

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)  
INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM**

**MODIFICATION TO I-BANK FINANCING AGREEMENT**

**MODIFICATION REQUEST NO. 2**

The City of San Bernardino Municipal Water Department (SBMWD) submitted a written request dated March 20, 2013, to add the 28<sup>th</sup> Street Pipeline Replacement (New Component) to the Ogden 12 MG Reservoir and System Wide Pipeline Replacement Project (Request) (Attachment 1) and to extend its disbursement deadline.

**BACKGROUND**

For the background and status of this financing, see the Financing Data Sheet (Attachment 2).

**ANALYSIS OF PROPOSED MODIFICATION**

**Project and Cost Eligibility**

SBMWD reports that the Amended Project construction bid came in \$2,725,000 lower than estimated at the time the first amendment was requested and has asked to add the New Component to fully utilize I-Bank loan proceeds. The New Component consists of replacement of 4,200 feet of 6-inch and 8-inch steel water distribution pipeline, laid in 1925 and 1937, respectively, with 8-inch ductile iron pipe; replacement of 75 water meters; and replacement of six fire hydrants. SBMWD states that the water meters will remain District property after installation. The New Component is an eligible use of proceeds.

The New Component is needed to replace aged water infrastructure, and to provide safety improvements by increasing fire flow rates to meet current standards.

SBMWD states that the Project name will remain as amended in Agreement Amendment No. 1: "Ogden 12 MG Reservoir and System Wide Pipeline Replacement Project".

SBMWD will obtain a separate contract for the New Component and has confirmed that it will use the Department of Industrial Relations contractor pre-qualification form developed by the as set forth in AB 574 (Chapter 972 of the Statutes of 1999 (codified in Public Contract Code Section 20101 et seq.)).

### Amended Project Sources and Uses

The following table illustrates the SUOP of the Amended Project:

AMENDED PROJECT SOURCES AND USES			
Project Uses	Project Sources		
	I-Bank	SBMWD	Total
Construction & Contingency	\$9,349,779	\$297,221	\$9,647,000
Architectural/Engineering/Design/Permits/ Environmental/Construction Management	\$565,221	\$139,780	\$705,001
I-Bank Origination Fee	\$85,000		\$85,000
<b>Total</b>	<b>\$10,000,000</b>	<b>\$437,001</b>	<b>\$10,437,001</b>

The following table reflects the changes to be made to the Amended Project SUOP:

CHANGES TO AMENDED SOURCES AND USES			
Project Uses	CURRENT SBMWD	ADDITIONS TO SBMWD	PROPOSED SBMWD
Construction & Contingency	\$297,221	\$315,000	\$612,221
Architectural/Engineering/Design/Permits/ Environmental/Construction Management	\$139,780	\$71,644	\$211,424
<b>Total</b>	<b>\$437,001</b>	<b>\$386,644</b>	<b>\$823,645</b>

No additional funds are requested from the I-Bank. Instead, the New Component will use I-Bank funds committed at the time of I-Bank Board approval. To complete the New Component, SBMWD will increase its contribution by \$386,644, adding \$315,000 to the Construction & Contingency line item and \$71,644 to the Architectural/Engineering/Design/Permits/Environmental/Construction Management line item for a total contribution of \$823,645. The total cost of the proposed project (Proposed Project) is also increased by \$386,644 to \$10,823,645.

The following table illustrates the SUOP if the Request is approved:

### Proposed Project Sources and Uses

PROPOSED PROJECT SOURCES AND USES			
Project Uses	Project Sources		
	I-Bank	SBMWD	Total
Construction & Contingency	\$9,349,779	\$612,221	\$9,962,000
Architectural/Engineering/Design/Permits/ Environmental/Construction Management	\$565,221	\$211,424	\$776,645
I-Bank Origination Fee	\$85,000	\$0	\$85,000
<b>Total</b>	<b>\$10,000,000</b>	<b>\$823,645</b>	<b>\$10,823,645</b>

Revised Architectural/Engineering/Design/Permits/Environmental/Construction Management are less than 20% (8.2%) of the total I-Bank loan amount.

The SBMWD has confirmed that the New Component has a useful life in excess of 30 years; as such, the term of the loan will not change.

**Modification Impact on Project Construction Timeline and Disbursement Schedule**

Construction of the Project has begun. Adding the New Component extends the estimated completion date from September 25, 2014 to July 31, 2014. To allow time for SBMWD to receive and process the final disbursement requests for the New Component, the SBMWD is requesting an extension to the disbursement deadline from September 25, 2014 to December 31, 2014.

