



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** December 8, 2015

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Authorization of Increase of State Revolving Fund Loan For Wastewater Plant Upgrades to \$35 Million

### RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara to Amend Resolution 13-009 Stating the City's Intent to Reimburse Expenditures Paid Prior to Either the Issuance of Obligations or the Approval by the State Water Resources Control Board of the Project Funds for the Secondary Treatment Process Improvements Project at the El Estero Wastewater Treatment Plant.

### DISCUSSION:

The El Estero Wastewater Treatment Plant (El Estero) processes approximately six million gallons of wastewater each day. El Estero was originally constructed in 1952; however, a majority of its current infrastructure was constructed in 1978 to meet 1972 Clean Water Act requirements.

Although capital improvements have been made consistently in past years to maintain treatment quality, El Estero nonetheless has had longstanding issues with highly variable secondary effluent quality, operational inflexibility, and energy inefficiency. El Estero was originally designed to provide a high-rate activated sludge treatment system. While this system provides suitable secondary effluent quality to meet all regulatory requirements, this final effluent still has a higher level of turbidity than is desired for subsequent use in tertiary treatment or future advanced water treatment projects. This Project will modify El Estero's secondary treatment processes, provide a longer solids retention time prior to final effluent ocean discharge or usage in subsequent recycled water treatment.

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. The SRF financing application process for this project with the State originally was initiated in 2012. The application process was complex and the State revamped its application process and related requirements

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in early 2013. The City subsequently restarted its SRF financing application for this project to comport with the updated State application process requirements. At that time, a preliminary total cost estimate for these secondary treatment improvement projects approximated \$20 million.

On March 5, 2013, Council authorized a State Revolving Fund loan application and adopted Resolution No. 13-009 allowing City reimbursement for certain expenditures made prior to the final approval of the loan. It cited \$20 million as the maximum principal amount for the Project funds as that is the most the State would authorize ahead of bid based upon early consultant design cost estimates. During the final design process, additional project improvements were made that resulted in additional costs both for design services and final project construction cost estimation. The Project has now been competitively bid and total costs are estimated to be approximately \$35 million.

On September 24, 2013 and June 3, 2014, Council adopted resolutions to pledge the Wastewater Fund net revenue to payment of any and all Clean Water State Revolving Fund Program financing for the El Estero Wastewater Treatment Plant Air Process Improvements.

Staff recommends Council amend Resolution No. 13-009 to reflect \$35 million as the Project's maximum fund amount. The amended resolution will be provided to the State SRF Program staff with a request to amend the State Revolving Fund Loan agreement from \$20 million to \$35 million. Staff will return to Council in early 2016 to recommend award of the construction contract. A detailed project presentation will be made to Council at that time.

**SUSTAINABILITY IMPACT:**

This Project's construction will improve water quality for both recycled water production and treated effluent discharge into the ocean. These process improvements will also provide more energy efficient equipment at El Estero, resulting in reduced electrical energy costs.

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

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

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