

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **APRIL 9, 2013**

From:  **JAMES DURFEE / BILL ZIMMERMAN**

Subject: **SEWER MAINTENANCE DISTRICT 3 REGIONAL SEWER PROJECT –
STATE REVOLVING FUND ASSISTANCE APPLICATION**

ACTION REQUESTED / RECOMMENDATION:

1. Adopt a Resolution dedicating net revenues received by Sewer Maintenance District 3 for payment of any and all Clean Water State Revolving Fund financing assistance for the Sewer Maintenance District 3 Regional Sewer Project;
2. Adopt a Resolution of Intention to comply with Treasury Regulation Section 1.150-2 and Clean Water State Revolving Fund Program requirements regarding reimbursement of capital expenditures incurred prior to execution of a Clean Water State Revolving Fund financing assistance agreement for the Sewer Maintenance District 3 Regional Sewer Project.

BACKGROUND: On February 26, 2013, your Board authorized the Director of Facility Services to file a Clean Water State Revolving Fund (SRF) financial assistance application for the Sewer Maintenance District (SMD) 3 Regional Sewer Project (Project). The following additional actions are necessary to complete the application process:

A dedication of net revenues is required prior to completing the SRF application. Net revenues are defined by SRF as funds remaining after expenses, including revenue from sewer service charges, connection fees, and reserve fund balances. The dedication of these revenues complies with the SMD 3 Funding Plan for the Project and SMD 3 is anticipated to generate sufficient revenues during the proposed financing term to repay the loan without including potential revenues from additional future connections. In the event of a shortfall in user fees, the use of reserve funds will be available for debt repayment.

A Reimbursement Resolution is also required prior to completing the SRF application. The Resolution is required by SRF to indicate the intent of the Agency to comply with Treasury Regulation Section 1.150-2 regarding issuance of tax-exempt obligations. The main purpose of this code is to insure that funds used to reimburse prior expenditures will comply with tax-exempt bond requirements, such as yield restrictions and arbitrage rebate on financing. Section 1.150-2 requires an official declaration of a reasonable intention to reimburse the expenditure with proceeds for a borrowing, and a statement of the nature of the expenditure. The attached Resolution complies with the SRF and Treasury Code 1.150-2 requirements.

In order to complete the SRF application process, staff recommends your Board adopt the attached Resolutions.

ENVIRONMENTAL CLEARANCE: On November 20, 2012, your Board certified the Environmental Impact Report and Mitigation Monitoring and Reporting Plan for the Project. The Notice of Determination was filed for the Project on November 27, 2012.

FISCAL IMPACT: Approval of this request will have no net County cost. Adoption of the Resolutions will allow staff to complete the SRF application process for the SMD 3 Regional Sewer Project. The County is applying for an amount up to \$9,007,066 which will be repaid over a

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30 year term from the SMD 3 sewer user fees. Due to the timing of the SRF application process, compared to the estimated construction schedule, staff anticipates that approximately \$6.2 million of the total Project costs will qualify for SRF financing assistance. Any additional financing needed to complete the Project will be financed through the County Treasury.

JD:BZ:HK:LM

ATTACHMENT: RESOLUTIONS

CC: COUNTY EXECUTIVE OFFICE

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**Before the Board of Supervisors
County of Placer, State of California**

**In the matter of: DEDICATION OF NET
REVENUES RECEIVED BY SEWER
MAINTENANCE DISTRICT 3 FOR PAYMENT OF
ANY AND ALL CLEAN WATER STATE
REVOLVING FUND FINANCING ASSISTANCE
FOR THE SEWER MAINTENANCE DISTRICT 3
REGIONAL SEWER PROJECT.**

Resolution _____

The following RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, by the following vote on roll call:

Ayes:
Noes:
Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:
Clerk of said Board

WHEREAS, Sewer Maintenance District 3 has a need to acquire long term financing to construct a pump station at the Sewer Maintenance District 3 Wastewater Treatment Plant and install approximately 13,100 linear feet of 10-inch pipeline to Sewer Maintenance District 2 and decommission the Sewer Maintenance District 3 Wastewater Treatment Plant in order to comply with the waste discharge standards; and

WHEREAS, State Water Resources Control Board administers the Clean Water State Revolving Fund Program on behalf of the people of the State of California and has money available for eligible wastewater projects; and

WHEREAS, State Water Resources Control Board requires that, prior to issuance of the financing agreement, the governing Board of the sewer maintenance district must dedicate a source of net revenue for repayment of the State Revolving Fund loans, as follows:

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors, County of Placer, State of California, that Sewer Maintenance District 3 hereby dedicates net revenue to payment of any and all Clean Water State Revolving Fund Program financing on the Sewer Maintenance District 3 Regional Sewer Project. This dedicated source of net revenue shall remain in effect throughout the term of such financing unless modification or change of such dedication is approved in writing by the State Water Resources Control Board.

**Before the Board of Supervisors
County of Placer, State of California**

**In the matter of: INTENTION TO COMPLY
WITH TREASURY REGULATION SECTION 1.150-
2 AND CLEAN WATER STATE REVOLVING
FUND PROGRAM REQUIREMENTS REGARDING
REIMBURSEMENT OF CAPITAL EXPENDITURES
INCURRED PRIOR TO EXECUTION OF A CLEAN
WATER STATE REVOLVING FUND FINANCING
ASSISTANCE AGREEMENT FOR THE SEWER
MAINTENANCE DISTRICT 3 REGIONAL SEWER
PROJECT.**

Resolution _____

The following RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____, by the following vote on roll call:

Ayes:
Noes:
Absent:

Signed and approved by me after its passage.

Chair, Board of Supervisors

Attest:
Clerk of said Board

WHEREAS, Sewer Maintenance District 3 (the "District") desires to finance the costs of constructing a pump station at the Sewer Maintenance District 3 Wastewater Treatment Plant and installing approximately 13,100 linear feet of 10-inch pipeline to Sewer Maintenance District 2 and decommission the Sewer Maintenance District 3 Wastewater Treatment Plant in order to comply with the waste discharge standards, including certain facilities, pipelines and other infrastructure (the "Project"); and

WHEREAS, the District intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board); and

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the District desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the District; and

WHEREAS, the District has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the District for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors, County of Placer, State of California as follows:

1. The District hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.
2. The reasonably expected maximum principal amount of the Project Funds is \$9,007,066.
3. This Resolution is being adopted no later than 60 days after the date on which the District will expend moneys for the portion of the Project costs to be reimbursed with Project Funds for construction costs.
4. Each District expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.
5. To the best of our knowledge, this District is not aware of the previous adoption of official intents by the District that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.
6. This Resolution is adopted as official intent of the District in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of the Project costs.
7. All the recitals in this Resolution are true and correct and this District so finds, determines and represents.

