

San Gorgonio Pass Water Agency

DATE: December 12, 2022

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Tom Todd, Jr., Chief Financial Officer

SUBJECT: INCREASE CABAZON GAP FUNDING LIMIT

RECOMMENDATION

The Board approve Staff's recommendation to increase the limit of funds available to Cabazon Water District for approved improvements to \$1,300,000.

PREVIOUS CONSIDERATION:

- Board of Directors – February 14, 2022: The Board reviewed and discussed potentially providing "gap funding" for Cabazon Water District (CWD) for improvements to be made to their CWD's infrastructure ([Staff Report](#)).
- Board of Directors – March 14, 2022: The Board reviewed and discussed an updated proposal for the Gap Funding project and reviewed a potential agreement ([Staff Report](#)).
- Board of Directors – April 11, 2022: The Board approved the agreement as proposed by Staff to provide Gap Funding for Cabazon Water District improvements ([Staff Report](#)).

BACKGROUND

The Cabazon Gap Funding project has been working according to plan. The Agency has issued two checks and received one reimbursement for a balance of \$33,117.73 owed to the Agency. The Agency and the District are both happy with the process and the current outcome.

On December 1, 2022, Krieger & Stewart Engineering Consultants (KSE), acting as the District's grant project manager, alerted the Agency to potentially good news. The contractor implementing the Department of Water Resources (DWR) funded isolation valve project has procured all the necessary materials for the project and has an additional crew available to do the work. As a result, the isolation valve project can be completed in 3 months versus a previous 12-month project timeline. Staff consider this excellent news and agree that approving the faster pace is important to complete the District's projects, considering today's contracting climate.

However, the increased work schedule also brings faster-paced invoicing and, with it, a potential for a longer turnaround for reimbursements. Therefore, a potentially bigger cash flow gap for the District to manage.

ANALYSIS

The current agreement with the District sets a maximum gap funding limit of \$800,000. KSE estimates that there could be an additional \$400,000+ gap between invoicing and reimbursements. Because of the faster pace of construction, CWD could need an excess of \$1,200,000 in gap funding to complete the projects more quickly.

FISCAL IMPACT

At this time, the Agency has more than sufficient reserves to underwrite the District's Gap Funding project. Based on necessary gap funding estimates by KSE, Staff recommends raising the gap funding limit to \$1,300,000.

Based on recent Agency experience with a quick turnaround of funds, reimbursements for the project could also come at a faster pace, so we might not reach that limit. Staff will work with the District, KSE, and DWR to expedite the reimbursement cycle where possible.

ACTION

Approve the increase in the District's Gap Funding Agreement in principal and authorize the General Manager and Legal Counsel to draft a revised agreement with the District and present it to the Board at the next Board meeting.