

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A
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TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Public Utilities	DATE: 3/10/2016
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SUBJECT: State Water Board Clean Water State Revolving Fund Financing Agreement for the Advanced Metering Infrastructure Project

PRIMARY CONTACT (NAME, PHONE): Seth Gates,(858) 614-4030 MS 901	SECONDARY CONTACT (NAME, PHONE): Carmel Wong, (858) 614-5755 MS 901
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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 cost for the Advanced Metering Infrastructure Project is \$60,046,060. Authorization for financing amount in requested action is \$42,032,242. The estimated interest cost for the loan over the life of the 20-year financing period is \$7,415,767. Financing will be provided through the State Water Board Clean Water State Revolving Fund Program.

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	Debt Management	ORIG DEPT.	Jones-Santos, Lee Ann 03/16/2016
Equal Opportunity Contracting		CFO	
Liaison Office		DEPUTY CHIEF	Gomez, Paz 03/30/2016
Financial Management		COO	
Comptroller		CITY ATTORNEY	
		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 State Water Board Clean Water State Revolving Fund (CWSRF) Financing Agreement, Amendments, Reimbursement Claims,

Final Release Form, and take related actions;

2. Authorize the Mayor and/or designee to dedicate revenues from its Water Utility Fund rates, charges and assessments on parity with all other parity obligations of the Water Utility Fund, in an amount sufficient to repay the CWSRF for the Project. This dedication shall remain in full force and effect until such Financing Agreement is fully discharged, unless modification or change of such dedication is approved by the State Water Board. If for any reason, said resources of revenue prove insufficient to satisfy the debt service of the CWSRF financing agreement, sufficient funds shall be raised through increased water rates, user charges, or assessments or any other legal means available to meet these financing obligations and to operate and maintain this Project.

3. Authorize the Chief Financial Officer or designee to apply for, accept, appropriate and expend up to \$42,032,242 for the Advanced Metering Infrastructure Project in CWSRF funds for reimbursement to the Water Utility Fund, contingent upon the City Comptroller certifying that the funds are available and contingent upon the financing being secured.

4. Authorize the financing of \$42,032,242 for the Advanced Metering Infrastructure Project.

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): Citywide

COMMUNITY AREA(S): Citywide

ENVIRONMENTAL IMPACT: This activity will not result in a direct or reasonably foreseeable indirect physical change in the environment, and is therefore not subject to CEQA pursuant to State CEQA Guidelines Section 15060(c) (2).

CITY CLERK INSTRUCTIONS: 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: 3/10/2016

ORIGINATING DEPARTMENT: Public Utilities

SUBJECT: State Water Board Clean Water State Revolving Fund Financing Agreement for the Advanced Metering Infrastructure Project

COUNCIL DISTRICT(S): Citywide

CONTACT/PHONE NUMBER: Seth Gates/(858) 614-4030 MS 901

DESCRIPTIVE SUMMARY OF ITEM:

Authorization to enter into a Clean Water State Revolving Fund Financing agreement with the State Water Board to finance the Advanced Metering Infrastructure Project in an amount not to exceed \$42,032,242.

STAFF RECOMMENDATION:

Approve the requested actions and adopt the ordinance.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

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 Board. The Public Utilities Department has submitted an application to the State Water Board for Clean Water State Revolving Fund (CWSRF) financing for the Advanced Metering Infrastructure (AMI) Project in the amount of \$42,032,242.

The estimated total cost of the AMI project is \$60,046,060. Financial assistance is being requested from the State Water Board in the amount of \$42,032,242 and will be repaid through the Water Utility Fund 700010. The remaining cost will be paid through the Muni Sewer Utility CIP Fund 700008 (\$18,013,818).

The AMI Project technology allows water meters to be read electronically rather than through direct visual inspection by field staff. The meters transmit customer consumption and time-of-use data to the Department via a radio or cellular network. Time-of-use data can be used to manage and analyze customer consumption patterns. Additionally, AMI data identifies and alerts staff and customers of unusual consumption patterns which could indicate leaks or meter tampering on a customer's property.

