

March 30, 2018

Dear Mayor Lotter and Members of the Paradise Town Council:

The Paradise Citizens' Alliance (PCA) congratulates the Town of Paradise for taking a significant step forward in the consideration of a possible sewer system for the predominately commercial areas in our community with the development of this draft sewer feasibility study, and for pursuing the grant funding that made this sewer feasibility study possible.

These are important achievements towards ultimately developing a credible body of knowledge from which our community and the Town Council can evaluate, analyze, discuss, and determine the merits of a major infrastructure improvement project of this magnitude for Paradise.

As a community organization dedicated to greater civic engagement in our community, we are equally impressed with the extensive public participatory process that the Town of Paradise has established from the very beginning.

The PCA greatly appreciates the Town's invitation to the community to provide written public comments concerning the draft sewer feasibility study. While we believe this draft study is a commendable effort, we recognize that at this point it's a work in progress, and in keeping with the Town's invitation for public input, subject to further changes, modifications, and improvements.

Therefore, the PCA's attached written comments are intended solely to assist the Town of Paradise with its current efforts to further improve the thoroughness and credibility of the information, evaluation, and analysis in the draft sewer feasibility study so that the final sewer feasibility study is a document the Town Council can justifiably rely on when making a well-informed decision on the sewer issue.

Sincerely,

Charles Rough, Chair

cc: Paradise Town Council  
Lauren Gill, Town Manager

## **Comments by the Paradise Citizens' Alliance Concerning the TOP's Draft Sewer Feasibility Study**

The following comments are not to be construed as the Paradise Citizens' Alliance taking a position at this time on a proposed sewer system for the commercial areas in our community.

These written comments represent our organization's contribution to the Town's overall effort to further improve the draft sewer feasibility study so that the final Town Council adopted sewer feasibility study is as thorough, accurate, and complete as possible.

Therefore, we view our effort, as well as others in our community who have already provided input or who may submit written comments by the March 31 public comments deadline, as playing a highly constructive role to ensure that our community, Town Council, and Town staff have all the information necessary to make a well-informed decision on an issue of this magnitude and importance.

With this in mind, we submit the following comments concerning the draft sewer feasibility study:

### **Summary of PCA's Comments:**

1. The draft sewer feasibility study is a commendable effort but still requires additional information, analysis, and evaluation before the TOP can make a well-informed determination as to the feasibility of a proposed sewer system for Paradise.
2. The draft sewer feasibility study provides a good explanation of the beneficial impacts that public infrastructure projects, such as wastewater-related projects, generally have as a catalyst for economic growth. However, for the purpose of the TOP's determination of the feasibility, as well as justification for a sewer system in Paradise, the final study needs a far more comprehensive identification of the projected financial and economic benefits to Paradise.

3. The estimated project cost for the preferred Chico/regional alternative, (or any of the project-related alternatives identified in the draft sewer feasibility study), needs to be further increased due to the likelihood that the project won't start actual construction for a number of years. If this is true, it will have a corresponding effect on the additional financing costs and the increased amount of state and federal grants needed to minimize the cost impact on the residential and commercial property owners in the sewer service area.
4. The final sewer feasibility study needs to include a discussion of the potential risks associated with the preferred Chico/regional alternative. .
5. Due to water conservation trends in Paradise the final sewer feasibility study needs to re-analyze the flows Paradise will generate to the Chico wastewater treatment plant (which if lower might make this regional approach more favorable to Chico) .
6. The final sewer feasibility study needs to more fully explore the income producing potential of a sewer system and how these might further reduce the estimated costs of the project-related alternatives, and the resulting cost burden on the residential and commercial property owners in the sewer service area.
7. The final sewer feasibility study needs to reevaluate the number of projected septic system failures over the next 10 years, better explain with greater specificity the actual economic loss and environmental threat facing the TOP as a result of projected septic system failures, and justify why this more immediate problem facing a very limited number of properties in the sewer service area warrants a sewer system that the overwhelming majority of unaffected properties in this same sewer service area must financially support.
8. While we accept No Project alternative as the no sewer project alternative identified in the draft sewer feasibility study, the final sewer feasibility study needs to go further than to characterize the No Project alternative as the status quo option, and actually explore possible innovative approaches and emerging technologies that might more cost effectively address the immediate septic system failure problem facing the TOP and the downtown.

### **The Economic Benefits of the Sewer Project**

In October, 2015, the PCA submitted twelve questions to the TOP we identified as as needed to be addressed in any sewer feasibility study (which we've had posted on our website ever since). One of those questions we raised emphasized the fundamental importance of including in such a study a comprehensive economic

impact analysis that would determine the projected economic gains to Paradise with a sewer system.

