

000359

COMMITTEE ACTION SHEET

330
4/17

COUNCIL DOCKET OF _____

Supplemental Adoption Consent Unanimous Consent Rules Committee Consultant Review

R -

O -

Fiscal Year 2007 Cast Iron Water Main Replacement Projects City Wide

Reviewed Initiated By NR&C On 2/21/07 Item No. 1

RECOMMENDATION TO:

Information only. No action taken.

VOTED YEA: N/A

VOTED NAY:

NOT PRESENT:

CITY CLERK: Please reference the following reports on the City Council Docket:

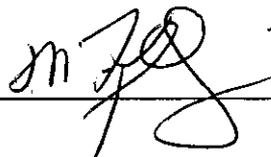
REPORT TO THE CITY COUNCIL NO.

COUNCIL COMMITTEE CONSULTANT ANALYSIS NO.

OTHER:

Executive Summary Report dated February 14, 2007

COUNCIL COMMITTEE CONSULTANT



000361



1334

THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: December 21, 2006 REPORT NO. 06-194
ATTENTION: Council President and City Council
Docket of January 16, 2007
SUBJECT: Water System Financing
REFERENCE: Companion Report - Water System Improvements Report

REQUESTED ACTIONS:

Authorize the issuance of Non-Transferable Subordinated Water Revenue Notes, Series 2007A (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund) ("the Notes") in the principal amount not to exceed \$57 million by the Public Facilities Financing Authority of the City of San Diego ("Authority") and related financing documents to finance upgrades to the Water System including reimbursement for eligible CIP expenses for past projects and costs of issuance. The related financing documents would include an indenture between the Authority and Wells Fargo Bank, National Association ("Trustee"), a supplement to the Master Installment Purchase Agreement between the City and the San Diego Facilities and Equipment Leasing Corporation ("Corporation"), a Note Purchase Agreement between Morgan Stanley & Co. Incorporated (the "Purchaser") and the Authority, and an Assignment Agreement between the Corporation and the Authority.

Authorize the City Attorney to appoint Hawkins Delafield & Wood LLP and Robinson & Pearman LLP as Co-Bond Counsel for the City in connection with the issuance of the Series 2007A Subordinated Notes, and pay in amounts not to exceed \$75,000 and \$50,000 respectively, plus expenses in each case not to exceed \$5,000.

STAFF RECOMMENDATIONS: Approve the requested actions.

SUMMARY:

I. BACKGROUND

As described in the companion Water Department Water Systems Improvement Report, the City Council adopted the Strategic Plan for Water Supply (Strategic Plan) in August 1998 and approved financing for the first phase of the improvements described in the plan.

On April 30, 2002, the City Council adopted a series of water rate increases for FY 2003 through 2007 to increase water system revenues by 6% per year for five successive years, and authorized the issuance of Water Revenue Bonds, Series 2002 to finance the second phase of the improvements. Funds from the 2002 issuance were drawn down completely as of March 2006. The Department had anticipated returning to the bond market by 2005 but was unable to do so because of the City's financial situation.

II. DISCUSSION

This financing is intended to fund the Water Department's capital improvement needs until early FY 2008, as detailed in the companion *Water System Improvements Report*. All projects being funded with 2007A Note proceeds are included in the Strategic Plan. Financing for these projects is not dependent on water rate increases in FY 2008 and FY 2009, as debt service for this financing in those years will be covered under the existing rate structure. Under the proposed rate case and CIP Plan, the Water Department is expected to require another bond issuance in early FY 2008.

The Debt Management Department and the financial advisor for the transaction identified the short term direct purchase financing option as the best method to secure sufficient funding for the State Department of Health Services mandated and other time critical CIP projects scheduled for early 2007.

In May of 2006, the Debt Management Department issued a Request for Proposals to solicit proposals from financial institutions to execute a direct purchase, private placement or a public offering. Twenty-one responses were received on June 7, 2006. A short list of four prospective purchasers was selected to compete for the transaction. Each of the four short-listed purchasers conducted a comprehensive credit process and participated in due diligence meetings with the City, including Water Department, Debt Management Department, City Attorney's Office, co-bond counsels, and the financial advisor. The due diligence process included a review of materials, approved by the DPWG, pertaining to the City and Water Utility.

Competitive bids for the direct purchase were submitted by the short-listed firms on December 1, 2006. The winning bidder, Morgan Stanley, was selected for submitting the lowest bid which conformed to the City's terms of the purchase. See bid summary sheet - Attachment 1. The bid will remain valid until February 1, 2007.

Transaction Time Line

December 14, 2006	DPWG Meeting for disclosure assessment and certification
January 16, 2007	City Council approval of the financing documents
Week of January 16, 2007	FELC and PFFA meetings to approve legal documents Note Purchase Agreement ("NPA") signing
Week of January 22, 2007	Note closing and receipt of Note proceeds

Financing Team

Montague DeRose and Associates, LLC. was selected to provide financial advisory services in support of water financing from an as-needed list of financial advisory firms generated by a request for proposal process. Montague DeRose's fee for this issuance will not exceed \$77,500. The City Attorney's Office has identified Hawkins Delafield & Wood LLP and Robinson & Pearman LLP to serve as co-bond counsels through a competitive selection process. Hawkins Delafield & Wood has proposed to provide such service for a fee in an amount not to exceed ~~\$65,000~~ \$75,000. Robinson & Pearman LLP has proposed to provide such service for a fee in an amount not to exceed \$50,000. Expenses in each case are not to exceed \$5,000. The fees of both bond counsels are contingent upon the successful closing of the Note issue.

Financing Documents

The documents being submitted for approval will enable the Authority to issue the Notes in the aggregate principal amount of not to exceed \$57 million. The City Resolution approves the form, execution and delivery of the financing documents and certain other actions, within the Mayor's purview and limitations, which might be necessary and in the best interests of the City. A brief description of the major financing documents follows:

The 2007A Supplement to the Master Installment Purchase Agreement between the City of San Diego and the San Diego Facilities and Equipment Leasing Corporation provides for installment payments by the City to pay the debt service on the Notes. This is a supplement to the 1998 Master Installment Purchase Agreement, dated as of August 1, 1998, as amended by a First Amendatory Supplement, dated as of September 19, 2002, and supplemented by a 1998 Supplement to Master Installment Purchase Agreement, dated as of August 1, 1998, and a 2002 Supplement to Master Installment Purchase Agreement, dated as of October 1, 2002, each by and between the City and the Corporation. In addition, the Master Installment Purchase Agreement is being amended by the Second Amendatory Supplement, dated as of January 1, 2007, by and between the City and the Corporation in accordance with its terms to clarify certain of its provisions.

The Indenture between the Authority and the Trustee provides for the issuance of the Notes and sets forth its terms, including the specific rights, responsibilities, and obligations of each party with respect to the issuance of the Notes.

The Note Purchase Agreement between the City, Authority and Purchaser defines the terms of the Note. Specifically, the Purchaser will affirm the following:

- the Purchaser has acknowledged that it has sufficient experience to evaluate the risks associated with the Series 2007 Subordinated Notes
- the City has supplied sufficient information to enable the Purchaser to make an informed investment decision regarding the Notes
- the Purchaser has undertaken its own analysis regarding the security of the Notes

- the City has not filed audited financial statements for FY 2003 through 2006
- the Purchaser has received draft unaudited financial statements of the City and Water Utility fund
- the Purchaser will not resell the Notes (but may transfer them to a parent, affiliate or subsidiary)

The Assignment Agreement between the Authority and the Corporation assigns to the Authority the Corporation's right to receive installment payments made by the City.

Legal Structure

In order to meet the legal requirements for issuing this debt obligation, two agencies have been involved:

PFFA: The San Diego Public Facilities Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated May 14, 1991, between the City and the Redevelopment Agency of the City. The Authority is a financing vehicle for City issuance of obligations to finance certain of its facilities and projects. The Authority was also the issuance vehicle for the 2002 Water Revenue Bonds and the 1998 Water Certificates.

FELC: The San Diego Facilities and Equipment Leasing Corporation was established on February 3, 1986 to acquire and lease to the City real and personal property to be used in the municipal operations of the City. The City is the sole member of the Corporation. The FELC was also the issuance vehicle for the 2002 Water Revenue Bonds and the 1998 Certificates.

