

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: August 28, 2012
ATTENTION: Natural Resources & Culture Committee
Agenda of September 19, 2012
ORIGINATING DEPARTMENT: Public Utilities Department
SUBJECT: Authorization to Enter into Low Interest Loan with the
California Department of Public Health
COUNCIL DISTRICTS: All
CONTACT/PHONE NUMBER: Jeanne Cole/(858) 292-6312; Wilson Kennedy/(858) 614-4070

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 University Avenue Pipeline Replacement Project, Project No. 3710020-066.

STAFF RECOMMENDATION:

Approve requested actions.

EXECUTIVE SUMMARY:

In July 2012, the Public Utilities Department submitted a SDWSRF Statement of Intent to CDPH for the University Avenue Pipeline Replacement Project. It is anticipated that a full application for planning will be submitted by October 11, 2012, followed by an application to CDPH for construction in early 2013, once planning/design for this project has reached over ninety percent completion.

The SDWSRF is a low interest loan program with a fixed rate, allowing up to \$20M 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 current interest rate for the SRF loan borrowing of an eligible project is a low 2.0933% for a 20-year term. Utilizing the SRF program for eligible projects results in significant debt service savings when compared to financing with 20-year fixed rate bonds. Also, SRF Loans are treated as "Parity Obligations" under the SRF Loan documents whereby SRF loan repayment will be on the same lien as the Water System's senior bond obligations. The City also dedicates net revenues of the Water Utility Fund for repayment of SRF loan financing on the University Avenue Pipeline Replacement Project, which is the same source of repayment for other outstanding parity, subordinate bond obligations, and outstanding SRF loans of the water system.

FISCAL CONSIDERATIONS:

The funding agreements, when issued for the University Avenue Pipeline Replacement Project, will provide a total of \$15.3M for planning and construction loans to be repaid over 20 years at a current interest rate of 2.0933%. Semiannual principal and interest payments will begin after project completion. This project is already budgeted utilizing WBS number S-11021. The total project costs for planning and construction of the University Avenue Pipeline Replacement project (Project No. 3710020-066) will be reimbursed in its entirety by the SDWSRF Loan Program.

EQUAL OPPORTUNITY CONTRACTING

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Sections 22.2101 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:

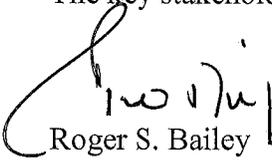
Not Applicable.

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 ratepayers.



Roger S. Bailey
Director of Public Utilities