

Recommendation reference loan to Greenlight

The UAB has reviewed the background information related to the loan of \$1.478M from the water/sewer enterprise fund to the Greenlight enterprise fund as authorized by Resolution 2012-29 (approved 11/13/2012). According to the Resolution the loan is repayable in 2017, which gave the city 4 years to define a plan for the repayment.

The funds for this loan were removed from water and sewer reserves. This transaction, plus another transfer authorized by Resolution 2013-18, essentially removed all reserves from the water and sewer enterprise fund. This lack of reserves impacts the safety and reliability of the water and sewer infrastructure.

Assuming that the city does not have funds available to make the repayment, and taking into account the discussions about this matter at the joint Council and UAB workshop on 3/21/2016, the UAB recommends that the council approve an agreement that allows the loan to be repaid over a period of time.

The agreement should include the following:

1. Starting with the fiscal year 2017 water and sewer enterprise funds budget the city will not include expense items for city staff providing support to water and sewer operations and administration. For the purpose of determining the yearly amount to be applied toward repayment of the loan, this shall be based on the fiscal year 2016 budgeted amount of \$143,728.
2. Starting with the fiscal year 2017 water and sewer enterprise funds budget the city will include one-half of indirect expenses items that contribute to the operation and administration of the water and sewer utilities, instead of the two-thirds contribution in the fiscal year 2016 budget. The yearly amount of \$12,274 (based on amounts in the fiscal year 2016 budget) shall be applied toward repayment of the loan.

The above repayments total \$156,002 per year. Under this agreement the amount would allow the city to make the repayment in approximately 9 1/2 years. It is recommended that this agreement be applied to the fiscal year 2017-2026 budgets.