

Information regarding City of Clovis Funding for Interim Groundwater Project

The City of Clovis' Water Policy Advisory Committee met in regular session on October 14, 2019. An update was given by the Eastern New Mexico Water Utility Authority regarding Finish Water 2, which is 90% completed. This phase is scheduled for completion in December 2019.

The cost of the next two phases of the interim groundwater project is estimated to be \$90 million dollars. This consists of the fully designed Finish Water 3 which will take the pipeline from Cannon Air Force Base to Portales, and Finish Water 1, (60% designed) which will take the project 16 miles north where the water treatment plant will be located on CR 26.

It has become apparent, through conversations at state and federal levels, that in order to encourage funding for the construction of the next two phases from the State of New Mexico (\$30 million dollars) and the federal government (\$40 million), the City of Clovis, who represents 75% of the Authority, needs to demonstrate its ability and willingness to assist in construction dollars for the interim groundwater project. To study the potential funding sources for the City of Clovis, Erik Harrigan with RBC Capital Markets presented funding options to the Water Policy Advisory Committee as follows:

- A. Increasing an operational mill levy. The City of Clovis currently has up to \$3.725 mills of available. A mill levy can be acted upon by a resolution approved by the Clovis City Commission
- B. Voter authorized General Obligation debt
- C. Combination of A and B
- D. Getting Legislative approval for the imposition of a special GRT dedicated water tax
- E. Sell existing City assets

The Water Policy Advisory Committee unanimously recommended providing City matching funds for the completion of construction for the interim groundwater project through increasing the operational mill levy in an amount to be determined by the Commission.

The Clovis City Commission took action regarding the recommendation at their meeting held October 22, 2019.

Mr. Harrigan advised the impact of implementing a mill levy at \$15 million would mean an increase of 1.554 mills, which will generate an operational revenue increase of \$981,295 over 20 years. The tax impact per \$100,000 of the market value of a home will be \$51.80 per year or \$4.32 per month.

The City of Clovis' obligation to the project is at least \$40 million dollars following the 10% local, 20% state and 70% federal match.

Mill levy increases cannot go into effect until after the tax rates are set by the Department of Finance Administration on September 1, 2020. The increase in property tax has to be in the DFA tax sheet that is sent out to the County. The Clovis City Commission could take action regarding the adoption of a resolution at any time before April 2020 to increase the operational

mill levy. However, in order to garner funding support from the New Mexico Legislature prior to the 2020 legislative session, a resolution adopted prior to the legislative session would show the City of Clovis' commitment to funding and accelerating the construction of the project to secure water for the area.

Having constructed these phases, the Authority will have the ability to generate revenue which will allow them the opportunity to assist in funding future phases of the pipeline.

The funding generated by the mill levy will replace the gross receipts tax (GRT) that is currently being used for operational costs of the City of Clovis.

The City will not issue the bond until they receive confirmation of participation at the state and federal levels.

On October 22, 2019 the Clovis City Commission voted to approve moving forward with the process, and a resolution will be brought to the November 7, 2019 Commission meeting for action.

The City is currently funding police and fire services with Gross Receipts Tax (GRT). The property owner is the beneficiary of police and fire responses and so the City will use the property mill to fund the police and fire, freeing up the GRT to be used to pay for the interim groundwater project. This action will require a rededication of the gross receipts for police and fire, and an ordinance regarding this will be brought for introduction at the November 7, 2019 Commission meeting for action.

Should you have any questions, or if more information is needed, please contact the City Manager's Office at 575-769-7828.