



San Bernardino County

Legislation Text

File #: 8000, Agenda Item #: 63

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

May 23, 2023

FROM

BRENDON BIGGS, Director, Department of Public Works - Solid Waste Management

SUBJECT

Application for Irrevocable Standby Letter of Credit with Wells Fargo Bank for the San Gabriel Valley Water Company

RECOMMENDATION(S)

Approve Application for an Irrevocable Standby Letter of Credit between San Bernardino County and Wells Fargo Bank, in favor of the San Gabriel Valley Water Company, in the amount of \$1,492,950, at a cost of approximately \$30,000, effective July 1, 2023 through June 30, 2024.
(Presenter: Brendon Biggs, Director, 387-7906)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost) as the Department of Public Works - Solid Waste Management Division (SWMD) is financed by fee revenue. SWMD establishes fees that are charged to the public and other agencies for utilization of the County's Waste Disposal System. The Letter of Credit, issued by Wells Fargo Bank, will be in the amount of \$1,492,950, which is an increase of \$263,550 from last year's Standby Letter of Credit. The increased amount is due to an increase in the estimated budget submitted by San Gabriel Valley Water Company (SGVWC) for 2023-24. The estimated cost for the Letter of Credit is \$30,000. Sufficient appropriation has been included in the SWMD 2023-24 Recommended Budget.

BACKGROUND INFORMATION

In accordance with Agreement No. 98-947 (Agreement) between San Bernardino County (County) and SGVWC, the County is required to annually post a Standby Letter of Credit for 125% of that year's operation cost estimate to ensure payment for the operation and maintenance of the F-10 Plant. A Standby Letter of Credit guarantees a payment from the bank to SGVWC should the County default on the payment for the operation and maintenance costs. This item will approve the Application for an Irrevocable Standby Letter of Credit for 2023-24.

On November 10, 1998 (Item No. 33), the Board of Supervisors (Board) approved the Agreement between the County and the SGVWC to settle claims that a groundwater plume emanating from the Mid-Valley Sanitary

Landfill (MVSL) contained volatile organic compounds, which had impacted two production wells at SGVWC's F-10 Plant. The Agreement required the County to fund construction and annual operation and maintenance of a granular activated carbon water treatment facility at the F-10 Plant and the installation of a third production well in the heart of the plume to contain it.

On May 24, 2022 (Item No. 80), the Board approved Standby Letter of Credit Agreement No. 22-350 with Wells Fargo Bank, which outlined the details of the Letter of Credit. The Board also approved the Application for an Irrevocable Standby Letter of Credit between the County and Wells Fargo Bank in favor of SGVWC in the amount of \$1,229,400 for 2022-23, based on SGVWC's annual budget for its estimated annual operations cost of \$983,520 for the period of July 1, 2022 to June 30, 2023.

SGVWC submitted a proposed annual operations cost estimate of \$1,194,360 for 2023-24. Therefore, the Standby Letter of Credit is calculated to be \$1,492,950, an increase from the prior year's Letter of Credit by \$263,550. The Letter of Credit is based on SGVWC's yearly estimate, which anticipated an increase in costs for the next year. SGVWC issues monthly invoices that are paid based on actual costs and for any costs that are overpaid, the County is issued a credit. SWMD staff reviewed the proposed annual operations cost estimate and subject to a reservation of rights to dispute certain costs if necessary, determined the estimate to be fair and reasonable.

The recommended action supports the County and the Chief Executive Officer's goals and objectives of operating in a fiscally-responsible and business-like manner and provides for the safety and health of county residents by continuing the Standby Letter of Credit, allowing for continuing operations of the groundwater treatment system to protect the groundwater near the MVSL from volatile organic compound impacts.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Maria Insixiengmay, Deputy County Counsel, 387-5455) on April 12, 2023; Finance (Carl Lofton, Administrative Analyst, 387-5404) on May 4, 2023; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 6, 2023.