



City of Del Mar Agenda Report

TO: Honorable Mayor and City Councilmembers

FROM: Ashley Jones, City Manager
Marco Camacho, Finance Manager/Treasurer
Martin Boyd, Principal Engineer

DATE: March 3, 2025

SUBJECT: Undergrounding Program Financing Update

REQUESTED ACTION/RECOMMENDATION:

Staff recommends the City Council: 1) Receive a presentation from City staff regarding IBank financing and updated cash flow information; 2) Provide direction to staff on whether the City should proceed with submitting a loan pre-application to IBank and the preferred term of the loan (10 or 15 years); and 3) Provide direction to staff on whether to include funds for Utility Undergrounding District 1B – Stratford Court North in the total loan amount.

BACKGROUND:

With the completion of the Tewa Court/10th Street pilot project in February 2023, and Utility Undergrounding District (UUD) 1A (Stratford Court South) construction underway, the Council directed staff to identify potential funding strategies for undergrounding future districts, starting with UUDs X1A (Crest Canyon) and 1B (Stratford Court North). Crest Canyon (X1A) and Stratford Court North (1B) are estimated to cost a combined \$23.3 million, in today's dollars, of which approximately \$17 million is unfunded.

On November 18, 2024, staff and the City's financial consultant, NHA, presented three funding strategies, pay-as-you-go; finance-as-you-go; and a hybrid option, to the City Council to assist them with selecting an option that best addresses the community's goals and project challenges. More information about each funding strategy can be found in the [Item 11 – UP Undergrounding Financing staff report](#) from the November 18, 2024 City Council meeting.

At this meeting, the City Council provided direction to City staff to work with NHA to further evaluate possible financing options and structure. Council consensus was for staff to return to the City's Finance Committee and Utility Program Advisory Committee (UPAC) with detailed information regarding financing options to be provided by NHA for the committees to make a recommendation to the City Council regarding financing for Crest Canyon (X1A) and Stratford Court North (1B).

On January 14, 2025, the Finance Committee and Undergrounding Program Advisory

City Council Action:

IT WAS MOVED BY MAYOR GAASTERLAND, SECONDED BY COUNCILMEMBER SPELICH TO DIRECT STAFF TO PURSUE AN IBANK PRE-APPLICATION FOR \$17 MILLION DOLLARS FOR A 10-YEAR TERM KNOWING THAT THE CITY CAN PULL BACK TO NOT TAKE LOAN AND TO ASK STAFF TO WORK WITH IBANK TO ASK AT WHAT POINT WE CAN NO LONGER CHANGE THE 10-YEAR TO 15-YEAR LOAN TERM. (VOTE 3-1, WITH COUNCILMEMBER QUIRK OPPOSED)

Committee (UPAC) held a joint meeting and passed a motion 11-1 recommending that the City proceed with financing Crest Canyon (X1A) and Stratford Court North (1B). A majority (73%) of participating members indicated support for a public borrowing (bonds) and were mixed on the debt term with five preferring a 15-year borrowing term, three preferring a 20-year term, and three preferring a 30-year term.

The joint committee recommendations along with a similar presentation with detailed information for public and private financing options were presented to the [City Council on February 3, 2025](#). At the meeting, the Council directed staff to pursue debt financing through the California Infrastructure and Economic Development Bank (IBank) for a term of 15 years or less. However, the City Council deferred a determination on whether to include Stratford Court North (1B) in the financing, which will inform the total amount of the financing, until additional cash flow analysis was conducted by staff and the City's consultant, NHA Advisors. Additionally, the City Council directed staff to pause work on Stratford Court North (1B) while the requested analysis was conducted.

As an update to the status provided for Crest Canyon (X1A) on February 3, 2024, SDG&E has received all necessary easements and the design is scheduled to be finalized by the end of March 2025. SDG&E's bidding process will take approximately five months after design completion, after which the City will receive the preliminary cost invoice. Based on this timeline, staff currently estimates City construction contract award and the SDG&E preliminary cost invoice by September 2025. Concurrently, staff is also working on finalizing easements for AT&T and Spectrum/Charter.

DISCUSSION/ANALYSIS:

Based on Council direction on February 3, 2025, City staff obtained additional information regarding the IBank loan process and conducted additional cash flow analysis related to Stratford Court North (1B), as further described below.

IBank Infrastructure Loans

IBank administers an Infrastructure State Revolving Fund (ISRF) Program that is authorized to directly provide low-cost public financing to state and local government entities for a wide variety of public infrastructure and economic development projects. The financing process generally consists of six key steps: IBank Consultation; Pre-application; IBank Credit Risk Committee Review; Formal Application; IBank Board of Directors Review; and Access to Capital.

City staff had an initial consultation with IBank staff on February 11, 2025, to discuss IBank's loan criteria and the City's project. IBank staff confirmed the City's Undergrounding Program projects are eligible infrastructure projects and encouraged the City to prepare a pre-application. However, due to the nature of the undergrounding projects and the multiple property and utility owners involved, IBank requested that the City first obtain a legal determination that the project qualifies for the tax-exempt ISRF. This determination will be needed for all public financing options, so the City has engaged

a specialized attorney to provide the required legal opinion. Once submitted to IBank, their legal team will review and make a determination of eligibility.

The pre-application for IBank financing requests financial and project information from the City. The project detail is intended to demonstrate project readiness and feasibility to complete construction within two years after the close of the IBank's financing. However, IBank can grant a waiver to allow for a three-year construction period as was done with the City Hall project, which will likely be necessary depending on whether Stratford Court North (1B) is included in the financing. The pre-application requires the City to identify the amount and term of the requested financing. Additionally, because the City's borrowing will be considered a General Fund project, a General Fund Financing Application Addendum is also required. This document identifies the property to be used in a lease back as security for the borrowing.

The pre-application packet is submitted to the IBank Credit Risk Committee for review. According to IBank staff, their preliminary review process is estimated to take between 6-8 weeks. The Credit Risk Committee makes the final determination whether to invite the prospective applicant to submit a Financing Application. Once invited to formally apply, the City's application will move on to review by the IBank Board of Directors (Board). IBank staff has indicated that Board review may take 6-8 weeks for a determination.