III. FISCAL IMPACT

The interest rate on the Notes will be a 45 basis point spread above the two-year natural, AAA-rated Municipal Market Data (MMD) index and will be set upon the signing of the Note Purchase Agreement, January 18, 2007, after the Council approval of the document. The MMD is an industry standard bond index associated with long term municipal debt. For reference, the indicative interest rate would be 3.90% on the proposed note based on the MMD index of 3.45% on December 1, 2006.

The Note issue of \$57 million is estimated to result in semi-annual interest payments of approximately \$1.1 million over the two-year Note term, with the principal to be repaid by the end of the term. Depending on the final interest rate established in January 2007, the Water Department could pay an estimated total of \$4.4 million in interest payments over the full term of the Note. Interest is payable semi-annually, on February 1 and August 1 of each year until the Note is paid off. Staff expects to repay the principal by

issuing long-term bonds in FY 2008 that is anticipated to include additional borrowing for CIP needs in FY 2008 and 2009.

Sources and Uses of Funds

Proceeds of the borrowing will be used as follows:

Par Amount of Subordinated Water Revenue Notes Series 2007A	\$57.0 million
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Estimated Uses of Funds

Reimbursement of advance funding	\$23.3 million
New money for capital projects	\$33.4 million
COI*	\$ 0.3 million

<u>Total</u>	<u>\$57.0 million</u>
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*Costs of Issuance include fees of co-bond counsel, purchaser's counsel, financial advisor, trustee, and other related expenses.

Proposed Financing Structure

The Notes will be secured with installment payments made by the City exclusively from net system revenues of the Water Utility Fund. The City will have the right to prepay the Notes without premium or penalty, in whole or in part, at any time after the six-month anniversary of the closing of the notes.

It is anticipated that the transaction will close the week of January 22, 2007.

The Notes are not rated by a credit rating agency. The Note Purchase Agreement stipulates that the Note may only be transferred to the parent, subsidiary or affiliate of the purchaser, and will not be syndicated or resold. The intent of this restriction is to limit the sale of the Notes to only sophisticated investors whose intent is to own and hold the Notes through maturity because no disclosure document is being prepared in connection with the sale and issuance of the Notes.

Payment of the principal of the Notes is structured to be paid with proceeds from an anticipated long term bond issuance in FY 2008. The total amount of this future financing is projected to be approximately \$500 million to fund additional CIP projects in FY2008 and 2009. The FY 2008 financing is contingent upon approval of planned water rate increases. In the event that the City is unable to issue debt to repay the principal on the Notes prior to the expiration of their payment term, staff will take necessary actions to seek Council authorization to restructure or convert the Note to a long term bond.

Other Outstanding Long Term Debt of the Water Department

As of December 1, 2006, the Water Department's outstanding debt obligations include \$263 million in parity obligations from the 1998 Certificates of Undivided Interest, \$282 million in subordinate obligations from the 2002 Water Revenue Bonds, and \$21 million on a State Revolving Fund loan. Debt service payments are made from the net system revenues of the Water Department.

IV. ALTERNATIVES

Do not approve the requested actions necessary to issue the Notes for the upgrade and expansion of the Water System.

V. COMMUNITY PARTICIPATION AND OUTREACH EFFORTS

There were no community participation or outreach efforts.

VI. KEY STAKEHOLDERS & PROJECTED IMPACTS

Business entities involved in this transaction are: Morgan Stanley & Co. Incorporated (note purchaser); Hawkins Delafield & Wood LLP and Robinson & Pearman LLP (co-bond counsel); Wells Fargo Bank, National Association (Note trustee); and Montague DeRose and Associates (financial advisor).

Respectfully submitted,


Lakshmi Kommi
Director of Debt Management


Jay M. Goldstone
Chief Financial Officer

Attachments: 1. Bid Summary Sheet

City of San Diego
Non-Transferable Subordinated Water Revenue Notes, Series 2007A
Summary of Bids

1. The City distributed the Term Sheet and Bid Response Sheet to 4 firms
 - a. Bank of America
 - b. Citigroup
 - c. Lehman Brothers
 - d. Morgan Stanley
2. All 4 firms submitted bids based on the two-year natural MMD index ; several of those firms submitted multiple bids (using different assumptions)
 - a. One firm submitted bids that conformed to the Term Sheet
 - b. One firm submitted one bid that conformed to the Term Sheet and one bid that did not conform to the Term Sheet ((i.e. included conditions contrary to those in the Term Sheet)
 - c. Two firms submitted bids that did not conform to the Term Sheet
3. Summary of the bids is as follows:

a. Conforming Bids

Firm Name	Spread to MMD	Estimated Yield*
Morgan Stanley	+ 45 basis points	3.90%
Lehman Brothers	+ 190 basis points	5.35%

b. Non-Conforming Bids

Firm Name	Spread to MMD	Estimated Yield*	Key Bid Condition(s)
Bank of America	+ 145 basis points	4.9208%	Required transferability to QIBS, after 6-month lock-out
Bank of America	+ 95 basis points	4.4207%	Required transferability to QIBS, after 6-month lock-out, plus no call feature
Citigroup	+ 34 basis points	3.79%	Required transferability to QIBS
Citigroup	n/a - firm bid	3.90%	Required transferability to QIBS
Lehman Brothers	+ 50 basis points	3.95%	Required transferability to special purpose entity

* Estimated for bid purposes only; actual rate will be set based on the spread to MMD as of the date the Note Purchase Agreement is signed

000369**NR&C FEB 21 2007 #1**

DATE REPORT ISSUED:	February 14, 2007	REPORT NO.
ATTENTION:	Natural Resources and Culture Committee Chair and Council Members	
ORIGINAL DEPT.:	Engineering and Capital Projects, Water & Sewer Design Division	
SUBJECT:	Fiscal Year 2007 Cast Iron Water Main Replacement Projects	
COUNCIL DISTRICTS:	City Wide	
STAFF CONTACT:	J. Nagelvoort (619) 533-5100	

REQUESTED ACTION:

No action, informational item only.

STAFF RECOMMENDATION:

None, informational item only.

EXECUTIVE SUMMARY:

As part of the City of San Diego's Cast Iron (CI) Water Main Replacement Program as mandated by the Department of Health Services (DHS) Compliance Order No. 04-14-96-022, the projects listed below are scheduled to be awarded before the end of fiscal year 2007. The DHS Compliance Order requires that the City of San Diego award contracts for construction of at least ten (10) miles of CI Water Main replacement each fiscal year. The accumulated total for CI replacement of all the subject projects is 12.4 miles. The age of the CI mains being replaced varies approximately from 55 to 90 years old. The projects are located in Council Districts 1, 2, 3, 6, and 7. The scope-of-work for each project varies. However, they typically include CI main replacement, water services, fire hydrants, curb ramp installations, and street repair.

Fiscal Year 2007 Cast Iron Water Main Replacement Projects:

- Water Group 521
- 4th Avenue Accelerate Water
- Sewer & Water Group 741 Change Order
- Water Group 3000
- Water Group 3001
- Water Group 682
- Water Group 3003
- Water Group 3002
- Water Group 3004
- Water Group 530

FISCAL CONSIDERATIONS:

The total project cost estimate and funding source for each of the Fiscal Year 2007 Cast Iron Water Main Replacement Projects is listed below. Water Group 521, 4th Ave Accelerate Water, Sewer & Water Group 741 CO, Water Group 3000, and Water Group 3001 are Non-Phase Funded Contracts that are not depended on potential revenue from Water Revenue Bonds issued in August 2007. All of other Fiscal Year 2007 Cast Iron Water Replacement Projects will be Phase Funded Contracts, and it is anticipated that a portion their funding is dependent on Water Revenue Bonds issued in August 2007.

