



CITY OF EAGLE POINT

"Gateway to the Lakes"

OREGON

SPECIAL CITY COUNCIL STUDY SESSION

JANUARY 13, 2014

5:00 P.M.

Council Chambers

17 Buchanan Ave. South, Eagle Point, Oregon

1. Call to Order – 5:00 p.m.
2. Discussion regarding financing of new water projects and refinancing existing water debt
– Henry Lawrence, City Administrator.
3. Adjourn.

AGENDA AND COUNCIL PACKETS ALSO AVAILABLE ON WEBSITE

If a physical accommodation is needed to participate in this meeting, please contact the City Recorder at 541-826-4212 ext. 106 or TTY/TDD 711 or 800-735-2900. Notification of at least 48 hours prior to the meeting will assist the City in providing reasonable accommodations. (28 CFR 35.102-35.104 ADA Title II).

**BUSINESS OF THE CITY COUNCIL
EAGLE POINT, OREGON**

AGENDA STATEMENT

Item Number: 2
Meeting Date: January 13, 2014

ITEM TITLE: Discussion regarding financing new water projects and refinancing existing water debt.

SUBMITTED BY: Henry Lawrence, City Administrator.

SUMMARY EXPLANATION: The new water master plan was completed and accepted by the Council earlier this year. Several new proposed capital projects are recommended in the plan. Staff will review with the Council a financial trends analysis for the Water Fund, as well as scenarios for paying down a portion of existing Water Fund debt, refinancing existing debt, as well as taking on new debt for the necessary new capital projects.

A spread sheet handout is provided showing estimated operations for the next 10 years, based on current and historical operating and financial trends. Here are the key actions we are suggesting as a way to both construct the most urgent capital projects outlined in the 2012 Water Master Plan, as well as keep the annual debt service burden under control.

Capital Projects Needed: Construct a new 1.6 million gallon glass-fused steel water tank adjacent to the existing 200,000 gallon tank on Radar Hill, and relocate the Bellerieve Pump Station to the 4 million gallon tank site. This will provide more fire flow storage and bring more efficiency to pumping operations. Estimated new money needed for the project is \$2.5 million.

| Existing Debt: | Principal | Annual Debt Serv. | Payoff date |
|-------------------------------------|------------------|--------------------------|--------------------|
| 2004 water meter loan (4.625%) | \$355,354 | \$34,935 | 2028 |
| 1996 USDA water system loan (5%) | \$1,366,986 | \$99,076 | 2037 |
| 2011 USDA water system loan (3.75%) | \$3,026,633 | \$152,579 | 2050 |
| Total Annual Debt Service: | | \$286,590 | |

Proposed Scenario:

2004 Meter Loan. Pay off remaining Principal from Water Debt Service Fund.

1996 USDA Loan. Pay off remaining Principal with nine-year inter-fund loan from both General Fund and Transportation SDC Fund. Years 1-4 interest payment only to General Fund and Transportation SDC Funds. Years 5-9 interest and Principal payments, retiring the loan fully in year nine. The benefit is that we save hundreds of thousands of dollars in interest payments by paying the loan off approximately 15 years early (2022 instead of 2037) and during the interim

Water Fund (50)

| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--------------------------------|-------------------|-------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-------------------------|
| | Unadded | Est. YE or Proj. | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection |
| Beginning Fund Balance | \$1,221,117 | \$926,644 | \$668,707 | \$661,646 | \$685,041 | \$658,807 | \$781,828 | \$931,387 | \$846,544 | \$864,633 | \$888,242 | \$920,070 |
| | | | | | | | | | | | | Can't go below \$120756 |
| <i>Revenue</i> | | | | | | | | | | | | |
| Water Utility Fees | \$1,246,832 | \$1,215,000 | \$1,566,000 | \$1,632,384 | \$1,701,423 | \$1,773,224 | \$1,847,897 | \$1,925,557 | \$2,006,323 | \$2,090,320 | \$2,177,677 | \$2,268,528 |
| Other Revenue | \$73,667 | \$61,476 | \$59,000 | \$58,500 | \$58,500 | \$58,500 | \$58,500 | \$58,500 | \$58,500 | \$58,500 | \$58,500 | \$58,500 |
| Total Revenue | \$1,320,499 | \$1,276,476 | \$1,625,000 | \$1,690,884 | \$1,759,923 | \$1,831,724 | \$1,906,397 | \$1,984,057 | \$2,064,823 | \$2,148,820 | \$2,236,177 | \$2,327,028 |
| <i>Expenditures</i> | | | | | | | | | | | | |
| Personnel | \$534,662 | \$583,550 | \$591,500 | \$604,100 | \$626,100 | \$648,590 | \$665,272 | \$675,470 | \$686,019 | \$696,778 | \$707,753 | \$718,947 |
| Materials & Services | \$772,841 | \$661,547 | \$659,870 | \$641,673 | \$652,689 | \$663,931 | \$675,402 | \$687,109 | \$699,057 | \$711,250 | \$723,694 | \$736,395 |
| Capital Outlay | \$79,920 | \$62,600 | \$98,600 | \$95,000 | \$177,200 | \$62,424 | \$78,672 | \$179,946 | \$91,245 | \$92,570 | \$93,921 | \$95,300 |
| Debt Service | \$116,810 | \$116,576 | \$99,076 | \$140,382 | \$140,382 | \$140,382 | \$140,382 | \$325,382 | \$365,382 | \$415,382 | \$465,382 | \$497,368 |
| Transfers | \$110,740 | \$110,140 | \$183,015 | \$186,334 | \$189,786 | \$193,376 | \$197,110 | \$200,993 | \$205,031 | \$209,231 | \$213,599 | \$218,141 |
| Contingency & Reserves | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenditures | \$1,614,973 | \$1,534,413 | \$1,632,061 | \$1,667,489 | \$1,786,157 | \$1,708,703 | \$1,756,838 | \$2,068,900 | \$2,046,734 | \$2,125,211 | \$2,204,349 | \$2,266,151 |
| Beginning Fund Balance | \$1,221,117 | \$926,644 | \$668,707 | \$661,646 | \$685,041 | \$658,807 | \$781,828 | \$931,387 | \$846,544 | \$864,633 | \$888,242 | \$920,070 |
| Total Revenue | \$1,320,499 | \$1,276,476 | \$1,625,000 | \$1,690,884 | \$1,759,923 | \$1,831,724 | \$1,906,397 | \$1,984,057 | \$2,064,823 | \$2,148,820 | \$2,236,177 | \$2,327,028 |
| Total Expenditures | \$1,614,973 | \$1,534,413 | \$1,632,061 | \$1,667,489 | \$1,786,157 | \$1,708,703 | \$1,756,838 | \$2,068,900 | \$2,046,734 | \$2,125,211 | \$2,204,349 | \$2,266,151 |
| Revenue vs Expenditures | -\$294,473 | -\$257,937 | -\$7,061 | \$23,395 | -\$26,234 | \$123,021 | \$149,559 | -\$84,843 | \$18,089 | \$23,609 | \$31,828 | \$60,877 |
| Ending Fund Balance | \$926,644 | \$668,707 | \$661,646 | \$685,041 | \$658,807 | \$781,828 | \$931,387 | \$846,544 | \$864,633 | \$888,242 | \$920,070 | \$980,947 |

Assumptions
25 sdc's from new housing starts each year starting in 2013/2014
4% increase in water rates every year (4% includes an assumed CPI)
2% CPI increase in MWC rates but no rate adjustments
No new staffing
2% COLA for wages each year after existing contract expires
Transfer additional \$60,000 to Water Debt Fund every year from water rate increase
\$36,000-45,000 every year in Capital Improvements
Capital Projects from 10 year plan
No Major Engineering except of 10 year capital projects)
\$37,000 - \$46,000 per year in routine water system repairs (meters, minor breaks, etc.)
Payoff Meter debt (\$305,354 from Water Debt Fund)

13/14 Payoff old 1997 USDA loan (25 years early) using General Fund and Street SDC interfund loan (\$1,366,986)
14/15 new USDA debt payment starts \$133,000 (\$2.5M @ 3.75% 40 years) plus interest only to ourselves on interfund loan
15/16 new USDA debt payment \$133,000 (\$2.5M @ 3.75% 40 years) plus interest only to ourselves on interfund loan
16/17 new USDA debt payment \$133,000 (\$2.5M @ 3.75% 40 years) plus interest only to ourselves on interfund loan
17/18 new USDA debt payment \$133,000 (\$2.5M @ 3.75% 40 years) plus interest only to ourselves on interfund loan
18/19 new USDA debt payment \$133,000, plus interest and Principal payoff on interfund loan of \$185,000
19/20 new debt payment \$133,000, plus interest and Principal payoff on interfund loan of \$225,000
20/21 new debt payment \$133,000, plus interest and Principal payoff on interfund loan of \$275,000
21/22 new debt payment \$133,000, plus interest only to pay ourselves Plus principal of \$325,000
22/23 new debt payment \$133,000, plus interest and Last Principal payment on interfund loan of \$356,986 (Interfund Loan Paid OFF!!)

