



# Potential Water Acquisition Presentation

April 17, 2017

# Water Rights

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Phase 4A ERU's

Large block of augmentation water available

Potentially enough water for build-out

Does City want to purchase more 4A water so  
SACWSD can buy augmentation water?



# 4A Program

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- Phase 4A water included 3,600 ERUs made available through SACWSD
- 4A water is available to developments that lacked enough water for their development
- 2016 City purchased 265 ERUs (\$2,252,000) (can get additional 63.8 ERUs under discount)
- 2017 Council authorized additional \$1,787,850 (261 ERUs at discounted price if all funds are spent; 248.2 ERUs if \$1.7 million is spent)



# Additional 4A ERU's

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- Total estimated additional ERUs needed for future City facilities: 2,300
- The current sale of the 4A water is without \$1,650 for the connection fee included
- At discounted price City will have purchased 577 - 589.8 ERUs leaving 1,710 – 1,723 still needed



# Additional 4A ERU's

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- Based on annual revenue of \$500,000 City can securitize the Water Acquisition Fee revenue to fund over \$6.5 million
- That would enable City to buy an additional approximately 1,000 ERUs needed for future City facilities
- Leaves approximately 700 ERUs to purchase in future



# Augmentation Water

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- If augmentation water is not purchased by SACWSD, new 4A water could become unavailable
- 4A water is critical for the ultimate build out of the community
- Initial SACWSD purchase must be 1,000 acre feet
- Potential 4,000 acre foot transaction presents SACWSD opportunity to secure sufficient augmentation water nearly to build out



# SACWSD/City

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- Largest amount of augmentation water on South Platte for many years
- Need a City/SACWSD effort to secure the water (without City it fails)
- SACWSD dedicating 4A revenue to purchase
- City needs to make a large purchase of 4A water to make it possible for SACWSD to purchase augmentation water



# City Options

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- Cash – approximately \$4,000,000 available in General Fund 2016 fund balance
  - Prevents use of that money for other projects
  - But no debt risk
- Debt - various types of debt, but really only two are viable:
  - Bonds are not recommended: cost & vote
  - Certificates of Participation: bldgs. are collateral
  - Lease-purchase: water rights serve as collateral



# Certificates Of Participation

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- COPs – require collateral, which is available in existing City buildings & contents value
  - MSC = \$7.2 million; Rec. Center = \$14.5 million
  - Risk is that in a recession there might not be enough Water Acquisition Fee revenue & short-fall would have to come from General Fund
  - Another risk is that continued use of “debt” instruments could negatively impact bond rating
  - There is opportunity cost



# Lease-Purchase

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- Lease-purchase (10-year interest rate of 2.5-2.75%) – requires water rights as collateral
  - 1,034 ERUs of 4A water are “firmed up” by augmentation water converted in water court
  - Risk is that in a recession there might not be enough Water Acquisition Fee revenue & short-fall would have to come from General Fund
  - Another risk is that continued use of “debt” instruments could negatively impact bond rating
  - Benefit is that there is no opportunity cost



# Analysis of Proposed Sale

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- City can defer the connection fee on both the 265 ERUs purchased in mid-2016 and the currently proposed 4A sale
- Result is that City would gain additional 63.8 ERUs from previous purchase by deferring connection fee of \$1,650



# Recommendations

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- Give staff direction to indicate interest in purchasing additional ERUs at discounted price using lease-purchase financing
- Convert connection fee in 2016 purchase to additional 63.8 ERUs instead because future connection fee appears less volatile than water costs





# Discussion