- Water Group 521: Total project estimated cost is \$1,689,128, of which all is cash funded.
- 4th Avenue Accelerate Water: Total project estimated cost is \$707,506, of which all is cash funded.
- Sewer & Water Group 741 Change Order: Total project estimated cost (water portion only) is \$656,109, of which all is cash funded.
- Water Group 3000: Total project estimated cost is \$5,625,556. \$3,937,889.20 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A. The remaining \$1,687,666.80 will be cash funded.
- Water Group 3001: Total project estimated cost is \$4,810,779 for the projects. \$3,367,545.30 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A. The remaining \$1,443,233.70 will be cash funded.
- Water Group 682: Total project estimated cost is \$2,316,152 for the projects. \$526,404.20 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A and \$1,251,316.80 from currently anticipated to be Water Revenue Bonds issued in August 2007. The remaining \$538,431 will be cash funded.
- Water Group 3003: Total project estimated cost is \$4,000,000 for the project. \$731,500 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A and \$2,364,000 from currently anticipated to be Water Revenue Bonds issued in August 2007. The remaining \$904,500 will be cash funded.
- Water Group 3002: Total project estimated cost is \$6,777,266 for the projects. \$1,611,883 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A and \$3,579,660.80 from currently anticipated to be Water Revenue Bonds issued in August 2007. The remaining \$1,585,722.20 will be cash funded.
- Water Group 3004: Total project estimated cost is \$3,903,000 for the projects. \$726,460 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A and \$2,292,160 from currently anticipated to be Water Revenue Bonds issued in August 2007. The remaining \$884,380 will be cash funded.
- Water Group 530: Total project estimated cost is \$2,553,543 requested for this project, \$439,026.70 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A and \$1,541,089.60 from currently anticipated to be Water Revenue Bonds issued in August 2007. The remaining \$573,426.70 will be cash funded.

PREVIOUS COUNCIL AND COMMITTEE ACTIONS:

All Fiscal Year 2007 Cast Iron Water Replacement Projects will be presented to City Council for approval, with the exception of 4th Avenue Accelerate. Also, depending on the nature of the impacts of the projects either an Environmental Exemption or a Mitigated Negative Declaration along with a Mitigation, Monitoring, and Reporting Program was prepared.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

During the Design Phase the Fiscal Year 2007 Cast Iron Water Main Replacement Projects were presented to the effected Community Planning Committees. Once financing is approved for each project, the effected community will be updated on the project. In addition, residents and businesses will be notified by mail by the City's Engineering and Capital Projects Department at least one (1) month before construction begins and again ten (10) days before construction begins by the Contractor through hand distribution of notices.

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

The citizens of the City of San Diego will encounter inconveniences during construction. After completion, residents will experience improved reliability of the water distribution system.

Patti Boekamp, Originating Department

Attachments: Fiscal Year 2007 Cast Iron Water Replacement Projects Map

000372

Proposed FY 07 Cast Iron Water Main Replacement Projects

Project	Miles	Council District	Community
4 th Avenue Water Main	.3703	3	Uptown
Water Group 741	.3778	3	Greater North Park
Water Group 521	.2945	2	Centre City
Water Group 3000	1.8765	2, 3	Mid City, Talmadge, Kensington, Centre City
Water Group 3001	1.5430	2	Peninsula
Water Group 3002	2.6748	1, 7	La Jolla, College Area
Water Group 3003	1.6216	6	Linda Vista
Water Group 682	1.1206	2, 3	Balboa Park, Uptown
Water Group 530	.9849	2	Peninsula
Water Group 3004	1.5011	2	Peninsula
Total Miles:	12.3651		

000373

REQUEST FOR COUNCIL ACTION
CITY OF SAN DIEGO

1. CERTIFICATE NUMBER (FOR AUDITOR'S USE ONLY) 330
AC 2700622 417

TO: CITY ATTORNEY
2. FROM (ORIGINATING DEPARTMENT): Water Department / Business and Support Services
3. DATE: March 7, 2007

4. SUBJECT: Increase to the Fiscal Year 2007 Water Department Capital Improvement Program Budget

5. PRIMARY CONTACT (NAME, PHONE & MAIL STA.): Rod Greek, 619-533-5407
6. SECONDARY CONTACT (NAME, PHONE & MAIL STA.): Becky Weber, 533-4186, MS 907
7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED

8. COMPLETE FOR ACCOUNTING PURPOSES

FUND	TO: 41500	PO: 41500			9. ADDITIONAL INFORMATION / ESTIMATED COST:
DEPT.	760	760			Request to increase FY 2007 CIP Appropriation Ordinance by \$17,000,000.
ORGANIZATION	391	391			
OBJECT ACCOUNT	4279	4279			
JOB ORDER	73-083.0	75-926.0			
C.I.P. NUMBER	73-083.0	75-926.0			
AMOUNT	\$12,000,000	\$5,000,000			

10. ROUTING AND APPROVALS

ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	ORIGINATING DEPARTMENT	<i>[Signature]</i>	3/9/07	8	DEPUTY CHIEF	<i>[Signature]</i>	3-16-07
2	EAS	<i>[Signature]</i>	3/9/07	9	C.O.O.		
3	EOC			10	CITY ATTORNEY	<i>[Signature]</i>	3/21/07
4	DOCKET LIAISON	<i>[Signature]</i>	3/15/07	11	ORIGINATING DEPARTMENT	<i>[Signature]</i>	3/21/07
5	C.F.O. / FM	<i>[Signature]</i>	3/14/07	DOCKET COORD: <i>[Signature]</i> COUNCIL LIAISON: <i>[Signature]</i>			4/3/07
6	C.F.O. / AUDITOR	<i>[Signature]</i>	3/15/07	COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input type="checkbox"/> ADOPTION <input checked="" type="checkbox"/> REFER TO: _____			COUNCIL DATE: 4/17/07

11. PREPARATION OF: RESOLUTION(S) ORDINANCE(S) AGREEMENT(S) DEED(S)

1. Authorize an increase to the FY 2007 Capital Improvement Program Budget in an amount not to exceed \$17,000,000.

2. Authorizing the Auditor and Comptroller to appropriate \$17,000,000 from the Water Department Un-appropriated Fund Balance in Water Fund 41500; of which \$12,000,000 is for CIP 73-083.0, Annual Allocation – Water Main Replacements; and \$5,000,000 in CIP 75-926.0, Water CIP Reserve.

11A. STAFF RECOMMENDATIONS:
Adopt the Resolutions and Introduce the Ordinance

12. SPECIAL CONDITIONS:
COUNCIL DISTRICT(S): All
COMMUNITY AREA(S): All
ENVIRONMENTAL IMPACT: This action is not a project as defined by the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines, Section 15378 (b) (4) and therefore not subject to CEQA per CEQA Guidelines Section 15060(c)(2). Individual projects funded through the Capital Improvement Program will require further review under the provisions of CEQA.
ATTACHMENTS: Proposed FY 07 Cast Iron Water Main Replacement Projects; Appropriation Ordinance Number O – 19522; Natural Resources and Culture Committee Report, dated February 21, 2007.
CITY CLERK INSTRUCTIONS: Please return one copy of the executed City Council Action and a copy of the resolutions and ordinance to Olivya Sardinha, (619) 533-7550, MS 913.

11. PREPARATION OF:

000374

3. Authorize the Engineering and Capital Projects Department to expend the additional \$12,000,000 allocated to CIP 73-083.0, Annual Allocation – Water Main Replacements Fiscal Year 2007 Appropriation in order to ramp up the program for bid and award of several projects to meet the Department of Health Services mandate of at least ten (10) miles of cast iron water main replacement per fiscal year and expend the additional \$5,000,000 allocated to CIP 75-926.0, Water CIP Reserve in order to replenish the Water CIP Reserve.

EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO

DATE ISSUED: Report No.:
ATTENTION: Council President and City Council
Docket of March 26, 2007
ORIGINAL DEPT.: Water Business & Support Services Division / CIP Finance &
CIP Management Division
SUBJECT: Increase to the Fiscal Year 2007 Water Department Capital
Improvement Program Budget
COUNCIL DISTRICTS: All
STAFF CONTACT: Rod Greek (619) 533-5407
Becky Weber (619) 533-4186

REQUESTED ACTION:

Authorize the increase in the Fiscal Year 2007 Water Department Capital Improvement Program Budget in an amount not to exceed \$17,000,000. Authorize the expenditure of \$12,000,000 for CIP 73-083.0, Annual Allocation – Water Main Replacements, and \$5,000,000 for CIP 75-926.0, Water CIP Reserve.

