

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: June 4, 2010
ATTENTION: Natural Resources & Culture Committee
Agenda of June 16, 2010
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: Wilson Kennedy 619-851-8072/Mike Bajoua 619-533-4628

REQUESTED ACTION:

Council authorization to apply, 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 II, Project No 3710020-049.

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 II project.

EXECUTIVE SUMMARY:

In January 2008, the Water Department submitted a Safe Drinking Water State Revolving Fund (SDWSRF) Loan application to the California Department of Public Health (CDPH) for the Otay Water Treatment Plant Upgrade & Expansion, Phase II (OWTP) project. On February 25, 2010, CDPH determined that Project No. 3710020-049 was eligible for a construction loan in the amount of \$7 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 were reserved for the project. The NOAA also outlines the terms and conditions the City must meet prior to issuance of a funding agreement.

The SDWSRF is a low- interest (2.5707%) 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.

The City's Debt Management staff conducted a comparison between SRF loan and Water Revenue Bond funding for this project. Considering the total debt service of both methods of financing, the SRF financing would save rate payers \$4.2 million over the life of the loan.

FISCAL CONSIDERATIONS:

The funding agreement, when issued for the Otay WTP Upgrade & Expansion Phase II project, will provide a \$7 million loan to be repaid over 20 years at a 2.5707 percent interest rate. Semiannual principal and interest payments will be approximately \$224,923 and will begin after project completion which is scheduled for May 2011. The total project cost for the Otay Upgrade & Expansion, Phase II Project CIP No. S-00031 is estimated to be \$15,403,698. Of the total project cost, approximately \$7,701,849 will be funded by the CDPH Proposition 50 grant program. 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. On May 17, 2010, this item was presented to IROC for informational purposes only.

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.



Marsi A. Steirer
Interim Assistant Public Utilities Director



Alex Ruiz
Interim Director of Public Utilities