LOVELAND CITY COUNCIL
STUDY SESSION
TUESDAY, NOVEMBER 27, 2012
CITY COUNCIL CHAMBERS
500 EAST THIRD STREET
LOVELAND, COLORADO

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6:30 P.M. **STUDY SESSION - City Council Chambers**

1. **WATER & POWER** **(120 minutes)**

Water Utility Financing Scenarios for Infrastructure Needs Update

Staff will provide financing scenarios that address, to varying degrees, the increasing infrastructure needs of the Water Utility. These scenarios take into account input received from City Council and the Loveland Utilities Commission (LUC) at meetings held earlier this year.

ADJOURN

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: **1**
MEETING DATE: 11/27/2012
TO: City Council
FROM: Chris Matkins, Water & Power
Jim Lees, Water & Power
Steve Adams, Water & Power
PRESENTERS: Chris Matkins, Water Utilities Manager
Jim Lees, Utility Accounting Manager
Alan Krcmarik, Executive Fiscal Advisor

TITLE:
Water Utility Financing Scenarios for Infrastructure Needs Update

DESCRIPTION:
Staff will provide financing scenarios that address, to varying degrees, the increasing infrastructure needs of the Water Utility. These scenarios take into account input received from City Council and the Loveland Utilities Commission (LUC) at meetings held earlier this year.

BUDGET IMPACT:
☐ Positive
☐ Negative
☒ Neutral or negligible
Information only to assist Council in evaluating financing options at a future regular session.

SUMMARY:
Staff has been to two City Council study sessions this year for input on the Water and Wastewater cost-of-service rate study. Funding the needs of the Water Utility has been the primary focus of these study sessions. After taking Council input into account, Staff is back with three financing scenarios for Council consideration and recommendation on the Water financing scenarios. City Council approved a 13% overall water rate increase for 2013 on October 16, 2012. Staff will work with Council to prepare for a future regular meeting wherein Council direction will be requested to finalize a preferred financial approach to address these water infrastructure investment needs. The attached staff report and PowerPoint presentation slides outline the currently proposed water financing alternatives based upon City Council, LUC and Citizens' Finance Advisory Committee (CFAC) input.

REVIEWED BY CITY MANAGER: William D. Cahill

LIST OF ATTACHMENTS:

1. Staff report dated November 27, 2012
2. PowerPoint presentation

City of Loveland

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TO: City Council

THROUGH: Bill Cahill, City Manager
Steve Adams, Water and Power Director

FROM: Chris Matkins, Water Utilities Manager
Jim Lees, Utility Accounting Manager
Alan Krcmarik, Executive Fiscal Advisor

DATE: November 27, 2012

SUBJECT: Staff Report on Water Utility Financing Scenarios for Infrastructure Needs Update

Through the course of the Water and Wastewater cost-of-service rate study that has taken place this year, the majority of the recent focus has been on how best to fund the needs of the Water Utility. Several funding options have been considered, including Pay-As-You-Go (PAYGO), internal borrowing from other City funds, and external borrowing. At the August 26, 2012 City Council Study Session, Staff received feedback from Council that the series of rate increases under the lowest rate increase scenario (external borrowing of $16 million over 30 years) was too high. Council also expressed reservations about doing external borrowing, primarily because of the amount of interest ratepayers would have to pay for over the course of the 30 years. Staff will be bringing back the $16 million, 30-year loan scenario that was originally recommended by the Loveland Utilities Commission (LUC) because they unanimously reconfirmed their support for this option at their November 14, 2012 meeting. Staff will also be presenting two new scenarios that attempt to address Council's concerns from the August 26, 2012 Study Session. To accommodate the request for reduced rate increases, three significant changes are proposed for the 10-Year Financial Plan for the Water Utility:

1) Significant reduction in capital investment, primarily from newly-proposed water line replacement projects
2) Shifting more of the cost burden associated with the Water Treatment Plant (WTP) expansion costs from unrestricted funds (rates) to System Impact Fees (SIF – growth funds)
3) A significant reduction of funding for long-term Raw Water projects after the completion of Chimney Hollow Reservoir construction

How We Got Here. Peak day water demands by existing customers have nearly reached the WTP's treatment capacity. Without a reduction through demand side management

(DSM) (mandatory watering restrictions, including water police for enforcement, punitive fines for excess watering, and/or aggressive tiered rates), projected demands will exceed the WTP's rated treatment capacity, causing a violation with the State of Colorado and an inability to meet customer water demands. To facilitate continued economic development (building permits, new and/or revitalized industry, and population growth) without reduction in water demands, the WTP must be expanded. The costs associated with this expansion are significant and are drivers of the borrowing need for significant and immediate revenue and/or borrowing needs to maintain the high levels of service our customers have enjoyed in the past. In addition, water line leak frequency increased at a relatively moderate, but steady rate through the 1980's, 1990's and the early 2000's. Just prior to the previous cost-of-service study (2007), a significant increase in leaks was observed in 2006 (from a previous all-time high of 50 to 78 in 2006), indicating a potential rapid increase in the water line break failure frequency. From 2007-2010, the number of leaks was lower than the 2006 level. Then in 2011, there was again a dramatic increase in the number to an unprecedented level of 100 leaks. It is very clear now that what occurred in 2006 was not an aberration, but the beginning of a clear trend of accelerating pipe deterioration. Staff is now recommending an increase in water line capital expenditures to address this trend. This increased Water capital need is reflected in the current cost-of-service study, and is another driver of the requested rate increases for Water ratepayers.

