

City of La Center  
Council Work Session  
May 18, 2016

Sewer Utility Debt Options

## The scenarios ...

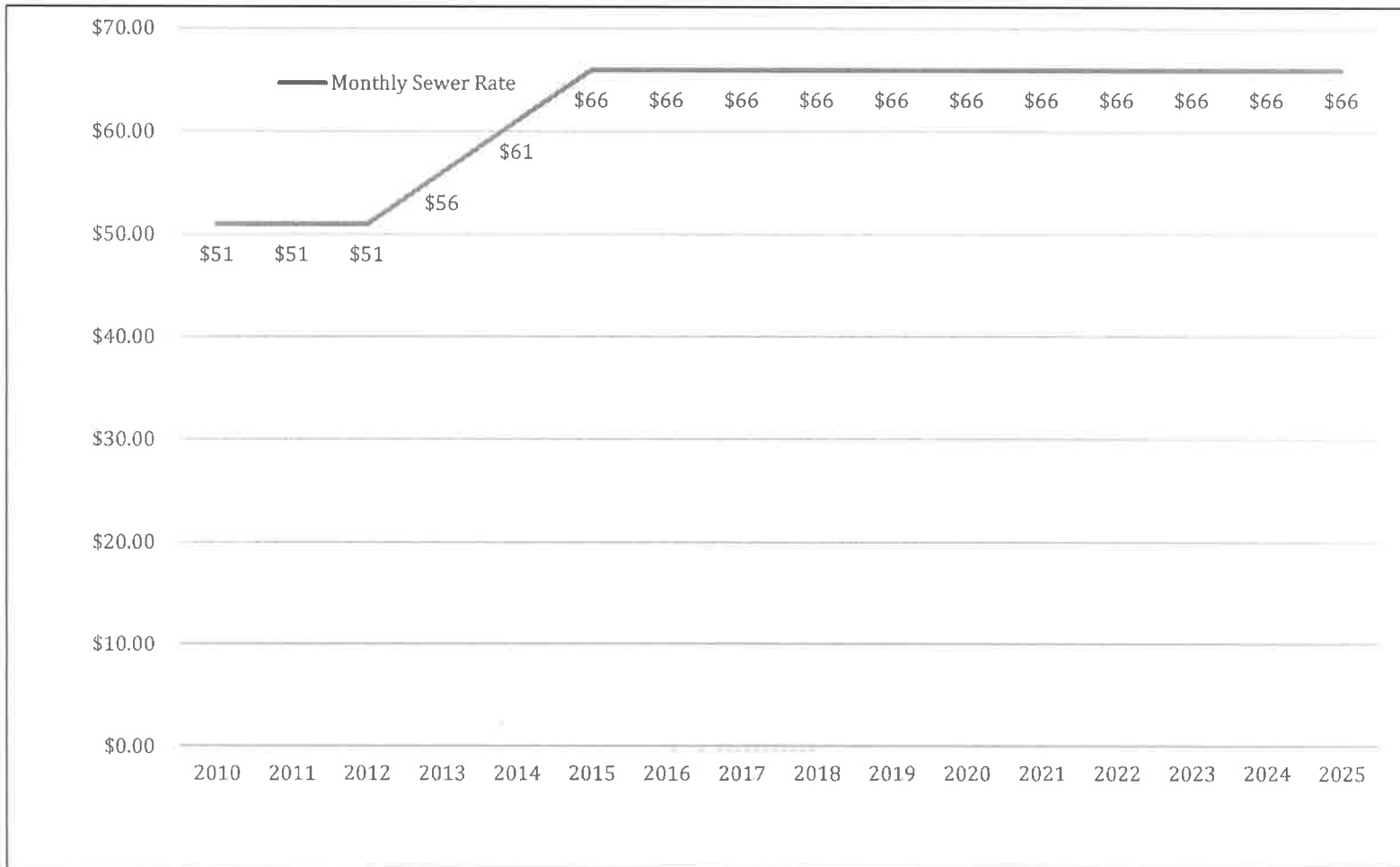
- Status Quo / no pay down
- \$4M debt pay down
- \$5M debt pay down
- \$6M debt pay down

