

RESOLUTION NO. 4877

A RESOLUTION ADOPTING WATER SYSTEM FINANCIAL PLAN POLICIES.

WHEREAS, the Water Task Force has worked on the development of the Water System Facility Plan and the Water System Financial Plan since September 2001; and

WHEREAS, the development of the Financial Plan requires the establishment of policies and assumptions that help project future water system revenue requirements; and

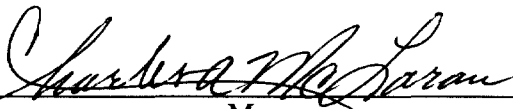
WHEREAS, the City of Albany is in the process of selling approximately \$36 million in revenue bonds to help fund the Joint Water Project and other water system improvements that will be to the substantial long-term benefit of the citizens of the City of Albany; and

WHEREAS, adoption of the policies shown in Exhibit A is necessary for the completion of the Financial Feasibility Study that is required as part of the process to offer bonds for sale in the bond market.

NOW, THEREFORE, BE IT RESOLVED that the Albany City Council hereby adopts the financial plan policies shown in the attached Exhibit A.

BE IT FURTHER RESOLVED that this resolution shall take effect immediately upon passage by the Council and approval by the Mayor.

DATED THIS 10TH DAY OF SEPTEMBER 2003.



Mayor

ATTEST:



City Recorder

Exhibit A

WATER FINANCIAL PLAN POLICIES

Policies and Assumptions

Category	Meeting Date	Task Force Policy Recommendation	Notes	Policy or Assumption
<u>CAPITAL</u>				
Capital Cost Escalation	2/18	3.7%	10-year ENR average	Both
Annual Oversizing Funds	2/26	\$10,000/year & \$50,000 cap.	Use SDC credits whenever possible. If oversizing requirement in one year exceeds 10,000, get Council authorization to take from reserves.	Policy
Minimum Debt Coverage	2/26	1.25	Minimum coverage without SDC revenue. Target 1.30 coverage with SDC revenue.	Policy
Revenue Bond Interest Rate	2/26	6%	For future bond sales in the 10-year financial plan window. Does not apply to 2003 Water Bond.	Assumption
Revenue Bond Structure	2/26	Bond Insurance	Insurance will be built into the future bond sale cost. If cost benefit changes in future then revise as necessary.	Policy
<u>OPERATION AND MAINTENANCE</u>				
Base O&M Cost Escalation	2/26	4%	Review 4% assumption over time	Assumption
Total System Reserves for Operating Contingency and Emergency Capital Reserve	2/26 & 3/4	Total system reserves – 15% of O&M Budget.	Two-thirds of the reserves (10% of the O&M Budget) will be an operating contingency of which 15% can be spent each year. One-third of the reserves (5% of the O&M Budget) will be an emergency capital reserve.	Policy
Economic Development and Business Retention	3/4	Add \$100,000 per year. Cap at \$500,000.	Assume \$100,000 spent each year. Includes business retention.	Policy
Interest Earnings Rate	3/4	3%	Ten-year average earnings on fund balances.	Assumption
Franchise Fee	2/26	Each year, determine what the total rate revenue is without Millersburg revenues and without debt service revenue associated with the 2003 Water Revenue Bond. Take 5% of that value and compare it to what the water fund paid the street fund in fiscal year 2002-03. If the newly calculated number is less than the amount transferred in fiscal year 2002-03 (\$350,000), continue paying the street fund \$350,000. If the newly calculated number is more than \$350,000, then transfer that amount to the street fund.		Policy