

SOUTH SANTA ROSA UTILITY SYSTEM

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LONG TERM FINANCING WORKSHOP AGENDA

Gulf Breeze City Hall
MARCH 3, 2016

Thursday.....5:00 PM

1. CALL TO ORDER
2. ROLL CALL
3. LONG TERM FINANCING:
 - a. Golf Course
4. ADJOURNMENT

If any person decides to appeal any decisions made with respect to any matter considered at this meeting, such person may need to insure that a verbatim record of the proceedings is made, which record includes the testimony and any evidence upon which the appeal is to be based.

The public is invited to comment on matters before the SSRUS Board upon receiving recognition from the Chair.



City of Gulf Breeze

Office of City Manager

MEMORANDUM

To : South Santa Rosa Utility System Board

From : Edwin A. Eddy, City Manager

Date : February 29, 2016

Subject: Summary of Proposed Financing

Thank you for the opportunity on February 8th to present a summary of a financing plan staff is preparing to present to the City Council. Since the opportunity to finalize this loan may occur before your next regularly scheduled meeting, we have scheduled a workshop to discuss this in more detail.

The City purchased Tiger Point Golf and Country Club in December of 2012 for \$3,000,000. Another \$2,000,000 was spent in the first three years of operation on, among other things, new groundskeeping equipment, building repairs, and maintenance of canals and seawalls. The \$3,000,000 for the purchase came from a Letter of Credit provided to the City by BB&T with City reserves to back up the loan. We have paid interest only on this loan since its inception. The \$2,000,000 came from SSRUS reserves.

The planned financing will replace the Letter of Credit with a permanent financing and provide the funds to restore the SSRUS reserves. The debt service on this loan will be based on a twenty year amortization. It is likely that this financing will be combined with a borrowing for construction of the expansion of the wastewater treatment plant in the 2020 to 2025 timeframe.

We discussed the near and long term benefits of this purchase. We should be able to expand the wastewater treatment plant on the site of the current plant for about \$10,000,000 in 2016 dollars versus about \$20,000,000 to build the same treatment capacity on property owned by the City on Bergren Road. In addition, the expanded treatment plan will not require \$600,000 in new annual payroll costs as would a new plant on Bergren Road. The City's purchase and investment in upgrades of Tiger Point enabled the facility to remain open for business. The City now has control of 225 acres for effluent disposal in close proximity to the wastewater plant. This will benefit SSRUS in the long term.

At current market interest rates, the annual debt service on this loan will be about \$320,000. Debt service would be assigned on the basis of flow between South Santa Rosa Utility and City customers. Following this methodology, 76% or \$243,200 would be paid by SSRUS customers and 24% or \$76,800 by City customers.

Staff has prepared the following analysis of potential SSRUS sources for the \$243,200. The obvious answers are rate revenue, impact fees, or a blend of both. The case for use of impact fees to pay all or part of the debt services is valid because this purchase is clearly driven by the need to solidify new treatment and disposal capacity for the future. Presently, the Utility has about \$2,600,000 in impact fees.

Since the purchase of the Golf Course benefits both existing and future customers, staff proposes that the debt service be jointly funded (50/50) between impact fees and rate revenue. Please note that the City transfers 80% of sewer tap fees received to SSRUS, therefore no additional assignment of City impact fees is required.

If the average impact fees paid over the previous three years are received annually, the chart below is an estimate of impact fee totals after five years:

Impact Fee total as of February 29, 2016	\$2,600,000
Average deposit over 3 years (\$534,000) X 5 years	<u>\$2,670,000</u>
	\$5,270,000
Less 5 years of Debt Service (5 X \$160,000)	\$ 800,000
Balance after 5 years	<u>\$4,470,000</u>

The remaining \$160,000 would be funded from existing customers as a line item charge for the property purchase. The \$160,000 would be allocated 76% SSRUS and 24% City as follows:

SSRUS $\$160,000 \times 76\% = \$121,600/6321 \text{ customers}/12\text{months} = \$1.60 \text{ monthly fee.}$

City $\$160,000 \times 24\% = \$38,400/1548 \text{ customers}/12 \text{ months} = \$2.07 \text{ monthly fee.}$

The fees listed above would be reviewed annually, until the debt is satisfied or restructured. The fee could also be adjusted if additional customers are connected to the system.

If the entire \$320,000 debt service amount was assigned to existing customers, the revised fee amount would be SSRUS @ \$3.20 and City @ \$4.14 monthly.

Recommendation: SSRUS Board recommend that financing for the Golf Course Purchase be jointly funded 50/50 between sewer impact fees and implementing a \$1.60 monthly fee for each SSRUS sewer customer for F/Y 2016.

