

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works		(2) MEETING DATE August 14, 2007	(3) CONTACT/PHONE Paavo Ogren, Deputy Director of Public Works (805) 781-5252	
(4) SUBJECT Consideration of the Engineering Screening Analysis, the Technical Advisory Committee Pro/Con Analysis, and Approval of the Project Selection Strategies for the Los Osos Wastewater Project				
(5) SUMMARY OF REQUEST The Board of Supervisors has directed staff to provide a weekly update on items related to the Los Osos Wastewater Project. Staff will brief the Board on Project efforts related to project permits, Technical Advisory Committee efforts, and the evaluation of technical alternatives.				
(6) RECOMMENDED ACTION It is our recommendation that your Honorable Board: 1. Consider the presentation of Project Screening Analysis by the project team. 2. Consider the presentation of the Project Pro/Con Analysis by the project Technical Advisory Committee. 3. Consider the presentation of the future work efforts by the Public Works Department. 4. Approve "Exhibit – A – Project Selection Strategies."				
(7) FUNDING SOURCE(S) General Fund		(8) CURRENT YEAR COST N/A	(9) ANNUAL COST N/A	(10) BUDGETED? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <input type="checkbox"/> N/A
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): Numerous state and federal agencies and County departments. Comments submitted by the public, the Los Osos Technical Advisory Committee, Los Osos CSD, Sierra Club, Surfrider Foundation, SLO Green Build, Taxpayers Watch				
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____				
(13) SUPERVISOR DISTRICT(S) <input type="checkbox"/> 1st, <input checked="" type="checkbox"/> 2nd, <input type="checkbox"/> 3rd, <input type="checkbox"/> 4th, <input type="checkbox"/> 5th, <input type="checkbox"/> All		(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		(15) Maddy Act Appointments Signed-off by Clerk of the Board <input checked="" type="checkbox"/> N/A
(16) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input checked="" type="checkbox"/> Board Business (Time Est. 180 MIN.)		(17) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A		
(18) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		(19) BUDGET ADJUSTMENT REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A		
(20) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) _____ N/A _____		(21) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		(22) Agenda Item History <input type="checkbox"/> N/A Date: _____
(23) ADMINISTRATIVE OFFICE REVIEW <p align="center"><i>OK Leslie Brown</i> 8-14-07 F-1</p>				

Reference: 07AUG14-BB-2



SAN LUIS OBISPO COUNTY DEPARTMENT OF PUBLIC WORKS

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TO: Board of Supervisors

FROM: Paavo A. Ogren, Deputy Director of Public Works *PAO*

VIA: Noel King, Director of Public Works *NK*

DATE: August 14, 2007

SUBJECT: Consideration of the Engineering Screening Analysis, the Technical Advisory Committee Pro/Con Analysis, and Approval of the Project Selection Strategies for the Los Osos Wastewater Project

Recommendation

It is our recommendation that your Honorable Board:

1. Consider the presentation of Project Screening Analysis by the project team.
2. Consider the presentation of the Project Pro/Con Analysis by the project Technical Advisory Committee.
3. Consider the presentation of the report on public comments by the Public Works department.
4. Consider the presentation of the future work efforts by the Public Works Department.
5. Approve "Exhibit – A – Project Selection Strategies."

Discussion

On June 19, 2006 your Board approved project policies and strategies establishing direction for work efforts on a wastewater project for the community of Los Osos. Those policies and strategies were critical in the development of Assembly Bill 2701 (Blakeslee), which was approved by a combined vote of 111-0 by the California legislature and approved by the Governor Schwarzenegger on September 18, 2006. AB 2701 was also supported by the Los Osos Community Services District (LOCSD) and it resulted in the transfer of wastewater project authority from the LOCSD to the County, effective January 1, 2007.

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Prior to the development of AB2701, members of the LOCSD Board of Directors had made numerous requests for financial and staffing assistance from the County as a result of extremely limited resources available to the LOCSD and their basic challenge in moving a project solution forward without significant assistance. Since that time, the LOCSD has formally declared bankruptcy and is currently developing a plan to resolve its financial crisis. As anticipated in 2006 during the development of AB2701, the LOCSD Board continues to be very active in considering wastewater project efforts, and staff has engaged in numerous meetings and presentations with LOCSD Board members. The work efforts of the County Project team have included objectives expressed by the LOCSD, including the following:

- Evaluation and consideration of treatment plant sites outside of the Urban Area.
- Evaluation and consideration of alternative collection system technologies – the “STEP” system.
- Objective analysis of alternatives including consideration of the 2006 LOCSD consultant work efforts:
 - The ‘Ripley Report’
 - The National Water Resource Institute (NWRI) peer review of the Ripley Report.

