



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



**Date:** September 12, 2013  
**Board Meeting Date:** October 8, 2013  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors, Acting as the Governing Board of the  
Burlingame Hills Sewer Maintenance District

**From:** James C. Porter, Director of Public Works

**Subject:** Adeline Drive and Canyon Road Capacity Improvement Project  
Reimbursement of Cost by the Clean Water State Revolving Fund Loan –  
Burlingame Hills Sewer Maintenance District

**RECOMMENDATION:**

Acting as the Governing Board of the Burlingame Hills Sewer Maintenance District, adopt a Resolution as official intent of the Burlingame Hills Sewer Maintenance 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.

**BACKGROUND:**

On June 6, 2009, the San Francisco Baykeeper and the Burlingame Hills Sewer Maintenance District (District) entered into a Consent Decree (Decree) due to the number of sewage overflows from the District's sanitary sewer facilities. The Decree requires that the District complete a Capacity Assurance Plan (Plan), a Master Plan Update, and Capital Improvement Projects recommended by the Plan. The Plan was completed on April 14, 2011, and identified the replacement of the Adeline Drive and Canyon Road sewer main segments as the two Capital Improvement Projects (Project) to address the capacity deficiencies in the collection system to reduce the occurrences of Sanitary Sewer Overflows (SSOs).

On September 11, 2012, your Board adopted Resolution No. 072154A, 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 0.9 miles in length, consists of replacing existing sanitary sewer pipes with larger diameter pipes, replacing sewer manholes in poor condition, reconnecting existing sewer laterals to the new pipes, and restoring existing surfaces (pavement) affected by the 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.

County Counsel has reviewed and approved the Resolution 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 \$1,100,000 is proposed to be financed initially by District funds and reimbursed by a CWSRF loan. The District will proceed with this Project once sufficient District funds have been accumulated to pay the construction costs, which is anticipated to be in FY 2014-15. The loan, which is expected to be approved in the amount of \$2,300,000, 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 \$2,300,000 are anticipated to be \$155,000 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.