



DRAFT

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: July 20, 2021

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Appropriation Of Water Operating Fund Reserves For Desalination Conveyance Pipeline Project

RECOMMENDATION:

That Council approve an increase in appropriations in the Water Operating Fund in the amount of \$5,100,000, funded from reserves, authorize the transfer of such funds to the Water Capital Fund, and approve an increase in estimated revenues and appropriations in the Water Capital Fund in the amount of \$5,100,000 for the Desalination Conveyance Pipeline Project.

DISCUSSION:

The Desalination Conveyance Pipeline Project (Conveyance Project) will construct a 24-inch-diameter pipeline that will convey water approximately 12,000 linear feet from the Charles E. Meyer Desalination Plant (Desal Plant) to the intersection of Mission and Garden Streets. The pipeline will connect to an existing 24-inch-diameter transmission main that will be repurposed to bring desalinated water to the regional Cater Water Treatment Plant (Cater). Currently, the Desal Plant produces 3,125 acre-feet per year (AFY) of water. However, the plant is permitted for and designed to be expanded to produce up to 10,000 AFY of water. The conveyance pipeline has been designed to convey the full 10,000 AFY of desalinated water to Cater. When authorizing staff to execute a water supply agreement with Montecito Water District (MWD) in June 2020, City Council also authorized the Public Works Director to execute all agreements necessary to construct the Conveyance Project.

By delivering desalinated water to Cater, the Conveyance Project will make it possible to convey desalinated water to any part of the City's service area; whereas currently desalinated water is currently limited to the lower elevation of the City. The Conveyance Project will also increase water management flexibility, and will improve local resiliency to drought by making desal water available to more water customers. Blending desalinated water with the City's other supply sources at Cater will produce a more uniform water quality for all customers, improving water quality consistency throughout the City. Additionally, the Conveyance Project will connect the Desal Plant to the South Coast Conduit, which provides treated drinking water to Montecito Water District (MWD), and Carpinteria Valley Water District (CVWD).

DRAFT

BUDGET/FINANCIAL INFORMATION:

The total project cost, based on low-bid and consultant contracts, is approximately \$18.5 million, including construction, consultant services, materials procurement, and project management. Of that amount, approximately \$13.4 million has been funded from a legal settlement with Southern California Edison for damages incurred by the City's Water Resources Division from the Thomas Fire and Debris Flow disasters. This report recommends appropriating unrestricted reserves above Council Policy requirements to cover the estimated balance of project costs – \$5.1 million. A portion of this appropriation will be offset by a \$1.0 million grant that was awarded to the Conveyance Project through the county-wide Integrated Regional Water Management Plan. The City will pay the project costs upfront and will submit for reimbursement after the fact. Both the anticipated grant award and appropriation recommended in this report were factored into the water rates adopted on June 29, 2021, and for which a public hearing was held on June 15, 2021.

In September 2020, the City executed a Water Supply Agreement (WSA) with MWD for the long-term wholesale supply of potable water secured by the Desal Plant. To ensure delivery of water under the WSA, the City agreed to construct all facilities necessary to convey treated water from the Desal Plant to Cater, of which the Conveyance Project is a significant component. Based on a cost avoidance model, the City negotiated that MWD will pay 64.6 percent of the capital costs associated with these conveyance facilities, including the Conveyance Project. However, this payment will only occur if the Desal Plant is expanded to a production capacity of 5,000 AFY or greater. Should the Desal Plant be expanded, MWD's payment would provide approximately \$12.0 million to the City and would be adjusted for inflation in future years.

This item was presented to the Water Commission at its meeting on July 15, 2021.

ENVIRONMENTAL REVIEW:

The recommendations in this report are not subject to the California Environmental Quality Act.

PREPARED BY: Amanda Flesse, Acting Water Resources Manager/MBH/rb

SUBMITTED BY: Joshua Haggmark, Acting Public Works Director

APPROVED BY: City Administrator's Office