

Sewer Rates/Debt –Community Education Forums Report Lake Havasu City Council Regular Meeting Minutes, page 2-3 of 12 Tuesday, February 19, 2013, 6:00 P.M.

“City Manager Charlie Cassens said the public outreach that the City held regarding the sewer rates and how the City was going to pay for the sewer debt began in October 2012 with a presentation to Council in a Work Session and then followed with a series of three public sessions. He said the sessions gave citizens an opportunity to come and hear about how the City sewer rates are calculated, the various sewer rate components, and possible options for lowering sewer rates.

Mr. Cassens listed the following options that were reviewed, considered, and analyzed:

- 1) Do nothing, leave rates as they are
- 2) Move Junior lien debt onto property taxes
- 3) Fund all or a portion of the debt with a dedicated sales tax
- 4) Fund all costs of sewer operations and debt payments with a flat rate
- 5) Refinance debt pushing payments over longer period of time, reducing annual payments but adding length of time debt is carried.

Mr. Cassens said the option that would have the most profound impact on lowering the sewer bills would be to implement a dedicated sales tax that would be dedicated to paying down the sewer debt. He said it would entail a one percent or two percent additional tax to the two percent City sales tax in place now. He said this option would lower the sewer bills considerably; however, the prospect of getting an increase in sales tax would be problematic for the following reasons: 1) it would in essence double the City Transaction Privilege Tax; and 2) would require a two-thirds voter approval due to the Singer Initiative. Mr. Cassens said essentially the City has settled on Options 1 and 5. He said this will allow the City to look for and take every opportunity to refinance the dozen bond issues that are used to finance the sewer project. He said those opportunities will be analyzed to see if it does benefit the community and that interest rates remain low. He said the City is recommending that the sewer rate structure remain the same, as it is working and is paying the bills for the most part. He said the City is having to draw from the fund balance and is looking to go another fiscal year without having to raise sewer rates. He said as the fund balance decreases, it starts affecting the bond assurances and puts the City in a tenuous bond rating situation. He said in the future, to keep the fund healthy, the City will need to implement a sewer rate increase in the three percent range.”

AZ Constitution 16-651. Proclamation by governor on amendments and initiated and referred measures Upon completion of the canvass by the secretary of state, the governor shall forthwith issue a proclamation, proclaiming the whole number of votes cast for and against each proposed constitutional amendment, and for and against each initiated or referred measure, and declaring the amendments or measures which are approved by a majority of those voting thereon to be law.

DBU’s notes: In 2001, the voters of Lake Havasu City by a margin of about 78%, passed a \$463 bond and an “ad valorem” tax to pay for the project. An *ad valorem* tax is typically imposed at the time of a transaction(s) (a [sales tax](#) or [value-added tax](#) (VAT)).