



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

February 23, 2021

SUBJECT: Report of Regional Wastewater Infrastructure Efforts, Related Budget Amendment and Direction to Staff on Next Steps

PREPARED BY: Jim Goodwin – City Manager
Dane Schilling, City Engineer

Recommendation

Staff recommends the City Council adopt Resolution No. 08-21:

1. Directing staff to amend the City of Wheatland's FY 20/21 Budget to allocate \$50,000 from the Sewer Collection Impact Fund (Fund #121) to the regional wastewater infrastructure efforts for the purposes of engaging an attorney specializing in regional agreements and completing other technical work required that is not covered by other external funding sources.
2. Direct staff to negotiate a reimbursement agreement with OPUD for up to \$800,000 of additional design and environmental costs expected to be borne by OPUD for Wheatland's benefit that adds a force main dedicated for the City's use from Rancho Road to Ostrom Road and increases the City's flow capacity to OPUD from 0.75-MGD to 1.5-MGD to OPUD's regional sewer project, and subsequently bring the agreement to the City Council for approval.
3. Direct staff to seek rate stabilization assistance from potential funding sources/agencies to offset any potential rate impacts to existing wastewater customers that may result from the City connecting to a regional wastewater treatment provider.
4. Direct staff to negotiate connection and service agreements with OPUD and LCWD that define the initial connection costs to their respective systems and the costs of treatment services for each provider, and subsequently bring the agreements to the City Council for review and possible action.

Background

On December 10, 2019, City staff presented a report entitled *City of Wheatland Wastewater Treatment Alternatives Analysis*, November 2019 which considered five alternative approaches to addressing the lack of wastewater treatment capacity, serving existing customers, and the relative capital costs and sewer rates associated with the two most feasible alternatives.

On January 14, 2020, the City Council directed the formation of an Ad-Hoc committee to work toward securing the best possible long-term solution to the City's future wastewater treatment needs by

exploring and developing the two alternatives recommended in the *City of Wheatland Wastewater Treatment Alternatives Analysis* report. The assistance of consultants is needed to accomplish the goals of Ad-Hoc Committee.

On March 10, 2020, the City Council directed staff to amend the Fiscal Year 2019-20 Budget to allocate \$50,000 from the Sewer Collection Impact Fund (Fund #121) to cover the costs of services for technical assistance with engineering evaluations, determining financial feasibility and potential rate impacts.

Accordingly, and in consultation with the Ad-Hoc Committee and under the direction of the City Manager, Coastland Engineering and Nexgen Utility Management (who prepared the *Wastewater Treatment Alternatives Analysis*) have continued in their roles of providing technical assistance to further explore and refine the opportunities of a regional sewer pipeline to either Olivehurst Public Utilities District (OPUD) or Linda County Water District (LCWD).

On July 7, 2020, the Yuba Water Agency (YWA) Board granted \$2,596,320 50% grant and 50% loan) to the City of Wheatland for the design and environmental efforts for the conveyance pipeline and pump stations needed to deliver 1.5 million gallons per day of sewage from Wheatland to the planned terminus of OPUD's new pipeline at Rancho Road and South Beale Road ("Project") and to have the Project "shovel ready" within 12 – 14 months. The Project would involve 9.7-miles of pipelines primarily over existing roads, three pump stations, modifications to the exiting Malone Pump Station, and crossing of the UPRR tracks, Highway 65, and several waterways.

On July 28, 2020, the City Council adopted Resolution No. 35-20 approving the \$2.6M grant/loan agreement to fund environmental and design efforts for the Project and authorizing the City Manager to sign the agreement.

The Ad-Hoc committee and staff have continued to meet with all agencies involved including YWA, OPUD, LCWD and County Staff as well as Wheatland's development interests regarding the best wastewater treatment options. At this point in the multi-agency discussions a wastewater connection to the north of Wheatland is the best option for the City's future wastewater disposal needs. It is also clear that, regardless of the chosen wastewater treatment provider, the City will need a pipeline capable of conveying its sewage from the existing pump station at Malone Avenue to the area near Rancho Road and South Beale Road.

On November 10, 2020, Council adopted Resolution 43-20 amending the FY 2020-21 Budget to include the YWA grant/loan funds and authorizing the City Manager to move forward with design of the Project and approve expenditures not to exceed the grant/loan amount. Coastland Engineering and Raney Planning and Management are completing the work under their existing contracts with the City.

Discussion

Work on the design has been progressing, and at the upcoming March 9 City Council meeting, Council will be asked to approve the Basis of Design Report for the Wheatland portion of the wastewater infrastructure.