The County project team’s technical evaluation of project options in the fine screening analysis included the following steps:

1. Preparation and publication of a “Rough Screening Report” by the Project Team (March 2007)
http://www.slocounty.ca.gov/PW/LOWWP/DOCS/Current_Documents.htm
2. Preparation and publication of a public draft Fine Screening Report
http://www.slocounty.ca.gov/PW/LOWWP/DOCS/Current_Documents.htm - Exhibit “K”.
3. TAC development of Pro/Con analysis on project technologies.
<http://www.slocounty.ca.gov/PW/LOWWP/TAC.htm> - Exhibit “C.”
4. Approximately 35 public meetings, many of which have been televised in Los Osos.
5. Preparation of a report on comments from the TAC, the public, and the LOCSD – Exhibit “D”
http://www.slocounty.ca.gov/PW/LOWWP/FAQs_Topics.htm

Copies of the reports are also available by contacting Diana Haines in the County Public Works Department at (805) 781-5252, or by viewing them at the offices of the Los Osos Community Services District or the Los Osos Library.

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The engineering fine screening analysis structured the evaluation into the following (5) components:

- A. Treatment Sites
- B. Treatment Technologies
- C. Collection Technologies
- D. Solids Disposal
- E. Effluent Disposal (Water Resource Management)

Historical information developed on the project has proven extremely valuable in order to develop the report, with community participation, in approximately seven months. Without the benefit of historical information and reports, the current work efforts would have been significantly more costly and would have taken significantly longer to complete.

The results of the work efforts include two major accomplishments:

1. Development of Project Options ("Viable Project Alternatives")

The work efforts identify project options that, in the opinion of the project team, are technically feasible to permit, fund and construct for the community. During the development of the project Environmental Impact Report (EIR)¹, it is important to recognize that project options will not be limited to those identified in the fine screening report but will include evaluation of all options required under the California Environmental Quality Act and, at a minimum, will include the following:

- Regional treatment options with other local agencies (Morro Bay / Cayucos)
- Regional septage facilities.
- Regional water supply options.
- Decentralized treatment options (see Exhibit "I"; a conceptual approach prepared by Lombardo Associates Incorporated)

Consistent with direction approved by your Board on June 19, 2006, final project selection will be developed through a co-equal evaluation of alternatives in the EIR and a community survey that will identify community preferences for a wastewater project.

Exhibit "B" is a flowchart (an illustrative summary) of future work efforts (the "next steps") leading to selection of project sites and technologies. Many of the future work efforts are activities that are normally worked on during the development of public works projects and do not reflect special policy consideration for the Los Osos Wastewater Project. Exhibit "A" therefore reflects staff recommendations that will specifically benefit future site and technology selection efforts for the Los Osos Wastewater Project.

Exhibit "A" contains several recommended strategies relating to selection of project technologies and sites. The strategies cover approaches to public contracting with private industry to maximize competition; specific issues associated with alternatives; concurrent environmental review and Coastal Development Permit efforts; financial

¹ While this report references the California Environmental Quality Act and requirements associated with an EIR, compliance with the National Environmental Policies Act (NEPA) and an the preparation of an EIR/EIS is very likely.

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strategies; and water resource strategies. It is important for your Board to adopt these strategies at this time so that staff can begin working on the tasks in Exhibit "B" that are highlighted for the remainder of 2007. By doing so, we can prepare for our major 2008 work efforts while the Prop. 218 ballots are being considered by property owners.

2. Basis of Evidence for Assessment Engineer's Report

The engineering screening analysis also includes cost estimates associated with a wastewater project for Los Osos. The cost estimates are important for evaluating special and general benefits of a community wastewater project and the assessment engineer's analysis required under Proposition 218, incorporated into Article XIII(D) of the California State Constitution. Consideration of the Assessment Engineer's Report for the Los Osos Wastewater Project by your Board is tentatively scheduled for your meeting of August 28, 2007.

