

DRINKING WATER BOARD
PACKET FOR CONSTRUCTION LOAN

APPLICANT’S REQUEST

Winchester Hills Water Company is requesting \$427,000 in financial assistance to drill, equip, and connect a new well to the existing distribution system. Total project costs are estimated to be \$624,030 and Winchester Hills is contributing \$197,030 to the project. Due to current source capacity issues caused by a collapsed well, the Company requests the Board give this application emergency status.

STAFF COMMENTS:

A 36-year old well previously used by the Company has collapsed. The Company has determined that drilling a new well will provide the best long-term solution to its source capacity issue.

The Company serves a population of 950 through 364 residential connections. Based on information from the Utah State Tax commission, the 2014 MAGI for the area served by the Company is \$31,144, which is 74% of the State MAGI of \$41,923. The current average monthly water bill is calculated as \$49.86, or 1.92% of local MAGI.

Funding options for the Winchester Hills project are outlined in the table below. The base evaluation, a full loan at 1.37% for 20 years, resulted in an estimated average after project water bill of \$68.75, 2.65% of the local MAGI. Therefore, Winchester Hills Water Company qualifies to be considered for additional subsidization.

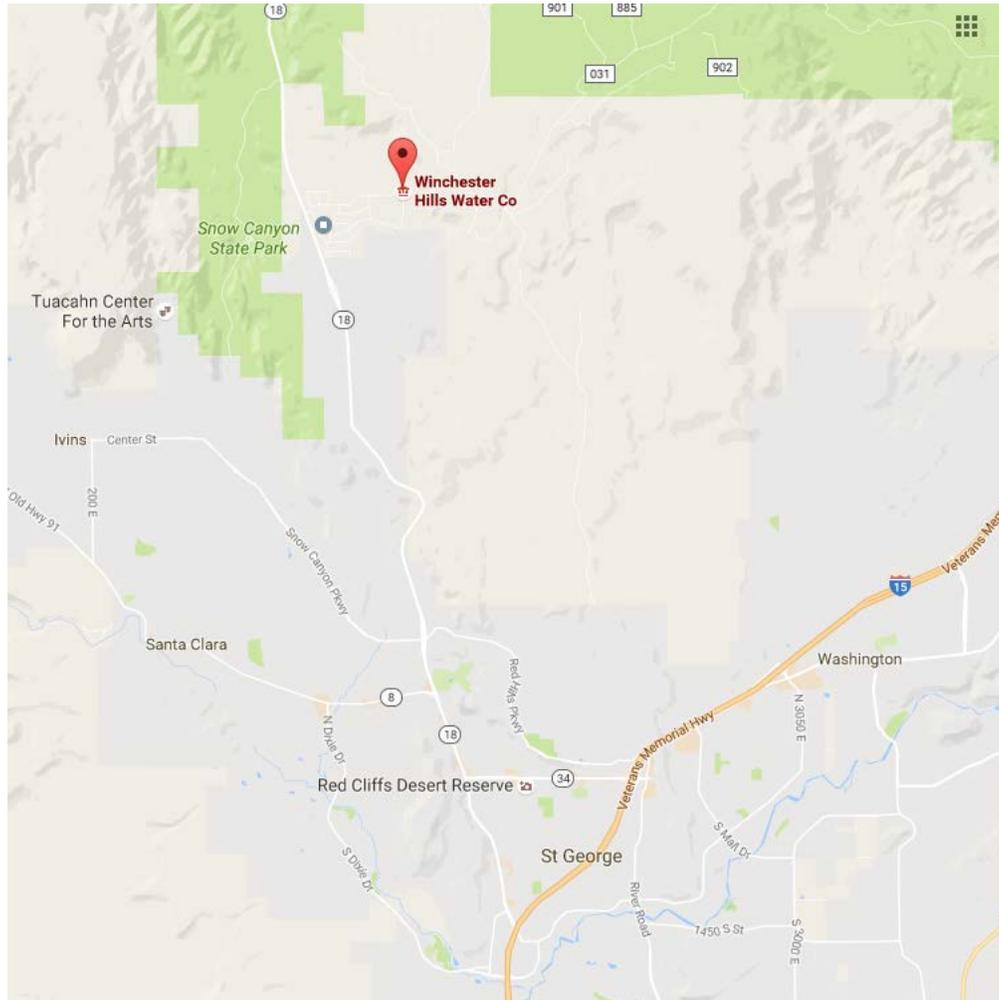
	Description	Loan Amount	Interest Rate	Term	PF Amount	Monthly Water Rate	% of Local MAGI
1	Base Evaluation	\$427,000	1.37%	20 yrs	\$0	\$68.75	2.65%
2	Base Eval., 0%	\$427,000	0.00%	20 yrs	\$0	\$67.90	2.62%
3	30% PF, 0% Interest	\$299,000	0.00%	20 yrs	\$128,000	\$66.22	2.55%
4	50% PF, 0% Interest	\$214,000	0.00%	20 yrs	\$213,000	\$65.10	2.51%
5	50% PF, 0% Int, 30 yr	\$214,000	0.00%	30 yrs	\$213,000	\$64.16	2.47%

