



Agenda Item No. \_\_\_\_\_

File Code No.

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

# DRAFT

**AGENDA DATE:** April 28, 2009

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Contract for Design Of Advanced Treatment Solutions for the William B. Cater Water Treatment Plant

**RECOMMENDATION:** That Council:

- A. Adopt by reading of title only, a resolution of the Council of the City of Santa Barbara declaring its official intent to reimburse certain expenditures from the proceeds of indebtedness; and
- B. Authorize the Public Works Director to negotiate and execute a contract with Carollo Engineers (Carollo) in the not-to exceed amount of \$1,495,000 for the design of Advanced Treatment Solutions for the William B. Cater Water Treatment Plant (Cater); and authorize the Public Works Director to approve expenditures up to \$150,000 for cost increases due to unanticipated changes in the scope of work.

### DISCUSSION:

The City of Santa Barbara (City) owns and operates the William B. Cater Water Treatment Plant (Cater), which treats drinking water for Santa Barbara, Montecito, and Carpinteria. As part of the treatment process, chlorine is added to the water to kill bacteria and other disease causing agents. Chlorine also binds with naturally occurring organic material in the water, forming compounds referred to as disinfection by-products (DBPs). DBPs may cause cancer in humans if consumed at high doses over a lifetime. As a result, the United States Environmental Protection Agency (EPA) has issued rules restricting restricts the allowable concentration of DBPs in drinking water.

To comply with the EPA rules the City must modify the water treatment process at Cater. In 200? the City hired Carollo to determine which treatment technology would best allow the City to meet the EPA rules. Carollo determined that ozone treatment provided the best approach for treating Santa Barbara's water. The results of Carollo's investigations, along with preliminary costs for ozone treatment were presented to the City Council and to the Boards of Directors for both Montecito and Carpinteria Valley Water Districts all of whom

concluded with the proposed use of ozone as a treatment technology to meet the EPA rules.

Subsequently, the Zaca fire burned a large portion of the Santa Ynez River watershed significantly changing the water chemistry. On June 24, 2008, Council authorized a supplemental pilot study and preliminary design of advanced treatment solutions at Cater, with the understanding that upon successful completion of the scope of work, staff would return to Council for authorization of a contract with Carollo for final design of the advanced treatment solutions at Cater.

Carollo has successfully completed the supplemental pilot study and preliminary design, and has confirmed that, despite changes in water chemistry, ozone is still an appropriate technology for treating the Santa Ynez River water. Carollo has submitted an acceptable proposal in the amount of \$1,495,000 to perform the final design for the advanced treatment solutions at Cater. Staff requests an authorization allowance for extra services of \$150,000, or approximately 10%, which is based on the size and type of the scope of services. The total amount of the contract, including extra services funding, is \$1,645,000.

#### **CONTRACTOR INFORMATION:**

Through a competitive Request For Proposal process, Carollo was selected to develop the Cater Strategic Plan which charts the route for continued compliance with existing and pending drinking water rules and standards. The Strategic Plan is a five-phase plan that was developed in 2000. Design and construction of an advanced treatment technology for compliance with the DBP rules is a key element of the Strategic Plan. Carollo has been working with the City on the City's water quality issues since 1996, and has been on the three-year approved contract services list since the list's inception.

#### **BUDGET/FINANCIAL INFORMATION:**

The cost for design and construction of the ozone treatment plant at Cater is anticipated to be approximately \$20 million. This significantly exceeds the Water Fund reserves. To meet EPA deadlines for the DPB rule, the City must proceed with design of the treatment system ahead of securing financing. The City has submitted an application for a State Revolving Fund (SRF) loan to finance the design and construction of this project. The maximum SRF loan amount is \$20 million.

If the City is unable to obtain an SRF loan, we will pursue issuance of debt to fund this project. Because we desire to finance both design and construction, it is necessary for the Council to adopt a resolution of intention to permit reimbursement of project design costs from the future issuance of tax-exempt debt. Adoption of the resolution will preserve that right without committing the City to any debt issuance or any project cost. Because the project has not yet been designed, the resolution of intention is written to allow reimbursement of up to \$25 million. This will protect the City's ability to reimburse

expended funds if project costs exceed current estimates. The Montecito and Carpinteria Valley Water Districts, under a joint powers agreement, will jointly provide 39% of the funding for this work. These entities have received presentations from the City on the proposed work, and their respective Board of Directors have been advised and concur with the proposed approach.

At its regular meeting of April 13, 2009, the Board of Water Commissioners voted X/X to concur with staff's recommendation as contained in this Council Agenda report.

**PREPARED BY:** Catherine Taylor, Water System Manager

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

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