

# SYSTEM INFRASTRUCTURE FEE

CITY OF BRYANT WATER AND WASTEWATER DEPARTMENT

# THE PROBLEM

What is the problem?

- We do not have enough revenue to cover the debt service, O&M, and depreciation reserve coverage required by ANRC.

Who has this problem?

- Multiple surrounding cities charge debt service surcharges to prepare for/cover their loans/bonds.

Why should this problem be solved?

- Growth within the City can not continue without major capacity upgrades.

How will I know this problem has been solved?

- Once we are able to show "x" amount of dollars being consistently allocated to debt service coverage, we can move forward with receiving funds.

# BACKGROUND INFORMATION

- Previous Debt Service Surcharge from 1999-2008.
  - Funded multiple bond repayments through a monthly per meter fee.
  - \$636,285.37 in revenue was collected from this fee in 2007.
  - Between interest and principal, \$809,000.66 was spent on capital debt in 2007.
  - Rates for these bonds were from 3% to 5.5% in 2008.
  - Debt service surcharge stopped being collected, and the revenue was made up in sky rocketing usage rates. Once rates were reduced, revenue was lost completely. System has been forced to survive on revenue from only impact fees and rates to fund not only operations and maintenance, but capital improvement projects.

# WORKABLE SOLUTIONS

## Solution

- Resume charging a "System Infrastructure Fee" to fund majority of loan/bond repayment for the completion of capacity limiting Sewer/Water projects
- Allow for continued growth within the System and encourage proper maintenance/operations practices
- Receive low interest rate loans to capital infrastructure projects are being funded in the most efficient manner possible

## Option

- Do not charge a monthly infrastructure fee.
- We will not receive low interest rate loans to fund mandatory capital infrastructure projects.
- We will complete infrastructure projects as rates provide while juggling current debt coverage and necessary maintenance costs.
- If we do not complete the capacity limiting projects, we can not allow connections to our system.

## Option

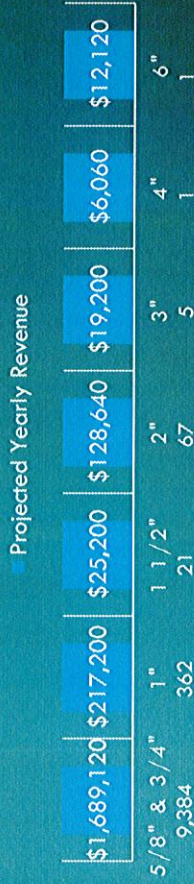
- Find the necessary revenue from rates.
- This is the least logical option.
- We are currently undergoing a rate study and experiencing the rate increase from CAW. Rate increases are already anticipated to cover our current O&M.
- If we raise rates to cover ANRC's revenue requirement, we will resort back to the same problem they faced in 2009.
- If we do not diversify our streams of revenue, we can not continue to grow and function efficiently.

- All projects receiving ANRC funds, regardless of cost share amounts, must follow federal regulations including the state purchasing guidelines, Davis-Bacon wage requirements, Buy America Build America, American Iron and Steel Act, etc.
- Each project is assigned a project administrator that works closely with the City to ensure the project follows all guidelines.
- System infrastructure fee funds will be separated out monthly into an account. Bond payments will be paid through that account.
- Meter System Upgrade: 10 year repayment period; 0% interest; 1% fee
- Lea Circle Gravity Sewer Relocate: 20 year repayment period; .75% interest; 1% fee

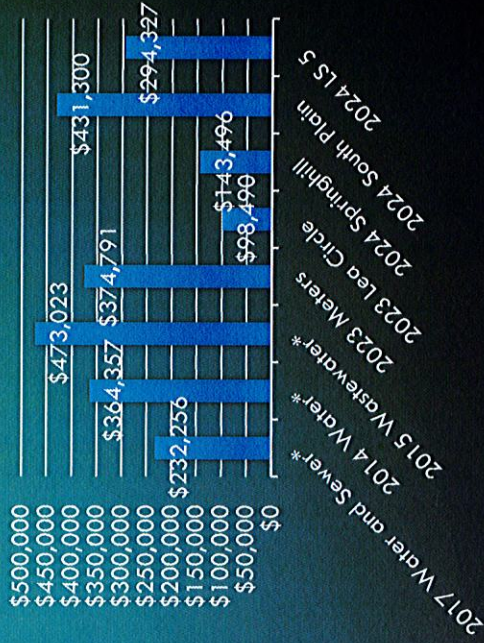
# PREDICTIONS

- Current yearly bond repayment: \$1,065,073
- Anticipated yearly bond repayment with current ANRC offers: \$1,538,354
- Anticipated yearly bond repayment with projected + current offers: \$2,407,476
- Yearly System Infrastructure Fee Revenue: \$2,097,540

## PROJECTED YEARLY REVENUE



## Projected Yearly Payment



■ Projected Yearly Payment

# PROACTIVE LONG TERM PLAN

- Master plans are currently being updated for wastewater and water.
- All projects are being assessed for fair share agreement possibilities.
- Revenue from rates will be allocated towards maintenance and operation of the system while diverse streams of revenue will be used towards capital improvement projects.
- Grants and other funding opportunities will be explored as entire projects as well as cost share projects.
- System Infrastructure Fee evaluation and a report of revenue streams with project updates will be provided to the Mayor and Council on a yearly basis.