



Board Agenda Item 5

DATE: July 7, 2020

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Adopt Resolution to Determine the Total Amount of Assessment in Assessment District No. 284; Assessment in County Service Area No. 44, Zone D Monte Verdi Estates

RECOMMENDED ACTION(S):

Adopt a Resolution to determine the total amount of a Clean Water State Revolving Fund Loan in the amount of \$4,144,919 for improvements to the residential wastewater treatment facility serving Zone D of County Service Area No. 44 Monte Verdi Estates, to determine that the assessment in Assessment District No. 284 is due and payable, and to fix the total amount of the assessment at \$5,310,000.

Approval of the recommended action determines the total amount of a Clean Water State Revolving Fund (CWSRF) loan in the amount of \$4,144,919. This CWSRF loan, which was approved by the Board in 2010, was necessary for improvements to the residential wastewater treatment facility serving Zone D of County Service Area No. 44 (CSA 44D).

Approval of the recommended action also determines that the assessment securing repayment of the CWSRF loan (including interest) is due and payable by the property owners within CSA 44D, and fixes the total amount of the assessment at \$5,310,000, which is \$42,480 per property, or \$1,416 per property per year for the 30-year term of the assessment. In addition to the amount of the CWSRF loan repayment assessment on each property, there is also an annual administrative assessment of \$76 per parcel for each year during the term of the assessment to pay the necessary costs and expenses incurred, and not otherwise reimbursed, resulting from the administration and collection of the CWSRF loan repayment assessment.

ALTERNATIVE ACTION(S):

There is no viable alternative action.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended action. All costs associated with the total assessment are paid by the property owners within CSA 44D. On February 28, 2017, the assessment was approved by the CSA 44D and Assessment District No. 284 (AD 284) property owners in a majority protest proceeding under Proposition 218.

DISCUSSION:

The County obtained a CWSRF loan to finance improvements to the Wastewater Treatment Facility (WWTF) serving CSA 44D involving, in general, the installation of membrane bioreactors technology with necessary appurtenant equipment, making structural modifications to the existing tanks to accommodate new equipment, construction of a 20-foot by 31-foot addition to the south side of the WWTF building to house blowers and influent mechanical screening equipment, and construction of a biofilter (collectively, Improvements). The final principal amount of the CWSRF loan depended on the total amount of reimbursement claims, up to the maximum loan amount that CSA 44D qualified for, which was \$4,144,919.

Repayment of the CWSRF loan is secured by an assessment that was levied in a maximum amount after a Proposition 218 proceeding in 2013, in order to satisfy State qualification requirements (Assessment). The maximum amount of the Assessment was increased with a second Proposition 218 proceeding in 2017, after construction bids came in higher than expected.

Construction of the Improvements is now complete, and the final principal amount of the CWSRF loan is known to be \$4,144,919.

The recommended action is necessary to determine the total amount of the Assessment, within the maximum amount approved in the Proposition 218 proceedings, and make it due and payable so that it can be collected on tax bills beginning with Fiscal Year 2020-21.

The total amount of the Assessment that is necessary to secure repayment of the CWSRF loan is \$5,310,000, which is \$42,480 per property, or \$1,416 per property per year for the entire 30-year term of the assessment. This amount is lower than the maximum assessment amount approved by the property owners on February 28, 2017, which was \$5,403,750 for the entire 30-year term of the assessment, or \$43,230 per property, or \$1,441 per property per year.

In addition to the amount of the CWSRF loan repayment assessment on each property, there is also an annual administrative assessment of \$76 per parcel for each year during the term of the assessment to pay the necessary costs and expenses incurred, and not otherwise reimbursed, resulting from the administration and collection of the CWSRF loan repayment assessment.

Background:

The WWTF serving CSA 44D was not capable of producing discharge of suitable quality to comply with the State imposed Wastewater Discharge Requirements (WDR). Therefore, discharge could not be recycled to irrigate the common landscape areas of the development and had to be diverted to leach fields. This resulted in CSA 44D needing to use potable water to irrigate the common landscape areas of the development.

The WWTF serving CSA 44D required upgrades to bring it into compliance with waste discharge requirements prescribed by the Regional Water Quality Control Board (RWQCB). Those upgrades are generally described above.

In order to finance the Improvements, the County on behalf of CSA 44D applied and qualified for a CWSRF loan in the amount of \$4,144,919 with a 30-year term at 1% interest rate, coupled with a grant in the amount of \$732,081.