**Tax-Exempt Status**

The proposed modifications do not affect the tax exempt status of the Project.

**Loan Underwriting Criteria**

The proposed modifications will not impact the credit/underwriting of the Project.

**Other Funding Sources/Project Financial Feasibility**

SBMWD's contribution will increase as discussed above. SBMWD committed \$1,003,900 to the original Project (Resolution 789) and, therefore, has evidenced sufficient funds committed and available for the Proposed Project.

**Compliance with the Revenue Bonds Master Indenture**

The Agreement is pledged to the Master Indenture for the ISRF Revenue Bonds. Section 302, Release, Addition and Amendment of Master Indenture Obligations, subsection (b) states that the I-Bank may, at its discretion, amend or waive the terms of the Master Indenture Agreements in any manner. As such, the proposed modifications are allowed under the Master Indenture.

**California Environmental Quality Act (CEQA)**

The New Component is exempt from CEQA as evidenced by the recorded Notice of Categorical Exemption dated March 20, 2013, submitted by SBMWD.

**LEGAL ISSUES**

**Legal Agreement Modifications**

This modification request will result in a second amendment (Second Amendment) to the Agreement and includes:

1. Revising the project description and SUOP; and
2. Extending the disbursement deadline to December 31, 2014.

## **BORROWER'S AUTHORIZATION**

Per Section 8.13 of the Agreement, "the Purchaser Project manager shall be the General Manager or such other person as may be designated in writing by the Purchaser. The Purchaser Project manager shall be the Purchaser's representative for the administration of this Agreement and shall have full authority to act on behalf of the Purchaser. The General Manager or such other person as designated by the Purchaser's General Manager may designate in writing another person or persons authorized to request disbursement of Facility Funds. All communications given to the Purchaser Project manager shall be as binding as if given to the Purchaser."

SBMWD submitted Resolution 823 confirming that the General Manager remains the Project Manager for this Request.

## **OTHER ISSUES**

None.

## **APPROVAL AUTHORIZATION**

Pursuant to Resolution 12-08 adopted by the I-Bank Board on October 9, 2012, the I-Bank's Executive Director has been delegated the authority to amend or modify financing documents associated with the ISRF Program Loans so long as such proposed amendment (A) is consistent with the intent of the Board resolution that approved the initial ISRF Program Loan; (B) is approved by counsel to the I-Bank and (C) does not involve any of the following: (1) any increase in the principal amount of the ISRF Program Loan; (2) any extension of the final maturity date; (3) any change in the security pledged to repay the ISRF Program Loan; (4) any change in the interest rate. The Proposed Amendment recommended herein falls within the Executive Director's approval authority pursuant to Resolution 12-08.

As assignee of the Executive Director, the Assistant Executive Director has the authority to grant the Proposed Amendment pursuant to an Executive Director Assignment dated December 12, 2012.

## **STAFF RECOMMENDATION**

Staff has determined that the Request is reasonable and is consistent with current ISRF Program Criteria, Priorities and Guidelines, and recommends approval of the Request discussed herein.

## **ATTACHMENTS**

Attachment 1 Request  
Attachment 2 Financing Data Sheet

Prepared  
by:

Christina Backlund  
Christina Backlund, ISRF Program Loan Officer

4/10/2013  
Date

Reviewed  
by:

Diane Cummings  
Diane Cummings, ISRF Support Unit Manager  
 Modified Amortization Schedule Approved, if applicable

4/10/13  
Date

Comments:

Reviewed  
by:

Carlos Nakata  
Carlos Nakata, ISRF Program Manager  
 Modified Amortization Schedule Approved, if applicable

4/11/13  
Date

Comments:

Reviewed  
by:

Thomas Tengan  
Tom Tengan, Sr. Staff Counsel

4/12/13  
Date

Comments:

Reviewed  
for  
Delegation  
by:

Marilyn Munoz  
Marilyn Munoz, General Counsel  
 The modification request falls within the authority delegated to the Executive Director.  
I-Bank Board consideration and approval is not required.  
 The modification request does not fall within the delegated authority of the I-Bank  
Executive Director, and Board consideration and approval of the request is required.

