

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

APPLICANT'S REQUEST:

Wellington City is requesting \$1,063,000 to construct a new 750,000 gallon concrete water storage tank. Wellington City previously requested \$1,006,000 for their project but has since requested an increase in funding due to the Federal SRF loan requirements that will increase construction costs by an estimated \$57,000.

STAFF COMMENTS:

Staff has prepared the financial evaluation with the increased construction costs of \$57,000 by maintaining the Financial Assistance Committee's recommended 20% principal forgiveness and average water bill of \$67.74 by changing the interest rate from 2.62% to 2.20%.

The volume of the 750,000 gallon tank is sufficient to supply Wellington City for 30+ years at current growth projections provided by the Governor's Office of Management & Budget.

Wellington City's local MAGI of \$39,298, is approximately 94% of the State's \$41,923 MAGI. Wellington City's current water bill is \$60.92, 1.86% of local MAGI, which includes a separate irrigation water bill of \$16.45 per month. A water bill greater than 1.75% of local MAGI allows funding recipients to qualify for principal forgiveness and/or reduced interest rates, therefore Wellington City qualifies for this consideration. A loan amount of \$1,063,000 at 2.20% for 30 years, with \$212,000 (20%) in principal forgiveness, would allow Wellington City to maintain a water bill of \$67.74 a month, 2.07% of local MAGI. The City's priority rating is 43.5.

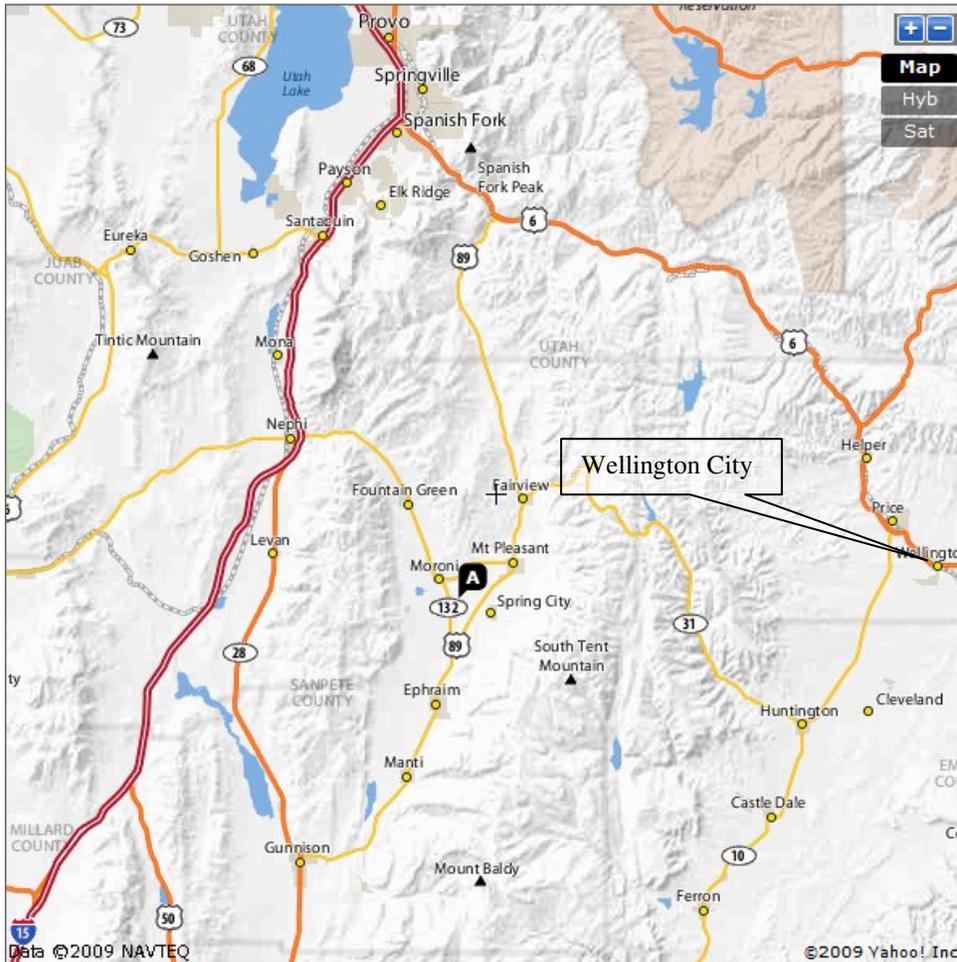
FINANCIAL ASSISTANCE COMMITTEE RECOMENDATION:

The Drinking Water Board authorize a \$1,063,000 construction loan with \$212,000 in principal forgiveness to Wellington City with a 2.20% Interest or Fee per annum, for 30 years.

