



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 24, 2013

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Pledge Wastewater Fund Net Revenue To Payment Of Clean Water State Revolving Fund Financing Agreement

### RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Pledging the Wastewater Fund Net Revenue to Payment of a Clean Water State Revolving Fund Financing Agreement.

### DISCUSSION:

The El Estero Wastewater Treatment Plant (El Estero) has been in service for over 32 years. Recent consultant engineering assessment and preliminary design work has demonstrated that significant process improvements must be made to upgrade the level of secondary treatment provided at El Estero in order to produce treated wastewater that can be effectively filtered for recycled water production and to reliably meet wastewater discharge permit limits. In prior years, El Estero has incurred stipulated penalties from the State Water Resources Control Board related to its effluent quality.

Staff currently is in the preliminary design phase for a large secondary treatment process improvement project at El Estero. The preliminary design phase work will be completed by October 2013. Final design phase work is anticipated to be completed by mid-2014, with construction work beginning later that year. Construction work is estimated to be completed by early 2016. A preliminary total cost estimate for these secondary treatment improvement projects approximates \$20 million.

The State Revolving Fund (SRF) loan program provides 20-year loans at an interest rate lower than the State General Obligation Bond rate. This low interest rate offers significant savings for wastewater rate payers.

An SRF financing application for this project was originally initiated with the State in 2012. The application process is complex, and the State revamped its application process and related requirements in early 2013. The City subsequently restarted its

SRF financing application to comport with the updated State application process requirements,

On March 5, 2013, Council adopted Resolution No. 13-008, authorizing the SRF loan application and the City Administrator's execution and delivery of the application to the State Water Resources Control Board and adopted Resolution No. 13-009, allowing City reimbursement for certain expenditures made prior to the final approval of the loan.

In order to continue with the application process, staff recommends that Council adopt an additional resolution which pledges the Wastewater Fund net system revenue to payment of a Clean Water SRF financing agreement for the El Estero Wastewater Treatment Plant Air Process Improvements Project, CWSRF No. 7857-110. The resolution also commits the City to collecting such revenues and maintaining such fund(s) throughout the term of the financing and until the City has satisfied its repayment obligation. The Resolution also creates a lien in favor of the State Water Resources Control Board on the Wastewater Fund.

**PREPARED BY:** Chris Toth, Wastewater System Manager/CJT/mh

**SUBMITTED BY:** Christine F. Andersen, Public Works Director

**APPROVED BY:** City Administrator's Office