

**SPECIAL MEETING
OF THE
CACHUMA OPERATION AND MAINTENANCE BOARD**
at Cachuma Operation and Maintenance Board Office

**3301 Laurel Canyon Road
Santa Barbara, California 93105**

Wednesday, May 7, 2014

Start Time
3:00 P.M.

AGENDA

Note: This is a special meeting of the Governing Board called in accordance with Government Code Section 54956. Other than the listed agenda items, no other business will be conducted by the Governing Board.

1. **COMB CALL TO ORDER, ROLL CALL** (COMB Board of Directors.)
2. **PUBLIC COMMENT** (In accordance with Government Code Section 54954.3, every notice for a special meeting shall provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item.)
3. **VERBAL REPORTS FROM BOARD COMMITTEES**
Receive verbal information regarding the following committee meetings:
 - a. Ad Hoc Committee for Initial Review of Cost Sharing Meeting – May 2, 2014
(Including Allocation of Cost between South Coast Member Units for the Emergency Pumping Facility Project)
4. **EMERGENCY PUMPING FACILITY PROJECT (EPFP)**
Action: Recommend approval by motion and roll call vote of the Board:
 - a. Resolution 577 – Resolution of the Governing Board of the Cachuma Operation & Maintenance Board Clarifying Resolution No. 576 Approving the Drought Emergency Pumping Facility Project, Authorizing a Capital Expenditure in Excess of One Million Dollars for the Project as Provided Herein and Incurring Indebtedness Thereto, Selecting a Contractor and Approving a Contract Agreement for the Project and Authorizing Related Actions Thereto
5. **BOARD AUTHORIZATION FOR AN EXPENDITURE NOT TO EXCEED \$10,000 FOR GOVERNMENT RELATIONS SERVICES**
Action: Recommend approval by motion and roll call vote of the Board:
6. **COMB ADJOURNMENT**

NOTICE TO PUBLIC

Public Comment: Any member of the public may address the Board on any item in the noticed agenda, as set forth in Item 2. The total time for this item will be limited by the President of the Board. If you wish to address the Board under this item, please complete and deliver to the Secretary of the Board before the meeting is convened, a "Request to Speak" form including a description of the subject you wish to address.

Americans with Disabilities Act: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Cachuma Operation and Maintenance Board office at (805) 687-4011 prior to the meeting to enable the Board to make reasonable arrangements.

[This Agenda was Posted at 3301 Laurel Canyon Road, Santa Barbara, CA
at Santa Barbara City Hall, Santa Barbara, CA and at Member District Offices and Noticed and Delivered in Accordance
with Section 54956 of the Government Code.]

CACHUMA OPERATION & MAINTENANCE BOARD

BOARD MEMORANDUM

Date:	May 7, 2014
Submitted by:	Randall Ward

SUBJECT: Emergency Pumping Facility Project (EPFP): Approval of Resolution No. 577 clarifying Resolution No. 576

SUMMARY:

On April 25, 2014, COMB received a letter from the Carpinteria Valley Water District CVWD that suggested an alternative approach to cost sharing for the Emergency Pumping Facility Project (EPFP). That letter was briefly discussed during the General Managers report to the Board regarding the status of the EPFP at the Boards April 28, 2014 Board meeting. Following that meeting, the COMB President convened an Ad Hoc Committee for Initial Review of Cost Sharing for the EPFP. The Ad Hoc met on Friday, May 2, 2014, to discuss the use of the Cachuma entitlement formula to allocate the operational associated with the EPFP as discussed in the letter received from CVWD. The Ad Hoc Committees' discussion considered the concerns identified by CVWD of using the existing allocation formula for electrical power costs and the cost of building the EPFP to achieve the capacity to deliver 45 million gallons per day. The Committee considered the capacity issue and determined the size of the EPFP had been the subject of Member Unit involvement, participatory agreement and was necessary to meet unforeseeable emergency obligations. Therefore, the Committee concluded the cost of sizing the facility should be subject to the existing allocation formula contained in the JPA. On the issue of electrical power, the Ad Hoc Committee recommends the attached clarifying resolution. The Resolution provides an alternative method to the existing allocation formula that would solely alter the calculation for electrical power costs. The allocation proposed is based on the amount of electrical power necessary to deliver water, based on Member Unit usage for each six month period the EPFP is in operation. Therefore, under the provisions of the Resolution, electrical power costs would be allocated using the existing allocation formula and reconciled at the end of six months to apply the actual water used to electrical power costs.