STAFF RECOMMENDATION:

Adopt the resolutions and Ordinance to increase the Fiscal Year 2007 Water Department Capital Improvement Program Budget by an amount not to exceed \$17,000,000 and the expenditure of the increase of the Fiscal Year 2007 Water Department Capital Improvement Program Budget for the previously mentioned CIP projects.

EXECUTIVE SUMMARY:

The Fiscal Year 2007 Annual Allocation – Water Main Replacement budget appropriated \$8,000,000 for water main replacement projects. With the approval of the interim financing of the Subordinated Water Revenue Notes, Series 2007A on January 30, 2007, and the approval of the water revenue increases, the Water Department is requesting an increase to appropriation in the Water Main Replacement Annual Allocation by an additional \$12,000,000 to allow Engineering & Capital Projects Department to ramp up the program for bid and award of several projects to meet the Department of Health Services mandate of at least ten (10) miles of cast iron water main replacement per fiscal year. This increase in appropriations provides the funding that is essential to ensure the water main replacement begins at the earliest possible date.

On November 28, 2006, R-302124 authorized the transfer of \$5,000,000 from CIP 75-926.0, Water CIP Reserve to CIP 73-328.0 Rancho Bernardo Reservoir Rehabilitation. This action is needed to replenish CIP 75-926.0, Water CIP Reserve appropriations to its previous balance.

FISCAL CONSIDERATIONS:

With the approval of the interim financing of the Subordinated Water Revenue Notes, Series 2007A on January 30, 2007, authorized CIP project costs from Periods 11-13, FY 2006 and from Periods 1-6, FY 2007 totaling \$22,413,617 were reimbursed and are currently in the Water Fund 41500 and available for appropriation from the Un-appropriated Fund Balance.

PREVIOUS COUNCIL COMMITTEE ACTION:

On January 16, 2007, a presentation proposing the Water System Financing (Report to Council No. 06-194) was delivered to the City Council. As requested by Staff, the City Council authorized the issuance of Non-Transferable Subordinated Water Revenue Notes, Series 2007A (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund) in the principal amount not to exceed \$57 million including reimbursement for eligible CIP expenses for past projects.

An Informational Report from the Mayor's Office regarding the Fiscal Year 2007 Cast Iron Water Main Replacement Projects' was presented to the Natural Resources & Culture Committee on February 21, 2007. Though a presentation and report was made to the Natural Resources & Culture Committee, no action was requested by Staff.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Community outreach to affected areas will occur with the advertising and award of each of the specific Cast Iron water main replacement projects.

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

The key stakeholders are the City of San Diego, Water Department customers, and the Department of Health Services. Failure to appropriate the funds for the Cast Iron main replacement projects could seriously hinder the City's efforts to meet the Department of Health Services mandate of ten (10) miles of Cast Iron water main projects awarded before June 30, 2007.



J.M. Barrett
Water Department Director



R.F. Haas
Deputy Chief of Public Works

Attachments(3): FY 07 Cast Iron Water Main Replacement Projects
Appropriation Ordinance Number O - 19522
Natural Resources and Culture Committee Report, dated February 14, 2007

000377

The City of San Diego
CERTIFICATE OF CITY AUDITOR AND COMPTROLLER

CERTIFICATE OF UNALLOTTED BALANCE

AC 2700622

ORIGINATING

DEPT. NO.:

760

I HEREBY CERTIFY that the money required for the allotment of funds for the purpose set forth in the foregoing resolution is available in the Treasury, or is anticipated to come into the Treasury, and is otherwise unallotted.

Amount: \$17,000,000.00 Fund: 41500

Purpose: Authorizing the appropriation from Water Department Unappropriated Fund Balance in Water Fund 41500 for CIP 73-083.0 Annual Allocation-Water Main Replacements and CIP 75-926.0 Water CIP Reserve.

Date: March 15, 2007

By:  AUDITOR AND COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA

ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
001	0	41500			9544					\$17,000,000.00
TOTAL AMOUNT										\$17,000,000.00

FUND OVERRIDE

CERTIFICATION OF UNENCUMBERED BALANCE

I HEREBY CERTIFY that the indebtedness and obligation to be incurred by the contract or agreement authorized by the hereto attached resolution, can be incurred without the violation of any of the provisions of the Charter of the City of San Diego; and I do hereby further certify, in conformity with the requirements of the Charter of the City of San Diego, that sufficient moneys have been appropriated for the purpose of said contract, that sufficient moneys to meet the obligations of said contract are actually in the Treasury, or are anticipated to come into the Treasury, to the credit of the appropriation from which the same are to be drawn, and that the said money now actually in the Treasury, together with the moneys anticipated to come into the Treasury, to the credit of said appropriation, are otherwise unencumbered.

Not to Exceed: _____

Vendor: _____

Purpose: _____

Date: _____

By: _____
AUDITOR AND COMPTROLLER'S DEPARTMENT

ACCOUNTING DATA

ACCTG. LINE	CY PY	FUND	DEPT	ORG.	ACCOUNT	JOB ORDER	OPERATION ACCOUNT	BENF/ EQUIP	FACILITY	AMOUNT
TOTAL AMOUNT										\$17,000,000.00

FUND OVERRIDE

ORDINANCE NUMBER O-_____ (NEW SERIES)

DATE OF FINAL PASSAGE _____

AN ORDINANCE AMENDING ORDINANCE NO. O-19522 ENTITLED "AN ORDINANCE ADOPTING THE ANNUAL BUDGET FOR THE FISCAL YEAR 2006-2007 AND APPROPRIATING THE NECESSARY MONEY TO OPERATE THE CITY OF SAN DIEGO FOR SAID FISCAL YEAR," BY AMENDING CAPITAL IMPROVEMENT PROGRAM BUDGET FOR FISCAL YEAR 2006-2007; AND TAKING RELATED ACTIONS.

WHEREAS, that on July 31, 2006, the Council of the City of San Diego ordained to adopt the Fiscal Year 2007 Capital Improvements Program Budget for CIP No. 73-083.0, Annual Allocation Water Main Replacement budget which appropriated \$8,000,000 for water main replacement projects; and

WHEREAS, that on November 28, 2006, a majority of the Council of the City of San Diego resolved through Resolution Number R-302124 to authorize the transfer of \$5,000,000 from CIP 75-926.0, Water CIP Reserve to CIP 73-328-0 Rancho Bernardo Reservoir Rehabilitation; and

WHEREAS, that on January 16, 2007, the Council of the City of San Diego authorized the issuance of Non-Transferable Subordinated Water Revenue Notes, Series 2007A in the principal amount not to exceed \$57,000,000 including reimbursement for eligible CIP expenses for past projects, and that on January 30, 2007, the City of San Diego obtained approval of interim financing of the Subordinated Water Revenue Notes, Series 2007A; and

WHEREAS, that on February 26, 2007, a majority of the Council of the City of San Diego resolved through Resolution Number R- 2007-810 and Resolution Number R-2007-811 to approve a water revenue increase and capacity fee increase; and

WHEREAS, the Water Department has identified specific Water CIP accounts that can be reimbursed and/or increased to achieve Water CIP project needs; NOW, THEREFORE,

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

Section 1. That the Fiscal Year 2007 Capital Improvements Program Budget for the Water Department is amended by increasing the budget amount by an amount not to exceed \$17,000,000.

Section 2. That the City Auditor and Comptroller is authorized to appropriate \$17,000,000 from the Water Department Un-appropriated Fund Balance in Water Fund 41500; of which \$12,000,000 is for CIP 73-083.0, Annual Allocation – Water Main Replacements; and \$5,000,000 in CIP 75-926.0, Water CIP Reserve.

Section 3. That the appropriation and expenditure of an amount not to exceed \$12,000,000 from the Water Department Un-appropriated Fund Balance in Water Fund 41500, contingent upon the approval and award of one or more contracts to perform such work, is authorized solely and exclusively for the purpose of accelerating the program for bid and award of projects to meet the State Department of Health services mandate for replacement of cast iron water mains.

