



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 15, 2011

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Safe Drinking Water State Revolving Fund Loan Acceptance And Increase Of Appropriations And Revenues In The Water Capital Fund

RECOMMENDATION: That Council:

- A. Accept a loan in the amount of \$29,283,000 from the Safe Drinking Water State Revolving Fund (SDWSRF) for the Cater Water Treatment Plant Advanced Treatment and Ortega Groundwater Treatment Plant Rehabilitation Projects; and
- B. Increase Water Capital Fund appropriations and estimated revenues by \$29,283,000.

DISCUSSION:

The City of Santa Barbara's William B. Cater Water Treatment Plant (Cater) treats drinking water for the City of Santa Barbara and the Montecito and Carpinteria Valley Water Districts. In 2012, the new Stage 2 Disinfection By-Products Rule (Stage 2 Rule) will go into effect, lowering the allowable limits of disinfection by-products in drinking water. The proposed Advanced Treatment Project at Cater (Cater Project) and the Ortega Groundwater Treatment Plant Rehabilitation and Improvements Project (Ortega Project) both address compliance with the upcoming Stage 2 Rule, making them eligible for funding through a low-interest SDWSRF loan.

The Cater Project includes an ozone pretreatment process at Cater which has been determined to be the best solution for complying with the upcoming Stage 2 Rule. Using ozone as a pretreatment makes the precursors for disinfection by-products more amenable to filtration in the treatment process.

The Ortega Project will assist the City in complying with the upcoming Stage 2 Rule by treating groundwater which contains trace amounts of disinfection by-products, and blending it with treated surface water to lower disinfection by-product levels in the water distribution system.

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On January 13, 2009, City Council authorized the City Administrator to apply for an SDWSRF loan for the Cater and Ortega Projects on behalf of the City, and the City's loan application was accepted by the State.

On November 17, 2009, Council adopted Resolution No. 09-090, authorizing a Notice of Application Acceptance for a SDWSRF loan and authorizing officers to act on behalf of the City. Council amended this Resolution on November 16, 2010 to clarify the source of City funds for loan repayment, and to add language pledging and dedicating the revenue source for the loan.

On January 24, 2011, the City received a funding agreement for a 20-year loan in the amount of \$29,283,000, at an interest rate of 2.5017%, from the California Department of Public Health. The City anticipates receiving executed loan documents in late March, 2011.

FUNDING:

The SDWSRF loan will fund both the Cater and the Ortega Projects. \$20,000,000 of the loan will be appropriated for the Cater Project, of which 60.3% will be repaid by the City, and 39.7% will be repaid by the Montecito and Carpinteria Valley Water Districts. The remaining \$9,283,000 will be appropriated for the Ortega Project, which will be completely repaid by the City.

PREPARED BY: Catherine Taylor, Water System Manager/LS/mh

SUBMITTED BY: Christine F. Andersen, Public Works Director

APPROVED BY: City Administrator's Office