



Meeting Date: April 4, 2012
 Agenda Item: # 11

Mission Statement
 To provide our growing dynamic community excellent municipal services to make Fernley a great place to live, work, and play.
 Together, we enhance the desirability, safety, friendliness, aesthetics and quality of life in our city.

CITY OF FERNLEY CITY COUNCIL MEETING STAFF REPORT

REPORT TO: Mayor & City Council

REPORT THRU: Fred Turnier, Interim City Manager *FT*

REVIEWED BY: *PT by SM*

REPORT FROM: Kathy Bennett, Technical Specialist II *KB*

AGENDA ITEM: DISCUSSION AND POSSIBLE DIRECTION TO STAFF TO PREPARE A BUSINESS IMPACT STATEMENT FOR THE COLLECTION OF WATER BOND DEBT FEE.

ACTION REQUESTED: Consent Ordinance Resolution Motion Receive/File

POLICY ISSUE

The City of Fernley staff has been evaluating different scenarios to generate revenues to pay the bond debt on the Water Treatment Plant. We have concluded it is in the best interest of our citizens to collect the entire bond debt of \$4.72 million dollars, as an additional item on the property tax statement.

RECOMMENDED ACTION BY CITY COUNCIL

Direct city staff to prepare a Business Impact Statement, which reflects the collection of a Water Bond Debt fee as an additional item on property tax statements. With the following method of fee collection:

- 1) Collect \$4.72 million annually on property tax statement;
- 2) Collect fee based on capacity of meter size as outlined in Table 1.1;
- 3) Collect fee from existing customers and will-served lots in accordance with Table 1.2.

POLICY ALTERNATIVE(S)

To take no action

STRATEGIC PLAN RELEVANCE:

Economic Vitality:	Yes
Accountable/Efficient Gov't:	Yes
Enhance Gov't Partnerships:	Yes
Quality of Life:	Yes

STRATEGIC PLAN SYNOPSIS:
 Strategic Goal 3:
 Preserve and maintain quality of life and enhance maintenance and reconstruction of City infrastructure with emphasis on sustainability.

POLICY REFERENCE

Nevada Statutes: NRS 237.090
Fernley Municipal Code: N/A
Policies & Procedure Manual: N/A
Community Assessment: N/A
Other: N/A

SUMMARY

May 17, 2011, Fernley City Council approved Resolution #2011-002, for a Residential Temporary Bond Debt Assessment of \$18.00 per month, per residential unit. June 15, 2011, the Council approved Resolution Number 2011-033 for a Flat Rate Fee Assessment for Commercial Users of \$36.00 per month. Passing these Resolutions was intended to partially cover the structural deficit in the water enterprise fund due to the annual bond debt service.

The collection of the Temporary Bond Debt Assessment acted as a stop gap measure; but we did not collect the long term debt relief we needed. As of March 31, 2012 we have received \$1.1 million in bond debt assessment collections. Calculating estimates through the end of the fiscal year, we are anticipating \$1.4 million; our current bond debt payment is \$4.7 million annually.

The City of Fernley is struggling with the painful question, how are we going to cover the bond debt? We need to develop a long term strategy that will continue to work year after year, and allow the operation and maintenance of our systems to move forward without having to fund the bond debt, or borrow funds from the general fund.

Tonight we are proposing a fee to be collected on the Property Tax Statements, a Water Bond Debt Fee. This would allow both residential and commercial property owners to pay their portion of the bond debt as part of their tax statement. This structure may alleviate monthly burden for businesses paying their monthly water bill.

Option 1-Table 1-1

Meter Size Capacity	Fee Type	Percentage of Base Rate
3/4"	Base Rate	X 1.0%
1	Base Rate	X 1.67%
1 1/2	Base Rate	X 3.33%
2	Base Rate	X 5.33%
3	Base Rate	X 10.00%
4	Base Rate	X 16.67%
6	Base Rate	X 33.35%

Table 1-1 Option 1, shows the calculations formula for using our current customer base of approximately 7239 account holders commercial, residential and multifamily.

Option 2-Table 1-2

Meter Size Capacity	Fee Type	Percentage of Base Rate
3/4"	Base Rate	X 1.0%
1	Base Rate	X 1.67%
1 1/2	Base Rate	X 3.33%
2	Base Rate	X 5.33%
3	Base Rate	X 10.00%
4	Base Rate	X 16.67%
6	Base Rate	X 33.35%
Will-Served lot	Base Rate	X 1.0%

Table 1-2, Option 2 shows the addition of a Will-Served lot. What this includes is any lot that has a will-serve commitment reservation issued. This would be any final mapped lots that may not have current service, but have the ability to connect at anytime. (Services have been stubbed to the lot). This fee is to be assessed in the same manner as Option1 through the property tax statement. By adding the will-served lots it adds more connections to the formula and ultimately decreasing the annual fee for all.

