

# ITEM 10

Agenda Item No. \_\_\_\_\_

File Code No. \_\_\_\_\_



## CITY OF SANTA BARBARA

### COUNCIL AGENDA REPORT

**AGENDA DATE:** November 17, 2009

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Agreements For Cachuma Operations Maintenance Board Project Financing

#### **RECOMMENDATION:**

That Council authorize the City Administrator to negotiate and execute a Contribution Agreement with the Cachuma Operations Maintenance Board (COMB), and Indemnification Agreements with Montecito Water District (MWD) and Carpinteria Valley Water District (CVWD), in a form acceptable to the City Attorney, related to COMB financing, for the purpose of funding capital improvements to infrastructure operated by COMB.

#### **DISCUSSION:**

COMB is a joint powers authority that operates the South Coast Conduit and other infrastructure supplying Lake Cachuma water to the South Coast. The City is a member of COMB, with Councilmember Das Williams as the current Board Member representing the City. The other members are MWD, CVWD, Goleta Water District (GWD), and Santa Ynez Valley Water Conservation District, Improvement District #1 (ID#1).

On October 13, 2009, Council authorized the City Administrator to execute a Joint Participation Agreement for the purpose of participating in the issuance of a bond to finance a suite of capital improvements for COMB facilities.

GWD is expected to participate in the bond issue, at least to the extent necessary to fund the "second barrel" project.

MWD has opted to self-finance its payments for the COMB capital projects and has executed a Contribution Agreement committing to contribute its portion of project costs, upon approval of each project by COMB.

CVWD has decided to self-finance its portion of the COMB second barrel project, which is a project to install a second pipeline from the outlet of Tecolote Tunnel to the Corona

Del Mar Treatment Plant in Goleta. CVWD has entered into a Contribution Agreement with COMB that commits CVWD to make payments to COMB for the project. CVWD has retained the option to participate in the remaining COMB capital projects on an individual project basis.

City staff believes that all of the projects on the COMB project list are necessary and prudent projects. Staff recommends that the City continue to participate in the bond financing to the extent of the second barrel project, and authorize the City Administrator to negotiate and execute a Contribution Agreement with COMB that makes clear the City's intent to provide its share of project costs for the remainder of the COMB capital projects, upon approval of each of the projects by COMB.

MWD and CVWD have each requested that the COMB member units participating in the bond issue execute an Indemnification Agreement to protect them from any liability under the bond issue. This Indemnification Agreement is similar to the agreement that the City previously agreed to provide to ID#1.

#### **BUDGET/FINANCIAL INFORMATION:**

The second barrel project is estimated to cost \$10.4 million. The City's portion is approximately \$3.7 million, of which approximately \$1.1 million is reimbursable after project completion through an approved Proposition 50 grant. The funds for this project will be raised from bond proceeds and payments from MWD and CVWD, in accordance with their contribution agreements with COMB. After completion of approved capital projects and final debt service payment made to bond holders, any remaining bond proceeds will be refunded to the City.

The remaining capital projects on the list are expected to cost approximately \$7.7 million, of which roughly \$2.7 million is the City's portion. It is anticipated that these projects will be completed in the next three years. The City's share of the funding would be paid pursuant to a contribution agreement with COMB from available Capital Program appropriations.

**PREPARED BY:** Rebecca Bjork Water Resources Manager/RB/mh

**SUBMITTED BY:** Christine F. Andersen, Public Works Director

**APPROVED BY:** City Administrator's Office