FINANCING:

The Bank of Santa Barbara (The Bank) has presented COMB with a financing proposal for a credit facility in the amount of \$3.2M. COMB is identified as the borrower while the three participating South Coast Member Units (Goleta Water District, Carpinteria Valley Water District, and Montecito Water District) will be the Guarantors of the loan. The collateral on the loan will be the obligation of the Water Revenue Fund of each Guarantor Agency as applicable.

The terms offered by The Bank consider an issuance of a Non-Revolving Line of Credit for 24 months with a variable interest rate based upon an index of the prime rate, as quoted in the Wall Street Journal, less a margin of 0.25% (currently equates to 3.00%). The rate will be adjusted monthly based upon the rate on the 1st of each month.

The remainder term of the loan provides two options: Option A) 60 month period at a fixed interest rate based upon an index of the Prime Rate, as quoted in the Wall Street Journal, plus a margin of 0.25% (currently equates to 3.5%); Option B) A 10 year term with two 5 year fixed rate periods. Periods at a

fixed interest rate will be based upon an index of the Prime Rate, as quoted in the Wall Street Journal, plus a margin of 0.625% fixed at month 24 and re-calculated and re-set again at month 84 of the loan life (currently equates to 3.875%).

These rates are subject to adjustment should any one of the three participating COMB Member Agencies be subject to a credit rating downgrade by S&P or Moody's. A loan fee of .50% (\$16,000) will be incurred plus all out of pocket costs relating to the loan. Out of pocket costs include an outside legal counsel fee of \$6,200 and any other third party expenses deemed necessary by The Bank to properly review, analyze, document, and fund the transaction. There is no prepayment penalty. Final approval of the loan will be subject to satisfactory completion of financial and legal due diligence concerning COMB and each of the three participating COMB Member Units.

If one of the three Member Units decides to pre-pay their pro-rata principal portion during the 1st – 60th month of the fixed rate period, the Bank has indicated that they will provide an equitable solution on adjusting the payments for the remaining balance. The terms and conditions will be indicated in the final loan documents once all of the financial analysis has been completed.

FISCAL IMPACT:

COMB will incur indebtedness of \$3.2M in the form of a line of credit from The Bank of Santa Barbara guaranteed on a pro-rata share by Goleta Water District (63%), Carpinteria Valley Water District (19%), and Montecito Water District (18%).

LEGAL CONCURRENCE:

General Counsel developed and reviewed Clarifying Resolution No. 577.

ENVIRONMENTAL COMPLIANCE:

N/A

COMMITTEE STATUS:

The Ad Hoc Committee for Initial Review of Cost Sharing for the EPFP has reviewed and recommends for Board approval Resolution No. 577.

RECOMMENDATIONS:

Board adopt Resolution No. 577 to revise allocation of South Coast Member Unit's electrical power costs associated with the Emergency Pumping Facility Project.

LIST OF EXHIBITS:

- A. Resolution No. 577

RESOLUTION NO. 577

RESOLUTION OF THE GOVERNING BOARD OF THE CACHUMA OPERATION & MAINTENANCE BOARD CLARIFYING PRIOR RESOLUTION NO. 576 APPROVING THE DROUGHT EMERGENCY PUMPING FACILITY PROJECT, AUTHORIZING A CAPITAL EXPENDITURE IN EXCESS OF ONE MILLION DOLLARS FOR THE PROJECT AS PROVIDED HEREIN AND INCURRING INDEBTEDNESS THERETO, SELECTING A CONTRACTOR AND APPROVING A CONTRACT AGREEMENT FOR THE PROJECT AND AUTHORIZING RELATED ACTIONS THERETO