STAFF RECOMMENDATION:

Due to the emergency nature of the request, the Financial Assistance Committee did not consider this application. Therefore staff recommends the Drinking Water Board authorize option number five; a \$427,000 construction loan at 0% interest for 30 years with \$213,000 in principal forgiveness to Winchester Hills Water Company to drill, equip, and connect a new well to the existing drinking water distribution system. The repayable loan amount will be \$214,000.

APPLICANT'S LOCATION:

Winchester Hills Water Company is located in Washington County, approximately 6 miles north of St. George.



PROJECT DESCRIPTION:

Drilling, equipping, and connecting a new well to the existing municipal drinking water distribution system.

IMPLEMENTATION SCHEDULE:

Apply to DWB for Funding:	September 2016
DWB Funding Authorization:	September 2016
Plans Submitted:	October 2016
Plan Approval:	October 2016
Advertise for Bids:	November 2016
Bid Opening:	November 2016
Loan Closing:	December 2016
Begin Construction:	December 2016
Complete Construction:	March 2017

COST ESTIMATE:

Legal and Bonding	\$15,345
Engineering – Design & Inspection	\$46,035
Construction	\$511,500
Contingency	\$51,150
Total	<u>\$624,030</u>

COST ALLOCATION:

DWB Repayable Loan (0%, 30 yrs)	\$214,000	34.3%
DWB Principal Forgiveness	\$213,000	34.1%
Applicant Contribution	\$197,030	31.6%

CONTACT INFORMATION:

APPLICANT:

Winchester Hills Water Company
1090 W 5830 N
St. George, UT 84770
435-673-9403
whwc@skyviewmail.com

PRESIDING OFFICIAL &
CONTACT PERSON:

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TREASURER/RECORDER

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CONSULTING ENGINEER:

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DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Winchester Hills Water Company
 COUNTY: Washington
 PROJECT DESCRIPTION: new well

FUNDING SOURCE: Federal SRF

50 % Loan & 50 % P.F.

ESTIMATED POPULATION:	950	NO. OF CONNECTIONS:	364 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$49.86 *			PROJECT TOTAL:	\$624,030
CURRENT % OF AGI:	1.92%	FINANCIAL PTS:	61	LOAN AMOUNT:	\$214,000
ESTIMATED MEDIAN AGI:	\$31,144			PRINC. FORGIVE.:	\$213,000
STATE AGI:	\$41,923			TOTAL REQUEST:	\$427,000
SYSTEM % OF STATE AGI:	74%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.05%		AFTER REPAYMENT PENALTY & POINTS 0.00%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	30	30		30
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.05%		0.00%
REQUIRED DEBT SERVICE:	\$7,133.33	\$10,988.80		\$7,133.33
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$713.33	\$1,098.88		\$713.33
ANNUAL NEW DEBT PER CONNECTION:	\$21.56	\$33.21		\$21.56
O & M + FUNDED DEPRECIATION:	\$259,088.00	\$259,088.00		\$259,088.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00		\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$13,311.07	\$13,503.84		\$13,311.07
ANNUAL EXPENSES PER CONNECTION:	\$748.35	\$748.88		\$748.35
TOTAL SYSTEM EXPENSES	\$280,245.73	\$284,679.53		\$280,245.73
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$64.16	\$65.17		\$64.16
% OF ADJUSTED GROSS INCOME:	2.47%	2.51%		2.47%

