Questions from Michael Ellis, October 21, 2012

Q1 What is a CLEM rating?

A: CLEM is an acronym to describe our methodology for evaluating the risk of asset failure. C is for consequence of failure, L is for the likelihood of failure, and EM is for our evaluation methodology. The CLEM rating indicates the level of risk of asset failure. The ratings go from very low to extreme. We have a Bureau Service Level Indicator that recommends we address high and extreme risks in our system.

Q2 The sale of (revenue?) bonds spread the capital costs over the long term. This diminishes the immediate effect on the rate structure over the life of the bond, while adding in the debt service own the road? Are we limited in the amount of bonding permitted by the city or state?

A: The rate increase would be much lower if capital costs are funded with bonds because only the annual debt service payments would need to be funded. There is no limit set by the city or state on the amount of revenue bonds that can be issued. The City's Debt Management Policies require a financial plan with projections showing the feasibility of the planned financing, required rates and charges needed to support the planned financing, and the impact of the planned financing on ratepayers. The amount of revenue bonds issued will be limited by the feasibility of the overall financing plan determined by the City Debt Manager.

Q3 Are we pressing forward on as many CIP projects as possible while the interest rates are low? Or is the pressure coming from elsewhere?

A: The current favorable bond interest rate climate is not a factor to the number of projects proposed. The CIP includes projects that are mandated, directed by City Council, and utility relocation projects. In addition, the CIP includes capital projects that have gone through a planning and evaluation process. The process may include CLEM evaluation, total life cycle costs, cost benefit ratio, or cost-risk reduction ratio. The CIP may also include projects such as the Columbia South Shore Wellfield project that reduced risk and taking advantage of available stimulus funding.