Wastewater Solution Concept

The overall concept that has developed is one of flexibility. Essentially, Wheatland is participating in the design and eventual construction of backbone infrastructure that will move Wheatland's wastewater

north to either OPUD or, eventually, LCWD. This design flexibility is critical because it ensures there is available capacity to treat Wheatland's wastewater at one or both of the two plants.

Phase 1

The Phase 1 project is a dedicated force main from Wheatland to a new pump station at Ostrom Road with a capacity for 1.5 million gallons per day (MGD) average dry weather flow (ADWF). The pipeline will extend slightly past the receiving OPUD pump station so that flows could, at a future, point, be diverted to the LCWD plant. The plan also includes a shared OPUD/Wheatland pipeline from that pump station to the OPUD plant that also includes 1.5 MGD ADWF capacity for Wheatland.

The preliminary engineering has determined that a certain minimum amount of flow is needed for the infrastructure to work properly. The only certain source of flow is the City of Wheatland's 0.35 MGD which is currently treated at the City's wastewater plant. Consequently, both Wheatland and OPUD's designs anticipate that Wheatland will connect Wheatland's existing customers to the regional infrastructure upon its completion. Wheatland's Phase 1 flows are anticipated to go to the OPUD plant.

Wheatland staff has communicated clearly that if the existing Wheatland customers are connected to the regional system, there is an anticipated, extraordinary potential rate impact that must be addressed prior to Wheatland connecting to the regional system. The rate impact must be calculated based on the difference between the anticipated future costs of repairs, regulatory upgrades or issues that may arise because of the current aging wastewater treatment plant verses the immediate cost associated with a regional treatment partnership.

Currently, the funding agreements between YWA and OPUD and Wheatland did not anticipate the full cost of the regional improvements. OPUD's agreement anticipated some costs associated with oversized piping and at a lower flow than Wheatland is requesting. Wheatland's agreement covers the costs of Wheatland's design of the pipeline from Wheatland to the connection at Rancho Road.

The collaborative design by the City's and OPUD's engineers now includes both higher flows (1.5 MGD verses .75 MGD) and a dedicated force main from Rancho Road to Ostrom Road. These additions add approximately \$800,000 in additional design costs. It is anticipated the majority of these costs will be Wheatland's responsibility.

The OPUD design team (Jacobs Engineering) is finding it difficult to apportion responsibility of design costs of infrastructure shared by OPUD and Wheatland. As a result, OPUD will seek an amendment to their design contract from YWA for the full amount. In turn, Wheatland will need to enter into a reimbursement agreement with OPUD to reimburse the Wheatland fair share once it is calculated. The amended agreement with YWA and the OPUD/Wheatland agreement must include the same "loan to grant" conversion language found in the existing design agreements. This language allows for loan forgiveness if growth necessary to support loan repayment does not occur.

Next Steps

Adoption of Resolution No. 08-21 will accomplish the following:

Amend the FY 20/21 Budget to Commit Additional Local Funding to the Project

Following consultation with the City Council Regional Wastewater Ad-hoc Committee, staff is recommending commitment of an additional \$50,000 from the Sewer Collection Impact Fund (Fund #121) to the regional effort. The purpose of this fund is to achieve a solution to Wheatland's current

lack of wastewater capacity. The additional funds will cover the cost of bringing on to the team an attorney specializing in regional agreements and completing other technical work required that is in addition to the design and environmental clearance work funded under the YWA grant/loan agreement. This budget amendment does not affect the General Fund.

Direct staff to Negotiate a Reimbursement Agreement with OPUD Regarding Additional Design Costs

As stated earlier, OPUD will need to seek an amendment to their design and environmental clearance funding agreement with YWA for the additional design costs. In turn, Wheatland will need to enter into a Reimbursement Agreement with OPUD for Wheatland's share of those additional costs. This agreement will come back to the City Council for approval.

Direct Staff to Seek Rate Stabilization Assistance for Extraordinary Rate Impacts Resulting from the Regional Collaboration

Based on current rate analysis, staff is anticipating that connecting the existing Wheatland wastewater customers to the regional pipeline at the time of its completion is likely to trigger rate impacts that should not be borne by the current customers. Before Wheatland can commit to construction of the regional infrastructure, a plan must be in place to relieve the current customers of any extraordinary costs. Council must take notice that this does not mean rates should not be adjusted for ordinary cost increases at the expiration of the current rate cycle ending in 2025.

Direct Staff to Negotiate Service Agreements with Both OPUD and LCWD

Once the pipeline is constructed, Wheatland will want predictability regarding the costs associated with connecting to either the OPUD or LCWD plants, and the costs for treating Wheatland's wastewater. Agreements for treatment should be approved prior to completion of the regional infrastructure. These agreements would come back to the City Council for approval.