At least three (3) weeks prior to Board review, the City must provide a borrower's resolution adopted by the City Council. Interest rates are also approved by the Board at the time the project is presented to them for review. IBank issues their own ISRF bonds and has a AAA bond rating. IBank uses an all-in interest rate based on the Reuters MMD. As of February 11, 2025, IBank's indicative rates for AAA credit were as follows: 10-year Term = 2.99%; 15-year Term = 3.36%; 20-year Term = 3.78%; and 30-year Term = 4.29%.

Interest rates are fixed up to 30 years. For financing greater than \$1 million, a one-time origination fee of the greater of \$25,000 or 1% of the original ISRF Financing amount will be paid as a condition of closing. This may be financed as part of the ISRF Financing or paid separately by the borrowing agency. Following Board approval and close of the financing, agencies will have access to the borrowed capital in roughly 2-3 months. Repayment of the loan would occur biannually with a principal, interest and annual fee payment in August, and an interest only payment in February. Prepayment is allowed after 10 years and there is no prepayment penalty.

For comparative purposes, Attachment A provides current rates and costs for the three financing options previously considered by the Council on February 3, 2025, for 10 and 15-year loan terms. It should be noted that prior to meeting with IBank representatives on February 11, 2025, the rates for 10 and 15-year loan terms were not available and therefore not included in the prior information provided by NHA.

Updated Cashflow Analysis

One of the options presented to the Council for consideration on February 3, 2025, contemplated financing Crest Canyon (X1A) and Stratford Court North (1B) for approximately \$17 million, with the remaining \$6.3 million needed to fund the estimated \$23.3 million total combined cost of the projects to come from Measure Q funds on hand. This option envisioned completion of City construction for Crest Canyon (X1A) in 2026, and Stratford Court North (1B) in 2027.

Based on information available at the time, staff also concluded that not including Stratford Court North (1B) in the financing would:

- Reduce borrowing by \$3 million, which would decrease interest cost for the life of the loan by \$1.1 million
- Risked delaying the project for a period up to two years, and could additionally delay Beach Colony (2) by a period of one year.
- Increase total project cost by \$1.2 million due to inflation during the resulting two-year delayed project period, which would eliminate any debt interest savings and increase the overall cost of the project to the City by approximately \$100,000.
- The resulting estimated cost to refresh, or redesign the City and SDG&E engineering plans and other activities for the project as may be needed would range from \$100,000-\$300,000 contingent upon how long the project is paused.

The information provided above was based on the original cash flows prepared by NHA Advisors in August 2024, and anticipated the City issuing debt and making a first debt service payment in Fiscal Year 2024-2025.

On February 3, 2025, the Council expressed an interest in better understanding the impacts of not including funds for Stratford Court North (1B) in the financing, and requested that staff update the cash flows with more current financial information to help inform the Council's decision. Staff has since worked with NHA Advisors to update the cashflows as requested and analyze the impacts.

The dynamic model developed by NHA was designed to be updated annually to reflect actual revenues and expenditures, and updated project schedules. The updated cash flow scenarios account for changes in each of these inputs since August 2024.

Projected FY 2024 revenues have been replaced by actual results, and projected FY 2025 revenues have been revised according to the latest reports by the City's Sales Tax and Measure Q consultant. Project costs were also updated to reflect the revised timing of expenditures. One-time origination fee and other potential financing costs in an estimated amount of \$250,000 were included as an out-of-pocket expense in 2026. The updated cash flow scenarios were prepared ensuring a positive fund balance in each year, and a balance equal to or greater than the estimated debt service payment as a prudent financial management practice.

For context, the original model anticipated that Crest Canyon (X1A) would be financed in FY 2024 and completed by FY 2026. However, the current schedule has financing in FY 2025 and completion by FY 2027. Revisions associated with project timing improved cash flow benefitting Stratford Court North (1B) and Beach Colony (2) by reducing the estimated delay if Stratford Court North (1B) is not included in the upcoming financing depending on the four options identified below in Table A is selected.

The cash flow analysis does not consider any source of funding other than Measure Q. This has been the consistent and explicit direction of the City Council since passage of Measure Q and Council prioritization for use of the fund. Staff and the consultant do not have authority to analyze use of other General Fund monies to finance any portion of the Undergrounding Program unless directed to do so by the Council.

Table A summarizes the total estimated project and borrowing costs, along with timing for City construction completion, based on loans for \$14 million and \$17 million at terms of 10 and 15 years. The options in Table A that reflect a total borrowing of \$17 million include financing for Stratford Court North (1B), and the options that reflect a total borrowing of \$14 million do not. The timing is maintained for Crest Canyon (X1A) for all options and the projected timing for Beach Colony (2) is on a pay-go basis.

Table A – Costs/Timing for Crest Canyon (X1A) & Stratford Court North (1B)

Scenario	Loan Amount/Term	Interest Rate	Base Cost*	Inflation	Financing Costs	Total Costs	UUD X1A Completion	UUD 1B Completion	UUD 2 Completion
1	\$17M/15Yr	3.36%	\$23.3M	\$0.54M	\$4.92M	\$28.76M	2027	2027	2036
2	\$14M/15Yr	3.36%	\$23.3M	\$0.73M	\$4.05M	\$28.08M	2027	2028	2036
3	\$17M/10Yr	2.99%	\$23.3M	\$0.73M	\$2.92M	\$26.95M	2027	2028	2037
4	\$14M/10Yr	2.99%	\$23.3M	\$0.93M	\$2.40M	\$26.63M	2027	2029	2037

*Base Cost total includes \$17M to be financed and \$6.3M Measure Q available project funds.

A brief summary of each option, including financial and timing impacts, along with overall conclusions are provided below:

Option 1 (\$17M loan/15-year term) – Total net cost of financing is \$4.92 million. This is the only option that maintains current project completion schedules for Crest Canyon (X1A), Stratford Court North (1B), and Beach Colony (2).

Option 2 (\$14M loan/15-year term) – Total net cost of financing is \$4.05 million. While preserving the completion schedules for Crest Canyon (X1A) and Beach Colony (2), it delays Stratford Court North (1B) by one year.

Option 3 (\$17M loan/10-year term) – Total net cost of financing is \$2.92 million. Completion of Crest Canyon (X1A) would be completed as currently planned. However, the completion of Stratford Court North (1B) and Beach Colony (2) would both be delayed by one year.