The initial AMI Project implementation, which was approved by City Council in November 2012, installed a fixed network system and AMI devices on approximately 11,000 meters. The City is currently working on the project close out for the initial implementation. The citywide deployment of the AMI Project will include approximately 270,000 additional bimonthly meters that cover all customer classes throughout San Diego. Smart meters are an essential tool for water/wastewater customers to monitor their use and participate in conservation.

The CWSRF is a low interest financing program with a fixed loan interest rate estimated at 1.6%. The repayment term is 20 years with annual payments to be made from the Water Utility. The

annual repayment obligation is estimated to be \$2,472,400. The timing of the loan execution and draw of funds from the approved loans will vary and are dependent on the project timeline. The CWSRF program offers interest rates lower than the 20-year long term bonds. As such, the Water Utility relies on the CWSRF program for all eligible projects and supplements this loan mechanism in combination with the bond program.

Each CWSRF loan application is assessed and negotiated by the State Water Board based upon program policy and borrower's credit considerations. The Public Utilities and Debt Management departments expect to negotiate CWSRF loan terms that are acceptable to both the State Water Board and the City, including an interest rate cap for multi-phase projects, debt service reserve requirements, coverage covenants, and repayment terms. The financing agreement will be executed when all terms are finalized.

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 installation of the citywide AMI deployment is scheduled to be completed by December 31, 2017. Repayment of the loan commences one year from the project completion date. The financing agreement will be fully amortized over a 20-year repayment term. Interest will accrue on all disbursements as of the date of each disbursement.

The CWSRF financing agreement will provide \$42,032,242 for the Advanced Metering Infrastructure Project. Based upon the estimated loan amount of \$42,032,242, the annual debt service is approximately \$2,472,400 to be paid through Water Utility Fund revenues and is currently anticipated to commence in FY 2019 and continue for the next 20 years.

Currently, CWSRF financing is based on a 20-year term and at an interest rate that is 1/2 the most recent general obligation bond rate, currently 1.6%. The actual debt service impact would depend on the timing of the CIP execution. By entering into the CWSRF financing agreement, the Water Utility Fund will commit to maintain the funds and revenues at sufficient levels to meet its obligation under the financing agreement. Also, CWSRF financing agreements are treated as "Parity Obligations" whereby 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 CWSRF financing on the Advanced Metering Infrastructure Project, which is the same source of repayment for other outstanding parity and subordinate bond obligations, and outstanding State Water Board obligations of the Water System.

EQUAL OPPORTUNITY CONTRACTING INFORMATION:

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); however, future, contracts or agreements associated with this action will be subject to the City's Equal Opportunity Contracting requirements.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

Resolution R-304316 authorized the City to apply for loans and other financial assistance from the State Water Resources Control Board. Resolution R-307885 authorized an agreement with Iron Incorporated for the installation of the initial AMI system.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders are the City of San Diego and Water and Wastewater ratepayers who would benefit from the debt service savings created by financing the aforementioned projects with low-interest CWSRF loans compared to financing with fixed rate bonds.

Jones-Santos, Lee Ann
Originating Department

Gomez, Paz
Deputy Chief/Chief Operating Officer

ATTACHMENT 1

Additional Actions to be Taken:

