



**CITY OF SEBASTOPOL CITY COUNCIL**

**AGENDA ITEM REPORT FOR MEETING OF: April 21, 2026**

=====

**To:** Honorable Mayor and City Councilmembers  
**From:** Oriana Hart – Public Works Director  
**Responsible Department:** Public Works  
**Subject:** Llano Trunk Line Rehabilitation Project – Financing Options

=====

**RECOMMENDATIONS:**

Staff recommends that the City Council review and provide direction on the preferred financing option for Sebastopol’s share of the Llano Trunk Rehabilitation Project – Phase 1 and authorize staff to proceed with the selected financing approach.

**EXECUTIVE SUMMARY:**

The Llano Trunk Rehabilitation Project is a critical regional wastewater infrastructure project identified as a high priority in the 2021 Sanitary Sewer Master Plan Update. Phase 1 construction is now complete and was delivered under budget, resulting in a final project cost of approximately \$16.35 million, significantly lower than the original estimate of \$23.86 million.

Under the regional cost-sharing agreement, the City of Sebastopol is responsible for 6.1% of eligible Phase 1 costs, or \$997,394. Given the magnitude of this obligation and its impact on the Wastewater Enterprise Fund, staff evaluated financing options to fund Sebastopol’s share.

This staff report presents two financing approaches for City Council consideration: financing assistance offered by the City of Santa Rosa (Option 1), and independent financing through a 2026 Installment Sale Agreement (Option 2). Each option carries different annual payment levels and total financing costs. City Council direction is requested on the preferred approach.

**BACKGROUND:**

As part of the 2021 Sanitary Sewer Master Plan Update, approximately 13 miles of large-diameter trunk sewers were inspected and assessed to establish rehabilitation and replacement priorities. Based on this assessment, segments of the Llano Trunk Sewer were identified as the highest priority, with a recommendation for rehabilitation within one to two years.

The Llano Trunk Sewer conveys approximately 8 million gallons per day of wastewater from the Cities of Santa Rosa and Sebastopol to the Laguna Treatment Plant, making it a critical regional wastewater asset.

Under the regional agreement between Santa Rosa, Cotati, Rohnert Park, Sebastopol, and the South Park County Sanitation District, capital costs for the Llano Trunk are allocated between Santa Rosa and Sebastopol, with Santa Rosa responsible for 93.9% and Sebastopol responsible for 6.1% of eligible project costs.

**DISCUSSION:**

The estimated total cost of Phase 1 was \$23.86 million. Due to favorable bid pricing and effective project management, the final total project cost came in significantly lower, at approximately \$16.35 million.

Final Cost Allocation:



- City of Santa Rosa: \$15,353,320
- City of Sebastopol (6.1% share): \$997,394

Llano Trunk Rehabilitation – Phase 1 included:

- Rehabilitation of approximately 8,100 linear feet of 66-inch diameter trunk sewer
- Rehabilitation of 12–15 trunk manholes adjacent to Llano Road
- Installation and operation of a continuous 24-hour bypass pumping system, including:
  - 100% backup pumping capacity
  - Approximately 9,000 feet of parallel 18-inch bypass lines
  - Multiple road and bridge crossings

The project was delivered using a design-build delivery method, which allowed for early contractor involvement and schedule efficiencies while maintaining regulatory compliance.

Construction of Phase 1 is now complete.

Sebastopol's projected cost share for the Llano Trunk Phase 2 to 5 Project is below. Please note this is a preliminary scoping cost estimate that is evolving as we get the project underway with the Army Corp.

Increment	Fiscal Year	Increment Work Description	Total Project Cost	Santa Rosa Water – 25% Cost Share (with anticipated funding)	Sebastopol – 6.1% Cost Share of Total Project Cost (without anticipated funding)	Sebastopol – 6.1% Cost Share of Santa Rosa’s 25% Cost Match (with anticipated external funding)
1	2026	Design & Environmental Mitigation	\$3,057,000	\$764,250	\$186,477	\$46,619
2	2027	Construction – Phase 1	\$4,750,000	\$1,187,500	\$289,750	\$72,438
3	2028	Construction – Phase 2	\$5,250,000	\$1,312,500	\$320,250	\$80,063
4	2029	Construction – Phase 3	\$5,470,000	\$1,367,500	\$333,670	\$83,418
5	2030	Construction – Phase 4	\$7,840,000	\$1,960,000	\$478,240	\$119,560
<b>TOTALS</b>			<b>\$26,367,000</b>	<b>\$6,591,750</b>	<b>\$1,608,387</b>	<b>\$402,098</b>