APPLICANT'S LOCATION:

Wellington City is located in Carbon County.

MAP OF APPLICANT'S LOCATION:



CONSTRUCTION DESCRIPTION/SCOPE OF WORK:

Wellington City currently has one storage tank, with a storage volume of 500,000 gallons that is currently not in use. This storage tank is an above grade steel tank. Recently, Wellington contracted with a painting contractor to re-coat the interior and exterior of the tank. This contractor did a sub-par job on the tank and Wellington is currently in the process of settling with the contractor due to poor quality of work. During the painting process, it was brought to the attention of the City that the current lid support system is severely corroded. As such, the City performed follow-up investigations to verify the structural integrity of the I-beams supporting the lid and found that they are not structurally adequate. Due to the ongoing issues with the painting contractor and the inadequate structural support of the existing tank lid, the tank is still out of service. Wellington then contracted with Sunrise to perform an analysis of the tank condition.

Wellington City

April 25, 2016

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Sunrise utilized information from a previously completed culinary water master plan performed by another firm in 2015 and made recommendation for 750,000 gallons of storage. Sunrise also provided the following options for solving the storage problem:

1. Rehabilitate the existing tank and install a new 250,000 tank.
2. Remove the existing tank and construct a 750,000 gallon tank.

Based on overall cost and maintenance concerns with the existing tank, it was decided to remove the existing tank and construct a 750,000 concrete tank.

POPULATION GROWTH:

	<u>Year</u>	<u>Population</u>	<u>ERC's*</u>
Current:	2016	1,676	813
Projected:	2050	1,847	896

*Equivalent Residential Connections

IMPLEMENTATION SCHEDULE:

Apply to DWB for Planning Funds:	March 1, 2016
SRF Committee Conference Call:	March 30, 2016
DWB Funding Authorization:	April 15, 2016
Commence Design	April 15, 2016
Complete Design:	June 1, 2016
DDW Plan Approval:	July 15, 2016
Advertise for Bids:	July 1, 2016
Bid Opening:	July 15, 2016
Loan Closing:	July 31, 2016
Begin Construction:	Aug 1, 2016
Complete Construction:	Dec 31, 2016
Receive DDW Operating Permit	Jan 31, 2017

PROJECT COST ESTIMATE:

Legal	\$9,000
Administrative-Funding	\$5,000
Engineering-Design	\$50,000
Engineering-CMS	\$65,000
Engineering-Survey	\$10,300
Engineering-Geotechnical	\$7,500
Engineering-Bidding	\$5,000
Construction-Storage Tank	\$767,550
FSRF Cost Increase	\$57,000
Construction-Contingency 10%	\$86,755
Loan Origination Fee 1%	\$0
SUBTOTAL (rounded up to nearest thousand)	\$1,063,000

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 Principal Forgiveness	\$212,000	20%
DWB Loan	\$851,000	80%
System Contribution	\$0	0%
Total Amount:	\$1,006,000	100%

Wellington City

April 25, 2016

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APPLICANT:

Wellington City
150 W. Main Street
P.O. Box 559
Wellington, Utah 84542
Telephone: (435) 637-5213
Email: getzel@wellingtonutah.us

**PRESIDING OFFICIAL &
CONTACT PERSON:**

Joan Powell
150 W. Main Street
P.O. Box 559
Wellington, Utah 84542
Telephone: (435) 637-5213
Email: mayor@wellingtonutah.us

CONSULTING ENGINEER:

Robert Worley, P.E.
Sunrise Engineering
26 East 500 North
Fillmore, Utah 84631
Telephone: (435) 743-6151
Email: rworley@sunrise-eng.com

Treasurer/Recorder:

Glenna Etzel
Telephone: (435) 637-5213
Email: getzel@wellingtonutah.us

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DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Wellington
 COUNTY: Carbon
 PROJECT DESCRIPTION: 700,000 Gallon Storage Tank

FUNDING SOURCE: Federal SRF

80 % Loan & 20 % P.F.