Section 4. That the appropriation of an amount not to exceed \$5,000,000 from the Water Department Un-appropriated Fund Balance in Water Fund 41500, is authorized solely and exclusively for the purpose of replenishing CIP 75-926.0, the Water CIP Reserve.

Section 5. That the Council of the City of San Diego finds that this activity is not a project subject to the California Environmental Quality Act [CEQA], because it is a government fiscal activity which is excluded from the definition of a project pursuant to State CEQA Guidelines Section 15378(b) (4), and is therefore not subject to CEQA pursuant to State CEQA Guidelines Section 15060(c) (3).

Section 5. That a full reading of this ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

Section 6. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By


Raymond C. Palmucci
Deputy City Attorney

RCP:js
03/14/07
Aud. Cert. 2700622
Or.Dept: Water Department
O-2007-117

000382

(O-2007-117)

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

ORDINANCE NUMBER O-19522 (NEW SERIES)

DATE OF FINAL PASSAGE JULY 31, 2006

AN ORDINANCE ADOPTING THE ANNUAL BUDGET FOR THE FISCAL YEAR 2006-2007 AND APPROPRIATING THE NECESSARY MONEY TO OPERATE THE CITY OF SAN DIEGO FOR SAID FISCAL YEAR.

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

SECTION 1. The budget for the expense of conducting the affairs of the City of San Diego for the year commencing July 1, 2006, and ending June 30, 2007, heretofore prepared and submitted to this Council by the Mayor and amended through both the release of technical corrections and by recommendations from the Office of the Independent Budget Analyst all of which was approved by Council on May 30, 2006, and on file in the office of the City Clerk as Document No. OO-19491 is hereby adopted as the Annual Budget for said fiscal year.

SECTION 2. There is hereby appropriated for expenditure out of the funds of said City for municipal purposes the amounts set forth in Attachment 1:

I. GENERAL FUND

(A) The Mayor and City Auditor and Comptroller are hereby authorized to transfer to an appropriate account from the departmental appropriations as set forth in Attachment 1 an amount sufficient to assure that, in the event there is a shortfall in projected revenues, there are sufficient revenues to cover the remaining appropriations; provided that in the case that projected revenue estimates are met, the funds set aside may be returned to their respective appropriation accounts.

(B) The City Auditor and Comptroller is authorized and directed to deposit the \$7.2 million budgeted amount, as well as, any excess and unanticipated revenues to a special General Fund Unappropriated/Unallocated Reserve.

(C) The City Auditor and Comptroller is authorized and directed, upon approval of the Chief Financial Officer and/or the Financial Management Director, to appropriate and expend interest earnings generated from the issuance of Tax and Revenue Anticipation Notes for the purpose of financing expenditures related to their issuance.

II. SPECIAL REVENUE FUNDS

(A)(1) Community Development Block Grant Funds are appropriated for the purposes established by the grant provisions as approved and authorized by Council. All authorized but uncompleted program activities and unexpended monies related thereto remaining in the Community Development Block Grant Funds on June 30, 2007 shall be carried forward to future years for the purpose of completing said authorized activities.

(A)(2) The City Auditor and Comptroller is authorized, upon the direction of the Council, to allocate district reserves or reallocate appropriations from budgeted projects later determined ineligible to new or existing CDBG eligible projects.

(A)(3) The City Auditor and Comptroller is authorized and directed, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to transfer a maximum of \$100,000 per capital project from fund reserves or excess program income to projects for eligible costs, such as engineering, in excess of approved appropriations.

(B)(1) The provisions of Council Policy 100-03 (Transient Occupancy Tax), for specific activities funded by this ordinance, are deemed and declared to be complied with, by the adoption of this Ordinance. Notwithstanding the foregoing, the Council hereby waives certain provisions of Council Policy 100-03 for the entities set forth below:

San Diego Convention & Visitors Bureau/Marketing Program	B-1
San Diego Convention & Visitors Bureau/Promotional Program	B-1
San Diego International Sports Council	B-3
San Diego North Convention & Visitors Bureau	B-3
San Diego Regional Economic Development Corporation	B-3
Horton Plaza Theatres Foundation	B-1, B-2, and B-4

Nothing contained in this paragraph shall be deemed to constitute a waiver of the ban prohibiting the use of TOT funds for the purchase of alcoholic beverages.

(C)(1) It is the intent of the Council that the Environmental Growth Fund appropriations are to be expended for those purposes described in City Charter Section 103.1a. and San Diego Municipal Code Section 63.30, as amended by Ordinance 19159.

(C)(2) Any monies deposited in the Environmental Growth Fund in excess of estimated revenue as described in Section 103.1a of the City Charter and any carryover monies from the previous fiscal year are hereby appropriated for the purpose for which the Environmental Growth Fund was created and may be expended only by Council resolution. The Council may, from time-to-time, for purposes of augmenting specified programs, elect to allocate additional monies to the Environmental Growth Fund from sources other than those enumerated in Section 103.1a of the Charter. In that event, those additional monies shall not be subject to any fractional allocation but shall be used solely and exclusively for the program purpose designated by Council.

(D) The provisions in the Peoples Library Ordinance restricting funding are hereby waived.

III. DEBT SERVICE FUNDS

There is hereby appropriated the current year's proceeds from the tax levy as required to pay debt service on the issuance of \$25.5 million aggregate principal amount of General Obligation bonds authorized in an election held on June 5, 1990 by a favorable vote of more than two-thirds of all the voters voting on the proposition.

IV. CAPITAL PROJECTS FUNDS

(A)(1) Any additions to or deletions from the Capital Improvements Program, as may be required, shall be made by Council resolution provided funding is available for such action. The City Auditor and Comptroller, at the direction of the Chief Financial Officer and/or the Financial Management Director, is authorized and directed to add maintenance projects funded elsewhere which are determined to be of a capital nature to the Capital Improvements Program.

(A)(2) The City Auditor and Comptroller is authorized and directed to transfer unexpended balances in completed current year Capital Improvements Program projects to the appropriate Capital Improvements Program Unallocated Reserve, Annual Allocation or Fund Balances.

(A)(3) The City Auditor and Comptroller is authorized and directed, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to transfer and appropriate a maximum of \$100,000 per project from appropriate Unallocated Reserves, Annual Allocations, or Unappropriated Fund Balances to Capital Improvements Program projects to reimburse eligible costs in excess of approved appropriations at project completion.

(A)(4) The City Auditor and Comptroller is authorized and directed to make cash advances from the appropriate revenue source funds for the purpose of funding incidental and engineering costs of projects included in the long-range Capital Improvements Program Budget. Such advances shall be reimbursed to the respective Fund upon appropriation. Advance

expenses shall be rebated should appropriation action be abandoned. In addition, the City Auditor and Comptroller is authorized and directed to advance funds as required for grant funded projects based on earned grant revenue receivable. Advances will be returned upon the payment of the grant receivable.

(A)(5) The City Auditor and Comptroller is authorized and directed, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to reallocate revenue sources between Capital Improvements Program projects within a Department, in accordance with the restrictions placed on various revenues where the net reallocation does not result in a net increase to any of the funding sources.

(B)(1) The TransNet Funds (30300-30303, 30306) are hereby appropriated for the purposes authorized by Proposition A - San Diego Transportation Improvement Program Ordinance and Expenditure Plan; The Regional Transportation Improvement Program (RTIP) and the Annual Budget Document.

(B)(2) The City Auditor and Comptroller may reallocate funding among the projects contained in the RTIP and the Capital Improvements Program Budget, upon the direction of the Chief Financial Officer and/or the Financial Management Director, provided that such reallocation does not increase the total appropriations. The City Auditor and Comptroller, upon the direction of the Chief Financial Officer and/or the Financial Management Director, is authorized and directed to reallocate sources between TransNet and commercial paper funded projects as may be appropriate to reduce the use of commercial paper. The City Auditor and Comptroller may, upon the direction of the Chief Financial Officer and/or the Financial Management Director, appropriate and reallocate Gas Tax and AB 2928 Funds for Council approved TransNet Funded projects in order to reduce the use of debt and maximize the use of

cash in both funds. The Mayor is authorized as the Council designee to direct the San Diego Association of Governments (SANDAG) to amend the RTIP for such reallocations.

