

CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATION

CC: 41R
Amend No. _____

Date Prepared: April 23, 2008

Council Meeting Date: May 6, 2008

TO: Terrence L. Ellis, City Manager

FROM: Brent Mattingly, Finance Director *Bm*

PREPARED BY: Kent Meredith, Financial Services Manager *KM*

SUBJECT: Approve a \$4,000,000 Budget Transfer and the Use of Reserves for a Principle Payment on the Gila River Indian Community (GRIC) Water Lease Agreement

RECOMMENDATION:

That the Mayor and City Council approve a budget transfer from the Water/Wastewater Revenue Bond Contingency Fund (Account No. 2222-2292-570000) to the Water Resource Fund CAP Water Rights Project (Account No 2169-2229-540000-CIPWR-UT00033). That Council also approve the use of Water Resource Fund Reserves in the amount of \$4,000,000 to make a principle payment on the Gila River Indian Community Water Lease Agreement.

SUMMARY:

On December 14, 2005, pursuant to prior City Council authorization, the City signed a 100 year lease agreement with the Gila River Indian Community (GRIC) to obtain 7,000 acre feet of Central Arizona Project (CAP) water rights. The Federal Government finalized the overall settlement in December of 2007, making the lease agreement effective in January of 2008. Under the terms of the lease agreement, the City made an initial payment in the amount of \$855,644.44 on February 12, 2008. On March 4, 2008, the City Council approved a budget transfer and a second payment of \$3,676.17 to adjust the initial payment to a total of \$859,320.61. The payment adjustment was made in accordance with the terms of the lease which required the use of the January 2008 Consumer Price Index to determine the inflation-adjusted acre-foot cost.

The agreement allows for three different payment options: a one-time payment in full, a five-year payback with 5.9% interest and a 15-year payback with 8.25% interest. Both the 5-year and 15-year options allow for prepayments without penalty. Based on

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Action Date: _____

available impact fees and estimated future revenues, the City chose the 15-year payback option with the ability to make additional principle payments.

The City has been collecting impact-fees in anticipation of paying for these water rights. We currently have \$4,000,000 available to make a lump sum, principle payment on the lease. By making this payment now, the City will save \$4,008,939.50 in interest charges over the life of the lease. Based on projected impact fee revenues, the City will be in a position to pay off the lease early. The balance of the lease payments is included in the City's 10-year Capital Improvement Program.

Based on the interest savings and the availability of impact fee reserves, staff is recommending that the Mayor and City Council approve a budget transfer from the Water/Wastewater Revenue Bond Contingency Fund (Account No. 2222-2292-570000) to the Water Resource Fund CAP Water Rights Project (Account No 2169-2229-540000-CIPWR-UT00033). That Council also approve the use of Water Resource Fund Reserves in the amount of \$4,000,000 to make a principle payment on the Gila River Indian Community Water Lease Agreement.