

**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE ISSUED: September 11, 2009  
ATTENTION: Natural Resources & Culture Committee  
Agenda of October 7, 2009  
ORIGINATING DEPARTMENT: Public Utilities  
SUBJECT: State Water Resources Control Board – Authorization to  
Enter into Low Interest Loan  
COUNCIL DISTRICTS: All  
CONTACT/PHONE NUMBER: Rod Greek (619) 980-5928/Jeanne Cole (858) 292-6313

**REQUESTED ACTION:**

Council authorization to, accept, appropriate and expend funds from the State Water Resources Control Board to fund the Point Loma Grit Improvement Project, No. C-06-4395-110.

**STAFF RECOMMENDATION:**

- Authorize an ordinance that the Mayor or his duly authorized representative to enter into, conduct all negotiations, execute and comply with State Revolving Fund financing requirements for financial assistance from the State Water Resources Control Board to fund the Point Loma Grit Improvement Project in an amount not to exceed \$46,419,892.
- Authorize an ordinance that the City of San Diego hereby dedicates the net revenues of the wastewater enterprise fund as a source of revenue for payment of any and all Clean Water State Revolving Fund financing on the Point Loma Grit Improvement Processing Project, No. C-06-4395-110. This dedicated source of revenue shall remain in effect throughout the term of such financing unless modification or change of such dedication is approved in writing by the State Water Resources Control Board.
- Authorize an ordinance stating: (a) the City hereby intends and reasonably expects to reimburse expenditures paid prior to the issuance of the obligations or the approval by the State Water Board of the Project Funds; (b) the reasonably expected maximum principal amount of the Project Funds is \$46,419,892; (c) this ordinance is being adopted no later than 60 days after the date on which the Agency will expend moneys for the portion of the Project costs, to be reimbursed with Project Funds; (d) that each Agency expenditure will be of a type properly chargeable to a capital account under general federal income tax principles; (e) to the best of our knowledge, this Agency is not aware of the previous adoption of official intents by the Agency that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued; (f) this ordinance is adopted as official intent of the Agency in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs; and (g) that all the recitals in this ordinance are true and correct and this Agency so finds, determines and represents.

**EXECUTIVE SUMMARY:**

The City and the Public Utilities Department have participated in the State Revolving Fund (SRF) Loan Program since 1999. The City has received approximately \$120 million in low interest loans under the SRF Program. Resolution No. 304316 adopted November 13, 2008, authorized the Mayor or his representative to sign and submit applications for financial assistance from the State Water Resources Control Board (SWRCB). On December 12, 2008, Public Utilities (formally Metropolitan Wastewater Department) staff submitted an application

for SRF low interest financing for the Point Loma Grit Processing Improvement Project (GIP). After a project and credit review conducted by the SWRCB, it was determined that the City was eligible for a \$46,419,892 in SRF financing.

In the past the City has participated in the SWRCB "zero/low" interest loan program and currently is paying back eleven loans secured under this program. This program allowed municipalities to fund the federal share (16.7%) of the SRF loan in return for a zero interest rate applied over the loan repayment period of twenty years. The loan repayments are paid annually, commencing one year after completion of construction. It was determined that the effective interest rate for this type of loan was approximately 2%. The savings over traditional bond funding were considered significant.

The State has modified the interest rate for SRF funding. The current interest rate for SRF financing of an eligible project is 3%. The rate is established by taking one-half of the most recent State of California General Obligation bonds. The City's Debt Management Department staff conducted a comparison between SRF loan and Sewer Revenue Bond funding of the GIP. Considering the total debt service of both methods of financing, the SRF financing would be \$19.7 million less over a 20 year term.

FISCAL CONSIDERATIONS:

The SRF Loan Program offers a lower interest rate compared to traditional bond funding. By utilizing an SRF loan for this project the savings are approximately \$19.7 million over a 20 year term. Inclusive of interest the estimated total amount of the loan would be approximately \$62.3 million.

EQUAL OPPORTUNITY CONTRACTING

This agreement is not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2710 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

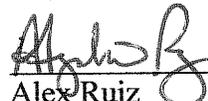
Resolution No. 304316 adopted November 13, 2008, authorized the Mayor or his representative to submit applications for financial assistance from the State Water Resources Control Board. The construction contract for this project will be taken to the City Council on a separate action.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

None

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

City of San Diego and Wastewater rate payers.

 9/28/09  
\_\_\_\_\_  
Alex Ruiz  
Assistant Public Utilities Director  
Business Support Branch

 9.28.09  
\_\_\_\_\_  
J.M. Barrett  
Director of Public Utilities