Why Is A Loan Needed? There are really two important answers to this question. First, from the standpoint of our customers, it would allow for lower rate increases in the first few years starting in 2014 in comparison to the PAYGO scenario. Borrowing allows you to have the money you need for projects up front instead of having to raise that money in a hurry through dramatic rate increases. Second, from an operational standpoint, with the WTP pushing up against capacity, there is a need to expand the plant's capacity in the next two to three years. Projects need to be completed in this timeframe, and these projects don't lend themselves well to being stretched out and done in small incremental phases over time. There is a way to delay the need for expanding the capacity at the WTP, but it would involve measures that are unprecedented for our Water Utility. DSM measures such as the ones mentioned in the previous paragraph could all be utilized to try and cut back on peak day demand. Outside of implementing these measures, it would be necessary to expand the WTP's capacity in the next three years. 2012 offered the driest year on record, and the Water Utility experienced a peak day demand of approximately 29 million gallons per day (MGD), with a rated plant capacity of 30 MGD. The peak day demand of 29 MGD consisted of 27.5 MGD from the WTP and 1.5 MGD from a treated water interconnect from Little Thompson Water District. That interconnect was active for about six weeks during the peak summer time irrigation season. An additional peak day water demand of approximately 6 MGD is anticipated from 650 yet-to-be developed, permit-ready single family residence lots and approximately 2,300 "paper lots" (i.e. subdivisions which have been granted vestment through a Preliminary Development Plan). As these projects move to build-out, maximum day demands are anticipated to exceed the City's treatment capacity. The Water Utility installed 128 meters in 2010, 188 meters in 2011 and is on track to install about 240 meters in 2012. To reduce our reliance on non-firm treated water interconnects and to affirm adequate community facilities findings for these and future growth (business and residential), water treatment facilities should be expanded over the next three years. In addition, more loan funding is being sought in the two external loan scenarios to address the increase in water line breaks through systematic replacement of water lines, as was referenced in the paragraph above.

The loan amounts that are being sought in the three current scenarios are $16 million for the 30 year external loan (Scenario A), $12 million for the 20 year external loan (Scenario B) and $10 million for the 10 year internal loan (Scenario C). The loan amounts for Scenarios A and B address WTP needs and some line replacements, while Scenario C addresses only WTP needs. $10 million of these loan amounts would be used to fund projects at the WTP to expand its capacity over the next three years. During that three year period (2013-2015), there are projects at the WTP totaling $21.0 million, of which $11.75 million would be funded by growth-related revenue and the remaining $9.25 million would be funded from unrestricted Water funds. The $9.25 million portion is to address reliability and redundancy rather than growth. The $9.25 million portion from unrestricted funds would be paid for out of the proceeds from the $10 million loan. $10 million is being used for the loan amount to allow for some contingency, as these projects are only in the conceptual design phase at this point. For Scenario A, the additional $6 million of loan proceeds would be used to fund line replacements in the first three years, and Scenario B would similarly use the additional $2 million of loan proceeds to fund line replacements in the first three years.

The three scenarios that are being presented all include loans that take place in 2013. The $16 million external loan for 30 years (Scenario A) has level principal and interest (P&I) payments of $820,000 per year. This loan assumes a fixed rate of 3.40%, and would mean a total of $9.0 million of interest payments over the 30 year life of the loan. The $12 million external loan for 20 years (Scenario B) has level (P&I) payments of $800,000 per year. This loan assumes a fixed rate of 3.05%, and would mean a total of $4.0 million of interest payments over the 20 year life of this loan. The internal borrowing scenario assumes a 10 year payback, with level principal and interest (P&I) payments of $1.1 million per year. Staff believes it would not be wise to look at any internal borrowing scenarios with longer than a 10 year payback because that is the outermost limit of the planning horizon for all City department financial plans. The internal loan would be paid back at the interest rate the City is receiving on its investment portfolio for a given year (assumed to average 1.7% in this scenario). This would mean a total of $1.0 million of interest payments over the 10 year life of this loan.

Response to City Council Direction as was mentioned in the first paragraph, Council expressed concerns at the August 26, 2012 Study Session on a number of levels. Staff has generated these two new scenarios as attempts to answer Council's concerns. The responses are:

1) **Lower rate increases:** In the August 26, 2012 presentation, the smoothest and lowest overall series of rate increases was associated with the $16 million, 30 year external loan (Scenario A). This scenario featured the following series of rate increases:
   2014: 17%
   2015-2018: 18% per year
   2019-2022: 4% per year

   The scenarios that are being presented today feature this series of rate increases:
   2014: 13%
   2015-2019: 9% per year
   2020-2022: 8% per year

As a note of interest, on slide 16 of the PowerPoint presentation, you'll see that a residential customer's bill goes from $19.69 in 2012 to $24.25 in 2013, which is a 23% increase. The overall rate increase for Water in 2013 is 13%, however, the cost of service indicated a need to increase the residential class by 23% (the rate increase for the commercial class was only 6%). The increases in the residential bills from 2014-2022 reflect the overall rate increases for those years.