**STAFF ANALYSIS:**

Given the magnitude of the project and its impact on Sebastopol’s wastewater fund, here are the options:

**Option 1:** The City of Santa Rosa offered to provide financing assistance to Sebastopol for Phase 1 as follows:

Term (Years)	Total Interest Over Loan Term	Average Annual Debt Service
5	\$ 132,904	\$ 226,060
8	\$ 203,442	\$ 150,109
10	\$ 251,970	\$ 124,936

As described above, three loan term options are available—5, 8, or 10 years—each based on an interest rate of 4.32%. The selection of a loan term will determine the City’s annual debt service obligation and total interest cost over the life of the loan.

**Option 2:** To pay for Sebastopol’s share of the already-completed Phase 1 work, staff looked at borrowing the money through a long-term loan (called an Installment Sale Agreement) starting in 2026. The City would need to borrow about \$1.1 million, which includes:



- About \$1.0 million for the actual project costs, and
- About \$100,000 for financing-related costs (often called the *cost of issuing the debt*).

10-year loan – 4.25%

- Higher yearly payments, but paid off sooner
- About \$136,000 per year
- About \$1.36 million total paid over 10 years
- Fully paid off by 2036

15-year loan – 4.5%

- Lower yearly payments, but more interest over time
- About \$101,000 per year
- About \$1.52 million total paid over 15 years
- Fully paid off by 2041

One key difference between this financing option and the City of Santa Rosa’s financing approach is the cost of issuing the debt. This option includes approximately \$100,000 in issuance costs, which affects the total amount borrowed and the overall cost of financing.

Bottom line:

- The 10-year option costs less overall but requires higher annual payments.
- The 15-year option is easier on the annual budget, but costs more in total due to interest.

**Side Note:**

An additional option for consideration is for the General Fund to forgive the \$1.1 million loan that was advanced to the Wastewater Fund approximately two years ago. Forgiving this loan would reduce the General Fund’s available fund balance; however, it would eliminate the need for the Wastewater Fund to budget for interfund loan repayments beginning in FY 2027–28.

It should be noted that forgiveness of the interfund loan does not eliminate Sebastopol’s financial obligation related to the Llano Trunk Rehabilitation Project. The City would still need to identify a separate funding or financing mechanism to pay the \$997,394 owed to the City of Santa Rosa for Phase 1 project costs.

**BUDGET COMMITTEE REVIEW & ENTERPRISE FUND OVERSIGHT COMMITTEE REVIEW**

This item is scheduled to be reviewed at a joint Budget Committee & Enterprise Fund Oversight Committee meeting on March 30, 2026

**CITY COUNCIL GOALS/PRIORITIES/ AND OR GENERAL PLAN CONSISTENCY:**

This agenda item represents the City Council goals/priorities as follows:  
Not Applicable

This agenda item represents the City Council General Plan Consistency (if applicable): Not Applicable

**FISCAL IMPACT:**

Sebastopol’s total Phase 1 cost share is \$997,394, would be payable from the Wastewater Enterprise Fund. The fiscal impact varies depending on the financing option selected:



- Under Option 1, annual debt service will depend on the loan term chosen (5, 8, or 10 years), with lower overall financing costs due to the absence of issuance expenses.
- Under Option 2, annual debt service is estimated at approximately \$136,000 per year for a 10-year term or \$101,000 per year for a 15-year term, inclusive of debt issuance costs. Total repayment would range from approximately \$1.36 million to \$1.52 million.

Selection of a longer loan term reduces near-term annual budget impacts but increases total financing costs over time. Any financing agreement will be incorporated into the Wastewater Enterprise Fund’s long-term financial planning on the next round of rate study.

**COMMUNITY OUTREACH:**

This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to scheduled meeting date. The City has also used social media to promote and advertise the City Council Meeting Agenda Items.

As of the writing of this agenda item report, the City has not received any public comment. However, if staff receives public comment from interested parties following the publication and distribution of this agenda item report, such comments will be provided to the City Council as supplemental materials before or at the meeting.

**RESTATED RECOMMENDATION:**

Staff recommends that the City Council review and provide direction on the preferred financing option for Sebastopol’s share of the Llano Trunk Rehabilitation Project – Phase 1 and authorize staff to proceed with the selected financing approach.

