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# NEWS RELEASE

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## City Council considers water system purchase

DUBUQUE, Iowa – The Dubuque City Council will consider a recommendation to purchase a private water system from the Central Iowa Water Association (CIWA). The proposed purchase will be discussed at the City Council meeting at 6 p.m. on Monday, Dec. 19.

If approved, the purchase agreement would settle litigation between the City and CIWA and transfer ownership of the private water system to the City of Dubuque. Under the agreement, CIWA will relinquish its federally protected service area for two miles outside of the City's current corporate limits. Additionally, CIWA agrees not to serve any water or sewer customers in the future within two miles of the City's corporate limits at the time service is requested, as the corporate city limits expand.

The acquisition of the water system, including the water tower near Swiss Valley Road, will enable the City of Dubuque to meet the future needs of residential, commercial, and industrial water customers in these and surrounding areas. Dubuque's municipal water system has readily available capacity and pressure needed for fire suppression to commercial and industrial facilities, as well as serve the needs of industrial manufacturing processes with water pressure requirements. The service area includes the Southwest Arterial project corridor, the development of which is estimated to have the potential to generate \$1.67 billion in economic output, \$653 million in labor income, and \$1.02 billion in value added from 2021-2030.

The water system is currently owned and operated by CIWA and serves approximately 165 properties served by the Vernon system (the Wildwood Estates and Cedar Crest subdivisions), approximately 155 properties in the Barrington Lakes area, a commercial property along Highway 20, and will eventually serve four agricultural properties (6.6 acres) along English Mill Road, and 41.6 acres of undeveloped property in the same area.

If the City Council approves the agreement, the City will own, operate, and maintain the water system, effective December 20, 2016. The City will be responsible for the maintenance, repair, and operation of the water system in compliance with all applicable county, state, and federal requirements. The proposed purchase is for the water system only and affects no other services in these areas. The agreement has unique terms for each customer area.

CIWA will assign its Vernon water service agreements with all Vernon system customers and its agreement with the commercial property located on Highway 20 to the City of Dubuque. The existing Vernon system and Highway 20 commercial property will be connected directly to the City's municipal water system on or before December 31, 2017.

CIWA will assign its water service agreement with Barrington Lakes Property Owners Association (BLPOA) to the City of Dubuque. On or before December 31, 2016, the BLPOA must decide whether it wants to receive City water or opt out of that agreement. If the BLPOA decides to use City water, a schedule will be developed to connect directly to the City's municipal water system.

If the purchase is approved, City staff will hold informational meetings with residents of each customer area to discuss terms, conditions, and logistics of the transfer of ownership and City water service.

If the Barrington Lakes residents choose not to use City water, the City would purchase the CIWA system, excluding Barrington Lakes, for \$4.1 million. The purchase price would be payable through four annual payments with the first payment of \$1,110,000 due on December 20, 2016. The City would issue an \$8 million Iowa Finance Authority State Revolving Fund loan with a 20-year term to fund the purchase of the CIWA system (\$4.1 million acquisition cost plus \$200,000 interest cost) and for the construction of new water lines to the water tower (\$3.6 million). Principal payments on the Iowa Finance Authority State Revolving Fund loan would not begin until June 1, 2018. The City would also delay several water service related CIP projects totaling almost \$1.6 million which could be completed at a later date now that the CIWA litigation is resolved.

The other possible scenario is the City purchasing the CIWA system, including Barrington Lakes, by contract in 2016 for \$6.1 million. The purchase price would be payable through six annual payments with the first payment of \$1,110,000 due on December 20, 2016. The City would issue an \$11 million Iowa Finance Authority State Revolving Fund loan with a 20-year term to fund the purchase of the CIWA system (\$6.1 million acquisition cost plus \$300,000 interest cost) and for the construction of new water lines to the water tower (\$4.3 million). The construction of new water lines includes an additional cost of \$500,000 for construction of a Highway 20 connection, English Mill connection, and internal plumbing and \$200,000 for new water meters. Principal payments on the Iowa Finance Authority State Revolving Fund (SRF) loan would not begin until June 1, 2018. The City would also delay water service related CIP projects totaling almost \$1.6 million which could be completed at a later date now that the CIWA litigation is resolved.

Initial contract payments would be paid from the City's water fund reserve and then reimbursed by the SRF loan when proceeds are available in 2017. The SRF loan would be repaid over 20 years by revenue from water fees. Additionally, a portion of the CIWA service areas involved in the proposed purchase will be in Housing TIF (Tax Increment Finance) areas and some of that revenue will be used for loan repayments.

If the City Council approves the settlement/purchase agreement, additional information will be provided to residents and property owners in the water service areas.

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