2) **Decreased the amount of the new external loan (Scenario B) from $16 million to $12 million and shortened the length of the loan from 30 years to 20:** Council expressed concern over external borrowing, generally, and specifically over the amount of interest ($9.0 million) that would be paid over the life of the $16 million, 30 year loan. With this current $12 million loan for 20 years, total interest paid over the life of the loan would be reduced to $4.0 million. A downside of reducing the loan amount from $16 million to $10 million is that a portion of the $16 million loan was to be used for water line replacements in the first three years. As was mentioned above, the $10 million of the $12 million loan would be used for projects at the WTP and the other $2 million would be used for line replacements.
3) **Adjusted cost allocations to fund a greater percentage of capital projects from growth rather than rates:** Some capital projects have both a growth and reliability component to them, so the funding for these projects is split between unrestricted funds (primarily from rates) and growth funds. Staff took a hard look at these projects and determined that some of them should be weighted more heavily toward growth. This resulted in $4.8 million of costs being shifted from being paid for out of unrestricted funds to being paid for out of growth funds.
4) **Reduced funding of capital projects:** In order to achieve the lower rate increases mentioned in #1, significant cuts were made from capital projects that are paid for out of unrestricted funds. In Scenario B ($12 million, 20 year external loan), $10.7 million of capital projects were cut. In Scenario C ($10 million, 10 year internal loan), $15.6 million of capital projects were cut. These cuts are primarily taken from line replacement projects over the first five years. As was mentioned above, since the WTP projects are urgent and don't lend themselves to being reduced in scope or phased in over time, the line replacements are the only place in the CIP to find reductions that will accomplish the smaller rate increases. The LUC and Staff have a great deal of concern with this proposed reduction of funding for line replacements. Without the ability to do systematic rehabilitation and replacement of water lines, there is concern that a lot of funds will be expended just continuing to do band-aid repairs of water leaks, and that this approach could be much more costly in the long run.
5) **Eliminate the transfer of a portion of Water Sales to the Raw Water Fund from 2018-2022:** Starting in 2006, Council has approved each year a 1% rate increase for Water, and the revenue generated from those increases has been transferred to the Raw Water Fund to be used for future needs of the Raw Water Program. Since 2006, the 10 Year Financial Plan for Water has been built on the assumption that these 1% annual rate increases would continue to help build up the Raw Water Fund balance. In Scenarios B and C, that transfer is discontinued for the years from 2018-2022, so during that five year period, 100% of Water Sales would stay in the Water Fund.

2018 was chosen as the first year to do this because the final $830,000 payment for the City's purchase of Windy Gap shares occurs in 2017, and the elimination of that annual payment would free up $830,000 of funds per year. In addition, payment for the Windy Gap Firming Project is scheduled to be completed by 2015. The elimination of this transfer would dramatically reduce the fund balance in Raw Water starting in 2018, but the justification is that the needs of the Water Utility are greater and more immediate than the near-term needs to acquire and store more raw water.

Pros and Cons of External and Internal Loan Scenarios

The Pros for Scenario A ($16 million external loan for 30 years) are:

A) This scenario would provide the full level of funding ($23.5 million) for line replacements over the 10 year timeframe.
B) Promotes intergenerational equity – in contrast to PAYGO, where current customers are funding improvements that will benefit future customers for decades to come, long-term borrowing better aligns the longevity of the benefit of the improvement with the customer base that's paying for it.
C) The life of the asset will outlast the life of the loan.

The Cons for Scenario A are:

A) The series of rate increases is significantly higher than Scenarios B and C
B) It has the longest repayment period of the three scenarios and the most interest over the life of the loan ($9.0 million)
C) The City would be required to adhere to additional financial requirements, such as minimum debt service coverage

The Pros for Scenario B ($12 million external loan for 20 years) are:

A) This scenario would provide $12.8 million of funding for line replacements over the 10 year timeframe. This is less than the $23.5 million of funding in Scenario A, but more than the $7.9 million in Scenario C.
B) Promotes intergenerational equity – same as Scenario A.
C) The life of the asset will outlast the life of the loan.

The Cons for Scenario B are:

A) The principal and interest payments would last for 20 years in comparison to only 10 years for the internal borrowing scenario
B) A longer repayment period and more interest over the life of the loan ($4.0 million) versus Scenario C ($1.0 million)
C) Additional financial requirements, same as Scenario A

The Pros for Scenario C ($10 million internal loan for 10 years) are:

A) The principal and interest payments would only be for 10 years instead of 20 or 30 years for the external borrowing scenarios
B) There would be no additional financial requirements to meet, as there would be for the external borrowing scenarios
C) Loan interest is paid to the City

The Cons for Scenario C are:

A) There would be no ability to fund any line replacements until 2020, and capital projects in other categories would have to be cut in 2018-2019. A total of only $7.9 million of line replacement projects could be funded in this scenario, and those could only happen in the last three years of the 10 year timeframe.
B) While the funds for an internal loan could be pulled together, it could adversely impact the City's ability to address emergency situations. Under an inter-fund loan similar to what the City has done in the past, where specific amounts from individual funds are transferred to the fund receiving the loan, putting a $10 million loan for a ten-year period would be difficult. All the non-utility funds that currently have fund balance have capital commitments in future years. The timing of these capital projects is based in part on having the money saved to fund the project. Borrowing from these funds would require restructuring the Capital Program by potentially moving back projects further in time in order to move the cash for the loan purposes.

