

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

To: **BOARD OF SUPERVISORS**

Date: **JUNE 22, 2010**

From:  **JAMES DURFEE / WILL DICKINSON**

Subject: **SOLID WASTE MANAGEMENT ENTERPRISE FUND LOANS TO SEWER AND WATER FUNDS**

ACTION REQUESTED / RECOMMENDATION: Staff recommends that your Board:

1. Adopt the attached Resolution to authorize the Auditor's Office to make loans from the Solid Waste Management Enterprise Fund (SWMEF) up to the maximum amounts as follows:
 - a. County Service Area 28, Zone 6, Sheridan Sewer and Water – \$245,000.
 - b. County Service Area 28, Zone 23, Applegate Sewer -- \$260,000.
 - c. Sewer Maintenance District 3 (SMD 3) - \$90,000.
 - d. Sheridan Sprayfield Capital Project - \$160,000.
 - e. Sheridan Water Capital Project - \$925,000.
2. Require Repayment of the Principal within Ten (10) years of loan authorization.
3. Require Annual Payment of Interest to the SWMEF in an amount equal to what would have been earned had the funds remained in the Placer County Treasury Account.
4. Approve the attached Budget Revision to the Fiscal Year 2009/10 Final Budget appropriating portions of the above-referenced loan amounts to accounts within the Sheridan Sewer and Water and Applegate Sewer operating budgets in the following amounts: a) County Service Area 28, Zone 6, Sheridan Sewer and Water, \$100,000 for Fiscal Year 2009/10; b) County Service Area 28, Zone 23, Applegate Sewer - \$120,000 for Fiscal Year 2009/10.

BACKGROUND: On April 27, 2010, your Board conducted a workshop regarding sewer service regulatory compliance and funding. At that time your Board was informed that three of the nine sewer operating budgets could not become self-supporting until major capital projects in their districts were completed. Additionally, funding for some capital projects has not yet been completely secured. The anticipated funding needs for the balance of FY 2009/2010 and the next two fiscal years are as follows:

| District | Shortfall FY 2009-10 | Shortfall FY 2010-11 | Shortfall FY 2011-12 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Sheridan Operating Fund | \$ 100,000 | \$ 145,000 | |
| Applegate Operating Fund | \$ 120,000 | \$ 140,000 | |
| SMD 3 Operating Fund | - | \$ 90,000 | |
| Sheridan Sprayfield Capital Project | | \$160,000 | |
| Sheridan Water Capital Project | | | \$ 925,000 |
| Applegate Regional Sewer (A loan for these funds is not requested at this time) | | \$4,600,000 | |

The attached budget revision makes necessary adjustments to account for loan proceeds in the FY 2010/11 budgets for CSA 28, Zone 6 (Sheridan Sewer and Water) and CSA 28, Zone 23 (Applegate Sewer). Staff anticipates asking your Board to make appropriations from loan proceeds for future fiscal years as described in the above table. Although the Applegate Regional Sewer Project will require significant additional funding in FY 2010/11 to construct the project, that cost is not included in the current proposal. In order to insure that borrowing is established in the correct amount for that project, Staff plans to return to your Board with a loan request upon completion of a final design. Any other sewer financing needs would be the subject of future Board workshops.

The SWMEF currently holds reserves of \$17,000,000 which have accumulated over a period of years in order to have a readily available source of funding in the event the County were to be required to remediate any condition associated with the landfill and to draw against for unknown potential liabilities associated with three former County landfills that were officially closed during the 1990s. While the Department believes it is necessary to preserve these funds over the long term in order to protect against potential future liabilities, the Department has not identified any need and has no projects currently programmed which will require the immediate use of these funds. The Department therefore believes that use of a portion of these funds as a source of short term financing is a viable financing opportunity for the sewer and water districts identified above.

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

FISCAL IMPACT: At the present time, it is not anticipated that the three sewer districts will generate sufficient revenues during the proposed loan term to repay the annual interest. Therefore, repayment likely will need to be obtained from one or more other revenue sources, such as the County General Fund and/or other local, state or federal sources. In the short term, repayment will be limited to the interest the SWMEF would have earned had it remained in the Placer County Treasury Account. At an average interest rate of 2.0%, the estimated interest expense would be \$33,600 annually. The first interest-only payment from the General Fund or other sources would be due one year from loan authorization, and each year thereafter. The total potential principal to be repaid is \$1,680,000, which would be due within ten years from the date of today's action.

