

## Mayor's Report on Wastewater Treatment Part 2

In the last Mayor's report, I began a three part series on the circumstances surrounding the purchase of the Town's WWTP (wastewater treatment plant). As shown in previous articles, Chino Valley's WWTP contract was designed to be paid by means of connection fees, rather than by securing a Water Infrastructure Finance Authority (WIFA) loan, like most other municipalities do. Other towns secure their loans through revenue bonds or General Obligation bonds, but apparently Chino Valley wanted to try a pay-as-you-go approach. Had the economy stayed strong, the plant would be well on its way to being paid off- but the terms of the contract, the size of the community, and a downturn in the economy combined to turn the plant into a cash loss of about \$350,000 per year and a net loss of over \$1 million per year.

Knowing that the Town's sewer enterprise fund could never become self-supporting in its current configuration, Council and Staff began exploring options to purchase the plant outright through refinancing. After a great deal of time and effort, we negotiated a cash buyout price of roughly \$3.3 million which was contingent upon the full amount being paid by January 1<sup>st</sup> 2015. According to the buyout agreement, if the General Obligation bond failed, the purchase would be accomplished by means of a Revenue Bond. If Council did not pass a Revenue Bond, the buyout would be over a ten year term at 9% interest. As a Council, we felt that a savings to the Town of over \$2 million was well worth the stress of having to work under such a short timeline. When the G.O. Bond failed, the Town Council voted on 12/16/1014 to authorize a Revenue Bond which secured a WIFA loan at 2% interest to pay off the plant. Somewhat unexpectedly, the Town received almost half a million dollars in forgivable principal from WIFA due to the depressed economic condition of the area. Considering that our original debt was roughly \$5.3 million (outstanding balance and unpaid commercial connection fees) and our final obligation to WIFA is under \$3 million, I would say that our Staff did a tremendous job in helping Council put this together. Now, we still have a lot of work ahead of us- but if all goes well the wastewater system should be in the black by fiscal year 16/17, which is a whole lot better than where we were a year ago.

Chris Marley, Mayor of Chino Valley