ESTIMATED POPULATION:	1,676	NO. OF CONNECTIONS:	813 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$60.92 *			PROJECT TOTAL:	\$1,063,000
CURRENT % OF AGI:	1.86%	FINANCIAL PTS:	45	LOAN AMOUNT:	\$851,000
ESTIMATED MEDIAN AGI:	\$39,298			PRINC. FORGIVE.:	\$212,000
STATE AGI:	\$41,923			TOTAL REQUEST:	\$1,063,000
SYSTEM % OF STATE AGI:	94%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.76%		AFTER REPAYMENT PENALTY & POINTS 2.20%
SYSTEM				
ASSUMED LENGTH OF DEBT, YRS:	30	30		30
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.76%		2.20%
REQUIRED DEBT SERVICE:	\$28,366.67	\$47,789.46		\$39,049.95
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$2,836.67	\$4,778.95		\$3,905.00
ANNUAL NEW DEBT PER CONNECTION:	\$38.38	\$64.66		\$52.84
O & M + FUNDED DEPRECIATION:	\$433,799.00	\$433,799.00		\$433,799.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00		\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$23,108.28	\$24,079.42		\$23,642.45
ANNUAL EXPENSES PER CONNECTION:	\$562.00	\$563.20		\$562.66
TOTAL SYSTEM EXPENSES	\$488,110.62	\$510,446.83		\$500,396.40
TAX REVENUE:	\$0.00	\$0.00		\$0.00
RESIDENCE				
MONTHLY NEEDED WATER BILL:	\$66.48	\$68.77		\$67.74
% OF ADJUSTED GROSS INCOME:	2.03%	2.10%		2.07%

* Equivalent Residential Connections, Includes Irrigation Water Bill

R309-700-5

Wellington
Carbon
March 17, 2016

TABLE 2 FINANCIAL CONSIDERATIONS

	POINTS	
1. COST EFFECTIVENESS RATIO (SELECT ONE)		
A. Project cost \$0 to \$500 per benefitting connection	16	
B. \$501 to \$1,500	14	X
C. \$1,501 to \$2,000	11	
D. \$2,001 to \$3,000	8	
E. \$3,001 to \$5,000	4	
F. \$5,001 to \$10,000	1	
G. Over \$10,000	0	
	\$1,308	
2. CURRENT LOCAL MEDIAN ADJUSTED GROSS INCOME (AGI) (SELECT ONE)		
A. Less than 70% of State Median AGI	19	
B. 71 to 80% of State Median AGI	16	
C. 81 to 95% of State Median AGI	13	X
D. 96 to 110% of State Median AGI	9	
E. 111 to 130% of State Median AGI	6	
E. 131 to 150% of State Median AGI	3	
F. Greater than 150% of State Median AGI	0	
	94%	
3. PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)		
a. Greater than 25% of project funds	17	
b. 15 to 25% of project funds	14	
c. 10 to 15% of project funds	11	
c. 5 to 10% of project funds	8	
d. 2 to 5% of project funds	4	
e. Less than 2% of project funds	0	X
	0.0%	
4. ABILITY TO REPAY LOAN		
4. WATER BILL (INCLUDING TAXES) AFTER PROJECT IS BUILT RELATIVE TO LOCAL MEDIAN ADJUSTED GROSS INCOME (SELECT ONE)		
a. Greater than 2.50% of local median AGI	16	
b. 2.01 to 2.50% of local median AGI	12	X
c. 1.51 to 2.00% of local median AGI	8	
d. 1.01 to 1.50% of local median AGI	3	
e. 0 to 1.00% of local median AGI	0	
	2.07%	
5. SPECIAL INCENTIVE POINTS Applicant: (Mark all that apply)		
A. has a replacement fund receiving annual deposits of 5% of the system's drinking water budget been established, and has already accumulated a minimum of 10% of said annual DW budget in this reserve fund.	5	
B. Has a replacement fund equal to at least 15% or 20% of annual DW budget.	5	
C. Is creating or enhancing a regionalization plan	16	
D. Has a rate structure encouraging conservation	6	X
TOTAL POINTS FOR FINANCIAL NEED	45	
TOTAL POSSIBLE POINTS FOR FINANCIAL NEED	100	

Joan Powell – Mayor

Paula Noyes – Councilmember
Terry Sanslow – Councilmember
Kirt Tatton – Councilmember
Glen Wells – Councilmember
Marvon Willson – Councilmember



Glenna Etzel – City Recorder
Shanna Cooper – City Treasurer/Court Clerk
Jon Carpenter – Judge
Chad Feichko – Police Captain
Dustin Anderson – Police Officer
Kory Moosman – Public Works Sr. Oper.
Ed Ericson – Public Works Oper.

