

**DRINKING WATER BOARD**  
**BOARD PACKET FOR CONSTRUCTION LOAN**  
**AUTHORIZATION**

**APPLICANT'S REQUEST:**

West Erda Improvement District (WEID) is requesting an additional \$144,000 in funding to upgrade the originally proposed 12-inch transmission line, delivering water from Erda Acres to WEID, to a 16-inch transmission line. In addition, WEID is requesting that the loan repayment schedule be restructured to have smaller payments early in the loan, with balloon payments towards the end.

**STAFF COMMENTS:**

On November 7, 2014, The Drinking Water Board authorized WEID a loan of \$1,478,600 at 0% interest for 30 years with \$739,600 in principal forgiveness.

The \$144,000 increase from the original project amount is a result from increasing the 12-inch diameter transmission pipe to 16-inch transmission pipe. The justifications for this increase are as follows:

- Tooele County officials have determined that they will not be able to obtain the positive public support for the project without reducing the amount of loan secured with user fees.
- Tooele County Officials have decided that they will secure a significant portion of the loan with other County revenues temporarily, with the intent to be reimbursed through impact fees as individuals and possibly entities connect to the line.
- For this option to be feasible there needs to be enough excess capacity in the transmission line system to attract and support potential future growth so the County can recuperate their costs.
- The additional capacity provided in the 16-inch line appears to provide enough excess capacity required to recover County loan payments through impact fee and connection charges.
- Furthermore, a recent house fire in a nearby water system was not able to be suppressed adequately due to inadequate hydraulic capacity of system feeding fire hydrants. The public is sensitive to this and will be looking for assurance that the system is obviously adequately sized. Increasing the transmission line to 16-inch diameter will help to convince those in the fire suppression expansion area to pay a monthly "fire suppression" fee.

The County feels that the expansion of the service area along the transmission line will happen more quickly if they have the capacity available. However, the specific areas of expansion have not been solidified. They have discussed the possibility of connecting the State Prison, if it relocates to this area. They have agreed that the Prison would likely require a separate system due to the size and water demand and would not be connecting to the transmission line.

The local MAGI for the WEID is \$29,797, which is 79% of the State MAGI. The current 17 connections have a water bill of approximately \$79 per month, which is 3.18% of local MAGI, therefore the District qualifies to be considered for additional subsidization. Maintaining consistency with the original funding package (50% loan, 50% grant), a loan of \$811,000 at 0% interest for 30 year, with a grant of \$811,600, would result in the following water bills for the 3 areas involved in the project, based on the first five years of the graduated repayment schedule:

District Areas:	ERC	Current Water Bill	Water Bill after Project	% MAGI
WEID (current)	18	\$79	\$99	3.99
WEID (on private wells)	35	\$0	\$20	.81
WEID (expanded)	54	\$0	\$12	.48

Note: The existing WEID boundary will be paying 62 % of the annual debt service and the WEID expanded area will pay 38%. These water bills are subject to change, based on the County's involvement and impact fees from growth, both being used towards the annual debt service.

**Financial Assistance Committee Recommends:**

**The Drinking Water Board amend the original authorization to a loan of \$1,622,600 at 0% interest for 30 years to West Erda Improvement District with \$811,600 in principle forgiveness, with a graduated repayment schedule as proposed in the attached evaluation.**

