



## CITY COUNCIL AGENDA REPORT

**Meeting Date:** April 1, 2021

**From:** Carolina Yuen, Finance Director

**Subject:** Reimbursement Resolution for Water and Sewer  
2021/22 Capital Improvement Plan

### **Community Goal/Result**

Safe Community - Residents and visitors will experience a sense of safety

Ecological Sustainability - Brisbane will be a leader in setting policies and practicing service delivery innovations that promote ecological sustainability

Fiscally Prudent - Brisbane's fiscal vitality will reflect sound decisions which also speak to the values of the community

### **Purpose**

To provide a safe and secure water and wastewater system to the community which is financially viable.

### **Recommendation**

Adopt Resolution 2021-28 which expresses the official intent of the City regarding certain capital expenditures for the water and sewer system to be reimbursed with proceeds from future bond obligations.

### **Background**

In 2014, City Council adopted a Capital Project Implementation Plan for the Utility Fund. This plan called for the City to complete the presented Capital Project list over a 20 year period. The funding for this plan would be covered by a series of four bond issues of approximately \$5 million each every five years. It was also determined that the City Council would look at setting a Capital Charge rate for each new bond issue. The first bond was sold in 2015 and the first rate increase went into effect at that time.

Later this year, staff will present and propose the Capital Improvement Plan (CIP) for City Council's approval. Included in the CIP will be projects for the water and sewer system with a budgeted cost not to exceed \$6 million. The City has not begun work on these projects since the funding source identified for these projects are future bond proceeds.

Prior to selling the second round of bonds to fund these projects, we will need to draft bond documents, determine the Capital Charge needed to pay for the debt service, present the new rate to the rate-payers through a Proposition 218 process and have Council approve the new rate. In order to begin the projects prior to the sale of the bonds, the City can adopt a

reimbursement resolution which would allow the City to reimburse itself for any expenditures made for these projects prior to the sale of the bonds.

The City did a similar process in October 2014 when City Council adopted resolution 2014-36 to authorize certain capital expenditures for the water and sewer systems to be reimbursed with proceeds from future bond obligations. In April 2015, City Council approved documents for the sale of the 2015 Utility Bond Sale.

In November 2014, the City Council adopted Resolution 2014-46 to implement the Capital Facilities Fee for the Utility Fund which set the rate for a Capital Charge for water and sewer services. This charge has been used towards repayment of the debt service of bonds sold to cover the cost of the capital projects. Since interest rates are similar to what they were when we sold bonds in 2015, staff anticipates the Capital Charge for this round of bonds will be similar to the current charge. The current Capital Charge ranges from \$10 to \$65 every two months. Following are samples of the Capital Charge:

- \$30 for a customer who uses eight units of water per billing cycle, which is a typical amount for a family of two
- \$38 for a customer who uses 16 units, which is typical for a family of four

Considering the current interest rate environment, the new charge may be similar and possibly doubling the current charge to the customer. Over the next 10 years, we would anticipate implementing two additional charges increasing the Capital Charge on the bill up to a range of possibly \$40 to \$260 per billing period. The exact charges will be determined at the time of the sale of the bonds.

### **Discussion**

The proceeds to cover projects associated with the 2015 bond sale have been exhausted and several of the projects were completed. The City is ready to commence with the second set of projects.

The projects are:

- Glen Park Pump Station Upgrade
- Supervisory Control and Data Acquisition (SCADA) Upgrade
- New 6" Water Main Interconnection between Mariposa and San Bruno
- New PRV on Humboldt/San Benito (abandon Placer PRV)
- Water Advanced Metering Infrastructure (AMI) System
- Replace 250' of 6" Water Main between Alvarado and San Benito (walkway improvements)
- Pipe burst 270' of existing 6" Sanitary Main w/ 8" on West Hill Drive
- Pipe burst 290' of existing 6" Sanitary w/ 8" on Upper Bicentennial Walkway
- Replace 25' of 6" Sanitary Main between 120 Solano and 124 Solano with new manhole

In order to begin projects during this upcoming year, soon after the bonds are sold, the City will need to begin the design process of the various projects. A reimbursement resolution needs to be adopted in order to repay ourselves for any cost of the design of the projects done prior to the sale of the bonds this calendar year. The City's bond counsel has drafted the attached resolution for the City Council's approval.