## Assumptions:

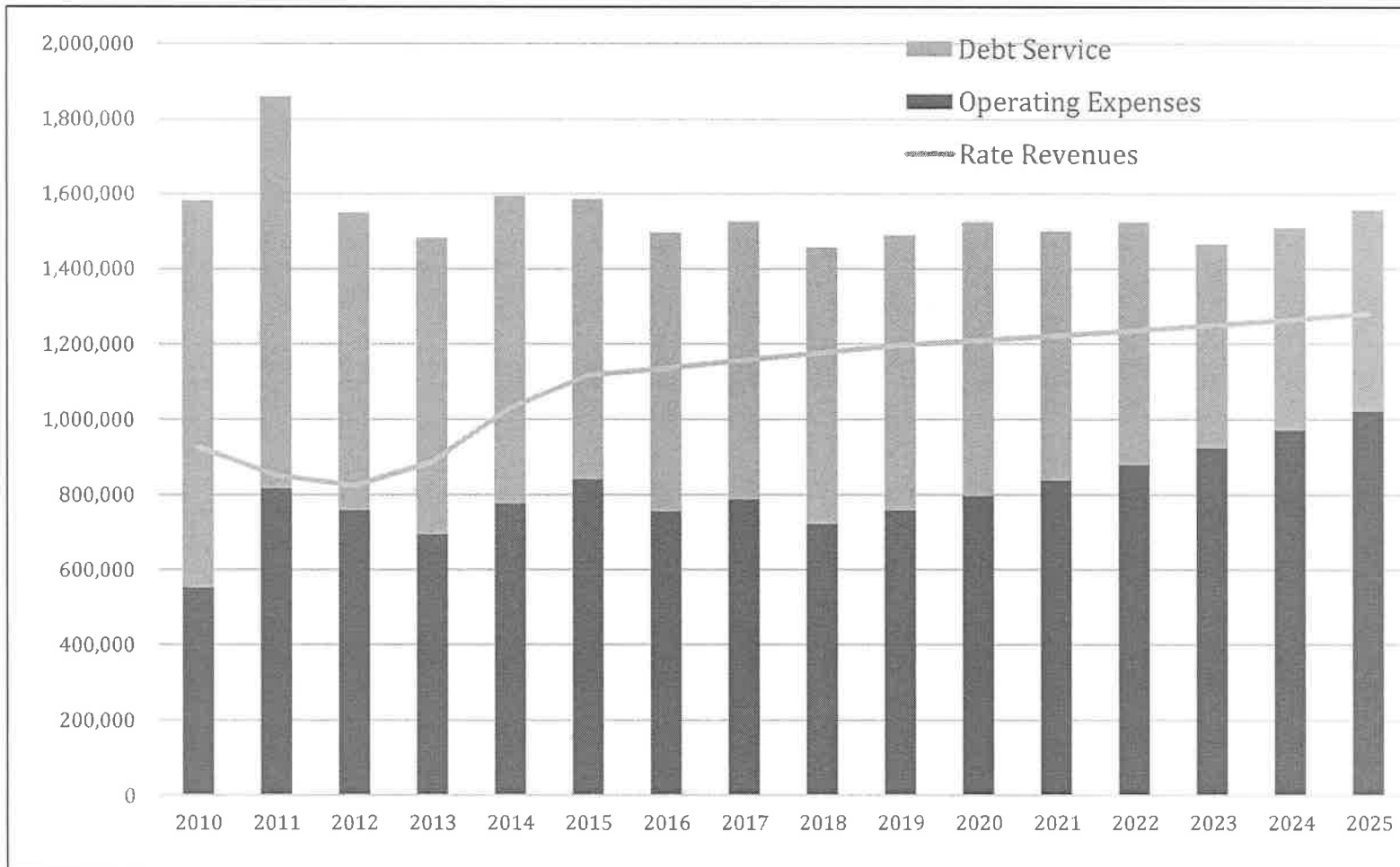
Period of 2010 thru 2025\*

- ❑ Growth - 2% for 2017-2019
- ❑ Rates - flat (\$66)
- ❑ Operating Expenses – trend with actual – legal fees decline after 2017
- ❑ Expansion of plant 2022-2023

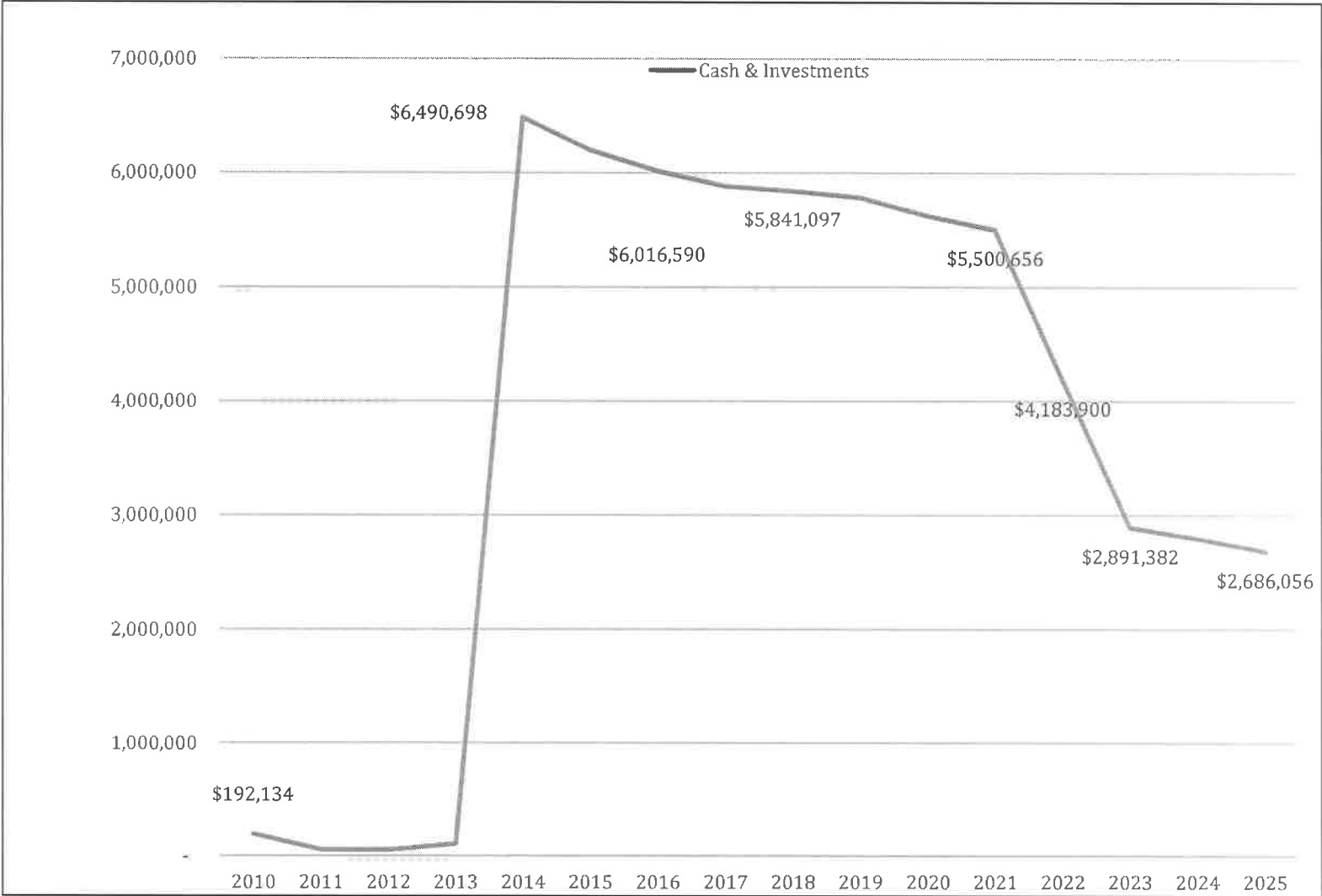
# Monthly Sewer Rate – History and Projected



