



Legislation Text

File #: Pres 17-179, **Version:** 1

Purchase of Additional 4A Water

Summary and Background Information :

The City has the opportunity to purchase more 4A water from South Adams County Water and Sanitation District (SACWSD). SACWSD is using funds from 4A water sales to raise more money for the purchase of augmentation water. SACWSD wants to buy augmentation water because it is necessary in order to have future 4A water available for use for the eventual build-out of the community. Without augmentation water, the 4A water cannot be made available on a long term basis in the future. As stated before, the reason SACWSD wants to buy augmentation water now is that a large block of water is available.

The City is in the process of purchasing additional 4A ERUs based on previous authorization from City Council and proposes to raise significant additional funds as discussed below. The specifics of the financial proposal will be the subject of an executive session because negotiations are still under way for the purchase of the water. The city will have purchased approximately 577 ERUs in 2016 & 2017 but will need another 1,723 ERUs in the future for additional facilities and parks. The city receives approximately \$500,000 in annual revenue in the Water Acquisition Fee Fund. It is possible to use that to fund over \$6.5 million in a lease-purchase transaction. That would enable the purchase of a significant number of ERUs at the current discounted rate of \$6,850 per ERU (minus the connection fee). It is desirable to purchase the ERUs without the connection fee since the price of water rights is escalating faster than the connection fees charged by SACWSD.

The other option would be to use COPs to secure the funding for such a large water purchase, still using the revenue in the Water Acquisition Fee Fund to repay the COPs. However, that ties up the equity in a city facility resulting in the opportunity cost of not being able to use that equity to secure COPs for some other project. The other advantage of a lease-purchase deal is that the interest rate is estimated to be approximately 2.5-2.75% for the first 10 years. If city council decides to proceed in this manner, staff will solicit formal proposals for lease-purchase financing. That will lock the interest rate and determine the term of the lease-purchase structure.

The policy question for city council is, do you want to purchase more 4A water using a funding mechanism such as a lease-purchase arrangement in order to acquire additional water for future city use and achieve long-term security for the 4A ERUs?

Staff Responsible (Department Head): Roger Tinklenberg

Staff Member Presenting : Roger Tinklenberg

Financial Impact : Limited

Funding Source : Water Acquisition Fee Fund

Staff Recommendation : I move that council direct staff to solicit proposals for the purchase of additional 4A water using a lease-purchase arrangement funded by the Water Acquisition Fee Fund.

Suggested Motion : Direct staff to solicit proposals for the purchase of additional 4A water using a lease-purchase arrangement funded by the Water Acquisition Fee Fund.

