



# City and County of Denver

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## Department of Public Works Wastewater Management Division

Wastewater Enterprise Fund Briefing



# Denver Wastewater: Background

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- Denver's Wastewater Management Division plans, constructs, operates and maintains Denver's sanitary sewer and storm drainage system.
- The Division maintains 1,475 miles of sanitary sewers and 750 miles of storm drainage facilities.
- Wastewater operates as an Enterprise Fund, meaning the cost of providing the service must be covered by user fees.
- City Council passed rate increases for sanitary and stormwater effective July 1, 2011. The rate increase anticipated \$30 million of debt issuance in 2012.



# Storm Drainage Funding

- The plan that passed Council included \$30M of debt issuance in 2012. This is debt financing 50% of the \$59.4M capital program over 3 years.

Year	Debt Funded CIP	Cash Funded CIP	Rate Increase
2011	\$0.0	\$16.4	20%
2012	\$30.0	\$0.0	2%
<u>2013</u>	<u>\$0.0</u>	<u>\$13.0</u>	2%
<b>Total</b>	<b>\$30.0</b>	<b>\$29.4</b>	



# Wastewater Budget Clean-up

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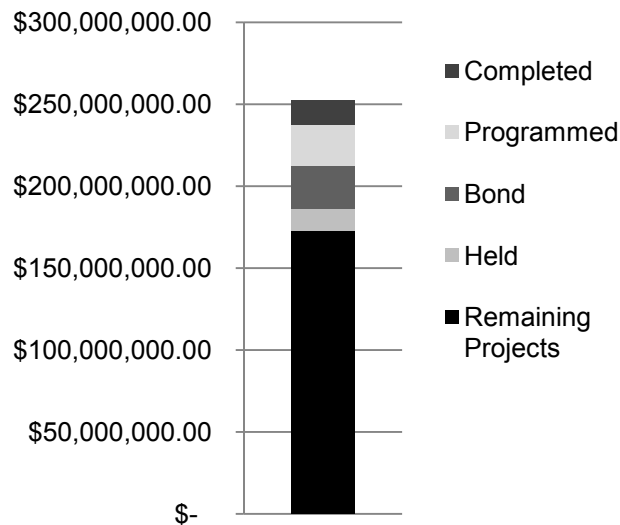
- Wastewater capital project budgets are tied to a 6-year revenue projection (including rate increases).
- Excess budget in storm and sanitary projects requires formal rescission.
- Rescissions include:
  - Completed projects (*excess budget or cost savings*)
  - Programmed projects (*to be completed w/remaining budget*)
  - Bond projects (*moved to bond appropriation*)
  - Held projects for timing consideration (*require additional planning*)
- “Held” projects remain in Storm & Sanitary Master Plans.
- Council will continue to appropriate annual Wastewater capital projects during each budget cycle.



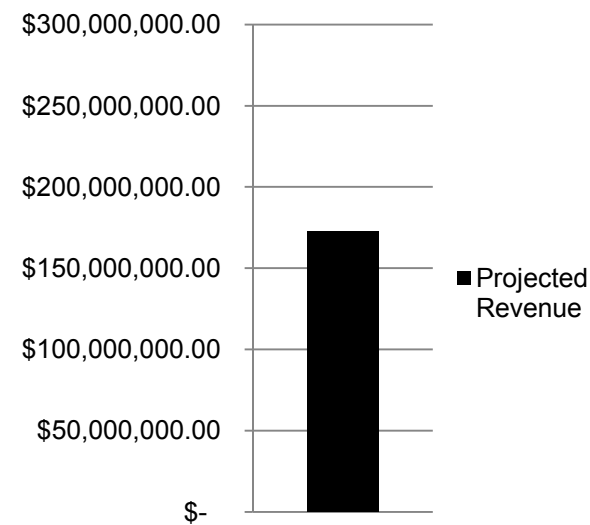
# Wastewater Budget Clean-up

- Approximately \$22M of sanitary and \$58M of storm capital budgets will be rescinded, to allow projected expenses to equal projected 6-year revenue.

**Current WMD Appropriations**



**2012-2017 Projected Capital Revenue**





# Wastewater Capital Program

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- Comprehensive capital program across all funding sources:
  - 2012 CIP revenue (Budget Book)
  - 2012 WMD bond funding
  - 2013-2017 projected CIP and bond revenue
- **Annual programs** are appropriated each year (e.g. Curb & Gutter, General Storm, Master Plan updates).
- **Discretionary projects** are one-time construction needs.
- The Wastewater Improvement Team (WIT) monitors revenue and expenses for the Enterprise Fund, and will provide periodic reporting and updates to City Council.



# Wastewater Enterprise Revenue Bonds

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- The proposed transaction will authorize the Manger of Finance to sell bonds to achieve two City objectives:
  1. Provide funding for capital projects of the City's Wastewater Enterprise
  2. Refund Series 2002 bonds to reduce interest costs, saving an estimated \$2.3 million, over 10% PV savings

New Capital Projects	\$33,000,000
Refunding of 2002 Bonds	<u>\$22,000,000</u>
<b>Total Transaction</b>	<b>\$55,000,000</b>



# Wastewater Enterprise Revenue Bonds

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- The financing schedule contemplates a competitive sale on or about January 11, 2012.
- Expected bond ratings AA/Aa2/AAA (S&P, Moody's, Fitch)

## **The Bond Structure :**

- Fixed rate, tax exempt
- Term not to exceed 20 years
- Bond Interest Rate not to Exceed 5%
- Average Debt Service Payment of \$4.6M through 2022 and \$2.3M to 2032
- Costs associated with the transaction will be paid from the proceeds of the bond refunding

**The Bonds are special obligations of the City, for and on behalf of the Wastewater Enterprise, payable solely from and secured by a pledge of the Net Revenues of the Wastewater Enterprise**





# Proposed Financing Timetable

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November 28	Reading of 20-93 at Council
November 29	Mayor Council
November 30	Filing of Bond Documents
December 5	1 <sup>st</sup> Reading
December 12	2 <sup>nd</sup> Reading
December 15	Publication
Weeks of January 9 <sup>th</sup> & 16 <sup>th</sup> , 2012	Bond Sale/Closing



# 2012-2017 Storm Capital Program

	<b>2012 Bond Appropriation</b>	<b>New CIP Appropriation for 2012</b>	<b>Planned Appropriation for 2013-2017</b>	
Annual Program Total	\$0.00	\$3,500,000	\$31,750,000	\$35,250,000
Discretionary Program Total	\$0.00	\$12,810,000	\$15,425,000	\$28,235,000
2012 Bond Program Total	\$32,500,000	\$0.00	\$0.00	\$32,500,000