   Staff is finalizing a plan that would instead borrow from the cash pool. This could provide the flexibility to allocate or reallocate cash from the different funds, so that the Capital Program could stay intact. It also would provide the ability to stage the cash draws, rather than draw the total amount in the first year. Interest rates would be set to insure the pool had earnings equal to or above what would have been made through investing and, depending on the market, if interest rates rose faster than anticipated, may need to be reset to protect the earnings rates.

   This scenario still presents problems in that flexibility for the City to meet unforeseen needs, or costs arising from a natural weather event would be limited to a significant degree.
C) If the economy and the bond market improve, and the City's return on their investments goes above 1.7%, then the annual debt service payment for Water will increase, and this will put upward pressure on Water rates.

The internal borrowing Scenario C provides no available funding to do line replacements until 2020, and Scenario B ($12 million external loan for 20 years) provides $12.8 million of funding for the line replacements compared to $23.5 million of funding for line replacements in Scenario A ($16 million external loan for 30 years). Because the line replacements are viewed as a critical need, Staff is reaffirming their recommendation for Scenario A, the $16 million external loan for 30 years. This is the same recommendation Staff and the LUC unanimously brought to the August 26, 2012 Study Session. Scenarios B and C were developed by Staff as other options for Council to consider based on Council direction from the same Study Session.

Subsidy from General Fund Balance At Council's request, Staff looked at what the impact would be on a residential customer's bill if $800,000 per year was subsidized into the Water Fund from the General Fund from 2013-2017. This subsidy would essentially be a gift from the General Fund to the Water Utility – it is not a loan, and there would be no expectations of ever repaying the General Fund for these subsidized monies. The $800,000 per year figure is used because TABOR law stipulates that an enterprise fund cannot receive more than 10% of its revenues from the General Fund, otherwise the enterprise fund could lose its classification as an enterprise fund and be subject to TABOR rules. Budgeted Water Sales for 2012 are $8.2 million, so 10% of that is roughly $800,000. These subsidies would mean the rate increases for 2013-2017 could be reduced. What was discovered with the $800,000 per year infusion for 2013-2017 is that an average residential bill could be reduced by $1.31 per month in 2013, and the reduction for an average 2017 residential bill would grow to $5.15 per month. The reduction in a customer's bill would be an obvious upside for subsidizing. As was generally discussed at the September LUC meeting, the primary concerns are:

1) All of the City's utilities have a long history of charging rates and fees that are necessary to cover operational needs. Infusion would be a departure from the pure enterprise fund philosophy of paying its own way.
2) The General Fund has a lot of needs that these funds could be used for. Since the September, 2012 LUC meeting, City Staff has identified several other potential uses for these funds including:
    a. Police staffing
    b. Streets
    c. Airport improvements (possibly constructing a tower)
    d. Downtown
    e. Olson property annexation agreement wastewater service commitment
    f. An irrigation water tap for the Civic Center

3) If the General Fund runs into hard times down the road, perhaps a future Council might decide that the General Fund needs the $800,000 more than the Water Fund does.

Alan Krcmarik, Executive Fiscal Advisor for the City of Loveland, has identified some additional information regarding the pricing of utility services. This information comes from a training program developed by the University of North Carolina, but the basis is from recommendations supported by American Water Works Association (AWWA), American Public Power Association (APPA) and American Public Works Association (APWA) publications on public utility management.

Because of the concerns outlined above with subsidies from the General Fund balance, Staff is recommending against having the General Fund subsidize the Water Utility.

Staff will be looking to the Council to get a recommendation between the three borrowing scenarios. We will also be looking for a recommendation to support or not support subsidies from the General Fund to the Water Utility.

At their November 14, 2012 meeting, the LUC voted unanimously (6-0) to recommend to City Council for a second time the approval of the external borrowing scenario (Scenario A) that the LUC first unanimously approved at their August 15, 2012 meeting. This scenario includes:

- A $16 million external loan for 30 years at a 3.4% interest rate
- Rate increases of 17% in 2014; 18% per year in 2015-2018 and 4% per year in 2019-2022

The LUC felt very strongly that they wanted to support a financial plan that fully funded the water line replacement program developed by Staff.

The LUC also voted unanimously at the November 14, 2012 meeting to recommend to City Council not to do the subsidy from General Fund balance.

At their November 14, 2012 meeting, the CFAC did vote unanimously (4-0) to recommend to City Council not to do the subsidy from General Fund balance. CFAC did not make a recommendation on the internal vs. external borrowing question.

Attached for informational purposes are the PowerPoint slides that will be presented to the Council at this meeting.

