



Legislation Text

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FINANCIAL ADVISORY BOARD AGENDA ITEM

ACTION REQUESTED:

Request a recommendation on the preferred funding method for the Water Automated Meter Infrastructure (AMI) project

DEPARTMENT: Finance Department

SUBMITTED BY: Raymond Munch, Budget Manager

BOARD/COMMISSION REVIEW:

4/29/2019 - Presented initial background to Financial Advisory Board prior to vendor selection process

BACKGROUND:

On June 18, 2019, City Council directed staff to issue a request for proposal (RFP) on implementation of an automated metering infrastructure (AMI) system for the water utility. The RFP was issued following completion of a business case analysis by West Monroe Partners, LLC, which explored the options and feasibility of implementing a new system within the utility.

On April 29, 2019, staff presented the final business case study analysis to the Financial Advisory Board with an estimate capital cost ranging between \$8 and \$10 million. The focus of the presentation was to determine potential funding options. The three approaches were discussed, including use of available cash within city accounts, borrowing and building the cost into the utility rates. Discussions of using cash-on-hand centered around revenues currently building in the Phosphorus Fund, which was created to assist in facility upgrades anticipated to begin in 2024.

The Water Utility ended 2019 with approximately \$18.8 million in cash reserves, including \$17.2 million from the Phosphorus Fund.

Unaudited Cash Balances			
Fund	End of 2019	YTD (Unadjusted)	Total
Phosphorus	\$ 17.24	\$ 0.68	\$ 17.92
Water	\$ 1.55	\$ 3.35	\$ 4.90
Total	\$ 18.79	\$ 4.03	\$ 22.82

The Water Utility also has approximately \$23.52 million in outstanding debt service payments due over the next 10 years. After 2020, the Water Fund is scheduled to pay \$17.55 million in principle and \$3.61 million in interest.

Debt Service Schedule - Water Fund			
Year	Principal	Interest	Total Debt Ser
2020	1,566,915	796,890	2,363,805
2021	1,539,915	744,704	2,284,619
2022	1,554,915	690,858	2,245,773
2023	2,283,648	634,612	2,918,260
2024	3,415,000	539,685	3,954,685
2025	2,420,000	388,035	2,808,035
2026	1,935,000	280,635	2,215,635
2027	1,950,000	196,285	2,146,285
2028	1,945,000	110,485	2,055,485
2029	504,000	23,310	527,310
Total	19,114,392	4,405,499	23,519,891

If borrowing is an option, the City is currently seeing interest rates conservatively projected between 2 and 2.5%.

Presentation of the AMI project to City Council is anticipated for the second meeting in August. Staff is seeking a final funding recommendation from the Financial Advisory Board to include in that discussion.

DISCUSSION:

Staff is currently in contract negotiations with potential vendors for the AMI project with plans to present a recommendation to Council for an agreement during the August 18, 2020 meeting.

A final cost total will not be available until contract negotiations are completed. However, staff is confident the capital costs will be approximately \$8 million. Deployment of the new system is anticipated to begin later this year with software integration and a pilot program. Mass deployment of the system is anticipated to begin in January 2021.

Before presenting a recommendation to Council in August, staff is seeking input from the Financial Advisory Board on the best method for funding the \$8 million capital expense.