

November 28, 2016

To: Mayor and City Council Members

From: Douglas G. Faseler
City Manager



Re: Authorization to Initiate the Issuance of Utility Revenue Bonds

As approved in the Fiscal Year 2017 budget the issuance of Utility Revenue Bonds is planned during this budget year. Projects that are planned to be funded through this issuance include:

Water Plant Twelve Filter Rehabilitation Project \$4,650,000

The engineering for this project was included in the Fiscal Year 2016 budget and is currently underway. Due to the anticipated increased use of surface water the existing filtering system needs rehabilitation and upgrading. This project will include the installation of a new filter cleaning system, valves, blower, and all equipment needed. The project will ensure reliable filter operation during poor water conditions in the river and reduce the water needed during a filter backwash during filter cleaning, reducing the cost of operation. The project will help ensure the water plant can meet all production numbers now and into the future.

Walnut Branch WWTP Discharge Metering \$275,000

The discharge metering structure and meter are in need of modification and replacement. It is crucial that discharge metering is accurate as we report our plant operations to TCEQ. Overstating our actual discharge from the plant could trigger requirements for the plant to be expanded prematurely resulting in a costly plant expansion.

Walnut Branch WWTP Lift Station, Headworks, and Chlorine Chamber Engineering \$200,000

The lift station, plant headworks, and chlorine chamber are in need of being upgraded due to higher flows being experienced at the plant.

Geronimo Creek WWTP Headworks and Return Activated Sludge
Pump Station Engineering \$74,000

The headworks and the RAS pump station are in need of upgrading in order to deal handle higher flows being experienced at the plant.

These projects require the issuance of \$5,200,000 in Utility Revenue Bonds. During the budget process water and wastewater rates were adjusted in order to fund the debt service payments required for these bonds.

Since the approval of the budget, the City of Seguin has negotiated with GBRA to purchase the Springs Hill Wastewater Treatment Plant (SHWWTP). Upon purchasing the plant the City will begin the engineering and design of a major lift station and transmission main to replace the plant. The wastewater will then be treated at the Walnut Branch Wastewater Treatment Plant. Upon completing the construction of the lift station and main, the SHWWTP will be decommissioned and demolished. The Utility Revenue Bonds issuance amount needs to be sufficient to cover these expenses. The expenses related to this project include:

Plant Purchase	\$1,035,000
GBRA Labor Costs	\$ 70,000
Lift Station to Pump to Walnut Branch WWTP	\$1,710,590
Plant Abandonment/Closure	<u>\$ 484,410</u>
Total:	\$3,300,000

These expenses total \$3,300,000. Currently the City of Seguin pays GBRA approximately \$300,000 a year for wastewater treatment. Upon the City's purchase of the plant the City will no longer have these expenses. The annual payment that we have been making to GBRA will be sufficient to cover the annual debt service payments that are related to the SHWWTP purchase.

Therefore, staff is requesting authorization to initiate the issuance of \$8,500,000 in Utility Revenue Bonds. The sale of the bonds and receipt of the proceeds would be in January and February 2017.

Also included on this agenda is a Reimbursement Resolution to enable the City to recover any project expenditures prior to receipt of the Utility Revenue Bond proceeds.

C.c. Susan Caddell
Rick Cortes