



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Public Works



Date: August 10, 2012
Board Meeting Date: September 11, 2012
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: James C. Porter, Director of Public Works
Subject: State Water Resources Control Board Clean Water State Revolving Fund
Financial Assistance for Collection System Improvements

RECOMMENDATION:

Acting as the Governing Board of the Burlingame Hills Sewer Maintenance District, Crystal Springs County Sanitation District, Devonshire County Sanitation District, and Fair Oaks Sewer Maintenance District, adopt a Resolution for each District:

- A) Authorizing the Director of Public Works to submit a Financial Assistance Application to the State Water Resources Control Board for the Clean Water State Revolving Fund to fund the construction of collection system improvements to the sanitary sewer facilities; and
- B) Authorizing the President of the Board or his/her designee to negotiate and execute Financial Assistance Agreements from the State Water Resources Control Board and any amendments or change orders thereto, and certify Financing Agreement Disbursements; and
- C) Dedicating the net revenues collected through the Sewer Service Charges for repayment of the funds accessed through the Clean Water State Revolving Fund.

BACKGROUND:

On May 19, 2009, your Board adopted Resolution No. 070109 authorizing the Director of Public Works to submit a Financial Assistance Application and execute financing agreement(s) with the State Water Resources Control Board (SWRCB) for the Clean Water State Revolving Fund (CWSRF) to fund the construction of Collection System Improvement Projects in the nine County Sewer Maintenance/Sanitation Districts.

On November 3, 2009, your Board adopted Resolution No. 070493 establishing the capital improvement program component of the annual revenue collected through the Sewer Service Charges as a dedicated source of revenue for repayment of funds accessed through the CWSRF for Projects in the districts.

Current SWRCB policy requires that individual applications and resolutions be submitted for each of the districts seeking CWSRF financial assistance. The Department has determined that obtaining CWSRF loans for the Burlingame Hills Sewer Maintenance District, Crystal Springs County Sanitation District, Devonshire County Sanitation District, and Fair Oaks Sewer Maintenance District (Districts) is a reasonable approach to financing the collection system improvement projects (Projects). Collection system improvements in the remaining districts will be paid on a “pay-as-you go” basis.

On July 24, 2012, your Board adopted Ordinance No. 04625 setting the FY 2012-13 sewer service rates for the Districts. A portion of each district’s rate is intended to support projects within each District. These projects will increase the size of sewer mains where capacity is insufficient or replace sewer mains in poor condition.

DISCUSSION:

The operation, maintenance, repair, and replacement of the Districts’ sanitary sewer facilities are funded by the annual sewer service charges collected from property owners in the Districts. Some of the Projects have been postponed because the annual sewer service rates had not been sufficient to fund them based on a “pay-as-you go” basis. We believe it is prudent and cost effective to fund the construction of the Projects through the CWSRF loan program to realize the effectiveness of economies of scale to minimize construction costs and enable a substantial amount of work to be completed at one time. The Districts’ sewer service rates have been calculated to include sufficient funding to repay CWSRF loans at a low interest rate and with a twenty (20) year term.

The CWSRF loan program requires an ordinance or resolution be adopted by the governing body of the Districts to dedicate the net revenues of the Districts collected in accordance with the sewer service rates as the dedicated source of revenue for payment of the funds accessed through the CWSRF. A copy of the ordinance or resolution must be submitted as part of the funding application and is required for approval of the loan. The recommended Resolutions will meet the credit review requirements of the SWRCB Division of Financial Assistance.

County Counsel has reviewed and approved the Resolutions as to form.

Adoption of the Resolutions will contribute to the Shared Vision 2025 outcome of a Healthy Community by enabling the Districts to secure loans to finance the Projects which are integral parts of maintaining the integrity of the sanitary sewer infrastructure that protect the environment for the benefit of the public.

FISCAL IMPACT:

The twenty (20) year low interest CWSRF loans will be repaid by the Districts' net revenues from the sewer service charges levied on properties receiving sewer service from the Districts. The anticipated loan amounts, annual loan payments, and anticipated sewer service charges to be collected for loan repayment are summarized in the attached Exhibit "A". There is no impact to the General Fund.

Attachment: Exhibit "A" – Financial Assistance Summary

EXHIBIT “A”
Financial Assistance Summary
State Water Resources Control Board Clean Water State Revolving Fund to County
Sewer/Sanitation Districts for Collection System Improvement Projects

<i>District</i>	<i>Estimated Loan Amount¹</i>	<i>Estimated Interest Rate² (%)</i>	<i>Loan Terms (Years)</i>	<i>Annual Loan Payment³</i>	<i>Loan Repayment Component in Annual Sewer Service Rate⁴</i>
Burlingame Hills SMD	\$2,300,000	2.50	20	\$150,000	\$152,000
Crystal Springs CSD	\$2,400,000	2.50	20	\$156,000	\$158,000
Devonshire CSD	\$500,000	2.50	20	\$35,000	\$41,000
Fair Oaks SMD	\$4,000,000	2.50	20	\$270,000	\$278,000

Notes:

1. Estimated loan amounts may include engineering during construction and contract administration. Final loan amounts to be determined by actual costs from contractor bids and construction contract administration.
2. Combined funding interest and loan service rate is set at a rate that does not exceed 50 percent of the interest rate paid by the State on the most recent sale of State General Obligation bonds (per California Water Code Section 13480).
3. Annual loan payments begin 1-year after completion of project construction. Actual payment amounts to be calculated based on actual loan amount required.
4. Annual Sewer Service Charges based on Sewer Service Rate (per Equivalent Residential Unit per year) for each District has included a “Capital Improvements Program” component for loan payments.