**ATTACHMENT(S):**

City of Santa Rosa Presentation of the Llano Trunk Project Resolution

**APPROVALS:**

Department Head Responsible for Agenda Item:	Approval Date: <u>3/16/26</u>
CEQA Determination (Planning):	Approval Date: N/A
Administrative Services (Financial):	Approval Date: <u>3/5/26</u>

Costs authorized in City Approved Budget:  Yes  No  N/A

Account Code (if applicable) \_\_\_\_\_

City Attorney Approval	Approval Date: _____
City Manager Approval:	Approval Date: _____

# Llano Trunk Rehabilitation Phase 1 Briefing

Budget Committee

March 30, 2026



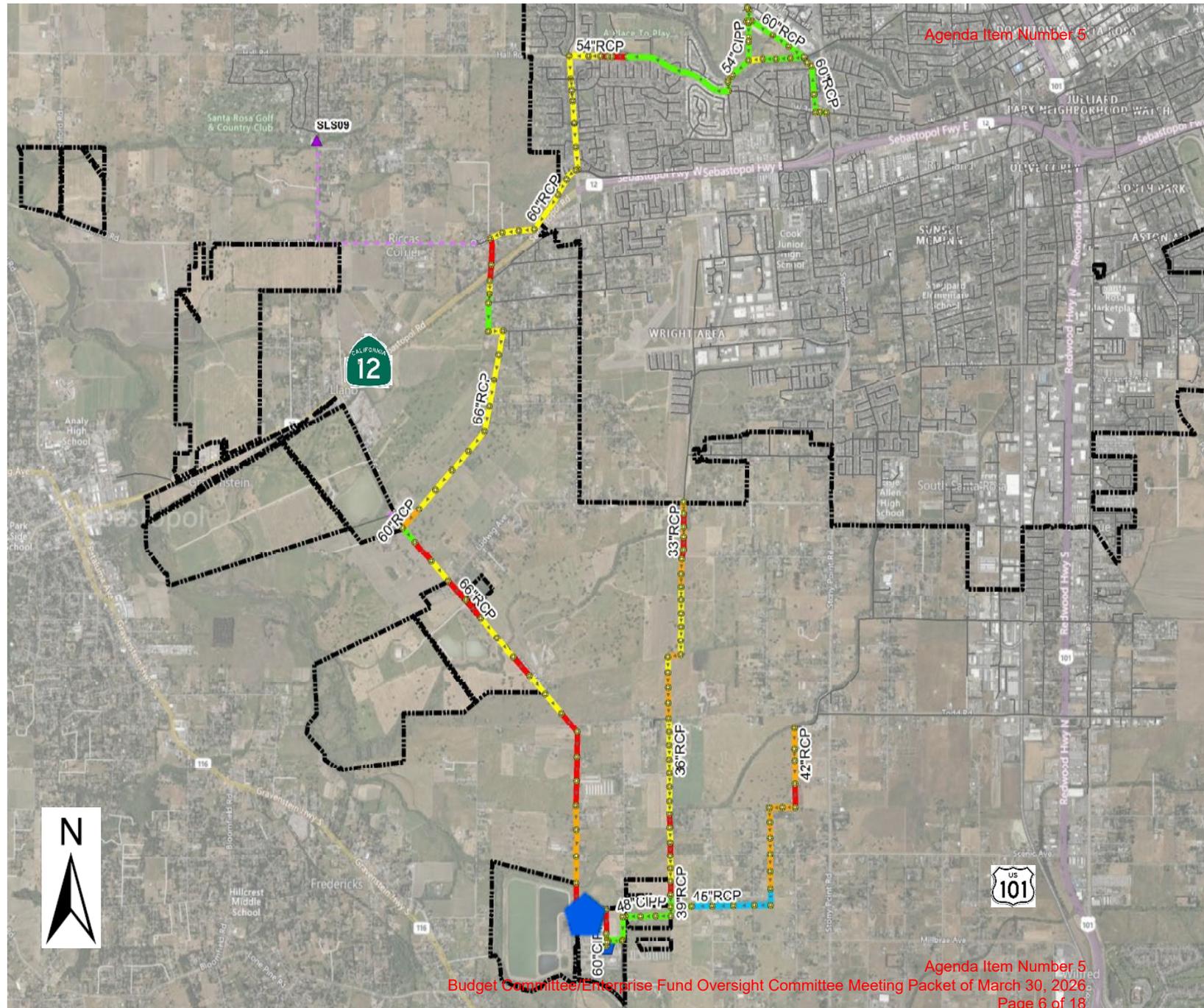
# Project Background

## TRUNK SEWER PRIORITY

-  PRIORITY
-  NEAR
-  MID
-  LONG
-  CURRENT CIPP PROJECT

## CITY SEWER

-  SEBASTOPOL GRAVITY MAIN
-  FORCE MAIN
-  CITY LIMITS
-  LIFT STATION
-  LAGUNA TP



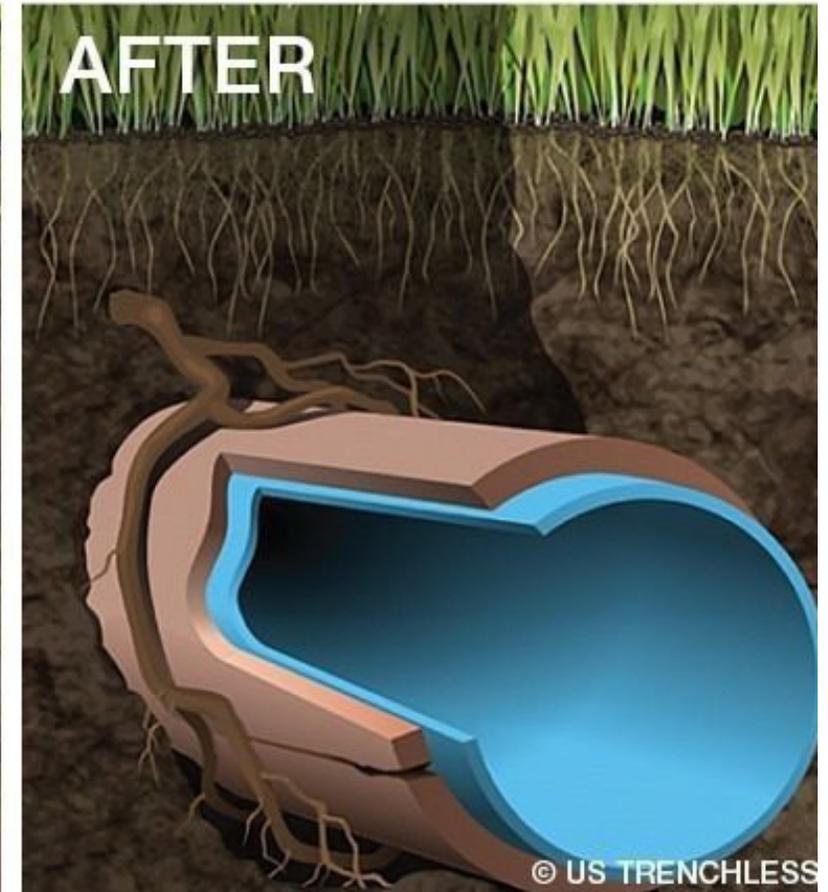
# Location & Scope

---

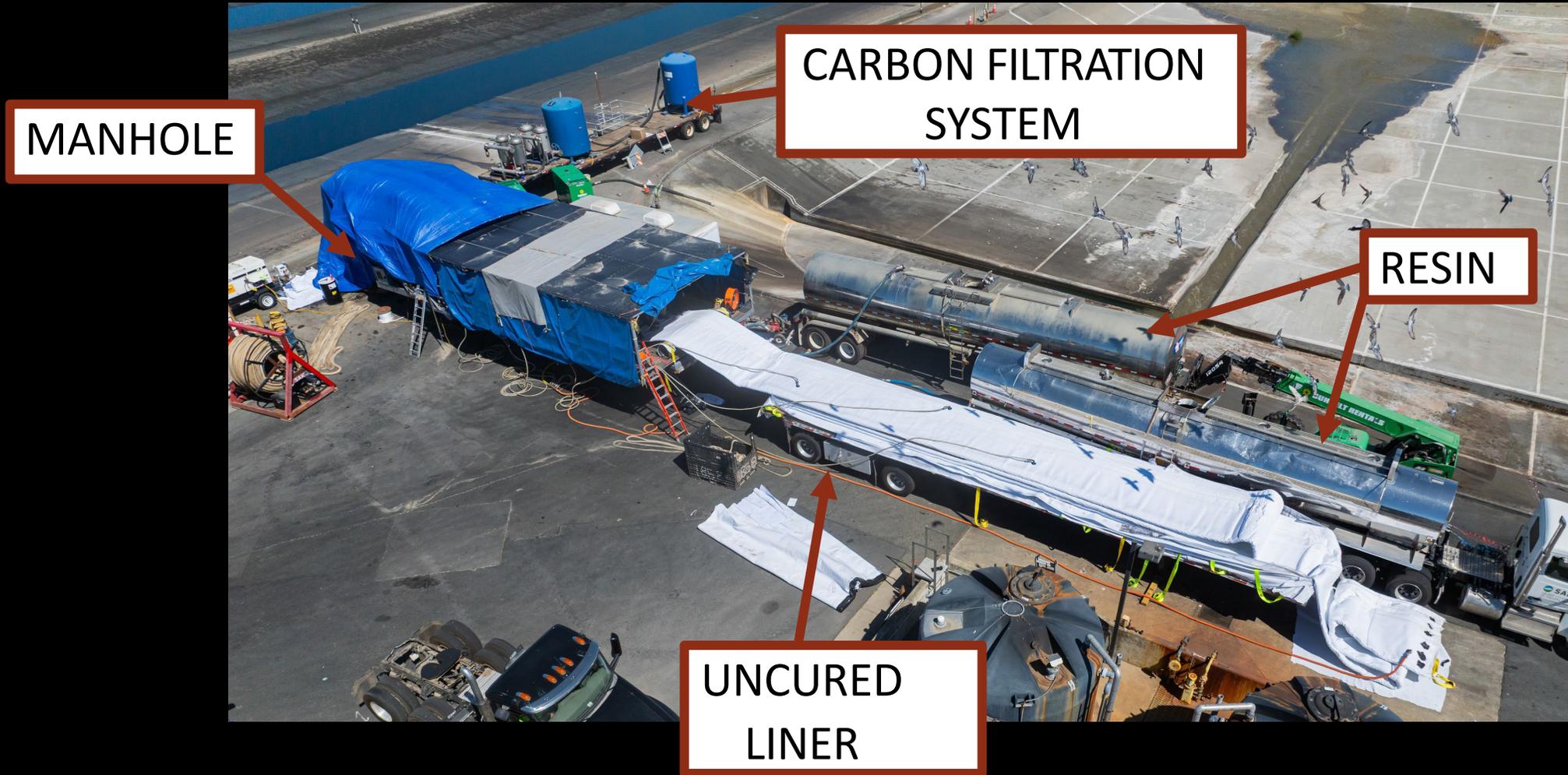
- 8,100 linear feet of 66" diameter pipe
  - 15 manholes
  - 16 million gallons per day
- Environmental & Design Work 2024
- Construction Started June 16, 2025
- Phase 1 Completed



