



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 24, 2015

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Adoption Of Resolutions Required For Drinking Water State Revolving Fund Loan Funding Of The Desalination Plant

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Pledging the Water Fund Net Revenue to Payment of the Drinking Water State Revolving Fund Financing Agreement; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara 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.

DISCUSSION:

The continued drought has made it necessary to continue to plan for the reactivation of the Charles E. Meyer Desalination Plant (Desal Plant). The cost to reactivate the Desal Plant is estimated to be \$40 million dollars. This large expenditure needs to be financed over a number of years. Staff has applied for a Drinking Water State Revolving Fund Loan (DWSRF Loan) to finance the project. The DWSRF Loan is an attractive loan because of the low interest rate, estimated to be approximately 1.6 percent over a twenty-year repayment term. One of the requirements of the DWSRF Loan is that the City pledge repayment from the Water Fund net revenue – the revenue available after payment of operation costs and ahead of investment in capital improvements or reserves. The City must also agree that the pledge constitutes a lien in favor of the State Water Resources Control Board on the Water Fund until the loan is fully repaid and to collect such revenue as necessary to repay the loan.

In order to finance any costs that need to be expended before securing the DWSRF Loan, the City must adopt a resolution stating its intention to finance those costs.

BUDGET/FINANCIAL INFORMATION:

At its meeting of March 10, 2015, the City held a public hearing on the proposed water rates. It is anticipated that water rates designed to provide sufficient revenue to meet the loan obligations will be adopted in April.

PREPARED BY: Joshua Haggmark, Water Resources Manager/RJB/mh

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office