

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 8/23/2016	(3) CONTACT/PHONE Joanne Hilker, Administrative Services Manager (805) 781-1584	
(4) SUBJECT Request to approve a reimbursement agreement between the San Luis Obispo County Flood Control and Water Conservation District (District) and County of San Luis Obispo on behalf of the Los Osos Wastewater System (County) for a loan of funds for cash flow and debt reserve requirement. District 3.			
(5) RECOMMENDED ACTION It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District): 1. Approve and execute a reimbursement agreement between the District and the County on behalf of the Los Osos Wastewater System for a loan of funds for cash flow and debt reserve requirement. It is recommended that the Board, acting as the Board of Supervisors for the County of San Luis Obispo: 1. Approve and execute a reimbursement agreement between the District and the County on behalf of the Los Osos Wastewater System for a loan of funds for cash flow and debt reserve requirement.			
(6) FUNDING SOURCE(S) Flood Control District Reserves	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW David E. Grim			
(18) SUPERVISOR DISTRICT(S) District 3			

Reference: 16AUG23-C-5

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works

Joanne Hilker, Administrative Services Manager

VIA: John Diodati, Deputy Director of Public Works

DATE: 8/23/2016

SUBJECT: Request to approve a reimbursement agreement between the San Luis Obispo County Flood Control and Water Conservation District (District) and the County of San Luis Obispo on behalf of the Los Osos Wastewater System (County) for a loan of funds for cash flow and debt reserve requirement. District 3.

RECOMMENDATION

It is recommended that the Board, acting as the Board of Supervisors for the San Luis Obispo County Flood Control and Water Conservation District (District):

1. Approve and execute a reimbursement agreement between the District and the County on behalf of the Los Osos Wastewater System for a loan of funds for cash flow and debt reserve requirement.

It is recommended that the Board, acting as the Board of Supervisors for the County of San Luis Obispo:

1. Approve and execute a reimbursement agreement between the District and the County on behalf of the Los Osos Wastewater System for a loan of funds for cash flow and debt reserve requirement.

DISCUSSION

The County began efforts on the Los Osos Wastewater Project in 2006 following the passage of State Assembly Bill 2701 (Blakeslee) which allowed the County to assume responsibility for development of a community wastewater system for Los Osos. Upon completion of the necessary environmental permit and funding approvals, the project began construction in May 2012. Construction was completed in multiple phases, and the system is now in the “start-up” process. Properties in the community are beginning to connect to the system, which is planned to be completed in three phases over a twelve-month period.

On December 14, 2010, your Board approved an ordinance establishing the service charges for the system. The service charges ordinance includes provisions for a phased connection schedule in the community and deferral of imposing the charges until at least 180 days after the beginning of each connection phase. Due to the provisions in the service charges ordinance, the system will not begin collecting the full amount of planned revenue until at least 12 months after starting system operations. Therefore, it has become necessary to borrow \$2,765,000 for cash flow until billings catch up with expenditures.

Also, as part of the State Revolving Fund assessment backed loan, the state required a debt service reserve account. The state required that the County deposit \$1,567,000 until such time that the loan is paid in full.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel has reviewed and approved the reimbursement agreement as to legal form and effect.

FINANCIAL CONSIDERATIONS

The Los Osos Wastewater System has a phased in start-up and therefore a phased in revenue stream as well as a debt reserve requirement.

Through the FY 2015-2016 and FY 2016-2017 budget process, funds in the amount of \$2,752,000 and \$1,580,000 respectively have been loaned to the County from the District, for a total of \$4,332,000. Of the \$4,332,000, \$2,765,000 is for operating cash flow and \$1,567,000 is for debt service reserve requirement. It is the desire of the District to execute a reimbursement agreement establishing the terms of the loan.

The cash flow loan in the amount of \$2,765,000 was anticipated to be paid back in 5 years with sewer system revenues and the \$1,567,000 debt service reserve requirement to be paid back in 10 years. However, it is now being requested that both loans will be repaid over 10 years with interest at the pooled rate earned by the County Treasury.

RESULTS

Approval of the recommended action will provide the funding necessary to proceed with operations of the new Los Osos Wastewater System, which will provide a safe method to recycle wastewater and therefore assist in a healthy, clean and sustainable water supply for the community.

ATTACHMENTS

1. Vicinity Map
2. Reimbursement Agreement for Loaned Funds to the Los Osos Wastewater System

File: CF 310.87.04

Reference: 16AUG23-C-5

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