# Cured-In-Place Pipe Lining



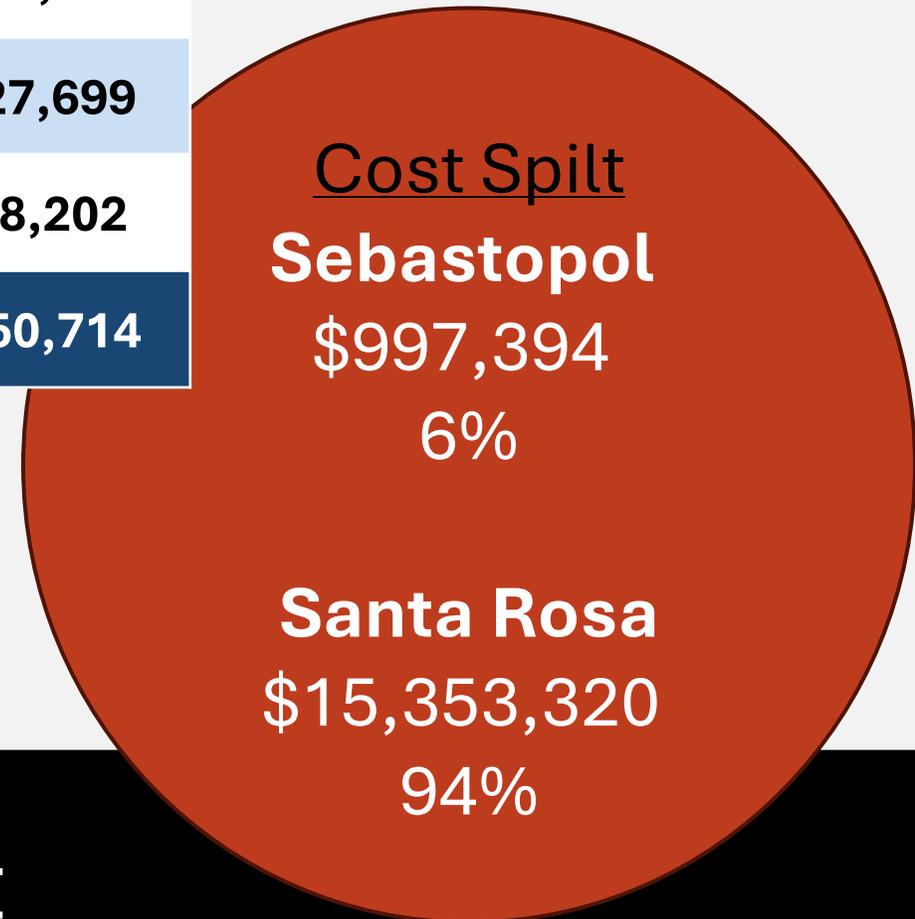
# Cured-In-Place Pipe Lining



# Bypass Pumping



Item	Cost
Design Contract	\$ 1,550,707
City Staff & Environmental Costs	\$ 544,106
Construction Costs	\$ 13,627,699
Construction Mgmt Contract	\$ 628,202
<b>Total</b>	\$ 16,350,714