5. Authorizing an ordinance stating that: (a) the Director of Public Utilities or designee is hereby authorized and directed to sign and file, for and on behalf of the Public Utilities Department, a financial assistance application for a financing agreement from the State Water Board for the Advanced Metering Infrastructure Project; (b) the Chief Financial Officer or designee is hereby authorized to sign the CWSRF program financing agreement for the Advanced Metering Infrastructure Project and any amendments thereto, and provide the assurances, certifications and commitments required therefor; (c) the Director of Public Utilities or designee is hereby authorized to carry out the City of San Diego's responsibilities under the financing agreement, including approving and submitting certified disbursement requests (including Claims for Reimbursement) or other required documentation, compliance with applicable state and federal laws, and making any other necessary certifications; (d) the City does hereby dedicate and pledge its net water revenues and its Water Utility Fund to payment of the CWSRF financing for the project. The City commits to collecting such revenues and maintaining such fund(s) throughout the term of such financing and until the City has satisfied its repayment obligation thereunder unless modification or change is approved in writing by the State Water Board. So long as the financing agreement is outstanding, the City pledge hereunder shall constitute a lien in favor of the State Water Board on the foregoing fund(s) and revenue(s) without any further action necessary. So long as the financing agreement is outstanding, the City commits to maintaining the fund(s) and revenue(s) at levels sufficient to meet its obligations under the financing agreement. If for any reason, the said source of revenues proves insufficient to satisfy the debt service of the CWSRF obligation, sufficient funds shall be raised through increased water rates, user charges, or assessments or any other legal means available to meet the CWSRF obligation and to operate and maintain the project; (e) and 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 Board is authorized to rely upon this Ordinance until written notice to the contrary, executed by each of the undersigned, is received by the State Water Board. The State Water 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 or in any other document.

6. Authorizing an ordinance stating that: (a) the City hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Advanced Metering Infrastructure Project; (b) the reasonably expected maximum principal amount of the Project Funds are \$42,032,242; (c) this ordinance is being adopted no later than 60 days after the date on which the City will expend monies for the construction portion of the project costs, to be reimbursed with Project Funds; (d) each City expenditure will be of a type properly chargeable to a capital account under general federal income tax principles; (e) to the best of our knowledge, the City is not aware of previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued; (f) this

ordinance is adopted as official intent of the City in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of project costs and; (g) all the recitals in this ordinance are true and correct and the City so finds, determines and represents.

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING EVALUATION

DATE:
March 21, 2016

SUBJECT: State Water Board Clean Water State Revolving Fund Financing Agreement for the Advanced Metering Infrastructure Project

GENERAL CONSULTANT INFORMATION

Recommended Consultant: State Water Board Clean Waster State Revolving Fund (Gov't Agency)

Amount of this Action: \$ 60,046,060.

Funding Source: State Revolving Fund Loan

Goal: TBD

SUBCONSULTANT PARTICIPATION

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

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: N/A

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): however, future, contracts or agreements associated with this action will be subject to the City's Equal Opportunity Contracting requirements.

ADDITIONAL COMMENTS

The estimated interest cost for the loan over the life of the 20 year financing period is \$7,415,767.

RW

104
MEET

(R-2009-158)

RESOLUTION NUMBER R- 304316

DATE OF FINAL PASSAGE NOV 13 2008

A RESOLUTION OF THE CITY COUNCIL AUTHORIZING APPLICATIONS FOR LOANS AND OTHER FINANCIAL ASSISTANCE FROM THE STATE WATER RESOURCES CONTROL BOARD.

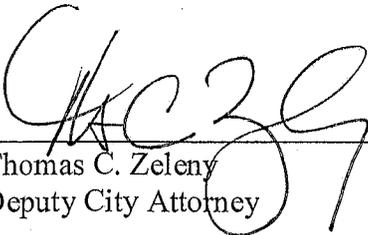
WHEREAS, the California State Water Resources Control Board has low-interest loans and other financial assistance available for wastewater projects; and

WHEREAS, to continue to apply for loans and other financial assistance, the City needs to update its prior authorization in Resolution No. R-288425, adopted on March 17, 1997; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. That the Mayor or his designed representative is authorized to sign and submit applications for loans and other financial assistance from the State Water Resources Control Board for design and construction of wastewater projects.
2. That the Mayor or his designated representative is authorized to certify compliance with all applicable state and federal statutory and regulatory requirements related to loans and other financial assistance from the State Water Resources Control Board.
3. That the above activity is not a project and therefore is not subject to the California Environmental Quality Act pursuant to CEQA Guidelines section 15060(c)(3).

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Thomas C. Zeleny
Deputy City Attorney

TCZ:mb
09/17/08
Aud.Cert:N/A
Or.Dept:MWWD
MWD-9008
R-2009-158

I hereby certify that the foregoing Resolution was passed by the Council of the City of Diego,
at its meeting of OCT 28 2008.

