

Staff Report

Regular Board Meeting

TO: Governing Board Members

FROM: General Manager/CEO

SUBJECT: Consider Ratification of Amendment No. 3 to State Water Resources Control Board Fiscal Agreement D1701042 for the Sterling Natural Resource Center Project

RECOMMENDATION

That the Board of Directors ratify staff's execution of Amendment No. 3 to the State funding agreement for the Sterling Natural Resource Center, revising the requirements for establishing a Debt Service Reserve Fund.

BACKGROUND / ANALYSIS

The primary funding for the Sterling Natural Resource Center (SNRC) was Fiscal Agreement No. D1701042 (Agreement) with the State Water Resources Control Board (SWRCB), which provided a \$6.7 million grant and \$168.3 million in low-interest loans to help finance the project. The loans are to be repaid over 30 years, with annual debt service payments totaling approximately \$7.6 million.

Section 3.7(f) of the SWRCB Agreement required that the District establish a Debt Service Reserve equal to one year's annual debt service, or \$7.6 million, prior to completion of construction on the project. Meeting this requirement presented a fiscal challenge for the brand-new Reclamation enterprise fund with no accumulated revenue/reserves.

Higher inflow to the SNRC in 2024 required the District to accelerate a capital improvement project to add a fifth membrane filtration (MBR) filter train. The capital improvement project would cost \$10.2 million. Staff scheduled a meeting with the project managers at the SWRCB to discuss this unexpected capital expense. Several meetings were held with the SWRCB to discuss funding and payment alternatives. SWRCB staff directed the District to submit a letter requesting an amendment to the Agreement, whereby the District would have an extended period of time to accumulate the required \$7.6 million reserve. District staff submitted the requested letter in August of 2024.

Additional meetings were held with the SWRCB to support the request. The District received Amendment No. 3 to Fiscal Agreement D1701042 in an email on March 27, 2025. The only revision contained in Amendment No. 3 was to section 3.7(f), giving the District a period of 10 years to accumulate the required reserve. The General Manager/CEO signed and returned an executed copy of Amendment No. 3 to the SWRCB on April 1, 2025 in order for it to take effect immediately.

DISTRICT PILLARS AND STRATEGIES

II - Sustainability, Transparency, and Accountability

a. Uphold Transparent and Accountable Fiscal and Resource Management

REVIEW BY OTHERS


There was no interdepartmental review of the item.

FISCAL IMPACT

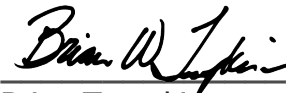
Approval of Amendment No. 3 to SWRCB Fiscal Agreement D1701042 significantly reduces the reserve requirement for the Reclamation Fund to approximately \$760,000 per year.

Recommended by:

Respectfully submitted:



Michael Moore
General Manager/CEO



Brian Tompkins
Chief Financial Officer

ATTACHMENTS

Amendment No. 3 to Fiscal Agreement D1701042