

Board of County Commissioners

Agenda Request

Date of Meeting: May 19, 2009

Date Submitted: May 13, 2009

To: Honorable Chairman and Members of the Board

From: Benjamin H. Pingree, County Administrator
Timothy P. Barden, Assistant County Administrator

Subject: Request for Board Direction of Sewer Project Phasing and Funding Options

Statement of Issue:

This agenda item request Board Direction on the phasing of sewer project funding as well as direction on funding options.

Background:

\$20 Million Dollar Plan

At a Board workshop in October 2007, the 3- tier phasing for the upgrade to the Wastewater Treatment Plant as well as bringing sewer to Wakulla Gardens was presented and subsequently approved by the Board. The 3 phases of the project were presented as follows:

Phase 1 (Est.\$7.5 Million):

The master lift station, the force main transmission line down Rt.98, and sewer units two and five of Wakulla Gardens. Agreement with golf course for water re-use as we well as Talquin for elimination of the Oyster Bay Waste Water Facility.

Phase 2 (Est.\$8.5 Million):

The construction of an AWT treatment plant along with the golf course re-use force main.

Phase 3 (Est.\$4 Million):

Sewer Wakulla Gardens units one, three and four.

The \$20 million dollar loan from the State Revolving Fund was to be paid for all phases of this project. The project phases were approved by the Board due to, at the time, the necessity to sewer Wakulla Gardens. It was to be funded using connection fees of \$3,850 per connection as well as a Readiness-to-Serve fee of \$19 per month.

Analysis:

Phase 1 of the project is fully permitted and funding is available through the SRF loan process. The deadline for submitting the loan application to DEP is May 15, 2009. The County received permission from DEP to submit the application by July 1, 2009 with no adverse effects for the project funding. (Robert Holmden, Chief, Water Facilities Funding, DEP) **Therefore, the County**

has extra time to determine which revenues to pledge for repayment of the SRF loan and determine if a change of the scope of the project is the desired course. The annual debt service on this loan for Phase 1 was projected to be approximately \$480,000.

Subsequently, on Friday, May 15th, staff and the Eutaw consultants had another meeting with Mr. Robert Holmden at his office in Tallahassee to ask two questions:

- 1) Since the County is on fundable list for phase I of the project, if the County were to change the phases of the sewer project to have the upgrade to the sewer plant be the first phase, would DEP allow the change in scope without have to submit another Request for Inclusion (RFI) and start from the beginning of the process?

While offering no guarantees, Mr. Holmden advised that he could request that a special hearing for approval of this change and that more than likely a shift in phases could be accommodated. This is contrary to what the Board was told at the sewer ordinance workshop on March 17, 2009 by another representative from DEP.

- 2) If the County pursued USDA funding for the sewer project, could the SFR funding be used to pay back the USDA loan? (A discussion of the USDA loan program is included in this analysis).

Mr. Holmden advised that this would not be allowed as that would send Florida funding back into the Federal cycle to be used elsewhere throughout the country, most likely not in Florida. He would prefer to keep Florida funding in Florida.

It should be noted that if the County pursues the utilization of the SRF funding for this project, there is still the issue of a dedicated revenue source to service the debt of the \$7.5 million dollar loan as discussed later in this analysis.

Comprehensive Sewer Ordinance

On April 7, 2009, the Board approved a comprehensive sewer ordinance to compile all County legislation governing sewer regulation into one ordinance. The comprehensive sewer ordinance included a rate study performed by Florida Rural Water Association (FRWA).

FRWA Rate Study

The FRWA rate study provided for an increase in rates to fund operating costs for the sewer and also included a readiness-to-serve component of which would generate approximately \$600,000 to pay for debt service on the SRF loan. The Board approved the comprehensive sewer ordinance without the readiness-to-serve component.

Financing Concern

When the Board eliminated the readiness-to-serve component from the comprehensive sewer ordinance, this greatly impacted the County's ability to pay the debt service on the SRF loan. Additionally, the economic slowdown has resulted in a tremendous decrease in the new growth. Therefore, connection fee revenue is extremely low.

In addition to the new SRF debt service, the County currently has existing significant debt service in the amount of approximately \$400,000 annually, from the last sewer expansion in the late 1990's. This existing debt service is not due to be retired until 2017. Currently, the County does not have a reliable revenue source that can be dedicated to furnish the new debt that would be absorbed with the SRF loan, a requirement of the DEP SRF loan process.