### **Fiscal Impact**

There is no fiscal impact to the City's Utility Fund if the reimbursement resolution is adopted. Any money spent prior to the sale of the bonds will be reimbursed by the bond proceeds. If the resolution is not adopted, then the City will not be able to reimburse itself and there will be a decrease in the Utility Fund reserve. The reserve is used for a variety of purposes including meeting the Council policy of having a level of 20% of operating expenditures in reserve, providing a financial cushion for emergencies (i.e. Earthquakes), and stabilize rates for short periods of decreased water usage (i.e. Short-term droughts, or large water users reducing their needs). As of December 31, 2020, there is \$7.5 million in cash in the Utility Fund which meets these three basic needs. The City Fiscal and Administrative Policies Subcommittee last reviewed the Fund Balance policies of the City to determine long-term reserve requirements in 2015.

### **Measure of Success**

The design of the projects have begun prior to the Sale of the Bonds.

### **Attachments**

Resolution 2021-28

*Carolina Yuen*

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Carolina Yuen, Finance Director

*Clayton L. Holstine*

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Clay Holstine, City Manager

**CITY OF BRISBANE**

**RESOLUTION NO. 2021-28**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE  
EXPRESSING OFFICIAL INTENT REGARDING CERTAIN CAPITAL  
EXPENDITURES TO BE REIMBURSED WITH PROCEEDS OF AN OBLIGATION**

RESOLVED, by the City Council (the "Council") of the City of Brisbane (the "City"), as follows:

WHEREAS, the City has developed a capital project (the "Project") described in Exhibit A hereto;

WHEREAS, all or a portion of the expenditures relating to the Project (the "Expenditures") (i) have been paid within the sixty days prior to the passage of this Resolution or (ii) will be paid on or after the passage of this Resolution;

WHEREAS, the City reasonably expects to reimburse itself for the Expenditures with the proceeds of an obligation the interest on which will be excluded from the gross income of the owner or owners of such obligation;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

*Section 1.* The City reasonably expects to reimburse all or a portion of the Expenditures with the proceeds of an obligation.

*Section 2.* The maximum principal amount of the obligations expected to be issued for the Project is \$6,000,000.

*Section 3.* This Resolution is a declaration of official intent to reimburse expenditures pursuant to Treasury Regulations Section 1.150-2.

*Section 4.* All actions of the officers, agents and employees of the City that are in conformity with the purposes and intent of this Resolution, whether taken before or after the adoption hereof, are hereby ratified, confirmed and adopted.

*Section 5.* This Resolution shall be in full force and effect immediately upon its adoption.

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I hereby certify that the foregoing resolution was duly adopted at a meeting of the City Council of the City of Brisbane held on the 1st day of April, 2021, by the following vote:

AYES, and in favor of, Council Members:

NOES, Council Members:

ABSENT, Council Members:

By \_\_\_\_\_  
City Clerk

## EXHIBIT A

### DESCRIPTION OF THE PROJECT

The Project consists of the following:

*Glen Park Pump Station Upgrade.* This project will expand the pump station capacity to satisfy maximum-day demands and fire-flow storage refill criteria and replace aging equipment to improve service reliability and optimize energy efficiency.

*SCADA Upgrade.* This project will replace the antiquated citywide utility telemetry system with a modern and more reliable Supervisory Control and Data Acquisition (SCADA) system.

*6" Water Main Interconnection between Mariposa Street and San Bruno Avenue.* This project will interconnect the existing 6" Water Main on Mariposa Street with the 8" Water Main on San Bruno Avenue.

*New PRV at Humboldt Road and San Benito Road.* This project will replace the existing PRV located on a hazardous location along Placer Drive with a 10" PRV in a more serviceable location on Humboldt Road.

*Water Meter AMI System.* This project will replace an aging meter infrastructure with an Advanced Metering Infrastructure (AMI). This project will replace all water meters and install individual meter interface units along with an AMI system server and a meter data management system that will work together with the City's billing system and customer interface.

*Water Main Replacement between Humboldt Road and San Benito Road (beneath future walkway).* This project will replace an aging water main along a proposed walkway from Alvarado Street and San Benito Road with a new 6" main.

*Pipe burst 270' of 6" Sanitary Main w/ 8" on West Hill Drive.* This project will replace 270' of existing 6" Sanitary Main on West Hill Drive with 8" Main by pipe bursting.

*Pipe burst 290' of existing 6" Sanitary Main with 8" on Upper Bicentennial Walkway.* This project will replace the existing 6" main on Upper Bicentennial Walkway with an 8" main by pipe bursting.

*Replace Sanitary Main on 100 Block of Solano Street.* This project will include replacing 25' of existing 6" main between 120 and 124 Solano Street with new 8" main and adding a new manhole.