

Fact Check #4

\$5 million Sewer Rate Stabilization Fund

(Click on the active Internet links for source documents.)

By Dr Bill Ullery

Yes...the sewer rate stabilization reserve fund was discontinued:

Following are quotes from Nexsen's new [Straight Talk](#) brochure, "*The (sewer) reserve fund was discontinued.*" Yes, that's true.

"*No reserve was ever required.*" Hmmm...that's a flat-out lie. Folks...I put Nexsen's [Straight Talk](#) brochure on my website to help you do your own fact-checks.

Let's start some fact-checks:

From the minutes of the [3-16-10 city council work session](#); It was mayor Nexsen who discontinued the annual contribution to that sewer reserve fund when he directed city staff do a plan that did not transfer money to the reserve (Sewer Rate Stabilization Fund).

More facts from the city's [2009 Wastewater Financial Report](#); Quote; "...the City (previously) adopted a Sewer Rate Stabilization Fund. This required \$5.0 million to be reserved to maintain a fund balance in the Wastewater Fund that will factor into calculations of future rate increases with the intent to stabilize rates and prevent unfavorable fluctuations for utility customers.

In plain English, the fund was established years ago to prevent sewer rate increases! And yes, it was "**required**" by all previous city administrations.

Why did Nexsen discontinue the contribution?

From the [2010 Financial Report](#); Quote; "*Capital grants and contributions decreased \$3.4 million (48.2 percent) in fiscal year 2009-10 due to the dedication of infrastructure in the amount of \$2.8 million from North Havasu Holdings, LLC, the mall developers, in fiscal year 2008-09.*"

In plain English, the budget shortfall was caused in part, by the reduction of projected sales tax revenue...from the mall developers! Remember...the corporate tax incentives and rebates?

More facts:

[Fitch Ratings](#) (a world class service to bond investors and financial professionals) in a July 19, 2013 press release on Lake Havasu City's wastewater bonds, stated; "*Historically, the city has made sizable transfers to the system of about \$5 million annually.*" "*As previously expected, system operations are pressured due to the debt related to the project, but remain adequate with the support of the city's general fund and the established rate stabilization fund (RSF).*" "...city cash contributions to the system have been sizeable, lessening the direct impact to ratepayers."

In plain English, according to [Fitch Ratings](#), that rate stabilization fund with money from the city's general fund, helps reduce or prevent sewer rate increases!

Or, if properly managed, we might even be able to lower the sewer rates! So, why not double the fund? In short, \$10 million per year from the general fund?

[Fitch Ratings](#) concluded; "*The RSF was initially funded with \$5 million from the system's revenue fund and may be swept and used for system purposes, but **must be replenished** from city general fund contributions annually.*"

But, where did that "swept" \$5 million go?

How about a \$1/4 million no-bid contract to clean beach dirt at Rotary Park? What about the new city parking lot on Mesquite, the new parking lot and sign at Rotary Park, the skate facility, and other recent high-profile city expenditures?

Why did Nexsen discontinue the annual contribution to the Sewer Rate Stabilization Fund? Why did he divert some of that money to other projects? Well...Nexsen is running a re-election campaign for mayor with backing from some wealthy elites.

Stopped dead:

I applied for a voter initiative to force mayor Nexsen and the council to restore the annual contribution to the sewer stabilization fund. But, they stopped that initiative to keep it off the 2014 ballot!

I need your help with this effort. Sign a petition at our Swap Meet booth, become a volunteer. Please email me; dbu@dbuhomes.com
Or, call me at 928.716.3014.