1. The financial and economic benefits identified in the draft feasibility study are either identified as regional benefits or benefits to “Paradise and its vicinity,” and require greater detail or explanation.
2. The final sewer feasibility study needs to better define the projected return in terms of projected financial, business, and economic benefits to Paradise and the affected property owners in the sewer service area in order to justify a costly public infrastructure investment of this kind.
3. The final sewer feasibility study requires a comprehensive, projected financial and economic impacts analysis providing (at the very least) the following information:
  - a. The actual projected estimate of businesses in Paradise closing due to failed septic systems over the next ten years, the resulting economic loss (jobs, property values, sales, etc.) and financial loss to the TOP (property tax, sales tax revenues, etc.).
  - b. The net projected economic gains to Paradise from more fully maximized commercial development on the remaining undeveloped parcels, and redevelopment of existing parcels (including business expansions) within the proposed sewer service area.
  - c. The net projected gains in retail/commercial sales and resulting increased sales tax revenues to the TOP.
  - d. The net projected gains in Paradise’s property values and resulting increased property tax revenues to the TOP.
  - e. The projected jobs growth in Paradise by economic sector and type of job (other than those jobs associated with building or managing & maintaining the sewer system).

Note: The draft sewer feasibility study’s explanation of estimated jobs growth was confusing (55 jobs in wastewater related activities; 161 additional jobs in all sectors “in Paradise and vicinity”). The study lacked an explanation of how many of the wastewater-related jobs were permanent (having to do with the management & maintenance of a sewer system) or temporary (having to do with

construction of a sewer system). Moreover, there was no additional breakdown or methodology provided which explains how the estimated, additional 161 jobs “in all sectors,” was determined, or how many of these actually were jobs gains in Paradise.

4. We look forward to a more balanced and better informed presentation in the final study about the state of our local economy than the negative portrayal in the draft sewer feasibility study attributable to the lack of a sewer. We’re concerned that the negative and distorted picture it paints of a supposedly stagnant local economy ignores a number of economic forces in Paradise, such as the growing and dynamic healthcare sector (unique for a rural community like Paradise), which are anything but stagnant. Furthermore, this negative portrayal may have the unintended consequences in the interim of hurting existing businesses and undermining our local economy, affecting property values, and discouraging new business investment in Paradise.

### **The Preferred Regional/Chico Alternative**

1. The final sewer feasibility study should include with its explanation of the regional/Chico alternative (as the preferred alternative) a discussion of the possible risks associated with taking this regional approach which might affect the residential and commercial property owners in the sewer service area, and possibly impact the sustainability of the sewer system itself.

We’re confident the TOP is well aware of the political risks for Paradise by contracting with Chico to use their wastewater treatment plant.

However, assuming Chico agrees to allow Paradise to use their treatment plant, there are two issues associated with an agreement with Chico that pose possible risks to the TOP, and which needs to be addressed to protect our sewer service area property owners and the continued utility of the sewer system.

They include: 1.) the uncertain cost burden to property owners in the sewer service area due to fees charged by Chico over Paradise’s long term use of their wastewater treatment plant (as an industrial user), and 2) the possibility that Chico might at some point in the future elect to exercise, with proper notification, the termination of Paradise’s use of their treatment plant, leaving the TOP vulnerable with an ineffective, non-functioning sewer system and a non-repayable, defaulting debt.

2. Our recommendation is that the Town Council hold off approving a sewer system based on the preferred Chico/regional alternative until the concerns just mentioned above are addressed to the satisfaction of the Town Council and staff.

This includes 1) developing a rate structure which fairly compensates Chico for the use of their treatment plant, while at the same time protects Paradise residential and commercial Paradise property owners in the sewer service area from costly built-in fee escalators over the long term, and 2) developing an agreement with Chico that is either a permanent treatment plant use agreement, or instead makes the option of pulling out of such an agreement by either party a financially undesirable and difficult option.

3. The final sewer feasibility study needs to better emphasize that under this preferred alternative the sewer system is not a conventional sewer collection system. Instead, property owners in the sewer service area will continue to use their septic tanks for the solids, while the wastewater will be separated and piped to Chico for treatment (Chico will not accept the solids). This raises the possibility that some property owners in the proposed sewer service area may need to upgrade their septic tanks when the sewer collection and pumping system is constructed. Also, property owners in the sewer service area might have to pay for the periodic pumping of their septic tanks in addition to the other sewer system-related costs they may incur.

4. This preferred alternate presents a possible problem for the TOP when it comes to the disposal of the sewage pumped from septic tanks by the septic haulers. The County landfill is either not accepting or close to not accepting the sewage from septic tanks. This will result in increased transportation costs for the septic haulers and increased pumping costs for businesses and residents in Paradise. However, some the construction of some sort of sewage retention station might be a possible income generator to help reduce the project costs for the sewer system.