WHEREAS, the Cachuma Operation & Maintenance Board (“COMB”) is a joint powers authority and public entity, organized and existing in the County of Santa Barbara in accordance with Government Code Section 6500 *et seq.*, and operating pursuant to the 1996 Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project - Cachuma Operation And Maintenance Board, dated May 23, 1996 (“Amended and Restated Agreement”), as amended by an Amendment to the Amended and Restated Agreement made effective September 16, 2003 (collectively the “Joint Powers Agreement”); and

WHEREAS, COMB operates and maintains Cachuma Project facilities pursuant to a Transfer of Operation and Maintenance Contract with the United States Bureau of Reclamation; and

WHEREAS, the Member Units of COMB consist of the City of Santa Barbara, the Goleta Water District, the Montecito Water District, the Carpinteria Valley Water District (collectively herein the “South Coast Member Agencies”), and the Santa Ynez River Water Conservation District, Improvement District No. 1 (“ID No. 1”); and

WHEREAS, on January 17, 2014 the Governor of the State of California proclaimed a state of emergency due to current drought conditions, and on March 1, 2014, the Governor signed into law emergency drought legislation that finds and declares that California is experiencing an unprecedented dry period and shortage of water for its residents, local governments, agriculture, the environment and other uses; and

WHEREAS, there exist severe drought conditions in the South Coast geographic area served by COMB, and should such conditions persist, water levels in Cachuma Lake will continue to diminish and water in the reservoir will not be able to gravity flow to the existing Cachuma Lake inlet tower, which comprises a portion of the Cachuma Project facilities; and

WHEREAS, it is necessary for COMB to undertake emergency action to cause and allow the pumping of water through installation of a floating platform mounted system to the existing lake inlet tower, the re-establishment of service of an existing water entry gate, and related actions thereto (the “Emergency Project”), thereby ensuring the continued use of the Cachuma Lake reservoir until reservoir levels return to a normal operating level, and ensuring the continuing conveyance and supply of Cachuma Lake Project water through the intake tower

to the Tecolote Tunnel/South Coast Conduit and then to the South Coast Member Agencies for distribution to their customers and residents; and

WHEREAS, the Governing Board desires to approve the Emergency Project; and

WHEREAS, the estimated cost of the Emergency Project is in excess of One Million Dollars (\$1,000,000.00) and, pursuant to Section 1.3 of the Joint Powers Agreement, the Governing Board desires to authorize such expenditure and incur such indebtedness, and acknowledges that authorization of the subject expenditure for the Emergency Project and incurring such indebtedness requires ratification by each and all of COMB's Member Units; and

WHEREAS, the Governing Board pursuant to a completed Request For Proposals process desires to select a contractor for the Emergency Project, and to approve a "Design, Build, Operation And Maintenance Project: Emergency Pumping Facilities Project (Installation And Operation)" Agreement between COMB and Cushman Contracting Corporation, that will consist of two phases: Phase One (design and site mobilization) and Phase Two (construction, operation and maintenance) (hereinafter referred to as the "Contract Agreement"); and

WHEREAS, on April 16, 2014 the Governing Board approved a previous form of this resolution (Resolution No. 576), which remains in full force and effect except as expressly clarified by this Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF COMB AS FOLLOWS:

1. The facts set forth in the above recitals and in the documents referenced herein are true and correct, and the Governing Board so finds and determines.

2. A. The Governing Board has approved the Emergency Project, and a capital expenditure by COMB of funds for the Emergency Project in excess of One Million Dollars (\$1,000,000.00) and in an amount not to exceed Six Million Dollars (\$6,000,000.00) to be budgeted and paid over two (2) fiscal years from July 1, 2013 through June 30, 2015, with such approval contingent upon the ratification of such expenditure and incurring of indebtedness by COMB, by each and every Member Unit in accordance with Section 1.3(i) of the Joint Powers Agreement. Upon satisfaction of such contingency, the costs of the Emergency Project shall be allocated in accordance with the South Coast Member Agencies' respective percentage allocations set forth as follows: Goleta Water District, 40.42%; City of Santa Barbara, 35.88%; Carpinteria Valley Water District, 12.20%; and Montecito Water District, 11.50%.

