EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED:	November 22, 2010
ATTENTION:	Natural Resources & Culture Committee Agenda of December 1, 2010
ORIGINATING DEPARTMENT:	Public Utilities
SUBJECT:	State Water Resources Control Board-Authorization to Enter into Low Interest Loans
COUNCIL DISTRICT(S):	Citywide
STAFF CONTACT:	Jeanne Cole (858) 292-6313/Pam Carreon (858) 614-5753

REQUESTED ACTION:
1. Authorizing an ordinance that the Mayor or his designated representative enter into an SRF funding agreement to fund the Sewer Pipeline Rehabilitation Project.
2. Authorizing an ordinance dedicating the net revenues of the wastewater enterprise fund for payment of any and all SRF financing related to the project.
3. Authorizing an ordinance to address the State Water Resources Control Board reimbursement requirements for costs associated with SRF financing for this project.

STAFF RECOMMENDATION:
Approve the requested action and adopt the ordinance.

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 $160 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 January 11, 2009, the Public Utilities Department staff submitted an application for SRF low interest financing for the Sewer Pipeline Rehabilitation Project, which is a multi-year Environmental Protection Agency Consent Decree Project. After a project and credit review conducted by the SWRCB, it was determined that the City was eligible for $80 million in SRF financing.

The current interest rate for SRF financing of an eligible project is 2.7%. The rate is established by taking one-half of the interest of the most recent State of California General Obligation bond. The City's Debt Management Department staff conducted a comparison between SRF loan and Sewer Revenue Bond funding of the Sewer Pipeline Rehabilitation Project. Considering the total debt service of both methods of financing, the SRF financing would be $58.4 million less over a 20 year term. This is based upon a true interest cost (TIC) of 4.9% over 30 years for bonds, equaling a total debt service of $163 million. An SRF loan with a TIC of 2.7% results in a debt service of $104.6 million. SRF Loans are treated as "Parity Obligations" and comply with all provisions of the Master Installment Purchase Agreement. The City also dedicates net revenues of the wastewater enterprise fund for repayment of SRF financing on the Sewer Pipeline Rehabilitation project, which is the same source of repayment for other outstanding parity and subordinate obligations of the wastewater system.

EQUAL OPPORTUNITY CONTRACTING:

This agreement is not subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 though 22.2708) and Non-Discrimination in Contacting Ordinance (San Diego Municipal Code Sections 22.3501 though 22.3517); however, future, contracts or agreements associated with this action will be subject to the City's Equal Opportunity Contracting requirements.

FISCAL CONSIDERATIONS:

The SRF Loan Program offers a lower interest rate compared to traditional bond funding. By utilizing a SRF loan for this project the savings are approximately $58.4 million over a 20 year term. Inclusive of interest the estimated total amount of the loan would be approximately $104.6 million.

PREVIOUS COUNCIL/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 packages for this project will be taken to the City Council on separate actions. This item was approved by IROC on September 20, 2010.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

N/A

KEY STAKEHOLDERS:

City of San Diego and Wastewater rate payers.

Alex Ruiz
Assistant Public Utilities Director

Roger S. Bailey, P.E.
Director of Public Utilities