

**CITY OF SANTA BARBARA****COUNCIL AGENDA REPORT****DRAFT**

**AGENDA DATE:** July 13, 2010

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Resolution to Authorize City's Application for, Certification of, Negotiation of, Execution of, and Delivery of SRF Loan Agreement and Related Documents

**RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara authorizing the application for, certification of, negotiation and execution of a financial assistance agreement from the State of California for a Clean Water State Revolving Fund (CWSRF) Loan to be used at the El Estero Wastewater Treatment Plant (El Estero).

**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:

- 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 now is 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 a CWSRF loan application.

**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 will be finalized after the projects are bid for construction and prior to award of the construction contracts. At this time Council must adopt this Resolution authorizing the application for, certification of, negotiation and execution of a financial assistance agreement from the State of California for a Clean Water State Revolving Fund (CWSRF) Loan to be used at the El Estero Wastewater Treatment Plant (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

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

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

RESOLUTION NO. 10-XXX

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA  
AUTHORIZING THE APPLICATION FOR, CERTIFICATION OF,  
NEGOTIATION AND EXECUTION OF A FINANCIAL ASSISTANCE  
AGREEMENT FROM THE STATE OF CALIFORNIA FOR A CLEAN  
WATER STATE REVOLVING FUND (CWSRF) LOAN

WHEREAS, the City of Santa Barbara desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water and wastewater system, including certain treatment facilities (the "Project"); and

WHEREAS, the City of Santa Barbara intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board); and

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the City of Santa Barbara desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the City; and

WHEREAS, the City has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the City for the Expenditures from the proceeds of the Obligations.

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

1. The City hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.
2. The reasonably expected maximum principal amount of the Project Funds is \$ 6.8 million.
3. This Resolution is being adopted no later than 60 days after the date on which the Agency will expend moneys for the portion of the Project costs to be reimbursed with Project Funds.
4. Each City expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.
5. To the best of our knowledge, the City is not aware of the previous addition of official intents by the Agency that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.
6. This resolution is adopted as official intent of the City in order to comply with Treasury Regulation X1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.
7. All the recitals in this Resolution are true and correct and this City so finds, determines, and represents.

STATE OF CALIFORNIA                    )  
  )  
COUNTY OF SANTA BARBARA        ) ss.  
  )  
CITY OF SANTA BARBARA            )

I HEREBY CERTIFY that the....