



## FREQUENTLY ASKED QUESTIONS REGARDING THE PINOLE-HERCULES WASTEWATER TREATMENT PLANT

### ISSUES REGARDING HERCULES LEAVING PINOLE

**Q: WHAT IMPROVEMENTS WILL THE WATER BOARD REQUIRE OF PINOLE IF HERCULES IS LEAVING THE PLANT?**

A: This option eliminates the need for major capital improvements and the issue of wet weather flow is diminished since the flows only include Pinole. The capital improvements call for the construction of an Equalization Tank that will retain the wet weather flows long enough to be released once the heaviest waters have passed through the system.

However, we still have the issue of wet weather flow and utilization of the shallow water outfall during this time period. It is hopeful that the Water Board will consider an alternate plan and minimize the improvements that have to be made while we are in the interim period and while we still have to treat the flows from both cities, undertake the process of splitting apart, and wait for Hercules to get to West County. More than likely, Hercules will have to provide the Water Board with their exit plan in an official capacity prior to them granting any grace period or extension on the current required improvements.

**Q: WHAT IS THE DIFFERENCE IN COST FOR PINOLE IF HERCULES STAYS WITH PINOLE VS HERCULES GOING TO WEST COUNTY AND PINOLE OPERATING THE PLANT ALONE?**

A: The total cost per month is very similar under both scenarios. But the rate is configured differently. For Pinole, if Hercules stays, we have a significant increase in capital improvement costs because we will have to issue debt to pay our share and operational costs will be similar to what we pay now.

If Hercules leaves, we will have significantly lower capital improvement costs, but operational costs could be higher, depending upon the terms of Hercules' exit.

If Hercules stays the capital improvement costs are an estimated \$42 million with our share being about \$21 million. If they leave for West County, our capital improvement costs are about \$2.5 million to \$5 million.

For operation and maintenance costs, it costs about \$4 million to run the plant which we currently split with Hercules 50/50. Our share is an estimated \$2 million per year.

**Q: HOW WILL PINOLE FINANCE THE IMPROVEMENTS UNDER THE “PINOLE ONLY” OPTION?**

A: This option will include improvements that may cost between \$2.5 and \$5.0 million and will require additional debt to be issued in order to finance the project. We have an engineering study identifying what improvements we have to make and the next step is to go to final engineering which will cost an estimated \$250,000 to \$500,000. This will require additional rate increases.

**Q: WHAT IS THE AFFECT ON THE RATES FOR THE “PINOLE ONLY” OPTION?**

A: The current Pinole rate is \$47.37 per month. The rate will increase to an estimated \$64.00 per month if we operate the plant alone or together with Hercules. The reason for this is because under the “Pinole Only” option, the operation and maintenance costs will increase since Hercules will no longer be paying 50% of these costs.

**Q: IF HERCULES CONFIRMS THEIR DECISION TO LEAVE, WHAT ARE THE NEXT STEPS?**

A: If Hercules confirms their current decision to leave Pinole for West County, we will begin discussions with Hercules and the Water Board immediately to determine what they will require of Hercules to transfer their flows to West County and the time period under which the work must be completed.

We will also begin pursuing final engineering of the Equalization tank and subsequent improvements once we have a date certain as to when Hercules will actually transfer their flows to West County.

In addition to the above, we will begin to negotiate an “exit agreement” with Hercules. We have already taken steps in this direction as both cities have retained attorneys who will focus on this aspect. The “exit agreement” will outline how we will continue to operate in the interim period until Hercules can transfer their flows to West County, as well as financial concerns and the timing of the switch to West County among other issues.

**Q: WITH THE RECENT CHANGES IN HERCULES MANAGEMENT, WHAT IS THE STATUS OF THEIR CONTRACTS WITH URBAN LOGICS AND CAROLLO ENGINEERS?**

A: When the City Manager of Hercules was placed on medical leave and Interim City Manager Charlie Long was hired, the City of Hercules began to rethink their position and needed time to reevaluate and confirm their decision. Mr. Long reassigned new team members to the project and those members were rethinking the decision to leave the Pinole-Hercules plant.

Mr. Long also placed a hold on two engineering studies. The first was with Urban Logics, the engineers who were designing the pipeline that would

transfer the Hercules wastewater to West County and the second with Carollo Engineers that was designing the improvements at the West County plant. As far as we know, those contracts are still on hold. We have recently been told that that when the City Manager was brought back after Charlie Long's departure, that work was resumed on the contracts. It appears that Hercules is in the Notice of Preparation phase of the environmental review phase.

### **ISSUES IF HERCULES DECIDES TO STAY WITH PINOLE**

**Q: IF HERCULES DECIDES TO STAY WITH PINOLE WHAT ARE THE IMPROVEMENTS AND HOW WILL THEY BE FINANCED?**

A: Should Hercules decide to stay, then we revert back to the current permit milestones and we move towards the final engineering phase. The improvements include significant upgrades to all treatment processes and a focus is kept on addressing the wet weather flow. The cost is estimated at \$42 million to be shared by the two cities 50/50. Pinole's share would be an estimated \$21 million.

Pinole's share will be financed through a debt issuance and the rates will have to be adjusted accordingly over a multiyear time period. Every effort will be made to "smooth" out the rate increases as necessary in order to minimize the impact to our residents as much as possible.

**Q: WHAT IF HERCULES CANNOT PROVIDE THEIR SHARE OF THE FINANCING?**

A: Pinole will not be providing any financing to the City of Hercules to finance their share of the improvements. It will be up to Hercules to develop their specific financial plan and rate structure to pay for their share. There should be no impact on Pinole residents.