(B)(3) Any monies deposited in the TransNet funds in excess of estimated revenue and any carryover monies from the previous fiscal year are hereby appropriated for the purpose for which said Funds were created and may be appropriated and expended by the City Auditor and Comptroller, upon the direction of the Chief Financial Officer and/or the Financial Management Director, provided that such an increase is part of the RTIP.

(C)(1) Any carryover monies from the previous fiscal year in the Infrastructure Improvement Fund (10529) are hereby appropriated for the purpose for which said fund was created.

(C)(2) Funds from the Infrastructure Improvement Fund may be transferred and appropriated to the General Fund upon the direction of the Chief Financial Officer and/or the Financial Management Director for purposes identified by the Mayor for the Mayor's Infrastructure Improvement Fund or by the Council Districts for the individual Council District's Infrastructure Improvement Funds.

V. ENTERPRISE FUNDS

All Enterprise Funds are hereby appropriated for the purpose of providing for the operation, maintenance and development of their respective purposes.

Funds appropriated for capital improvements are for those projects contained in the Council-approved Capital Improvements Program.

Any monies deposited in the Enterprise Funds in excess of the estimated revenue and any carryover monies from the previous fiscal year are hereby appropriated for the purpose for which said Fund was created.

Reserve Funds are hereby appropriated to provide funds for the purpose for which the Fund was created. The City Auditor and Comptroller is hereby authorized to return to the source Fund monies deposited in Reserve Funds in excess of amounts required. Any monies deposited in Reserve Funds in excess of estimated revenue and any carryover monies from the previous fiscal year are hereby appropriated for the purpose for which said Fund was created.

The City Auditor and Comptroller may reallocate appropriations, (not changing total appropriations), within the Capital Improvement Program, changing the total appropriation for any given project contained in the Council-approved Capital Improvements Program if the reallocation is to cover costs related to a redistribution of program wide contracts, such as the Owner Controlled Insurance Program, extended environmental monitoring and re-vegetation, or *Construction Management*.

The appropriated Unallocated Reserve and the unappropriated Fund Balance of the Sewer and Water Utilities shall be expended only by Council resolution to meet contingencies which may arise during the fiscal year.

VI. INTERNAL SERVICE FUNDS

The City Auditor and Comptroller is hereby authorized, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to distribute surplus retained earnings or excess contributions from various internal service funds back to appropriate contributing funds or between employee benefit-related internal service funds. The City Auditor and Comptroller is hereby authorized and directed, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to redistribute contributions among the various internal service funds or to advance funds between the various internal service funds.

VII. TRUST AND AGENCY FUNDS

These funds are established to account for assets held by the City as an agent for individuals, private organizations, other governments and/or funds; for example, federal and state income taxes withheld from employees, 401(k) and deferred compensation plans, parking citation revenues, and employee benefit plans. The City Auditor and Comptroller is authorized and directed to establish the appropriate agency funds and to deposit and disburse funds in accordance with the respective agency relationships.

SECTION 3. The Mayor is hereby authorized to execute appropriate initial and continuing contracts and agreements for the conduct of activities associated with the allocations authorized by Council and in accordance with provisions of grant agreements.

SECTION 4. The City Auditor and Comptroller is authorized and directed, upon approval of the Chief Financial Officer and/or the Financial Management Director, to transfer appropriations for costs avoided in one budget unit within a department by an agreement to incur them in another budget unit within a department.

SECTION 5. The City Auditor and Comptroller is authorized and directed, upon the direction of the Mayor, to make inter-fund loans between funds to cover cash needs. These loans may, if appropriate, extend beyond the current fiscal year.

SECTION 6. Interest earnings generated by a Fund will be deposited in said respective Fund.

SECTION 7. All Funds, established by Council in previous fiscal years or during the current fiscal year, are appropriated for the purposes established by applicable laws and/or in accordance with provisions of agreements authorized by Council and for projects contained in the Council-approved Capital Improvements Program or authorized by Council resolution. The

City Auditor and Comptroller is authorized and directed to expend monies within the funds for services provided by those funds. The City Auditor and Comptroller is authorized and directed, upon approval of the Chief Financial Officer and/or the Financial Management Director, to return any surplus monies to the contributing funds.

SECTION 8. The City Auditor and Comptroller is authorized and directed, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to transfer current and/or prior years' surplus monies within the Flexible Benefit/Management Benefit Programs reimbursement funds after fiscal year end. Any remaining surplus monies (excluding flexible spending accounts) in the reimbursement funds may be transferred by the City Auditor and Comptroller, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to the Risk Management Administration Fund (50061) to be expended, up to the full forfeited amount, for programs which benefit City employees.

The City Auditor and Comptroller is authorized and directed, upon the direction of the Chief Financial Officer and/or the Financial Management Director, to transfer surplus/reserves within other employee benefit funds or to reallocate these monies to other fringe benefit funds.

SECTION 9. The City Auditor and Comptroller is authorized and directed to make appropriate inter-fund transfers in accordance with the Annual Budget Document and estimated sources of revenue.

The City Auditor and Comptroller may, upon the direction of the Mayor and appropriate clearing authorities, transfer funds to related City entities in accordance with the Annual Budget Document and appropriate funding source rules and regulations.

SECTION 10. The City Auditor and Comptroller is authorized and directed to appropriate and expend donations in accordance with Council Policy 100-02 (City Receipt of Donations).

SECTION 11. All revenues generated consistent with the Public Trust pursuant to Section 6306 of the Public Resources Code in relation to operation of Mission Bay Park and Ocean Beach Park in excess of expenditures for operations, maintenance and capital improvements during the fiscal year are hereby placed in a special fund to be used exclusively for past and future operations, maintenance and capital improvements and for past, current, and future expenditures uncompensated by past, current and future revenues derived from Mission Bay Park and Ocean Beach Park as required by agreements with the State of California. Excess revenues are hereby appropriated for said purposes and may be expended only by Council resolution or in accordance with projects contained in the Council-approved Capital Improvements Program.

All revenues generated by sovereign trust lands granted by the State of California to the City of San Diego pursuant to section 6306 of the Public Resources Code are hereby appropriated for purposes consistent with the public trust.

SECTION 12. All other revenues which are not appropriated by any other section of this ordinance, and which are in excess of budgeted revenue as determined by the Chief Financial Officer and/or the Financial Management Director, are hereby appropriated by the City Auditor and Comptroller to legally established reserve fund(s) or account(s). However, in no event shall the total appropriations of all tax revenues as defined by Article XIII B of the California State Constitution made pursuant to this ordinance exceed the City's legal limit.

The total appropriation is \$2,688,662,655 a portion of which will be derived from proceeds of taxes as defined within Article XIII B of the State Constitution.

It is the intent of this ordinance to comply with Article XIII B of the California State Constitution.

SECTION 13. It is the express intent of the City Council that, notwithstanding anything to the contrary herein, any economic benefit, savings, or effect of this ordinance shall not be used, directly or indirectly, to fund, support in any way, or ratify any employment or retirement benefit determined to be illegal by a court of law.

SECTION 14. The Council hereby acknowledges that the Mayor has initiated Business Process Reengineering [BPR], and that departmental budgets as presented in this Fiscal Year 2007 Appropriation Ordinance may from time to time require amendment in order to implement the BPR process, all in accordance with the terms of Ordinance No. O-19523 of the Council. Subject to City Council review per the terms of said Ordinance, the City Auditor and Comptroller is authorized, upon the direction of the Chief Financial Officer or Chief Financial Officer and/or the Financial Management Director, to reallocate appropriations and/or positions as required between and within restructured departments and programs to maintain the same departmental or office functions as necessary to accommodate the reengineering. All such reallocations and departmental reorganizations being subject to City Council approval as set forth in Ordinance No. O-19523 shall be reported to the City Council no less than twice per fiscal year, with a report stating the rationale for the transfer, the savings, if any, resulting from the reallocation, the dollar amount of the reallocation(s), position(s) and functions/services reallocated, and a statement that the services provided have remained the same or have been

improved. The powers of the Council not delegated to the Mayor as specifically set forth herein are reserved to the Council in accordance with the terms of the Charter.