ATTACHMENT: RESOLUTION
BUDGET REVISION

JD:WD:KK:LM

CC: COUNTY EXECUTIVE OFFICE

T:\FBSMEMO2010\EE\SWMF LOANS TO SEWER.DOC

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

In the matter of: A RESOLUTION AUTHORIZING
LOANS FROM THE PLACER COUNTY SOLID WASTE
MANAGEMENT ENTERPRISE FUND TO SEWER
ENTERPRISE FUNDS (APPLEGATE, SHERIDAN,
AND SMD 3), THE SHERIDAN SPRAYFIELDS
CAPITALPROJECT, AND THE SHERIDAN WATER
CAPITAL PROJECT

Resol. _____

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.

Chairman, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, the Sheridan, Applegate and SMD 3 sewer enterprise funds are
experiencing a shortfall of funds necessary for maintenance and operation of the sewer
systems, and

WHEREAS, the funding for the Sheridan Sprayfield Capital Project and the Sheridan
Water Capital Project have not yet been completely secured, and

WHEREAS, the Solid Waste Management Enterprise Fund (SWMEF) has reserves of
approximately \$17,000,000, and

WHEREAS, pursuant to Government Code Section 25252, the Board of Supervisors may, by
resolution, authorize the Auditor to transfer money from one fund to another as the public
interest requires.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors, County of Placer, State
of California, that the Placer County Auditor is authorized to loan from the Solid Waste
Management Enterprise Fund as follows:

1. County Service Area 28, Zone 6, Sheridan Sewer and Water – \$245,000.
2. County Service Area 28, Zone 23, Applegate Sewer - \$260,000.
3. Sewer Maintenance District 3 (SMD 3) - \$90,000.

Resol. _____

- 4. Sheridan Sprayfield Capital Project - \$160,000.
- 5. Sheridan Water Capital Project - \$925,000.

NOW BE IT FURTHER RESOLVED that the Board hereby approves the attached Budget Revision to the Fiscal Year 2009/10 Final Budget appropriating the loan proceeds to accounts within the Sheridan and Applegate operating budgets in the following amounts: a) County Service Area 28, Zone 6, Sheridan Sewer and Water, \$100,000 for Fiscal Year 2009/10; b) County Service Area 28, Zone 23, Applegate Sewer - \$120,000 for Fiscal Year 2009/10;

NOW BE IT FURTHER RESOLVED, that said loans from the SWMEF shall be under the following terms and conditions:

- 1. Repayment of the Principal shall take place within Ten (10) years of the date of this Resolution ;
- 2. Annual Payment of Interest shall be made to the SWMEF in an amount equal to what would have been earned had the funds remained in the Placer County Treasury Account.
- 3. The Placer County Director of Facility Services is hereby authorized to make loan draw requests to the Placer County Auditor up to the maximum amounts authorized in this Resolution, and to execute all documents and take such other actions as may be necessary or appropriate to carry out the purposes and intent of this Resolution.

PAS DOCUMENT NO.

Fund 220/450 OCA=045010 PCA=90450

BUDGET REVISION

POST DATE:

| DEPT NO. | DOC TYPE | Total \$ Amount | TOTAL LINES |
|----------|----------|-----------------|-------------|
| BR | | 220,000.00 | 2 |

Cash Transfer Required

AUDITOR-CONTROLLED

Reserve Cancellation Required

2010 MAY 21 PM 2:13

Establish Reserve Required

[Signature]
Auditor-Controller
 County Executive
 Board of Supervisors

| ESTIMATED REVENUE ADJUSTMENT | | | | | | | | | | APPROPRIATION ADJUSTMENT | | | | | | | | | | | | |
|------------------------------|-----|-----|------|----------|-----|-----|-------|-------|-----------|--------------------------|----------|-----|-----|------|----------|--------|-------|-------|-------|-----------|--------|------------|
| DEPT NO. | T/C | Rev | Fund | Sub Fund | OCA | PCA | OBJ 3 | PROJ. | PROJ. DTL | AMOUNT | DEPT NO. | T/C | Rev | Fund | Sub Fund | OCA | PCA | OBJ 3 | PROJ. | PROJ. DTL | AMOUNT | |
| | | | | | | | | | | | 12 | 014 | | 502 | 6 | 996806 | 96806 | 2970 | | | | 100,000.00 |
| | | | | | | | | | | | 12 | 014 | | 502 | 24 | 996824 | 96824 | 2970 | | | | 120,000.00 |
| TOTAL | | | | | | | | | | TOTAL | | | | | | | | | | | | |
| | | | | | | | | | | 0.00 | | | | | | | | | | | | |
| | | | | | | | | | | 220,000.00 | | | | | | | | | | | | |

REASON FOR REVISION: TO CANCEL RESERVES IN THE SOLID WASTE FUND 220 SUBFUND 450 AND INCREASE APPROPRIATIONS IN CSA 28 Z6 SHERIDAN SEWER AND CSA 28 Z24 APPLGATE SEWER FOR FY09/10.

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

Date: 5/21/10
Page: _____

Budget Revision # _____ FOR INDIVIDUAL DEPT USE

85