Fiscal Impact

Resolution No. 08-21 amends the FY 2020-21 Budget to allocate \$50,000 from the Sewer Collection Impact Fund (Fund #121) necessary for completing the regional wastewater solution.

Attachments

1. Resolution No. 08-21
2. Map of proposed regional wastewater infrastructure

RESOLUTION NO. 08-21

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHEATLAND AMENDING THE FY 20/21 BUDGET; DIRECTING STAFF TO NEGOTIATE A REIMBURSEMENT AGREEMENT WITH OPUD; DIRECTING STAFF TO SEEK RATE STABILIZATION FUNDS; AND DIRECTING STAFF TO NEGOTIATE CONNECTION AND SERVICE AGREEMENTS WITH OPUD AND LCWD, FOR THE CITY'S REGIONAL WASTEWATER PROJECT

WHEREAS, on December 10, 2019, City of Wheatland staff presented a report entitled *City of Wheatland Wastewater Treatment Alternatives Analysis*, November 2019, to the City Council which considered five alternative approaches to addressing the lack of wastewater treatment capacity, serving existing customers, and the relative capital costs and sewer rates associated with the two most feasible alternatives; and

WHEREAS, on January 14, 2020, the City Council directed the formation of a Regional Wastewater Ad-Hoc committee (Ad-Hoc Committee) to work toward securing the best possible long-term solution to the City's future wastewater treatment needs by exploring and developing the two alternatives recommended in the *City of Wheatland Wastewater Treatment Alternatives Analysis* report; and

WHEREAS, on March 10, 2020, the City Council directed City staff to amend the Fiscal Year 2019-20 Budget to allocate \$50,000 from the Sewer Collection Impact Fund (Fund #121) to cover the costs of services for technical assistance with engineering evaluations, determining financial feasibility and potential rate impacts of the two recommended alternatives; and

WHEREAS, in consultation with the Ad-Hoc Committee and under the direction of the City Manager, Coastland Engineering and Nexgen Utility Management (who prepared the *Wastewater Treatment Alternatives Analysis*) have provided technical assistance to further explore and refine the opportunities of a regional sewer pipeline to either Olivehurst Public Utilities District (OPUD) or Linda County Water District (LCWD); and

WHEREAS, on July 28, 2020, the City Council adopted Resolution No. 35-20 approving a \$2,596,320 50% grant/50% loan agreement with the Yuba Water Agency (YWA) for the design and environmental efforts for the conveyance pipeline and pump stations needed to deliver 1.5 million gallons per day of sewage from Wheatland to the planned terminus of OPUD's planned pipeline at Rancho Road and South Beale Road ("Project") and to have the project "shovel ready" within 12 – 14 months, and authorizing the City Manager to sign the agreement; and

WHEREAS, on November 10, 2020, Council adopted Resolution 43-20 amending the Fiscal Year 2020-21 Budget to include the YWA grant/loan funds and authorizing the City Manager to move forward with the design of the Project and approve expenditures not to exceed the grant/loan amount; and subsequently the City engaged Coastland Engineering and Raney Planning and Management to complete the design and environmental under their existing contracts; and

WHEREAS, the funding agreements between YWA and OPUD and Wheatland did not anticipate all of the costs that are currently known and associated with oversizing OPUD conveyance piping, a forcemain dedicated to Wheatland along Rancho Road and the wastewater flow than Wheatland is requesting; and

WHEREAS, staff anticipates an extraordinary potential rate increase to existing wastewater customers if their connections are transferred to a new regional wastewater treatment system and therefore, staff recommends seeking outside funding to cover the potential rate impacts; and

WHEREAS, it is in the City's best interests to have predictable connection fees and treatment costs, staff recommends that the City engage OPUD and LCWD to negotiate service agreements with each provider to bring predictability to Wheatland's ratepayers and future users.

NOW, THEREFORE IT IS HEREBY RESOLVED, ORDERED AND FOUND by the City Council of City of Wheatland, State of California, that the City Council:

1. Direct staff to amend the City of Wheatland's FY 20/21 Budget to allocate \$50,000 from the Sewer Collection Impact Fund (Fund #121) to the regional wastewater infrastructure efforts for the purposes of engaging an attorney specializing in regional agreements and completing other technical work required that is not covered by other external funding sources.
2. Direct staff to negotiate a reimbursement agreement with OPUD for up to \$800,000 of additional design and environmental costs expected to be borne by OPUD for Wheatland's benefit that adds a force main dedicated for the City's use from Rancho Road to Ostrom Road and increases the City's flow capacity to OPUD from 0.75-MGD to 1.5-MGD to OPUD's regional sewer project, and subsequently bring the agreement to the City Council for approval.
3. Direct staff to seek rate stabilization assistance from potential funding sources/agencies to offset any potential rate impacts to existing wastewater customers that may result from the City connecting to a regional wastewater treatment provider.