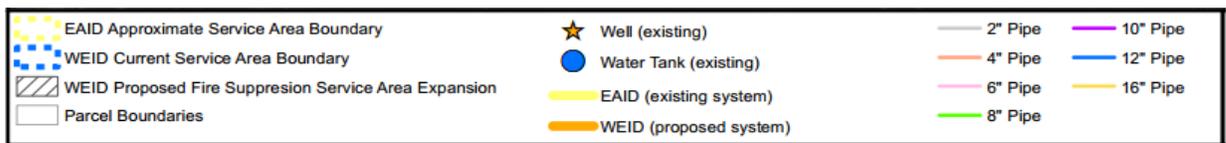
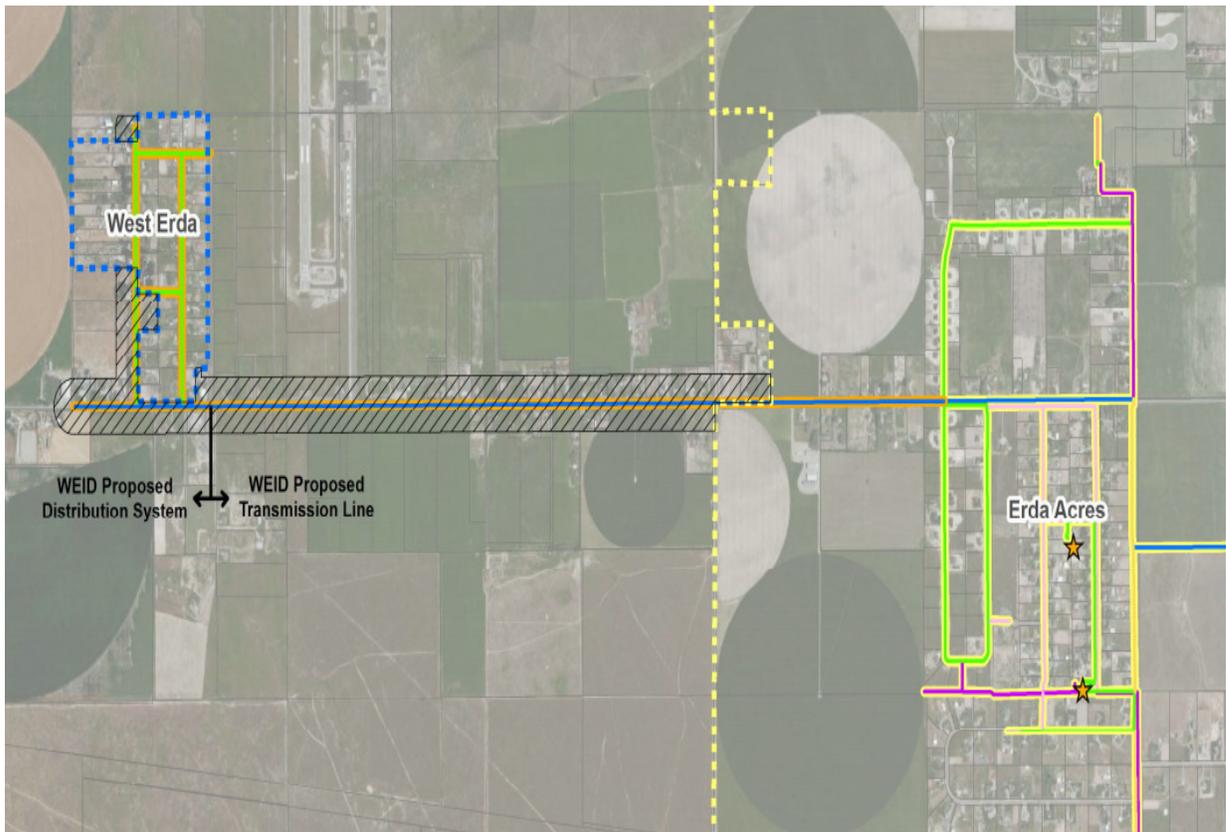
**Funding is Contingent Upon:**

- 1) The District's authority and ability to expand their boundary and implement the cost share proposed for the project to include all 53 lots in WEID as well as the 54 lots along the transmission line that are currently not included in their boundary.**
- 2) Evidence of public support for the cost share on the project for all lots impacted.**

**APPLICANT'S LOCATION:**

WEID is located in Tooele County.

**MAP OF APPLICANT'S LOCATION:**



**PROJECT DESCRIPTION:**

The WEID Project will include the following tasks:

- Connecting to the existing EAID with approximately 11,000 feet of 16-inch transmission line with appurtenances.
- WEID distribution system upgrades will include installing approximately 5,800 feet of 8-inch water line, along with 34 fire hydrants and valves. 53 service connections and service meters will be installed.
- Capacity in the existing EAID storage and source facilities will be purchased by WEID.

The cost for the project is being shared by the different areas being served and benefitted by the project. The existing boundary of the WEID consists of 17 lots currently connected to the system and 36 lots on private wells. They will share the cost of the distribution systems improvements, the storage and source capacity buy-in from EAID and a portion of the transmission line (62% of total project cost). The WEID expanded area, along the transmission line, consists of 54 connections. They will share the cost of a portion of the transmission line, and a portion of the storage and source capacity buy-in from EAID as they will be benefitting by the fire suppression that the line and hydrants provide (38% of total project cost).