Option 4: (\$14M loan/10-year term) – Total net cost of financing is \$2.4 million. This option preserves the completion schedule for Crest Canyon (X1A). However, completion of Stratford Court North (1B) would be delayed by two years, and Beach Colony (2) would be delayed by one year.

As indicated, the difference in total costs to include Stratford Court North (1B) in the financing for a 15-year loan is \$680,000, and the current project schedule timing is maintained. The difference in total costs to include Stratford Court North (1B) for a 10-year loan is \$320,000, and you delay completion of Stratford Court North (1B) and Beach Colony (2) by one-year each.

The financing costs vary by up to \$2.52 million, depending on the total amount (\$17/\$14M) and length of time of the borrowing (10-15 years).

Effect of Change to Construction Timing for Stratford Court North (1B)

If the Council were to select Options 2 to 4 as describe above, staff would adjust the timing for preconstruction activities to align with the anticipated timing for City construction. This would reduce or avoid the need for design or other preconstruction activities to be potentially redone or “refreshed” prior to going out to bid for City and SDG&E construction.

As previously reported, the design for Stratford Court North (1B) is currently at the 60% design phase with SDG&E, prior to City coordination with homeowners for private service laterals. The 60% design activities deliver SDG&E's final design sketches, which are the plan views for the proposed improvements. The City has invested approximately \$250,000 to date in preconstruction activities for Stratford Court North (1B). This amount does not include SDG&E’s engineering fee, AT&T’s fee, or staff time.

City civil design and telecommunication companies’ designs do not proceed until SDG&E finalizes the sketches as part of the 60% design phase. Additionally, SDG&E confirmed that their designs technically expire after one year. Therefore, SDG&E confirmed that the 60% design phase is an ideal point to pause the project if the City chooses a financing option that would impact the current project schedule by more than one year (Option 4). Pausing now as part of a lesser loan financing would place the project on hold for up to two years to align construction with a pay-go financing and construction completion in 2029.

After the pause, only SDG&E would need to refresh the plans based on updated field conditions, which could take around a month. Staff estimates the cost to refresh or

redesign the SDG&E engineering plans, along with other associated activities, at up to \$100,000. If the City selects a financing option that impacts the current project schedule by one year (Options 2 and 3), staff will adjust the timing of preconstruction activities (e.g., slowing down) to allow for the continuation of Stratford Court North (1B), targeting completion in 2028.

If the City Council were to choose a financing option that would impact completion of construction for 1B by more than one-year, and continued on the current schedule for design there would be an inevitable pause in activities prior to being able to move forward with project construction that would require substantial review and redesign by the City and SDG&E, and would incur additional project costs ranging from \$100,000-\$500,000 and time between 5-7 months to complete the additional work.

Next Steps

If the City Council directs staff to proceed with IBank financing, identifying a preferred term and maximum loan amount, staff will begin preparation of the IBank loan pre-application packet and return to Council for approval of a resolution required as part of the IBank application process. City staff will also continue to bring critical decision points and final loan details to UPAC and the Finance Committee for review and recommendation prior to City Council consideration, as applicable. Preconstruction activities for Stratford Court North (1B) will resume or be adjusted as described in this report based on the financing option selected and direction by the Council. To ensure funding availability when needed, staff would coordinate the bidding process and construction contract award for Crest Canyon (X1A) concurrently with Council's final approval of a borrowing.

FISCAL IMPACT:

The fiscal impacts related to the recommended action for this agenda item are described in detail above. There is no fiscal action to be taken by the City Council related to the recommended action.

ENVIRONMENTAL IMPACT:

The proposed City Council action does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because it will not have a potential to result in a direct or indirect physical change in the environment and is, therefore, not subject to CEQA. No further action under CEQA is required.

NEXUS TO CITY COUNCIL GOALS AND PRIORITIES:

Utility Undergrounding is listed as a Tier 1 City Council priority for FY 2024-2025.

ATTACHMENTS:

Attachment A – Comparison of Financing Vehicles and Estimated Rates
Attachment B – Revised Cash Flows, Options 1-4

City of Del Mar

Comparison of Financing Vehicles and Estimated Rates

	Public Offering		IBank		Private Placement	
	10 Yr	15 Yr	10 Yr	15 Yr	10 Yr	15 Yr
True Interest Cost / Rate	2.85%	3.28%	2.99%	3.36%	4.20%	4.40%
Financing Costs						
Ibank Fee 1% of Borrowed Amount	N/A	N/A	\$140,000 / \$170,000	\$140,000 / \$170,000	N/A	N/A
Underwriter Discount	\$64,000 / \$77,000	\$64,000 / \$77,000	N/A	N/A	N/A	N/A
Other Financing Costs	250,000	250,000	80,000	80,000	200,000	200,000
Estimated Total Costs						
Costs Financed?	Yes	Yes	Optional	Optional	Yes	Yes
Project Proceeds of \$14M (Financing Costs Included in Debt Service)						
Average Annual Debt Service	\$1,658,000	\$1,218,000	\$1,666,167	\$1,222,392	\$1,768,000	\$1,313,000
Total Principal and Interest	\$16,577,500	\$18,266,250	\$16,661,670	\$18,335,880	\$17,682,430	\$19,695,820
Project Proceeds of \$17M (Financing Costs Included in Debt Service)						
Average Annual Debt Service	\$2,007,000	\$1,475,000	\$2,021,194	\$1,482,859	\$2,142,000	\$1,590,000
Total Principal and Interest	\$20,066,500	\$22,112,750	\$20,211,940	\$22,242,885	\$21,417,220	\$23,857,640
Project Proceeds of \$14M (Financing Costs Paid Upfront, Not Financed, IBank Only)						
Average Annual Debt Service			\$1,640,390	\$1,203,480		
Total Principal and Interest			\$16,403,900	\$18,052,200		
			\$16,623,900	\$18,272,200		
Project Proceeds of \$17M (Financing Costs Paid Upfront, Not Financed, IBank Only)						
Average Annual Debt Service			\$1,991,902	\$1,461,369		
Total Principal and Interest			\$19,919,020	\$21,920,535		
			\$20,169,020	\$22,170,535		

*All figures estimated and subject to change

IBank Rates as of February 11, 2025, inclusive of 0.15% annual servicing fee

Public Offering and Private Placement Rates as of February 25, 2025

City of Del Mar
 Undergrounding Project Financing Analysis
 \$17 Million, 15-Year Amortization