The information and estimated fees presented here is preliminary and if Council directs staff to complete the Business Impact Statement a detailed analysis will be completed, including an exact determination of the number of will-served lots. The final fee amount will be determined after the number of lots is finalized.

FINANCIAL INFORMATION

FISCAL IMPACT:

- | | |
|------------------------------|-----|
| 1. Is There A Fiscal Impact? | Yes |
| 2. Is it Currently Budgeted? | No |
| 3. Which General Ledger? | N/A |

FISCAL SYNOPSIS:

By collecting the entire bond debt of \$4.72 million, all water sales will stay Within the Water Enterprise Fund, for the needed system improvements.

PRIOR COUNCIL ACTION/REVIEW

April 20, 2011, Agenda Item #10, DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING A TEMPORARY BOND DEBT ASSESSMENT FOR UTILITY WATER USERS AND OTHER MATTERS PROPERLY RELATED THERETO.

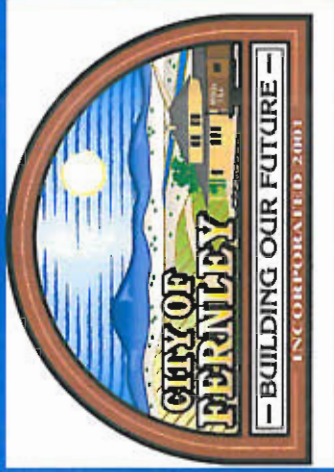
May 17, 2011, Agenda Item #7, Resolution Number #2011-002, DISCUSSION AND POSSIBLE APPROVAL OF RESOLUTION #2011-002 FOR A RESIDENTIAL TEMPORARY BOND DEBT ASSESSMENT.

June 01, 2011, Agenda Item #12, DISCUSSION AND POSSIBLE APPROVAL OF BUSINESS IMPACT STATEMENT AS IT RELATED TO THE ADDITION OF A RESIDENTIAL AND COMMERCIAL TEMPORARY ASSESSMENT FOR WATER BOND DEBT SERVICE.

June 15, 2011, Agenda Item #13, Resolution Number #2011-003, DISCUSSION AND POSSIBLE APPROVAL OF RESOLUTION #2011-003 FOR FLAT RATE FEE ASSESSMENT FOR COMMERCIAL USERS.

BACKGROUND INFORMATION

N/A



Water Bond Debt Fee

Business Impact Statement

OPTIONS TO CONSIDER

- Do we collect the entire \$4.72 million through property tax statements?
- Do we collect the fee based on meter size capacity?
- Do we only charge existing customers or do we add all will-serve committed lots?

WATER BOND DEBT RATE TABLE DESIGN

Meter Size Capacity	Rate
3/4"	Base Rate
1"	Base Rate * 1.67%
1 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 Associated best practices



- All information contained on the following statements are for discussion purposes
- All facts and figures must be checked and verified prior to any implementation
- Fees represented are estimates at this time and are subject to change after final analysis

FOR DISCUSSION PURPOSES ONLY,

using our current customer base

Meter Size	# of Accts	Monthly Fee	Collected Monthly
3/4	6890	\$48.00	\$330,720.00
1	132	\$80.16	\$10,581.12
1 1/2	57	\$159.84	\$9,110.88
2	138	\$255.84	\$35,305.92
3	3	\$480.00	\$1,440.00
4	17	\$800.16	\$13,602.72
6	2	\$1600.80	\$3,201.60

FOR DISCUSSION PURPOSES ONLY, using customers and will-serve lots

Meter Size	# of Accts	Monthly Fee	Collected Monthly
3/4	6890	\$44.00	\$298,012.00
1	132	\$73.48	\$9,699.36
1 1/2	57	\$146.52	\$8,351.64
2	138	\$235.52	\$32,363.76
3	3	\$440.00	\$1,320.00
4	17	\$733.48	\$12,469.16
6	2	\$1,467.40	\$2,934.80
Will-Serve Lots	542*	\$44.00	\$23,848.00

*Number of will-served lots had been estimated for this purpose 6

Questions?