

# *City of Brisbane*

## *Agenda Report*

To: City Council via City Manager

From: Administrative Services Director

Subject: Participation in Bay Area Water Supply and Conservation Agency's (BAWSCA) Bond Issuance to Prepay Capital Debt Owed to San Francisco

Date: November 26, 2012

### **Purpose:**

Reduce the amount of money the City of Brisbane and the Guadelupe Valley Municipal Improvement District (GVMID) needs to pay for the purchase of water from BAWSCA by prepaying its portion of a Capital Debt BAWSCA owes San Francisco.

### **Recommendation:**

Staff recommends the City adopt Resolution 2012-41 and GVMID 2012-02.

### **Background:**

The outstanding Capital Debt BAWSCA members owes San Francisco is for BAWSCA's portion of existing capital assets as of 2009. The amount owed is \$367 million and we are currently pay an interest rate of 5.13%. BAWSCA has researched the possibility of selling bonds backed by the individual agencies' commitment to pay. Since the majority of the members are government agencies BAWSCA can get net present value savings between \$24 and \$34 million over the life of the existing debt (25 years).

We currently pay the Capital Debt as a cost of purchasing water and the amount we pay is based on the amount of water we use. As a whole the less water used by BAWSCA users the more needs to be charged per unit of water used. This is the same type of analysis for all fixed costs charged to water. The less used the more needs to be charged per unit to make up the same dollar amount.

This type of analysis would continue under the new payment structure. Each agency would be billed based on the amount of water it used in the previous year and then at the end of the year there would be a reconciliation of amount actually used versus amount projected to be used. This would then be compared to the amount used in the overall system. So if the community uses less water and the rest of BAWSCA used the same as the previous year then we would receive a credit and vice a versa.

Each agency would be responsible for its own contribution to the payment of the debt. The members do not assume the responsibility of making payments on behalf of other users. The City and GVMID does not pick up a greater share of the debt through this arrangement.

**Discussion:**

Since BAWSCA is more of a pass-through agency rather a true water enterprise there needed to be special legislation approved for BAWSCA to issue bonds for this purpose. This was done by AB 2167 sponsored by Assmlyman Hill. The method for distributing the cost of the bonds will be based on the a modified volumetric surcharge. This basically states the entity receiving water through BAWSCA will pay BAWSCA a surcharge to pay off their annual proportion of the bond. The annual proportion of the bond will be based on the proportion of water used in the prior year. For instance if Brisbane used 0.2% of the water the previous year we would be responsible for 0.2% of the bond payment. At the end of the year there would be a true-up of actual water used. So further if it was found we actually only used 0.18% of the water then Year 2's payment would be 0.18% of the bond plus the City would receive credit for the 0.02% from the previous year. This wa the annual cost is known at the time of creating the budget but no agency ends up paying more for the bond than the proportion of water they used.

A slight complicating factor in this sale is two customers (Cal Water and Stanford) are private companies. Private companies can not borrow money as cheaply as public companies. Therefore BAWSCA will need to sell both tax exempt and taxable bonds. A subcommittee of BAWSCA's board of directors recommends blending the rate of these two bonds when it comes to developing a charge for the participating agencies. The reason for this is the two companies do not make a profit on the operational cost of supplying water and any increase would be passed directly on to its customers. The subcommittee felt the only people hurt by the decision not to blend the rate were end users and not the shareholders of the companies. The difference in savings for Brisbane or GVMID would probably not be that great if the rate was not blended. BAWSCA did not provide this information to staff but the annual savings for Brisbane will be between \$2,000 and \$3,000 a year. An extra percent in savings would be about \$30. If the difference in rates is 1% from the blended rate we may save an additional \$600 a year.

**Fiscal Impact:**

Based on information from BAWSCA's financial advisor the City will save between \$1,934 and \$3,288 per year depending on the interest rate on the bonds. GVMID would save between \$1,775 and \$3,018 a year. This would equate to 1.4 cents to 2.4 cents per unit of water we sell.

**Measure of Success**

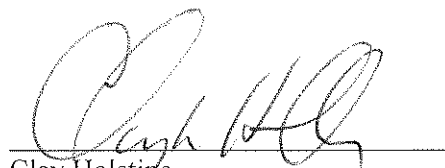
The dollar amount of savings based on the selling of the bonds.

