



NORTH TAHOE PUBLIC UTILITY DISTRICT

DATE: March 05, 2013

ITEM: C-2

FROM: Finance Department

SUBJECT: Funding for the Base Facility and Dollar Sewer Pump Station.

RECOMMENDATION:

The Planning and Development Committee recommends:

1. The District spend down Unrestricted Sewer Fund Reserves instead of financing.
 - a. To fund the Base Facility Project estimated at \$3,000,000.
 - b. To fund the Dollar Hill Sewer Station Rehabilitation Project estimated at \$2,200,000.
2. The District use a transfer of land owned by Water Fund to compensate the Sewer Fund for its portion of the Base Facility Project.
3. The District use Water System Replacement Fee Revenue to balance Water Operation Fund's deficit.

DISCUSSION:

Whereas;

- District has cash and unrestricted reserves in excess of its Minimum Goal. Per the June 30, 2012 annual audit, District Unrestricted Reserves were \$10,900,000. The District's minimum reserve goal is approximately \$2,400,000 or 25% of annual Operating Budget [not including depreciation].
- District Sewer Dollar Pump Station Rehabilitation project at \$2,200,000 exhausts nearly 4 years of Sewer System Replacement Fees, creating a deficit in the year constructed and causing all additional Sewer CIP projects to be postponed until the balance is restored.
- District has land known as Gentry Property, owned by the Water Fund that it acquired in 2008 at a cost of \$758,437. Two of the acquired parcels are no longer needed and have unknown market value. APN 110-010-005 is approximately 10 acres and APN 110-010-013 is approximately 29 acres.
- District's Sewer CIP didn't include Base Facility construction. It did include design.
- District's Sewer Fund's Operational expense is approaching total Revenue including budgeted Property Tax Revenue. What appears to be an imminent deficit is offset by the potential and actual improvements in property tax revenue over the amount budgeted.
 - District has begun receiving "Residual" Redevelopment Agency Pass Through property tax revenue.
 - \$407,000 in 2013.
 - District is unable to ascertain from County officials the "Residual" RDA payment schedule, [therefore District cannot prudently budget for this revenue].

- District is owed \$267,000 from 2010 when California borrowed District Property Tax revenue. Repayment date is unknown.
- District's assessed valuation is beginning to improve which will result in additional Property Tax revenue.
- District's Water Operational expenses exceed Operating Revenue and therefore can't afford debt service payment [Existing B of A Loan] without using System Replacement Fee Revenue.
- District's original Water CIP plan included debt service for Zone 1 Water Storage Tank; however when Board opted for a 15 year term loan instead of a 30 year term, the increased annual payments grew to 43% of the \$1,040,000 annual Water System Replacement Fee revenue.
- District's Water Operating Revenue had traditionally been sufficient to meet its covenant to meet debt coverage of 125%, and had made C.O.P. payments.
- District's Water loan payments for Zone 1 Water Storage Tank were budgeted from Water Operation Revenue. This was due to historical manor of paying Water debt with Operating Revenue; however expenditures have increased not leaving sufficient funds to pay Water debt.
- District's Water Fund's C.O.P. term is ending in 2014, thus freeing up funds and lessening the use of reserves needed to balance Water Operating budget.
- District has property that may be sold to replenish reserves.
 - a) Stoker Property
 - b) Water Tank property - Gentry Properties
- District saves approximately \$70,000 in attorney fees and other costs of issuing debt by using reserves instead of debt.

FISCAL ANALYSIS:

The fiscal impact of the Committee recommendations:

1. The use of Reserves to fund the Base Facility Project reduces Sewer Reserves by \$3,000,000.
2. The use of Reserves to fund the Sewer Dollar Hill Sewer Pump Station Rehabilitation Project reduces Sewer Reserves by \$2,200,000.
3. The transfer of land from Water to Sewer has no fiscal impact to the District as a whole.

ATTACHMENTS: None

REVIEW TRACKING:

Reviewed By: _____
 Larry Marple
 Chief Financial Officer

Approved By: _____
 Paul A. Schultz, P.E.
 General Manager/CEO