FYE	Beginning Measure Q Reserves	Measure Q Revenues	Paving	Undergrounding Project Expenditures						Total Project Expenditures	Financing Proceeds	Debt Service Payments	Reserve Interest Earnings	Ending Measure Q Reserves
				Other	UUD 1A	UUD X1A	UUD 1B	UUD2	UUD 3					
2024	7,769,899	3,780,939	75,000	97,002	332,256	470,474	142,174	51,911	5,516	1,099,333			-	10,376,505
2025	10,376,505	3,400,000	91,000	-	9,321,362	157,623	264,000	8,364	1,054	9,752,403			143,096	4,076,198
2026	4,076,198	3,485,000	75,000	250,000	-	13,871,052	203,497	-	-	14,324,549	17,000,000	1,461,369	127,765	8,828,045
2027	8,828,045	3,572,125	75,000	-	-	2,780,193	5,491,914	-	-	8,272,107		1,461,369	114,197	2,705,892
2028	2,705,892	3,661,428	75,000					-		-		1,461,369	75,368	4,906,320
2029	4,906,320	3,752,964	75,000					-		-		1,461,369	120,292	7,243,208
2030	7,243,208	3,846,788	75,000					-		-		1,461,369	167,968	9,721,595
2031	9,721,595	3,942,958	75,000					-		-		1,461,369	218,498	12,346,682
2032	12,346,682	4,041,532	75,000					-		-		1,461,369	271,985	15,123,831
2033	15,123,831	4,142,570	75,000					472,168		472,168		1,461,369	323,817	17,581,681
2034	17,581,681	4,246,134	75,000					488,694		488,694		1,461,369	373,844	20,176,597
2035	20,176,597	4,352,287	75,000					1,011,596		1,011,596		1,461,369	421,575	22,402,496
2036	22,402,496	4,461,095	75,000					22,573,343		22,573,343		1,461,369	251,564	3,005,442
2037	3,005,442	4,572,622	75,000							-		1,461,369	90,471	6,132,167
2038	6,132,167	4,686,938	75,000							-		1,461,369	154,149	9,436,885
2039	9,436,885	4,804,111	75,000							-		1,461,369	221,415	12,926,043
2040	12,926,043	4,924,214	75,000							-		1,461,369	292,399	16,606,287

City of Del Mar
 Undergrounding Project Financing Analysis
 \$17 Million, 10-Year Amortization

FYE	Beginning Measure Q Reserves	Measure Q Revenues	Paving	Undergrounding Project Expenditures						Total Project Expenditures	Financing Proceeds	Debt Service Payments	Reserve Interest Earnings	Ending Measure Q Reserves
				Other	UUD 1A	UUD X1A	UUD 1B	UUD2	UUD 3					
2024	7,769,899	3,780,939	75,000	97,002	332,256	470,474	142,174	51,911	5,516	1,099,333			-	10,376,505
2025	10,376,505	3,400,000	91,000	-	9,321,362	157,623	60,000	8,364	1,054	9,548,403			145,136	4,282,238
2026	4,282,238	3,485,000	75,000	250,000	-	13,871,052	218,530	-	-	14,339,582	17,000,000	1,991,902	126,430	8,487,184
2027	8,487,184	3,572,125	75,000	-	-	2,780,193	210,620	-	-	2,990,813		1,991,902	154,888	7,156,483
2028	7,156,483	3,661,428	75,000				5,684,131	-		5,684,131		1,991,902	102,234	3,169,112
2029	3,169,112	3,752,964	75,000					-		-		1,991,902	80,243	4,935,417
2030	4,935,417	3,846,788	75,000					-		-		1,991,902	116,507	6,831,811
2031	6,831,811	3,942,958	75,000					-		-		1,991,902	155,397	8,863,263
2032	8,863,263	4,041,532	75,000					-		-		1,991,902	197,012	11,034,905
2033	11,034,905	4,142,570	75,000					-		-		1,991,902	241,455	13,352,028
2034	13,352,028	4,246,134	75,000					488,694		488,694		1,991,902	283,946	15,326,512
2035	15,326,512	4,352,287	75,000					505,798		505,798		1,991,902	324,326	17,430,426
2036	17,430,426	4,461,095	75,000					1,047,002		1,047,002			381,999	21,151,519
2037	21,151,519	4,572,622	75,000					23,363,410		23,363,410			234,372	2,520,103
2038	2,520,103	4,686,938	75,000							-			96,521	7,228,562
2039	7,228,562	4,804,111	75,000							-			191,862	12,149,535
2040	12,149,535	4,924,214	75,000							-			291,483	17,290,232

City of Del Mar
 Underground Project Financing Analysis
 \$14 Million, 15-Year Amortization

FYE	Beginning Measure Q Reserves	Measure Q Revenues	Paving	Undergrounding Project Expenditures						Total Project Expenditures	Financing Proceeds	Debt Service Payments	Reserve Interest Earnings	Ending Measure Q Reserves
				Other	UUD 1A	UUD X1A	UUD 1B	UUD2	UUD 3					
2024	7,769,899	3,780,939	75,000	97,002	332,256	470,474	142,174	51,911	5,516	1,099,333			-	10,376,505
2025	10,376,505	3,400,000	91,000	-	9,321,362	157,623	60,000	8,364	1,054	9,548,403			145,136	4,282,238
2026	4,282,238	3,485,000	75,000	220,000	-	13,871,052	218,530	-	-	14,309,582	14,000,000	1,203,480	104,614	6,283,790
2027	6,283,790	3,572,125	75,000	-	-	2,780,193	210,620	-	-	2,990,813		1,203,480	118,704	5,705,327
2028	5,705,327	3,661,428	75,000				5,684,131	-		5,684,131		1,203,480	81,095	2,485,239
2029	2,485,239	3,752,964	75,000				-	-		-		1,203,480	74,450	5,034,172
2030	5,034,172	3,846,788	75,000					-		-		1,203,480	126,367	7,728,847
2031	7,728,847	3,942,958	75,000					-		-		1,203,480	181,222	10,574,546
2032	10,574,546	4,041,532	75,000					-		-		1,203,480	239,121	13,576,719
2033	13,576,719	4,142,570	75,000					472,168		472,168		1,203,480	295,454	16,264,095
2034	16,264,095	4,246,134	75,000					488,694		488,694		1,203,480	350,072	19,093,127
2035	19,093,127	4,352,287	75,000					1,011,596		1,011,596		1,203,480	402,485	21,557,824
2036	21,557,824	4,461,095	75,000					22,573,343		22,573,343		1,203,480	237,249	2,404,344
2037	2,404,344	4,572,622	75,000							-		1,203,480	81,028	5,779,515
2038	5,779,515	4,686,938	75,000							-		1,203,480	149,675	9,337,647
2039	9,337,647	4,804,111	75,000							-		1,203,480	222,009	13,085,287
2040	13,085,287	4,924,214	75,000							-		1,203,480	298,163	17,029,184