* Equivalent Residential Connections

R309-700-5

Winchester Hills Water Company
Washington
September 12, 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	
C. \$1,501 to \$2,000	11	X
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	
	\$1,714	
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	X
C. 81 to 95% of State Median AGI	13	
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	
	74%	
3. PROJECT FUNDING CONTRIBUTED BY APPLICANT (SELECT ONE)		
a. Greater than 25% of project funds	17	X
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	
	31.6%	
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	
	2.47%	
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	X
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	
TOTAL POINTS FOR FINANCIAL NEED	61	
TOTAL POSSIBLE POINTS FOR FINANCIAL NEED	100	

Winchester Hills Water Company

PROPOSED BOND REPAYMENT SCHEDULE

50 % Loan & 50 % P.F.

PRINCIPAL	\$214,000.00	ANTICIPATED CLOSING DATE	15-Nov-16
INTEREST	0.00%	FIRST P&I PAYMENT DUE	15-Nov-17
TERM	30	REVENUE BOND	
NOMIN. PAYMENT	\$7,133.33	PRINC. FORGIVE.:	\$213,000.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2016	\$214,000.00		\$0.00 *	\$0.00	\$0.00	\$214,000.00	0
2017	\$214,000.00		\$7,000.00	\$7,000.00	\$0.00	\$207,000.00	1
2018	\$207,000.00		\$7,000.00	\$7,000.00	\$0.00	\$200,000.00	2
2019	\$200,000.00		\$7,000.00	\$7,000.00	\$0.00	\$193,000.00	3
2020	\$193,000.00		\$7,000.00	\$7,000.00	\$0.00	\$186,000.00	4
2021	\$186,000.00		\$7,000.00	\$7,000.00	\$0.00	\$179,000.00	5
2022	\$179,000.00		\$7,000.00	\$7,000.00	\$0.00	\$172,000.00	6
2023	\$172,000.00		\$7,000.00	\$7,000.00	\$0.00	\$165,000.00	7
2024	\$165,000.00		\$7,000.00	\$7,000.00	\$0.00	\$158,000.00	8
2025	\$158,000.00		\$7,000.00	\$7,000.00	\$0.00	\$151,000.00	9
2026	\$151,000.00		\$7,000.00	\$7,000.00	\$0.00	\$144,000.00	10
2027	\$144,000.00		\$7,000.00	\$7,000.00	\$0.00	\$137,000.00	11
2028	\$137,000.00		\$7,000.00	\$7,000.00	\$0.00	\$130,000.00	12
2029	\$130,000.00		\$7,000.00	\$7,000.00	\$0.00	\$123,000.00	13
2030	\$123,000.00		\$7,000.00	\$7,000.00	\$0.00	\$116,000.00	14
2031	\$116,000.00		\$7,000.00	\$7,000.00	\$0.00	\$109,000.00	15
2032	\$109,000.00		\$7,000.00	\$7,000.00	\$0.00	\$102,000.00	16
2033	\$102,000.00		\$7,000.00	\$7,000.00	\$0.00	\$95,000.00	17
2034	\$95,000.00		\$7,000.00	\$7,000.00	\$0.00	\$88,000.00	18
2035	\$88,000.00		\$7,000.00	\$7,000.00	\$0.00	\$81,000.00	19
2036	\$81,000.00		\$7,000.00	\$7,000.00	\$0.00	\$74,000.00	20
2037	\$74,000.00		\$7,000.00	\$7,000.00	\$0.00	\$67,000.00	21
2038	\$67,000.00		\$7,000.00	\$7,000.00	\$0.00	\$60,000.00	22
2039	\$60,000.00		\$8,000.00	\$8,000.00	\$0.00	\$52,000.00	23
2040	\$52,000.00		\$7,000.00	\$7,000.00	\$0.00	\$45,000.00	24
2041	\$45,000.00		\$8,000.00	\$8,000.00	\$0.00	\$37,000.00	25
2042	\$37,000.00		\$7,000.00	\$7,000.00	\$0.00	\$30,000.00	26
2043	\$30,000.00		\$8,000.00	\$8,000.00	\$0.00	\$22,000.00	27
2044	\$22,000.00		\$7,000.00	\$7,000.00	\$0.00	\$15,000.00	28
2045	\$15,000.00		\$8,000.00	\$8,000.00	\$0.00	\$7,000.00	29
2046	\$7,000.00		\$7,000.00	\$7,000.00	\$0.00	\$0.00	30
			\$214,000.00	\$214,000.00	\$0.00		

