



CITY OF SEBASTOPOL CITY COUNCIL

AGENDA ITEM REPORT FOR MEETING OF: **May 11, 2026**

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

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RECOMMENDATIONS:

That the City Council receive an update and provide direction on a revised financing approach for Sebastopol’s share of the Llano Trunk Rehabilitation Project Phase 1 and authorize staff to proceed accordingly.

EXECUTIVE SUMMARY:

Construction of Phase 1 of the Llano Trunk Rehabilitation Project is complete, with Sebastopol’s share totaling \$997,394. Staff previously evaluated financing options and presented a loan based approach, which was reviewed by the Budget Committee with a recommendation to proceed.

Since that time, an additional financing approach has been further developed in coordination with the City of Santa Rosa. This updated approach would allow Sebastopol to utilize available Subregional reserves and a pay as you go strategy in lieu of issuing debt. Staff is now recommending this revised approach based on overall cost savings and increased financial flexibility.

BACKGROUND:

The Llano Trunk Sewer is a critical regional wastewater asset that conveys flows from Sebastopol to the Laguna Treatment Plant. Phase 1 construction has been completed under budget. Sebastopol’s share of Phase 1 costs is \$997,394 based on the regional cost allocation. This item was previously presented to the Budget Committee and Enterprise Fund Oversight Committee, where a loan financing approach was reviewed and recommended.

DISCUSSION:

The Budget Committee previously supported a financing strategy that assumed issuance of debt to fund Sebastopol’s share of Phase 1. That approach would have required annual debt service payments and resulted in additional interest costs over time. Since that discussion, staff has worked with Santa Rosa to further evaluate alternatives. Based on that coordination, a revised approach has been identified that would utilize available subregional reserve funds rather than issuing new debt.

While the subregional reserve has generally been associated with regional treatment plant and system needs, Santa Rosa has confirmed that it can be used to address Sebastopol’s share of the Llano Trunk project. Santa Rosa has also indicated a willingness to allow Sebastopol to carry a temporary negative balance in that reserve for a number of years, providing flexibility as the City rebuilds its reserve position. This effectively functions as a no interest financing mechanism.

Analysis of the loan versus reserve approach shows that utilizing reserves and a pay as you go strategy results in meaningful savings to the City over time. Avoiding debt issuance and interest payments reduces total cash outflows and supports long term financial sustainability.



Under this approach, the City can maintain the funding levels that were previously budgeted for debt service. Rather than using those funds to pay interest, they can instead be used to rebuild reserves and support future phases of the Llano Trunk project. This item is being brought back to the Budget Committee because the prior direction assumed a loan financing approach. The revised approach represents a change in direction and staff is seeking concurrence to proceed.

STAFF ANALYSIS:

The revised approach provides several advantages over the previously considered loan option. It avoids interest costs and issuance expenses, reduces total long term financial obligations, and provides flexibility through coordination with Santa Rosa. This approach also allows the City to rebuild reserves using planned budget allocations rather than committing those funds to debt service, which will be important as additional phases of the project move forward.

BUDGET COMMITTEE REVIEW & ENTERPRISE FUND OVERSIGHT COMMITTEE REVIEW

This item was reviewed at a joint Budget Committee & Enterprise Fund Oversight Committee meeting on March 30, 2026.

FISCAL IMPACT:

Sebastopol’s Phase 1 cost share remains \$997,394 and will be paid from the Wastewater Enterprise Fund. Under the revised approach, no new debt would be issued and previously budgeted debt service funds can be redirected toward reserve replenishment and future project phases.

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:

That the City Council provide direction to proceed with the reserve based financing approach for Sebastopol’s share of the Llano Trunk Rehabilitation Project Phase 1.

ATTACHMENT(S):

City of Santa Rosa Presentation of the Llano Trunk Project Resolution

APPROVALS:

Department Head Responsible for Agenda Item: Approval Date: 5/5/2026

CEQA Determination (Planning): Approval Date:

Administrative Services (Financial): Approval Date:

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



Account Code (if applicable) _____

City Attorney Approval

Approval Date: _____

City Manager Approval:

