



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** August 3, 2010

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Resolution Authorizing The City's Application For El Estero Clean Water Fund Loan And Related Actions

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the City Administrator to Execute and Deliver an Application to the State Water Resources Control Board for a Clean Water State Revolving Fund Loan, and Amending Resolution No. 09-026.

### **BACKGROUND:**

On February 11, 2009, the United States Congress approved a revised nationwide Federal Stimulus Bill to help stimulate the weakened economy by investing in public infrastructure improvements. In preparation for this stimulus approval, staff identified projects in the Water Resources Division that could be expedited to construction. On March 17, 2009, Council granted the City Administrator the authority to submit applications for the following two wastewater projects at the El Estero Wastewater Treatment Plant (El Estero):

- Headworks Screening Replacement Project at El Estero, which involves increased removal of large solids that will improve overall plant treatment efficiencies.
- Biogas/Biomass Conversion Project at El Estero. This project is now known as the FOG (fats/food, oils, and grease) Pilot Project and uses brown grease from restaurants for biofuel conversion to electricity. Additional digester system improvements will be undertaken as a part of this project to support the FOG Pilot Project, a long-term FOG facility, and planned improvements for future electrical co-generation facility activities.

The State Water Resources Control Board recently notified staff that these projects were not selected for Federal Stimulus Bill funds but has provided the City of Santa Barbara an opportunity to convert the project applications to the State of California for a Clean Water State Revolving Fund (CWSRF) loan.

The process for applying for the CWSRF loan has been complicated by the fact that the initial application was submitted for grant funds rather than loan funds. Consequently, authorization to apply for a loan has not yet been approved by Council. Additionally, the City adopted a resolution allowing for the reimbursement of money expended for design costs before receiving the loan funds. That resolution contemplated only \$1.2 million in reasonably expected project funds while the current funding estimate for the two projects is \$6.8 million. The resolution before the Council today will authorize the application for the loan, as well as increase the reasonably expected project amount to be consistent with the current estimates for both the FOG Pilot Project and the Headworks Project.

**DISCUSSION:**

CWSRF Loan funding to the City of Santa Barbara for these two projects at this time will be set at a maximum principal amount of \$6.8 million, which should cover 100% of the costs for both projects. Securing the full CWSRF loan amount at this time will allow these two projects to move forward for construction bid and award in the coming months.

The actual loan amount and terms, including the expected interest rate (currently anticipated to be 2 to 3%), will be finalized after the projects are bid for construction and prior to award of the construction contracts. At that time, Council will be asked to award the construction contracts. Council is being asked at this time to adopt the Resolution authorizing the application for, certification of, negotiation and execution of a financial assistance agreement from the State of California for a CWSRF Loan to be used at El Estero on these two aforementioned projects. Failure to proceed with adopting the Resolution will result in withdrawal of the loan application for funding for both the Headworks Project and the FOG Pilot Project.

**PREPARED BY:** Christopher J. Toth, Wastewater System Manager/mh

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

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