*Interest Only Payment

Winchester Hills Water Company

DWB Loan Terms

Local Share (total):	\$	197,030
Other Agency Funding:	\$	-
DWB Grant Amount:	\$	213,000
DWB Loan Amount:	\$	214,000
DWB Loan Term:		30
DWB Loan Interest:		0.00%
DWB Loan Payment:	\$	7,133

DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	624,030
Existing Facility O&M Expense:	\$	259,088
Proposed Facility O&M Expense:	\$	259,088
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	-

DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		364
Projected Growth Rate:		1.0%
Impact Fee/Connection Fee:	\$	-
Current Monthly User Charge:	\$	49.86
Needed Average Monthly User Charge:	\$	64.16

DW Revenue Projections

Yr	Growth Rate (%)	Annual Growth (ERC)	Total Users (ERC)	User Charge Revenue	Impact Fee Revenue	Property Tax Revenue	Total Revenue	DWB Loan Repayment	DWB Loan Reserves	Remaining Principal	Principal Payment	Interest Payment	Existing DW Debt Service	O&M Expenses	Total Expenses	Debt Service Ratio
0	1.0%	4	364	217,770	-	-	217,770	-	-	214,000	-	-	-	259,088	259,088	-
1	1.0%	4	368	283,325	-	-	283,325	7,000	713	207,000	7,000	-	-	259,088	266,801	3.46
2	1.0%	3	371	285,635	-	-	285,635	7,000	713	200,000	7,000	-	-	261,679	269,392	3.42
3	1.0%	4	375	288,715	-	-	288,715	7,000	713	193,000	7,000	-	-	264,296	272,009	3.49
4	1.0%	4	379	291,794	-	-	291,794	7,000	713	186,000	7,000	-	-	266,939	274,652	3.55
5	1.0%	4	383	294,874	-	-	294,874	7,000	713	179,000	7,000	-	-	269,608	277,321	3.61
6	1.0%	3	386	297,184	-	-	297,184	7,000	713	172,000	7,000	-	-	272,304	280,017	3.55
7	1.0%	4	390	300,263	-	-	300,263	7,000	713	165,000	7,000	-	-	275,027	282,740	3.61
8	1.0%	4	394	303,343	-	-	303,343	7,000	713	158,000	7,000	-	-	277,777	285,491	3.65
9	1.0%	4	398	306,423	-	-	306,423	7,000	713	151,000	7,000	-	-	280,555	288,269	3.70
10	1.0%	4	402	309,502	-	-	309,502	7,000	713	144,000	7,000	-	-	283,361	291,074	3.73
11	1.0%	4	406	312,582	-	-	312,582	7,000	713	137,000	7,000	-	-	286,194	293,194	3.77
12	1.0%	4	410	315,661	-	-	315,661	7,000	713	130,000	7,000	-	-	289,056	296,056	3.80
13	1.0%	4	414	318,741	-	-	318,741	7,000	713	123,000	7,000	-	-	291,947	298,947	3.83
14	1.0%	4	418	321,821	-	-	321,821	7,000	713	116,000	7,000	-	-	294,866	301,866	3.85
15	1.0%	5	423	325,670	-	-	325,670	7,000	713	109,000	7,000	-	-	297,815	304,815	3.98
16	1.0%	4	427	328,750	-	-	328,750	7,000	713	102,000	7,000	-	-	300,793	307,793	3.99
17	1.0%	4	431	331,829	-	-	331,829	7,000	713	95,000	7,000	-	-	303,801	310,801	4.00
18	1.0%	4	435	334,909	-	-	334,909	7,000	713	88,000	7,000	-	-	306,839	313,839	4.01
