

**Metropolitan Domestic Water Improvement District  
Board of Directors Meeting**

**January 14, 2013**

**Financing the CAP Water Utilization Program**

**Synopsis**

The Board of Directors is requested to discuss how the District could move forward with the financing of the CAP Water Utilization Program.

**Background**

At the December 10, 2012 meeting, Board member Dan M. Offret requested that the Board discuss how to move forward with the financing of the CAP Water Utilization Program. Specifically, Mr. Offret wanted to some of the savings from the refinancing and restructuring of debt retirement to be set aside specifically for funding the CAP Water Utilization Program.

To facilitate that discussion, this report will note efforts during 2012 to move the District closer to realizing its CAP Water Utilization Program.

During the development of the current fiscal year budget, it was noted that monies in the budget were not available for identified capital improvement projects. During those discussions, it was noted that the main capital improvement project is the CAP Utilization Program due to its importance for the District's future. Specifically, \$150,000 was identified to select a consultant to perform a pipeline route analysis for a CAP Recharge/Recovery System from Avra Valley Recharge Project to the Herb Johnson Reservoir, location citing for pumping station(s) and possible future treatment facility, cost estimates, and most importantly, financing options for the needed improvements. Staff believes that this is the next important step for the CAP Utilization Program. In developing the budget, it was hoped that the District could secure a loan from WIFA to indirectly finance the required capital improvement project of the reclaimed water line to Omni Tucson National. With that WIFA loan secured, it was anticipated that monies will be available to finance the construction and financial analysis for the CAP Utilization Program.

In October 2012, the Board of Directors approved a rate structure adjustment that included the establishment of the Water Resources Utilization Fee to be effective March 1, 2013. The Water Resources Utilization Fee is to be used for the development, design, and construction of projects to utilize the District's renewable water supplies including its Central Arizona Project water allocation and its effluent. This fee is set at 10 cents for every 1,000 gallons and is anticipated to generate \$81,685 this fiscal year and then \$269,802 in FY2013-14. The use of monies generated from the Water Resources Utilization Fee is to be approved by the Board of Directors.

In addition, with the current refinancing and restructuring of some of the District's debt retirement, the District is positioned to be able to pursue a sizeable portion of the CAP Utilization Program through the current rates and debt structure.

### **Issues**

Despite the difficult financial challenges, 2012 did help to lay significant groundwork to move closer to financing the CAP Water Utilization Program.

The refinancing and restructuring of the 2002 debt does mean that for this current fiscal year the District will have \$264,072 less in debt retirement. With the discussion of the midyear budget review, it is not known if that \$264,072 will remain available or will help to balance the budget. For FY 2013-14, the revised debt service will be \$996,170 less than the current one; however, that does not mean an additional \$996,170 is available to the District. The FY2013-14 budget will now not have to find an additional \$564,000 that had been scheduled based on the previous debt service schedule. Therefore, with the revised debt service, the District will have \$432,000 less in debt service for the FY2013-14 budget.

When the pipeline route analysis along with financial analysis is completed, it will provide the District with more certain numbers about what financing is necessary and options to accomplishing it. This will give the District a more complete understanding of what financial decisions will need to be made by the District.

With uncertainty remaining about metered sales and revenues in the near future, concern is warranted in development of the budget for FY 2013-14. Integral to our water future is the importance of the CAP Utilization Program and surety of a funding source be established specifically for this program. However, we have planned for this program for several years and in order for us to move forward, a more aggressive approach and commitment is needed. At the November 14, 2012 meeting, Mark Reader, Financial Advisor, outlined a path for us to consider as a means of getting this project off the ground. While the time frame was short to initiate this plan of action, it does provide a path to consider or modify so it can meet the needs of getting the CAP Utilization Program moving forward.

In the meantime, identifying a structure that would develop and implement a full financing plan for the CAP Utilization Program is necessary and prudent. This could be accomplished by setting a specific amount in the budget into a fund for the CAP Utilization Program, and/or setting a specific amount from the debt restructuring savings into a fund for the CAP Utilization Program, and/or having a certain amount from revenue generated from the Water Resources Utilization Fee be set aside specifically for the CAP Utilization Program.

### **Staff Recommendation and Suggested Motion**

No motion is required to for this agenda item. It is recommended that the Board of Directors discuss this matter and direct staff on the financing and implementation of the CAP Water Utilization Program.

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Respectfully submitted,

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General Manager