SECTION 15. The City Auditor and Comptroller is authorized and directed to close obsolete or inactive funds; residual balances of such funds shall be returned to their source or, if to the General Fund, to a special General Fund Unappropriated/Unallocated Reserve. The Chief Financial Officer shall periodically report fund closures to the City Council and recommend the appropriation of any residual balances.

SECTION 16. That a full reading of this ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

SECTION 17. This ordinance is declared to take effect and be in force immediately upon its passage after two (2) public hearings pursuant to the authority contained in Sections 71, 275, and 295 of the Charter of the City of San Diego.

SECTION 18. The Mayor shall have no veto power over this ordinance pursuant to Section 280(a)(4) of the Charter of the City of San Diego.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By _____
Mark D. Blake
Chief Deputy City Attorney

MDB:ai
07/13/06
Or.Dept:Mayor
O-2007-13

000395

ATTACHMENT 1

City of San Diego
Attachment to Fiscal Year 2007 Appropriation Ordinance
Operating and Capital Improvement Program Appropriations

Department Title - Operating Budgets	Salaries and Wages	Fringe and Non-Personnel Expense	Total
Business & Grant Administration	\$ 548,063	\$ 398,174	\$ 946,237
Business & Support Services	\$ 578,117	\$ 490,297	\$ 1,068,414
Chief Operating Office	\$ 1,980,231	\$ 1,002,398	\$ 2,982,629
City Attorney	\$ 23,637,172	\$ 12,567,986	\$ 36,205,158
City Auditor and Comptroller	\$ 6,990,858	\$ 6,268,946	\$ 13,259,804
City Clerk	\$ 2,244,746	\$ 1,879,798	\$ 4,124,544
City Council - District 1	\$ 555,430	\$ 434,570	\$ 990,000
City Council - District 2	\$ 510,625	\$ 479,375	\$ 990,000
City Council - District 3	\$ 569,338	\$ 420,662	\$ 990,000
City Council - District 4	\$ 553,318	\$ 436,682	\$ 990,000
City Council - District 5	\$ 540,555	\$ 449,445	\$ 990,000
City Council - District 6	\$ 504,816	\$ 485,184	\$ 990,000
City Council - District 7	\$ 554,545	\$ 435,455	\$ 990,000
City Council - District 8	\$ 558,461	\$ 431,539	\$ 990,000
City Treasurer	\$ 4,400,425	\$ 5,688,644	\$ 10,089,069
Citywide Program Expenditures	\$ -	\$ 46,383,612	\$ 46,383,612
Community & Legislative Services	\$ 1,864,047	\$ 1,940,342	\$ 3,804,389
Community and Economic Development	\$ 2,938,624	\$ 8,010,162	\$ 10,948,786
Council Administration	\$ 1,619,679	\$ 1,209,154	\$ 2,828,833

000396

Department Title - Operating Budgets	Salaries and Wages	Fringe and Non-Personnel Expense	Total
Customer Services	\$ 1,000,992	\$ 1,059,788	\$ 2,060,780
Department of Finance	\$ 142,821	\$ 58,535	\$ 201,356
Engineering and Capital Projects	\$ 20,617,104	\$ 14,624,640	\$ 35,241,744
Environmental Services	\$ 7,286,111	\$ 30,936,570	\$ 38,222,681
Equal Opportunity Contracting	\$ 1,404,267	\$ 1,025,579	\$ 2,429,846
Ethics Commission	\$ 652,371	\$ 356,014	\$ 1,008,385
Family Justice Center	\$ 343,627	\$ 327,101	\$ 670,728
Financial Management	\$ 3,144,421	\$ 2,889,662	\$ 6,034,083
Financing Services	\$ 1,124,804	\$ 650,893	\$ 1,775,697
General Services	\$ 27,029,023	\$ 49,237,752	\$ 76,266,775
Human Resources	\$ 2,179,963	\$ 2,339,067	\$ 4,519,030
Information Technology & Communications	\$ -	\$ 12,594,392	\$ 12,594,392
Library	\$ 19,338,026	\$ 19,405,660	\$ 38,743,686
Mayor	\$ 114,129	\$ 114,529	\$ 228,658
Metropolitan Wastewater	\$ 1,518,861	\$ 12,042,747	\$ 13,561,608
Neighborhood Code Compliance	\$ 3,756,189	\$ 2,951,848	\$ 6,708,037
Office of Ethics & Integrity	\$ 540,926	\$ 653,757	\$ 1,194,683
Office of Homeland Security	\$ 773,114	\$ 789,652	\$ 1,562,766
Park & Recreation	\$ 35,235,046	\$ 48,905,313	\$ 84,140,359
Personnel	\$ 4,054,713	\$ 2,936,672	\$ 6,991,385
Planning	\$ 4,060,541	\$ 2,786,183	\$ 6,846,724
Police	\$ 206,401,136	\$ 153,733,589	\$ 360,134,725
Public Safety	\$ 148,168	\$ 2,079,802	\$ 2,227,970
Public Works	\$ 135,000	\$ 55,520	\$ 190,520
Purchasing & Contracting	\$ 809,832	\$ 835,830	\$ 1,645,662

000397

Department Title - Operating Budgets	Salaries and Wages	Fringe and Non-Personnel Expense	Total
Real Estate Assets	\$ 2,470,110	\$ 2,316,685	\$ 4,786,795
San Diego Fire-Rescue	\$ 99,887,907	\$ 69,621,753	\$ 169,509,660
Special Projects	\$ 525,242	\$ 617,646	\$ 1,142,888
General Fund Total	\$ 495,843,494	\$ 525,359,604	\$ 1,021,203,098

City Treasurer	\$ 431,096	\$ 443,030	\$ 874,126
Commission for Arts and Culture	\$ 468,298	\$ 439,464	\$ 907,762
Community and Economic Development	\$ 2,790,788	\$ 1,873,290	\$ 4,664,078
Convention Center	\$ 50,000	\$ 18,438,101	\$ 18,488,101
Development Services	\$ 396,654	\$ 503,920	\$ 900,574
Engineering and Capital Projects	\$ 689,772	\$ 847,192	\$ 1,536,964
Environmental Services	\$ 679,688	\$ 1,331,297	\$ 2,010,985
Gas Tax	\$ -	\$ 24,117,687	\$ 24,117,687
Library	\$ 394,494	\$ 286,554	\$ 681,048
Maintenance Assess Districts	\$ 1,498,806	\$ 32,969,614	\$ 34,468,420
Mission Bay Improvements Fund	\$ -	\$ 1,097,595	\$ 1,097,595
Municipal Parking Garage	\$ 192,820	\$ 2,624,213	\$ 2,817,033
Office of the CIO	\$ 5,484,099	\$ 4,419,209	\$ 9,903,308
Park & Recreation	\$ 104,861	\$ 14,577,324	\$ 14,682,185
PETCO Park	\$ 111,600	\$ 21,083,735	\$ 21,195,335
Planning	\$ 1,134,276	\$ 1,440,622	\$ 2,574,898
Police	\$ 797,904	\$ 12,788,945	\$ 13,586,849
QUALCOMM Stadium	\$ 2,292,087	\$ 13,700,921	\$ 15,993,008
Regional Park Improvement Fund	\$ -	\$ 1,097,595	\$ 1,097,595
San Diego Fire-Rescue	\$ 5,018,036	\$ 5,085,287	\$ 10,103,323

000398

Department Title - Operating Budgets	Salaries and Wages	Fringe and Non-Personnel Expense	Total
Special Promotional Programs	\$ -	\$ 70,214,792	\$ 70,214,792
Storm Drain Fund	\$ -	\$ 6,046,746	\$ 6,046,746
TransNet	\$ -	\$ 42,327,539	\$ 42,327,539
Transportation	\$ -	\$ 5,000,000	\$ 5,000,000
Trolley Extension Reserve	\$ -	\$ 4,113,932	\$ 4,113,932
Special Revenue Funds Total	\$ 22,535,279	\$ 286,868,604	\$ 309,403,883

Bond Interest and Redemption	\$ -	\$ 2,329,935	\$ 2,329,935
Tax Anticipation Notes	\$ -	\$ 2,130,000	\$ 2,130,000
Zoological Exhibits	\$ -	\$ 7,676,765	\$ 7,676,765
Debt Service Funds Total		\$ 12,136,700	\$ 12,136,700

