
Goleta Sanitary District

Board of Directors

Planning Workshop

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Table of Contents

<u>Section</u>	<u>Page No.</u>
KEY ISSUES TO ADDRESS-----	2
THE ACTION PLAN-----	3
1. Treatment of Pharmaceuticals and Bacterial Contaminants-----	3
2. Sphere of Influence for Eastern Goleta Valley -----	3
3. Merger with Goleta West Sanitation District-----	4
4. Implement the Treatment Plant Upgrade -----	4
5. Emergency Fund -----	6
6. Reclamation Facility Depreciation -----	7
7. Biosolids Disposal -----	7
8. Community Outreach-----	8
9. Succession Planning -----	8

KEY ISSUES TO ADDRESS

The consultant opened the workshop by inviting the participants to list what each felt were the key issues facing the District in the coming year or more. The following is a compilation of the issues cited by each participant.

1. Implement the treatment plant upgrade. Develop a financing plan, and make a treatment process selection
2. Revisit the potential reorganization of GSD with Goleta West Sanitary District
3. Conduct personnel succession planning. Include a review of retirement benefits
4. Review the extent of our community outreach, including our political presence
5. Review the persistent issue of biosolids disposal
6. Does the District need to increase emergency funds
7. Study depreciation funding for the Reclamation Facility, as well as other depreciation issues
8. Treatment of “other” pathogens in the wastewater flow
9. Sphere of Influence for eastern Goleta Valley



THE ACTION PLAN

Issue 1.

Treatment of Pharmaceutical and Bacteria Contaminants

- A published article complained about inadequate treatment and treatment standards. The claim is that a “new” breed of bacteria are not being removed, likewise certain pharmaceutical substances.
- It was pointed out that the real concern and resolution lies with EPA and standards of Clean Water Act, not with the District. The fact is that there is no change in legal standards at this time, hence no actual action is called for at this time. While the regulatory community has not yet determined what to do about this problem, if it is a problem, District has limited ability to act.

Action: Contact CASA and EPA (and WEF) to obtain an “official” answer to this issue. Develop an issue paper on our local position that responds to this issue. Contact City of Santa Barbara and Goleta West Sanitary District to develop a coordinated response. Following these actions, consider a joint public response in our newsletter, in an op ed, etc.

Issue 2.

Sphere of Influence for Eastern Goleta Valley

- LAFCO is considering the issue of the Sphere of Influence in the eastern Goleta Valley now. Since this may have an effect on the District, follow-up on this promptly. Note that the City of Santa Barbara appears willing to reach agreement with GSD on retaining the District for providing Sanitary Services.



Action: Develop such an agreement with City of Santa Barbara to confirm our position. Do it now. State the above position at the upcoming LAFCO meeting. Point out that we are already serving the City at the airport.

Issue 3.

Merger with Goleta West Sanitary District

- This long-standing issue is currently in limbo but may not be dead. The view from Goleta West is that the report is considered “unsatisfactory”. Individual comments from Board members were submitted to the report consultant, who has taken no action as yet.
- A general question: is GWSD interested in building its own plant? GWSD considers the issue “on hold” pending a hydraulic study of GWSD system, with attendant cost effects. The GWSD Board may request a specific amendment to cover upgrading of Goleta Sanitary’s treatment plant.

Action: GSD will consider such an amendment, but extend it to all contract agencies.

Issue 4.

Implement the Treatment Plant Upgrade

A. Treatment Process Plan

- We are working through the approved plant upgrade milestones on schedule. An upcoming Staff presentation will cover the actual status at present. We are considering eight different processes, and integration with the current process. A draft CEQA document is due by June 2008.
- We will develop all required plans—technical, environmental and financial—and submit an application for grants/low interest loan to cover the costs. In general, a



busy planning year is underway. Several workshops will be held, with the other contract agencies participating.

