



MEMORANDUM

TO: Mayor and Board of Commissioners

FROM: Bryan Gruesbeck, Town Manager

SUBJECT: **Wastewater Treatment and Capacity Reservation Contract between the City of Sanford and the Town of Pittsboro**

DATE: January 23, 2017

Background: Before the holidays the Board discussed remaining issues to executing an agreement to obtain 2.0 million gallons per day (MGD) of waste water treatment capacity with the City of Sanford. Mr. Messick, Town Attorney, worked with Sanford’s City attorney to address the remaining deal points you identified. Later in December, Mr. Messick and I met with Staff from the City of Sanford for additional discussion. These remaining issues were addressed as follows:

Town of Pittsboro	City of Sanford Response
Reduce the excess surcharge to 125% (originally proposed at 150%). <i>Paragraph D, Page 3.</i>	Agreed.
Change term to 30 years plus renewals (originally proposed as ‘perpetual’ term). <i>Paragraph A, Page 2.</i>	Agreed. Document reflects the ability to renew two (2) additional 30-year terms in addition to the initial 30 year term.
The annual treatment charge to be used the following fiscal year will be provided to Pittsboro by November 1 of each year. (originally proposed in various ways but Sanford prefers Jan 1). <i>Paragraph F, page 4.</i>	Agreed.
The Capacity Charge is to be based on principal balance of the Sanford debt for the Sanford WWTP facility as of the date of connection to the system (originally proposed as of the current debt balance). <i>Exhibit C.</i>	Different repayment options are allowed in <i>Exhibit C</i> . The date to establish the principal balance could be initiated upon the date the loan with LGC closes.
Delete the word “exclusivity” with the exception of the proposed Chatham Park reclamation facility. <i>Paragraph I, page 1.</i>	Agreed.

Sanford’s City Council met on January 10, 2017 and approved the version of the attached Contract that incorporated the discussion outlined in the above table.

Also attached, please find the Utility Discussion Materials from Davenport and Associates, which describes the financial scenarios involved should you approve this contract and builds on

the discussion you had with regard to the monetary aspects of this project. This attachment has been updated to reflect pledges from Chatham Park to guarantee 62.5% of the cost of the State Revolving Fund loan payments, as well as 62.5% of the City of Sanford's Capacity Charges. These guarantees are necessary to cover the costs of this project without increasing treatment charges for existing Town of Pittsboro customers.

During previous discussions, there was also some concern for "risks" associated with not building the sanitary sewer force main to Sanford. In other words what would happen if the Town elected to do 'nothing'? Based on input from The Wooten Company, the following issues will be at play:

1. **Capacity Limits of Current WWTP** – The current facility is limited to a total treatment and capacity discharge of 0.75 MGD. If the Town assumes no responsibility for serving development created by Chatham Park, the existing plant will serve the Town until 2020 but could run out of capacity earlier (see attached "Capacity Graph" from your October 13, 2016 utilities workshop). A capacity upgrade would be needed to meet non-Chatham Park related growth. The cost of this expansion would be the Town's full responsibility.
2. **Expansion/Site Challenges** - During the PER process, The Wooten Company identified the possibility of upgrading the existing WWTP to 1.25 MGD in Phase I with a cost range of \$15.9m to \$17.4m. Reaching the equivalent 2.0 MGD capacity provided by the Sanford force main would cost \$21.5m in the next phase. This site challenges of expanding into the surrounding floodplain and/or into the surrounding neighborhood. A different site would involve the time and expense necessary to locate, negotiate and purchase new property.
3. **Financial Concerns** - If the Town elects to not add WWTP capacity, Chatham Park will seek non-Town wastewater treatment solutions at its expense. Likewise, any improvements made to the Town WWTP will be at the Town's expense. As indicated in the PER, the Town will be financially challenged to provide improvements without significantly increasing rates to existing customers to pay off debt incurred to maintain, improve or expand the facility. In effect, the Town will lose the ability to increase treatment capacity without raising rates.
4. **Nitrogen Limits** – The State will be requiring more stringent limits on the amount of nitrogen that the Town can discharge into the watershed. The Wooten Company estimates an additional \$250,000-\$1m in costs for satisfying State nitrogen limits that could happen as early as 2020 (under the new administration) or as late as 2022 to the existing plant.
5. **Inflow and Infiltration (I&I)/By-Passing** As discussed in previous utility workshops and retreats, the current WWTP is periodically forced to 'by-pass' its full treatment process during wet weather events. The Town is currently pursuing solutions to I&I problems but the net positive impact is unknown. In a Town-only scenario, additional on-site equalization basins (EQ) would be required at the existing WWTP site at a cost of \$5.3m to \$5.5m. This improvement would not increase its ability treat new nitrogen

requirements. Locating the EQ basins on site would be challenging – again, floodplain or adjacent neighborhood.

This Contract is a first step. If you approve, you will also need to consider a resolution that formally approves the “modified Alternative 4.” This would allow the PER to be forwarded to the State DWI for comment so that we could begin design work.

You will also be reviewing the Chatham Park cost-sharing guarantee in a subsequent meeting. This Contract does not approve or otherwise authorize the NPDES discharge permit. That will also be discussed in a subsequent meeting.

Action Requested: Discuss, provide feedback and approve signature of the Contract, if appropriate.