Other Agency Involvement/Impact

The Los Osos Community Services District; the Central Coast Regional Water Quality Control Board; the State Water Resources Control Board; the California Coastal Commission; the San Luis Obispo County Planning Commission; other County Departments; and other State and Federal agencies. The wastewater project Technical Advisory Committee appointed by your Board will be considering approving its Pro/Con analysis on Monday August 6, 2007 – see Exhibit "C". Comment letters from Taxpayers Watch, the Sierra Club, Surfrider Foundation, and SLO Green Build are attached as Exhibits "E", "F", "G", and "H".

Financial Considerations

The Public Works Department has also recently completed a financial model utilizing the cost estimates identified in the engineering analysis and projecting them into multi-year budget estimates and monthly costs to property owners. The financial model has the ability to vary numerous assumptions. The graphs illustrated on the following pages have been developed based on cost estimates for the following four options and the "Tri-W" project:

Option	Collection Technology	Treatment Technology	Effluent Disposal Level	Solids Disposal Option	Sites
1.	STEP	Ponds	Level 2	Sub-Class "B"	TBD
2.	STEP	Biolac	Level 2	Sub-Class "B"	TBD
3.	Gravity	Biolac	Level 2	Sub-Class "B"	TBD
4.	Gravity	Ox. Ditch	Level 2	Sub-Class "B"	TBD

TBD = To Be Determined

It is important to reiterate that these options are not project recommendations and do not include all possible options that will be evaluated concurrent with the preparation of the Project EIR. The options do, nevertheless, provide a range of information that your Board and the community can consider along with the following preliminary cost estimates. The variables in the options identified above relate to the collection and

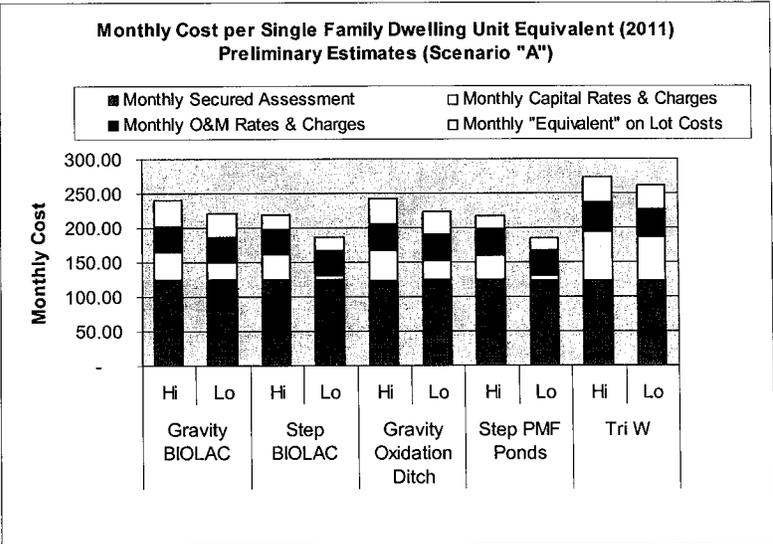
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treatment technologies, which comprise approximately 80 - 85% of the project capital costs. "Level 2" effluent disposal reflects the highest benefit to water resources that can result from the wastewater project and appears to have favorable community consensus, including support from the community's water purveyors. "Sub-Class 'B'" is the least costly solids disposal option and has been included in the analysis for affordability purposes. The cost of solids disposal in relation to total project costs is, however, relatively small and community consensus may develop to support a higher level of solids disposal, and treatment. Additional solids treatment and disposal options identified in the Fine Screening report including Class "B", which allows for landfill disposal, and Class "A", which includes composting and recycling. Cost estimates from \$3 - \$6 million have been included for property acquisition, but other than identifying site options in the engineering analysis, recommendations will be made after the draft EIR is released for public comment and the community survey is conducted.

Scenario "A" - Monthly Estimated Costs

Significant assumptions used in developing Scenario "A" preliminary estimates include the following:

- 50 % of debt for public facilities is financed utilizing State Revolving Funds at 2.35% interest repaid over 20 years including \$6.5 million to comply with Governor's signing message accompanying AB 2701.
- 50% of debt for public facilities is financed utilizing tax-exempt municipal bonds at 5.0% interest repaid over 30 years, with "cash funding" of bond reserves.
- Private facilities ("On-Lot") costs are amortized over 20 years at 8.25% interest. This assumption is based on approximate terms of equity loans on private property – property owners may actually fund these costs in a variety of manners, and some may be eligible for financial assistance from Community Development Block Grants, the USDA Rural Improvement Program, and other possible sources.