B. Notwithstanding the respective percentage allocations set forth in subparagraph A, the South Coast Member Agencies shall be responsible on a different basis for that component of the Emergency Project cost attributable to electrical power costs for the pumping of water ("Electrical Power Component"). For purposes of COMB's budget, the Electrical Power Component shall be allocated and billed to each of the South Coast Member Agencies in the respective percentage allocations set forth above. However, at the end of the first six (6) month period after the commencement of operation of the Emergency Project, and for every six month operating period (or shorter) thereafter until the end of the Emergency Project, each South Coast Member Agency's percentage of total water actually delivered to that particular Member Agency

through the Emergency Project facilities shall be compared to its respective percentage allocation set forth in the preceding paragraph. Based on such evaluation, each South Coast Member Agency's share and liability for the Electrical Power Component shall thereafter be adjusted to reflect the percentage of total water actually delivered to the Member Agency through the Emergency Project facilities.

C. COMB may incur indebtedness in an amount not to exceed Six Million Dollars (\$6,000,000) for the Emergency Project. Pursuant to the Indemnification Agreement previously approved by the Governing Board on April 16, 2014, the South Coast Member Agencies (and not ID No. 1) shall be solely liable for the repayment of such indebtedness to COMB, on the basis of their respective percentage allocations set forth in subparagraph A herein, as may be modified in accordance with subparagraph B herein. COMB shall secure funding for the Emergency Project. Funding of the Project by COMB may occur through extension of a credit facility from the Bank of Santa Barbara or other lender to COMB on the terms described in the staff report accompanying this resolution or substantially similar thereto. Alternatively, any individual South Coast Member Agency may elect to pay its respective share to COMB directly, without COMB incurring indebtedness from the Bank of Santa Barbara or other lender, for such individual Agency's share. In addition, any individual South Coast Member Agency may extend financing to any other South Coast Member Agency, on such terms as may be agreed upon, for the latter's share of the cost of the Emergency Project.

3. The Governing Board has selected Cushman Contracting Corporation as the contractor for the Emergency Project, approves the Contract Agreement between COMB and Cushman Contracting Corporation, authorizes the President and Secretary of the Governing Board to execute the Contract Agreement as negotiated by the General Manager, authorizes the General Manager to issue a Notice To Proceed for Phase One (design and site mobilization) of the Emergency Project in accordance with the terms and conditions of the Contract Agreement, and authorizes the General Manager to issue a Notice To Proceed for Phase Two (construction, operation and maintenance) of the Emergency Project in accordance with the terms and conditions of the Contract Agreement, following ratification of this resolution and decision by each and every Member Unit of COMB in accordance with Section 1.3(i) of the Joint Powers Agreement.

4. COMB's officers and staff, including the General Manager, are hereby authorized and directed to do all things necessary and appropriate (including but not limited to the execution and delivery of documents, the obtaining of necessary permits and filing of environmental documents and any other actions) to complete the processing and execution of the Contract Agreement and the implementation of the Emergency Project as intended by this Resolution.

5. Resolution No. 576 adopted by the Governing Board on April 16, 2014 remains in full force and effect, except as clarified by this Resolution.

PASSED, APPROVED AND ADOPTED by the Governing Board of the Cachuma Operation And Maintenance Board, this 7th day of May 2014, by the following roll call vote:

Ayes:

Nays:

Abstain:

APPROVED:

President of the Governing Board

ATTEST:

Secretary of the Governing Board

CACHUMA OPERATION & MAINTENANCE BOARD

BOARD MEMORANDUM

Date:	May 7, 2014
Submitted by:	Randall Ward

SUBJECT: Government Relations Services

SUMMARY:

Authorize an expenditure in an amount not to exceed \$10,000 for government relations services. Under the authority of the General Manager, \$10,000 has been expended for the months of March and April 2014, for government relations services to assist in obtaining funding for the Emergency Pumping Facility Project. This expenditure authorization is necessary because the total amount now exceeds \$10,000.

FISCAL IMPACTS:

Amount available from 2013-14 budgeted resources

LEGAL CONCURRENCE:

N/A

ENVIRONMENTAL COMPLIANCE:

N/A

COMMITTEE STATUS:

N/A

RECOMMENDATION:

The Board authorizes an expenditure of an amount not to exceed \$10,000 for government relations services.

LIST OF EXHIBITS:

None