
Eastern Snake Plain Aquifer Funding Alternatives

(for discussion purposes only)

Idaho Water Resource Board



Supreme Court tested legal authorities, institutional history and market name recognition exist with the Idaho Water Resource Board

Funding Goals

- Broad based
- Equitable (equal benefits derived)
- Universal to all (hydrologically connected) water uses and users
- Provide minimum interest expense
- Efficient revenue collection
- Transparent governance
- Flexible Revenues

Funding Alternatives (Continued)

- IWRB Contract – Potentially Taxable

(Uses Existing Board Bonding Authority)

- **REVENUE BONDS:** Principal and interest are payable entirely from the revenue received – that is, ultimately by the people and businesses that use the facility. Used to finance facilities expected to pay for themselves through user fees.

Funding Alternatives (Continued)

- **Water Management Improvement District – Tax Exempt**
(Requires Local Improvement District authority obtained from Legislature)
 - **SPECIAL ASSESSMENT:** A compulsory levy made by a local government against certain properties to defray part or all of the cost of a specific improvement or service which is presumed to be of general benefit to the public and of special benefit to such properties. The term should not be used without a modifier (for example, "special assessments for street pavings," or "special assessments for street sprinkling") unless the intention is to have it cover both from improvements and services or unless the particular use is apparent from the context.
 - **ASSESSMENT BONDS:** Bonds issued by municipalities on a specialized basis having as their security a pledge of revenues generated by assessments against certain properties and for the payment of bonds issued to finance specific improvements benefiting those properties.

Funding Alternatives (Continued)

- Water Management District – Tax Exempt

(Uses General Obligation Bonds with authority from a new form of PUBLIC Water District)

- **AUTHORITY:** A governmental unit or public agency created to perform a single function or a restricted group of related activities. Usually such units are financed from service charges, fees, and tolls, but in some instances, they also have taxing powers. An authority may be completely independent of other governmental units, or in some cases it may be partially dependent upon other governments for its creation, its financing, or the exercise of certain powers.
- **GENERAL OBLIGATION BONDS:** Securities backed by the full faith and credit of the issuing unit of government. Secured by an unconditional pledge of the issuing government to levy unlimited ad valorem taxes to pay principal and interest. Used to finance capital projects.

Funding Alternatives (Continued)

- **State Water Management Project - Tax-Exempt**
(General Fund Appropriations from kwh Franchise Fee, a States Sales or Property Tax, Special Product or Service Tax, etc.)
 - **TAX EXEMPT BOND:** Bonds exempt from federal income, state income, or state and local personal property taxes. "MUNICIPALS" are exempt from federal income taxation at present and may or may not be exempt from state income or personal property taxation in the state where originally issued or held.
 - **REVENUE BONDS:** Principal and interest are payable entirely from the revenue received. In this case revenue would be received from the Idaho State Legislature from one or more sources as determined by the Legislature.

Funding Alternative Costs

(Based on \$100 million of Project Costs)

	Base - Taxable	WMID – Tax Exempt	WMD (GO) – Tax Exempt	SWP – Tax Exempt
Maturity	20 year	20 year	20 year	20 year
Principal	\$100 m	\$100 m	\$100 m	\$100 m
Interest	\$80.9 m	\$58.4 m	\$49.6 m	\$49.6 m
Av. Annual Debt Service	\$9.0 m	\$7.9 m	\$7.4 m	\$7.4 m
Av. Interest Rate	6.49%	4.89%	4.22%	4.22%

Unit Costs Per Year

(Based on \$100 million of Project Costs)

	Base - Taxable	WMID – Tax Exempt	WMD (GO) – Tax Exempt	SWP – Tax Exempt
Per Acre (900k acres)	\$10	\$9		
Residential \$140,000			\$30	
Farm \$1,060,000			\$422	
Commercial \$500,000			\$217	
8,400 kwh				\$30
24,000 kwh				\$85

Pro's

	Base – Taxable	WMID – Tax Exempt	WMD (GO) – Tax Exempt	SWP – Tax Exempt
Pro	<ul style="list-style-type: none"> • Uses Existing Bonding Authority – no political or legal action required 	<ul style="list-style-type: none"> • Assessment Lien • Tax Exempt • Good Credit Security • Allows funds to be raised from specific geographic boundaries 	<ul style="list-style-type: none"> • Property Tax Lien • Tax Exempt • Best Credit Security • Pass to Succeeding Owners • No Debt Service Coverage Requirement • Allows funds to be raised from specific geographic boundaries 	<ul style="list-style-type: none"> • Straight-forward Legislative Implementation • Very Flexible • Good Credit Security • Tax Exempt • Legislature Determine Funding by Appropriation • Allows the state government the opportunity to fund all water concerns statewide – positive since water is not necessarily a regional concern • Allows/creates the broadest possible awareness for all citizens

Con's

	Base – Taxable	WMID – Tax Exempt	WMD (GO) – Tax Exempt	SWP – Tax Exempt
Con	<ul style="list-style-type: none"> • Taxable Interest Except for Municipalities 	<ul style="list-style-type: none"> • New Legal Authority Required • Time Consuming • Opportunity for Protest and “Opting Out” • Equity Robber –Assessment paid off upon Property Sale • Inflexible 	<ul style="list-style-type: none"> • Regional Election – Constitutional 2/3 vote required margin hard to achieve • Highly Political • Competition with Other Debt Issuers • Inflexible • Difficult to Implement 	<ul style="list-style-type: none"> • Debt Service Coverage Required • Debt Service Reserve Required • Subject to Annual Appropriation (a calculated risk)

Highlighted Definitions

- **BOND:** A written promise to pay a specified sum of money, called the face value or principal amount, at a specified date or dates in the future, called maturity date(s), together with periodic interest at a specified rate. The difference between a note and a bond is that the latter runs for a longer period of time and requires greater legal formality.
- **CAPITAL PROGRAM:** A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures
- **COVERAGE:** This is a term usually connected with revenue bonds. It indicates the margin of safety for payment of debt service, reflecting the number of times by which earnings for a period of time exceed debt service payable in such period (e.g., 1.20 referred to as “one-twenty” with decimal point implied).

Highlighted Definitions (Continued)

- **DEBT SERVICE RESERVE FUND:** The fund usually held by the trustee under the **Indenture** established for payment of debt service on bonds in the event pledged receipts are insufficient. The fund usually holds an amount equal to maximum annual principal and interest payments on the bonds, and is usually funded from proceeds of the issue.
- **DOUBLE BARRELED BOND:** A bond secured by a pledge of two or more sources of payment such as the unlimited taxing power of the issuer plus a special assessment or revenue pledged.
- **PAY-AS-YOU-GO BASIS:** A term used to describe the financial policy of a governmental unit which finances all of its capital outlays from current revenues rather than by borrowing. A governmental unit which pays for some improvements from current revenues and others by borrowing is said to be on a partial or modified pay-as-you-go basis.

Highlighted Definitions (Continued)

- **RATE COVENANT:** A covenant requiring the charging of rates or fees for the use or availability of specified facilities, products or operations to produce annually net income sufficient for payment of debt service at a fixed percentage of maximum annual debt service.
- **SPECIAL ASSESSMENT BOND:** Bonds payable from the proceeds assessments. If these bonds are payable only from the collections of special assessments, they are known as "special assessment bonds". If in addition to the assessments, the full faith and credit of the governmental unit are pledged, they are known as "general obligation special assessment bonds".