



- Formed at Board Workshop February 2, 2017
- Purpose:
 - Reexamine the water meter installation project's:
 - Bond financing
 - Calculating meter install cost to customers
 - Make recommendations to the Board





- CONSIDERATIONS:
 - Public comments and suggestions
 - Fiscal prudence
 - Future Capital Projects
 - Administrative challenges
 - Impact on staff
 - Various bond & no bond amount scenarios





- RECOMMENDATION #1
 - REDUCE BOND AMOUNT FROM \$3.2m
 TO \$1.5m.

 PAYBACK OF BOND BY NEW METER RECIPIENTS WHO ELECT TO PAY OVER TIME.





- RECOMMENDATION #2
 - COST TO EACH NEW METER CUSTOMER BE BASED ON A TIERED SYSTEM





- RECOMMENDATION #3
 - TWO CHOICES FOR CUSTOMER PAYBACK
 1. Payoff in full upfront
 OR
 - 2. Combination payoff over time
 10-year interest loan (pays bond)
 AND (not or)
 3-year no-interest loan (pays reserves)





RECOMMENDATION EXAMPLES - PREFACE

All examples are **ESTIMATES**!!

The cost of bond issuance on \$1.5m & interest rate is an estimate (until issued).

Until the project is completed, we will NOT KNOW:

- The exact number of installs 3,531 is an estimate.
- The exact pricing of all supplies, including meters & meter boxes (more need to be purchased & pricing can change).
- The exact cost of other estimated budgeted amounts (could be more, could be less).

The number of customers that pay upfront will not be known until after all costs are known.

Customers will not be charged until all costs are known – likely after January 2018.





BOND EXAMPLE - ESTIMATED

\$1.5m bond + \$50k cost = \$1,550,000 If 20% of 3,531 installs paid upfront, 2,825 users pay bond \$1,550,000/2,825 payers = \$548.67 + 4.5% interest = \$682.41 \$682.41/120 mo = \$5.69/mo

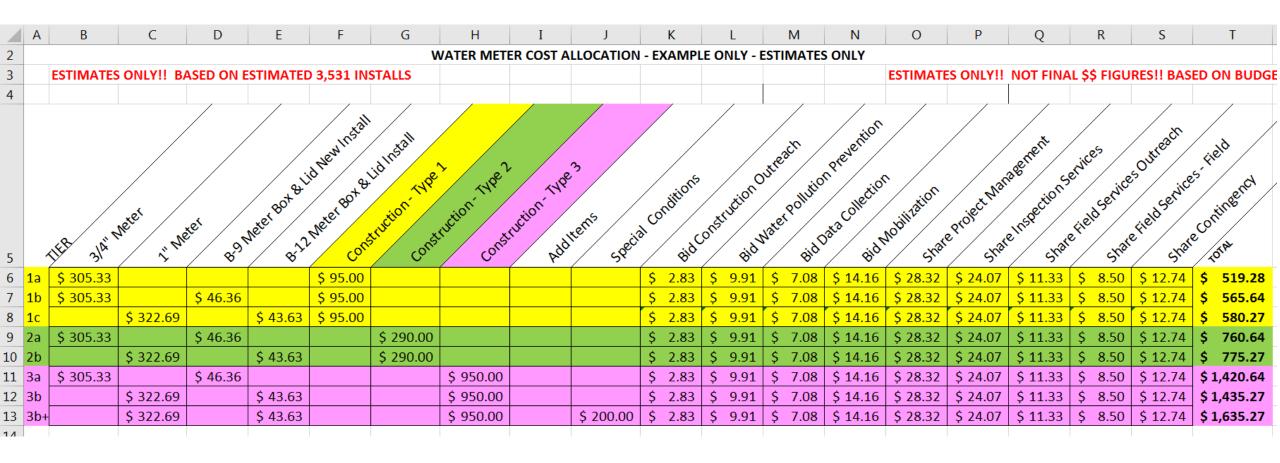
\$1.5m bond + \$50k cost = \$1,550,000 If 10% of 3,531 installs paid upfront, 3,178 users pay bond \$1,550,000/3,178 payers = \$487.72 + 4.5% interest = \$606.59 \$606.59/120 mo = \$5.05/mo





COST ALLOCATION EXAMPLE - ESTIMATED

FINAL NUMBERS WILL **NOT** BE KNOWN UNTIL COMPLETION OF THE PROJECT.







BILLING EXAMPLE - ESTIMATED

BILLING AFTER ALL COSTS ARE KNOWN – LIKELY AFTER JANUARY 2018

CUSTOMER CAN CHOOSE TO PAY UP FRONT – BUT WOULD HAVE A SHORT WINDOW TO DO THIS PRIOR TO FIRST BILLING

CUSTOMERS WHO ELECT <u>NOT</u> TO PAY UP FRONT, WILL HAVE TWO LINE ITEMS ON THEIR BILL





BILLING EXAMPLE - ESTIMATED

EXAMPLE:

IF BOND PRINCIPLE IS \$1.55m, & 2,825 (80%) SHARE BOND COST, & FINAL METER COST IS \$760.64:

Line 1: 3 years no-interest loan to reserves Line 2: 10 years 4.5% interest loan (bond) \$ 5.89 mo <u>\$ 5.69 mo</u> \$11.58 mo FIRST 3 YRS \$ 5.69 mo LAST 7 YRS

TOTAL PAYMENT OF\$894.84(Total Bond Interest = \$134.20)

IF BOND PRINCIPLE IS \$1.55m, & 3,178 (90%) SHARE BOND COST, & FINAL METER COST IS \$760.64:

Line 1: 3 years no-interest loan to reserves Line 2: 10 years 4.5% interest loan (bond) \$ 7.58 mo <u>\$ 5.05 mo</u> \$12.63 mo FIRST 3 YRS \$ 5.05 mo LAST 7 YRS

TOTAL PAYMENT OF \$878.88 (Total Bond Interest = \$118.24)