City of Del Mar
 Undergrounding Project Financing Analysis
 \$14 Million, 10-Year Amortization

FYE	Beginning Measure Q Reserves	Measure Q Revenues	Paving	Undergrounding Project Expenditures						Total Project Expenditures	Financing Proceeds	Debt Service Payments	Reserve Interest Earnings	Ending Measure Q Reserves
				Other	UUD 1A	UUD X1A	UUD 1B	UUD2	UUD 3					
2024	7,769,899	3,780,939	75,000	97,002	332,256	470,474	142,174	51,911	5,516	1,099,333			-	10,376,505
2025	10,376,505	3,400,000	91,000	-	9,321,362	157,623	60,000	8,364	1,054	9,548,403			145,136	4,282,238
2026	4,282,238	3,485,000	75,000	220,000	-	13,871,052	-	-	-	14,091,052	14,000,000	1,640,390	102,430	6,063,227
2027	6,063,227	3,572,125	75,000	-	-	2,780,193	226,178	-	-	3,006,371		1,640,390	109,768	5,023,359
2028	5,023,359	3,661,428	75,000				217,992	-	-	217,992		1,640,390	117,748	6,869,154
2029	6,869,154	3,752,964	75,000				5,883,075	-	-	5,883,075		1,640,390	98,928	3,122,581
2030	3,122,581	3,846,788	75,000					-	-	-		1,640,390	83,766	5,337,745
2031	5,337,745	3,942,958	75,000					-	-	-		1,640,390	129,031	7,694,343
2032	7,694,343	4,041,532	75,000					-	-	-		1,640,390	177,148	10,197,634
2033	10,197,634	4,142,570	75,000					-	-	-		1,640,390	228,225	12,853,038
2034	12,853,038	4,246,134	75,000					488,694		488,694		1,640,390	277,481	15,172,571
2035	15,172,571	4,352,287	75,000					505,798		505,798		1,640,390	324,762	17,628,433
2036	17,628,433	4,461,095	75,000					1,047,002		1,047,002			385,960	21,353,485
2037	21,353,485	4,572,622	75,001					23,363,410		23,363,410			238,412	2,726,108
2038	2,726,108	4,686,938	75,002							-			100,642	7,438,685
2039	7,438,685	4,804,111	75,003							-			196,065	12,363,858
2040	12,363,858	4,924,214	75,004							-			295,769	17,508,838

Undergrounding Program Financing Update

City Council
March 3, 2025



CITY OF
DELMAR

Overview

- Background
- IBank Infrastructure Loan Process Overview
- Updated Cashflow Analysis
- Effect of Change to Construction Timing for Stratford Court North (1B)
- Next Steps

Background

Background: Measure Q History & UP Funding

- Measure Q is a 1% local sales tax that went into effect April 2017.
- Measure Q is a general tax; Prioritized by Council for Downtown Streetscape (completed in 2020), undergrounding utility poles citywide, and Shores Park Master Planning (on hold).
- UUD Tewa Court/10th Street completed in February 2023; and UUD 1A (Stratford Court South) construction is underway
- City has been in the process of identifying long-term funding options for the Undergrounding Program starting with Crest Canyon (X1A) and Stratford Court North (1B), which are estimated to cost a combined \$23.3 million in today's dollars, a large portion of which is currently unfunded.

Background: Prior Actions

- November 18, 2024 – Council was presented with three funding strategies: Pay-As-You-Go; Finance-As-You-go; and a Hybrid option.
- Council direction was to work with NHA Advisors to further evaluate financing options and structure.
- January 14, 2025 – Joint meeting of the Finance Committee and Undergrounding Program Advisory Committee (UPAC).
- Joint recommendation was to proceed with financing Crest Canyon (X1A) and Stratford Court North (1B) through a public borrowing (bonds).
- February 3, 2025 – Council received the joint recommendation and update on financing options.
- Council directed staff to pursue IBank financing for no more than a 15-year term and to evaluate the impact of including Stratford Court North (1B).

IBank Infrastructure Loan Process Overview

IBank Infrastructure Loans

- IBank consultation to discuss loan criteria and the City's project.
- Project is eligible for funding but the City is seeking a legal determination to confirm eligibility for tax-exempt IBank financing.
- A pre-application is required and includes financial and project information, including the amount and term of the loan, and the property to be used in a lease back to secure the borrowing.
- The IBank Credit Risk Committee reviews the pre-application over 6-8 weeks and decides whether to invite a prospective applicant to formally apply.
- At least 3 weeks prior to formal application, IBank requires a borrower's resolution.
- The IBank Board of Directors reviews formal applications over 6-8 weeks.

IBank Infrastructure Loans

- Interest rates are approved by the Board when they review the project application and are fixed for up to 30 years.
- IBank all-in rates as of February 11, 2025 were: 10-year Term = 2.99%; 15-year Term = 3.36%; 20-year Term = 3.78%; and, 30-year Term = 4.29%.
- Close of the financing can take 2-3 months.
- Loan prepayment allowed after 10 years, and no prepayment penalty.

	Public Offering		IBank		Private Placement	
	10 year	15 year	10 year	15 year	10 year	15 year
True Interest Cost/Rate	2.85%	3.28%	2.99%	3.36%	4.20%	4.40%

Updated Cashflow Analysis

Original Cashflow Scenario Assumptions

- Financing \$17 million for Crest Canyon (X1A) and Stratford Court North (1B);
- Debt issued and first debt service payment in FY 2024-2025;
- If Stratford Court North (1B) were not included it would reduce borrowing by \$3 million, and reduce interest cost by \$1.1 million;
- Potentially delay Stratford Court North (1B) by up to 2 years, and additionally delay Beach Colony (2) by one year;
- These delays could increase total project costs by \$1.2 million, resulting in a net increase to the City of \$100,000; and,
- Additional redesign and other project activity costs could add \$100,000 to \$300,000 in new expenses.

