



## 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 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.

#### 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, for a Clean Water State Revolving Fund (CWSRF) Loan, and Authorizing Certain Other Actions Related Thereto 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, City staff identified projects in the Water Resources Division that could be expedited to construction. On March 17, 2009, Council authorized the City Administrator to submit grant applications for the following two wastewater projects at the 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 subsequently notified staff that these projects were not selected for Federal Stimulus Bill funds, but could be funded through a low-interest CWSRF loan.

On April 20, 2010, the Council adopted Resolution No. 10-019 in which the Council authorized designation of the Wastewater Fund as the dedicated source of revenue for repayment of the CWSRF loan.

**DISCUSSION:**

The CWSRF Loan application to be submitted to the State Water Resources Control Board for these two projects will seek funding at a maximum principal amount of \$6.8 million. This amount is expected to finance 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, staff requests that Council adopt a resolution authorizing the City Administrator to submit the loan application along with other related documents. It is anticipated that interest on the 20-year loan will be in the range of 2.5 percent. Along with the loan application, the Finance Director must certify that the terms of the CWSRF loan will meet the test for parity obligations set forth in the City's existing Sewer Revenue Bond. The City's Bond Counsel has reviewed the draft loan agreement and will prepare and submit to the State an Opinion of Bond Counsel stating that the upon execution of the loan agreement, the pledge of Wastewater system revenues will be valid and will provide the State Water Resources Control Board with a lien on the Wastewater system revenue on a parity with the lien securing the payment obligations of the City under the Sewer Revenue Bonds.

Adoption of the Resolution is necessary for submitting 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