# No pay down “status quo” Rate Revenues vs. Operating Costs



# No pay down – cash reserves

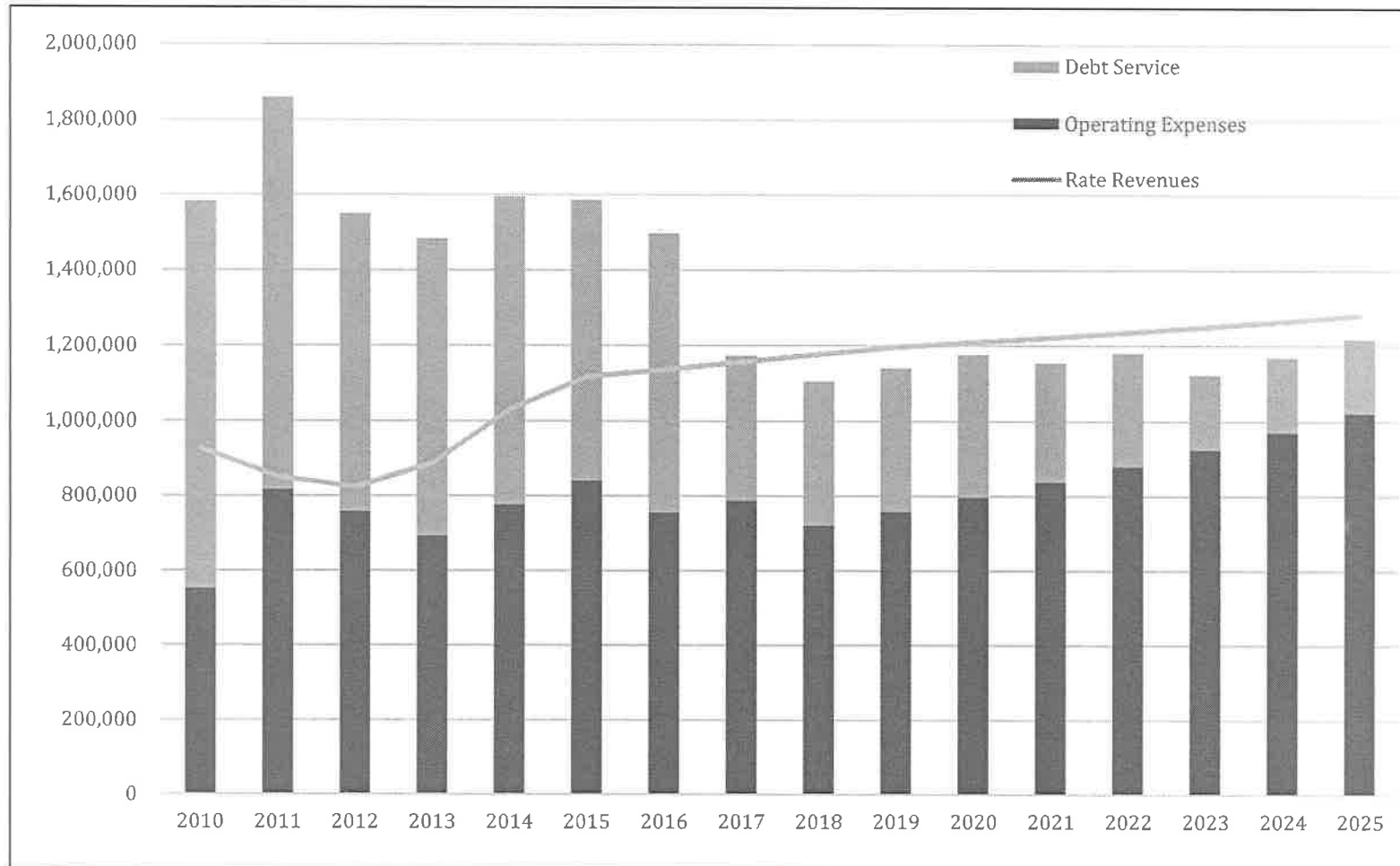


# The Financial Situation

- ❑ Outstanding debts:
  - ❑ \$7.9 million
  - ❑ \$743,000/year debt service
- ❑ \$6 million in cash

