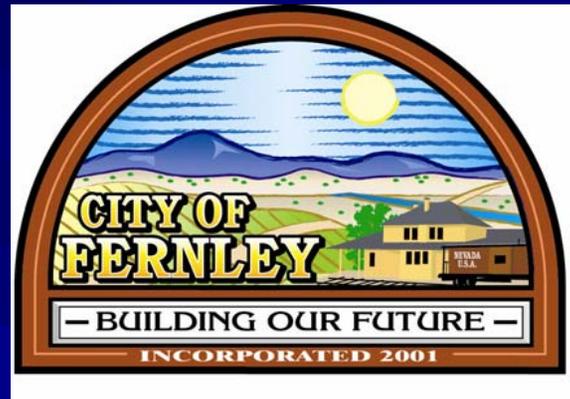


Water Bond History and Repayment Options



Presented by:
City of Fernley Public Works
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Impact of New Standards

- Safe Drinking Water Act and Arsenic Rule
- Maximum Arsenic level of 10 ppb
- City required to meet new rules by 2009
- Required construction of:
 - arsenic removal plant
 - pipelines from wells to plant (conveyance)
 - pipelines from plant to customers (delivery)
- Today drinking water is under 5 ppb

The Financial Summary

- Bonds for Water Projects equaled \$74.5 million
- Annual water bond payment is \$4.72 million
- Annual water sale income equals ~ \$5 million
- The bond debt is almost as much as our total income
- Not enough money left to run the water system

How do we pay to run the system?

- It costs about \$3 million per year to run the water system
- Savings account balance has dropped from \$8 million to \$2.5 million over the last three years
- We have to find a solution before the savings runs out
- We might not have enough money to pay the bond payment in February 2013

Bond Repayment Options

- Four Options:
 - Sell the utility to a private company
 - Charge a fee to repay the loan
 - Find new customers to share the cost
 - Refinance the loan to lower the yearly payment
- Presented to City Council on January 4, 2012 as part of budget workshop
- Discussion and Action taken on April 4, 2012
 - Only consider three options (not selling)

Why Consider a Fee?

- Refinancing could cost up to \$15 million and customers will eventually have to pay that back, too
- Refinancing will only reduce the annual payment for seven years – then the payment actually goes higher than it is today
- Finding new customers by expanding our service area will take time and would be a longer term solution

Why can't you just cut the budget?

- Water Enterprise Fund money is separate from General Fund and Sewer Fund money
- Three separate businesses
- Water Fund Budget has been cut and staff is constantly trying to save money
- Regulated by the Federal Government, State, NRS and NAC

Saving Money in the Water Fund

- 7% decrease in operating expenses between FY10/11 and FY11/12
- 3% decrease for combined operating and capital expenses between FY11/12 and proposed FY12/13 budgets (further reduced capital)
- \$341,000 in budgeted capital expenditure savings in FY10/11 by deferring purchases and projects
- \$200,000 in budgeted capital expenditure savings in FY11/12 through facility repair instead of replacement

Saving Money in the Water Fund

- In 2011 and 2012, one position under filled and one position left vacant to save on salary budgets
- Only essential equipment purchases and repairs have been completed and no vehicles have been purchased since 2009
- No merit raises or cost of living increases since 2009
- Proposed capital budget for next year (FY12/13) is less than each of the budgets for the previous five years

Bond Fee Option

- Questions for City Council on April 4, 2012:
 - Do we collect the entire \$4.7 million bond debt and modify the existing water rates?
 - Do we collect the bond fee from all existing water customers, including inactive accounts, and anyone who has a reserved hook-up?
 - Do we collect the bond fee in accordance with the meter multiplier, which is based on the available capacity of the pipe?
 - Do we collect the fee as an additional item on the property tax statement?

City Council Direction

- Work on developing a bond debt fee of up to \$44.00
- The base fee should be based on multipliers for meter size (more capacity equals higher fee)
- The fee would be collected from existing water customers and anyone with a reserved hook-up
- Collect the fee on the property tax statement

City Council Direction

- Assess possible modifications to the existing water rates as a result of collecting the entire bond payment through the fee
- Minimize the fees and rates as much as possible
- Begin the Business Impact Statement process as required by NRS

Water Bond Fee Structure

Meter Size Capacity	Rate
Will-served lot	Base Rate
$\frac{3}{4}$	Base Rate
1	Base Rate* 1.67%
1 $\frac{1}{2}$	Base Rate* 3.33%
2	Base Rate* 5.33%
3	Base Rate* 10.00%
4	Base Rate* 16.67%
6	Base Rate* 33.35%

*Based on American Water Works Association best practices

Meter Size	Accounts	Multiplier	Monthly Rate	Monthly Revenue
3/4"	6890	1	\$ 42.26	\$ 291,158.32
1	132	1.67	\$ 70.57	\$ 9,315.38
1 1/2"	57	3.33	\$ 140.72	\$ 8,021.01
2	138	5.33	\$ 225.24	\$ 31,082.52
3	3	10	\$ 422.58	\$ 1,267.74
4	17	16.67	\$ 704.44	\$ 11,975.52
6	2	33.35	\$ 1,409.31	\$ 2,818.62
will-serve lots/ inactive accounts*	892	1	\$ 42.26	\$ 37,694.23
Monthly Total Revenue				\$ 393,333.33
Annual Total Revenue				\$ 4,720,000.00

What's next?

- Business Impact Statement
- Public Meetings
- Public Hearings for Ordinance
- Fee Resolution
- More discussions and more questions
- More research and analysis

www.cityoffernley.org/waterbond