The Assessment on the properties within CSA 44D was necessary to qualify for, and secure repayment of, a CWSRF loan. At the public protest hearing on February 28, 2017, under Proposition 218, there was not a majority protest, and the Board set the maximum total amount of the Assessment, as stated above.

The amount of the Assessment established in 2017 was a maximum that may be reduced by the Board

before the Assessment becomes due and payable. In addition to the Assessment, there is also an annual administrative assessment of \$76 per parcel for each year during the term of the Assessment. The Board established the administrative assessment by Resolution No. 13-248 on August 2, 2013, to pay the necessary costs and expenses incurred, and not otherwise reimbursed, resulting from the administration and collection of the Assessment. Under the recommended Resolution, the County would begin collecting the annual administrative assessment in Fiscal Year 2020-21, at the same time it begins collecting the Assessment.

As mentioned above, the purpose of the Assessment is to secure repayment of a CWSRF loan to finance the Improvements. The CWSRF program calculates the total amount of the loan when the construction of the upgrades is complete and all disbursement claims are made. At completion, the amount of the assessment is adjusted and determined based on the total amount of the loan, based on all disbursement claims, plus estimated interest, plus the additional 10 percent coverage amount required by State Water Resources Control Board SWRCB policy, so that payments are made during the 30-year repayment term.

The project was awarded on December 12, 2017, to the lowest responsible bidder, Integrated Water Services, Inc., in the amount \$3,976,219. Construction of the Improvements is complete, therefore the final Construction cost is known. The Total Construction cost including change orders during construction is \$4,040,397.73.

Claims to the SWRCB included the construction cost and the associated cost for construction management, design and preparation of the plans and specifications, the application for financial assistance, management of the loan/grant, and all the costs associated with the Improvements. Total disbursement claims to the SWRCB were \$4,877,000 (loan plus grant amount), which is the maximum amount. The Department received an estimated amortization schedule from the SWRCB, Division of Financial Assistance (attached as Exhibit A) depicting the annual payment (principal + interest) for the term of the loan and assuming the final disbursement of loan proceeds will occur on September 1, 2020.

Prior disbursements of CWSRF loan proceeds accrued interest through the completion of construction on November 19, 2019 ("Construction Period Interest") in the amount of \$13,137.20, and that amount will be added to the principal amount that accrues interest during the repayment period.

The assessment amount has been calculated based of the amortization schedule received by adding 10 percent to the total repayments, to account for the coverage, and rounding the amount of the assessment per parcel per year up to the nearest dollar.

By adopting the recommended Resolution, your Board will be making a determination that the total principal amount of a Clean Water State Revolving Fund (CWSRF) loan is \$4,144,919, the assessment is determined to be due and payable, and is fixed in the total amount of \$5,310,000 (which is \$42,480 per parcel over the 30-year term of the loan, or \$1,416 per parcel per year). The total amount of the Assessment as fixed by the recommended resolution is the amount necessary to cover (a) the principal amount necessary to repay the CWSRF loan in the amount of \$4,144,919 to finance the Improvements (including planning, engineering, and construction costs), (b) the estimated interest on the CWSRF loan in the total amount of \$680,467.97 (which includes \$13,137.20 in Construction Period Interest that will be added to the principal amount, and estimated interest to be paid during the repayment period in the amount of \$667,330.77) and (c) the additional amount calculated as 10 percent of the annual debt service payment on the loan, as required by the applicable SWRCB policy, in the estimated total amount of \$484,613.03.

Although notice is not required, the Department of Public Works and Planning, on June 15, 2020, mailed a notice to owners of property in CSA 44D and AD 284, to inform them of the date, time, and place of the Board meeting at which this resolution is proposed for approval.

REFERENCE MATERIAL:

LAFCo Resolution No. AD-98-2, January 20, 1999 BAI #45, February 23, 1999
BAI #66, March 24, 2009
BAI #58, April 14, 2009
BAI #72, August 10, 2010
BAI #30, May 21, 2013
BAI #34, June 4, 2013
BAI #5, August 2, 2013
BAI #53, November 5, 2013
BAI #53, October 13, 2015
BAI #36, December 15, 2015
BAI #59, May 24, 2016
BAI #37, January 10, 2017
BAI #7, February 28, 2017

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A
On file with Clerk - Resolution

CAO ANALYST:

Debbie Paolinelli