



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works/Laguna
Department No.: 054/2870
For Agenda Of: 10/11/2011
Placement: Departmental
Estimated Tme: 30 min
Continued Item: No
If Yes, date from:
Vote Required: No Vote Required

TO: Board of Directors, Laguna County Sanitation District

FROM: Department Scott D. McGolpin, P.E., 3010
Director(s) Public Works Director

Contact Info: Mark A. Schleich, P.E., x3610
Deputy Public Works Director

SUBJECT: Laguna County Sanitation District Wastewater Reclamation Plant Facilities and Financial Master Plan, Fourth Supervisorial District

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Directors receive and file the attached *Laguna County Sanitation District Wastewater Reclamation Plant Facilities and Financial Master Plan*.

Summary Text:

Facilities at the Laguna County Sanitation District (District) wastewater reclamation plant were built in 1959 with upgrades in 1974, 1986, and 2001. Various components and processes from each time period are in operation, each with its own useful life. In order to address the needs specific to the plant, the attached *Wastewater Reclamation Plant Facilities and Financial Master Plan* was prepared in July 2010. The plan recommends improvements and upgrades necessary to accommodate the replacement of old systems, comply with regulatory requirements, and anticipates capacity related upgrades. Costs associated with these improvements and their impact to rates and fees are also studied.

Background:

Infrastructure capital assets are managed financially by anticipating their function and usefulness over time. This entails incorporating the costs for replacing or upgrading facilities in the revenue structure. The County Enterprise Fund Reserve Policy adopted by the Board in June of 2007 is intended to minimize future debt service and provide for capital replacement, expansion requirements, working capital, and contingency by providing adequate reserve levels. The *Wastewater Reclamation Plant*

Facilities and Financial Master Plan describes the treatment plant assets that are meeting their useful lives as well as infrastructure improvements needed to address regulatory criteria and capacity increases.

In particular, the master plan assessed: service growth, future flows and loads, the condition and capacity of existing processes, treatment and disposal options, and plant improvements. In addition to certain short term improvements, the plan described addressing these needs in two phases. Phase 1 entails replacing older facilities that have met their useful lives. Phase 2 addresses capacity improvements needed to accommodate growth. The Phase 1 improvements are associated with facilities used by existing customers, while Phase 2 improvements are needed to accommodate future customers requiring service beyond current capacities. Estimated costs for these improvements and their impact to rates and fees were also studied.

The Phase 1 improvements consist of replacing the original biological treatment components and addresses discharge alternatives. The effluent was originally used for sugar beet irrigation and discharged to Solomon Canyon Creek when there was no water demand. Eventually regulatory criteria became more stringent and creek discharge became prohibited. Current practice is to discharge all effluent by irrigation with winter storage. The upgrade will replace these components with new biological treatment processes that will meet current requirements to resume seasonal creek discharge. Seasonal discharge helps to avoid additional and significant costs to further expand on distribution systems and storage facilities. Current plant capacity is 3.7 mgd but current discharge capacity is 2.1 mgd. Therefore, these improvements should be implemented over the next 5 years to coincide with flow increases associated with the expiration of the sewer swap agreement with the City of Santa Maria and anticipated growth. The Phase 1 improvements are estimated to cost \$35 million. It is anticipated that financing would be in fiscal year 2014–2015 with implementation by fiscal year 2016-2017.

The Phase 2 improvements address expansions of the treatment facilities to accommodate growth for flows exceeding existing plant capacity of 3.7 mgd. Projections indicate that at full build out, treatment capacity needs to be between 4.5 and 5.0 mgd. Therefore, these improvements essentially enlarge previously constructed facilities. The Phase 2 improvements are estimated to cost \$23 million. It is unknown as to when these improvements need to be implemented since they are driven by the development market. It can be assumed that financing an implementation may be likely in 10 to 15 years.

The financial aspect of the plan addresses how these improvements affect rate charges and fees. Because the Phase 1 improvements are associated with existing facilities, the cost for their replacement will be included in the service charge. Rate increases to build up reserve and accommodate debt service is suggested over the next several year as shown in the table below:

FY	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
SFR SC/Mo	\$49.10	\$54.50	\$60.50	\$67.76	\$75.89	\$81.96	\$86.87	\$92.09	\$94.85	97.70
Change	7%	11%	11%	12%	12%	8%	6%	6%	3%	3%

The connection fee is intended for new development to pay for its fair share of the use of existing facilities as well as new facilities designed to increase capacity. The plan prorates the cost for each improvements based on the benefit received by existing customers and new development. The revised connection fee updates the current fee from \$4,979 to \$5,996 per residential unit equivalent (RUE). By ordinance, the fee will be adjusted annually by the Los Angeles Construction Cost Index.

Performance Measure:

This action is intended to provide for appropriate capital asset management.

Fiscal and Facilities Impacts:

Budgeted: Yes

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
Sewer Charges		\$7,407,500	
Connection Fees		Variable	
Capital Reserves			\$10,000,000
Debt Financing			\$25,000,000
Total	\$0	\$7,407,500	\$35,000,000

Fiscal Analysis:

Narrative: The contribution to the capital reserve fund from connection fees is highly variable from year to year. The annual revenue from service charges is adjusted annually and includes components for depreciation and capital reserves. One time project costs will be expended in the fiscal year(s) in which improvements are implemented. Rate increases are anticipated to accommodate future debt service.

Staffing Impacts:

Special Instructions:

Direct the Clerk of Board to forward a copy of the certified minute order of this action to:

- Laguna County Sanitation District office, attention: Martin Wilder
- Resource Recovery & Waste Management Div, attention: Shannon Barcelona

Attachments:

Wastewater Reclamation Plant Facilities and Financial master Plan

Authored by:

Martin Wilder, P.E., Manager, x8750

Copy:

Mark Paul, Deputy Public Works Director of Finance & Administration
 Colleen Hankins, Division Accountant