



# RIVERSIDE PUBLIC UTILITIES

## Board Memorandum

**BOARD OF PUBLIC UTILITIES**

**DATE:** JULY 23, 2018

**ITEM NO:** 9

**SUBJECT:** REIMBURSEMENT RESOLUTION – WATER UTILITY

**ISSUE:**

Approve a Reimbursement Resolution to provide the use of future bond proceeds instead of reserve funds for capital financing requirements for the Water Utility's Five-Year Capital Improvement Program (CIP), increasing the previous reimbursement resolution from Fifty Million Dollars (\$50,000,000) to Fifty Three Million Dollars (\$53,000,000).

**RECOMMENDATION:**

That the Board of Public Utilities recommend that City Council adopt a Reimbursement Resolution to provide the future option of using bond funds instead of reserve funds for capital financing requirements for the Water Utility, to allow reserve funds to be used for capital needs in the interim period, and increasing the previous reimbursement resolution from \$50,000,000 to \$53,000,000.

**BACKGROUND:**

The Water Utility requires capital improvement projects to maintain system reliability, secure new water resources, serve new residential and commercial developments and refurbish the water system. Because these capital improvements are long-term in nature, they are primarily funded through bond financing. The basic philosophy of using bond financing for capital projects is that repayment of the bond is made over the life of the project (usually 20 to 30 years) by the customers that use them. The Water Utility has been using reserve funds for capital needs since proceeds from its 2009 Water Revenue Series B Bonds were depleted in April 2015.

In order to reimburse capital improvement expenditures funded by reserves with future bond proceeds, a Reimbursement Resolution must be adopted by the Board of Public Utilities (Board) and City Council. This Reimbursement Resolution does not require that the Water Utility issue bonds in the future, but provides maximum flexibility for financial planning purposes, and provides the legal basis for reimbursement of reserve funds used for capital projects with bond proceeds issued at a later date.

On May 15, 2015, the Board recommended and on May 19, 2015, City Council adopted Reimbursement Resolution No. 22849 declaring its official intent to reimburse qualified capital expenditures relating to the Water Utility's Five-Year CIP from anticipated bond proceeds, for a total amount not to exceed \$50,000,000.

## **DISCUSSION:**

On May 22, 2018, the City Council approved the Water Utility five-year rate plan for fiscal years (FY) 2018-19 through 2022-23. The capital projects for the five-year rate plan have been included in the Water Utility's Five-Year CIP prepared for the FY 2018-2020 biennial budget. Funding for the CIP is a combination of bond proceeds, developer contributions, rates and reserves. On June 12, 2018, City Council adopted the biennial budget including approving the first two years of the Five-Year CIP. Subsequent years of the CIP are for planning purposes.

As part of the approved rate plan and biennial budget, the Water Utility is planning to issue new debt of approximately \$52.2 million in FY 2018-19 to fund capital improvement projects over a three-year period. In general, new bonds are issued with proceeds to be used over a three-year period with the next new bond issuance expecting to occur in FY 2021-22 for continual support of the capital improvement program as outlined with the rate plan. The debt service costs of these new bond issuances have been incorporated into the approved two-year budget.

Until the new bonds are issued, the Water Utility will continue to utilize reserves to fund capital projects including those that are anticipated to be funded by bond proceeds in the rate plan. A new Reimbursement Resolution must be adopted by the Board and City Council to provide the flexibility in reimbursing capital expenditures funded by reserves with bond proceeds at a later date. It is anticipated that new bonds will be issued by October 2018, in an amount not-to-exceed \$53,000,000. Staff will bring forward the proposed debt issuances to the Board and City Council in late summer 2018.

The new Reimbursement Resolution amends the previous Reimbursement Resolution No. 22849, adopted by City Council on May 19, 2015, by increasing the total reimbursement amount from \$50,000,000 to \$53,000,000 to correspond with the planned new debt issuance as part of the approved rate plan. With such amendment, the new Reimbursement Resolution will cover the reimbursement period for previously spent capital expenditures for the capital improvement program, as amended.

The Chief Financial Officer/Treasurer concurs with the recommendations above.

## **FISCAL IMPACT:**

The financial impact of not approving the Reimbursement Resolution is that the Water Utility removes the option of reimbursing itself for capital expenditures made during the time bond funds are not available and must permanently use reserves instead.

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Approved by: Todd L. Jorgenson, Interim Utilities General Manager  
Approved by: Al Zelinka, FAICP, City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability  
of funds: Laura M. Nomura, Utilities Assistant General Manager/Finance & Administration

## **Attachments:**

1. Reimbursement Resolution
2. Reimbursement Resolution No. 22849
3. Presentation