
City of Kelowna

MEMORANDUM

DATE: November 22, 2001
FILE: 5600-03

TO: City Manager

FROM: Director of Finance and Corporate Services

RE: **SCHLUMBERGER CONTRACT – WATER METER DEBT**

Report Prepared by: Deputy Director of Finance

RECOMMENDATION

THAT Council approve the payout of water meter debt on December 31, 2001 in the amount of \$2,891,284.57, to Schlumberger RMS, with refinancing from City of Kelowna general reserves;

AND THAT Council approve a 2001 Financial Plan amendment to reflect this refinancing.

BACKGROUND AND COMMENTS

On March 29, 1994, Universal Water Metering Loan Authorization Bylaw 7208 was adopted by Council giving approval to the borrowing of up to \$3,500,000 from Schlumberger RMS for the City's water meter initiative. The loan rate in the agreement was fixed at 9.75% and included a penalty clause of 5% for early repayment. On October 1, 2001, Schlumberger RMS was given the required 3-month notice that the City would be terminating the existing water meter financing agreement.

Interest rate reductions over the last year have provided an opportunity for annual water utility savings. The remaining 10 years of outstanding debt at 9.75% will be refinanced by City general reserves at a rate of 5.78%. The interest rate differential will result in a net benefit to the water utility of approximately \$42,800 per year in lower debt servicing costs, even after inclusion of the 5% penalty in the refinancing plan.

Outstanding balance at December 31, 2001	\$2,753,604.35
Penalty @ 5%	<u>137,680.22</u>
Required to Pay-out Agreement	\$2,891,284.57
 Current Total Annual Payments	 \$432,107.40
Annual Re-payments to City Reserves	<u>389,331.79</u>
Annual Water Utility Savings	\$ 42,775.61

C.P. Kraft

cc: Deputy Director of Finance

Water Utility Manager