



# CITY OF WHEATLAND

## CITY COUNCIL MEETING STAFF REPORT June 28, 2016

**SUBJECT: LOAN TO WATER ENTERPRISE FUND**

**PREPARED BY: Rex E. Miller, Director of Admin. Services**

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**Recommendation:** That the City Council approve the loan of \$250,000 from the Sewer Enterprise Fund to the Water Enterprise Fund as of June 30, 2016. This would allow the Water Fund to have a positive cash balance as of June 30, 2016, after meeting all of the requirements of the U. S. Department of Agriculture loan documents relating to balances and reserves.

**Background/Discussion:** As has been brought to the City Council's attention for the past several months, the cash fund balance in the Water Fund has been declining for the past several years. The revenues received have not been sufficient to cover all of the costs of operating the water system, making capital repairs as have been necessary and to cover the reserve requirements of the USDA loan indenture. The indenture requires the City to maintain a cash reserve in the amount of one year's debt service of about \$170,000. After reaching the debt service reserve amount, the indenture requires us to put aside \$17,000 each year for Capital replacements to the existing system.

If we did not make this transfer to the Water fund, we would have a negative cash balance of \$44,600 in the Water fund as of June 30.

**Alternatives:** There is no alternative but to cover this projected deficit from some source as of June 30. The most obvious source is to loan the funds from the Sewer Fund. After loaning the funds from the Sewer Fund, the Sewer Fund will have a balance of \$403,000.

Another source of funds could be from the Sewer Impact Fee fund or from the General Fund. I would not recommend the loan being made from the General Fund.

This transfer will only carry water operations for no more than one year.