

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 for the Miramar Water
Treatment Plant Upgrade & Expansion Project
(Contracts A & C)
COUNCIL DISTRICTS: All
CONTACT/PHONE NUMBER: Wilson Kennedy 858-614-4070/Milan Karas 619-235-1977

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 Miramar Water Treatment Plant Upgrade & Expansion, Project No 3710020-030; and take related actions.

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, and to take related actions for the Miramar Water Treatment Plant Upgrade & Expansion project.

EXECUTIVE SUMMARY:

In February 2009, the Water Department submitted a Safe Drinking Water State Revolving Fund (SDWSRF) Loan application to the California Department of Public Health (CDPH) for the Miramar Water Treatment Plant (MWTP) Upgrade & Expansion project. It has been determined by CDPH that Project No. 3710020-030 is eligible for a construction loan in the amount of \$20 million, and that funds will be reserved for this project.

The SDWSRF is a low interest (2.3035%) 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 \$17 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 \$42.1 million. The SRF loan with a TIC of 2.3% over a 20 year period results in a debt service of \$25.1 million.

FISCAL CONSIDERATIONS:

The funding agreement, when issued for the MWTP Upgrade & Expansion project, will provide a \$20 million loan to be repaid over 20 years at a 2.3035 percent interest rate. Semiannual principal and interest payments will be approximately \$626,811.26 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 cost for the MWTP Upgrade & Expansion Project is estimated to be \$41,583,000. Of the total project costs, approximately \$20 million 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 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

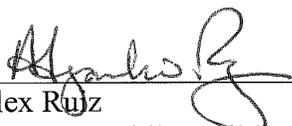
On November 20, 2007, Resolution No. R-303157 was passed authorizing execution of Proposition 50 Grant Funding Agreement, authorizing the expenditure of funds and taking related actions. On January 18, 2011, this item was presented to the Independent Rates Oversight Committee and they were unanimously in favor of pursuing this funding opportunity.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

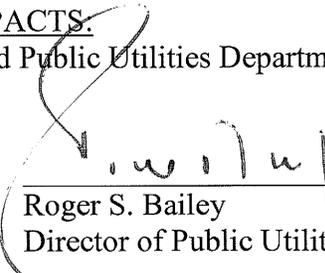
Not Applicable.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders are the City of San Diego and Public Utilities Department customers.

 2/12/11

Alex Ruiz
Assistant Public Utilities Director



Roger S. Bailey
Director of Public Utilities