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CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

Agenda Item No. _____

File Code No. _____

AGENDA DATE: February 7, 2017

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Adoption Of Resolution Required to Increase The State Revolving Fund Loan for The Charles E. Meyer Desalination Plant Project

RECOMMENDATION:

That Council Introduce And Subsequently Adopt, By Reading Of Title Only, A Resolution Of The Council Of The City Of Santa Barbara Replacing Resolution No. 15-047 Stating The City's Intent To Reimburse Expenditures Paid Prior To Either The Issuance Of Obligations Or The Approval By The State Water Resources Control Board Of The Project Funds For Reactivation Of The Charles E. Meyer Desalination Plant.

DISCUSSION:

In August, 2015, Council authorized a design/build/operate agreement with IDE Americas, Inc. (IDE), to reactivate the Charles E. Meyer Desalination Plant (Plant). At that time, the total cost to reactivate the Charles E. Meyer Desalination Plant Project (Project) was estimated to be \$55 million dollars. Staff has returned to Council three times, the latest being January 10, 2017, to increase the change order authority for the Project to cover necessary, unforeseen issues to complete the Project. The projected cost to complete the Project is \$71 million dollars. Cost increases to date have been backed by the Water Fund Reserve in anticipation of increasing the State Revolving Fund.

In addition, the City is in negotiations with IDE to expand the Plant from 3125 acre-feet per year (AFY) to 7500 AFY if severe drought conditions continue and/or if a water sales agreement is signed with the Montecito Water District. Although cost estimates have not been received from IDE, staff estimates the cost for expansion could be up to \$30 million.

In order to increase the amount of the loan, the City must adopt a resolution stating its intention to finance those costs.

At its meeting on January 19, 2017, the Water Commission voted X-X-X in support of the staff recommendation.

BUDGET/FINANCIAL INFORMATION:

The following summarized the Project costs to date and anticipated costs associated with an expansion of the Plant:

ITEM	COSTS
Original Loan Costs	\$55,000,000
Increase in Loan Needed	<u>\$16,000,000</u>
	\$71,000,000
Anticipated Expansion Cost	<u>\$30,000,000</u>
Total Loan Amount	\$101,000,000

Initial discussions with staff about increasing the amount of the SRF have been positive. Staff intends to have all information for the loan increase except for water rates submitted by the end of February for a June decision. This will allow the City the flexibility should drought conditions continue. If the expansion is not necessary, the final loan amount will reflect the \$71 million.

PREPARED BY: Joshua Haggmark, Water Resources Manager/LS/cmw

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA REPLACING RESOLUTION NO. 15-047 STATING THE CITY'S INTENT TO REIMBURSE EXPENDITURES PAID PRIOR TO EITHER THE ISSUANCE OF OBLIGATIONS OR THE APPROVAL BY THE STATE WATER RESOURCES CONTROL BOARD OF THE PROJECT FUNDS FOR REACTIVATION OF THE CHARLES E. MEYER DESALINATION PLANT

WHEREAS, on June 16, 2015, the City Council adopted Resolution 15-047 stating the City's intent to reimburse expenditures paid prior to either the issuance of obligations or the approval by the State Water Resources Control Board of the Project funds for reactivating the Charles E. Meyer Desalination Plant;

WHEREAS, Resolution 15-047 stated that the reasonably expected maximum principal amount of the Project Funds was \$55,000,000

WHEREAS, the City of Santa Barbara, (the "Agency) desires to increase the amount financed for planning, designing, and constructing and/or reconstructing certain public facilities and improvements relating to the Reactivation of the Charles E. Meyer Desalination Plant;

WHEREAS, the Agency intends to finance the planning, designing, and 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);

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"),

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

WHEREAS, the Agency 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 Agency for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

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SECTION 1. The Agency 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.

SECTION 2. The reasonably expected maximum principal amount of the Project Funds is \$72,000,000.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Agency will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of our knowledge, this Agency is not aware of the previous adoption of official intents by the Agency 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.

SECTION 6. This resolution is adopted as official intent of the Agency 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 Project costs

SECTION 7. Resolution No. 15-047, adopted June 16, 2015, is hereby rescinded.

SECTION 8. All the recitals in this Resolution are true and correct and this Agency so finds, determines and represents.