B. Finance Plan

- The focus of the financing plan is on GSD's share of the treatment plant upgrade cost. Financing alternatives include:
 - Pay-as-you-go
 - Long term financing
 - Contribution from reserves
 - Use of investment yields
- Essentially, Pay As You Go financing can take various forms. Note that the cost of the plant may vary significantly based on specific design selected. One option is to take ~ \$2.7 million from reserves for the treatment plant, or can also take some other reserve funds; total available from reserves is \$4.2 million.
- Alternatively, we can get \$527,000 yield if we simply invest the \$4.2 million over 20 years. Or, we can borrow the \$4.2 million and pay ~ \$1 million in interest over 20 years. The bottom line is that the yield from the invested \$4.2 million would exceed the cost of borrowing. However, the District must cover the borrowing costs in any case in the first 5 years by raising rates. Following that, the yield will cover interest payments. LAIF would be a relatively poor investment; bonds would be better.
- Hence the suggestion: borrow the whole project amount over 20 years rather than using reserves, because the low 2.5% SRF will be paid for by the yield on invested reserves. Summing up, we can get the \$14 million project for only \$4 million by investing the yield to pay the loan interest. Under SRF rates, the local match in funding is ~15-18% of total amount.
- In any event, it is recommended that the Board consider sewer service charge increases. Initially, the Board is considering mitigating the first year increase in sewer service charge with reserves. The first year would call for only \$4/mo increase, and then revisit this charge annually.
- Pay-As-You-Go option is not viewed favorably. Borrowing, especially from the SRF, appears more likely. The longer the reserve fund is kept invested, the more it will yield to repay the loan, but at some point, the reserves will go into repaying the loan.



Note: Inflation for building a plant may exceed the assumed 3% inflation rate.

Action: Review borrowing options further, and obtain specific interest costs. Seek stable, low risk investment options for the long-term, unless—a good, stable, secure investment is available to produce the necessary yields.

Board should also consider basic practical alternatives: put in \$4.2 million in reserves to reduce the remaining amount, then pay as you go. Or, put in \$4.2 million and borrow the rest via the SRF. In either case, District must pay its matching SRF amount.

- **Determine specific sewer charges for all alternatives. Must also take into account budget impacts in the first year and following years.**
- **The Board will hold further discussions on this issue.**

Issue 5.

Emergency Fund

- The present treatment plant contract calls for setting aside a \$25,000 emergency fund, a figure that is unrealistically low. We need to restate this number in realistic terms—perhaps up to \$500,000. An appropriate charge should be included in a contract amendment for construction of the upgraded treatment plant.

Action: Front the emergency money. When there is an actual emergency, then bill each of the plant contractors for their share. We are owners of the plant and should be prepared for an emergency. Board will determine the manner of developing the fund, separate from the existing \$25,000 fund.



Issue 6.

Reclamation Facility Depreciation

- There is currently no funding mechanism for depreciation of the Reclamation Facility. Major repairs or expenditures would be charged to the Water District. Depreciation is about \$325,000/year; the question is, how to fund it? Via regular charge to the Water District, or via a lump sum from the Water District, or put it in GSD's monthly charges to all customers?

Action: Determine the amount of a depreciation cost for the Reclamation Plant. Increase our charge to the Water District, but ramping it up over a 5-year period, for example. Work out the arrangement with the Water District. Note that we have been paying depreciation costs for the past 13 years.

- **Develop a draft contract amendment that explicitly covers the depreciation funding issue.**

Issue 7.

Biosolids Disposal

- Disposal of biosolids will get more urgent as time goes by because of land use objections. The best solution is to convert the biosolids into a commercial fertilizer product, on a local level, based on our site. But is this cost effective? It would be best if it were a regional project, along with Santa Barbara, Carpinteria, Montecito. This possibility is being looked at among the treatment plant options currently being studied. Even a composting facility can be considered, though not on our property.

Action: Maintain current hauling setup for biosolids. Study all the options during the treatment plant design study, and bring back practical options to the Board.



Issue 8.

Community Outreach

- The District received a state award for its Open House, which has now been submitted for national EPA award. Besides this, we have an active outreach program that is, however, growing more expensive, and utilizes considerable staff time. One option may be to expand the program with a dedicated Public Outreach staff.

Action: PR Committee will review the current District outreach activities, and reconsider the Outreach Master Plan. Board will review the current program and Plan, set priorities, perhaps re-focus the Plan and possibly expand it. Staff will establish costs, consider staffing in house, or via consultants, or additional staff.

Issue 9.

Succession Planning

- Succession planning is working well, although the retirement issue remains to be resolved. Actuarial analysis shows that our pay as you go option is working acceptably to pay for the plan. GASB 45 requires the District to fund the retirement costs either by dedicating a retirement Trust Fund, or show the cost as an unfounded liability. The District is required to make regular contributions to the Trust Fund, and Staff contributes to the fund.

Action: Personnel Committee will meet with actuary to more fully understand GASB 45 as it applies to the District. Board will then consider action. Resolve this by end of calendar year.

