 feet scheduled for completion in May.	Ongoing
Richardson trunk line	Upsize and realign a section of trunk sewer in Auburn	\$108,000	Complete	
Lift station upgrades	Upgrade and rehabilitate several existing lift stations	\$757,000	Work underway on Wexford LS. Several others scheduled over the next 3 years.	Ongoing
Dry Creek Isolation Valves	Install 2 new valves in 16" force main	\$75,000	One valve installed last October. One more scheduled for this summer.	July 2010