If remaining contingency funds are available at the end of the project, the County would like to use funds for:

- Identifying and acquiring a pipeline easement for a future culinary water transmission pipeline from Erda Way to the south, approximately 8,000 feet, to a future culinary water storage tank location
- Identifying and acquiring property for a future culinary water tank to serve the future needs of WEID and identified expansion areas
- Identification of other possible utility corridors for possible likely connections to other adjacent public water system(s) who could be interested in operating and maintaining the WEID system in the future
- Preparing an Impact Fee Analysis and adoption

**POPULATION GROWTH:**

According to the Utah State Governor's Office of Planning and Budgeting, the anticipated growth rate for Tooele County is approximately 2.66% per year over the next 40 years. Based on this growth rate, West Erda could expect the following increase in population:

	<u>Year</u>	<u>Population</u>
Current:	2014	158
Projected:	2050	309

**IMPLEMENTATION SCHEDULE:**

Apply to DWB for Construction Funds:	October 2014
SRF Committee Conference Call:	December 2014
DWB Funding Authorization:	January 2014
Advertise Environmental Assessment:	February 2014
Complete Design:	February 2014
Plan Approval:	March 2014
Advertise for Bids:	March 2014
Bid Opening:	March 2014
Loan Closing:	April 2014
Begin Construction:	April 2014
Complete Construction:	July 2014
Receive Operating Permit:	August 2014

**COST ESTIMATE:**

Legal and Bonding	\$29,000
Environmental	\$4,000
Inter-local Agreements	\$11,000
Engineering- Design	\$67,000
Engineering- CMS	\$73,000
Engineering- local agreements	\$12,000
Storage/Source Buy-in	\$120,200
Construction	\$1,136,700
Contingency	<u>\$169,600</u>
<b>Total Project Cost</b>	<b>\$1,622,600</b>

**COST ALLOCATION:**

The cost allocation proposed for the project is shown below.

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Loan (0%, 30-yr)	\$811,000	50%
DWB Grant	<u>\$811,600</u>	<u>50%</u>
Total Amount	\$1,622,600	100%

**ESTIMATED ANNUAL COST OF WATER SERVICE (first 10 years):**

Operation and Maintenance plus Depreciation: \$29,876 (NOTE: This is based on 2014, which was much higher than typical years).

Existing DW Debt Service: \$0

DDW Debt Service (0%, 30-yrs): \$15,000

DDW Debt Reserve: \$1,500

Replacement Reserve Account: \$4,055

Monthly Cost/ERC to WEID (current): \$99

Monthly Cost/ERC to WEID (on private wells): \$20

Monthly Cost/ERC to WEID expanded: \$12

Cost as % MAGI to WEID current: 4.11%

West Erda Improvement District

January 9, 2015

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APPLICANT:

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Tooele, Utah 84074

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## DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: West Erda  
 COUNTY: Tooele  
 PROJECT DESCRIPTION: Transmission Line and Distribution Improvements

FUNDING SOURCE: Federal SRF

### 50 % Loan & 50 % P.F.

ESTIMATED POPULATION:	158	NO. OF CONNECTIONS:	17 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$78.89 *			PROJECT TOTAL:	\$1,622,600
CURRENT % OF AGI:	3.18%	FINANCIAL PTS:	53	LOAN AMOUNT:	\$811,000
ESTIMATED MEDIAN AGI:	\$29,797			PRINC. FORGIVENESS:	\$811,600
STATE AGI:	\$39,325			TOTAL REQUEST:	\$1,622,600
SYSTEM % OF STATE AGI:	76%				

	@ ZERO % RATE	@ RBBI MKT RATE		AFTER REPAYMENT PENALTY & POINTS
<b>SYSTEM</b>	0%	4.93%		0.00%
ASSUMED LENGTH OF DEBT, YRS:	30	30		30
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.93%		0.00%
REQUIRED DEBT SERVICE:	\$27,033.33	\$52,336.49		\$27,033.33
*PARTIAL COVERAGE (15%):	\$4,055.00	\$7,850.47		\$4,055.00
*ADD. COVERAGE AND RESERVE (10%):	\$2,703.33	\$5,233.65		\$2,703.33
<b>ANNUAL NEW DEBT PER CONNECTION:</b>	<b>\$1,987.75</b>	<b>\$3,848.27</b>		<b>\$1,987.75</b>
O & M + FUNDED DEPRECIATION:	\$29,876.00	\$29,876.00		\$29,876.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00		\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$0.00	\$0.00		\$0.00
<b>ANNUAL EXPENSES PER CONNECTION:</b>	<b>\$1,757.41</b>	<b>\$1,757.41</b>		<b>\$1,757.41</b>
TOTAL SYSTEM EXPENSES	\$63,667.67	\$95,296.62		\$63,667.67
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<b>RESIDENCE</b>				
MONTHLY NEEDED WATER BILL:				
WEID	\$312.10	\$467.14		<b>\$112.00</b>
WEID on wells				<b>\$33.00</b>
WEID expanded				<b>\$20.00</b>
<b>% OF ADJUSTED GROSS INCOME:</b>	<b>12.57%</b>	<b>18.81%</b>		<b>4.51%</b>

