

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

To: **BOARD OF SUPERVISORS**

Date: **MAY 3, 2011**

From: **JAMES DURFEE / WILL DICKINSON** (with handwritten initials)

Subject: **STATE REVOLVING FUND ASSISTANCE APPLICATION:
REIMBURSEMENT RESOLUTION FOR THE PLANT 1 UPGRADE PROJECT**

ACTION REQUESTED / RECOMMENDATION: Staff recommends that your Board adopt the attached Resolution of Intention to comply with Treasury Regulation Section 1.150-2 and Clean Water State Revolving Fund (CWSRF) Program requirements regarding reimbursement of capital expenditures incurred prior to execution of an assistance agreement for the SMD 1 Wastewater Treatment Plant Upgrade and Expansion Project (Upgrade Project).

BACKGROUND: On May 18, 2010, your Board authorized the Director of Facility Services to file a CWSRF financial assistance application for the Upgrade Project. At that time your Board was informed that additional actions would be necessary in order to complete the application process, to wit: 1) an Ordinance or Resolution dedicating a revenue source for repayment of the borrowed funds; and, 2) a Reimbursement Resolution indicating the intent of the Agency to comply with Treasury Regulation Section 1.150-2 regarding issuance of tax-exempt obligations. A separate memo is before your Board regarding the dedicated source of revenue.

In order to reimburse capital expenditures which occurred prior to the execution of an assistance agreement, CWSRF requires SMD 1 to comply with Section 1.150-2 of the Treasury Code. The main purpose of this code is to insure that funds used to reimburse prior expenditures are not an artifice to avoid tax-exempt bond requirements, such as yield restrictions and arbitrage rebate. 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 CWSRF and Treasury Code 1.150-2 requirements.

ENVIRONMENTAL CLEARANCE: Approval of the recommended action is not a project as defined in the California Environmental Quality Act, because this action does not commit your Board to the Upgrade Project. The CWSRF will not consider the financial assistance application complete until all necessary environmental documents for the Upgrade Project are certified.

FISCAL IMPACT: The anticipated amount of the assistance agreement for the Upgrade Project is \$64.2 million, repaid over a 20 year term. Approval of this request will have no impact upon the County General Fund.

ATTACHMENT: RESOLUTION

JD:WD:KK:LM

CC: COUNTY EXECUTIVE OFFICE

T:\FBSMEMO2011\EE\SRF LOAN REIMBURSEMENT RESOLUTION.DOCX

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

In the matter of: A RESOLUTION OF INTENTION
TO REIMBURSE EXPENDITURES PAID PRIOR TO
ISSUANCE OF A STATE REVOLVING FUND
PROGRAM FINANCING FOR THE SEWER
MAINTENANCE DISTRICT 1 WASTEWATER
TREATMENT PLANT UPGRADE 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.

Chairman, Board of Supervisors

Attest:

Clerk of said Board

WHEREAS, Sewer Maintenance District 1 (the "District") desires to finance the costs of upgrading and expanding its existing wastewater treatment plant in order to comply with new discharge standards, including certain treatment facilities, pipelines and other infrastructure (the "Upgrade Project"); and

WHEREAS, the District intends to finance the construction and/or reconstruction of the Upgrade Project or portions of the Upgrade 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 Upgrade 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 \$65,000,000.
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 Upgrade 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 Upgrade Project costs.
7. All the recitals in this Resolution are true and correct and this District so finds, determines and represents.

