



Board Agenda Item 51

DATE: March 1, 2016

TO: Board of Supervisors

SUBMITTED BY: Bernard Jimenez, Interim Director
Department of Public Works and Planning

SUBJECT: Financial Assistance Application to the State Water Resources Control Board, Loan Funding; Improvement Zone No. 1 of Waterworks District No. 40, Shaver Springs, Water Supply and Treatment Facilities

RECOMMENDED ACTION(S):

Sitting as the Board of Directors for Waterworks District No. 40:

1. **Adopt a Resolution authorizing the Director of the Department of Public Works and Planning, or his or her designee, to submit a financial assistance application to the State Water Resources Control Board, Drinking Water State Revolving Fund, for funding for the construction of improvements to the drinking water facilities serving Improvement Zone 1 of Waterworks District No. 40, and designating the Chairman as the Authorized Representative to execute the financing agreement and the Director of the Department of Public Works and Planning, or his or her designee, as the Authorized Representative for all other purposes, including giving required assurances, certifications, and commitments (\$1,145,000); and**
2. **Adopt a Resolution relating to reimbursement from the State Water Resources Control Board, Drinking Water State Revolving Fund, for capital expenditures for drinking water facility improvements serving Improvement Zone 1 of Waterworks District No. 40 (\$1,145,000).**

The drinking water supply for Improvement Zone 1 of Waterworks District 40 (WWD 40), also known as Shaver Springs, is under compliance orders from the State Water Resources Control Board (SWRCB) to reduce radionuclides in their drinking water. In addition, the water supply is inadequate to provide the quantity of water needed by the community. Improvements to their drinking water supply are necessary to improve the quality and availability of their drinking water. The SWRCB administers several programs that provide financing for improvements to water systems. As a condition of funding, the SWRCB requires that there be an Authorized Representative to serve as designated signatory for application documents, many of which must be certified by a licensed civil engineer. In addition, an Authorized Representative must be designated to sign the financing agreement that may be offered.

Approving the first recommended action adopts a resolution that authorizes the submission of a financial assistance application for a principal amount not to exceed \$1,145,000 to fund the construction of improvements to the WWD 40 water system. The resolution also provides that the Chairman of the Board is the Authorized Representative for purposes of signing the financing agreement and that the Director of the Department of Public Works and Planning (Director), or his or her designee, is the Authorized Representative for all other purposes, including providing the assurances, certifications, and commitments required for the financial assistance application.

Approval of Recommended Action 2 will declare the County's intent to seek reimbursement for project expenses incurred in relation to the construction of the facilities.

ALTERNATIVE ACTION(S):

Declining to approve this action would require the community to seek an alternative source of funding that might delay and increase the cost of the project.

FISCAL IMPACT:

There will be no net County cost associated with the recommended actions. All costs associated with applications, loans and construction will ultimately be paid by the benefitting property owners within WWD 40. The proposal to submit an application was presented to and recommended by the Debt Advisory Committee on January 15, 2016.

DISCUSSION:

WWD 40 was formed in 1971 to provide community water and sewer services to the Shaver Springs subdivision. The subdivision is located east of Tollhouse Road, near the intersection of Tollhouse Road and Shaver Springs Road and encompasses 92 residential parcels. Department staff operates and maintains the Shaver Springs water system. The cost of operations and maintenance are funded by revenues generated through assessments on properties benefitting from the water system and user fees.

Water production is becoming insufficient to meet the community's current needs. The community's water supply regularly exceeds the California Code of Regulations, Title 22, maximum contaminant level (MCL) for gross alpha and uranium, and has periodically exceeded the MCL for arsenic. The Department of Public Works and Planning (Department), on behalf of WWD 40, is pursuing funding to finance the construction of improvements to the community's water supply system.

The SWRCB provides financial assistance to community water systems infrastructure improvements and other drinking water-related activities. The community does not qualify for grant funding under any known funding program. As such, the Department presently contemplates submitting a construction funding application for a loan. Standard terms for loans under SWRCB programs are 20 year terms with an interest rate set at half of the average rate of State issued general obligation bonds issued within the prior year. This will be set at the time a funding commitment is made by SWRCB, but is presently averaging approximately 1.6%.

Loans under the Drinking Water State Revolving Fund (DWSRF) program are accomplished by an installment sale agreement. DWSRF program funds may include the proceeds of tax-exempt bonds issued by the State. For that reason, standard terms for DWSRF installment sale agreements also include:

- Imposing certain "material event" continuing disclosure requirements on the recipient during the term of the loan;
- Obligating the recipient not to take, authorize, permit, or fail to take any action during the term of the loan that would impair the tax-exempt status of the State's bonds;
- Requiring the recipient to allocate at least 85 percent of disbursements to project expenditures within three years of the agreement;
- Requiring the recipient to limit "private business use" of the project (which includes use by the federal government) during the term of the loan; and
- Prohibiting the recipient from privatizing the project during the term of the loan.

Proceeds from DWSRF loans may only be spent on “eligible project costs,” as defined in the SWRCB’s “Policy for Implementing the Drinking Water State Revolving Fund.” All expenses related to the project are anticipated to be eligible project costs.

A DWSRF planning loan from the SWRCB in the amount of \$425,000, with a repayment term of five years, has been obtained to identify viable alternatives, and to develop plans, specifications, and estimate (PS&E) for the selected alternative. An engineering report is being drafted to identify and select alternative sources of potable water supply. Once the most viable alternative is selected and approved by the SWRCB, the Department will prepare the PS&E. Upon completion of the project, the planning loan would be reamortized over a 20-year term beginning at the time of the first draw on that loan.

By Resolution No. 14-195 on May 20, 2014, the Board levied an assessment projected to be sufficient to repay the planning loan and the construction funding loan. By Resolution No. 14-203 on June 3, 2014, the Board dedicated a portion of the revenue from that assessment, in the amount of \$969.94 per parcel per year, to repay those loans. If the existing assessment is not sufficient for the project, the Department will return to the Board with a resolution initiating Proposition 218 proceedings to increase the assessment. A funding agreement will not be executed without sufficient assessments to provide adequate debt coverage.

SWRCB financing can take a year or more to complete, and beginning the process early can result in a significantly shorter waiting period between planning and construction, even if a revised estimate indicates that funding must be increased and a new assessment must be adopted. Application for construction funding needs to be submitted as expeditiously as possible to enable the Department and SWRCB to work towards securing funding prior to the completion of the design, and to reduce the potential for costly delays.

OTHER REVIEWING AGENCIES:

The Citizens Advisory Committee for WWD 40 approved the submittal of the application. The Debt Advisory Committee recommended the submittal of the application on January 15, 2016.

REFERENCE MATERIAL:

BAI #38, June 3, 2014
BAI #17, May 20, 2014
BAI #44, December 14, 2010

ATTACHMENTS INCLUDED AND/OR ON FILE:

Location Map
On file with Clerk - Resolution for Financial Assistance Application
On file with Clerk - Reimbursement Resolution

CAO ANALYST:

John Hays