19	1.0%	5	440	338,759	-	-	338,759	7,000	713	81,000	7,000	-	-	309,907	316,907	4.12
20	1.0%	4	444	341,838	-	-	341,838	7,000	713	74,000	7,000	-	-	313,007	320,007	4.12
21	1.0%	5	449	345,688	-	-	345,688	7,000	713	67,000	7,000	-	-	316,137	323,137	4.22
22	1.0%	4	453	348,767	-	-	348,767	7,000	713	60,000	7,000	-	-	319,298	326,298	4.21
23	1.0%	5	458	352,617	-	-	352,617	8,000	713	52,000	8,000	-	-	322,491	330,491	3.77
24	1.0%	4	462	355,697	-	-	355,697	7,000	713	45,000	7,000	-	-	325,716	332,716	4.28
25	1.0%	5	467	359,546	-	-	359,546	8,000	713	37,000	8,000	-	-	328,973	336,973	3.82
26	1.0%	4	471	362,626	-	-	362,626	7,000	713	30,000	7,000	-	-	332,263	339,263	4.34
27	1.0%	5	476	366,475	-	-	366,475	8,000	713	22,000	8,000	-	-	335,585	343,585	3.86
28	1.0%	5	481	370,325	-	-	370,325	7,000	713	15,000	7,000	-	-	338,941	345,941	4.48
29	1.0%	5	486	374,174	-	-	374,174	8,000	713	7,000	8,000	-	-	342,331	350,331	3.98
30	1.0%	5	491	378,024	-	-	378,024	7,000	713	-	7,000	-	-	345,754	352,754	4.61

Total Paid in Debt Service = 214,000

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Winchester Hills Water Company
 COUNTY: Washington
 PROJECT DESCRIPTION: new well

FUNDING SOURCE: Federal SRF

100 % Loan & 0 % P.F.

ESTIMATED POPULATION:	950	NO. OF CONNECTIONS:	364 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$49.86 *			PROJECT TOTAL:	\$624,030
CURRENT % OF AGI:	1.92%	FINANCIAL PTS:	65	LOAN AMOUNT:	\$427,000
ESTIMATED MEDIAN AGI:	\$31,144			PRINC. FORGIVE.:	\$0
STATE AGI:	\$41,923			TOTAL REQUEST:	\$427,000
SYSTEM % OF STATE AGI:	74%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.05%		AFTER REPAYMENT PENALTY & POINTS 1.37%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	20	20		20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.05%		1.37%
REQUIRED DEBT SERVICE:	\$21,350.00	\$28,833.95		\$24,553.37
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$2,135.00	\$2,883.39		\$2,455.34
ANNUAL NEW DEBT PER CONNECTION:	\$64.52	\$87.14		\$74.20
O & M + FUNDED DEPRECIATION:	\$259,088.00	\$259,088.00		\$259,088.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00		\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$14,021.90	\$14,396.10		\$14,182.07
ANNUAL EXPENSES PER CONNECTION:	\$750.30	\$751.33		\$750.74
TOTAL SYSTEM EXPENSES	\$296,594.90	\$305,201.44		\$300,278.77
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$67.90	\$69.87		\$68.75
% OF ADJUSTED GROSS INCOME:	2.62%	2.69%		2.65%

* Equivalent Residential Connections