Updated Cashflow Scenario Assumptions

- FY 2024 Measure Q revenue estimate replaced with actual results;
- Project costs revised to reflect current schedules and timing;
- One-time origination fee and related financing expenses have been added as an out-of-pocket expense in 2026; and,
- Cashflow scenarios revised to ensure a positive fund balance in each year, and a balance equal to or greater than the estimated debt service payment.
- Cashflows consider Measure Q revenues as the sole funding source.

Updated Cashflow Results

- Only Scenarios 1 and 3 (\$17M) include financing for Stratford Court North (1B).
- Project completion timing for Crest Canyon (X1A) is maintained in all Scenarios.
- Timing for Beach Colony (2) is based on a pay-go basis.

Scenario	Loan Amnt/ Term	Interest Rate	Base Cost	Inflation	Financing Costs	Total Costs	UUD X1A Completion	UUD 1B Completion	UUD 2 Completion
1	\$17M/15Yr	3.36%	\$23.3M	\$0.54M	\$4.92M	\$28.76M	2027	2027	2036
2	\$14M/15Yr	3.36%	\$23.3M	\$0.73M	\$4.05M	\$28.08M	2027	2028	2036
3	\$17M/10Yr	2.99%	\$23.3M	\$0.73M	\$2.92M	\$26.95M	2027	2028	2037
4	\$14M/10Yr	2.99%	\$23.3M	\$0.93M	\$2.40M	\$26.63M	2027	2029	2037

Updated Cashflow Results

- Scenario 1 (\$17M/15Yr): Financing costs of \$4.92 million and maintains current project completion schedules.
- Scenario 2 (\$14M/15Yr): Financing costs of \$4.05 million and delays Stratford Court North (1B) by one year.
- Scenario 3 (\$17M/10Yr): Financing costs of \$2.92 million and delays Stratford Court North (1B) and Beach Colony (2) by one year.
- Scenario 4 (\$14M/10Yr): Financing costs of \$2.40 million and delays Stratford Court North (1B) by two years, and Beach Colony (2) by one year.
- Total estimated cost to include Stratford Court North (1B) is \$680,000 with a 15-year loan and \$320,000 with a 10-year loan.

Effect of Change to Construction Timing for Stratford Court North (1B)

Status of Stratford Ct N (1B)

- The design is currently at 60% SDG&E design phase, prior to coordination with homeowners for private service laterals
- This phase delivers SDG&E's final design sketches, which are the plan views for the proposed improvements.
- City civil design and telecommunication companies' designs do not proceed until SDG&E finalizes the sketches as part of the 60% design phase.
- The City has invested approximately \$250,000 in City preconstruction activities.

Construction Completion Timing for Stratford Ct N (1B)

- Scenario 1 (\$17M/15yr) = 2027 (no delay)
- Scenario 2 (\$14M/15yr) = 2028 (1-year delay)
- Scenario 3 (\$17M/10yr) = 2028 (1-year delay)
- Scenario 4 (\$14M/10yr) = 2029 (2-year delay)
- Selection of Scenario 1 continues the current schedule
- Selection of Scenarios 2 to 4 result in adjustment to preconstruction timing to align with City construction (2028 or 2029).

Purpose of Adjusting Timing for Scenarios 2 to 4

- Goal is to avoid redesign or refreshing of plans before bidding for City and SDG&E construction.
- SDG&E confirmed that their designs technically expire after one year.
- If design paused at 60% SDG&E Design Phase
 - SDG&E plan refresh required after pause which could take a month or longer.
 - Estimated cost for refreshing SDG&E plans, and other activities, up to \$100,000.
- If design continued with pause at 90% SDG&E Design Phase or after Bidding Phase
 - Substantial review and redesign by the City and SDG&E which could take 5-7 months
 - Estimated cost for refreshing the design, and other activities, range from \$100,000 - \$500,000

Schedule Adjustments for Stratford Ct N (1B)

- Scenario 1 (no delay)
 - The project continues at current schedule and is targeted for completion by 2027.
- Scenario 2 and 3 (1-year delay)
 - A pause is not required. Staff will adjust the timing of preconstruction activities to ensure the project continues and is targeted for completion by 2028.
- Scenario 4 (2-year delay)
 - A pause is required for up to 2 years to align construction with a pay-go financing and construction completion in 2029.
 - SDG&E plan refresh required after pause.

Next Steps

Next Steps

- If the City Council directs staff to proceed with IBank financing, identifying the loan amount and term, staff will prepare the pre-application packet and return to Council for approval of the required borrower's resolution.
- Preconstruction activities for Stratford Court North (1B) will resume or be adjusted based on the financing option selected and Council direction.
- Staff will coordinate the bidding process for Crest Canyon (X1A) and construction contract award concurrently with Council final approval of a borrowing, ensuring that funding is available in the amount needed at the time the contract is awarded.

Recommended Actions

Staff recommends the City Council:

- 1) Provide direction to staff on whether the City should proceed with submitting a loan pre-application to IBank and the preferred term of the loan (10 or 15 years); and,
- 2) Provide direction on whether to include funds for Utility Undergrounding District 1B – Stratford Court North in the total loan amount.



Melinda Gould

From: Claire McGreal <clairemcg@roadrunner.com>
Sent: Sunday, March 2, 2025 9:57 AM
To: City Clerk Mail Box
Cc: Terry TG. Gaasterland; Tracy Martinez; Dan Quirk; John Spelich-private; Ashley Jones; Tom McGreal; Martin Boyd
Subject: Red Dot letter for Mar. 3 City Council Agenda, Item #8

Follow Up Flag: Follow up
Flag Status: Flagged

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City Clerk of Del Mar
City Council Agenda for March 3, 2025: Item # 8 Undergrounding Program financing

Dear Mayor Gaasterland and Councilmembers,

As residents of the North Stratford Underground District (1B) we urge you to proceed with the financing necessary to ensure that undergrounding project will stay on schedule for completion in FY 2027. District 1B was prioritized for undergrounding because it consists of residents and businesses who reside in the very densely populated area where the poles sit in congested, narrow alleys. All the retail shops, restaurants and businesses on the west side on Camino Del Mar are served by utility poles in District 1B running along Del Mar Lane from 11th Street to 15th Street. Ensuring that this commercial and residential segment of the undergrounding remains on schedule will recognize the value and importance of our business community and the priority of completing undergrounding in this densely populated neighborhood.