4. Direct staff to negotiate connection and service agreements with OPUD and LCWD that define the initial connection costs to their respective systems and the costs of treatment services for each provider, and subsequently bring the agreements to the City Council for review and possible action.

PASSED AND ADOPTED by the City Council of City of Wheatland, State of California this 23rd day of February 2021, by the following vote:

AYES:

NOES:

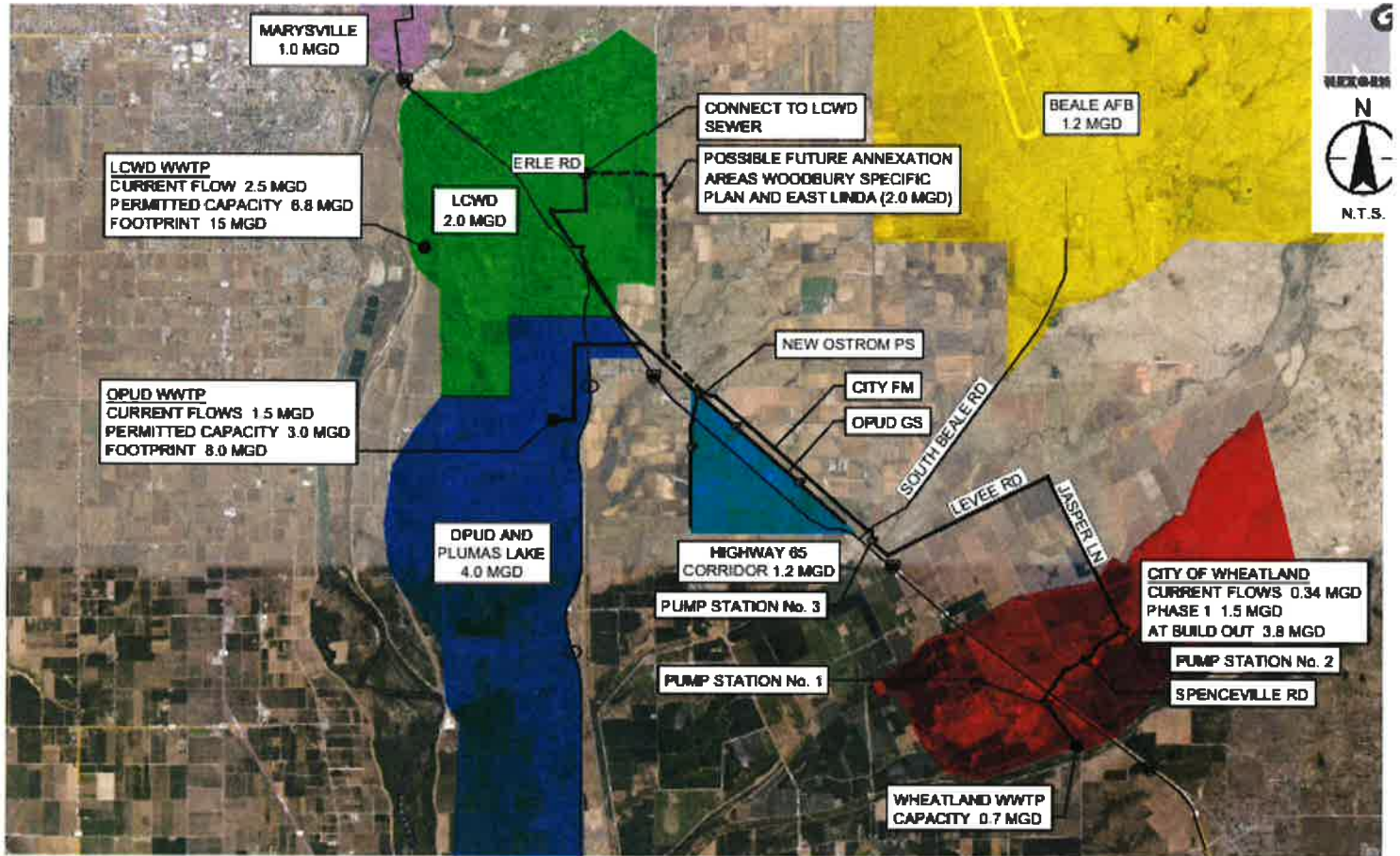
ABSTAIN:

ABSENT:

Rick West, Mayor

ATTEST:

Lisa Thomason, City Clerk



South Yuba County Regional Wastewater Service Areas, Capacities and Proposed Improvements