



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Public Works



**Date:** April 22, 2013  
**Board Meeting Date:** May 21, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** James C. Porter, Director of Public Works  
**Subject:** Sanitary Sewer Improvement Project - Crystal Springs County Sanitation District (Project No. SC005, File No. S/4885)

**RECOMMENDATION:**

Acting as the Governing Board of the Crystal Springs County Sanitation District:

- A) Adopt a Resolution as official intent of the Crystal Springs County Sanitation District to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of costs by the Clean Water State Revolving Fund loan.
- B) Adopt a Resolution:
  - 1. Certifying the Initial Study / Mitigated Negative Declaration, dated August 2012 for the Crystal Springs County Sanitation District Sanitary Sewer Improvement Project; and
  - 2. Adopting plans and specifications, including conformance with prevailing wage scale requirements, for the Crystal Springs County Sanitation District Sanitary Sewer Improvement Project; and
  - 3. Authorizing the Director of Public Works to call for sealed proposals to be received by Thursday, June 27, 2013 at 2:30 p.m., in the office of the Clerk of the Board of Supervisors.

**BACKGROUND:**

On March 13, 2009, the California Regional Water Quality Control Board (San Francisco Bay Region) issued Cease and Desist Order No. R2-2009-0020 (CDO) to the Town of Hillsborough, City of San Mateo and the Crystal Springs County Sanitation District (District) due to sewage overflows from the shared sanitary sewer facilities. The CDO requires that the parties undertake certain actions, studies, and projects to improve performance and capacity of the sewer facilities. The CDO requires that the

District complete the remaining capital improvement projects identified in the District's 1999 Master Plan (Master Plan). The Crystal Springs County Sanitation District Sanitary Sewer Improvement Project (Project) includes the remaining capital improvements identified in the Master Plan.

On September 11, 2012, your Board adopted Resolution No. 072154B which authorized actions necessary to seek a loan for District capital improvement projects. These actions included: submittal of a financial application to the State Water Resources Control Board (SWRCB) for a Clean Water State Revolving Fund (CWSRF) loan to fund the Project, authorization for the President of the Board or his/her designee to negotiate and execute Financial Assistance Agreements from the SWRCB, and dedication of the District's net revenues collected through the sewer service charges for repayment of the CWSRF loan.

### **DISCUSSION:**

The proposed project, totaling approximately 2.04 miles in length, consists of replacing existing sanitary sewer pipes and manholes in poor condition, reconnecting existing sewer laterals to the new pipes, and restoring existing surfaces (pavement) affected by the work. The plans and specifications for the work have been prepared and staff is recommending that your Board authorize calling for bids for the proposed work.

Execution of a Reimbursement Resolution is required by the CWSRF loan program. The Resolution indicates that it is the intent of the District to comply with Treasury Regulation Section 1.150-2 (Section) regarding issuance of tax-exempt obligations. The main purpose of this Section is to ensure that funds used to reimburse prior expenditures will comply with tax-exempt bond requirements, such as yield restrictions and arbitrage rebate on financing. This Section requires an official declaration of a reasonable intention to reimburse the expenditure with proceeds from the borrowing, and a statement of the nature of the expenditure. The Reimbursement Resolution is a model resolution provided by the SWRCB, which complies with the CWSRF and Treasury Code 1.150-2 requirements.

The District anticipates receiving a preliminary Funding Commitment Letter from the SWRCB for the CWSRF loan to fund the Project between July and September 2013. The CWSRF requirements specify that construction costs incurred prior to the District's receipt of the Funding Commitment Letter are not eligible for reimbursement. The District intends to move forward with the bidding process for this project and present your Board with bid results and a recommendation to award a contract to the lowest responsible bidder once the Funding Commitment Letter has been received.

The Initial Study/Mitigated Negative Declaration (IS/MND), prepared by Denise Duffy & Associates, Inc., an environmental consulting firm, identified potential adverse effects during construction. Those effects will be reduced to less than significant levels through the implementation of specific mitigation measures as identified in the Mitigation Monitoring and Reporting Program, pursuant to Section 2108.6 of the California Public Resources Code. A 30-day public review period was completed in compliance with the

provisions of the California Environmental Quality Act and responses to comments received from the SWRCB were provided to the commenting party.

The certification of the IS/MND and the adoption of the Mitigation Monitoring and Reporting Program as conditions of project approval ensure compliance with the California Environmental Quality Act. The IS/MND is available for review at: [http://www.co.sanmateo.ca.us/publicworks/DepartmentArticles/Road%20Construction/CSUSD%20CIP\\_IS-MND\\_Memo%20Exhibit%20A.pdf](http://www.co.sanmateo.ca.us/publicworks/DepartmentArticles/Road%20Construction/CSUSD%20CIP_IS-MND_Memo%20Exhibit%20A.pdf). A hard copy for review is available in the County Manager's Office and the Department of Public Works.

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

Approval of these actions contributes to the Shared Vision 2025 outcome of a Healthy Community by maintaining the integrity of the sanitary sewer infrastructure and protecting the environment for the benefit of the public.

**FISCAL IMPACT:**

The estimated construction cost of \$1,290,000 is proposed to be financed initially by District funds and reimbursed by a CWSRF loan. The loan, which is expected to be approved in the amount of \$2,400,000, will have a low interest rate and a term of 20 years. The Project expenses are not estimated to reach the approved loan amount. Loan payments based on the full loan amount of \$2,400,000 are anticipated to be \$150,000 per year and payments will commence one year after completion of the Project. The actual annual payments will be calculated after the project has been completed. Loan payments based on the anticipated maximum loan amount have been included as a portion of the District's annual sewer service charges.

There is no impact to the General Fund.