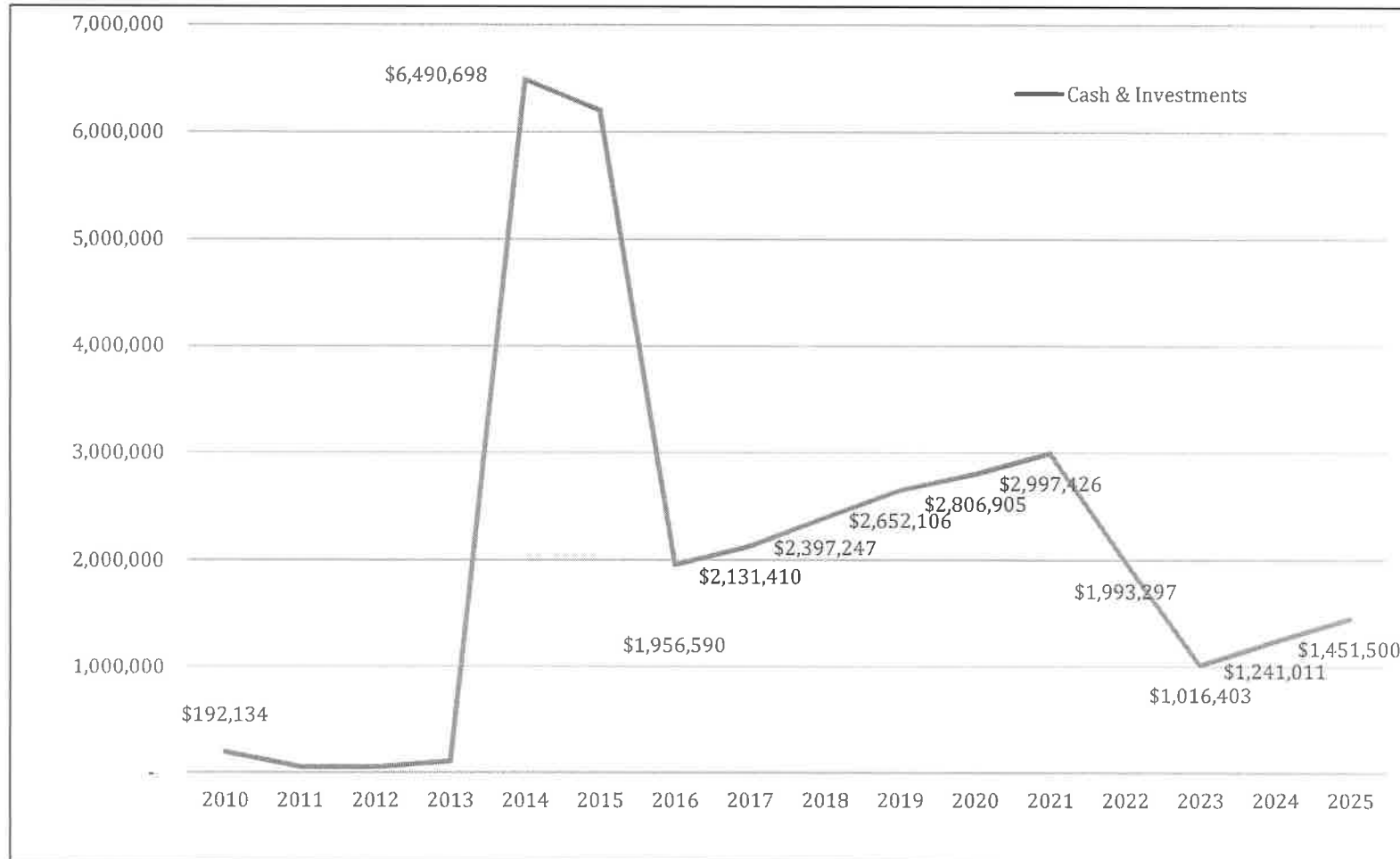
# \$4M debt pay down

## Rate Revenues vs. Operating Costs



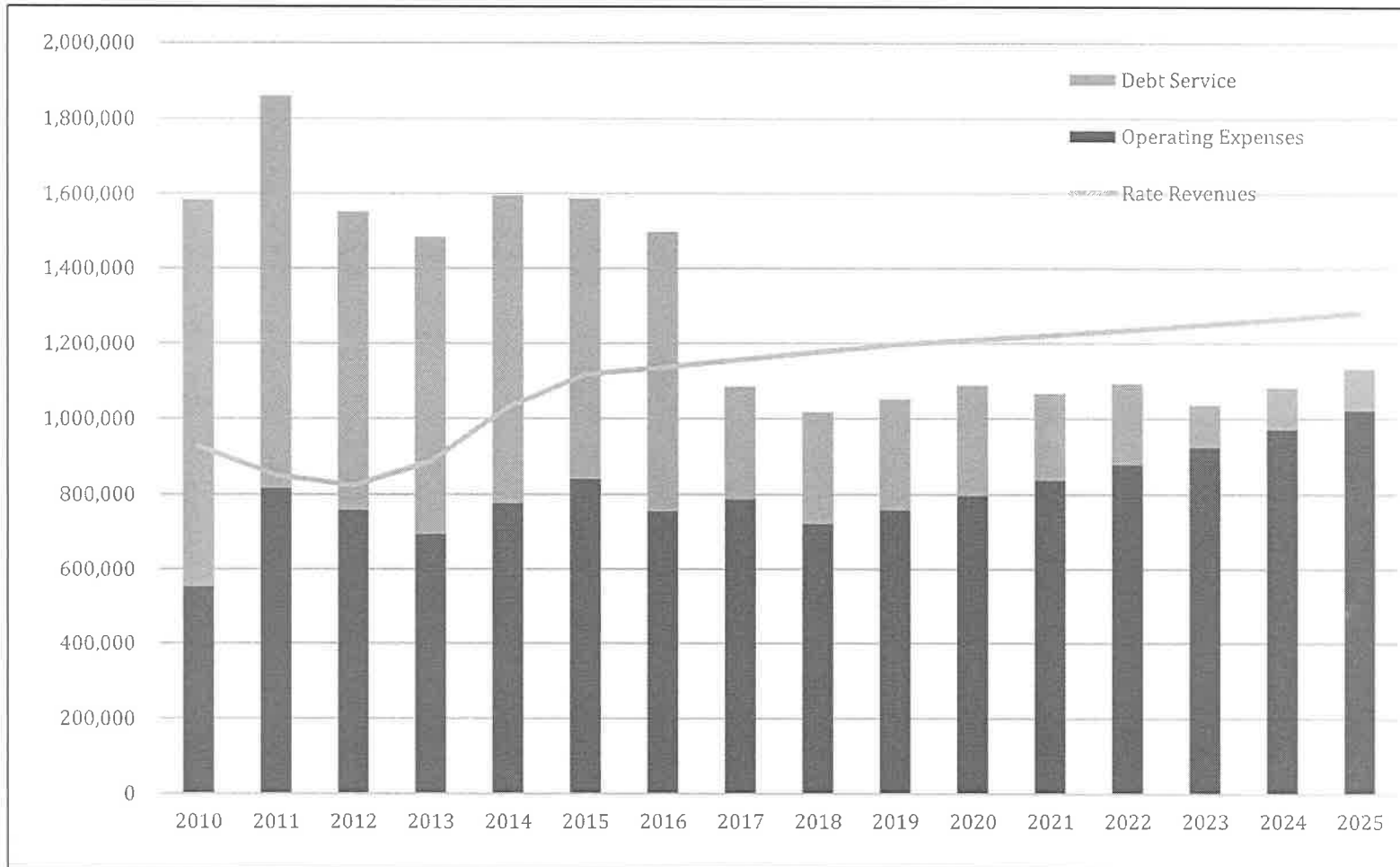


# \$4M debt pay down – cash reserves

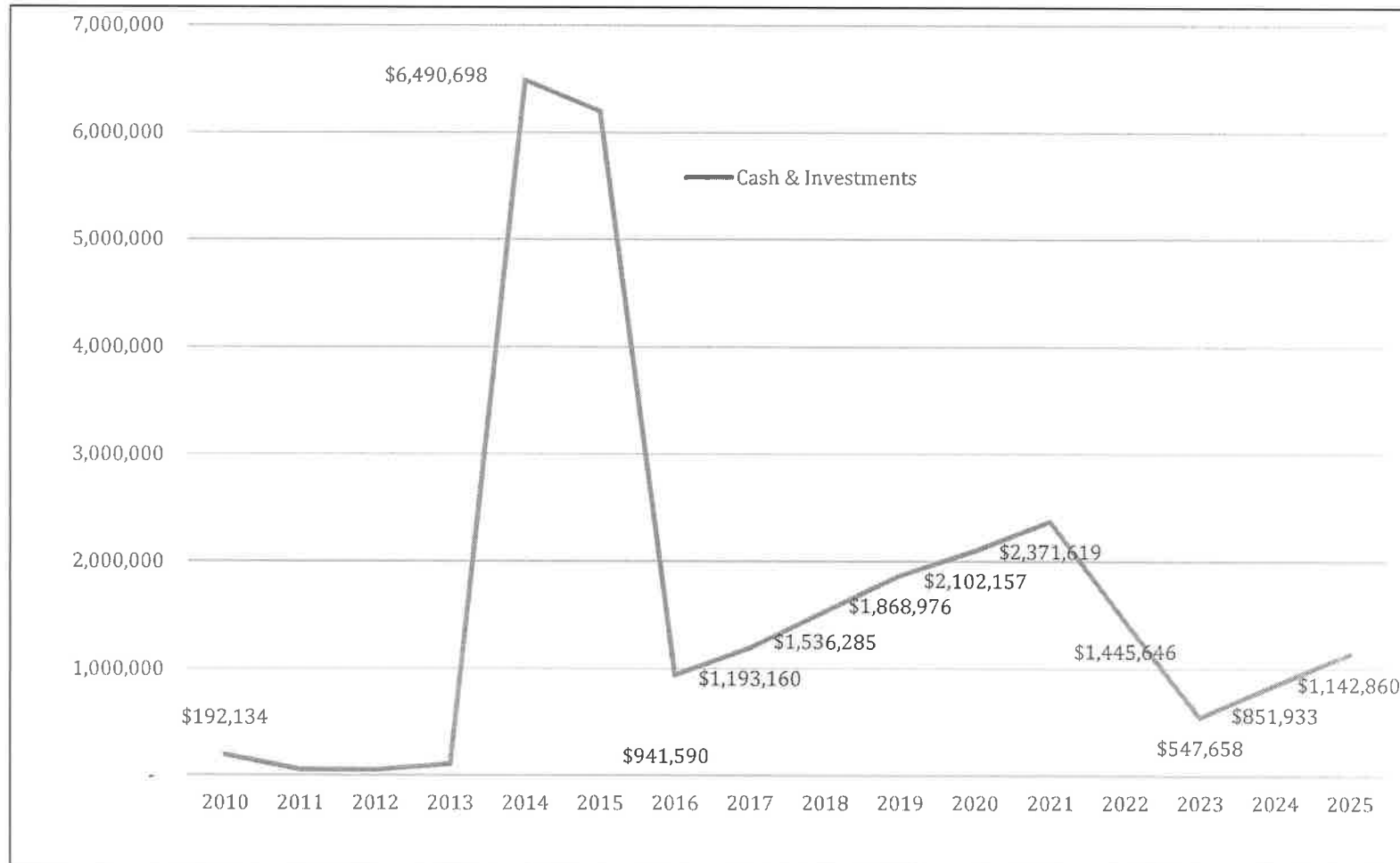


