



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

REQUEST FOR COUNCIL ACTION

AGENDA DATE: July 13, 2026

AGENDA ITEM: Consider approval of reimbursement resolution XX-XX-XX Water Treatment Renovation Project; and request the City Council issue G.O. bonds to finance related costs.

PREPARED BY: Carl Babich, Finance Director

BACKGROUND:

In 2023, the Grand Rapids Public Utilities Commission (GRPUC) began planning for significant improvements to the Water Treatment Plant and was awarded a \$2,500,000 grant through the 2023 Minnesota legislative session to partially fund the project. At that time, the total estimated project cost was approximately \$5 million. The remaining project costs were anticipated to be funded through a combination of GRPUC capital reserves and future bond financing.

Since the original project estimate was developed, the anticipated cost of the Water Treatment Plant Renovation Project has increased substantially due to several significant factors. The original estimate was prepared during the early planning stages of the project, prior to completion of design development and final evaluation of treatment requirements. Since that time, the project has been further refined, resulting in a more comprehensive understanding of the improvements necessary to ensure the long-term reliability, safety, and regulatory compliance of the City's water treatment system.

In addition, the project has been impacted by significant inflationary pressures and unprecedented increases in construction material, equipment, and labor costs experienced throughout the construction industry following the COVID-19 pandemic. These market conditions have substantially increased the cost of water infrastructure projects nationwide.

Project costs have also increased due to expanded treatment requirements. Following further evaluation of the water system and discussions with the Minnesota Department of Health, GRPU determined that the project must incorporate chlorination facilities and related improvements to address and mitigate Legionella concerns within the distribution system. These additional treatment components were not contemplated in the original project estimate but are now considered essential to meeting current operational and public health objectives.

As a result of these combined factors including project refinement, construction cost escalation,

and expanded treatment requirements the anticipated project cost has increased significantly from the original planning estimate.

GRPUC approved a reimbursement resolution 07-12-23-06 on July 12, 2023. The City has not yet adopted a similar resolution indicating the intent to finance the water treatment plant with bond proceeds. General practice for this type of financial request for City Council action is during a similar time period as the same financial request is presented to the GRPU Commission. This financial request to the City Council did not occur due to staff transition in the finance department and the reimbursement resolution was not brought forward for City Council consideration.

The City is now being asked to approve a reimbursement resolution to establish its intent to reimburse eligible project expenditures from future bond proceeds. Reimbursement resolutions are commonly adopted during the planning stages of capital projects and preserve the ability to reimburse qualifying expenditures incurred prior to the issuance of bonds. The reimbursement amount is intentionally established above the current estimated project cost to provide flexibility for unforeseen expenses during project completion.

REQUESTED COUNCIL ACTION:

Consider adopting a resolution declaring the official intent of the City of Grand Rapids to reimburse certain expenditures from the proceeds of bonds to be issued by the City.