Development Services	\$ 34,271,253	\$ 27,058,111	\$ 61,329,364
Environmental Services	\$ 17,983,086	\$ 42,936,571	\$ 60,919,657
General Services	\$ 906,345	\$ 2,233,687	\$ 3,140,032
Metropolitan Wastewater	\$ 63,231,152	\$ 350,704,420	\$ 413,935,572
Park & Recreation	\$ 3,956,656	\$ 7,733,368	\$ 11,690,024
Water	\$ 50,372,788	\$ 308,982,142	\$ 359,354,930
Enterprise Funds Total	\$ 170,721,280	\$ 739,648,299	\$ 910,369,579

Engineering and Capital Projects	\$ 11,408,524	\$ 14,021,363	\$ 25,429,887
Financial Management	\$ 837,732	\$ 17,859,323	\$ 18,697,055
General Services	\$ 10,054,315	\$ 35,565,667	\$ 45,619,982
Risk Management	\$ 3,316,041	\$ 6,652,244	\$ 9,968,285
Special Promotional Programs: Balboa/Mission Bay Improvements	\$ -	\$ 6,948,990	\$ 6,948,990

000399

Department Title - Operating Budgets	Salaries and Wages	Fringe and Non-Personnel Expense	Total
Internal Service Funds Total	\$ 25,616,612	\$ 81,047,587	\$ 106,664,199
City Retirement System	\$ 4,410,146	\$ 35,060,447	\$ 39,470,593
Trust and Agency Funds Total	\$ 4,410,146	\$ 35,060,447	\$ 39,470,593
Park & Recreation	\$ -	\$ 438,300	\$ 438,300
Related City Entity Funds Total	\$ -	\$ 438,300	\$ 438,300
Grand Total - Operating Budget	\$ 719,126,811	\$ 1,680,559,541	\$ 2,399,686,352

000400

Capital Improvement Program Budget	Total
Community/Economic Development Total	\$ 3,226,326
Engineering & Capital Projects Total	\$ 139,953,148
Environmental Services Total	\$ 6,457,000
General Services - Administration Total	\$ 2,950,000
Library Total	\$ 30,277,092
Metropolitan Wastewater Total	\$ 39,520,884
Office of the CIO-Information Technology Total	\$ 1,250,000
Park & Recreation Total	\$ 25,020,455
QUALCOMM Stadium Total	\$ 750,000
San Diego Fire-Rescue Total	\$ 8,519,291
Water Total	\$ 31,052,107
Grand Total - Capital Improvement Program	\$ 288,976,303
TOTAL APPROPRIATION	\$2,688,662,655

000401

DATE REPORT ISSUED: February 14, 2007
ATTENTION: Natural Resources and Culture Committee Chair and Council Members
ORIGINAL DEPT.: Engineering and Capital Projects, Water & Sewer Design Division
SUBJECT: Fiscal Year 2007 Cast Iron Water Main Replacement Projects
COUNCIL DISTRICTS: City Wide
STAFF CONTACT: J. Nagelvoort (619) 533-5100

REQUESTED ACTION:

No action, informational item only.

STAFF RECOMMENDATION:

None, informational item only.

EXECUTIVE SUMMARY:

As part of the City of San Diego's Cast Iron (CI) Water Main Replacement Program mandated by the Department of Health Services (DHS) Compliance Order No. 04-14-96-022, the projects listed below are scheduled to be awarded before the end of fiscal year 2007. The DHS Compliance Order requires that the City of San Diego award contracts for construction of at least ten (10) miles of CI Water Main replacement each fiscal year. The accumulated total for CI replacement of all the subject projects is 12.4 miles. The age of the CI mains being replaced varies approximately from 55 to 90 years old. The projects are located in Council Districts 1, 2, 3, 6, and 7. The scope-of-work for each project varies. However, they typically include CI main replacement, water services, fire hydrants, curb ramp installations, and street repair.

Fiscal Year 2007 Cast Iron Water Main Replacement Projects:

- Water Group 521
- 4th Avenue Accelerated Water
- Sewer & Water Group 741 Change Order
- Water Group 3000
- Water Group 3001
- Water Group 682
- Water Group 3003
- Water Group 3002
- Water Group 3004
- Water Group 530

FISCAL CONSIDERATIONS:

The total project cost estimate and funding source for each of the Fiscal Year 2007 Cast Iron Water Main Replacement Projects are listed below. Water Group 521, 4th Ave Accelerated Water, Sewer & Water Group 741 CO, Water Group 3000, and Water Group 3001 are Non-Phase Funded Contracts that are not dependent on potential revenue from Water Revenue Bonds issued in August 2007. The rest of the Fiscal Year 2007 Cast Iron Water Replacement Projects will be Phase Funded Contracts, and it is anticipated that a portion of their funding is dependent on Water Revenue Bonds planned to be issued in August 2007.

- Water Group 521: Total project estimated cost is \$1,689,128, of which all is cash funded.
- 4th Avenue Accelerated Water: Total project estimated cost is \$707,506, of which all is cash funded.
- Sewer & Water Group 741 Change Order: Total project estimated cost (water portion only) is \$656,109, of which all is cash funded.
- Water Group 3000: Total project estimated cost is \$5,625,556. \$3,937,889.20 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; and the remaining \$1,687,666.80 will be cash funded.
- Water Group 3001: Total project estimated cost is \$4,810,779. \$3,367,545.30 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; and the remaining \$1,443,233.70 will be cash funded.
- Water Group 682: Total project estimated cost is \$2,316,152. \$526,404.20 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; \$1,251,316.80 from currently anticipated Water Revenue Bonds to be issued in August 2007; and the remaining \$538,431 will be cash funded.
- Water Group 3003: Total project estimated cost is \$4,000,000. \$731,500 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; \$2,364,000 from currently anticipated Water Revenue Bonds to be issued in August 2007; and the remaining \$904,500 will be cash funded.
- Water Group 3002: Total project estimated cost is \$6,777,266. \$1,611,883 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; \$3,579,660.80 from currently anticipated Water Revenue Bonds to be issued in August 2007; and the remaining \$1,585,722.20 will be cash funded.
- Water Group 3004: Total project estimated cost is \$3,903,000. \$726,460 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; \$2,292,160 from currently anticipated Water Revenue Bonds to be issued in August 2007; and the remaining \$884,380 will be cash funded.
- Water Group 530: Total project estimated cost is \$2,553,543. \$439,026.70 will be financed with proceeds from the Subordinated Water Revenue Notes, Series 2007A; \$1,541,089.60 from currently anticipated Water Revenue Bonds to be issued in August 2007; and the remaining \$573,426.70 will be cash funded.

000403

PREVIOUS COUNCIL AND COMMITTEE ACTIONS:

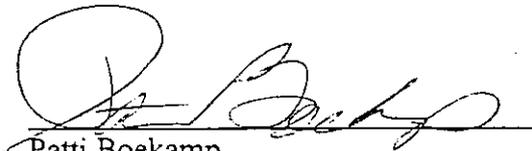
All Fiscal Year 2007 Cast Iron Water Replacement Projects will be presented to City Council for approval, with the exception of 4th Avenue Accelerated Water Project. Also, depending on the nature of the impacts of the projects either an Environmental Exemption or a Mitigated Negative Declaration along with a Mitigation, Monitoring, and Reporting Program was prepared for each project and will be included in the back up materials for the Council Docket.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

During the Design Phase, the Fiscal Year 2007 Cast Iron Water Main Replacement Projects were presented to the effected Community Planning Committees. Once financing is approved for each project, the effected community will be updated on the project. In addition, residents and businesses will be notified by mail by the City's Engineering and Capital Projects Department at least one (1) month before construction begins and again ten (10) days before construction begins by the Contractor through hand distribution of notices.

KEY STAKEHOLDERS & PROJECTED IMPACTS (if applicable):

The citizens of the City of San Diego will encounter inconveniences during construction. After completion, residents will experience improved reliability of the water distribution system.



Patti Boekamp
Director, Engineering & Capital Projects Department

Attachments: Fiscal Year 2007 Cast Iron Water Replacement Projects Map