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Water Financing Scenarios Update

City Council Study Session Presentation

November 27, 2012

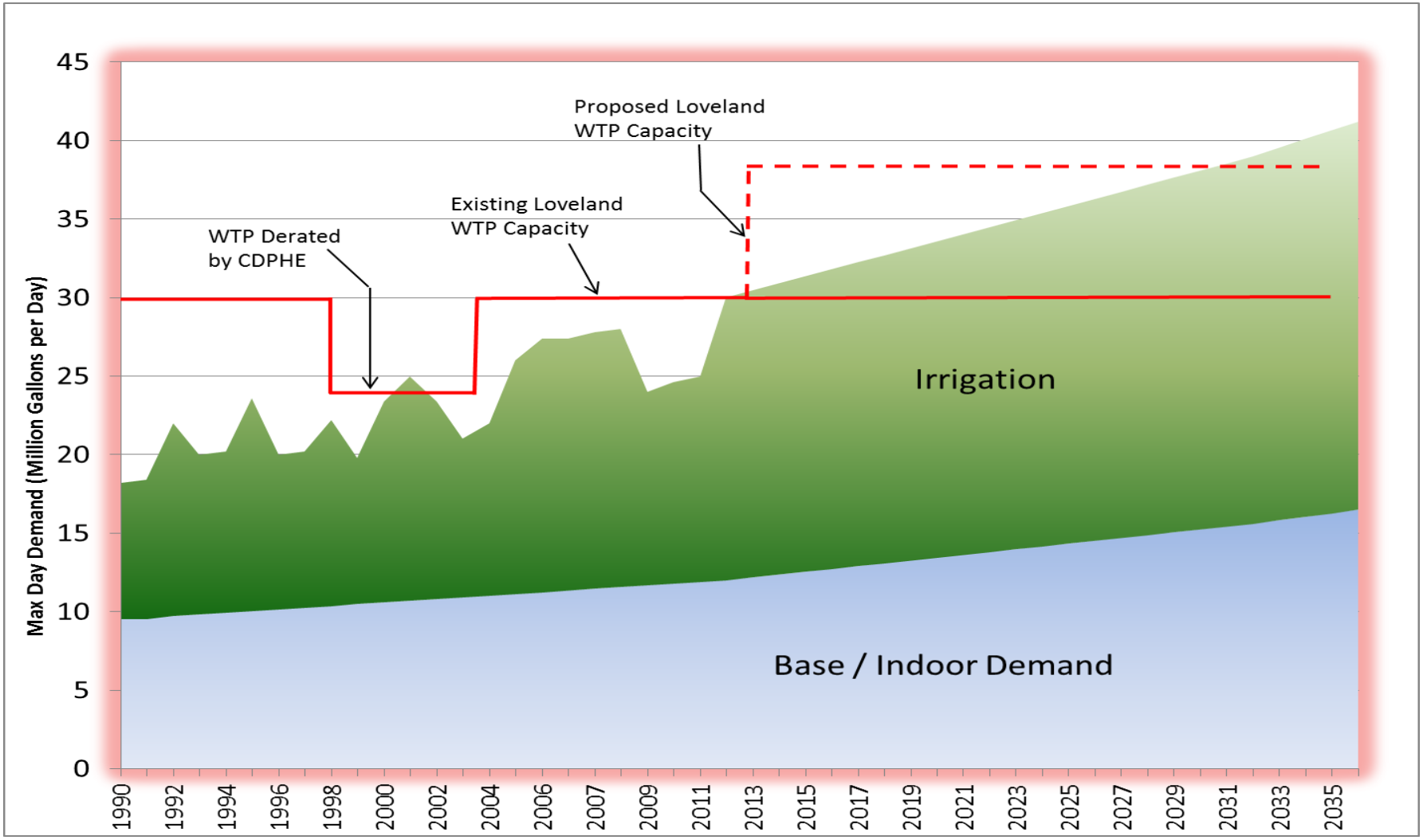
Overview

- Recap of Needs
- Response to City Council Input
- Three Borrowing Scenarios
- Impact on Residential Bill
- Subsidy from General Fund balance
- LUC & CFAC Update
- Discussion and Direction