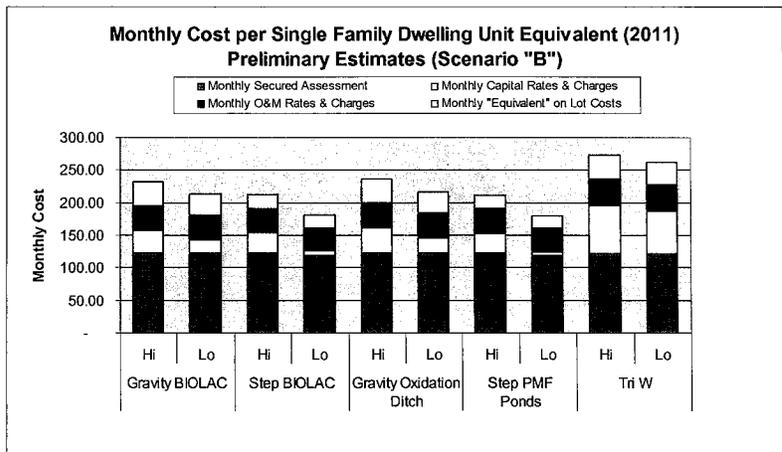


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Scenario "B" – Monthly Estimated Costs

Significant assumptions used in developing Scenario "B" preliminary estimates include the following:

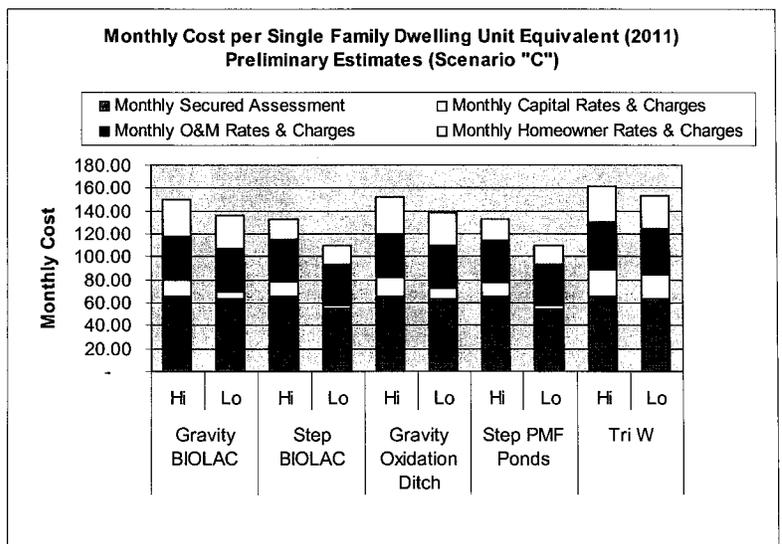
- 95 % of debt for public facilities is financed utilizing State Revolving Funds at 2.35% interest repaid over 20 years including \$6.5 million to comply with Governor's signing message accompanying AB 2701.
- 5% of debt for public facilities is financed utilizing tax-exempt municipal bonds at 5.0% interest repaid over 30 years, with "cash funding" of bond reserves.
- Same assumptions for "On-Lot" costs as Scenario "A."



Scenario "C" – Best Case Monthly Cost Estimates

Significant assumptions used in developing Scenario "C" preliminary estimates include the following:

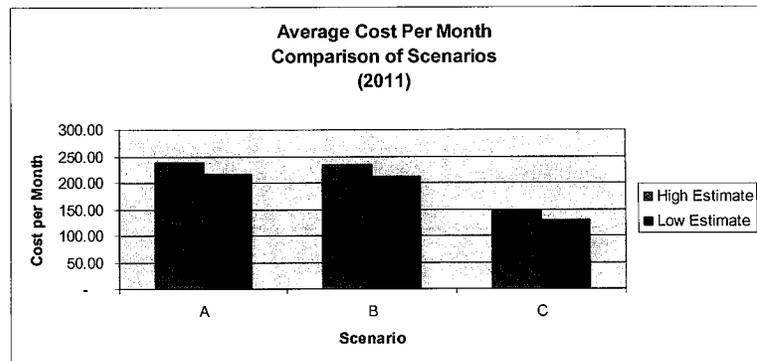
- \$45 million in grant revenue (\$35 million from Federal Water Resource Development Act; \$10 million from State Integrated Regional Water Management Act).
- 95 % of debt for non-grant funded public facilities is financed utilizing State Revolving Funds at 2.35% interest repaid over 30 years excluding \$6.5 million to comply with Governor's signing message accompanying AB 2701.
- 5% of debt for public facilities is financed utilizing tax-exempt municipal bonds at 5.0% interest repaid over 30 years, with "cash funding" of bond reserves.
- Same assumptions for "On-Lot" costs as Scenario "A."