\* Equivalent Residential Connections

## West Erda

PROPOSED BOND REPAYMENT SCHEDULE

50 % Loan & 50 % P.F.

PRINCIPAL	\$811,000.00	ANTICIPATED CLOSING DATE	01-Feb-15
INTEREST	0.00%	FIRST P&I PAYMENT DUE	01-Jan-16
TERM	30	REVENUE BOND	
NOMIN. PAYMENT	\$27,033.33	PRINC PREPAID:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2015	\$811,000.00		\$0.00 *	\$0.00	\$0.00	\$811,000.00	0
2016	\$811,000.00		\$14,000.00	\$14,000.00	\$0.00	\$797,000.00	1
2017	\$797,000.00		\$14,000.00	\$14,000.00	\$0.00	\$783,000.00	2
2018	\$783,000.00		\$15,000.00	\$15,000.00	\$0.00	\$768,000.00	3
2019	\$768,000.00		\$15,000.00	\$15,000.00	\$0.00	\$753,000.00	4
2020	\$753,000.00		\$16,000.00	\$16,000.00	\$0.00	\$737,000.00	5
2021	\$737,000.00		\$16,000.00	\$16,000.00	\$0.00	\$721,000.00	6
2022	\$721,000.00		\$17,000.00	\$17,000.00	\$0.00	\$704,000.00	7
2023	\$704,000.00		\$18,000.00	\$18,000.00	\$0.00	\$686,000.00	8
2024	\$686,000.00		\$18,000.00	\$18,000.00	\$0.00	\$668,000.00	9
2025	\$668,000.00		\$19,000.00	\$19,000.00	\$0.00	\$649,000.00	10
2026	\$649,000.00		\$22,000.00	\$22,000.00	\$0.00	\$627,000.00	11
2027	\$627,000.00		\$23,000.00	\$23,000.00	\$0.00	\$604,000.00	12
2028	\$604,000.00		\$24,000.00	\$24,000.00	\$0.00	\$580,000.00	13
2029	\$580,000.00		\$24,000.00	\$24,000.00	\$0.00	\$556,000.00	14
2030	\$556,000.00		\$25,000.00	\$25,000.00	\$0.00	\$531,000.00	15
2031	\$531,000.00		\$30,000.00	\$30,000.00	\$0.00	\$501,000.00	16
2032	\$501,000.00		\$31,000.00	\$31,000.00	\$0.00	\$470,000.00	17
2033	\$470,000.00		\$31,000.00	\$31,000.00	\$0.00	\$439,000.00	18
2034	\$439,000.00		\$32,000.00	\$32,000.00	\$0.00	\$407,000.00	19
2035	\$407,000.00		\$32,000.00	\$32,000.00	\$0.00	\$375,000.00	20
2036	\$375,000.00		\$38,000.00	\$38,000.00	\$0.00	\$337,000.00	21
2037	\$337,000.00		\$37,000.00	\$37,000.00	\$0.00	\$300,000.00	22
2038	\$300,000.00		\$38,000.00	\$38,000.00	\$0.00	\$262,000.00	23
2039	\$262,000.00		\$37,000.00	\$37,000.00	\$0.00	\$225,000.00	24
2040	\$225,000.00		\$38,000.00	\$38,000.00	\$0.00	\$187,000.00	25
2041	\$187,000.00		\$37,000.00	\$37,000.00	\$0.00	\$150,000.00	26
2042	\$150,000.00		\$38,000.00	\$38,000.00	\$0.00	\$112,000.00	27
2043	\$112,000.00		\$37,000.00	\$37,000.00	\$0.00	\$75,000.00	28
2044	\$75,000.00		\$38,000.00	\$38,000.00	\$0.00	\$37,000.00	29
2045	\$37,000.00		\$37,000.00	\$37,000.00	\$0.00	\$0.00	30
			\$811,000.00	\$811,000.00	\$0.00		

\*Interest Only Payment