

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A
--	---

TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Public Utilities	DATE: 4/21/2015
---------------------	--	--------------------

SUBJECT: State Water Resources Control Board (SWRCB), Drinking Water State Revolving Fund Loan Application for the Pacific Beach Pipeline South project.

PRIMARY CONTACT (NAME, PHONE): Jeanne Cole, (858) 292-6313 MS 901A	SECONDARY CONTACT (NAME, PHONE): Wilson Kennedy, (858) 614-4070 MS901A
---	---

COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00



FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): The estimated total project costs for the Pacific Beach Pipeline South Project is \$32,238,258. The State Water Resources Control Board will fund \$30,305,258 of the total project costs through the Drinking Water State Revolving Fund Loan Program. The balance of \$1,933,000 will come from CALTRANS.

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Liaison Office	Comptroller	ORIG DEPT.	Helminski, John
Financial Management		CFO	
Environmental Analysis		DEPUTY CHIEF	
Equal Opportunity Contracting		COO	
Debt Management		CITY ATTORNEY	Palmucci, Ray
		COUNCIL PRESIDENTS OFFICE	

PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

1. Authorize the Mayor and/or designee to execute, for and on behalf of the City of San Diego, a Drinking Water State Revolving Fund Loan (DWSRF) Loan, Funding Agreement, Amendments, Reimbursement Claims, Final Release Form, and take related actions for the Pacific Beach Pipeline South Project.

2. Authorize the Mayor and/or designee to dedicate revenues from its Water Fund Rates, charges and assessments on parity with all other parity obligations of the Water Enterprise Fund in an amount sufficient to repay the DWSRF loan for the Project. This dedication shall remain in full force and effect until such Funding Agreements are fully discharged, unless modification or change of such dedication is approved by the State Water Resources Control Board (SWRCB.) If for any reason, said resources of revenue prove insufficient to satisfy the debt service of the DWSRF loan, sufficient funds shall be raised through increased water rates, user charges, or assessments or any other legal means available to meet this loan obligation and to operate and maintain this Project.
3. Authorize the City Engineer, or other registered engineer designated by the Mayor, to execute the Budget and Expenditure Summary, Claim Reimbursement and Certificate of Project Completion forms.
4. Authorize the City Engineer or other registered engineer designated by the Mayor to certify that the project is complete and ready for final inspection.
5. Authorize the Chief Financial Officer to apply for, accept, appropriate and expend up to \$30,305,258 in State Revolving Fund Loan funds for reimbursement to the Water Fund, contingent upon the City Comptroller certifying that the funds are available and contingent upon the loan being secured.
6. Authorize the \$30,305,258 loan to be repaid over 20 years at an interest rate that is 1/2 the most recent general obligation bond rate. The current Drinking Water SRF Loan rate is 1.663 percent.

See Attachment 1 for additional actions.

STAFF RECOMMENDATIONS:

Approve the requested actions and adopt the ordinance.

SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)

COUNCIL DISTRICT(S):	Council District 2
COMMUNITY AREA(S):	Citywide
ENVIRONMENTAL IMPACT:	This activity, the loan application, is not subject to CEQA pursuant to State CEQA Guidelines Section 15060(c)(2). Any activities that may result from future expenditures of the loan would be subject to environmental review at the appropriate time in accordance with CEQA Guidelines Section 15004.
CITY CLERK INSTRUCTIONS:	Return one copy of the executed City Council Action and a copy of the ordinance to Jennifer Wolverton, (858)654-4479, MS901. This item is subject to Charter Section 99 (10 day published notice, approval by Ordinance and 6 votes required)

COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE: 4/21/2015

ORIGINATING DEPARTMENT: Public Utilities

SUBJECT: State Water Resources Control Board (SWRCB), Drinking Water State Revolving Fund Loan Application for the Pacific Beach Pipeline South project.

COUNCIL DISTRICT(S): Council District 2

CONTACT/PHONE NUMBER: Jeanne Cole/(858) 292-6313 MS 901A

DESCRIPTIVE SUMMARY OF ITEM:

Authorization to enter into a low interest State Revolving Fund loan with the State Water Resources Control Board to fund the Pacific Beach Pipeline South Project.

STAFF RECOMMENDATION:

Approve the requested actions and adopt the ordinance.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

The Public Utilities Department will be submitting an application for construction to the State Water Resources Control Board (SWRCB), Drinking Water State Revolving Fund (DWSRF) for the Pacific Beach Pipeline South Project. The estimated total project cost for the Pacific Beach Pipeline South project is \$32,238,258. The SWRCB will fund \$30,305,258 of the total project costs. The balance of \$1,933,000 will come from CALTRANS.

The DWSRF is a low interest loan program with a fixed rate. 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 1.663% for a 20-year term. Utilizing the SRF program for eligible projects results in significant debt service savings when compared to financing with 30-year fixed rate bonds. Also, SRF Loans are treated as "Parity Obligations" under the SRF Loan documents whereby SRF 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 financing on the Pacific Beach Pipeline South Project, which is the same source of repayment for other outstanding parity, subordinate bond obligations, and outstanding SRF loans of the water system.