We ask that you follow the recommendations of the Staff, the UPAC Committee and the Finance Committee and proceed with the financing to ensure that the project is properly funded and not delayed. This is a matter of utmost importance to the public safety of the village.

Attached hereto and incorporated by this reference, is a Petition signed by 45 businesses and residents of District 1B.

Sincerely,
Claire & Tom McGreal, 1135 Stratford

PS: The front of our house faces west, and the poles in our view are being removed as a part of District 1A, so our concerns are only about public safety for our neighborhood.

Petition to Del Mar City Council for Including District 1B (North Stratford) in the financing package being sought for undergrounding District X1A (Crest Rd. environs).

We, the residents, property and/or business owners or managers, receive our electricity from poles in District 1B. We respectfully request that the Del Mar City Council resolve to fund the undergrounding of District 1B, and to include Dt. 1B in the financing being arranged for Dt. X1A, as recommended by the City's Finance Committee and Underground Planning Advisory Committee (voted: 11-1).

Dt. 1B is densely populated, and heavily walked by business patrons, residents and beach goers, and is graced with many large trees. This is a matter of public safety: for example, a tree could drop a limb on a wire causing a fire in our congested alleys, where most of the poles are. Please include Dt. 1B along with X1A in the financing presently being arranged to finance the undergrounding.

**William Davidson
Owner, Davidson Communities
1302 Camino Del Mar
Del Mar, CA**

**Dawn Davidson
Owner, Dawn Davidson Design
1302 Camino Del Mar
Del Mar, CA**

**James M. Watkins, Property Owner
1442 Camino Del Mar
Stratford Square
Del Mar, CA**

**KC Vafiadis
Leasing Manager
1442 Camino Del Mar
Del Mar, CA**

**Reza Ron Moshaghi
Marquis Jeweler
1448 Camino Del Mar
Del Mar, CA**

**Stacey Raiheil
Durante's
1438 Camino Del Mar
Del Mar, CA**

**Julie Zozaya
Julie's Beachwear
1440 Camino Del Mar
Del Mar, CA**

**Carol & David Goodell
Frustrated Cowboy
1444 Camino Del Mar
Del Mar, CA**

**Harry's Coffee Shop
Business Owner
1454 Camino Del Mar
Del Mar, CA**

**Kit Leeger
Leeger Architecture
1442 Camino Del Mar
Del Mar, CA**

**Diane Gutierrez
Property Manager
1440 Camino Del Mar
Del Mar, CA**

**Dustin Black
Dempsey Construction, Superintendent for
Hillstone Properties
1404 Camino Del Mar
Del Mar, CA**

**Del Mar Seaside Grill
Owner, Reza Khaksari
1328 Camino Del Mar
Del Mar, CA**

**Del Mar Seaside Grill
Owner, Marjan Khaksari
1328 Camino Del Mar
Del Mar, CA**

**Nuvida Properties, LLC
Richard Amen
1104 Camino Del Mar, Ste. 3
Del Mar, CA**

**Sara Commers Private Jeweler
Owner, Sara Commers
1130 Camino Del Mar #1D
Del Mar, CA**

**Elegant Tailor & Cleaners
Business Owner
1130 Camino Del Mar #1A
Del Mar, CA**

**Lisa Uhrhammer
1322 Stratfrod Ct.
Del Mar, CA**

**Mike Uhrhammer
1322 Stratford Ct.
Del Mar, CA**

**Alice S. McNally
1332 Stratford Ct.
Del Mar, CA**

**Thomas Middleton
1426 Stratford Ct.
Del Mar, CA**

**Sarah "Sally" Middleton
1426 Stratford Ct.
Del Mar, CA**

**Anne Panatton
155 15th St. #20**

Del Mar, CA

**Ben Barth
1315 Ocean Ave.
Del Mar, CA**

**Shlomit Barth
1315 Ocean Ave.
Del Mar, CA**

**Tom Harrington
1345-1355 Ocean Ave.
Del Mar, CA**

**Susan Harrington
1345-1355 Ocean Ave.
Del Mar, CA**

**Tom Tullie
1333 Ocean Ave.
Del Mar, CA**

**Becky Robbins
1335 Ocean Ave.
Del Mar, CA**

**Rolande Fyfe
1339 Ocean Ave.
Del Mar, CA**

**Edward Fyfe
1339 Ocean Ave.
Del Mar, CA**

**Scott Linton
1310 Stratford Ct.
Del Mar CA**

**Pam Linton
1310 Stratford Ct.
Del Mar, CA**

**John Shay
1405 Ocean Ave.
Del Mar, CA**

**M. A. Sherr
1354 Stratford Ct.
Del Mar, CA**

**Ann Johnson
1465 Ocean Ave.
Del Mar, CA**

**Nico Samaras
220 11th St.
Del Mar, CA**

**Mia Aguillon
220 11th St.
Del Mar, CA**

**Glenn Sage
1355 Stratford Ct.
Del Mar, CA**

**Amy Flynn
1428 Stratford Ct.
Del Mar, CA**

**Ryan Flynn
1428 Stratford Ct.
Del Mar, CA**

**Suren Dutia
234-238 11th St.
Del Mar, CA**

**Jas Grewal
234-238 11th St.
Del Mar, CA**

**Claire McGreal
1135 Stratford Ct.
Del Mar, CA**

**Tom McGreal
1135 Stratford Ct.
Del Mar, CA**

NUVIDA PROPERTIES, LLC
1104 Camino Del Mar, Suite 3
Del Mar, CA 92014

MEMORANDUM

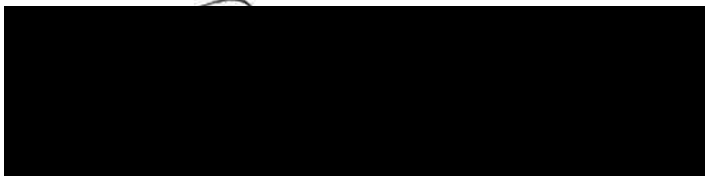
TO: Del Mar City Council
FROM: Rich Amen
SUBJECT: **Undergrounding Project**
DATE: February 20, 2025
CC:

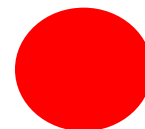
I understand that the council has deferred the financing plan for our city's undergrounding project in District 1B. I am a business owner in District 1B (1104 Camino Del Mar) and a homeowner in District 1A (144 Sherrie Lane).

