

City of Placerville
MEMORANDUM

DATE: November 15, 2005

TO: City Council

FROM: Randy Pesses, Public Works Director

SUBJECT: **SANITARY SEWER SYSTEM CAPACITY STUDY PRE-FUNDING
AGREEMENT**

RECOMMENDATION

That the City Council adopts a resolution authorizing the City Manager to enter into a Pre-Funding Agreement with Edward Mackay, dba Gateway Hotel and Gas for the purpose of providing the necessary funding to finance the City's Sanitary Sewer System Capacity study.

DISCUSSION

The existing sanitary sewer system within the City of Placerville has been developed through time as the City as grown, and, as a result, there is no comprehensive system capacity analysis that addresses the design capacity of the various trunk sewer lines, the level of capacity that has been consumed by existing development, and the amount of capacity that remains to accommodate the future build out of the City.

As the City approaches build out and new development projects are submitted for review and approved, it has become critical that staff have this sewer line capacity information to effectively evaluate the potential impacts of proposed projects.

In a number of instances, there are concerns that the existing sewer line capacity in certain areas may not be sufficient to accommodate pending and anticipated future development projects. As a consequence, action on these pending projects may be delayed until this analysis can be completed.

Within the sewer rate study, it was contemplated that a comprehensive sewer line capacity analysis would be performed; however, it could take a year or longer to collect the necessary funds and perform the study. Several development projects are interested in moving forward sooner than this, and City staff has been engaged in discussions with those developers, providing them the option of hiring their own consultant and commissioning a study that would be subject to the review and approval of the City, or

the City could retain a consultant, using funds advanced by developers, to conduct the study. The City would establish the scope of work and administer the consultant contract, and any funds advanced by a developer would be eligible for credits or reimbursements. The consensus of the development community was that the City engage the consultant to perform this work, and that the developers would provide the funding subject to some form of reimbursement agreement.

Consistent with that approach, the City has retained Holmes International to perform this work, with the City to issue a Notice to Proceed upon receipt of advance funding. Edward Mackey, the developer of the Gateway Hotel project, and other projects throughout the city has agreed to provide all of the necessary funding required for the study, subject to the attached Pre-funding Agreement. Under the terms of the agreement, the Gateway Hotel project will be assured of the right to connect to the City sewer system subject to the following limitations:

1. Should the City be subjected to some form of cease-and-desist order issued by the State of California that would prevent additional connections to the City's sewer system, presuming that the hotel had not already hooked into the sewer system, the cease-and-desist order would apply to the Gateway Hotel project as well.
2. If the study identifies sections of the City's sewer collection system that are significantly over capacity solely with the addition of the Gateway Hotel project, then it will become the responsibility of the project to construct any necessary upgrades to accommodate the additional demand associated with the hotel.

The Pre-funding Agreement stipulates that this advance funding will become a credit against any sewer connection fees that are the responsibility of the Gateway Hotel project. In the event that the amount of this funding advance exceeds the sewer connection fee obligation, or if, for some reason, the hotel project does not move forward, then the developer may apply this advance towards sewer connection fee obligations on the other development projects or may receive a reimbursement through sewer connection fees received by the City from other projects, in accordance with a specified reimbursement schedule.

Because a number of development projects are affected by this analysis, staff would propose that, notwithstanding the fact that this Pre-funding Agreement would provide 100% of the funds necessary to complete the study, that those projects that wish to move forward through the development entitlements process in advance of the completion of the study should contribute a proportionate share of the study's cost. Under this circumstance, the participation of the development project would be noted as part of the staff report concerning the project, and conditions of approval would be imposed that obligate the subject development project to complete any sewer collection system improvements that are identified as a result of the study to be necessary to provide sewer service to the proposed development project. The proportionate shares that are collected

from other development projects would be subject to similar pre-funding agreements, and the money collected would be used to immediately reimburse Edward Mackey for a portion of the funding advance he provided.

The above outlined proposed methodology would assure that this funding advance obligation is not borne by one project, but is shared by a number of pending projects that will benefit from the results of the study, and it will provide the ability for the City to continue to process development applications during the period that the study is underway.

FISCAL IMPACT

The City's Sanitary Sewer Collection System Capacity Analysis is a component of the Sewer System Master Plan identified under the City's Capital Improvement Program (CIP # 40324). Funding for this project was anticipated to come from the Sewer Enterprise Fund through capital connection fee receipts, and/or revenues from sewer rate charges. By developers voluntarily advancing the funding necessary to complete the study with future credits or reimbursements from the sewer enterprise fund, it effectively allows the completion of this work earlier in time than would otherwise be possible, without placing an added burden upon the City's Sewer Enterprise Fund. The advanced funds will be accounted for in a separate trust account until such time that the advance is fully expended and/or refunded to the developer.

Submitted by:

Reviewed for fiscal impact:

Randy Pesses
Public Works Director

Dave Warren
Finance Director

Approved for Council:

John Driscoll
City Manager