



staff report

TO: Honorable Mayor and Members of the City Council

FROM: Jeffrey L. Stewart, City Manager

SUBJECT: Consideration and possible action to adopt Resolution No. 16-XX – A Resolution stating the City Council’s legislative intent for the use of proceeds from the sale of the Bellflower Municipal Water System and providing citizen oversight of such expenditures.

DATE: August 8, 2016

EXECUTIVE SUMMARY

This Resolution adopts a statement of the City Council’s legislative intent with respect to the expenditure of proceeds from the sale of the Bellflower Municipal Water System (MWS).

RECOMMENDATION TO CITY COUNCIL

- 1) After consideration, adopt Resolution No. 16-XX; or
- 2) Alternatively, discuss and take other action related to this item.

FISCAL IMPACT

The total estimated cost to consolidate with the County’s November 8, 2016, Statewide General Election should not exceed \$60,000. \$51,000 included in the FY 2016-2017 Budget (Account No. 001-43602-1210) plus carryover of unused election budget allocation from FY 2015-2016 will be sufficient to fund the cost of the election. If approved by the voters, the sale of the Bellflower Municipal Water System (“MWS”) to California-American Water Company for \$17 million will generate an estimated \$8.8 million of net proceeds as follows:

Sale price	\$17,000,000
Less COP repayment/defeasance (principal & interest from October 2017 to 2018 defeasance).....	(7,697,591)
Less Federal grant reimbursement (excluding 2014 AMI BOR grant & depreciation allowance)	(1,545,396)
Sub-Total.....	\$7,757,013
COP debt service reserve	543,000
Other Reserve Funds.....	500,000
Total / Estimated Net Proceeds from Sale ^{1 2 3}	\$8,800,013

¹ Above amounts are estimates except for the sale price and COP related amounts

² Any additional funds available at the MWS time of sale will be added to the estimated net proceeds

³ Assumes the City will forgo repayment of \$2,709,554 loaned by the City’s General Fund to the MWS and add those monies to the Total /Estimated Net Proceeds from Sale

BACKGROUND

On July 25, 2016, the City Council adopted Resolution No. 16-47 adding a proposition to the ballot for the November 8, 2016 Special Municipal Election for submission to the voters of a question relating to the sale of the MWS to California-American Water Company.

During its consideration of Resolution No. 16-47, the City Council directed the City Manager to bring back for consideration a statement of legislative intent for the use of any revenues resulting from the sale of the MWS, currently estimated to be \$8.8 million, including \$2.7 million loaned by the City’s Genral Fund to the Bellflower Municipal Water System.

1. **Legislative Intent for Use of Proceeds from Sale of MWS.** The entirety of the net proceeds from the sale of the MWS will be placed in a “Public Projects Fund” within the City’s General Fund to be used to fund capital projects designed to attract new businesses, retain existing businesses, and create new community recreation facilities. The net proceeds from the sale will not be used for general municipal purposes, including ongoing public employee salaries.

2. **Legislative Intent for Citizen Oversight of Expenditure of Proceeds from Sale of MWS.** If the voters of the City approve the sale of the MWS, and at the time on or before the transaction of the sale is completed, the City Council will designate a citizen oversight board to review all expenditures made using revenue generated from the sale of the MWS and report to the City Council whether they have been made to fund appropriate public projects within the City.

ATTACHMENT

Resolution No. 16-XX..... 3

CITY OF BELLFLOWER

RESOLUTION NO. 16-XX

A RESOLUTION STATING THE CITY COUNCIL'S LEGISLATIVE INTENT FOR THE EXPENDITURE OF PROCEEDS FROM THE SALE OF THE BELLFLOWER MUNICIPAL WATER SYSTEM AND PROVIDING CITIZEN OVERSIGHT OF SUCH EXPENDITURES

THE CITY COUNCIL RESOLVES AS FOLLOWS:

SECTION 1. The City Council finds and declares as follows:

A. On July 25, 2016, the City Council adopted Resolution No. 16-47 adding a proposition to the ballot for the November 8, 2016 Special Municipal Election for submission to the voters of a question relating to the sale of the Bellflower Municipal Water System to California-American Water Company.

B. The City Council currently estimates the total net proceeds from the sale of the Bellflower Municipal Water System to California-American Water Company to be \$8.8 million, including \$2.7 million loaned by the City's General Fund to the Bellflower Municipal Water System.

C. It is the City Council's legislative intent that:

1. The City will forgo repayment of \$2,709,554.00 loaned by the City's General Fund to the Bellflower Municipal Water System for water system operations, repairs and capital improvements; and that these monies be included in the total net proceeds from the sale of the water system; and

2. The entirety of the net proceeds from the sale of the Bellflower Municipal Water System, including the aforementioned and foregone loan re-payment, will be placed in a "Public Projects Fund" within the City's General Fund to be used to fund capital projects designed to attract new businesses, retain existing businesses, and create new community recreation facilities. The net proceeds from the sale of the Bellflower Municipal Water System will not be used for general municipal purposes including, without limitation, ongoing public employee salaries; and

3. On or before the transaction of the sale of the water system, the City Council will designate a citizen oversight board to oversee the expenditure of all revenue generated by the sale of the Bellflower Municipal Water System and report to the City Council whether they have been made to fund appropriate public projects within the City.

SECTION 2. If any part of this Resolution or its application is deemed invalid by a court of competent jurisdiction, the City Council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Resolution are severable.

SECTION 3. The City Manager will establish policies and procedures as necessary to carry out this legislative intent.

SECTION 4. The Mayor, or presiding officer, is hereby authorized to affix his signature to this Resolution signifying its adoption and the City Clerk, or her duly appointed deputy, is directed to attest thereto.

SECTION 5. This Resolution will become effective immediately upon adoption.

PASSED, APPROVED, AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF BELLFLOWER ON THIS ___ DAY OF _____, 2016.

Dan Koops, Mayor

Attest:

Mayra Ochiqui, City Clerk

APPROVED AS TO FORM:

Karl H. Berger, City Attorney