I respectfully request that the council reconsider this deferral and include its financing plan in the District X1A project.

I regularly travel on Stratford Court, both to my home and my office, and hope that the city takes all action necessary to complete the Stratford Court undergrounding project and to bring an end to the construction mess and the traffic impediments.

Thank you for your consideration,





CITY COUNCIL AGENDA QUESTIONS
March 3, 2025

Item 5: Authorization to Submit 2024 Housing Element Annual Progress Report

1. What is the bottom line on housing units generated in 2024? In the current cycle?

Response: In 2024, the City issued 20 building permits for net new housing units, all of which were Accessory Dwelling Units. For the 6th Cycle in total, the City has produced 109 net new housing units in the above moderate and moderate income categories. There are an additional 81 housing units that are still pending building permit issuance, which includes 23 ADUs and 58 units from the Watermark and 941 CDM projects. Once building permits are issued for these pending 81 units, the resulting 190 total units would exceed the 6th Cycle RHNA unit production target of 175 units.

2. Moderate Income units have been fulfilled, yes?

Response: To date, the City has reported that 65 moderate income units have been issued building permits in the 6th Cycle, where 31 were assigned to Del Mar through RHNA. The City has been reporting ADUs that are smaller in size into the moderate income category, as it is assumed that a smaller sized unit would be rented for a lesser rate. While HCD has not provided feedback on this, the City has reported this methodology for moderate income units on the last 3 years of housing annual progress reports.

3. Is there a window of opportunity to request from HCD that we use the Encinitas findings on ADU rental rates and be allowed to count 25% of ADUs going forward as Low or Lower Income units?

Response: It is staff's understanding that the City of Encinitas collected survey data from ADU owners that allowed them to demonstrate the different affordability levels to HCD. By comparison, the City of Del Mar does not have any data to demonstrate that any ADUs or primary units in the City are being rented as lower income units. Public records in Del Mar have indicated that ADU owners in Del Mar are not renting out their ADUs, and there is no data for the City to rely on to show any are low income units.

Item 6: Resolution Establishing Date for Utility Undergrounding District 1A (Stratford Court South) Properties to be Ready to Receive Underground Utility Service

1. What were the unforeseen conditions on Melanie Way?

Response: After potholing on Melanie Way, the gas line was not located as expected based on the plans, requiring a change to the proposed joint trench alignment.

2. What will be the cost of the change order?

Response: Since the required change was identified before further excavation, no additional construction costs are anticipated for the change order. The adjustment only required a realignment, which requires time for SDG&E to process a "field change order," which has now been completed. SDG&E would include any time to process the field change order as part of the actual costs to the City.

- 3. *Could we please hear an update on the 1A (Stratford South) construction progress including, for example, how has the project timing gone so far, how is the retaining wall facade working out, what have been the unforeseen conditions encountered, how has Teichert organized their construction teams, ... ? [perhaps this is better done as a future separate update item?]***

Response: Staff will present a summary update on the 1A (Stratford South) construction progress as part of the presentation to the City Council this evening.

- 4. *What happens if property owners do not comply with the provisions of the resolution by the identified deadline?***

Response: If property owners do not complete installation of the private service lateral by, pursuant to DMMC Sections 23.54.100 and 23.54.110 the City may either:

- Proceed with posting notice and ordering disconnection of the overhead utility services for lack of compliance with the DMMC; OR
- Install the underground service lateral at the property owner's expense; OR
- Erect an individual pole at the property owner's expense, to maintain service to the property.

Item 7: Initial Consideration of an Appeal of Encroachment Permit (EP) 24-109; EP Appellant: Felix Wohleben; Appellant's Address: 328 8th St. (APN: 300-222-26-00); EP Applicant: Stephen Wolff; Applicant's Address: 327 9th St. (APN: 300-222-04-02)

- 1. *What are the penalties or fines to the neighbor with the hedge if they do not keep it trimmed to 20" north-south width and 6' height?***

Response: As a condition of the EP approval, a covenant is required that will run with the land and detail the maintenance obligation (hedge width and height) of the property owner. Failure to comply with any obligations of the EP/covenant would result in formal Notice of Violation from the City. Failure to act in timely compliance with the Code Enforcement action can result in administrative citation fines that start at \$100 per day for non-compliance and can become as high as \$1,000 per day.

- 2. *Is 6' height sufficient to maintain the scenic view of the neighboring home?***

Response: The appellant did not provide the City with any information or documentation of a northwesterly view from inside 328 8th Street. City development records (DRB-V-78-14) and the photograph of the north-facing elevation of the appellant's home on page 23 of the agenda report indicate that the first floor (ground level) facing north at 328 8th Street is a garage, and above the garage is a second-story deck accessed via glass doors from what approved plans depict as a bedroom. Based on this information, there does not appear to be a protectable view from a "primary living area" as it is defined by with DMMC Chapter 23.08 (Design Review) or DMMC Chapter 23.51 (Trees, Scenic Views, and Sunlight). All photographs provided by the applicant appear to be taken from outside the home or from within the alley.

- 3. *If this were a private fence application on the border of the parcel, would it need to go through DRB?***

Response: Fences are eligible for Administrative Design Review (ADR) and would only require Design Review Board (DRB) review if a written objection to the ADR application is submitted to the City during the public notice period.

Item 8: Undergrounding Program Financing Update

- 1. If 1B (North Stratford) were excluded from the X1A loan, would the loan amount be \$12 million for X1A only? (i.e., \$17 million minus estimated cost of 1B)***

Response: On February 3, 2025, staff presented to Council that excluding UUD 1B from the financing would reduce the borrowing of \$17M by \$3 million for a total of \$14 million for UUD X1A. This is covered again on p.4 of March 3, 2025, agenda report, and will be mentioned in the staff presentation. As a reminder, funding for the combined cost of X1A and 1B, includes financing and Measure Q funds on hand.