

AB 6370

Study Session – Water Infrastructure Improvements and the Declaration of Intent

Nov 7, 2023



Agenda

- 1. Water Utility by the Numbers**
- 2. Scheduled Capital Investments**
- 3. Financing Strategy**
- 4. Declaration of Intent**
- 5. Questions**

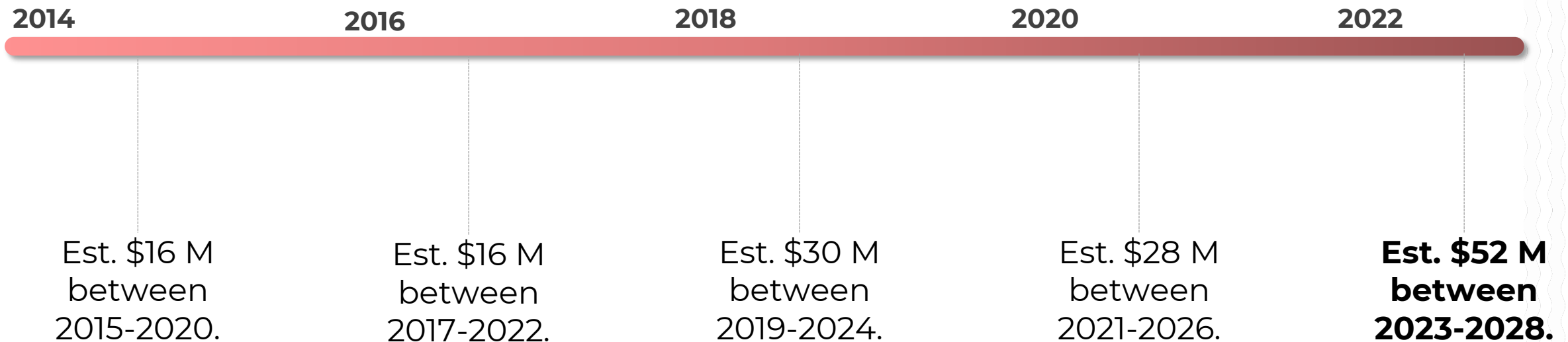
City Water System

By the numbers:

- ❑ Serves **entire island** except Shorewood Apartments.
- ❑ Over **7,800 customers**, 95% are residential.
- ❑ **121 miles** of pipeline.
- ❑ **Two** 4-million-gallon storage tanks.
- ❑ **Two** pump stations.
- ❑ Water purchased from SPU, from the Cedar and Tolt River Watersheds.

