

Agenda Report

October 27, 2003

To: City Council
Through: Finance Committee

From: City Manager

Subject: Budget Amendment For Capital Expenditures Associated With The Sylmar Upgrade Project

RECOMMENDATION:

It is recommended that the City Council:

1. Amend the Light and Power Fund Fiscal Year 2004 Capital Improvement Project (CIP) budget to include a new project entitled "Sylmar Upgrade Project" with an estimated cost of \$2,750,000 and
2. Appropriate \$2,750,000 to the new CIP project from the following sources:
 - a. unanticipated revenues of \$1,769,712 being reimbursed by FEMA,
 - b. bond proceeds of \$950,000 provided by the 2003 electric revenue bond
 - c. unappropriated Light and Power Fund fund balance of \$30,288.

PLANNING COMMISSION RECOMMENDATION:

This project was reviewed by the Planning Commission at their meeting on October 22, 2003 and they have recommended that the City Council find that "Sylmar Upgrade Project" proposed for the inclusion in the CY2004-2008 CIP is consistent with the City of Pasadena's General Plan.

BACKGROUND:

In 1967, Pasadena Water and Power (PWP) purchased an 30/1300 (2.3%) equity interest in the Pacific DC Intertie, a 500 kV transmission line spanning 850 miles from Celilo in northern Oregon to Sylmar, California. This line conveys energy from Bonneville Power Authority and other Pacific Northwest utilities to the Sylmar converter station. The Pacific DC Intertie and related facilities were constructed and are maintained by the Los Angeles Department of Water and Power (LADWP). Under the Pacific Intertie D-C Transmission Facilities Agreement (Pasadena number 7367), the City of Pasadena is responsible for its share of ongoing operating, maintenance, and capital expenses.

The 1994 Northridge Earthquake damaged the DC-AC electric converter station located in Sylmar, California. Although a number of projects have been completed (and paid for) to restore the Sylmar station to working condition, the Federal Emergency Management Agency (FEMA) recommended that additional upgrades be performed to mitigate the potential for future damage during earthquakes. LADWP is currently performing a \$118 million Sylmar Upgrade project incorporating these recommendations.

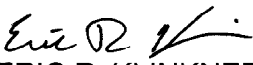
Funding for Pasadena's approximate \$2,750,000 share of the Sylmar Upgrade Project will come from three different sources, as needed. FEMA will reimburse up to \$1,769,712 of expenditures. PWP has already financed \$950,000 as part of the September 2003 financing. Additional funds, if needed, will be drawn from the unappropriated Light and Power Fund fund balance.

To properly account for these expenditures, and maintain the separate accounting of expenses for the Sylmar Upgrade Project required by FEMA, a new CIP needs to be created and funded. Funding must be approved for this project primarily because the City, as a part owner, has a contractual duty to fund upgrades at the Sylmar Converter Station.

FISCAL IMPACT:

An estimated total of \$2,750,000 in additional expenses will be incurred in the Light and Power fund for Fiscal Years 2004 and 2005. Funds are from a portion of the proceeds from the sale of the 2003 Electric Revenue Bonds (\$950,000), FEMA (\$1,769,712) and unappropriated Light and Power fund balance (\$30,288). Those costs not reimbursed by FEMA will be recovered over the life of the project from the Transmission Access Charge component of the electric bill and will not impact the General Fund.

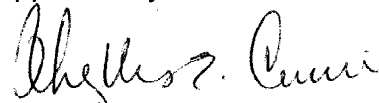
Prepared by:


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Respectfully submitted,


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City Manager

Approved by:


PHYLLIS E. CURRIE
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