



Agenda Item No. \_\_\_\_\_  
File Code No. \_\_\_\_\_

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** March 5, 2013

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Authorization to Apply for a State Revolving Fund Loan to Finance Needed Improvements at the El Estero Treatment Plant and to Authorize Reimbursement of Certain Expenses with Project Fund Proceeds.

### RECOMMENDATION:

A. 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 Financing Agreement; and

B. That Council adopt, by reading of title only, a resolution of the Council of the City of Santa Barbara Stating the City's Intent to Reimbursement Expenditures Paid Prior to the Issuance of Obligations or the Approval by the State Water Resources Control Board of the Project Funds for the Secondary Treatment Process Improvements Project at the El Estero Wastewater Treatment Plant.

### DISCUSSION:

The El Estero Wastewater Treatment Plant (El Estero) has been in service for over 32 years. Recent consultant engineering assessment and preliminary design work has demonstrated that significant process improvements must be made to upgrade the level of secondary treatment provided at El Estero in order to produce treated wastewater that can be effectively filtered for recycled water production and to reliably meet wastewater discharge permit limits. An initial cost estimate for these secondary treatment improvement projects approximates \$20 million.

Staff currently is in the preliminary design phase for a large secondary treatment process improvement project at El Estero. The first portion of this preliminary design phase provides for refurbishment of major air process equipment associated with the aeration basins. The second portion of this preliminary design phase provides for an upgrade of the secondary clarifiers, including improvements to return activated sludge pumping equipment and piping. The preliminary design phase work will be completed by mid-2013. Final design phase work is anticipated to be completed by mid-2014 with

Council Agenda Report  
Authorization to Apply for a State Revolving Fund Loan to Finance Needed  
Improvements at the El Estero Treatment Plant

March 5, 2013

Page 2

construction work beginning later that year. Construction work is estimated to be completed by mid-year in 2016.

The State Revolving Fund (SRF) loan program provides 20-year loans at an interest rate lower than the State General Obligation Bond rate. This low interest rate offers significant savings for wastewater rate payers. Staff at the State Water Resources Control Board who administers SRF loans has advised City staff that there may be an opportunity to qualify for SRF funding for the secondary treatment improvements at El Estero.

If SRF funding is not able to be secured this year, staff will need to pursue issuance of commercial debt in the form of a Certificate of Participation.

The SRF application requires that the borrowing agency resolutions providing the following information:

- Designation of the authorized representative and authorization of that individual to apply for a Financial Assistance Application for a Financing Agreement;
- Dedication of a repayment source; and
- Inclusion of specific wording regarding reimbursement from SRF project funds for expenditures made for the projects prior to receiving SRF monies.

The SRF resolutions designates the City Administrator, or his designee, as the authorized individual to apply for the loan, and identifies funds from wastewater service fees as the source of funds for repayment of the loan. It also contains required language regarding reimbursement to City accounts from SRF monies and other language required by the SWRCB, certifying that the City will use the monies for the purposes stated.

At its meeting of February 11, 2013, the Board of Water Commissioners voted xx to xx to concur with staff's recommendations as stated above.

**PREPARED BY:** Chris Toth, Wastewater System Manager/CJT/cjt

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

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