

● **Board of Directors**  
**Engineering, Operations and Real Property Committee**

June 12, 2001 Board Meeting

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**9-6**

**Subject**

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Authorize entering into loan and grant agreements with the California Department of Boating and Waterways for design and construction of Phase III of the Recreational Boating Facilities at Diamond Valley Lake

**Description**

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Authorize the Chief Executive Officer to enter into the Phase III Grant Agreement with the California Department of Boating and Waterways (DBAW) for a grant of \$2,500,000 and the Phase III Loan Agreement with DBAW for a loan of \$4,470,000. Although staff is requesting authority to execute the loan and grant agreements, no DBAW funds will be expended for construction until the Board approves a final plan for the marinas. Additionally, staff has met with DBAW to discuss the potential for negotiating revised loan and grant terms and conditions.

**Policy**

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DBAW requires Board approval of loan and grant agreements.

**CEQA**

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Metropolitan's Board of Directors certified the Final Environmental Impact Report (FEIR) for the Diamond Valley Lake (DVL) project (formerly the Eastside Reservoir Project) in October 1991 and the subsequent Supplemental Environmental Impact Report, and Addendum Nos. 1, 2, 3, 4 and 5 to the FEIR. The Board found that there is no substantial evidence that the proposed minor modifications to the DVL project construction relating to the boat launch facilities, subsurface anchors and slope protection will have a significant effect on the environment. Other conceptual marina components described in Metropolitan's DBAW applications such as docks, parking lots, storage areas and commercial structures will be evaluated in the environmental review process for the local land use permit to construct and operate marina facilities.

The CEQA determination is: Determine that the proposed action has been previously addressed in the certified 1991 FEIR, along with its related environmental documentation, and that no further environmental analysis is required.

**Board Options/Fiscal Impacts**

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**Option #1**

- a) Adopt the CEQA determination; and
- b) Authorize the CEO to enter into the Phase III Grant Agreement with the California Department of Boating and Waterways (DBAW) for a grant of \$2,500,000 and the Phase III Loan Agreement with DBAW for a loan of \$4,470,000.

**Fiscal Impact:** Metropolitan will repay \$4,470,000 loan plus interest under terms and conditions described in the detailed report ([Attachment 1](#)). The fixed rate on this loan is lower than Metropolitan fixed-rate financing.

**Option #2**

Do not approve entering into Phase III Grant and Loan Agreements with DBAW at this time.

**Fiscal Impact:** None.

**Staff Recommendation**

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Option #1

  
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Roy L. Wolfe  
Manager, Corporate Resources

5/24/2001  
\_\_\_\_\_  
Date

  
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Ronald R. Jester  
President & Chief Executive Officer

5/24/2001  
\_\_\_\_\_  
Date

**Attachment 1 – Detailed Report**

**Attachment 2 – Financial Statement**

BLA #896

## DETAILED REPORT

As a part of the development and operation of Metropolitan's Diamond Valley Lake (DVL), the Board, in February 1999, adopted a policy which authorizes certain recreational boating activities on the lake. In May 2001, the Engineering, Operations and Real Property Committee received an oral report from staff on the boating policy. Boating that complies with the policy should begin in July 2003.

The California Department of Boating and Waterways (DBAW) provides grants and loans for the design and construction of capital facilities that increase recreational boating opportunities in California. In July 1997, the Board authorized the Chief Executive Officer to submit a grant application in the amount of \$10,161,000 and a loan application in the amount of \$12,219,000 to DBAW for the design and construction of the facilities described above. In March 1999, the DBAW Commission approved the Phase I grant (\$3,700,000) and loan (\$1,499,000). In May 1999, the Board authorized the Chief Executive Officer to enter into the Phase I Grant and Phase I Loan Agreements with DBAW. In February 2000, the DBAW Commission approved the Phase II grant (\$4,000,000) and loan (\$6,250,000). In June 2000, the Board authorized the CEO to (1) enter into the Phase II Grant and Phase II Loan Agreements with DBAW and consistent with the DVL master development RFP process, (2) prepare a revised marina project and report back to the Board on that revised marina project, and (3) direct staff to seek a restructuring of existing DBAW loans and grants in order to accommodate engineering reassessments of the proposed launch sites, and any consequent changes to the feasible ramp and marina use projections.