5. The final sewer feasibility study needs a substantive discussion of the potential income/revenue offsets to this preferred alternative's projects costs relative to Tuscan Ridge and the generation of power from the high velocity of Paradise's wastewater being piped down the Skyway to Chico.

6. The draft sewer feasibility study identifies the cost of the Chico alternative as \$ 83 million. In our considered opinion, the more likely cost for this alternative by the time this project actually starts construction could be \$100 million or more, with public financing costs for the part of the project not funded by grants, etc., amounting to an additional \$ 8-10 million (as opposed to the additional \$6.1 million identified in the draft study).

According to the draft study, this significantly higher cost is mostly due to the more extensive infrastructure improvements (within the Chico city limits) necessary to convey Paradise's wastewater once it reaches Chico to their treatment plant. In our considered opinion, we'd recommend an engineering reevaluation or independent second opinion on the engineering to determine if there are areas here the project costs for this preferred alternative could be further reduced.

7. The draft sewer feasibility study identified "\$ 40 million or more" as the amount of grants funding needed. In our opinion, the more likely amount which will be needed in state and federal grants is closer to \$ 60-80 million (based on the \$ 100 million or more estimate).

To reach this much higher benchmark in outright grants funding makes this a much more difficult challenge. Notwithstanding the political will as well as skill of our Town Council and staff, the current lack of available state and federal grants funding overall, even after taking into account the various types of grants a project of this type might be eligible for or pursue is not encouraging, but not hopeless.

We'd recommend the TOP seriously consider that in addition to utilizing our own local legislative and congressional representatives, that the TOP retain the services of paid professional lobbyists both in Sacramento and Washington, D.C., with not only the political connections we need on the state and federal levels, but who have proven track records with helping to secure funding for similar type projects.

### **The Failed Septic System Problem**

The draft sewer feasibility study identifies the immediate economic and environmental problem facing the TOP as potentially 122 failed septic systems over the next 10 years. This compares to 1,421 total parcels in the proposed sewer service area.

1. The final sewer feasibility study needs to reevaluate the number of septic systems slated to fail in the next 5 to 10 years, and if that number is less or more than the 122 systems cited in this draft sewer feasibility study, and previous TOP reports.
2. The final sewer feasibility study needs to measure the economic loss, if any, from the current 54 failed septic systems, or the potential number of failed systems over the next 10 years. The fact that many of these businesses with currently failed septic systems are still operating their businesses raises questions as to the degree of potential economic loss the TOP might actually sustain in the short or long term.
3. The final sewer feasibility study needs to identify the actual environmental threat to surface and ground water as a result of the current 54 failed systems, the potential septic system failures over the next 10 years, and the potential threat they pose, if any, to the remaining parcels in the proposed sewer area, and beyond.
4. The final sewer feasibility study needs to explain the statement made in the draft sewer feasibility study that businesses and property owners in the proposed sewer service area are experiencing high repair and maintenance costs associated with their existing septic systems. How many property owners in the proposed sewer service area are affected in this manner and what kind of repair and maintenance costs are they incurring?

### **The No Project Alternative**

1. The draft sewer feasibility study appropriately identifies the no project alternative as the alternative in which a sewer system doesn't get built in Paradise. However, the draft study characterizes this choice as maintaining the status quo, which conveys the impression that the TOP would allow septic systems to continue failing and the affected businesses operating as best they can under the circumstances.

There needs to be some attention devoted in the final sewer feasibility study, even as an addendum, resulting from a No Project decision to proactively exploring the range of cost effective possibilities, innovative approaches, emerging technologies, and potential private/public partnerships to resolve the immediate septic system failure problem in the downtown.

**Cost-Related Impacts for Residential & Commercial Property Owners (in the sewer service area)**

1. For the sake of the affected residential and commercial property owners in the proposed sewer service area, the final sewer feasibility study needs further clarification of all potential costs, fees, assessments, etc., that they might be paying per project alternative to resolve any confusion from the draft sewer feasibility study. It's vitally important to attempt to address this now considering that the primary question these affected property owners are asking now and will increasingly ask during the sewer assessment district formation effort is how much they are going to pay.

2. The final sewer feasibility study needs to emphasize that the feasibility of building a sewer system in Paradise, with this kind of cost involved, primarily depends on the TOP successfully obtaining a combination of state and federal grants that cover the majority of those project costs, so that the financial impact on residential and commercial property owners in the sewer service area is nominal.

**Conclusion:**

If a sewer project is approved for Paradise, it will represent without exception the single, most expensive and ambitious public infrastructure improvement project in the history of the Town of Paradise.

Therefore, we urge the Town Council and Town staff to take the time needed to develop a credible, final sewer feasibility study document which thoroughly explores and evaluates all possibilities involved with building or not building a sewer system in Paradise.

