



Meeting Date: April 4, 2012  
Agenda Item: # 10-2

**Mission Statement**

To provide our growing dynamic community excellent municipal services to make Fernley a great place to live, work, and play.

Together, we enhance the desirability, safety, friendliness, aesthetics and quality of life in our city.

**CITY OF FERNLEY CITY COUNCIL MEETING STAFF REPORT**

**REPORT TO:** Mayor & City Council

**REPORT THRU:** Fred Turnier, Interim City Manager *FT* **REVIEWED BY:**

**REPORT FROM:** Cody R. Black, P.E., Associate Engineer *CB*

**AGENDA ITEM:** DISCUSSION AND POSSIBLE DIRECTION TO STAFF TO MOVE FORWARD WITH SELLING FERNLEY UTILITIES INCLUDING BUT NOT LIMITED TO WATER AND WASTEWATER COLLECTION TREATMENT AND DISPOSAL FACILITIES AND OTHER MATTERS PROPERLY RELATED THERETO.

**ACTION REQUESTED:**  Consent  Ordinance  Resolution  Motion  Receive/File

**POLICY ISSUE**

The City of Fernley Staff has been evaluating different scenarios to recover the bond debt. Staff has held preliminary meetings with a consultant to analyze the possibility to sell the water and wastewater utilities as a means to relieve the City's obligation to the water bond debt.

**RECOMMENDED ACTION BY CITY COUNCIL**

Direct City Staff to move forward with investigating selling opportunities of the water and wastewater utilities.

**POLICY ALTERNATIVE(S)**

- Direct City Staff to stop investigation of the sale of the water and wastewater utilities.
- Take no action.

**STRATEGIC PLAN RELEVANCE:**

Economic Vitality:	Yes
Accountable/Efficient Gov't:	Yes
Enhance Gov't Partnerships:	Yes
Quality of Life:	Yes

**STRATEGIC PLAN SYNOPSIS:**

Strategic Goal 3:  
Preserve and maintain quality of life and enhance maintenance and reconstruction of City infrastructure with emphasis on sustainability.

**POLICY REFERENCE**

*Nevada Statutes:* NRS 268.059  
*Fernley Municipal Code:* N/A  
*Policies & Procedure Manual:* N/A  
*Community Assessment:* N/A  
*Other:* N/A

**SUMMARY**

To investigate a means to alleviate the City of its water bond debt, Staff is working with Utility Solutions Group to analyze various aspects of the water and wastewater utility to determine the viability of selling the utilities .

Utility Solutions Group is helping the City as follows:

- Evaluate Water and Sewer Utilities to see how to improve performances, income or viability.
- Present Utilities to six top tier (Class A) Utility Buyers to determine interest level, price, terms and transaction structure.
- Evaluate property tax income – impacts
- Evaluate acre-foot water sale income – impacts
- Evaluate tank site rental income – impacts
- Evaluate new connection fee income – impacts
- Represent City in proposed Utility transactions (Details subject to approval)

Staff is working with Utility Solutions Group and providing system and financial information as necessary to analyze a sale of the utilities. The attached PowerPoint is an update of actions of the utilities sale option investigation.

**Significant due diligence legal review will be required if City Council elects to pursue this option.**

**FINANCIAL INFORMATION**

**FISCAL IMPACT:**

- |                              |     |
|------------------------------|-----|
| 1. Is There A Fiscal Impact? | yes |
| 2. Is it Currently Budgeted? | no  |
| 3. Which General Ledger?     | n/a |

**FISCAL SYNOPSIS:**

The sale of the utilities would possibly eliminate the City’s water bond debt obligations.

**PRIOR COUNCIL ACTION/REVIEW**

**JANUARY 25, 2012, BUDGET WORKSHOP AGENDA ITEM #4, PRESENTATION AND DISCUSSION REGARDING FISCAL YEAR 2012/2013 BUDGET INCLUDING BUT NOT LIMITED TO: BUDGET PROCESS, TIMELINES, EXISTING BUDGET, ASSESSMENT AND GOALS FOR THE NEXT YEAR.**

- Selling the water treatment plant and distribution system was discussed as a possible option to investigate.

**BACKGROUND INFORMATION**

N/A



## WATER UTILITY EVALUATION

1

## HISTORY OF EVENTS

- ▶ January 25, 2012 Budget Workshop, Council discussed analyzing the possible sale of the water utility
- ▶ Current Debt of Water Utility ~\$70M
- ▶ Current Debt of Waste Water Utility ~\$8M
- ▶ March 16, 2012 City signed a contract with Utility Solutions Group to assist in evaluating water and wastewater utilities

2

## Utility Solutions Group Scope

- ▶ Consultant services being provided by Utility Solutions Group
  - Evaluate Water and Sewer Utilities to see how to improve performances, income or viability.
  - Present Utilities to six top tier (Class A) Utility Buyers to determine interest level, price, terms and transaction structure.
  - Evaluate property tax income – impacts
  - Evaluate acre-foot water sale income – impacts
  - Evaluate tank site rental income – impacts
  - Evaluate new connection fee income – impacts
  - Represent City in proposed Utility transactions (Details subject to approval)

3

## Utilities Value Evaluation Update

- ▶ Work Completed to date:
  - Provided information on the utilities to Utility Solutions Group, including maps, financial information, and general system state and capabilities.
  - Preliminary meetings to discuss possible outcomes of the presentation of the utilities to determine interest
- ▶ The City is governed by NRS 268.059 – “Sale or Lease of Certain Real Property...” which allows for the City to sell/dispose of a property

4

## Utilities Value Evaluation Update – Next Steps

- ▶ Staff will continue to provide Utility Solutions Group information as needed
- ▶ Updates will be brought to Council or Staff as necessary

5

## Utilities Sale Option Update

- ▶ Questions???

6