



CITY COUNCIL STAFF REPORT

ITEM NO. 6.3

DATE: September 27, 2021

TO: Honorable Mayor and City Council

FROM: Douglas Alessio, Administrative Services Director

SUBJECT: Resolution and related documents regarding the sale and purchase of Limited Obligation Improvement Bonds to finance proposed improvements for the Assessment District 2021-1 Trevarno Road Sewer and Water Improvements.

RECOMMENDED ACTION

Staff recommends the City Council:

1. Adopt a resolution authorizing issuance of City of Livermore Assessment District 2021-1 Trevarno Road Sewer and Water Improvements Limited Obligation Improvement Bonds, Series 2022 (the "Bonds") and confirming the authority of the City to purchase the Bonds and waiving a rating provision of the City of Livermore Investment Policy, and approving the form of the Fiscal Agent Agreement; and
2. Granting the City Manager and the Assistant City Manager/Administrative Services Director the authority to amend and execute documents, determine appropriateness of bond terms and conditions, and to carry out, give effect to, and comply with the terms and intent of this resolution.

DECISION TYPE

SUMMARY

The existing private sewer and water systems on Trevarno Road that were constructed in 1915, serve 12 single family homes and the Livermore Area Recreation and Park District ("LARPD") facilities. Property owners have experienced numerous problems with the failing systems. On November 25, 2019, the City Council appropriated funding and asked staff to evaluate a special financing district to fund the replacement of the failing infrastructure, in recognition that the potential cost of replacing the infrastructure could pose a hardship to the Trevarno Road property owners. A financing district would allow property owners to pay for the improvements over a 30 year period.

On May 25, 2021, the City Council adopted a resolution of intention to initiate proceedings to form Assessment District 2021-1 Trevarno Road Sewer and Water Improvements (the "Assessment District")

for the making of certain sewer and water improvements (the “Improvements”) for the benefit of the Trevarno Road properties. Pursuant to the Resolution of Intention, City Council also provided for the issuance of improvement bonds.

Also on May 25, 2021, Council preliminarily approved an Engineer’s Report, which estimated the cost for the proposed Improvements to be approximately \$2.03 million, including project management, planning, engineering, environmental, utility easement acquisition, construction, construction management, inspection, material testing, and other incidental costs associated with the formation and management of the Assessment District and the issuance of debt to finance the Improvements.

On July 26, 2021, Council held a public hearing and conducted a ballot proceeding, after which it concluded that no majority protest against the proposed special benefit assessment district existed.

The City will pay \$107,838 for the costs of the General Benefit portion of the Improvements, which will be funded with Sewer (Fund 241) and Water (Fund 251) Connection Fee Funds. The City expects that the remaining costs of the Improvements and costs related to the issuance of debt will be (i) financed through the issuance of the proposed Bonds and (ii) paid with any cash received from the owners of the parcels in the Assessment District during the cash payment period. The Bonds will be payable from special benefit assessment installment paid by the Trevarno Road properties that have not paid their special benefit assessment during the cash payment period.

Staff seeks Council’s approval to issue the Bonds to finance the Improvements and also asks the City Council to confirm the authority of the Assistant City Manager/ Administrative Services Director, to approve the purchase of the Bonds with surplus City funds.

DISCUSSION

Background

On November 25, 2019, the City Council appropriated \$150,000 from the General Fund (Fund 001) and directed staff to proceed with determining the feasibility of a special financing district to fund the replacement of existing private sewer and water improvements with new public sewer and water systems on Trevarno Road (the “Improvements”). This direction was in response to the petition signed by 7 of the 12 single-family residents on Trevarno Road requesting the City help them finance the replacement of the failing facilities that were constructed in 1915 and accept them as public facilities.

The project involves the construction of approximately 700 linear feet of 8-inch sanitary sewer, 700 linear feet of 8-inch water, sewer and water laterals, manholes, hydrants, and other auxiliary improvements. The Improvements will be constructed in Trevarno Road and the City will obtain a utility easement for the construction and maintenance of the newly constructed public sewer and water facilities. Property owners will be responsible for constructing and connecting the private laterals to the stub out at the curb and for abandoning the private sewer and water mains.

On May 25, 2021, the City Council adopted its Resolution No. 2021-074, entitled “A Resolution of Intention to Make Acquisitions and Improvements” (the “Resolution of Intention”) under the Municipal Improvement Act of 1913, Division 12 of the Streets and Highways Code of California, (the “Act”), to initiate proceedings under the Act to form the Assessment District in order to provide financing for the Improvements for the benefit of the Trevarno Road properties. Pursuant to the Resolution of Intention, the City Council also provided for the issuance of improvement bonds pursuant to the Improvement Bond

Act of 1915, Division 10 of the Streets and Highways Code of the State of California (the “Bond Law”).

Also on May 25, 2021, Council preliminarily approved the Engineer’s Report, which estimated the cost for the proposed Improvements to be approximately \$2.03 million, including project management, planning, engineering, environmental, utility easement acquisition, construction, construction management, inspection, material testing, and other incidental costs associated with the formation and management of the Assessment District and the issuance of debt to finance the Improvements.

On July 26, 2021, Council (i) held a public hearing, (ii) determined, after the calculation of submitted assessment ballots, that no majority protest against the proposed special benefit assessment existed, (iii) approved and adopted the Engineer’s Report, (iv) ordered that the Improvements be made, the Assessment District be formed and the special benefit assessment be levied, (v) made certain findings, (vi) ordered recordation, posting, publication and mailing of certain notices and (vii) ordered a cash payment period during which the owners of property in the district could pay their special benefit assessments in cash. The cash payment period ended on September 17, 2021.

