



STAFF REPORT

DATE: 06/18/2025

TO: Honorable Mayor and City Council Members
Honorable President and Board Members

FROM: Finance Department

2025-248

REQUEST FOR CITY COUNCIL AND CORONA UTILITY AUTHORITY ACTION

SUBJECT:

CITY COUNCIL CONSIDERATION OF RESOLUTION NO. 2025-084, DECLARING ITS INTENT TO REIMBURSE EXPENDITURES RELATED TO THE ADVANCED METERING INFRASTRUCTURE PROJECT FROM THE PROCEEDS OF THE SALE OF TAX-EXEMPT BONDS

EXECUTIVE SUMMARY:

This staff report asks the City Council to approve a resolution declaring its intent to reimburse itself for expenditures relating to the Advanced Metering Infrastructure Project, up to \$21.1 million, from the proceeds of the sale of tax-exempt bonds.

RECOMMENDED ACTION:

- a. That the City Council adopt Resolution No. 2025-084, declaring its intent to reimburse expenditures related to the Advanced Metering Infrastructure Project from the proceeds of the sale of tax-exempt bonds.
- b. That the Corona Utility Authority review, ratify, and to the extent necessary, direct that the City Council take the above action.

BACKGROUND & HISTORY:

The City Council approved the Fiscal Year (FY) 2022 Capital Improvement Plan on June 16, 2021, which included the Citywide Advanced Metering Infrastructure (AMI) Meter Replacement Capital Improvement Project No. UT-2022-03. This project aims to upgrade approximately 46,500 water meters with AMI meters to enable near real-time remote meter reads. This will allow customers to monitor their usage and detect leaks promptly, which will be crucial to achieving water savings requirements from the State in upcoming years.

The Utilities Department completed a water rate study in October 2024, which included a \$50 million debt issuance planned for FY 2025. This will allow the Utilities Department to accomplish its long-term capital plan. The debt service payments and coverage requirements were included in the revenue adjustments. The City Council and Corona Utility Authority will consider approving a tax-exempt bond sale at a Council Meeting in late 2025 or early 2026.

ANALYSIS:

The contract for the procurement of AMI equipment and network infrastructure was awarded on April 17, 2024. The contract for meter installation was awarded on March 19, 2025, with work expected to begin in August 2025 and be completed by June 2027. The total project cost is not to exceed \$21,100,000. For the project to proceed, funding and related expenditures were initiated prior to the sale of tax-exempt bonds.

To date, \$1,554,396 has been spent on equipment and network infrastructure, of which \$58,131 is eligible for reimbursement from bond proceeds. This makes the AMI project a strong candidate for bond financing due to scale and timing. The project timeline aligns well with the federal spend-down requirements for tax-exempt bonds, which generally expects proceeds to be spent within five years of issuance. Additionally, utilizing bond funding for this capital investment allows the Utilities Department to preserve cash flow and maintain fund balance for other operational and infrastructure needs.

Section 1.150-2(d) of the Regulations of the United States Department of the Treasury ("Regulations") permits reimbursement from the proceeds of tax-exempt bonds of the amounts advanced and expended for the project for all expenses not later than 60 days after the date of the original expenditure, from the date when the City Council adopts an official intent to reimburse itself for the expenditure and such reimbursement occurs no later than 18 months after the later of the date of payment of such expenditures or the date the Facilities are placed in service, but in no event more than three (3) years after the date of such expenditures.

The attached resolution expresses the City Council's official intent to reimburse itself for amounts expended on the AMI Project, up to \$21.1 million, from the proceeds of any tax-exempt bonds that may be issued and sold. Should the City decide not to proceed with the sale of bonds, any project expenditure incurred will be funded through the City's existing and future budgets appropriated for the project.

FINANCIAL IMPACT:

Approval of the recommended action will authorize the reimbursement of up to \$21.1 million for expenditures related to the AMI project, from the sale of tax-exempt bonds. The City Council and Corona Utility Authority will consider a tax-exempt bond sale during Fiscal Year 2026, tentatively late 2025 or early 2026.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action merely approves a reimbursement resolution from tax-exempt bonds, and there is no possibility that adopting the resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: KIM SITTON, FINANCE DIRECTOR

REVIEWED BY: BRETT CHANNING, ASSISTANT CITY MANAGER

ATTACHMENTS:

1. Exhibit 1 – CUA Resolution No. 2025-084 Reimbursement Resolution