However, given Hercules' financial condition, we are concerned about their ability to issue debt and raise the rates beyond their current 8-year approved rate plan. This will be discussed with the Water Board in January. Hercules may have to analyze several options, including (1) approving additional rate increases to pay their share, (2) using cash reserves, and (3) obtaining a loan from the Clean Water State Revolving Fund.

**Q: WHAT IS THE AFFECT ON PINOLE RATES IF PINOLE AND HERCULES STAY TOGETHER?**

A: Our current rate is \$47.67 per month. This rate is scheduled to increase to \$52.77 per month in FY 2011-12. Pinole would have to issue an estimated \$21 million in additional debt in order to finance the improvements outlined in

the current permit milestones. This means that the rate would increase to \$65.54 in FY 2013-14 once we issued the debt.

The rate increases are basically the same whether it is the Pinole Only” option or we stay together.

**Q: WHAT ARE THE IMPACTS TO PINOLE IF HERCULES DECIDES TO STAY?**

A: If Hercules decides to come back to Pinole, then we are behind in the timeframe for beginning the final engineering phase based on the current milestones outlined in the permit. We will have to request an extension from the Water Board on the permit milestones.

More than likely, if Pinole and Hercules decide to stay together, the Water Board will continue to require the current milestones in the permit even if they allow an extension of the timing (perhaps in the new permit). This means that both cities will have to increase rates and issue debt to continue to proceed with the final engineering and the construction of the improvements.

For Pinole and Hercules to stay together at the plant and meet the milestones in the current permit, it will cost an estimated \$42 million in today’s dollars. This cost would be shared 50/50 with Hercules.

**ISSUES REGARDING THE PERMIT**

**Q: WHAT ARE THE MILESTONES IN THE CURRENT PERMIT, ASSUMING PINOLE AND HERCULES STAY TOGETHER?**

A: Outlined below are the milestones outlined in the current permit:

Submit a Collection System Master Plan	June 1, 2008	Complete
Submit an Engineering Report Identifying Proposed Plant Upgrades	June 1, 2009	Complete
Submit Certified EIR for Projects Identified in Task 2	August 1, 2010	Complete
Secure Funding for Plant Upgrades	August 1, 2011	Complete
Start Design of WWTP Improvements	August 1, 2012	
Complete Final Design of Improvements	August 1, 2013	
Commence Construction of WWTP Improvements	June 1, 2014	

Complete Construction of WWTP  
Improvements

November 1, 2015

Ensure Improvements are Online and  
Operational

June 1, 2016

**Q: WHAT IS THE SCHEDULE OF ACTIONS FOR THE RENEWAL OF THE CURRENT PERMIT?**

A: Outlined below, is a schedule of the actions that will take place in terms of the permit renewal process assuming the “Pinole Only” option.

March 1, 2011	City Council action to award the contract to develop the permit application. The Current Estimate Approximately \$35,000. This fee gets us from where we are to the submittal point.
June 1, 2011 – Dec 1 2011	Consultant Compiles Data, Prepares Report, and Makes Application.
Dec 1, 2011 to Feb 1, 2012	Water Board Data Collection
Feb 1, 2012 – June 1, 2012	Discussions with the Board over Permit requirements and, deadlines etc.
July 1, 2012	Board Approves the Permit
Sept 1, 2012 – Sept 1, 2017	Permit is in place

**Q: HOW WILL THE FINAL DECISION BY HERCULES IMPACT THE PERMIT RENEWAL PROCESS?**

A: We intend to begin the permit renewal process in March 2011. The process is the same as it has been in the past. We will begin negotiations with the Water Board in early 2012. It is at that time, that we will need a final decision by Hercules.

**Q: WHAT ARE THE ISSUES THAT WILL LIKELY BE RAISED DURING THE PERMIT RENEWAL PROCESS?**

A: As mentioned above, our current permit expires in November 2012. Whether Hercules stays with Pinole or not, the renewal process is the same. However, the terms will be significantly different if we undergo the “Pinole Only” option or if we stay together with Hercules.

Under the “Pinole Only”, it is imperative that the City of Hercules is able to transfer its flows in a reasonable period of time to avoid costly interim improvements that will only benefit the two cities for a short period of time until Hercules can transfer their flows to West County.

We have met with the Water Board, and they have a clear understanding of this dilemma. It does not make any financial sense for either of us to do anything but minor improvements while we are still together during this interim period. Hopefully the Water Board will continue to agree to this as well.

Our plan is to go to the Water Board and ask for an extension on the current permit. We think we have a good chance of getting that extension and asking for a modification on the remaining milestones because Hercules is re-evaluating their position. Staff will be meeting with the Water Board on January 24. We will start the renewal process in March 2011 and must submit our complete permit application by December 1, 2011.

**Q: WILL PINOLE BE ABLE TO MEET THE NOVEMBER 2015 WATER BOARD DEADLINE OUTLINED IN THE CURRENT PERMIT?**

A: The current permit requires specific milestones to be completed by November 2015. The Water Board has placed these requirements in the permit with the assumption that Pinole and Hercules would remain together. We have completed the preliminary engineering and the rate analysis for the Pinole-Hercules option and we are ready to go to final engineering if we stay together.

With this in mind, and despite all of the discussions of Hercules leaving to West County, we have met all of the current permit obligations for this timeframe of the existing permit. If we were to continue on this path, we should have started final engineering in order to meet the construction schedule and finish by November 2015.

If we do not stay together, Pinole will move forward with the plans for construction of the Equalization Tank. If this occurs, we will start design of the tank in 2012 and be completed by the November 2015 deadline.