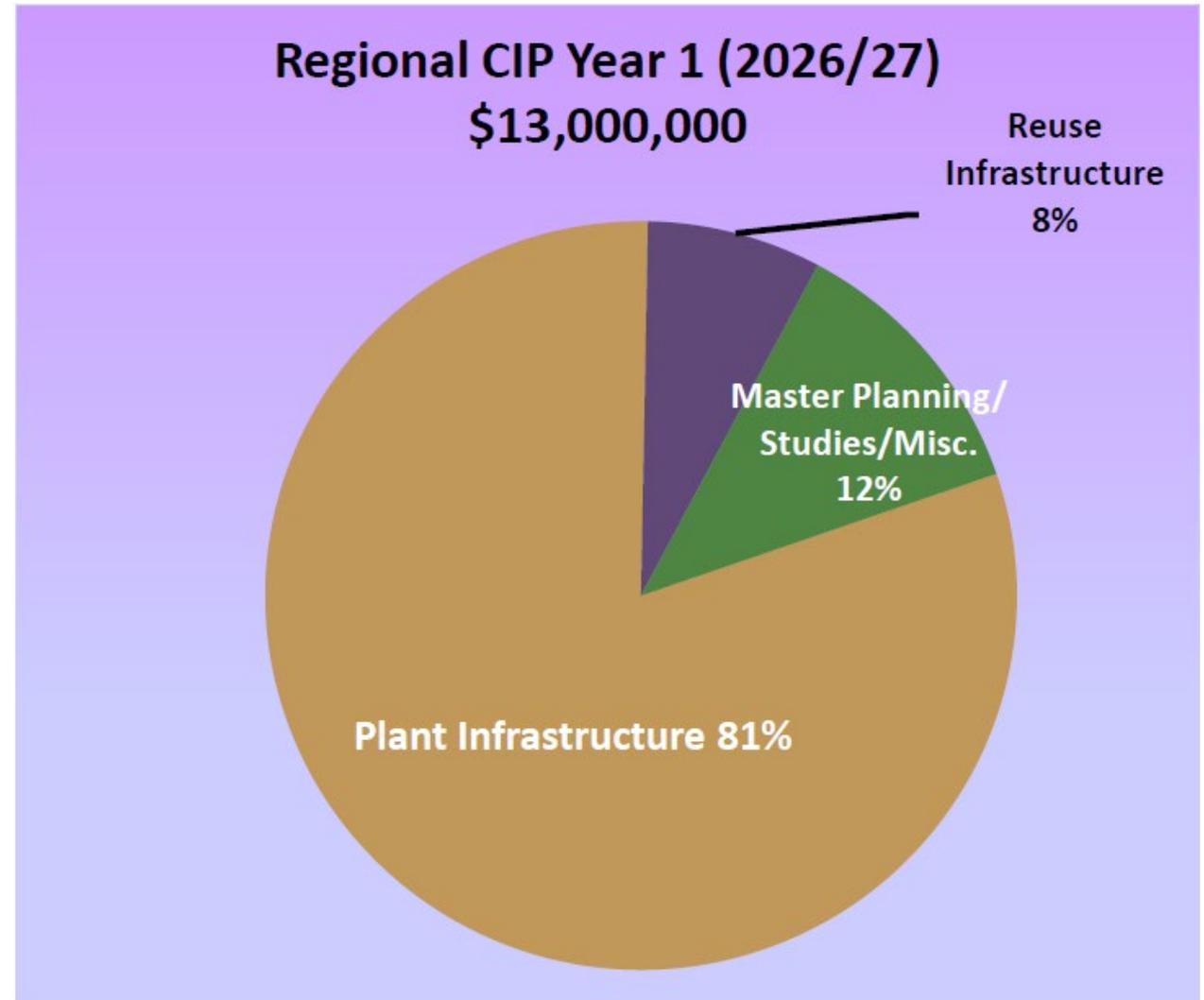
# Llano Trunk Phase 1 - Project Cost

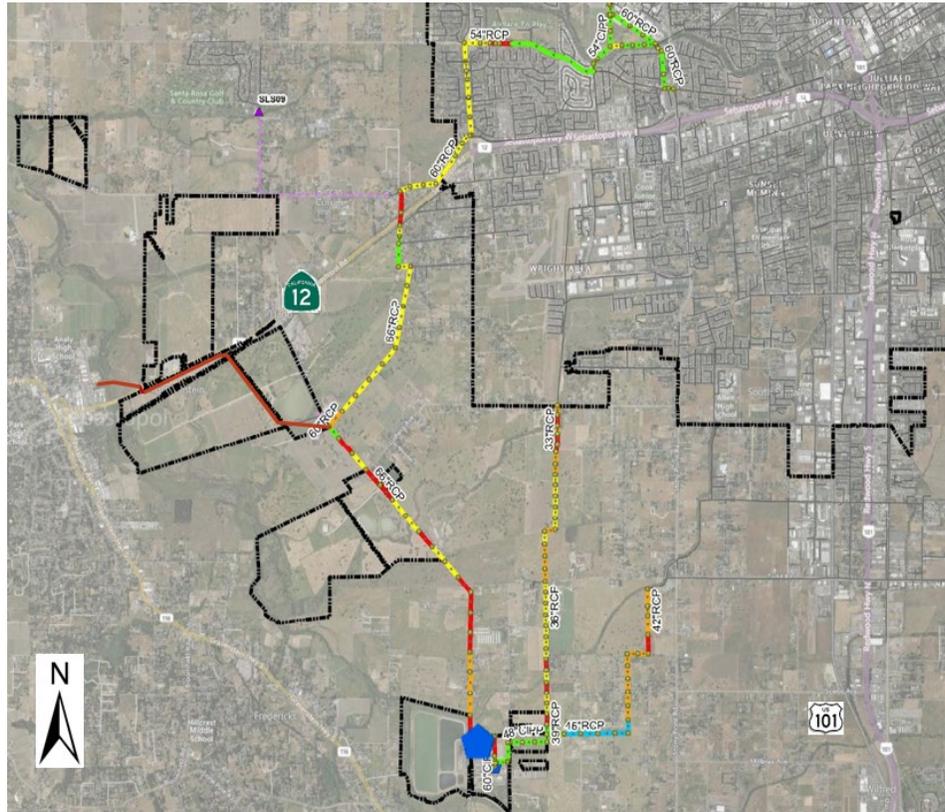
	<b>Total 2025/26</b>	<b>2026/27 Budgeted O&amp;M</b>	<b>2026/27 CIP Contribution</b>	<b>2026/27 Debt Service</b>	<b>Total 2026/27</b>	<b>Difference</b>	<b>%</b>
Santa Rosa	\$57,312,896	\$34,845,730	\$9,198,800	\$13,960,703	\$58,005,233	\$692,337	1.21%
Rohnert Park	\$13,682,453	\$8,311,290	\$2,561,000	\$2,842,949	\$13,715,239	\$32,786	0.24%
Sebastopol	\$1,953,889	\$1,116,702	\$423,800	\$446,654	\$1,987,156	\$33,267	1.70%
Cotati	\$2,559,277	\$1,488,627	\$383,500	\$661,711	\$2,533,838	(\$25,439)	-0.99%
SPCSD	\$2,264,173	\$1,477,006	\$432,900	\$394,452	\$2,304,358	\$40,185	1.77%
	<b>\$77,772,688</b>	<b>\$47,239,355</b>	<b>\$13,000,000</b>	<b>\$18,306,469</b>	<b>\$78,545,824</b>	<b>\$773,136</b>	<b>0.99%</b>

