



Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: May 7, 2018

Re: Water Utility Five Year Revenue Bond Program

Executive Summary

Staff has prepared for Council consideration an ordinance authorizing a special election on the question of whether to issue Water and Electric System Revenue Bonds in the amount of \$42,845,000 for the purpose of extending, expanding, improving, repairing, replacing and equipping the city-owned water systems. Council is being asked to consider this referendum for the August 2018 election. Staff estimates that the rate increases needed to support debt service will total 11% for this issue. Funding major capital projects with revenue bonds provides the lowest rate impacts and supports rate stability for current and future water customers.

Discussion

Staff has prepared the information necessary to place a Water and Light Revenue Bond Issue on the August 2018 ballot. The list of FY19-FY23 Capital Improvement Projects (CIP) was reduced by first determining if the project was critical to reliably providing Water service for all customers in the next five years. The list was further edited by staff to ensure only projects providing long-term benefits that fit this long-term funding philosophy were included for this financing. This funding approach is designed to assure future customers that benefit from the system are also the customers paying for the system projects. A list of the proposed projects is attached. The proposed bond issue is for a water construction program which is consistent with present policy for funding of water infrastructure. A combination of borrowed money and current income from rates is used. This method of funding allows for minimal rate increases and ensures future customers help pay for the system upgrades they benefit from. The last water bond issue for system improvements was in 2008 for \$39 million. This proposed bond issue is for \$43 million which will fund main relocation for streets and highways, water main replacements, water treatment plant upgrades, pump station upgrades, well platform improvements, elevated storage and pumped storage additions. The water projects in this list are located in various areas of the City and will provide improvements and continued water service reliability to all areas of the community. Water studies and analysis has identified work that must be done to the water system to meet our current reliability requirements and customers future water service reliability expectations. It is estimated that a total of 11% in rate increases will be needed to cover the debt service requirements of this bond issue. One 3% increase will be needed following the passage of the bond proposal. The remaining 8% increase needed would be proposed as 3% increases for FY20 and FY21 followed by a 2% increase for FY22. Funding for these projects through enterprise revenue would result in higher rate impacts. Rate changes for other water operational needs will be addressed separately in future budgets.



Fiscal Impact

Short-Term Impact: A portion of the Election Costs

Long-Term Impact: A portion of the Election Costs

Strategic & Comprehensive Plan Impact

[Strategic Plan Impacts:](#)

Primary Impact: Infrastructure, Secondary Impact: Secondary, Tertiary Impact: Tertiary

[Comprehensive Plan Impacts:](#)

Primary Impact: Infrastructure, Secondary Impact: Secondary, Tertiary Impact: Tertiary

Legislative History

Date	Action
N/A	N/A

Suggested Council Action

Adoption of the proposed legislation to place this referendum on the August 2018 ballot.