# \$5M debt pay down

## Rate Revenues vs. Operating Costs

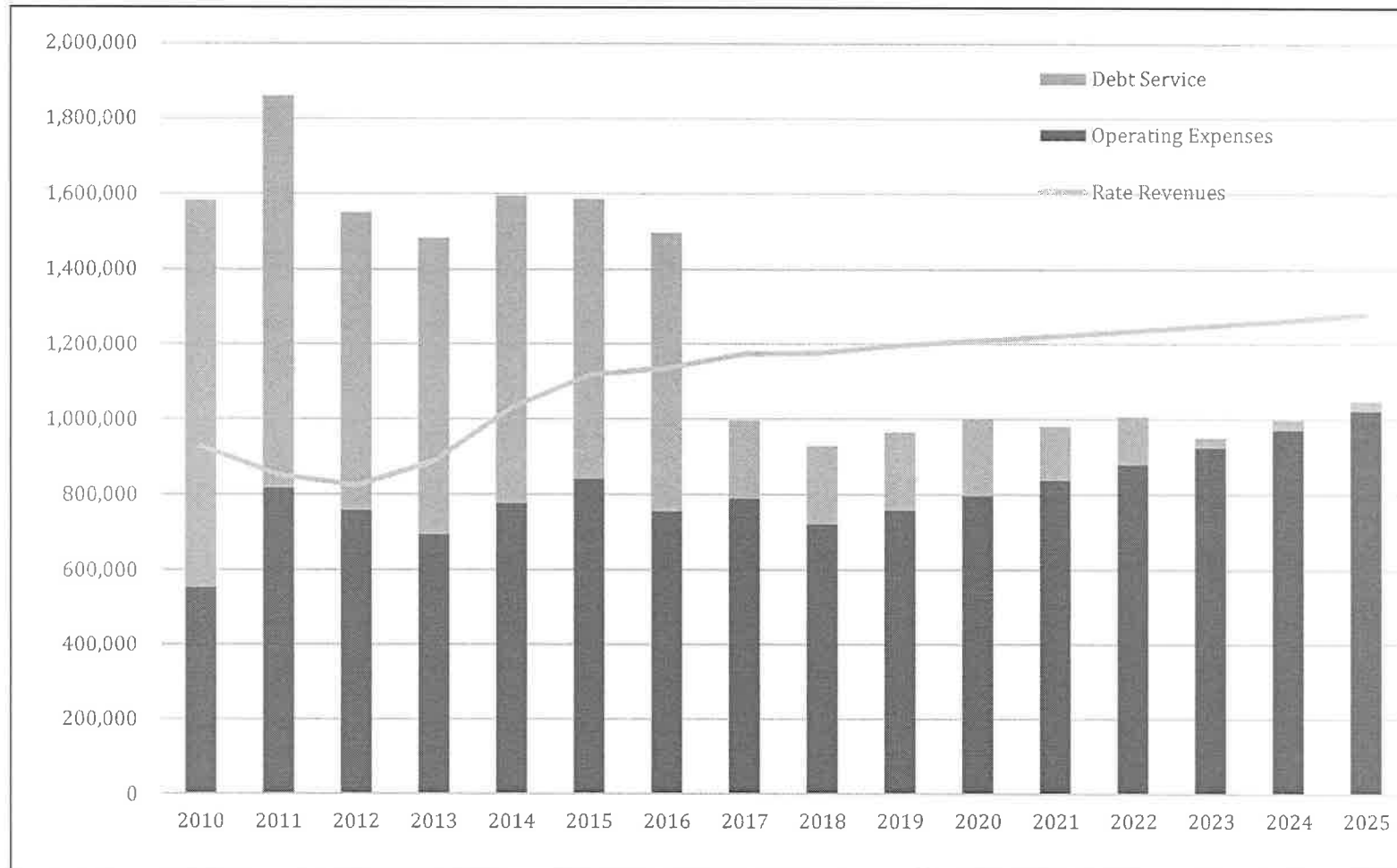


# \$5M debt pay down – cash reserves

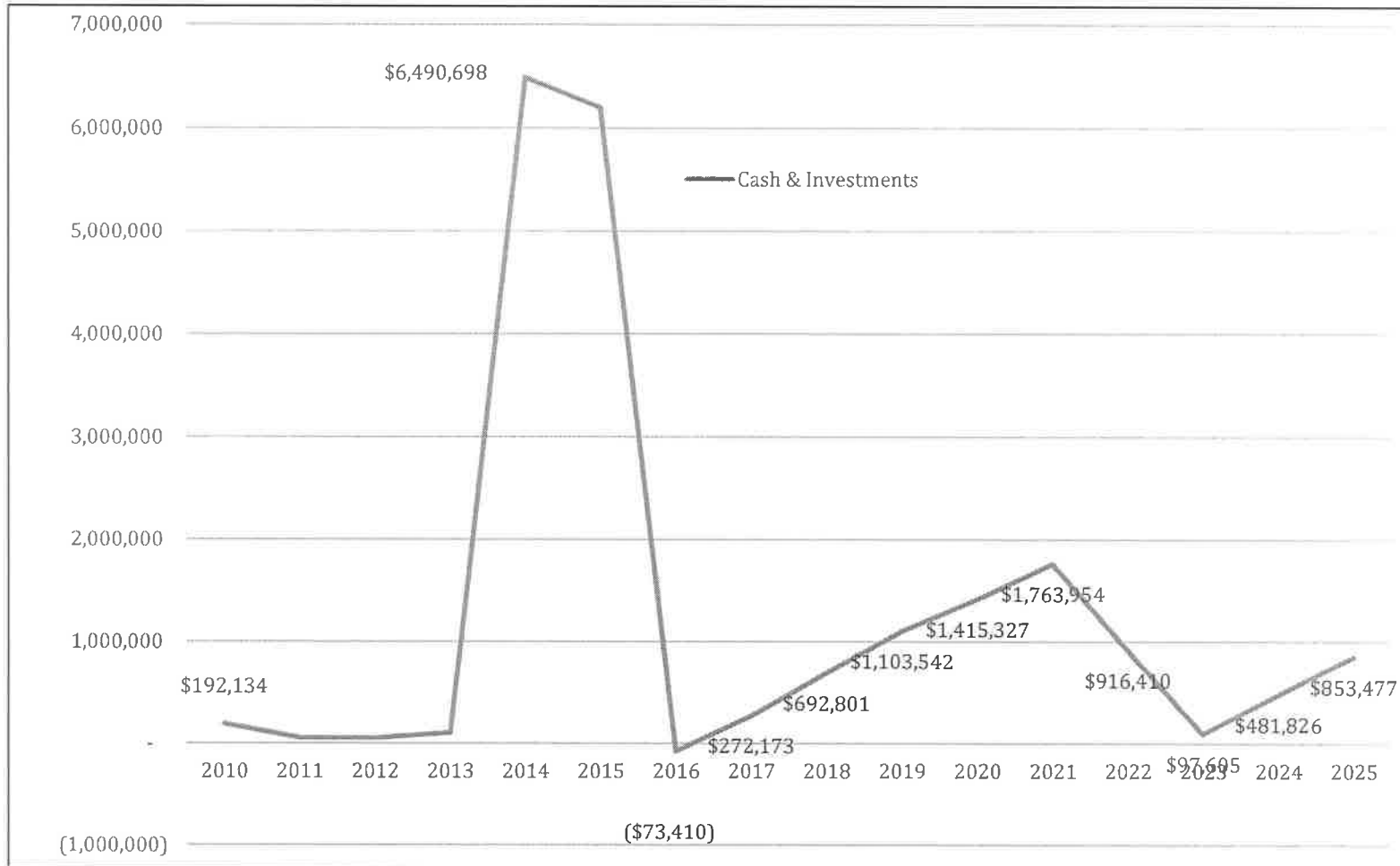


# \$6M debt pay down

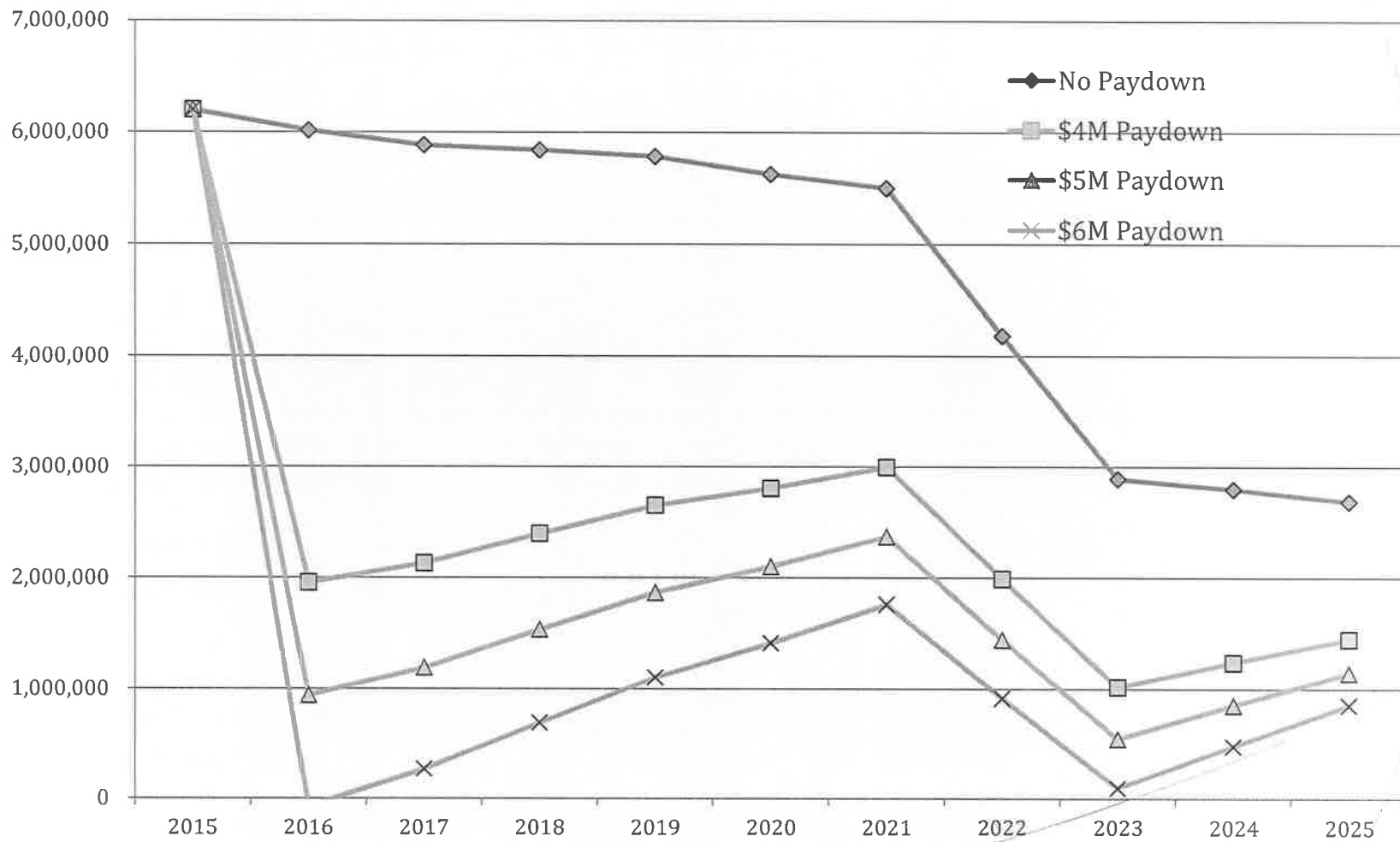
