

COUNCIL COMMUNICATIONS: CITY OF SUTTER CREEK

18 Main Street, Sutter Creek, CA 95685----(209) 267-5647

Topic: Gold Rush Ranch Sewer Plan and Financing Plan	Agenda Item#: Agenda Type: Open	<h2 style="margin: 0;">Manager's Report</h2> <p style="margin: 0;">* Discussion/Action</p>
		Attachments: <u>Yes</u> No
Prepared By: R. Duke	Reviewed By: R. Duke	Meeting Date: September 2nd, 2008

Issues:

There are four issues between Sutter Creek/ARSA and Gold Rush:

1. The funding of the interim capacity improvements to the Sutter Creek treatment plant;
2. The funding of the permanent improvements to the Sutter Creek treatment plant;
3. The funding of ARSA improvements; and
4. The amendment of the contract with ARSA, Sutter Creek, and Gold Rush concerning the 1300 acre feet annually (afa) of irrigation rights on the Noble Ranch portion of the Gold Rush project.

Funding of capital improvements:

The first three items are handled in a fairly straight forward manner. Gold Rush will provide hook up fees and the City will cooperate with financing through various financing programs provided by the State of California or through private financing [i.e., I-Bank, State Revolving Fund, Community Financing District (CFD) financing, etc.]--Gold Rush's property will secure the financing. Gold Rush will further protect the City from shortfalls in the funding stream to repay the debt by establishing a CFD parcel fee; and by providing a letter of credit sufficient to cover five (5) years of CFD parcel fees in the event the project stalls at some point.

Based upon the Sewer Master Plan, the ARSA Master Plan, and the various Technical Memos (TM's) prepared by the City's consulting engineering firm, HDR, the following table represents the worst case capital expenditures that result from the Gold Rush development:

Category	Hook Up Fee per Single Family Equivalent (SFE)	CFD Monthly Fee:
Interim Capacity Fee:	\$1667	n/a
Permanent Sewer Plant	\$14,620	\$30
ARSA improvements	\$6,106	\$30

Note: *The reason we have a worst case scenario is because there are still some significant areas of uncertainty that are beyond our control or that can only be eliminated by completing more detailed engineering. The main uncertainties are: 1. the final cost for plant upgrade and expansion will depend on the grading and land acquisition costs, which have not finalized at this time; and 2. the ARSA contract extension allows the City of Ione or the California Department of Corrections and Rehabilitation (CDCR) to force ARSA to withhold its effluent from the lower system with five (5) years notice. While no one currently believes that to be a likely eventuality, we have planned for this scenario by estimating the costs to replace the storage facilities and disposal options that are represented by a loss of the lower ARSA system. While the costs identified in the table above are likely to come down as these uncertainties are eliminated, staff and consultants believe that they will not increase. In addition, these costs have been escalated by an engineering cost index that estimates likely construction cost increases.*

The financing scenario contemplated works as follows:

1. If project approval is granted, Gold Rush will pay the various fees above and will begin to build the first phase of their project. At the same time, other developments in the City and Martell will be required to pay the same fees. All new developments will also be conditioned to join a CFD that will collect a monthly fee to cover the projected shortfall in debt financing throughout the payoff period of the various loans (20 years). The City will place the sewer hook up fees and CFD fees (and ARSA will place the ARSA fees) in reserve accounts that will begin to earn interest.
2. In the meantime, the City will obtain financing through one of the subsidized programs above and will begin design and construction of the sewer plant and other components.
3. Gold Rush will build its own collection system and pump-stations and will begin delivering effluent to the existing sewer plant. ARSA will continue to store and dispose of the secondarily treated effluent.
4. The City of Sutter Creek and ARSA will complete the needed improvements, which will allow Gold Rush and other developments to move forward with phases that are awaiting more sewer capacity.
5. One year after substantial completion of the projects, the City of Sutter Creek and ARSA will begin to make payments on the loans. These payments will be made from the reserve accounts set aside from the beginning of this development. The combination of hook up fees and CFD fees is sufficient to cover the stream of repayment for the life of the loans; however, Gold Rush will also be required to set aside a letter of credit to guarantee the CFD stream in case the project stalls for several years at any time during the build out period.

Reduction of the 1300 afa disposal easement:

For the last item, Gold Rush proposes to provide only 350 afa of spray disposal, leaving 850 afa that will be required to be provided at another location. Typically, each acre of ranchland can dispose of between 2 to 3 afa per acre per year. Thus, under this method, the equivalent ranchland needed is between 283 and 425 acres. This is not the most efficient disposal method, however, and ARSA would prefer to have a more compact (40 acres) poplar plantation that is more manageable in terms of operations and maintenance. In order to accomplish this goal, ARSA requires the following from Gold Rush: a) that Gold Rush reimburse ARSA for the costs to obtain the rights to use/raise Goffinette Reservoir and for 40 acres of suitable land to build the poplar plantation; b) that Gold Rush provide the 20% matching for SRF financing of ARSA improvements.

All other needed infrastructure costs are included in the ARSA fee. Gold Rush is providing the land and reservoir rights solely as compensation for the reduction of the spray easement (pending final approval of the ARSA Board).