



# City Council Report

City Council Meeting: December 6, 2016  
Agenda Item: 11.A

To: Mayor and City Council  
From: Susan Cline, Director, Public Works, Water Resources  
Subject: Adoption of Reimbursement Resolution and Pledged Revenue and Fund(s) Resolution for the Sustainable Water Infrastructure Project

## Recommended Action

Staff recommends that the City Council adopt the Reimbursement Resolution and Pledged Revenue and Fund(s) Resolution for the City of Santa Monica's proposed Sustainable Water Infrastructure Project (SWIP).

## Executive Summary

On January 26, 2016, the City Council adopted a resolution (Attachment A) authorizing City staff to file applications with the California State Water Resources Control Board (State Water Board) requesting funding from a combination of various State programs including Proposition 1 grant programs and the Clean Water State Revolving Fund (CWSRF), and to negotiate funding for the proposed SWIP with the State Water Board. The State Water Board is currently reviewing the financial section of the City's CWSRF application for low interest financing. Before the State Water Board provides a funding proposal for review, City Council adoption of the attached Reimbursement Resolution (Attachment B) and Pledged Revenue and Fund(s) Resolution (Attachment C) is required. The preliminary estimated cost of the project is approximately \$57,050,000. Staff has determined that the Wastewater Fund has the financial capacity to pledge future revenues towards payment of any and all CWSRF financing for the SWIP, thereby completing an important step in the funding application process for the SWIP. Adoption of the subject resolutions has no fiscal impact. Staff will return to City Council for review and approval for any project funding agreement.

## Background

The State Water Board is committed to assisting its stakeholders build resiliency to drought and climate change. Similarly, the City has established among its sustainability goals the objective of reaching water self-sufficiency by the year 2020, concurrent with addressing the water conservation requirements made necessary by the on-going drought. The City's proposed SWIP would align with these objectives, while simultaneously helping to improve drought resiliency, increase water supply for reuse, and enhance flexibility in the management of the City's water resources, by allowing for

the treatment and reuse of brackish/saline groundwater, municipal wastewater, and stormwater. City Council previously approved staff applying for State Water Board grant and low interest financing on January 26, 2016. City Council adopted the SWIP environmental documents on September 27, 2016.

Currently, the City's water supply is a combination of imported water and local groundwater. Long term, the City seeks to become sustainably independent from imported water through continued conservation and increasing reliance on its groundwater resources. The SWIP takes a forward thinking approach to help secure the City's water future by leveraging use of existing City infrastructure and by linking together three distributed water reuse elements into a single cohesive and comprehensive project to harvest, treat, and reuse non-conventional water resources. Advanced treated water produced from the SWIP would be used to meet existing permitted non-potable reuse demands. When properly permitted, a significant portion of the advanced treated water would be utilized for indirect potable reuse via aquifer recharge. Combined, these three elements would produce approximately 1,680 acre-feet per year (AFY) of new water.

The SWIP has three basic elements (Attachment D) all designed to function as a cohesive and integrated system for the harvesting, treatment and conjunctive reuse of all nonconventional water resources that are available to the City (i.e. stormwater, brackish/saline impaired groundwater, and municipal wastewater).

- SWIP Element 1, a shallow brackish/saline impaired groundwater supply well, would be installed to replenish a City stormwater harvest tank near the Santa Monica Pier during dry weather. The City recently received a \$3.7M Clean Beaches Initiative (CBI) grant to construct this 1.6 million gallon tank. Runoff and impaired groundwater from the CBI tank would be piped to the City's existing Santa Monica Urban Runoff Recycling Facility (SMURRF). As part of Element 1, the SMURRF would also be upgraded with the installation of a containerized reverse osmosis (RO) unit capable of treating both captured stormwater and brackish/saline impaired groundwater for permitted non-potable distribution and future permitted indirect reuse (aquifer recharge).
- SWIP Element 2 would provide a source of recycled water for permitted conjunctive reuse via the construction of a new below ground Advanced Water Treatment

Facility (AWTF) to treat up to 1 million gallons per day (MGD) of municipal wastewater. Treatment would include, among other things, membrane bioreactors, membrane filtration, reverse osmosis, and advanced oxidation.

- SWIP Element 3 would include added infrastructure to further improve stormwater harvesting and reuse. Two below-grade runoff harvest tanks totaling 4.5 million gallons would reduce ocean discharges and divert the harvested runoff to the new AWTF. One tank would be constructed upgradient beneath Memorial Park and the other below ground at a location on the Civic Center Parking Lot. The subject tanks also provide for compliance with new State Enhanced Watershed Management Plan (EWMP) for Jurisdictional Group 2 and 3 and Municipal Separate Storm Sewer System (MS4) permit requirements for nonpoint source pollution control, and would help improve beach water quality.

### **Discussion**

The preliminary estimated cost of the project is approximately \$57,050,000. The City is pursuing a combination of grants and low interest financing from the State Water Board to fund the proposed SWIP. In addition to applying for Proposition 1 grant funding, City staff submitted an application seeking CWSRF low interest financing. The current CWSRF interest rate is approximately 1.7% per annum. If the entire project were funded via the CWSRF, debt service costs to the Wastewater Fund may be as much as \$2.5 million per year. Grant funding or principal forgiveness by the State would lower repayment costs. Staff has determined that the Wastewater Fund has the financial capacity to pledge future revenues toward payment of any and all CWSRF financing for the SWIP and still maintain adequate reserves. This new debt service cost would be almost entirely offset after one year, when the existing Wastewater Revenue Bonds reach maturity and no longer require debt payments.

The CWSRF application consists of four packages: General, Environmental, Financial, and Technical. The State Water Board has completed the review of the General and Environmental Packages for the SWIP and is currently completing its review of the Technical and Financial Packages. In order to complete the Financial Package review and provide a funding proposal, City Council adoption of the Reimbursement Resolution and Pledged Revenue and Fund(s) Resolution is required.

### **Financial Impacts and Budget Actions**

There is no immediate financial impact or budget action necessary as a result of the recommended action. Staff will return to City Council for review and approval for any

project funding agreement.

**Prepared By:** Thomas Watson, Water Resources Protection Programs  
Coordinator

**Approved**

**Forwarded to Council**



Susan Cline, Director

11/22/2016



Rick Cole, City Manager

11/27/2016

**Attachments:**

- A. January 26, 2016 Staff Report - City Council Resolution
- B. Reimbursement Resolution
- C. Pledged Revenue and Fund(s) Resolution
- D. SWIP Project Elements