**Attachments:**

Resolutions  
2012-41  
GVMID 2012-02



Stuart Schillinger  
Administrative Services Director



Clay Holstine  
City Manager

RESOLUTION NO. 2012-41

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE  
AUTHORIZING THE MAKING OF A PREPAYMENT UNDER A WATER  
SUPPLY AGREEMENT WITH THE CITY AND COUNTY OF SAN  
FRANCISCO AND RELATED MATTERS

WHEREAS, the City and County of San Francisco (“San Francisco”) and wholesale water customers of San Francisco in Alameda County, San Mateo County and Santa Clara County (the “Wholesale Customers”), including the City of Brisbane (the “City”), have entered into a Water Supply Agreement, dated July 2009 (the “WSA”), providing for the sale of water by San Francisco to the Wholesale Customers;

WHEREAS, the City and other Wholesale Customers are members of the Bay Area Water Supply and Conservation Agency (“BAWSCA”);

WHEREAS, pursuant to the terms of the WSA, the cost of water paid by the Wholesale Customers (including the City) includes a component designed to provide San Francisco capital cost recovery for existing regional assets (“ERA Payments”);

WHEREAS, the WSA provides that the Wholesale Customers, acting through BAWSCA, may prepay the remaining principal balance of the ERA Payments, in whole or in part;

WHEREAS, substantial savings over the term of the WSA may be achievable through the prepayment through BAWSCA (the “Prepayment”) of the ERA Payments to be made by Wholesale Customers participating in such Prepayment (the “Prepayment Participants”);

WHEREAS, BAWSCA proposes to finance the Prepayment through an issuance of revenue bonds (the “Bonds”) by BAWSCA;

WHEREAS, to pay debt service on the Bonds, to maintain required reserves and to satisfy BAWSCA’s other obligations related to the Bonds, BAWSCA will impose charges on Prepayment Participants, which may be in the form of surcharges on water sold by San Francisco to Prepayment Participants under the WSA (the “Surcharge”);

WHEREAS, the Surcharge is expected to be payable by the Prepayment Participants to San Francisco (for delivery to BAWSCA) together with the Prepayment Participants’ other payments to San Francisco under the WSA;

WHEREAS, the issuance of the Bonds and the making of the Prepayment are subject to a variety of conditions, including a determination by BAWSCA that savings for Prepayment Participants can be achieved thereby;

WHEREAS, this City Council has determined that it is in the best interests of the City for the City to be a Prepayment Participant;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF BRISBANE AS FOLLOWS:

Section 1. The City hereby elects to be a Prepayment Participant and hereby authorizes BAWSCA to make the Prepayment on behalf of the City.

Section 2. The City Manager of the City are each, acting individually, hereby authorized and directed to take, for and on behalf of the City, all such actions by the City as shall be necessary to enable BAWSCA to issue and sell the Bonds and make the Prepayment, including, without limitation, the following:

- (A) Certify that the Prepayment has been duly authorized by the City and will not violate any law or agreement (including agreements respecting obligations providing for the issuance of debt secured by the revenues of the City's water enterprise);
- (B) Certify that payment of the Surcharge by the City will constitute an operation and maintenance expense of the City's water enterprise payable from the revenues of the City's water enterprise prior to the payment of obligations payable from the net revenues of the City's water enterprise;
- (C) Certify that any information respecting the City and the City's water enterprise and the financial and operating data respecting the City's water enterprise included or incorporated by reference in the Official Statement delivered by BAWSCA in connection with the sale and issuance of the Bonds is true and correct; and
- (D) Execute and deliver any continuing disclosure undertaking, or agreement to assist BAWSCA in connection with any BAWSCA continuing disclosure undertaking, required in connection with the sale of the Bonds.

Section 3. All actions heretofore taken by any officers, employees, or agents of the City with respect to the Prepayment and the Bonds are hereby approved, confirmed and ratified; and any such other officers, employees, or agents of the City as may be authorized by the City Manager are hereby authorized and directed, for and in the name of and on behalf of the City, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or desirable to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 4. This Resolution shall take effect immediately upon its adoption.