The Pacific Beach Pipeline South Project will replace approximately 7.6 miles of existing 8-inch, 12-inch, 16-inch, and 24-inch water mains and appurtenances installed as early as 1951 and associated water services, fire hydrants, and it includes the demolition of the abandoned Pacific Beach Reservoir. In addition, it will upgrade/relocate a pressure reducing station. Construction of this project will be combined with Pacific Beach Pipeline South sewer main replacement project.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S)

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods.

Objective #3: Invest in infrastructure.

FISCAL CONSIDERATIONS:

The funding agreement, when issued for the Pacific Beach Pipeline South Project, will provide a \$30,305,258 loan to be repaid over 20 years at a 1.663 percent interest rate. This SRF Loan is to be repaid over 20 years at an interest rate that is ½ the most recent general obligation bond rate, the current Drinking Water SRF Loan rate is 1.663%. This rate could change depending on if the next bond sale occurs prior to the agreement being fully executed. Semiannual principal and interest payments will begin after project completion.

Based on the estimated loan amount of \$30,305,258, the annual debt service is expected to commence in FY16 for approximately \$37.3 thousand and ramp up to a total annual maximum of \$1.63 million for the next 20 years. The actual debt service impact would depend on the timing of the CIP execution. By entering into the SRF funding agreement, the Water Utility will covenant that each Fiscal Year the Net System Revenues will equal at least 120% of senior/parity debt service. Any potential impact on water rates from the proposed loan and the coverage requirements will be evaluated in the future Water Cost of Service Study.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

Contracts or agreements associated with this action will be 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: N/A

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders are the City of San Diego and Wastewater ratepayers.

Helminski, John

Originating Department

Deputy Chief/Chief Operating Officer

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING EVALUATION

DATE:
May 5, 2015

SUBJECT: State Water Resources Control Board (SWRCB), Drinking Water State Revolving Loan
Application for the Pacific Beach Pipeline South Project

GENERAL CONSULTANT INFORMATION

Recommended Contractor: TBD

Amount of this Action: \$30,305,258

Funding Source: Drinking Water State Revolving Loan

Goal: TBD

SUBCONTRACTOR PARTICIPATION

There is no subcontractor participation associated with this action; however, subsequent actions must adhere to funding agency requirements.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: N/A

Contracts or agreements associated with this action will be 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).

ADDITIONAL COMMENTS

Authorization to enter into a low interest State Revolving Fund loan with State Water Resources Control Board to fund the Pacific Beach Pipeline South Project.

Estimated project cost is \$32,238,258 with \$1,933,000 coming from Caltrans.

MM

ATTACHMENT 1

Actions to be Taken Section:

1. The **Public Utilities Director** or designee is hereby authorized and directed to sign and file, for and on behalf of the **City of San Diego Public Utilities Department** a financial assistance application for a financing agreement from the State Water Resources Control Board for the Project;
2. The **Chief Operating Officer** or designee is hereby authorized to sign the DWSRF program financing agreement for the Project and any amendments thereto, and provide the assurances, certifications and commitments required therefore;
3. The **City Engineer** or designee is hereby authorized to represent the **City of San Diego Public Utilities Department** in carrying out the **City of San Diego Public Utilities Department's** responsibilities under the financing agreement, including approving and submitting disbursement requests (including Claims for Reimbursement) or other required documentation, compliance with applicable state and federal laws, and making any other necessary certifications;
4. The **City of San Diego Public Utilities Department** does hereby dedicate and pledge its net water revenues and its water enterprise fund to payment of the DWSRF financing for the Project. The **City of San Diego Public Utilities Department** commits to collecting such revenues and maintaining such fund(s) throughout the term of such financing and until the **City of San Diego Public Utilities Department** has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Resources Control Board. So long as the financing agreement(s) are outstanding, the **City of San Diego Public Utilities Department** pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board on the foregoing fund(s) and revenue(s) without any further action necessary. So long as the financing agreement(s) are outstanding, the **City of San Diego Public Utilities Department** commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financing agreement(s). If for any reason, the said source of revenues proves insufficient to satisfy the debt service of the DWSRF obligation, sufficient funds shall be raised through increased water rates, user charges, or assessments or any other legal means available to meet the DWSRF obligation and to operate and maintain the project.; and
5. The authority granted hereunder shall be deemed retroactive. All acts authorized hereunder and performed prior to the date of this Resolution are hereby ratified and affirmed. The State Water Resources Control Board is authorized to rely upon this Resolution until written notice to the contrary, executed by each of the undersigned, is received by the State Water Resources Control Board. The State Water Resources Control Board shall be entitled to act in reliance upon the matters contained herein, notwithstanding anything to the contrary contained in the formation documents of the **City of San Diego Public Utilities Department** or in any other document.