## Rate Revenues vs. Operating Costs



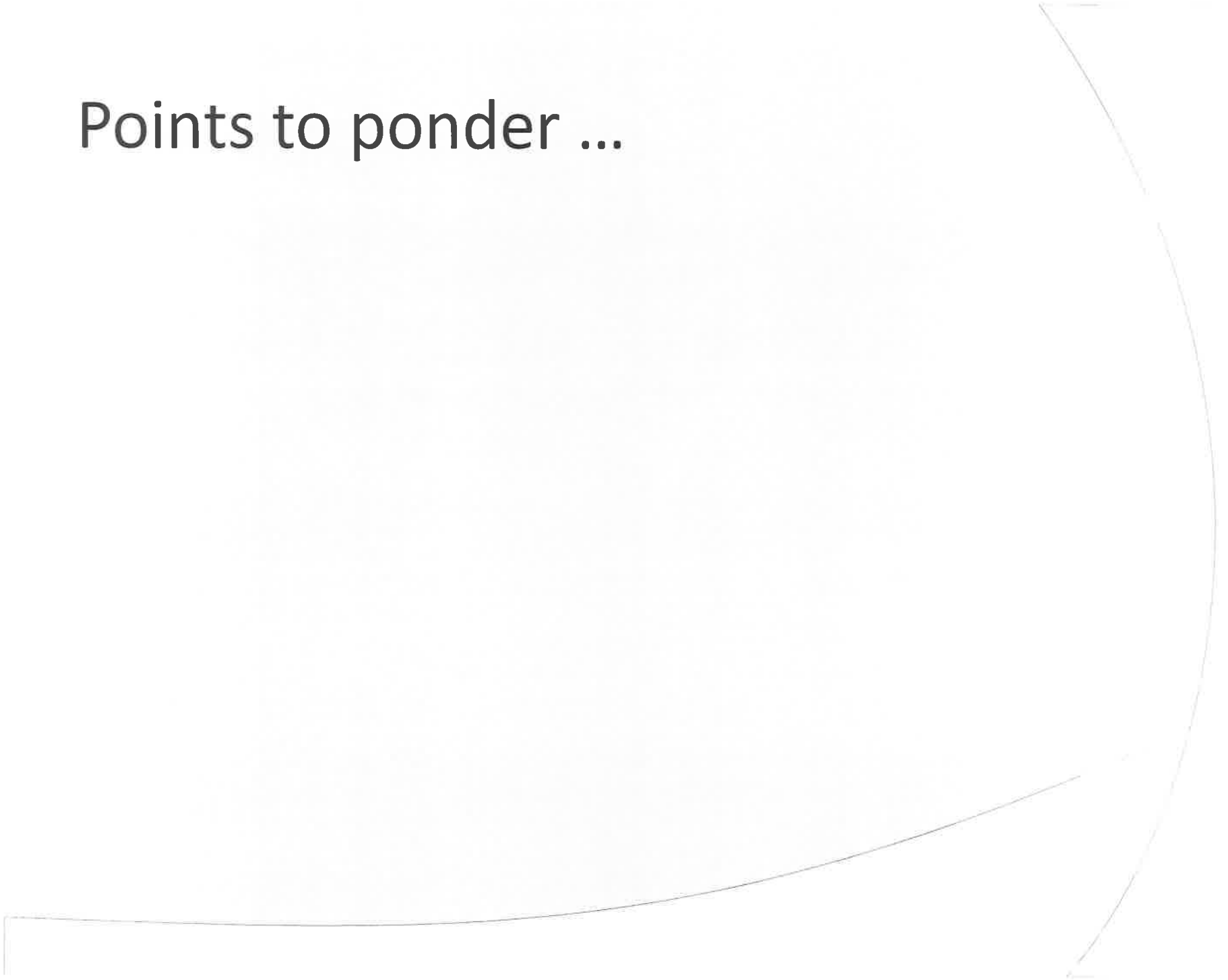
# \$6M debt pay down – cash reserves



# Comparison



Points to ponder ...



# Rate revenues

In the "no pay down" option, rate revenues never exceed recurring operating expenses and debt service.

In the other three options, rate revenues eventually exceed recurring costs and contribute to Cash & Investments.



# Cash reserves

In the "no pay down" option Cash & Investments decrease each year because rate revenues never cover 100% of recurring costs.

In the other three options Cash & Investments initially decrease by \$4M, \$5M, or \$6M, but in subsequent years Cash & Investments increase because rate revenues exceed recurring costs.

# Discussion

