



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** January 27, 2015

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Authorization Pledging Wastewater Fund Net Revenue To Payment Of A 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 33 years. Recent consultant engineering assessment work has demonstrated that significant improvements must be made to upgrade the solids treatment processes provided at El Estero in order to produce treated biosolids that can be efficiently transported from the facility for final end uses.

Staff has contracted with CDM Smith to provide a comprehensive assessment of the El Estero solids processing structures and equipment to identify processes that are in need of rehabilitation or replacement. The assessment work has identified several projects to be designed and constructed over a multi-year time frame. The scope of work for the projects involves the sludge thickening, digestion, dewatering, and solids cake handling unit processes.

Final planning phase work will be completed in February 2015. Engineering design work will be undertaken in 2015-2016, with construction beginning in 2016. Construction is estimated to be completed by 2020. A preliminary cost estimate for these biosolids-related improvement projects approximates \$22 million.

The City is applying for a financing agreement from the State Water Resources Control Board's State Revolving Fund loan program. This Agreement will provide for a 20-year loan in the amount of \$22 million at an interest rate of approximately 2 percent. Staff estimates that the Agreement application process will take approximately nine months. The State Revolving Fund (SRF) loan program provides loans at an interest rate lower

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than the State General Obligation Bond rate. This low interest rate offers significant savings for wastewater rate payers. The State Water Resources Control Board has indicated that, based on the project descriptions, the biosolids improvement projects qualify for SRF funding. If Water Resources staff is not able to secure SRF funding in 2015, the City will need to pursue the issuance of municipal debt in the form of Certificates of Participation.

In order to fulfill the application process, Council is being asked to approve a 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 Biosolids Improvement Project. The resolution also commits the City to collecting such revenues and maintaining such fund(s) throughout the term of the financing until the City has satisfied its repayment obligation. In addition, the Resolution creates a lien in favor of the State Water Resources Control Board on the Wastewater Fund. The multi-year Wastewater Rate Study that was completed in 2014 included the rate increases necessary to support future loan funding for the biosolids projects.

At its meeting on January 12, 2015, the Board of Water Commissioners supported staff's recommendations as stated above.

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

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

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