

Heber Public Utility District Report to the Board of Directors

MEETING DATE: February 18, 2016

FROM: Laura Fischer, General Manager

SUBJECT: Adopt Resolution 2016-3 Eliminating the Debt Established by Resolution 2013-1 and Authorize the payment of \$174,171.35 From the Water Fund to the Wastewater Fund.

ISSUE:

Shall the Heber Public Utility Board of Directors adopt Resolution 2016-3 eliminating the debt established by Resolution 2013-1 and authorize the payment of \$174,171.35 from the Water Fund to the Wastewater Fund?

GENERAL MANAGER RECOMMENDATION:

Adopt Resolution 2016-3 eliminating the debt established by Resolution 2013-1 and authorize the payment of \$174,171.35 from the Water Fund to the Wastewater Fund.

FISCAL IMPACT:

The total amount due from the Water Fund to the Wastewater fund is \$174,171.35.

The total unrestricted fund balance in the Water Fund is \$485,947. These funds are not reserved or restricted for other use and are available to pay off the debt to the Wastewater Fund. After paying off the total amount due from Water Fund to Wastewater Fund the Water Fund balance will be \$311,775.85, which meets the adopted reserve requirement policy and equals 3.6 months of the average operating expenses of the last 3 years.

DISCUSSION:

The Water Fund has a debt to USDA with a mandatory debt coverage ratio of 1.2 and our new debt with the State Revolving Fund will also have a debt coverage requirement of 1.2. This debt coverage ratio means that we must have 1.2 time more revenue than operating expenses. These excess revenue over expenditure funds would then be used to pay the debt.

The HPUD Water Fund established projections when applying for the new State Revolving Fund loan and grant. These projections were based on the following assumptions:

- The Water Fund would continue to the annual payment to the Wastewater Fund for loan used to complete the 3MGD concrete water reservoir. The amount of the annual payment is \$24,883.60 and the term would expire in FY 2022-2023. This debt payment is included in the debt coverage ratio calculation.
- The Water Fund would expend capital funds prior to the start of the new State Revolving Fund debt, and then to keep our expenses lower we would try to keep our capital outlay acquisitions within the annual reserve requirements. This strategy will help us meet our debt service ratio by keeping capital outlay expenses

to a minimum or within the mandatory reserve requirements.

- We also projected a revenue increase starting 2017 through 2020 in an amount equal to 1% of our water sales revenue over all classifications. This may be achieved through various rate increase strategies and will be discussed through our Rate Study presentation in March.
- WE also projected 21 new commercial connections as per the Imperial Center development currently under construction. We did not project any other new connections even though there are 28 new homes in the process of approval.
- We included the revenues from projected capacity fees (from new development) to be available in FY 2017 and FY 2018.

After paying off the Water Fund debt to the Wastewater Fund, the following objectives are met:

- There is sufficient funds to pay the debt.
- After payment of the debt in full, there will be sufficient funds in reserves to ensure the continued operation and maintenance of the Water Fund.
- There is sufficient cash flow and net revenues to meet existing debt coverage ratios as required by our new long term debt with State Revolving Fund.
- The prepayment of the Water Fund debt to the Wastewater Fund is allowed without penalty for fees.

CONCLUSION:

Even with these conservative assumptions, our debt coverage ratio is very tight starting in FY 2017. It is fiscally responsible for HPUD to pay off this long term loan to improve our ability to meet the debt service coverage ratio. As there are sufficient funds to pay off the debt, maintain reserves to ensure continued operations and maintenance of the water system, and to meet debt coverage requirements, staff recommends adoption of Resolution 2016-3 eliminating the Water Fund debt established by Resolution 2013-1.

ALTERNATIVES:

- a) Do not adopt Resolution 2016-3 and do not authorize the pay off the Water Fund debt to the Wastewater Fund.
- b) Provide different direction to staff.

Respectfully Submitted,

Laura Fischer, General Manager

Attachments: Resolution 2016-3
Resolution 2013-1

RESOLUTION NO. 2016-3

A RESOLUTION OF THE HEBER PUBLIC UTILITY DISTRICT APPROVING THE PAYMENT OF \$174,171.35 TO ELIMINATE THE WATER FUND DEBT TO THE WASTEWATER FUND AS ESTABLISHED BY RESOLUTION 2013-1.

Whereas, on March 21, 2013, the Heber Public Utility District adopted Resolution Number 2013-1 establishing the Water Fund debt and terms for monies borrowed from the Wastewater Fund; and

Whereas, the Heber Public Utility District Water Fund has sufficient reserve funds and annual revenues to eliminate the debt and pay the full amount owed; and

Whereas, the Heber Public Utility District desires to have the Water Fund pay the full amount of debt owed to the Wastewater Fund in Fiscal Year 2015-16.

Now Therefore, the Heber Public Utility District does resolve to:

- 1) Make one Inter-Fund Transfer from the Water Fund to the Wastewater Fund to pay the full amount due for FY 2015-16 through FY 2022-23.
- 2) The payment schedule as listed in Resolution 2013-1 is paid in full for the following Fiscal Years.

FY 2016-17	\$24,883.60
FY 2017-18	\$24,883.60
FY 2018-19	\$24,883.60
FY 2019-20	\$24,883.60
FY 2020-21	\$24,883.60
FY 2021-22	\$24,883.60
FY 2022-23	\$24,883.60

APPROVED, PASSED AND ADOPTED at a regular meeting of the Heber Public Utility District, held on this 18th day February 2016.

AYES:

NOES:

ABSENT:

ABSTAIN:

Tony Sandoval, President
Heber Public Utility District

I, Raquel Carrillo, Secretary of the Board of the Heber Public Utility District, DO HEREBY CERTIFY that the foregoing resolution was duly passed, approved, and adopted by the Heber Public Utility District Board of Directors at a regular meeting thereof held on the 18th day of February, 2016.

ATTEST:

Raquel Carrillo, Secretary of the Board,
Heber Public Utility District