Direction Needed

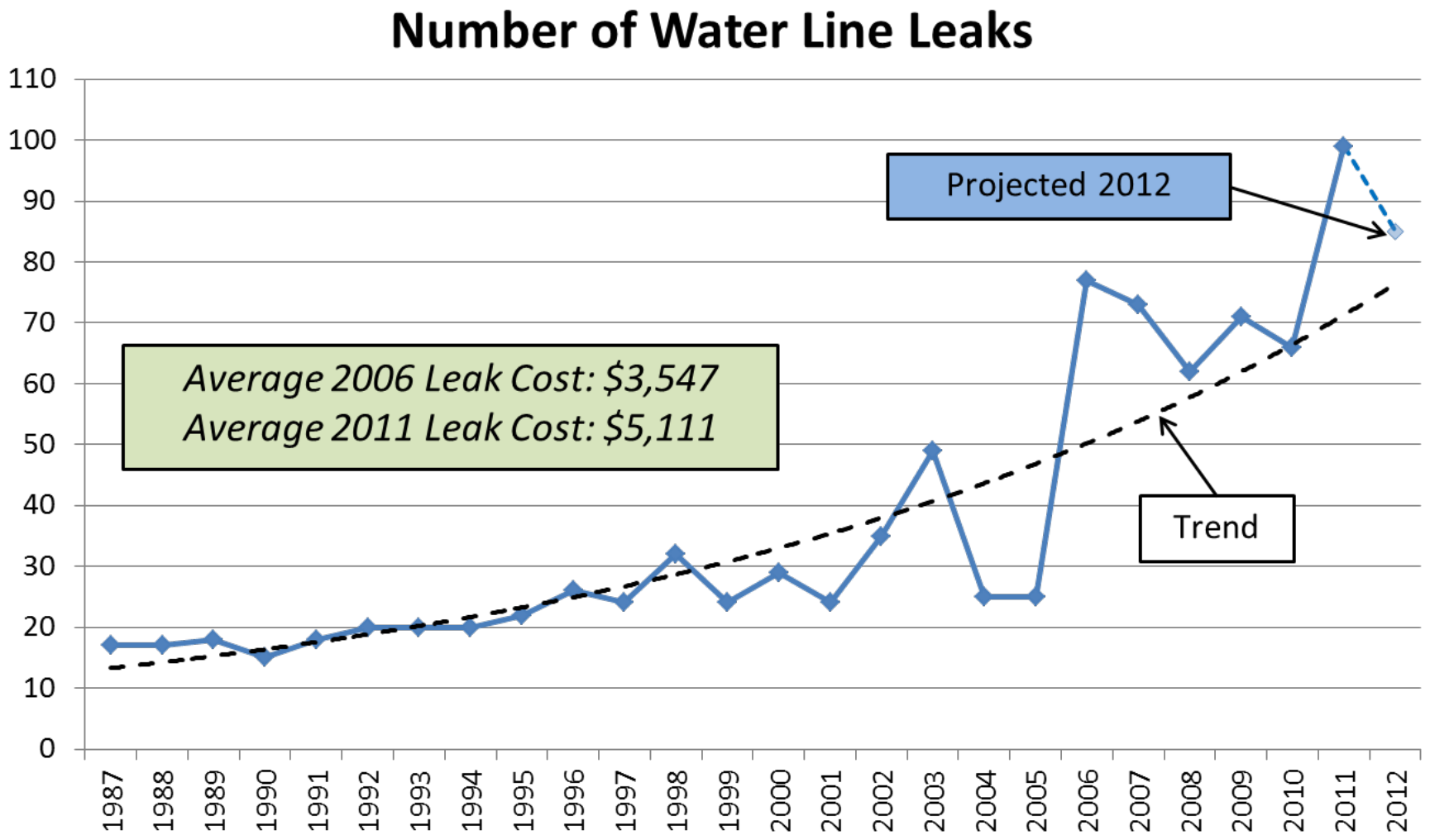
- Level of Funding for Water Treatment Plant and Lines
- Type of Borrowing
- Subsidy from General Fund Balance

Comparison of Water Treatment Plant Capacity vs. Demand



Aging Infrastructure

5



Response To Council Direction

- Lowered magnitude of rate increases
- Reduced funding of projects
- Decreased loan amount
- Shortened loan length
- Different cost allocation
- Eliminated Raw Water transfer

Water Treatment Plant Project Needs

- $9.25 Million
- Indivisible
- Needed in 2-3 years
- Could be postponed 3-5 years with severe restrictions
- Continue to facilitate economic development
- Continue to certify adequate community facilities

Debt Service Comparison

Scenario	Loan Amount	Loan Type	Interest Rate	Annual Debt Service	Total Interest Payments
A	$16M	30 Year External Loan	3.4% (fixed)	$820K	$9.0M
B	$12M	20 Year External Loan	3.05% (fixed)	$800K	$4.0M
C	$10M	10 Year Internal Loan	1.7% (variable)	$1.1M	$1.0M (assuming 1.7%)

Level of Funding Provided

Scenario	Loan Amount	Loan Type	WTP	Line Replacements	First Year of Line Replacements
A	$16M	30 Year External Loan	Fully Funded ($27.4M)	Fully Funded ($23.5M)	2013
B	$12M	20 Year External Loan	Fully Funded ($27.4M)	$12.8M	2013
C	$10M	10 Year Internal Loan	Fully Funded ($27.4M)	$7.9M	2020

Scenario A
Pros and Cons of $16M External Loan

PROS
A. Provides full funding of $23.5M for line replacements.
B. Promotes intergenerational equity.
C. Life of asset will outlast life of loan.

CONS
A. Higher rate increases.
B. Longest repayment period.
C. Additional financial requirements

Scenario B
Pros and Cons of $12M External Loan

PROS
A. Provides $12.8M of funding for line replacements.
B. Promotes intergenerational equity.
C. Life of asset will outlast life of loan.

CONS
A. Longer repayment period.
B. Additional financial requirements.

Scenario C
Pros and Cons of Internal Loan

PROS
A. Shorter repayment period.
B. No additional financial requirements.
C. Loan interest is paid to the City.

