

CITY OF MOULTON
Work session
June 20, 2022
Immediately Followed Council Meeting

Present – Mayor Weatherwax
Brent White
Joyce Jeffreyss
Jason White
Denise Lovett
Cassandra Lee

Work Session was opened at the adjourning of the Council Meeting that had proceeded it.

Brad Green was present from Raymond James with reports on the bond issue possibilities should that be an avenue needed or pursued by the City of Moulton in its endeavors to make Water Treatment Plant improvements and increase sales to West Lawrence Water Authority. The information he provided different scenarios was based on an amount of 15 million dollars which was derived from the Kelley Groups estimates of 10 to 20 million.

Mr. Green stated that background information from the Bond perspective that in 2021 refinanced all the Utility Department Debt – refunded all the debt and created a new indenture (basically a governing set of documents the investors are repaid from) which dictates what can be done going forward. The indenture contains a test which is the standard across the country for Utility Departments but more specific to Alabama – which requires a net income(revenue) of 1.2 times the debt service. To clarify that means you must have \$1.20 of net income after paying all operating cost for every dollar of debt. Before any additional debt can be issued the test must be done and conditions met stated within those criteria, it will be looked at very closely. Documentation will also be required from the auditor and engineer to provide a certificate that the estimated additional revenue from any additional debt will be equal to 1.2 or greater than what the annual debt payment is.

Kelley Taft with the Kelley Group arrived and emphasized that this was a good opportunity to have an informal conversation, ask questions, and see what the options are. She ask that Mr. Green explain the financial information he had provided, so he did proceed with explaining the calculations he had provided in reports and how to interpret them.

In conclusion Mr. Green stated that the possibility to do this is there but it would have to be studied and there is a lot of variables that will affect it. A new contract with West Lawrence would have to be a take or pay and factors input so that if anyone walks away Moulton will be protected (made whole) because this is too much debt for the City of Moulton to support by itself, he also stated he didn't feel Moulton could do a total redo of the Water Plant on its own.

Ms. Taft presented facts as she felt that was what needed to be addressed and looked at. In the 3 years or so that they have been working with Moulton there has been some strides made with things such as improvement in water loss, by installing the new meters, on the distribution side she feels like it is in expected shape for the age and does have some problem areas but the larger main issues are with the Water Treatment Plant and it is in need of upgrades because of age and things that are required to be done. She feels like that since West Lawrence has the need for more water and the City of Moulton has the need to upgrade the Water Treatment Plant – and with upgrades could provide the West Lawrence needs of more water and they (West Lawrence) are willing to negotiate a contract with Moulton that this is a great opportunity for both systems. The City has applied for 20 million in SRF funding and haven't gotten an answer yet but should be hearing something this year – and that would determine if there would be a need to do the things that Mr. Green has spoken about. As of now there has not been a design done. Once the design is done and a more accurate cost estimate is gotten then that will also help in determining the financial plans (SRF or Bonds).

Ms. Taft wanted to emphasize that if Moulton doesn't upgrade the plant and provide more water to West Lawrence that they are going to go to East Lawrence West Morgan for their needs they have already met, and a proposal has been given to them. With the projected water sales to West Lawrence, they would utilize 66% of the water produced and Moulton's current customers would use the other 33% so it would only be fair that Moulton also be responsible for some of the cost share to do the upgrades. That would change the dynamics – Moulton would then be a high-volume commercial sales.

Jay Johnson stated dependent on what the City decides West Lawrence will stay or go because they have got to do something. If they go to East Lawrence West Morgan then the City of Moulton will lose 1/3 of its revenue by losing the revenue we currently get from West Lawrence. If they go to East Lawrence West Morgan then the City would have to increase rates to offset the loss of the revenue and that will drastically increase customers monthly bill cost. He stated that if we don't do that then our water plant would have to be shut down and purchase water which is another option that East Lawrence West Morgan has offered to sell water to us.

Ms. Taft stated that she thinks that Moulton needs to be committed no matter what the SRF determination is and that is why Brad Green with Raymond James was here. With the SRF project could be used for the distribution system for the needs because the system has better pumps than pipes --- you can push the water, but the piping can't handle that.

Jay Johnson stated that the Water Treatment Plant can't keep running under the conditions that it is now, no matter these other things. Upgrades must be done – regulations will also require things soon to be done. Mr. Johnson stated that he didn't see any way that the upgrades could be done without an outrageous water bill increase by the City of Moulton customers alone.

Mayor Weatherwax ask Ms. Taft if she does the contract or would Cain be the one to do the contract. Ms. Taft said that they have several in their files of other Water System and that is a good place to start. Mayor ask if they were tied to cost of living and cost plus? She stated yes, Sir. Ms. Taft said that Cain doesn't do contracts but there is someone at the firm that does.

A letter of intent with timeline and what the City is extending to West Lawrence will be drafted by Ms. Taft for the next Council meeting on July 11, 2022 - so the Council can approve it and move forward and have that agreement locked in between the City of Moulton and West Lawrence.

Roger Weatherwax, Mayor

Deroma Pepper, City Clerk

Brent White, Council Member

Jason White, Council

Joyce Jeffreys, Council Member

Cassandra Lee, Council Member

Denise Lovett, Council Member