



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
November 15, 2022

TOPIC: Installment Sale Agreement for Well 32 Project

AGENDA TITLE

Adopt a Resolution Approving the Construction Installment Sale Agreement with the California State Water Resources Control Board for Financing of the Well 32 Nitrate Treatment Project (Non-General Fund)

RECOMMENDED ACTION

Adopt a Resolution approving the Construction Installment Sale Agreement (D2202003) with the California State Water Resources Control Board for financing of the Well 32 Nitrate Treatment Project, in an amount up to \$6,249,105.

DISCUSSION

The Public Works Agency Water Resources Division oversees and maintains the daily operations of the City's water and sanitary sewer systems. The water system is comprised of approximately 480 miles of water main, 21 groundwater wells, seven pump stations, 10 reservoirs with a storage capacity of 49 million gallons, four pressure regulating stations, and seven connection points to the Metropolitan Water District. The system has an average daily demand of 30 million gallons from its roughly 45,000 service connections.

In an effort to find cost-effective solutions to maintaining and improving the City's water system infrastructure, the Water Resources Division has sought out funding mechanisms such as the California State Water Resources Control Board's (Water Board) Drinking Water State Revolving Fund (SRF) (Exhibit 1). The SRF assists public water systems in financing the cost of drinking water infrastructure projects needed to achieve or maintain compliance with Safe Drinking Water Act (SDWA) requirements. Approval of the agreement (Exhibit 2) will allow the City to complete projects that may otherwise be deferred due to insufficient fund balances.

The project will rehabilitate Well 32, located in Morrison Park, which has been inactive for over 15 years due to low operating efficiencies and nitrate levels above the state threshold. The Project will construct approximately 3,600 feet of new pipeline to convey the well's flow to the Garthe Reservoir where the water will be blended with other water sources to reduce the nitrate levels to well below the state threshold for drinking water. It

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is estimated that the project will provide the City with an additional 4,000 acre feet (1,303,600,000 gallons) of water per year. Placing Well 32 back in the City's water system will improve system efficiency and reduce the burden on other water-producing facilities.

Total project costs are estimated at \$13,000,000. Staff has requested a principal loan amount of \$5,290,000, which according to the Payment Schedule (Exhibit 3), will be paid back over 33 years and at a cost of \$959,105.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

Funds are available in the current fiscal year, FY 2022-23, to pay estimated administrative and grant fund fees of \$9,553 in Water Debt Service, Contract Services-Professional expenditure account (No. 06017020-62300). Principal and interest payments are due annually beginning one year after construction completion date of June 30, 2025. Funds for debt servicing will be budgeted in Water Debt Service, Principal-Debt Services expenditure account (No. 06017020-67100) and Interest-Debt Services expenditure account (No. 06017020-67110) for FY25-26 through FY54-55. Loan reimbursement disbursements will be recorded in Water Fund, Notes/Loan Payable account (No. 06001001-27000). The project costs are estimated at \$13,000,000 and Staff continues to seek funding to fully fund the delivery of this project.

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EXHIBIT(S)

1. Resolution Approving the Construction Installment Sale Agreement with the California State Water Resources Control Board for Financing of the Well 32 Nitrate Treatment Project
2. Construction Installment Sale Agreement
3. Project Loan Schedule Summary

Submitted By: Nabil Saba, Executive Director Public Works

Approved By: Kristine Ridge, City Manager