

# *REPORT*

**To the Honorable Mayor and City Council  
From the City Manager**

January 24, 2005

## **Subject**

Recycled Water Project

## **Recommendation**

It is recommended that the City Council adopt a resolution that will preserve the City's ability to fund the design and construction of artificial play fields with funds from a potential future bond issuance.

## **Background**

A component of the Recycled Water Project as recommended by the Community Task Force on Recycled Water will be the replacement of up to six existing grass playing fields with artificial surface playing fields. The construction of these fields is expected to begin in early 2006 and when complete will result in approximately 13 acres of playing fields being converted to artificial surface. Doing so will save the City an estimated 95 acre-feet per year of potable water. The task force estimated costs for the fields was \$4.7 million.

Prior to issuing bonds, the City may incur project costs that it may ultimately want to recover from the issuance of tax exempt debt. U.S. Treasury Department regulations require that the governing body of the bond issuer adopt a "reimbursement resolution" in advance of expending such amounts should the issuer desire to recover those amounts from a tax exempt bond issue. Generally, any "soft" costs such as design and engineering costs may be reimbursed from a bond issued without adopting a reimbursement resolution while "hard" costs such as construction costs expended before bonds are issued may only be recovered if a "reimbursement resolution" is adopted prior to their expenditure.

The Council has not yet approved artificial turf at specific sites. This resolution does not obligate the City to put artificial turf at a specific location, but rather allows such construction regardless of the location to be covered by funds from a potential recycled water bond issue.

## **Alternative**

The City Council may elect not to adopt this resolution. Should the Council not adopt this resolution the project financing will rely more upon retained earnings and grants and less upon debt. This, however, might restrict the scope and timing of the project.

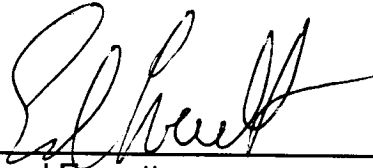
## **Fiscal Impact**

There are not additional costs generated by adopting this resolution as Council is not approving the project at this time. By adopting this resolution, the City Council is merely preserving the option to reimburse the water fund for eligible costs that are incurred prior to the issuance of bonds, but does not commit the City to doing so.



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Brian Ponty  
Director of Finance and Financial Planning



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Edward Everett  
City Manager

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDWOOD CITY DECLARING THE OFFICIAL INTENT TO REIMBURSE EXPENDITURES FOR THE ACQUISITION AND INSTALLATION OF ARTIFICIAL TURF ON PLAY FIELDS IN THE CITY FROM THE PROCEEDS OF TAX EXEMPT SECURITIES**

**WHEREAS**, the City of Redwood City (the "City") desires to finance the construction and acquisition of the facilities described in detail below (collectively the "Project"); and

**WHEREAS**, the City will be expending funds for the construction and acquisition of the Project; and

**WHEREAS**, the City reasonably expects to reimburse such expenditures by authorizing the sale and delivery of one or more series of obligations, as described below.

**NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF REDWOOD CITY AS FOLLOWS:**

1. This Resolution is a declaration of official intent to reimburse expenditures pursuant to Treasury Regulations Section 1.150-2.
2. The City desires to finance the construction and acquisition of the Project, which consists of the acquisition and installation of artificial turf on play fields in the City for water conservation and other purposes.
3. The City reasonably expects to reimburse the expenditures through the sale and delivery of one or more series of obligations (the "Obligations"), the interest component on which is excludable from gross income under Section 103 of the Internal Revenue Code. The maximum principal amount of Obligations to be issued for the Project is \$5,000,000.
4. The reimbursement allocation to be made with respect to the expenditures will occur not later than eighteen (18) months after the later of (i) the date on which the expenditure is paid, or (ii) the date on which the Project is placed in service, but in no event more than 3 years after the expenditure is paid.
5. This Resolution expresses the City's expectations as of this date with respect to the financing of the construction and acquisition of the Project. Future events or extraordinary circumstances beyond the control of the City may result in the Project being financed in a manner other than as described in this Resolution, and nothing contained herein constitutes an irrevocable commitment by the City to issue the Obligations.

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