Approval Date: _____

DRAFT

Review of the Llano Trunk Rehabilitation Project, Cost Share and Funding Options

May 11, 2026

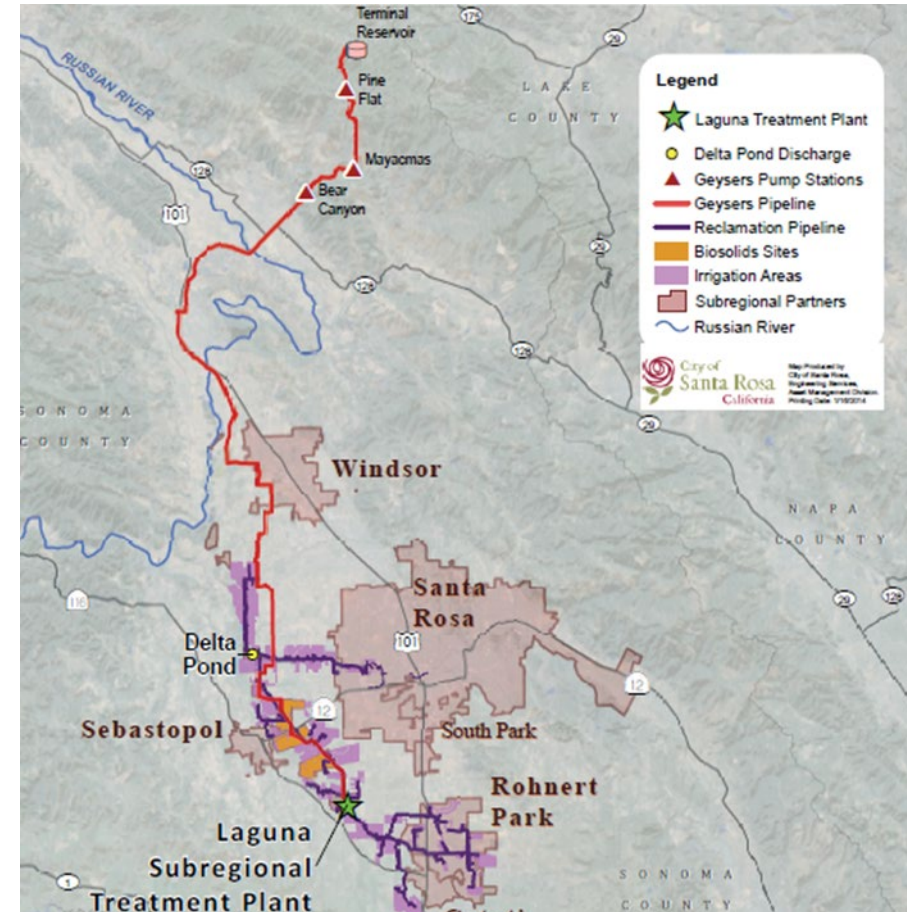
Jennifer Burke, Director – Santa Rosa Water

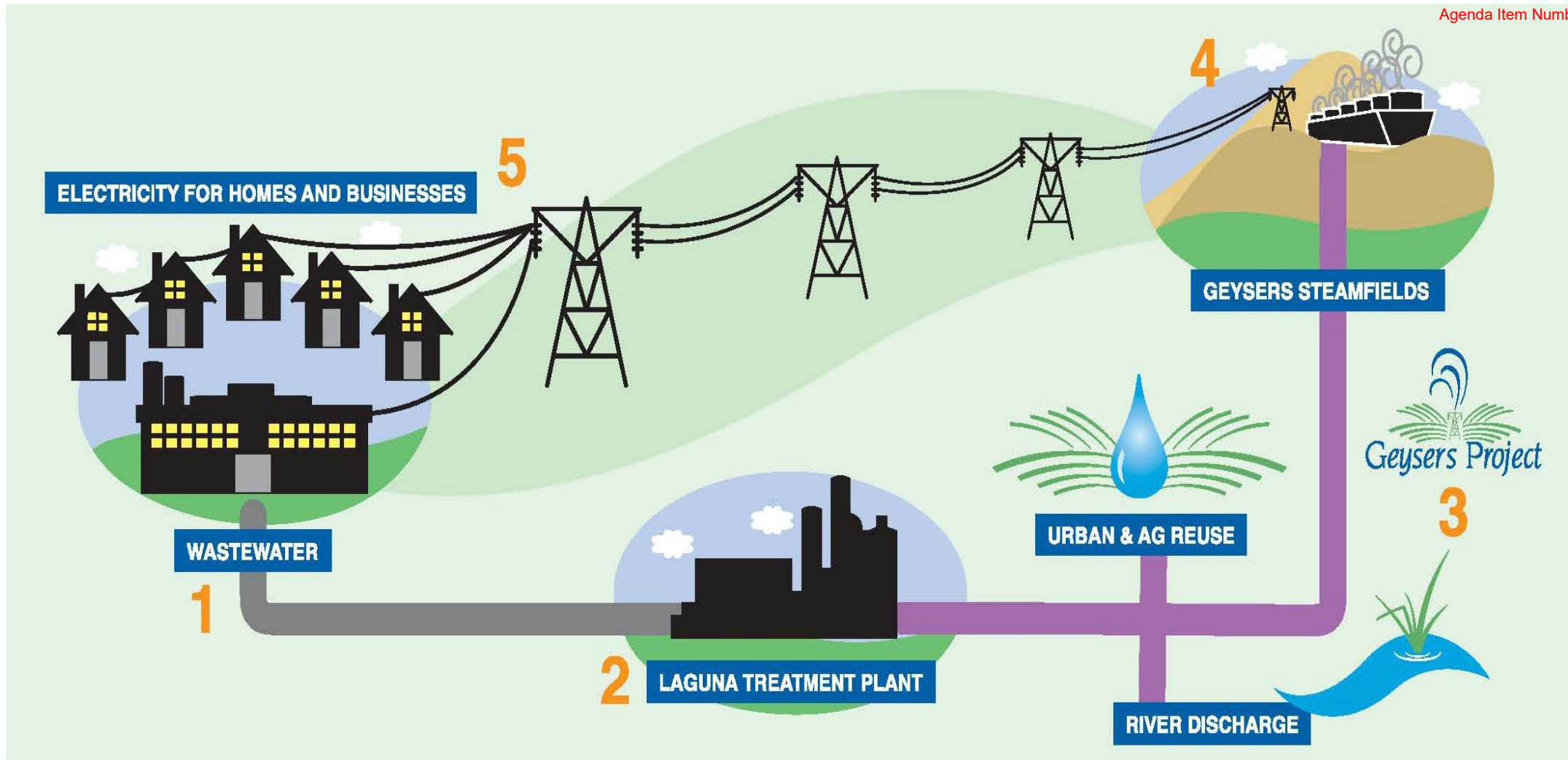
Nick Harvey, Deputy Director, Administration – Santa Rosa Water