Options Moving Forward

The current economic climate has impacted potential sewer expansion in Wakulla County. Since the SRF loan debt service for the Wakulla Gardens expansion cannot be paid solely out of the sewer fee increases approved as part of the comprehensive sewer ordinance this may be a good time for the Board to reevaluate the priorities and focus of sewer expansion within the County.

We know that there is a great need for the County to expand its sewer treatment plant to handle capacity already committed to approved development and our municipal partners (Sopchoppy). We also know that the Board also has a desire to upgrade the plant to AWT. It may be prudent to re-evaluate the phasing of the sewer expansion project and focus on the treatment plant expansion and upgrade as the first phase, with expansion of the system to Wakulla Gardens as phases 2 and 3. Staff believes that reprioritizing the sewer project to focus on the treatment plant will potentially make the project more viable in the current economic climate.

Re-use Line from Sewer Plant to Golf Course

The County has an executed grant agreement in place with the Northwest Florida Water Management District (NFWFMD) in the amount of \$500,000. This money can only be used for the public access reuse segment of the sewer project. The County's engineering consultant has estimated the cost to construct the reuse line with all necessary appurtenances to be in the neighborhood of \$600,000. We recommend that the County go out for bid on this portion of the project as soon as the permit process for the line is completed. The NFWFMD has informed the County that the grant funds must be encumbered no later than December, 2009. Any bid amount greater than the grant allotment can be paid out of the 2008 Legislative Appropriation funds available to the County for the sewer project. In this way, this portion of the project can be completed without the need of identifying any pledged revenues because it will be funded 100% from grant funds.

This element of the project was originally programmed into Phase II of the overall sewer project.

USDA Grant-Stimulus Opportunity

Since the stimulus package has been passed there has been an influx of funding at all levels of government. The Federal government has made it a priority to push stimulus funding through existing grant and loan programs in an effort to eliminate “recreating the wheel” and therefore decrease the amount of time it takes for stimulus funding to impact local economies. This is positive news for existing programs like the USDA Rural Development. USDA-RD provides low in loans to rural cities and counties in need of major infrastructure improvements that local communities cannot fund themselves from their limited financial resources. Most the USDA-RD programs offer a grant component to coincide with the loan portion to offset the total cost of capital improvement. In some cases, the grant component of this program can be as high as 45%. The loan portion is usually with a low interest, 40yr term. This substantial relieves rural communities from the burden of having to finance their much needed infrastructure improvement solely from limited resources.

Staff has set a meeting with Mary Gavin, our contact at the USDA who is also currently working with Wakulla County on the Solid Waste Transfer Station Project. This meeting will take place on Wednesday, May 20th there be a discussion of the Wakulla County sewer project and determine whether this grant program may benefit the County and make its goal of realizing a quick and financially sustainable sewer expansion and plant upgrade come to fruition.

It should be noted that the USDA-RD process can be long and cumbersome depending on the project. Also, the County will not know the size of any grant portion until the loan offer letter is received at the end of the whole process.

Summary of Requests for Board Action:

The options that the Board has before them in this item are essentially two-pronged. The first decision point for the Board is the direction the Board would like to see this project move forward in regarding the phasing of the different elements of the project. The second decisions point is the funding options the Board wishes to pursue to complete this project? The decision points are connected in that one decision point will directly impact on subsequent decisions.

Decision Point One for Board Consideration-Project Scope

1. Refocus the phasing of the sewer project to place the plant expansion and upgrade to AWT as the Phase 1 with expansion of the system to Wakulla Gardens as phases 2.
2. Clarify the direction the Board would like to take with regards to bringing sewer into Wakulla Gardens or any other historic subdivision. This will help determine the size needed for any plant expansion. If the Board chooses not to expand sewer into this subdivisions, a substantially smaller plant would be needed than previously designed.

Decision Point Two for Board Consideration-Funding Options

3. Pursue the SFR program and seek to have the \$7.5 million currently on the fundable list transitioned to the sewer plant as Phase I.
4. Pursue USDA-RD grant funding for the entire project.
5. Give staff direction regarding pursuit of a reliable source of funding that could be utilized to service any additional debt service.
6. Give staff direction to begin the bid process for the water re-use line from the Plant to the Golf Course and utilize available grant and legislative funding for the entire project.

Options

1. Board Direction

Recommendation:

Option #1