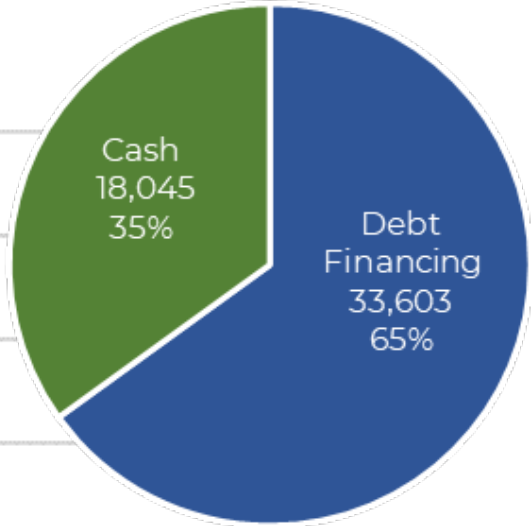
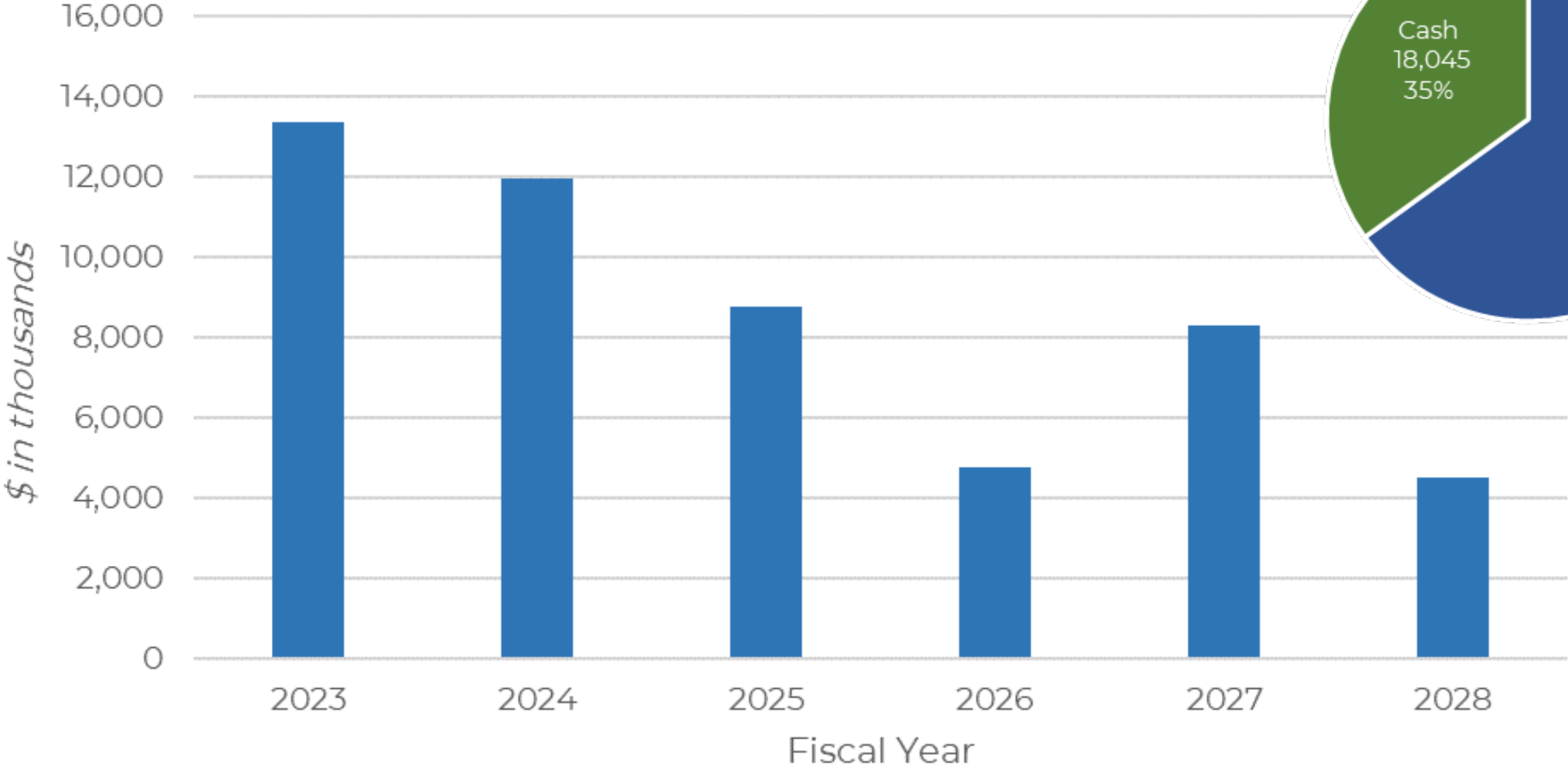
Water Utility Investments

- The City is in a period of significant capital investment.
- Between 2023 and 2028, the water utility **requires \$51.6 M** in escalated capital spending. In prior six-year CIPs:



Water Utility Projects

Projected Capital Investments



Financing Strategy

- ❑ Investments paid for by **current & future** water rates.
- ❑ Historically “**pay as you go**” basis for capital improvements.
- ❑ Use **debt financing** to spread the costs out over time.
 - ❑ Avoids spikes in annual rate adjustments – predictability.
 - ❑ Creates generational equity.

Financing Strategy

- ❑ Recommended 2024 water rate adjustment is **8%**.
- ❑ Estimate 8% annual rate increase thru 2028.
- ❑ Meets Water Utility revenue needs on a **stand-alone** basis:
 - ❑ Annual operation and maintenance expenses.
 - ❑ Long-term capital investments.
 - ❑ Principal and interest payments from debt service.

Declaration of Intent

- ❑ **Declaration of Intent** to seek reimbursements.
 - ❑ City can reimburse itself for costs incurred prior to issuance.
- ❑ June 2024, anticipate \$16 M in LTGO bonds.
 - ❑ Extends timeframe to use funds from 3 years to 4 ½ years.
 - ❑ Helps manage cash flow needs of the Water Fund.

Declaration of Intent

| Water Utility Projects Expenditure Timeframe | | 2022 | | 2023 | | 2024 | | 2025 | | 2026 | | 2027 | |
|---|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | JAN- -JUN | JUL- -DEC | JAN- -JUN | JUL- -DEC | JAN- -JUN | JUL- -DEC | JAN- -JUN | JUL- -DEC | JAN- -JUN | JUL- -DEC | JAN- -JUN | JUL- -DEC |
| WU0103 | Water Reservoir Improvements | | | | | | | | | | | | |
| WU0130 | 2023 Water System Improvements | | | | | | | | | | | | |
| WU0135 | 2024 AC Main Replacements | | | | | | | | | | | | |
| WU0136 | 2025 AC Main Replacements | | | | | | | | | | | | |
| WU0137 | 2026 AC Main Replacements | | | | | | | | | | | | |
| WU0140 | Pressure Reducing Valve Station Replacements | | | | | | | | | | | | |

Design
 Construction

- ❑ Recoup hard costs 60-days from declaration. No restriction on soft costs.
- ❑ Does not obligate City to issue a bond if circumstances change.



Questions