Water System Development Fund (24) (Partial Transfers)

| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Unaudited | Est. YE or Proj. | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection |
| Beginning Fund Balance | \$75,402 | \$13,370 | \$0 | \$400 | \$28,163 | \$58,252 | \$90,737 | \$125,690 | \$163,184 | \$203,296 | \$246,105 | \$291,691 |
| <i>Revenue</i> | | | | | | | | | | | | |
| Medford Water SDCs | \$18,202 | \$35,100 | \$36,910 | \$39,650 | \$39,650 | \$39,650 | \$39,650 | \$39,650 | \$39,650 | \$39,650 | \$39,650 | \$39,650 |
| Eagle Point SDCs | \$34,188 | \$60,081 | \$75,275 | \$77,533 | \$79,859 | \$82,255 | \$84,723 | \$87,264 | \$89,882 | \$92,579 | \$95,356 | \$98,217 |
| Other Revenue | \$1,248 | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 | \$400 |
| Total Revenue | \$53,639 | \$95,581 | \$112,585 | \$117,583 | \$119,909 | \$122,305 | \$124,773 | \$127,314 | \$129,932 | \$132,629 | \$135,406 | \$138,267 |
| <i>Expenditures</i> | | | | | | | | | | | | |
| Materials & Services | \$47,937 | \$36,910 | \$36,910 | \$29,600 | \$29,600 | \$29,600 | \$29,600 | \$29,600 | \$29,600 | \$29,600 | \$29,600 | \$29,600 |
| Capital Outlay | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Debt Service | \$17,734 | \$17,500 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Transfers | \$50,000 | \$54,541 | \$75,275 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 |
| Total Expenditures | \$115,670 | \$108,951 | \$112,185 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 |
| Beginning Fund Balance | \$75,402 | \$13,370 | \$0 | \$400 | \$28,163 | \$58,252 | \$90,737 | \$125,690 | \$163,184 | \$203,296 | \$246,105 | \$291,691 |
| Total Revenue | \$53,639 | \$95,581 | \$112,585 | \$117,583 | \$119,909 | \$122,305 | \$124,773 | \$127,314 | \$129,932 | \$132,629 | \$135,406 | \$138,267 |
| Total Expenditures | \$115,670 | \$108,951 | \$112,185 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 | \$89,820 |
| Revenue vs Expenditures | -\$62,032 | -\$13,370 | \$400 | \$27,763 | \$30,089 | \$32,485 | \$34,953 | \$37,494 | \$40,112 | \$42,809 | \$45,586 | \$48,447 |
| Ending Fund Balance | \$13,370 | \$0 | \$400 | \$28,163 | \$58,252 | \$90,737 | \$125,690 | \$163,184 | \$203,296 | \$246,105 | \$291,691 | \$340,138 |

Assumptions: 25 houses per year and increase SDC rate annually @ 3% CPI

Water Debt Fund (40)

| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 |
|--------------------------------|------------------|------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------------|
| | Unaudited | Est. YE or Proj. | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection | Projection |
| Beginning Fund Balance | \$634,628 | \$570,194 | \$510,422 | \$175,909 | \$181,695 | \$187,481 | \$193,267 | \$199,053 | \$204,839 | \$210,625 | \$216,411 | \$222,197 |
| | | | | | | | | | | | | Can't go below \$152,579 |
| <i>Revenue</i> | | | | | | | | | | | | |
| From Water | \$38,145 | \$38,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 | \$98,145 |
| From Water SDC | \$50,000 | \$54,662 | \$75,275 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 | \$60,220 |
| Total Revenue | \$88,145 | \$92,807 | \$173,420 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 |
| <i>Expenditures</i> | | | | | | | | | | | | |
| Debt Service (2011 USDA) | \$152,579 | \$152,579 | \$507,933 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 |
| Contingency & Reserves | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenditures | \$152,579 | \$152,579 | \$507,933 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 |
| Beginning Fund Balance | \$634,628 | \$570,194 | \$510,422 | \$175,909 | \$181,695 | \$187,481 | \$193,267 | \$199,053 | \$204,839 | \$210,625 | \$216,411 | \$222,197 |
| Total Revenue | \$88,145 | \$92,807 | \$173,420 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 | \$158,365 |
| Total Expenditures | \$152,579 | \$152,579 | \$507,933 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 | \$152,579 |
| Revenue vs Expenditures | -\$64,434 | -\$59,772 | -\$334,513 | \$5,786 | \$5,786 | \$5,786 | \$5,786 | \$5,786 | \$5,786 | \$5,786 | \$5,786 | \$5,786 |
| Ending Fund Balance | \$570,194 | \$510,422 | \$175,909 | \$181,695 | \$187,481 | \$193,267 | \$199,053 | \$204,839 | \$210,625 | \$216,411 | \$222,197 | \$227,983 |

Assumptions: Pay off water meter loan of \$305,354 in 2013-2014)