

**EXECUTIVE SUMMARY SHEET**  
CITY OF SAN DIEGO

DATE ISSUED: September 25, 2009  
ATTENTION: Natural Resources & Culture Committee  
Agenda of October 7, 2009  
ORIGINATING DEPARTMENT: Public Utilities Department  
SUBJECT: California Department of Public Health Safe Drinking Water  
State Revolving Fund Loan Application  
COUNCIL DISTRICTS: All  
CONTACT/PHONE NUMBER: Rod Greek (619) 980-5928/Kim Vance (858) 614-5759

**REQUESTED ACTION:**

Council authorization to apply for, accept, appropriate and expend funds from the California Department of Public Health (CDPH) - Safe Drinking Water State Revolving Fund (SDWSRF) for the Otay Water Treatment Plant, Phase I, Project No 3710020-059.

**STAFF RECOMMENDATION:**

- Authorize the Mayor and/or designee to execute, for and on behalf of the City of San Diego, a Safe Drinking Water State Revolving Fund (SRF) Loan, Funding Agreement, Amendments, Reimbursement Claims, and Final Release form for the Otay Water Treatment Plant Upgrade & Expansion Phase I project.
- Authorize the Mayor and/or designee to designate revenues from Water Fund rates, charges and assessments, and financing proceeds as the dedicated source of revenue for matching funds required under the Funding Agreement in the amount of \$15,702,442. This dedication shall remain in full force and effect until such funding agreement is fully discharged, unless modification or change of such dedication is approved by the State of California.
- Authorize the City Engineer, or other registered engineer designated by the Mayor, to execute the Budget and Expenditure Summary and Certificate of Project Completion forms.
- Authorize the City Comptroller to accept, appropriate, and expend up to \$11,000,000 for reimbursement by a State Revolving Fund loan contingent upon the City Comptroller first certifying that funds are available.
- Authorize the City Comptroller, upon advice from the administering department, to transfer excess funds, if necessary, to the appropriate reserves.
- Authorize the \$11,000,000 loan to be repaid over 20 years at a 2.5017 percent interest rate.

**EXECUTIVE SUMMARY:**

In January 2008, the Water Department submitted a Safe Drinking Water State Revolving Fund (SRF) Loan application to the California Department of Public Health (CDPH) for the Otay Water Treatment Plant Upgrade & Expansion, Phase I (OWTP) project. On July 3, 2009, CDPH determined that Project No. 3710020-059 was eligible for a construction loan in the amount of \$11 million and a Safe Drinking Water State Revolving Fund Notice of Acceptance of Application (NOAA) was sent to the City of San Diego Public Utilities Department indicating

that funds are being reserved for the project. The NOAA also outlines the terms and conditions the City must meet prior to issuance of a funding agreement.

The Safe Drinking Water State Revolving Fund is a low interest loan program with a fixed rate, allowing up to \$20 million per project. It provides public water systems in California the opportunity to utilize subsidized funding to correct infrastructure problems, to assess and protect source water, and to improve technical, managerial and financial capability.

FISCAL CONSIDERATIONS:

The funding agreement, when issued for the Otay WTP Upgrade & Expansion Phase I project, will provide an \$11 million loan to be repaid over 20 years at a 2.5017 percent interest rate. Semiannual principal and interest payments will be approximately \$351,191 and will begin after project completion, which is scheduled for November, 2010. The total project costs for the Otay Upgrade & Expansion, Phase I Project CIP No. S-00030 is estimated to be \$26,702,441.

The remaining costs will be funded by the Water Operating Fund or Public Utilities Department Water Branch financing proceeds. The Public Utilities Department Water Branch has sufficient capacity to issue additional debt following the rate increases approved by the City Council on February 26, 2007.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 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:

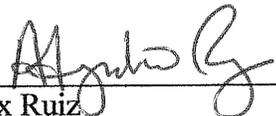
On June 17, 2008, Resolution No. R-303837 was passed awarding the construction contract to Western Summit Constructors, Inc for the Otay Water Treatment Plant Upgrades Phase I and Phase II project.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Not Applicable

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders are the City of San Diego, Public Utilities Department customers, the Cities of Chula Vista, Coronado and Imperial Beach.

 9/21/09  
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Alex Ruiz  
Assistant Public Utilities Director

 9.28.09  
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J.M. Barrett  
Director of Public Utilities