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Comparison of Monthly Cost Scenarios

Comparing the scenarios developed above is useful to illustrate that monthly costs can potentially vary more significantly as a result of financial terms and conditions associated with project funding and less as a result of technologies that are utilized with a community wastewater system. The values illustrated



for each scenario represents the average cost of the options presented above. In summary, some key funding issues exist in order to significantly mitigate affordability issues, including the following:

- The ability to obtain grant revenues.
- The ability of the State Water Resources Control Board to develop a 30 year repayment program for projects in disadvantaged communities or for projects in communities where the cost of regulatory compliance exceeds affordability standards.
- The willingness of the State of California to not condition a State Revolving Fund 30 year bond with costs above those that would normally be associated with a County developed project.

Many other assumptions are also incorporated into the financial model. For example, the cost of separate electrical meters for each property in Los Osos, with community-wide costs estimated to total between \$13.4 - \$25.3 million, under "STEP" alternatives are not included in the scenarios illustrated above. This condition could be established through the SRF program by the State Water Board, but work evaluated by Thoma Electric has concluded that any such condition would exceed requirements of the California State electric code. As such, staff is of the opinion that alternative methods of addressing concerns of the State Water Board engineers should be pursued instead of incurring the added costs of separate electric meters.

Lastly, it is also important to recognize that the cost variations in the estimates between the different technologies can only conclude, at this time, that the technologies are very competitive with each other. The estimates are, therefore, also close enough to conclude that a competitive process involving public contracting and design-build strategies will provide the greatest opportunity to obtain the lowest cost option for the community.

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While cost considerations are important, the community's acceptability of the alternative technologies is also important and will be understood as a result of the community survey that will be conducted in 2008.

The project strategies incorporated in Exhibit "A" will ensure a competitive environment for private industry bids and proposals on the project. Recognizing

the usefulness of project estimates is important, because even when private industry contractors bid on the same exact set of plans and specifications for a particular project, which establishes their contractual willingness to construct a public project, those bids can vary significantly. For example, the summary of four bid packages recently received for another large project being implemented by the County illustrates that the bids can vary significantly. In this example, successful competition resulted in combined low bids on the Nacimiento Project totaling about \$11.5 million less than the engineer's estimate, or about 10% under.

Bid Package	1	2	3	4
Engineer's Estimate	\$13.1	\$49.8	\$28.6	\$18.2
Low Bid	\$20.8	\$38.4	\$22.7	\$16.3
High Bid	\$29.4	\$51.3	\$29.3	\$24.0
Variance between Bids	34%	29%	25%	38%
Low Bid compared to Engineer's Estimate	59% over	-23% under	-21% under	-10% under
High Bid compared to Engineer's Estimate	124% over	3% over	2% over	32% over

Results

Consideration of the presentations on the project efforts, and adoption of Exhibit "A" project strategies will improve the likelihood of developing a successful community wastewater project for Los Osos. The draft project schedule developed in the engineering screening analysis is attached as Exhibit "J".

- Attachment: Exhibit A - Project Selection Strategies
- Exhibit B - Selection Flowchart
- Exhibit C - Pro/Con Analysis on Project Component Alternatives
- Exhibit D - Comments on the draft Fine Screening Report from the Public, the TAC, and the LOCSW Wastewater Committee
- Exhibit E - Comments from "Taxpayers Watch"
- Exhibit F - Comments from Santa Lucia Chapter of the Sierra Club
- Exhibit G - Comments from San Luis Bay Chapter of Surfrider Foundation
- Exhibit H - Comments from SLO Green Build
- Exhibit I - Conceptual approach prepared by Lombardo Associates Incorporated for decentralized treatment facilities
- Exhibit J - Engineering Screening Analysis – Draft Schedule
- Exhibit K - Draft Fine Screening Analysis (Clerk's File)

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File: CF 310.85.02 Los Osos Wastewater Treatment Plant

Reference: 07AUG14-BB-2

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