In December 2000, the Board authorized the CEO to expend DBAW funds for implementation of the marinas based on the conceptual marina plan by the proposed master developer. As planned, the marinas might include:

- East – Boat launch ramps, dock, on-water storage, dry storage, boating-related retail, hotel and restaurant.
- West – Boat launch ramps, dock, dry storage, limited boating-related retail and day-use area.

To date, no DBAW funds have been expended. Since DBAW funds can only be utilized for the purposes described on the attached financial statement (Attachment 2), the planned retail and commercial features would be financed by the proposed master developer. The planned retail and commercial structures will be evaluated in the environmental review process for marina facilities and subject to future Board consideration.

Also in December 2000, the CEO informed the Board that he would be executing the Phase II Grant and Phase II Loan Agreements with DBAW before the end of the calendar year.

The original agreements are subject to a number of conditions including, but not limited to, the following:

### 1. Grant Agreement

- Completion of all project work and opening for public use by mutually agreed upon dates.
- Maximum launch and gate fees of \$12 total (may be adjusted with CPI).
- Metropolitan to retain ownership and operation of the facilities as a recreational boating facility for twenty (20) years.
- If, in 2008, Metropolitan has in place restrictions on access to the lake by boats with gasoline powered engines to regulate contaminants in the lake and there are less than 80,000 boat launches annually, Metropolitan will be required to repay a pro-rata portion of the grant.

### 2. Loan Agreement

- A 30-year loan at 4.5 percent interest.
- Completion of all phases and opening for public use by mutually agreed upon dates.

- Pricing limitations for rental slips.
- If, in 2008, Metropolitan has in place restrictions on access to the lake by boats with gasoline powered engines to regulate contaminants in the lake, and rental slips have less than 62 percent occupancy, Metropolitan is to accelerate repayment of the loan.

Metropolitan staff has met with DBAW to discuss marina planning and feasibility issues. Actual negotiations on restructuring of loan and grant conditions will be held after consultation with a proposed marina operator. Any restructuring of the terms and conditions would be completed before any funds are drawn down from DBAW.

Following the Board's December 2000 action on the DVL master development, the CEO informed DBAW staff of Metropolitan's desire to be considered for Phase III funding in 2001. In January 2001, the DBAW Commission approved the Phase III grant (\$2,500,000) and loan (\$4,470,000). While Metropolitan and DBAW must enter into the Phase III loan and grant agreements prior to June 30, 2001 to retain the funds in the DBAW budget, execution of the agreements does not obligate Metropolitan to draw down funds. Although staff is requesting authority to execute the loan and grant agreements, no DBAW funds will be expended for construction until the Board approves a final plan for the marinas.

**FINANCIAL STATEMENT**

Description	Phase I Estimate	Phase II Estimate	Phase III Estimate	Total Project Estimate
Launching Ramps	1,240,000	1,956,000	0	3,196,000
Docks	122,000	2,600,000	753,000	3,475,000
Floating Breakwaters	1,761,000	2,253,000	0	4,014,000
Slope Protection	1,250,000	0	0	1,250,000
Structures	0	600,000	1,057,000	1,657,000
Miscellaneous	0	116,000	4,026,000	4,142,000
Construction Contingency	441,000	1,025,000	782,000	2,248,000
Design & Engineering	385,000	1,000,000	214,000	1,599,000
Inspection/Fees	0	700,000	138,000	838,000
TOTAL	\$5,199,000	\$10,250,000	\$6,970,000	\$22,419,000