Passed and adopted by the City Council of the City of Brisbane on this 26th day of November, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Cliff Lentz,

Mayor

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Sheri Marie Spediacci

City Clerk

RESOLUTION NO. GVMID 2012-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE GUADELUPE VALLEY  
IMPROVEMENT DISTRICT AUTHORIZING THE MAKING OF A PREPAYMENT UNDER  
A WATER SUPPLY AGREEMENT WITH THE CITY AND COUNTY OF SAN FRANCISCO  
AND RELATED MATTERS

WHEREAS, the City and County of San Francisco ("San Francisco") and wholesale water customers of San Francisco in Alameda County, San Mateo County and Santa Clara County (the "Wholesale Customers"), including the Guadelupe Valley Improvement District (the "District"), have entered into a Water Supply Agreement, dated July 2009 (the "WSA"), providing for the sale of water by San Francisco to the Wholesale Customers;

WHEREAS, the District and other Wholesale Customers are members of the Bay Area Water Supply and Conservation Agency ("BAWSCA");

WHEREAS, pursuant to the terms of the WSA, the cost of water paid by the Wholesale Customers (including the District) includes a component designed to provide San Francisco capital cost recovery for existing regional assets ("ERA Payments");

WHEREAS, the WSA provides that the Wholesale Customers, acting through BAWSCA, may prepay the remaining principal balance of the ERA Payments, in whole or in part;

WHEREAS, substantial savings over the term of the WSA may be achievable through the prepayment through BAWSCA (the "Prepayment") of the ERA Payments to be made by Wholesale Customers participating in such Prepayment (the "Prepayment Participants");

WHEREAS, BAWSCA proposes to finance the Prepayment through an issuance of revenue bonds (the "Bonds") by BAWSCA;

WHEREAS, to pay debt service on the Bonds, to maintain required reserves and to satisfy BAWSCA's other obligations related to the Bonds, BAWSCA will impose charges on Prepayment Participants, which may be in the form of surcharges on water sold by San Francisco to Prepayment Participants under the WSA (the "Surcharge");

WHEREAS, the Surcharge is expected to be payable by the Prepayment Participants to San Francisco (for delivery to BAWSCA) together with the Prepayment Participants' other payments to San Francisco under the WSA;

WHEREAS, the issuance of the Bonds and the making of the Prepayment are subject to a variety of conditions, including a determination by BAWSCA that savings for Prepayment Participants can be achieved thereby;

WHEREAS, this Board of Directors has determined that it is in the best interests of the District for the District to be a Prepayment Participant;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GUADELUPE VALLEY IMPROVEMENT DISTRICT AS FOLLOWS:

Section 1. The District hereby elects to be a Prepayment Participant and hereby authorizes BAWSCA to make the Prepayment on behalf of the District.

Section 2. The Director and Treasurer of the District are each, acting individually, hereby authorized and directed to take, for and on behalf of the District, all such actions by the District as shall be necessary to enable BAWSCA to issue and sell the Bonds and make the Prepayment, including, without limitation, the following:

- (A) Certify that the Prepayment has been duly authorized by the District and will not violate any law or agreement (including agreements respecting obligations providing for the issuance of debt secured by the revenues of the District's water enterprise);

[(B) Certify that payment of the Surcharge by the District will constitute an operation and maintenance expense of the District's water enterprise payable from the revenues of the District's water enterprise prior to the payment of obligations payable from the net revenues of the District's water enterprise;

(C) Certify that any information respecting the District and the District's water enterprise and the financial and operating data respecting the District's water enterprise included or incorporated by reference in the Official Statement delivered by BAWSCA in connection with the sale and issuance of the Bonds is true and correct; and

(D) Execute and deliver any continuing disclosure undertaking, or agreement to assist BAWSCA in connection with any BAWSCA continuing disclosure undertaking, required in connection with the sale of the Bonds.

Section 3. All actions heretofore taken by any officers, employees, or agents of the District with respect to the Prepayment of the Bonds are hereby approved, confirmed and ratified; and any such other officers, employees, or agents of the District as may be authorized by the Executive Director are hereby authorized and directed, for and in the name of and on behalf of the District, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or desirable to carry out, give effect to and comply with the terms and intent of this Resolution.

Section 4. This Resolution shall take effect immediately upon its adoption.

Passed and adopted by the Board of Directors of the District on this 26<sup>th</sup> day of November, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Cliff Lentz, President of the Board

ATTEST:

\_\_\_\_\_  
Sheri Marie Spediacci

District Secretary