CONS
A. No funding for line replacements until 2020.
B. Less funds for other City needs.
C. Variable interest rate

Subsidy from General Fund Balance Discussion Points From September, 2012 LUC Meeting

1. City's utilities have a long history of paying their own way.
2. A lot of other General Fund needs.
3. A different perspective on General Fund subsidies.

Ideal Utility Pricing

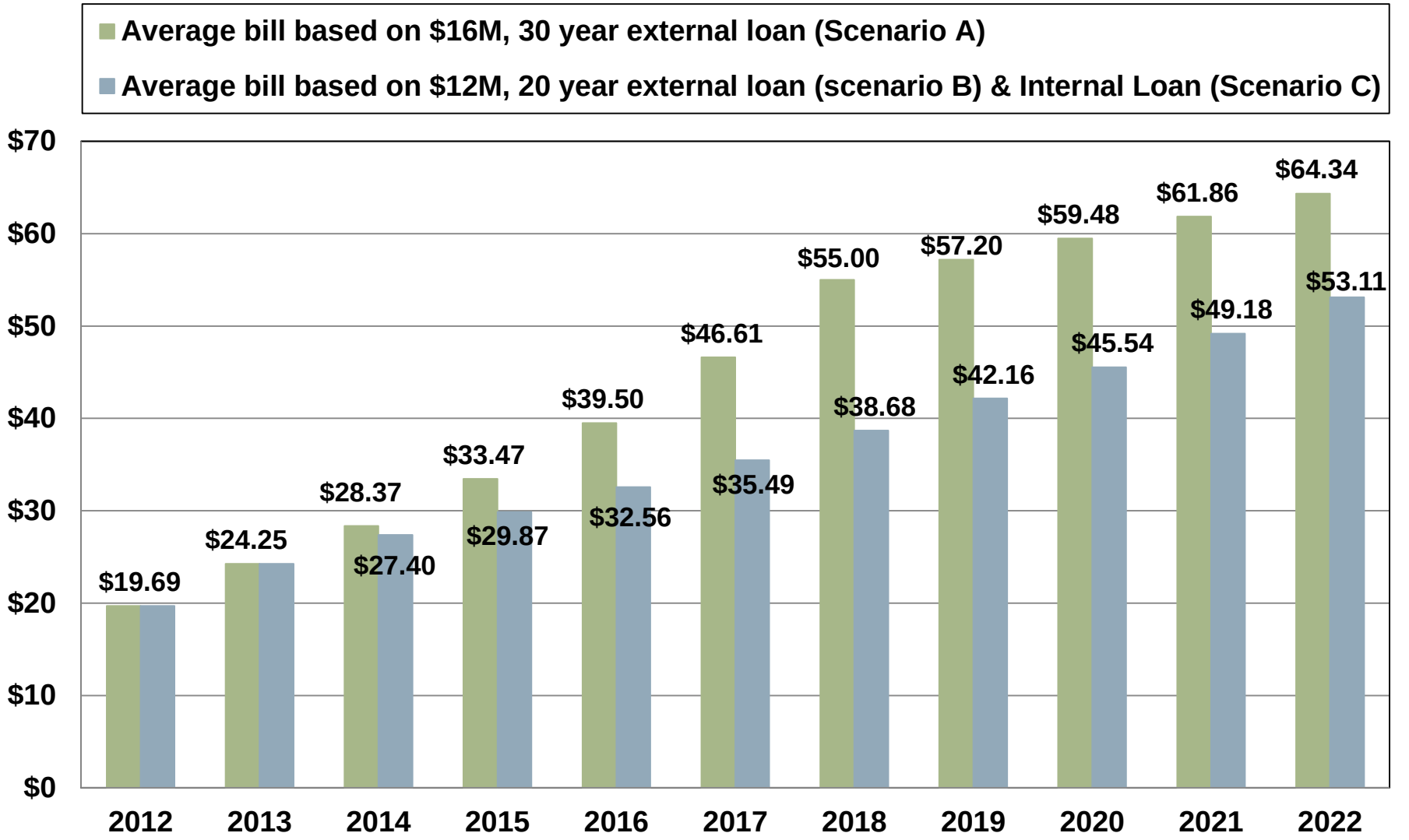
- Prices cover full “costs” of service
- Prices send and reinforce strategic messages
- Beneficiaries pay for their benefits
- Simple

Source: University of North Carolina School of Government, Environmental Finance Center

