

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL  
FROM: MEGAN BASINGER, INTERIM DEPUTY DIRECTOR  
SANTA ROSA WATER  
SUBJECT: SANTA ROSA WATER FUND-TO-FUND LOAN APPROVAL FOR  
THE PURPOSE OF ACQUIRING AGRICULTURAL LAND  
LOCATED AT 7630-7650 LAKEVILLE HIGHWAY, PETALUMA  
FOR BIOSOLID APPLICATION

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Board of Public Utilities and the Subregional Partners as well as the Water and Finance Departments that the Council, by resolution, approve a Santa Rosa Water fund-to-fund loan for up to \$2.1 million from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund for the purchase and acquisition costs of agricultural land to be used for biosolid application located at 7630-7650 Lakeville Hwy, Petaluma, California.

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EXECUTIVE SUMMARY

The Water Department uses a variety of methods to dispose of biosolids generated from wastewater processing. Agricultural land is needed for biosolid application is needed due to limited dispersal areas to protect the California Tiger Salamander, increasingly stringent organic diversion from landfills, and biosolid exclusions from certified organic family operations. Approximately 235 acres of land is available for purchase situated within Sonoma County in an already approved area for biosolid application. In order to proceed with the acquisition, approval of a fund-to-fund loan from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund for up to \$2.1 million is needed.

BACKGROUND

As reviewed in a biosolid application study session to Council on November 15, 2016, agricultural land is needed for biosolid application. Approximately 235 acres of land is available for purchase at this time situated within Sonoma County in an already approved area for biosolid application.

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On April 7, 2016, in closed session, the Board of Public Utilities (BPU) provided direction to staff regarding price and terms for the purchase of this property located at 7630-7650 Lakeville Hwy, Petaluma, California ("Property") subject to City Council approval of a Santa Rosa Water fund-to-fund loan.

Since that time, staff has negotiated a purchase agreement with the owner of the property within the price and term parameters set by the BPU. On November 17, 2016, the BPU approved the purchase of the Property subject to City Council approval of a fund-to-fund loan for up to \$2.1 million. Acquisition of the Property is for the benefit of the Subregional System which does not currently have the funds on hand for the purchase, making the acquisition subject to City Council approval of an internal fund-to-fund loan from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund.

## PRIOR CITY COUNCIL REVIEW

November 15, 2016 held a study session on biosolid application.

## ANALYSIS

The Subregional System is in need of agricultural land for biosolid application. The Laguna Treatment Plant produces 66-88 wet tons of biosolids every day. Over the last several years, the existence of the California Tiger Salamander (CTS) has had a significant impact on City-owned biosolids land application sites in the northern area of Sonoma County. 839 acres of City-owned land have been lost due to the impact of the CTS constraints being placed on biosolids land application. Many biosolid land application sites in the southern area of the County are leased. The City has two other options for biosolids beneficial reuse. Those options are Compost and Alternative Daily Cover for landfills. The Composting Facility is at capacity for its use of biosolids. Landfill capacity has been reduced over the years and by 2025 will be reduced to zero, due to legislation being passed to divert biosolids away from our landfills. Due to evolving constraints, land application economics, need for resiliency as to options for disposal, and as set forth in the 2014 Biosolids Management Strategic Plan, purchase of land for application is a viable option. Approximately 235 acres of land is available within Sonoma County, in an area already approved for biosolid application. The Subregional Fund does not have the cash on hand to fund this purchase, but is able to debt service a loan from the Local Wastewater Utility Fund which has undesignated fund balances available.

The Subregional System partners have agreed to a loan from the Santa Rosa Water Local Wastewater Fund at an interest rate of 2.5% per annum, simple interest from the date the funds are received by the Subregional Waste Operations Fund to be amortized

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over eight (8) years with an annual payment due beginning July 1, 2017, and no prepayment penalty. Five, eight and ten-year repayment plans were analyzed. Staff concluded that the eight-year repayment plan was the best option for both funds. It provides a lower annual repayment obligation but still requires that the majority of the repayment is made within the current five-year plan.

The Local Wastewater Utility Fund will benefit from the loan by being able to earn a reasonable interest rate on undesignated funds that is higher than earnings from the City's investment portfolio which is earning an average rate of interest of 0.9%.

FISCAL IMPACT

The purchase and acquisition costs will be funded by a fund-to-fund loan from the Local Wastewater Utility Fund to the Subregional Waste Operations Fund for up to \$2.1 million. The Subregional Waste Operations Fund will pay an interest rate of 2.5% per annum, simple interest from the date the funds are received by the Subregional Waste Operations Fund to be amortized over eight (8) years with an annual payment due beginning July 1, 2017, and with no prepayment penalty.

Approval of this action does not impact the General Fund.

ENVIRONMENTAL IMPACT

This action of approving a fund-to-fund loan is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378. To the extent that the acquisition of the land and the spreading of biosolids is part of a larger process, a Mitigated Negative Declaration was adopted by the Sonoma County Board of Supervisors, as Lead Agency, on December 9, 1997. As a Responsible Agency under CEQA, the City may use the previously-adopted Mitigated Negative Declaration, so long as it considers the environmental effects of the project identified in the document, and adopts a Mitigation Monitoring Program for the project, the City has added relevant mitigation measures so that biosolid application pursuant to this project would be subject to the same mitigation as other City biosolid application sites in the South County.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

The Property purchase terms and conditions were approved by the Board of Public Utilities in closed session on April 7, 2016.

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Purchase of the Property was approved by the Board of Public Utilities in open session on November 17, 2016 as well as recommendation to City Council to approve the fund-to-fund loan.

The Subregional Technical Advisory Committee approved the fund-to-fund loan terms and conditions at their May 2016 meeting.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Map of Lakeville Hwy Property for biosolid application
- Resolution

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