4/12/13  
Date

Comments:

Approved  
by:

Roma Cristia-Plant  
Roma Cristia-Plant, Asst. Executive Director, as  
Assignee of the Executive Director  
Comments:

4/12/13  
Date

for  
Delegation  
Only

**ATTACHMENT 1  
REQUEST**

**CITY OF SAN BERNARDINO  
MUNICIPAL WATER DEPARTMENT**

BOARD OF WATER COMMISSIONERS

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Commissioners  
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LOUIS A. FERNANDEZ  
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Director of Water Utility  
JOHN A. CLAUS  
Director of Water Reclamation  
WILLIAM M. KOLBOW, C.P.A.  
Director of Finance

March 20, 2013



Mr. John Belmont  
Municipal Finance Officer  
California Infrastructure & Economic Development Bank  
ISRF Support Unit  
980 9th Street, Suite 900  
Sacramento, CA 95814

Dear Mr. Belmont:

**RE: CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK –  
SAN BERNARDINO MUNICIPAL WATER DEPARTMENT LOAN NO. 12-100  
AMENDMENT NO. 2**

The San Bernardino Municipal Water Department (SBMWD) Board of Water Commissioners (Board) has approved Amendment No. 2 via resolution to Loan No. 12-100 with the California Infrastructure and Economic Development Pipeline Bank (CIEDB) to add the 28th Street Pipeline Replacement to the System Wide Pipeline Replacement Project. Copies of the staff report, resolution and completed CIEDB amendment forms are attached for your use.

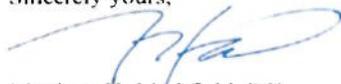
In addition, the Board approved a Categorical Exemption Class 2 for the System Wide Main Replacement Project citing CEQA Statute and Section 15302 of the State CEQA Guidelines as the appropriate exemption and authorized the General Manager to execute the Notice of Exemption (NOE), and file the NOE with the San Bernardino County Clerk of the Board of Supervisors. Receipt of filing with the County is attached for your reference.

I am anticipating the CIEDB staff to execute an administrative amendment similar to Amendment No. 1 to the current Loan No. 12-100. As part of this amendment request, the SBMWD is formally requesting a loan agreement expiration extension to December 31, 2014 to accommodate the revised anticipated construction schedule as a result of the additional project.

Mr. John Belmont  
Page 2  
March 20, 2013

I look forward to working with you on completing this amendment request. If you have any questions, please do not hesitate to contact me at (909) 384-5107.

Sincerely yours,



Matthew H. Litchfield, P.E.  
Director, Water Utility

MHL:swd  
Attach.

cc: Stacey R. Aldstadt, SBMWD (w/o attach)  
Will Kolbow, SBMWD (w/o attach)  
Susan Justice, SBMWD (w/o attach)  
Greg Gage, SBMWD (w/o attach)  
Miguel Guerrero, SBMWD (w/o attach)

## ATTACHMENT 2 Financing Data Sheet

ORIGINAL FINANCING DATA		
<b>BORROWER NAME</b>	<b>DATE BOARD APPROVAL</b>	<b>BOARD RESOLUTION #</b>
City of San Bernardino Municipal Water Department (SBMWD)	10/25/2011	11-25
<b>PROJECT NAME</b>	<b>AGREEMENT TYPE</b>	<b>AGREEMENT EFFECTIVE DATE</b>
Ogden 12 MG Reservoir Project	Installment Sale Agreement	May 15, 2012
<b>PROJECT DESCRIPTION</b>		
The Project consisted of the design, engineering, and construction of a new 12 million gallon (MG) circular, pre-stressed concrete reservoir including but not limited to site-work, piping, connections to existing piping, access road, perimeter fence, control systems, security systems, and landscaping.		
<b>USE OF PROCEEDS</b>		
Proceeds were used for construction, construction contingency, and the I-Bank fee.		
<b>Financing Amount</b>	<b>Interest Rate</b>	<b>Term</b>
\$10,000,000	2.61%	20 years
<b>DISBURSEMENT DEADLINE</b>	<b>DISBURSEMENT STATUS</b>	<b>LAST FISCAL YEAR MONITORED</b>
September 25, 2014	Disbursing	FY 2011-12
<b>PAYMENTS MADE AS AGREED</b>		<b>IN COMPLIANCE WITH LOAN AGREEMENT?</b>
Yes		Yes
PRIOR MODIFICATIONS AND AMENDMENTS		
<b>MODIFICATION #</b>	<b>AGREEMENT AMENDMENT #</b>	<b>AMENDMENT EFFECTIVE DATE</b>
1	1	November 1, 2012
<b>DESCRIPTION OF MODIFICATION</b>		
Added a new component, the System Wide Pipeline Replacement Project, which resulted in a new project description, revision of the Project name to Ogden 12 MG Reservoir Project and System Wide Pipeline Replacement Project, and a change to the sources and uses table.		