Through the attached resolution, staff seeks City Council’s authorization to issue City of Livermore Assessment District 2021-1 Trevarno Road Sewer and Water Improvements Limited Obligation Improvement Bonds, Series 2021 2022 (the “Bonds”).

On June 28, 2021, the City Council adopted its Resolution No. 2021-108, pursuant to which the City Council approved an updated City of Livermore Investment Policy (the “Investment Policy”) and delegated to the Administrative Services Director, serving as the City Treasurer, the authority to invest the City’s pooled treasure funds in accordance with the Investment Policy. In the Investment Policy, the City Council authorized the purchase of Special Assessment District Improvement Bonds issued by the City related to special assessment districts. Staff also seeks the City Council’s confirmation of its delegation to the Assistant City Manager/Administrative Services Director of the authority to approve the City’s purchase of the Bonds, and further seeks a waiver by the City Council of the rating requirement set forth in Section VIII.3 of the Investment Policy. Under Government Code Section 53601, the waiver by the City Council needs to occur at least three months prior to the City’s purchase of the Bonds.

A rating is not being obtained primarily because the area of the Assessment District is too small to achieve an investment grade rating. In addition, a rating would result in the need to fund a reserve fund, which, together with the cost of the rating, would be an additional burden on the property owners in the Assessment District

The Bonds

Components of Financing

The Engineer’s Report outlined the cost components related to the sewer and water improvements.

Total construction and design costs remain at \$1.67 million and the City expects to pay the general benefit portion of approximately \$108,000. The total amount of the estimated construction and design costs to be assessed is \$1.56 million.

The Engineer’s Report also estimated costs related to the issuance of debt to be \$358,000. Because the City intends to purchase the Bonds (as discussed below), the costs related to the issuance of debt can be reduced. Namely, the City will not require a Reserve Fund for the Bonds, which would be required if the Bonds were sold in the public municipal market. As a result, a credit of \$209,000 was reflected in the Assessment Notice that has been mailed to property owners.

Description	Amount (Preliminary Engineer's Report)	Amount (After Credit to Property Owners)	Difference
Total Construction Management & Design Costs	\$1,671,910.00	\$1,671,910.00	\$0.00
Less: General Benefit Portion (6.45%)	(107,838.20)	(107,838.20)	-
Add: Incidental Costs Related to Debt Issuance	358,000.00	149,000.00	209,000.00
Total Cost Estimate Balance to be Assessed	\$1,922,071.80	\$1,713,071.80	\$209,000.00

The anticipated principal amount of the Bonds may be reduced following the conclusion of the Cash Payment Period. The City currently expects the Livermore Area Recreation and Park District, and one additional property owner to prepay their assessments in cash. If no property owners elect to prepay all or a portion of their assessment, then it is anticipated that the principal amount of the Bonds would be approximately \$1.7 million. Staff requests authorization to issue the Bonds in an amount not to exceed \$2.0 million.

Bond Issuance Approach

With the goal of achieving execution efficiencies and limiting debt issuance costs, staff proposes that the City serve as the purchaser of the Bonds. Staff requests that the City Council confirm the authority of the Assistant City Manager/Administrative Services Director to approve the City's purchase of the Bonds and waive the rating requirement in Section VIII.3 of the City Investment Policy regarding special assessment district improvement bonds of the City held in the City's investment portfolio as the Bonds will not be rated.

It is anticipated that the City, acting by and through the City Treasurer, will purchase the Bonds. The Resolution authorizing the issuance of the Bonds establishes a not-exceed-interest rate of 5.0%; however, current market conditions would suggest a 30-year borrowing rate at or below 4.0%. The final rate on the Bonds will be determined based on prevailing market conditions at the time of issuance on or about September 28, 2021, and a forward delivery premium to allow for the purchase of the Bonds by the City on January 6, 2022 (after the statutory three-month waiting period has passed). The Bonds will be held within the City's pooled treasury funds.

City staff and consultants have been working to prepare the necessary documents to execute and deliver the Bonds. The document provided for Council approval includes the Fiscal Agent Agreement attached as Exhibit A to the Resolution.

FISCAL AND ADMINISTRATIVE IMPACTS

The City will pay \$107,838 for the General Benefit portion, which will be funded with Sewer (Fund 241) and Water (Fund 251) Connection Fee Funds. The Trevarno Road Sewer and Water Improvements CIP Project No. 2019-60 is included in the FY 2021-23 Capital Improvement Plan.

The City expects the Assessment District to finance up to \$1.7 million of these costs – net of any cash received by owners of the parcels in the Assessment District to pay all or a portion of their respective assessments. The final financed amount of the benefit portion will be determined after completion of the cash payment period - ending September 17, 2021. The City currently expects the Livermore Area Recreation and Park District, and one additional property owner to prepay their assessments in cash.

The City will serve as purchaser of the Bonds and will place the Bonds in the City's pooled treasury funds.

The City will administer the Assessment District. As provided in Streets and Highways Code Section 10204(f), an additional assessment will be levied annually on each parcel to pay costs associated with the administration of the Assessment District. An annual amount to pay costs incurred by the City with respect to the administration of the Assessment District and the Bonds, will initially equal \$15,000, which will be adjusted annually by the changes in the U.S. Department of Labor Consumer Price Index for the San Francisco-Oakland-San Jose Area index as of June of each year.

ATTACHMENTS

1. [Resolution](#)
2. [Exhibit A - Fiscal Agent Agreement](#)

Prepared by: Bhavna Chaudhary
City Treasurer/Finance Manager

Approved by:



Marianna A. Burch
City Manager

Fiscal Review by:



Tina Olson
Administrative Services Director