Regional System

- Santa Rosa Owner and Operator
- 5 Regional Partners
- Laguna Treatment Plant
- Biosolids
- Water Reuse System
 - 7.6 billion gallons of recycled water annually
 - 100% reuse in normal to dry years:
 - Geysers recharge – 4.2 Billion Gallons
 - Urban and Irrigation – 2.1 Billion Gallons





Llano Trunk Rehabilitation Phase 1

- Governed by Subregional Agreement
- Split between Santa Rosa (93.1%) and Sebastopol (6.9%)
- Lined 8,100 linear feet of 66" pipe
- Rehabilitated 15 manholes
- Bypass - 16 million gallons of flows per day



Cured-In-Place Pipe Lining



Final Project Costs & Cost Share

Final Phase 1 Project Costs	
Item	Cost

Design Contract	\$1,550,707
City Staff & Environmental	\$544,106
Construction Costs	\$13,627,699
Construction Management Services	\$628,202
Total Phase 1 Project Costs	\$16,350,714

Final Cost Share	
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Santa Rosa Water Share (93.9%)	\$15,353,320
Sebastopol Share (6.1%)	\$997,394



Phase 2 - Location, Scope & Cost

- ~6,600 linear feet of 60” and 66” pipe
- 10 manholes
- Partnering with USACE for project delivery under their WRDA Environmental Infrastructure program

