

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: February 14, 2011
ATTENTION: Natural Resources & Culture Committee
Agenda of March 2, 2011
ORIGINATING DEPARTMENT: Public Utilities Department
SUBJECT: State Revolving Fund Loan Funding Increase for the Otay
Water Treatment Plant Upgrade & Expansion: Phase I Project
COUNCIL DISTRICTS: All
CONTACT/PHONE NUMBER: Wilson Kennedy (858) 614-4070/Jeanne Cole (858) 292-6313

REQUESTED ACTION:

Council authorization to amend Ordinance No. 19968 passed on July 13, 2010 to authorize an additional \$7.0 million for a State Revolving Fund Loan from the California Department of Public Health (CDPH) - Safe Drinking Water State Revolving Fund (SDWSRF) for the Otay Water Treatment Plant Upgrade & Expansion, Phase I, Project No 3710020-059.

STAFF RECOMMENDATION:

Authorize the Mayor and/or designee to accept, appropriate and expend an additional amount of up to \$7 million, increasing the loan from \$11 million to \$18 million, and 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, Final Release form, and to take related actions for the Otay Water Treatment Plant Upgrade & Expansion Phase I project.

EXECUTIVE SUMMARY:

In January 2008, the Water Department submitted a Safe Drinking Water State Revolving Fund Loan application to the California Department of Public Health 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; however, with the withdrawal of the SDWSRF loan application for the OWTP Phase II project, and a subsequent review of eligible project costs, it was determined that the \$7 million in SRF loan funding is available for the OWTP Phase I project. The California Department of Public Health recommended that the City of San Diego submit an official request to utilize the additional funding and increase the loan amount from \$11 million to \$18 million.

The SDWSRF is a low interest (2.5017%) 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 is projected to save rate payers approximately \$14.9 million over the life of the loan. This is based upon a true interest cost (TIC) of 5.3% over 30 years for bonds, equaling a total debt service of \$37.9 million. The SRF loan with a TIC of 2.5% over a 20 year period results in a debt service of \$23 million.

FISCAL CONSIDERATIONS:

The funding agreement, when issued for the Otay WTP Upgrade & Expansion Phase I project, will provide an \$18 million loan to be repaid over 20 years at a 2.5017 percent interest rate. It is estimated that semiannual principal and interest payments will be approximately \$574,676.39 and will begin after project completion. This SRF loan will be on parity with all other parity obligations of the Water Enterprise Fund. The total project costs for the Otay WTP Upgrade and 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 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

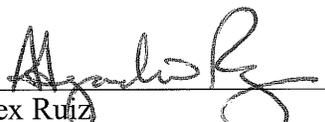
On July 13, 2010, Ordinance No. O-19968 was passed authorizing a State Revolving Fund Loan in the amount of \$11 million for the Otay Water Treatment Plant Upgrade & Expansion Phase I project. On January 18, 2011, this item was presented to the Independent Rates Oversight Committee and they were unanimously in favor of pursuing this funding opportunity.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

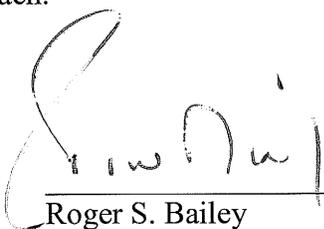
Not Applicable.

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.

 2/22/11

Alex Ruiz
Assistant Public Utilities Director



Roger S. Bailey
Director of Public Utilities