ELIZABETH S. MALAND, City Clerk

By 
Deputy City Clerk

Approved: 11-13-08
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

Passed by the Council of The City of San Diego on OCT 28 2008, by the following vote:

Council Members	Yeas	Nays	Not Present	Recused
Scott Peters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kevin Faulconer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Toni Atkins	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Anthony Young	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brian Maienschein	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Donna Frye	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jim Madaffer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ben Hueso	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage NOV 13 2008

AUTHENTICATED BY:

(Seal)

JERRY SANDERS
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By *Mary Fernandez*, Deputy

Office of the City Clerk, San Diego, California

Resolution Number 304316

11/27
S507

RESOLUTION NUMBER R- 307885

DATE OF FINAL PASSAGE NOV 28 2012

A RESOLUTION OF THE COUNCIL OF THE CITY OF
~~SAN DIEGO AUTHORIZING THE APPROVAL OF THE~~
AGREEMENT WITH ITRON INCORPORATED FOR THE
INSTALLATION OF AN ADVANCED METERING
INFRASTRUCTURE SYSTEM; AND TAKING RELATED
ACTIONS.

WHEREAS, Advanced Metering Infrastructure (AMI) technology allows water meters to be read electronically rather than through direct visual inspection by field staff; and

WHEREAS, The AMI system will also provide intermittent reads throughout the billing period, which will provide the customer with a much more detailed view of their consumption pattern. This detailed information will allow the Department to better assist customers who want to learn how to conserve more water and use their resources more efficiently; and

WHEREAS, a competitive procurement process was held in May 2012 and Itron Incorporated proposal was determined to meet the City's requirements and provide the best value;

WHEREAS, on May 22, 2012, the City Council authorized the Mayor or his designee to execute a Master Lease Agreement with JP Morgan Chase Bank (Chase Bank) to fund the AMI Project (\$5.1 million), pursuant to Ordinance No. O-20213; and

NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. ~~That the Mayor or his designee, is authorized to execute, for and on behalf of the~~
~~City, an Agreement with Itron Incorporated for implementation of an Advanced Metering~~
Infrastructure System in an amount not to exceed \$5,078,906, in accordance with the terms and
conditions set forth in the Agreement, on file in the Office of the City Clerk as Document
No. R- 307885.

2. That the Mayor or his designee is authorized to submit one or more Pre-approval
Requests and Appendices to Chase Bank to fund the AMI Project, through the Master Lease
Agreement, in an amount not to exceed \$4,801,755.

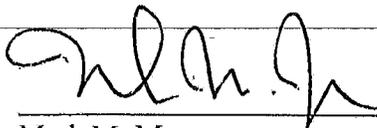
3. That the Chief Financial Officer is authorized to expend an amount not to exceed
\$4,801,755 for the purpose of executing this Agreement and will be financed through the City's
Master Lease Agreement approved by Council on May 22, 2012 via Ordinance (O-20166) in
which the lease payments will be spread over a seven year term, beginning in FY2014, estimated
to be a maximum of \$770,000 annually and will be budgeted in the Department's annual
operations and maintenance budget.

4. The Chief Financial Officer is authorized to expend an amount not to exceed
\$138,566 in Fiscal Year 2013 from the Water Fund (No. 700011) and amount not to exceed
\$138,565 in Fiscal Year 2013 from the Muni Fund (No. 700000), solely and exclusively to
provide funds for the projected sales tax on the AMI System

5. That the Chief Financial Officer, upon advice from the administering department, is authorized to transfer excess funds, if any, to the appropriate reserves.

APPROVED: JAN I. GOLDSMITH, City Attorney

By



Mark M. Mercer
Deputy City Attorney

MMM:cw

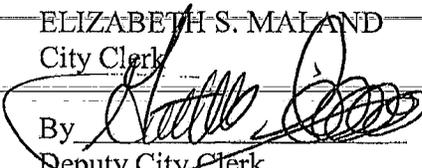
11/20/12

Or.Dept: Public Utilities - Water

Doc. No. 469081

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of 11/27/12.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 11-28-12
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor