

## **THIS SEWER BOND STINKS!**

This bond will be the largest bond request in Idaho's local government history and most voters know little to nothing about it.

Replacing an aging system and meeting regulatory requirements is important, but this bond vote is placing the ratepayer in the position of directly paying for the impacts that are created by increasing residential zoning densities, increasing population through growth (annexation), and the corresponding development projects that are corroding our quality of life and dramatically increasing our cost of living.

**There are three (3) buckets of Federal money that could be used to help pay for the sewer and water renewal projects in the City's Water Renewal Utility Plan, but only the first one below is in the City's record to help cover the costs:**

### **1) Water Infrastructure Finance and Innovation Act (WIFIA)**

- Provides long-term, low cost fixed interest rate loans to finance up to 49% of a project.
- The current round of funding through the EPA includes \$6.5 billion.
- The City has submitted an initial application under the recent July 23, 2021 deadline.

### **2) American Rescue Plan Act**

- Boise is receiving \$36.9 million of the \$1.9 trillion from the American Rescue Plan Act.
- Funds can be used for necessary water and sewer infrastructure projects.
- Boise website shows the City has already selected the following categories\* to spend these funds on: Housing, Mental Health, Food Security, Small Business Support, and Childcare.

\* The separate \$3.5 trillion Build Back Better Act will have provisions to cover many of the same categories Boise is listing on its website for the American Rescue Plan funds.

### **3) Infrastructure Investment and Jobs Act (H.R. 3684)**

- \$1 trillion in Federal funding to improve and modernize the nation's infrastructure is currently making its way through the legislative approval process.
- \$55 billion of this amount is allocated for clean drinking water.
- \$50 billion is specifically allocated for western water infrastructure and making systems more resilient to climate impacts.

### **It's Time To Pivot**

The American Rescue Plan Act and the Infrastructure Investment and Jobs Act are funding sources that were not available when the discussions and analysis regarding

the financing of the sewer/water renewal projects began taking place approximately 18 months ago.

Boise's current administration speaks of being nimble and has emphasized its ability "to pivot" when things change or new information is available. These two (2) funding sources are new information, so now is the time to pivot. In addition, we often hear City government explain that the Federal government imposes regulatory requirements without providing the funding to comply, but this is not the case this time around.

Section 5 of the bond ordinance acknowledges that other public funds may be used, as shown on the next page.

**Section 5.** The cost of the projects anticipated to be constructed within the first ten (10) years of the Utility Plan, including all incidental expenses, has been estimated by the Engineer, to be approximately \$904,000,000. The City contemplates issuing Bonds pursuant to this Ordinance in a total amount of not more than \$570,000,000, or so much thereof as may be necessary. The City anticipates that a portion of the cost of the Utility Plan may be defrayed by federal grants, grants from the State of Idaho, and/or City funds.

### **Relief From Rising Cost of Living**

It is a fact that Boise has a major cost of living affordability issue right now.

It is also a fact that there is a lot of Federal money coming in right now.

Rather than increasing sewer rates, the City needs to first utilize all three (3) sources of Federal funding to provide financial relief to the largest number of people from the rapidly rising cost of living. The City can be directed to do this through a "no" vote.

Since sewer service and clean water affect everyone, and are not optional items, rate relief would be felt by the entire city, including small businesses that are being impacted by their ability to keep wages in-line with the rapidly rising cost of living.

The Water Renewal Utility Plan acknowledges the impact of rising rates putting additional pressure on the affordability issue and the inability of residential customers to pay, which impacts the enterprise fund revenues. Increasing rates by not using all applicable Federal funding sources will further exacerbate this issue.

"When utility rates become unaffordable, revenues start to suffer from lower collection rates causing rates to increase and further exacerbate the issue." (Utility Plan, p. 2-59).

Since the voter is not being given a choice as to if these projects should be funded, especially those that involve expansion, the City should be using all Federal funding

opportunities to ensure compliance with Idaho code 50-1028, which mandates a municipal corporation to manage its water and sewer systems “in the most efficient manner consistent with sound economy and public advantage, to the end that the services of such works shall be furnished at the lowest possible cost.”

Utilizing the new Federal funds will provide residents and businesses with the least costly impacts, which is consistent with a sound economy and public advantage.

**Voter Information Is Severely Lacking**

The Public Works Commissioners agreed that educating the public will be crucial to gain their support for any debt the City takes on to fund the projects (Meeting Minutes – Water Renewal Utility Plan Stakeholder Engagement, 06/25/2020).

But voters are now being asked to increase debt by paying for something they know little to nothing about. The City has sent one mailing to the voter that provides extremely limited information and appears to be relying on fear to promote a “yes” vote by emphasizing an immediate sharp rate increase if voting “no”:

The mailing does not include:

- The City estimates of \$380-\$580 million to replace aging infrastructure and \$240-\$350 million for increases in capacity to support future population growth.
- The total numbers which are staggering – – the Capital Plan shows \$1.15 billion in today’s dollars and \$1.59 billion escalated to year of construction.
- The level to which current ratepayers are being asked to subsidize future growth, which is shocking, as shown in the table below from a June 15, 2021 Memo to Mayor & Council from Public Works Dept.

The following table compares the estimated rate impacts for the two strategies. These rate estimates are based on current information and may change as we move forward.

Comparison of Estimated Rate Impacts							
Strategy	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028-2040
Cash Only	Up to 53.00%	9.00%	9.00%	9.00%	9.00%	8.75%	1.00%
Cash + Debt	9.90%	9.90%	9.90%	9.90%	9.25%	9.25%	4.99%

**A “Yes” Vote**

Since the bond language does not specify which sources of funds will apply to replacing existing infrastructure versus funding the cost of expansion, the voter

cannot know if a “yes” vote may be simply covering the cost of expansion to support more growth, while the WIFIA funds will be used to cover the cost of replacements to the existing system.

Does the voter understand that a “yes” vote will simply enable the developers and investors to not bear the costs by having the City avoid enacting water and sewer impact fees, or implementing a Community Infrastructure District?

### **A “No” Vote**

Language in the City’s record and the ordinance says “up to 53%” – – which can mean this rate is not the final rate that would be implemented if this bond does not pass.

In addition, the letter from the City’s legal department for the bond ordinance states the City Council has discretion on how to implement these increases and will decide in November whether to implement the entire amount in 2022, or potentially consider other rate increase alternatives.

A “no” vote will place pressure on the elected public servants to utilize other funding sources before resorting to large rate increases.

Before making a decision, Boise ratepayers need to be provided with more transparent information from the City to better understand a choice that will impact their future, and all of the funding sources that are available to cover the costs of the Water Renewal Utility Plan.

### **Citizens & Candidates For City Council Need To Ask . . .**

1. Is the City focusing the message for this vote on “who pays when” as a means to detract attention from the various other sources of money that could pay for these costs?
2. Why are we taking on massive future indebtedness for sewer infrastructure while, at the same time, injecting the City of Boise into narrower spending areas (child care, mental health, food security) that are traditionally not the province of city government?

Before voting, citizens should be asking if Federal funds should be spent on core issues, as a “yes” vote will allow the City to spend this money on other issues, some of which are not core/critical functions of a municipality, are not statutorily mandated, and will result in an expansion of government.

3. Does the City’s Municipal Advisor for the bond financing have a conflict of interest?

City records show up to three bonds will be issued and the Municipal Advisor (Piper Sandler & Co.) awarded the contract to advise the city on financing can charge a maximum of \$85,000 per bond issuance, therefore the Advisor would not be inclined to recommend the other new funding sources.

Direct access to funds available through the Federal government will be far less costly to administer, which complies with Idaho code 50-1028.

4. Will this increase taxes?

The City says this will not increase taxes but a sewer rate increase results in increased operating costs to every city and county building that has sewer, therefore this will indirectly increase taxes via increasing the budgets for these governmental departments.

It is easy for the City's staff to recommend rate increases when they are secure in knowing that the City has a long-standing legacy of a 3.0% cost of living increase each year, and an iron-clad pension, so they will be able to afford these future increases.

5. Why has Boise not enacted an ordinance for water and wastewater impact fees to pay for growth as allowed by Idaho code (I.C. 67-82)?

Any expansion of the system should come from impact fees – so growth pays for itself. The record shows the Public Works Commissioners were interested in other funding sources and that impact fees are an option under consideration as a future revenue source (Meeting Minutes – Water Renewal Utility Plan Stakeholder Engagement, 06/23/2020).

Extraordinary impact fees could be imposed for all costs related to expanding capacity for the current system and the two (2) wholly new facilities shown in the Utility Plan.

6. Will the large planned developments to be built in Boise's southwest and southeast Area of City Impact have a Community Infrastructure District to cover the costs of growth?

7. How much will the developer sewer connection fees be increased to cover these costs?

8. How will the service contracts for both Garden City and the Eagle Sewer District, which use Boise's wastewater facilities, be contributing to the cost of this twenty-year Utility Plan?

9. Would having existing citizens pay the cost to expand capacity so that the developers and investors can continue to profit fail the test of “ordinary, necessary and urgent” in judicial confirmation?
10. If the bond passes, is it legal to retroactively collect the 9.9% rate increase adopted in Resolution 314-21, which set an effective date of 10/01/2021?

#### **Financial Details From City Records & Ordinance 39-21**

- Since 1979 the City has regularly adjusted sewer rates, which average approximately 5% annually. This revenue has rapidly grown, nearly doubling between 2010 and 2019, from \$33.7 million to \$65.7 million.
- The City has already implemented rate increases to pay for the current work being done to update and expand capacity at the Lander Street facility.
- Historically, the average annual capital investment has been approximately \$20 million. Moving forward, the average annual capital investment will be roughly \$80 million.
- The total amount to be repaid over the life of the proposed bonds based on the anticipated interest rate is estimated to be \$815,104,000, consisting of \$570,000,000 in principal and \$245,104,000 in interest.
- The bond financing does not cover the entire cost of the capital improvements. To make up the difference, a rate increase of 9.9% is needed, regardless of whether or not the bond passes. The timing of that rate increase is anticipated to be January of 2022.
- Total existing indebtedness, including interest accrued as of November 2, 2021, of the City is \$92,461,534.67.
- Total existing indebtedness of the water renewal fund, including interest accrued as of November 2, 2021, is \$1,787,886.72.