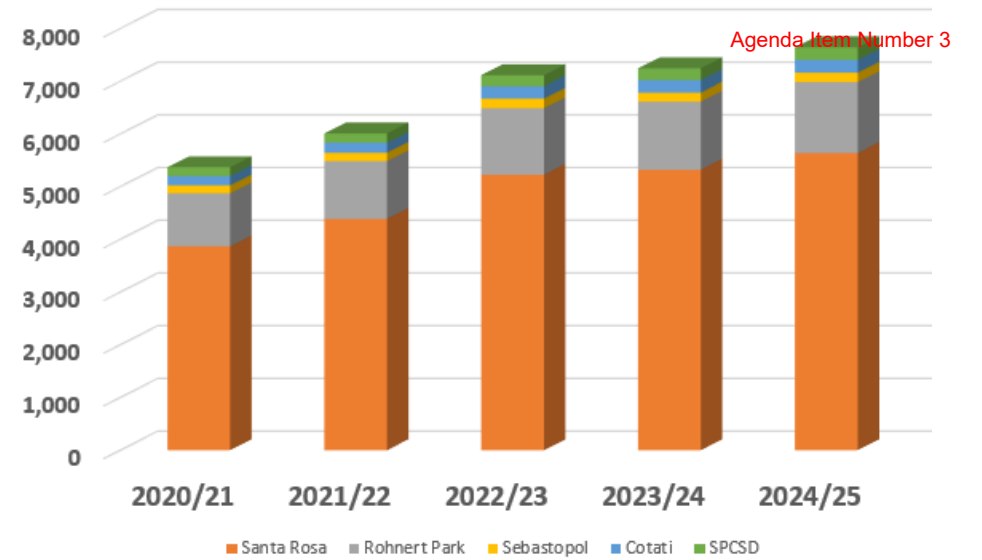


Increment	Fiscal Year	Increment Work Description	Total Project Cost	Santa Rosa Water's 25% Cost Share with Anticipated Funding	Sebastopol's 6.1% Cost Share of Total Project Cost Without Anticipated Funding	Sebastopol's 6.1% Cost Share of Santa Rosa's 25% Cost Match With Anticipated External funding
1	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
TOTALS			\$26,367,000	\$6,591,750	\$1,608,387	\$402,097



Annual Flow

(In Million Gallons)



Actual Annual Flows	2020/21	2021/22	2022/23	2023/24	2024/25	2024/25 Percentage
Santa Rosa	3,867.02	4,388.95	5,225.50	5,320.77	5,637.34	73.76%
Rohnert Park	1,006.29	1,095.25	1,263.07	1,293.34	1,344.60	17.59%
Sebastopol	151.42	158.75	180.68	170.24	180.66	2.36%
Cotati	177.04	190.73	233.60	235.60	240.83	3.15%
SPCSD	166.31	175.00	210.21	224.28	238.95	3.13%
	5,368.08	6,008.68	7,113.06	7,244.23	7,642.38	100.00%



Regional Partner Allocations FY 2026/27

	Total 2025/26	2026/27 Budgeted O&M	2026/27 CIP Contribution	2026/27 Debt Service	Total 2026/27	Difference	%
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%
	\$77,772,688	\$47,239,355	\$13,000,000	\$18,306,469	\$78,545,824	\$773,136	0.99%



Refund Reserve

<i>Refund Reserve</i>	Santa Rosa	Rohnert Park	Cotati	Sebastopol	SPCSD	Total
2014-2015	\$0.00	\$727,418.87	\$11,015.71	\$78,611.94	\$132,955.24	\$950,001.76
2015-2016	\$2,516,050.87	\$401,559.29	\$63,410.62	\$193,872.73	\$162,171.68	\$3,337,065.19
2016-2017	\$791,021.99	\$785,048.90	\$148,989.30	\$82,461.70	\$118,057.73	\$1,925,579.62
2017-2018	\$4,209,021.16	\$199,493.31	\$99,461.11	\$90,918.22	\$105,412.63	\$4,704,306.43
2018-2019	\$1,681,886.86	(\$439,231.74)	(\$134,896.25)	\$67,040.31	(\$48,200.46)	\$1,126,598.72
2019-2020	\$4,229,712.03	\$1,121,685.20	(\$219,815.33)	\$231,470.53	\$213,981.67	\$5,577,034.10
2020-2021	(\$12,835,572.23)	\$22,620.47	(\$64,019.98)	(\$37,359.51)	\$67,320.27	(\$12,847,010.98)
2021-2022	(\$1,234,908.12)	(\$835,369.67)	(\$45,819.37)	(\$114,261.10)	\$69,371.15	(\$2,160,987.11)
2022-2023	\$2,867.35	\$174,870.18	\$38,872.21	(\$89,283.05)	\$113,285.00	\$240,611.69
2023-2024	\$4,103,746.89	\$1,426,169.19	\$140,076.56	\$160,481.60	\$133,155.99	\$5,963,630.23
2024-2025	\$5,142,470.45	\$1,555,658.51	\$263,017.43	\$339,250.71	\$166,763.36	\$7,467,160.46
Totals	\$8,606,297.25	\$5,139,922.51	\$300,292.01	\$1,003,204.08	\$1,234,274.26	\$16,283,990.11



Proposed Funding Plan vs. Loan Option

Loan Option

\$997,394 principal paid back over 10 years @ 4.32%

Annual Payment	\$124,936.37
x 10 Year Term	<u>10</u>
Total 10 year cash outflow - Loan Option	<u><u>\$1,249,363.70</u></u>

Benefits of Current Proposal

- Sebastopol saves over \$1.2 mil in cash outflow (including over \$250k interest expense) over next 10 years as liquidation of reserve = 0 net cash outlay
- No need to make significant additional cash contributions to build reserves for phase 2
- Avoids the need for execution of separate legal agreements – new proposal governed by existing Master Subregional Agreement
- No incursion of interest expense on phase 2 costs

