

BOULDER CITY BALLOT QUESTION NO. 1

A Capital Improvement Fund Question to the People of the City of Boulder City

Shall the City of Boulder City be authorized to expend funds from the Capital Improvement Fund, as they become available, to pay the debt service on the raw water line?

Yes . . . . . [ ]  
No . . . . . [ ]

EXPLANATION

Section 143 of the Charter requires that “all expenditures from the Capital Improvement Fund must be approved by a simple majority of the votes cast by the registered voters of the City on a proposition placed before them in a special election or general Municipal election or general State election.”

A “YES” vote would allow the city to use funds from the Capital Improvement Fund, as they become available, to pay the debt service on the raw water line.

A “NO” vote would not allow the City to expend funds from the Capital Improvement Fund to pay the debt service on the raw water line.

DIGEST

(NRS 295.230.2(a)(1)(II))

A. Summary of Existing Laws Related to the Measure Proposed by the Question:

1. Boulder City Charter Article XV, Real Estate:
  - a. Section 143. Expenditures From Capital Improvement Fund.

B. Summary of how the measure proposed by the question:

1. Adds to Existing Laws – This ballot measure does not add to existing laws. It authorizes the use of Capital Improvement Fund money, as it comes available, for the purpose of reducing debt.
2. Changes Existing Laws – This ballot measure does not change existing laws.

3. Repeals Existing Laws – This ballot measure does not repeal any existing laws.

#### Effect of the Charter on Capital Improvement Fund disbursements.

Boulder City Charter Article XV, Section 143, Subsection 1, addresses how expenditures from the Capital Improvement Fund are authorized. Section 143, Subsection 1 states that all expenditures from the Capital Improvement Fund must be approved by a simple majority of the votes cast by the registered voters of the City on a proposition placed before them in an election.

Although expenditures from the Capital Improvement Fund are generally associated with a related sale of City-owned land, there are other money sources that generate revenue to the Capital Improvement Fund. Therefore it is entirely possible, as in this case, that an expenditure from the Capital Improvement Fund could be approved by the voters that is not related to or connected with a sale of City-owned land.

Nevertheless, every expenditure from the Capital Improvement Fund must be voted on and approved by the registered voters of Boulder City. Passage of this new measure would allow the City Council to use funds from the Capital Improvement Fund as they come available to reduce existing City debt.

#### ARGUMENT FOR PASSAGE

Several years ago there was an urgent need for the City to incur debt in order to finance the construction of essential water facilities, including a raw water line. Voter approval of this ballot question will enable the City to pay the remaining balance of the water line debt with money from the Capital Improvement Fund as it becomes available.

Because of prudent measures to accelerate payments on other indebtedness, the raw water line obligation is the City's only remaining debt. The current balance is \$28,185,000.00, with required annual payments of \$2,300,000.00. By accessing the City's Capital Improvement Fund, an accelerated payment plan can be implemented. For instance, paying an additional \$750,000.00 per year beginning in 2018, the City could feasibly save over \$3,000,000.00 in interest charges and retire this debt 8 years ahead of the current schedule.

The Capital Improvement Fund includes money generated from solar energy leases, land sales and similar sources. Authorizing use of this Fund to accelerate payment of the City's sole remaining debt will free up money in the City's Utility Fund for other much-needed improvements and programs. The

voters have approved use of the Capital Improvement Fund for similar purposes in recent years, resulting in elimination of all of the City's other debts.

The financial impact of this proposal will be extremely advantageous for our community. The City has a solid plan in place to eliminate all indebtedness as soon as possible. Approval of this ballot question will accelerate that very beneficial objective.

*Submitted by Ballot Question Committee as provided for in NRS 295.217*

### REBUTTAL TO ARGUMENT FOR PASSAGE

The cost of service for water, both operations AND capital costs should be paid from the Utility Fund. It is important to keep the costs where they belong in order to guide future rate and budget decisions, as well as capture the true costs of operating the utility.

Even with the debt payment accelerated, the payoff would not occur until FY2028. Do residents want to continue to deplete the Capital Improvement Fund for the next 12 years?

The Utility Fund has a rate stabilization reserve account, and a long term capital reserve account. These accounts can now be funded properly due to the recent rate increase, and could be used to pay debt early rather than continually depleting the Capital Improvement Fund.

*Submitted by the City Clerk as provided for in NRS 295.217*

### ARGUMENTS AGAINST PASSAGE

Vote NO on Question No. 1. The Capital Improvement Fund should not be used to pay debt incurred in the Utility Fund. The debt for the raw water line is a debt to the Utility Fund.

The Utility Fund is an Enterprise Fund and rates must be designed to recover the utility's cost of service, both operational expenses and capital costs.

The City hired a consultant in 2015 to perform a comprehensive utility rate study. The results showed the City was not collecting sufficient revenues to meet its costs. The City Council recently passed utility rate increases which will allow the Utility Fund to cover the full costs of its utilities, including the debt service incurred for the raw water line.

During the past two elections, voters have approved the use of up to \$1.5 million from the Capital Improvement Fund for maintaining and improving City facilities and infrastructure. Currently, land lease revenues provide approximately \$1.8

million to the Capital Improvement Fund each year. If the City continues to deplete this fund for items related to the Utility Fund, the City will not have an opportunity to collect enough funds in the Capital Improvement Fund to build something significant to enhance our community, such as a new swimming pool. The Capital Improvement Fund should be used to fund General Fund capital such as maintaining the 63 City-owned buildings, purchasing public safety vehicles, enhancing our parks, and to ensure the charm of our historic community is preserved.

Vote "NO" on Question No. 1.

*Submitted by the City Clerk as provided for in NRS 295.217*

### REBUTTAL TO ARGUMENT AGAINST PASSAGE

The City Council recently reduced the proposed utility rate increases because of citizens' requests that other options, such as the Capital Improvement Fund, be considered for utility infrastructure expenses. If the voters do not approve this sensible use of that Fund, utility rates may have to be increased. That is not a reasonable alternative.

Revenues from solar energy and land leases are projected to increase beyond the current level of \$1.8 million per year. Eliminating our City's debt should be the first priority. It will save millions in interest charges and will free up that money to fund important projects such as an aquatics complex at a much earlier date than would otherwise be possible. Let's get out of debt and stay out of debt.

Vote YES on Question No. 1.

*Submitted by Ballot Question Committee as provided for in NRS 295.217*

### FISCAL NOTE

Such expenditures will not require the levy or imposition of a new tax or fee or the increase of an existing tax or fee.