Cost Spilt –  
Llano Treatment Plant  
**Sebastopol**  
\$1,987,156  
2.3%

# Regional Partner Allocations FY 2026/27

# Santa Rosa Water – Llano Treatment Plant CIP





Increment	Fiscal Year	Increment Work Description	Total Project Cost	Santa Rosa Water – 25% Cost Share (with anticipated funding)	Sebastopol – 6.1% Cost Share of Total Project Cost (without anticipated funding)	Sebastopol – 6.1% Cost Share of Santa Rosa’s 25% Cost Match (with anticipated external funding)
1	2026	Design & Environmental Mitigation	\$3,057,000	\$764,250	\$186,477	\$46,619
2	2027	Construction – Phase 2	\$4,750,000	\$1,187,500	\$289,750	\$72,438
3	2028	Construction – Phase 3	\$5,250,000	\$1,312,500	\$320,250	\$80,063
4	2029	Construction – Phase 4	\$5,470,000	\$1,367,500	\$333,670	\$83,418
5	2030	Construction – Phase 5	\$7,840,000	\$1,960,000	\$478,240	\$119,560
<b>TOTALS</b>			<b>\$26,367,000</b>	<b>\$6,591,750</b>	<b>\$1,608,387</b>	<b>\$402,098</b>

## Regional Llano Trunk Sewer Line Rehabilitation Project - Outside of Subregional Treatment Plant CIP Costs

# Wastewater Enterprise Fund – Subregional O&M

---

Subregional O&M - \$2,283,658

- Treatment Plant - \$1,987,156
- Llano Trunk Phase 1 Debt - \$124,936
- Llano Trunk Line Rehabilitation Project Reserve - \$186,477

---

# Thank You



Resolution NUMBER: XXXX-2026

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL REVIEWING FINANCING OPTIONS FOR THE CITY'S SHARE OF THE LLANO TRUNK REHABILITATION PROJECT – PHASE 1 AND AUTHORIZING STAFF TO PROCEED WITH THE SELECTED FINANCING APPROACH

WHEREAS, the Llano Trunk Rehabilitation Project is a critical regional wastewater infrastructure project identified as a high priority in the City's 2021 Sanitary Sewer Master Plan Update; and

WHEREAS, Phase 1 of the Llano Trunk Rehabilitation Project has been completed and delivered under budget, resulting in a final project cost of approximately \$16.35 million; and

WHEREAS, pursuant to the regional cost-sharing agreement, the City of Sebastopol is responsible for 6.1% of eligible Phase 1 project costs, totaling \$997,394; and

WHEREAS, the City's share of the Phase 1 costs is payable from the Wastewater Enterprise Fund and has a significant impact on the fund's long-term financial planning; and

WHEREAS, staff evaluated multiple financing options to fund the City's share of the Llano Trunk Rehabilitation Project – Phase 1, including financing assistance offered by the City of Santa Rosa and independent financing through an Installment Sale Agreement; and

WHEREAS, each financing option presents different annual debt service obligations and total financing costs, and City Council direction is required to determine the preferred approach; and

WHEREAS, the City Council has reviewed the staff report dated April 21, 2026, and considered the financing options presented therein;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sebastopol as follows:

1. The City Council hereby reviews the financing options for Sebastopol's share of the Llano Trunk Rehabilitation Project – Phase 1 and provides direction on the preferred financing approach.
2. Upon selection of a financing option by the City Council, staff is authorized and directed to proceed with the selected financing approach, including negotiating and executing all necessary agreements and related documents, subject to review and approval by the City Manager and City Attorney
3. The approved financing shall be incorporated into the Wastewater Enterprise Fund's long-term financial planning and reflected in future rate studies, as appropriate.

The above and foregoing Resolution was duly passed, approved, and adopted at a meeting by the City Council on the 7 day of April 2026

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by the City of Sebastopol City Council by the following vote:

**VOTE:**

Ayes:

Noes:

Absent:

Abstain:

APPROVED:  
Jill McLewis, Mayor

ATTEST:  
Mary Gourley, Interim City Manager/Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM:  
Alex Mog, City Attorney

DRAFT