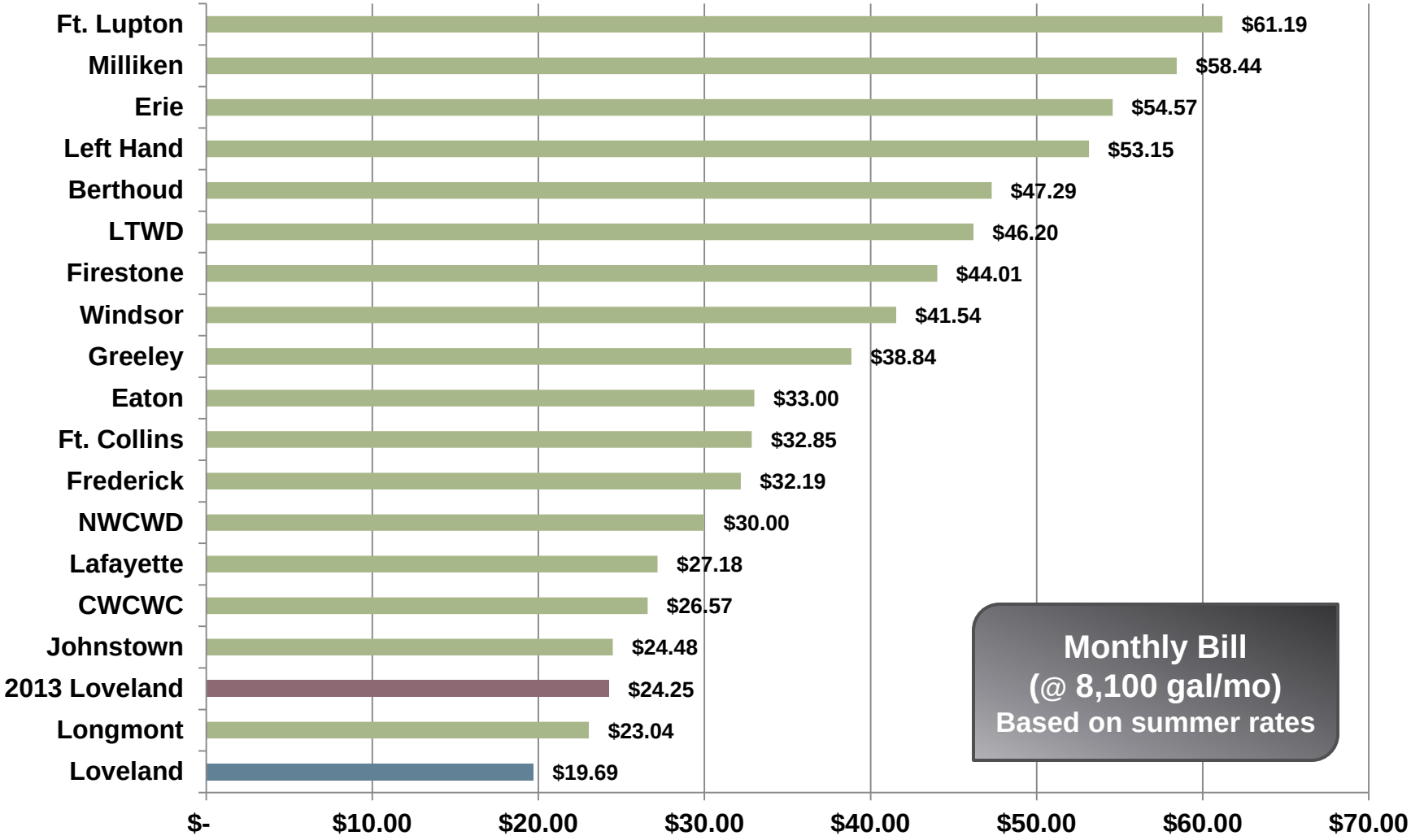
Utilities should use “Full Cost Pricing”
Key Financial Indicators and Benchmarks

- **Operating Ratio:** Operating revenues must exceed operating expenses, including at least, depreciation
- **Days Cash on Hand (Emergency Reserves):** At a minimum have enough cash on hand to satisfy your billing period or enough on hand to replace the single most expensive asset (e.g.: largest pump). Aim for more than 6 months of cash on hand.
- **Debt service coverage Ratio:** Must be at least >1. AAA-rated utilities have a median ratio of 1.5.
- **Transfers In From (or Out to) General Fund:** Zero!

Estimated Average Monthly Residential Water Bill 2012-2022 (8,100 gallons per month) – External and Internal Funding Scenarios



2012 Water Average Residential Bill Comparison (Loveland 2013 based on Council-approved rates)



Water and Wastewater Cost-Of-Service Rate Study Timeline

May 16, 2012	Presentation of preliminary results to LUC
May 22, 2012	Presentation of preliminary results to City Council
August 15, 2012	Presentation of updated results to LUC
August 28, 2012	Presentation of updated results to City Council
October 16, 2012	City Council adopts 2013 Water, Wastewater and Power Schedule of Rates, Charges and Fees
November 14, 2012	Presentation of financing scenarios to LUC
November 14, 2012	Presentation of financing scenarios to Citizens' Finance Advisory Commission
November 27, 2012	Presentation of financing scenarios to City Council

LUC Recommendation

- Recommendation was unanimous by a 6-0 vote
- $16M external loan for 30 years at 3.4% interest
- 17% rate increase in 2014; 18% per year for 2015-2018; 4% per year for 2019-2022
- No subsidy from General Fund balance

CFAC Recommendation

- Unanimous recommendation opposing subsidy from General Fund balance
- No recommendation on internal vs. external borrowing question

Direction Needed

- Level of Funding for Water Treatment Plant and Lines
- Type of Borrowing
- Subsidy from General Fund Balance

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Questions & Discussion