April 14, 2016

Utah Drinking Water Board
ATTN: Michael J. Grange, P.E., Assistant Executive Secretary
195 North 1950 West
Salt Lake City, UT 84116-4830

RE: Wellington City's SRF Application and Proposed Project

Dear Mr. Grange:

In March 2016, Wellington City submitted an application to the Division of Drinking Water requesting assistance to build a new water tank. The City was hopeful to receive a 50/50 loan/grant mix, from state funds, for this project. Instead, Sunrise Engineering, the engineering firm assisting Wellington City on this project, received notice that it is the board's recommendation for an 80/20 federal loan grant mix.

The Wellington City Mayor and Council agreed to prepare a letter explaining why the City should be reconsidered for a 50/50 state loan/grant mix. There are several factors which do in fact illustrate why Wellington City and its community would benefit from a more favorable loan/grant mix. These factors include the status of the current water tank; the City's current MAGI and its current rates; the City's efforts to prepare for future projects with the current master plan; and the current economic downturn of the community.

In April of last year, Wellington City began to refurbish its existing water tank. During the course of the project, it became apparent that the contractors suggested by our former City Engineers were unable to adequately finish the job that would pass the state mandate. During the months that followed, Wellington City began the necessary steps to move forward with potential litigation between the City and construction firm. Based on our attorney's recommendation, the City planned to file a claim on the contractor's performance bond. Prior to submitting the claim, the former City Engineers contracted with Corrosion Control Technologies of Sandy, Utah to inspect the work performed. Although Corrosion Control Technologies was able to confirm what Wellington City already knew, the paint coating would not pass; it also brought to light other issues with the tank. The rafters of the tank also needed extensive attention. Based on conversations with the Community Impact Board and Rural Water, it was advised that the City should begin pursuing a new water tank, and no longer spend valuable resources on a futile project.

Wellington City has been without an active water tank for over a year. The City is determined to quickly resolve this issue; unfortunately, our efforts have been unsuccessful due to the lengthy legal and governmental processes. At this point in time, the City and its residents cannot afford any substantial amount of debt. As such, we are continually seeking funding for all available options to help both the City and its residents.

Customers receiving culinary water from the City currently pay on average \$50/month. All culinary customers pay a monthly base rate of \$40.13, and, thereafter, a specified rate for every thousand gallons used. Currently, Wellington City charges the most in our county for culinary water because the City purchases its treated water from Price River Water Improvement District. Residents also pay an additional \$17/month for irrigation water. Our current culinary water rate is 1.67% of the MAGI. When considering the combination of culinary and irrigation water rates, that increases to 2.24% of the MAGI.

During the past year and a half, Wellington City has started to make the necessary efforts to improve its overall culinary and sewer systems. In early spring 2015, the City staff and administration worked with the former City engineers to prepare master plans for the sewer and culinary systems. Sunrise Engineering has since reviewed these master plans to help determine a realistic cost for improvements to the systems. As such, the City presumes the improvements will cost \$3.4 million for the water system improvements, and \$1.7 million for sewer system improvements. It is anticipated the vast majority of monies spent on these two projects will come from loans. Therefore, the City will need to take the necessary measures to increase rates to cover these anticipated loan payments.

Unfortunately, Wellington City, along with the rest of Carbon and Emery County, is in an economic downturn. Although other areas of the state are flourishing, these two counties are in a recession. Residents, regardless of age and income, are finding themselves with almost no, if any, extra funds. Higher increases to an already high utility bill would hurt the numerous citizens already struggling to make ends meet.

Thank you for taking a moment to reconsider Wellington City's application for assistance with a new water tank. As mentioned above, the City is determined to quickly move forward with a new water tank that would benefit its residents.

Sincerely,



Mayor Joan Powell