

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: LINDA REED, INTERIM DIRECTOR
SANTA ROSA WATER
SUBJECT: SANTA ROSA WATER FUND-TO-FUND LOAN FOR THE
PURPOSE OF ACQUIRING LAGUNA TREATMENT PLANT
BUFFER PROPERTY

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Water and Finance Departments and the Board of Public Utilities that the Council, by resolution, approve a Santa Rosa Water fund-to-fund loan from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund for the purchase of a Laguna Treatment Plant buffer property located at 4090 Walker Avenue.

EXECUTIVE SUMMARY

It is a practice of Santa Rosa Water (SRW) to purchase buffer property around the Subregional Laguna Treatment Plant when such property becomes available. The Subregional Capital Improvement budget has an annual amount typically budgeted for this purpose. Recently two properties have become available and the Subregional capital budget does not have sufficient funding to acquire the second property. The Local Wastewater Utility Fund has undesignated fund balances available to loan to the Subregional Waste Operations Fund.

BACKGROUND

It is a practice of Santa Rosa Water (SRW) to purchase buffer property around the Subregional Laguna Treatment Plant (LTP) when such property becomes available. On February 18, 2016, in closed session, the Board of Public Utilities (BPU) provided direction to staff regarding price and terms for the purchase of property located at 4090 Walker Avenue, Santa Rosa, subject to a life estate (the Property), and subject to City Council approval of a Santa Rosa Water fund-to-fund loan.

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Since that time, staff has negotiated a purchase agreement with the owner of the property within the closed session price and terms parameters. On April 21, 2016, the BPU approved purchase of the Property subject to City Council approval of a fund-to-fund loan as necessary for the purchase, and recommended that the City Council approve the fund-to-fund loan. Acquisition of the Property is for the benefit of the Subregional System and the loan would benefit the Waste Operations Fund, which does not currently have the funds on hand for the purchase. The purchase is thus subject to City Council approval of financing via an internal fund-to-fund loan from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund.

PRIOR CITY COUNCIL REVIEW

None.

ANALYSIS

Recently two properties have become available and the Subregional capital budget does not have sufficient current funding to acquire the second property, located at 4090 Walker Avenue, Santa Rosa, CA 95407. The Local Wastewater Utility Fund has undesignated fund balances available to loan to the Subregional Waste Operations Fund and the amount loaned is projected to remain available during the life of the loan.

Staff is proposing that financing of the purchase be accomplished pursuant to a Santa Rosa Water fund-to-fund loan from the Local Wastewater Fund to the Subregional Waste Operations Fund. The Local Wastewater Fund is currently earning interest in the City's investment portfolio at an average rate of return of .77%.

The Subregional System partners have agreed to a loan from the Santa Rosa Water Local Wastewater Fund at an interest rate of 2.5% per annum, simple interest from the date the funds are received by the Subregional Waste Operations Fund to be amortized over five (5) years with monthly payments beginning July 1, 2016, and no prepayment penalty. This financing is advantageous to the Subregional System.

The Local Wastewater Utility Fund will benefit from the loan by being able to earn a reasonable interest rate on undesignated funds that is higher than earnings from the City's investment portfolio.

FISCAL IMPACT

The purchase will be funded by an inter-fund loan from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund. The Subregional Waste Operations Fund will pay an interest rate of 2.5% per annum, simple interest from the date the funds are received by the Subregional Waste Operations Fund to be amortized over five (5) years with monthly payments beginning July 1, 2016, and with no prepayment

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penalty. The fiscal year 2016/17 Subregional System Budget recommended by the BPU on April 7, 2016, includes this loan repayment.

Approval of this action does not have a fiscal impact on the General Fund.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The property purchase terms and conditions were approved by the Board of Public Utilities in closed session on February 18, 2016.

The Subregional Technical Advisory committee approved the inter-fund loan terms and conditions at their March, 2016 meeting.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Map of Laguna Treatment Plant and surrounding buffer property
- Resolution

CONTACT

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