



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

File Code No.

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**Item 05**

**AGENDA DATE:** January 27, 2015

**TO:** Mayor and Councilmembers

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

**SUBJECT:** Authorization Pledging Wastewater Fund Net Revenue To Payment Of Clean Water State Revolving Fund Financing Agreement

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Pledging the Wastewater Fund Net Revenue to Payment of a Clean Water State Revolving Fund Financing Agreement.

### **DISCUSSION:**

The El Estero Wastewater Treatment Plant (El Estero) has been in service for over 33 years. Recent consultant engineering assessment work has demonstrated that significant improvements must be made to upgrade the solids treatment processes provided at El Estero in order to produce treated biosolids that can be efficiently transported from the facility for final end uses.

Staff currently has contracted with the engineering firm CDM Smith to provide a comprehensive assessment of the El Estero solids processing structures and equipment to identify those processes in need of rehabilitation or replacement. The assessment work has identified several projects to be designed and constructed over a multi-year time frame. These projects' scope of work involves the sludge thickening, digestion, dewatering, and solids cake handling unit processes. Planning-level cost estimates to construct these projects approximate \$22 million.

Final planning phase work is anticipated to be completed by January 2015. Engineering design work will be undertaken in the 2015-2016 time periods with construction work beginning in 2016. Construction work is estimated to be completed by 2020. A preliminary cost estimate for these biosolids-related improvement projects approximates \$22 million.

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

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Control Board who administers SRF loans has advised City staff that there may be an opportunity to qualify for SRF funding for these biosolids improvement projects at El Estero.

If SRF funding is not able to be secured in 2015, staff will need to pursue issuance of commercial debt in the form of a Certificate of Participation.

In order to fulfill the application process, Council is being asked to approve a resolution which pledges the Wastewater Fund net system revenue to payment of a Clean Water SRF financing agreement for the El Estero Wastewater Treatment Plant Biosolids Improvement Project. The resolution also commits the City to collecting such revenues and maintaining such fund(s) throughout the term of the financing and until the City has satisfied its repayment obligation. The Resolution also creates a lien in favor of the State Water Resources Control Board on the Wastewater Fund.

At its meeting of January 12, 2015, the Board of Water Commissioners was presented with staff's recommendations as stated above.

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

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

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