

## **ACTION ITEM AGENDA SUBMITTAL**

**To:** GCSB Board of Directors

**From:** GCSB Staff

**Date:** March 13, 2017

**Subject:** Consider for Approval Revised Monthly Water Bond Debt Service Customer Charges

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### **Summary**

The District recently refinanced both of its Water Bonds, one in 2013 formerly known as the 1998 Installment Sale Agreement which was executed to finance the acquisition, construction, and improvement of water storage and treatment facilities. The loan was issued for \$3,117,831 and a \$9.83 monthly charge is paid by all GCSB water customers. The second was refinanced in 2014, and was formerly known as the 2007 Water Debt Service in the amount of \$5,031,500 used to pay for federal and state mandated upgrades to the two water treatment plants, construction of the emergency water supply system (AWS), and upgrade the radio telemetry and control (SCADA) system. A monthly charge of \$10.75 is paid by all GCSB water customers.

As a result of the refinancing, there was a minimal cost savings to the District over the lifetime of the two bonds. Originally, the Board decided not to adjust the monthly collected bond charges from customers and to use the money saved towards District capital improvement projects. After the Board approved the new water rates on January 13, 2016 that addressed the District's Capital Improvement needs, staff revisited the two bonds to address the possibility of adjusting the monthly customer bond charges. In reviewing the District's Bond Payment account, it was noted that after all annual bond payment obligations have been met, there was approximately \$833,000 left in the account. After further investigation, it was discovered that between the two bonds, \$138,000 was left in the account after all bond payments had been made in FY 2014-15, \$115,000 in FY 2013-14, \$55,000 in FY 2012-13, and \$24,000 in FY 2011-12. FY 2011-12 represents the average amount carried forward before the Bonds were refinanced. As a result, the excess collected each year has brought the leftover balance in the account to approximately \$833,000.

Staff contacted Jamie Matthews with Gilbert and Associates, the District's contracted CPA, and requested that she recalculate the monthly bond customer charges using the figure of \$758,000 to subtract from the current total bond obligations, and to make sure that the future charge only collected enough revenue to meet the annual bond payment obligation. The \$758,000 is the figure after \$75,000 was subtracted from the \$833,000, which is what staff thought would be sufficient for reserve if the District faced any future collection issues. A calculation using 48% of total available funds towards the 2013 Bond and 52% towards the 2014 Bond was used as this represents the ratio between the total of the two bonds.

The final calculations result in the 2013 Water Bond being reduced from \$9.83 per month to \$6.78 and the 2014 Water Bond being reduced from \$10.75 to \$8.79 for a total monthly reduction of \$5.02 between the two. These monthly charges fluctuate based on the customer's meter size using the meter size equivalency as stipulated in the District's Water Ordinance.

### **Attachments:**

1. Bond Recalculation Excel Document

### **Recommended Action**

Approve the Revised Monthly Water Bond Debt Service Customer Charges for the 2013 and 2014 Water Bonds as Stipulated in the Attached Excel Worksheet Effective for the April 1<sup>st</sup> Billing