

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

APPLICANT'S REQUEST:

Fillmore City is requesting financial assistance in the amount of \$2,152,000 to replace approximately 26,000 linear feet of old, leaking water lines. The total project cost is expected to be \$2,552,000 and they will contribute \$400,000 towards the project. They scored 25.5 points on the project priority list.

STAFF COMMENTS:

Fillmore City recently completed a Culinary Water Master Plan. Within this plan, each of the components of the culinary water system were analyzed for current and 20 year demands. Distribution system improvements were identified in the plan based on hydraulic needs. This project involves replacing approximately 26,000 linear feet of old distribution and transmission water lines.

The local MAGI for Fillmore City is \$37,861, which is 94% of the State MAGI. The average residential water bill for Fillmore City, including secondary irrigation, is approximately \$31 per month, which is 0.99% of local MAGI. With a full loan at the calculated interest rate of 2.45% for 20 years, the City would need to increase their average water bill to approximately \$33/ERC which is 1.04% of their local MAGI. Based on this information, the City does not qualify for additional subsidization.

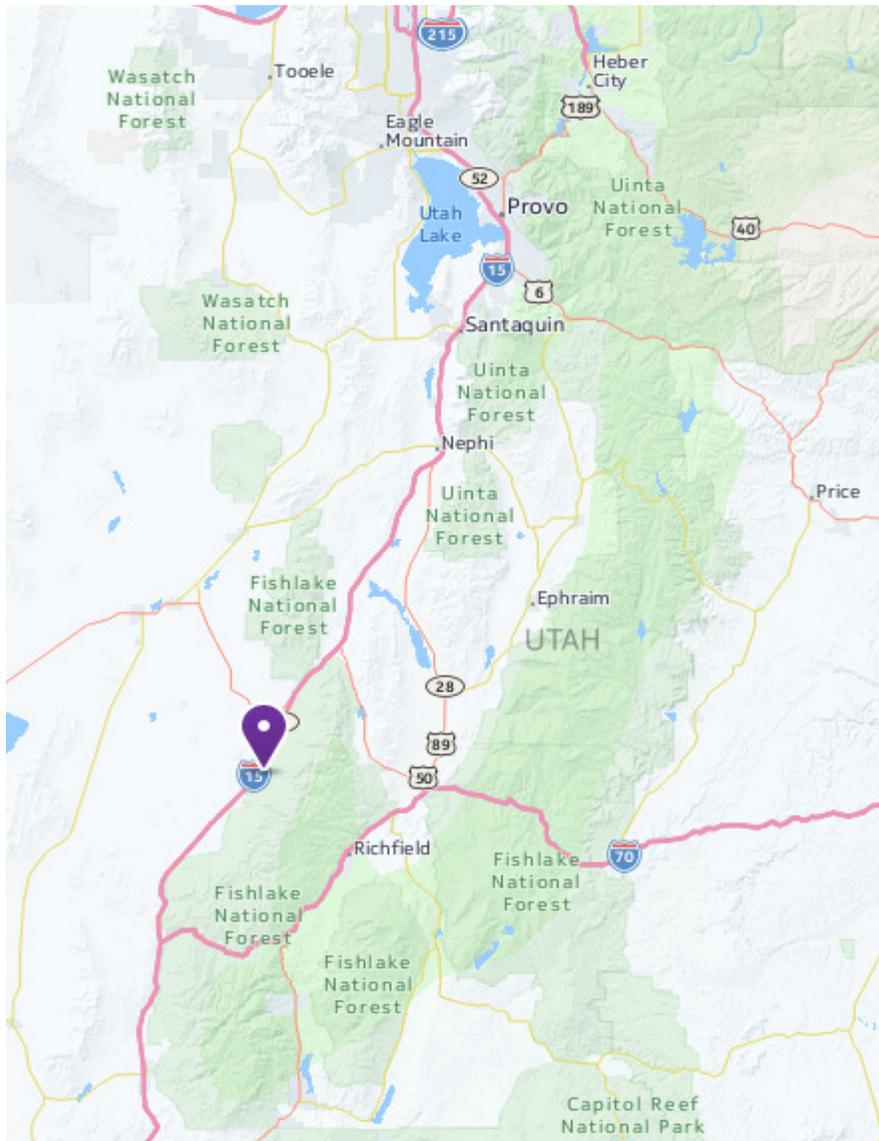
FINANCIAL ASSISTANCE COMMITTEE RECOMMENDATION:

The Drinking Water Board authorize a loan of \$2,152,000 at 2.45% interest for 20 years to Fillmore City.

APPLICANT'S LOCATION:

Fillmore City is located in Millard County.

MAP OF APPLICANT'S LOCATION:



PROJECT DESCRIPTION:

The project involves the replacement of approximately 12,000 linear feet of 8-inch water line with 12-inch water line, going from the storage tank to the City. In addition, approximately 14,000 linear feet of 4 and 6-inch water line will be replaced with 8 and 10-inch water line within the distribution system.

POPULATION GROWTH:

According to the Utah State Governor's Office of Planning and Budgeting, the anticipated growth rate for Fillmore City is approximately 1.92% per year over the next 40 years

	<u>Year</u>	<u>Population</u>
Current:	2015	2,260
Projected:	2060	6,253

IMPLEMENTATION SCHEDULE:

Apply to DWB for Construction Funds:	July 2015
SRF Committee Conference Call:	July 2015
DWB Funding Authorization:	September 2015
Advertise Environmental Assessment:	January 2015
Complete Design:	January 2016
Plan Approval:	February 2016
Advertise for Bids:	February 2016
Bid Opening:	March 2016
Loan Closing:	April 2016
Begin Construction:	April 2016
Complete Construction:	October 2016
Receive Operating Permit:	October 2016

COST ESTIMATE:

Legal and Bonding	\$20,000
Administrative	\$10,000
Environmental	\$25,000
Engineering	\$300,000
Construction	\$1,891,300
Contingency	\$284,180
Loan Origination Fee	<u>\$21,520</u>
Total Project Cost	\$2,552,000

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 Loan (2.45%, 20-yrs)	\$2,152,000	84%
Local Contribution	<u>\$400,000</u>	<u>16%</u>
Total Amount	\$2,552,000	100%

ESTIMATED ANNUAL COST OF WATER SERVICE:

Operation and Maintenance plus Depreciation: \$229,985
Existing DW Debt Service: \$184,406
Replacement Reserve Account: \$25,745
Annual Cost/ERC: \$353.63
Monthly Cost/ERC: \$33/ERC (includes irrigation bill)
Cost as % MAGI: 1.04%

APPLICANT:

Fillmore City
75 West Center
Fillmore, Utah 84631

PRESIDING OFFICIAL &
CONTACT PERSON:

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CONSULTING ENGINEER:

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DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Fillmore
 COUNTY: Millard
 PROJECT DESCRIPTION: Water Line Replacement

FUNDING SOURCE: Federal SRF

100 % Loan & 0 % P.F.

ESTIMATED POPULATION:	2,260	NO. OF CONNECTIONS:	1672 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$31.38 *			PROJECT TOTAL:	\$2,552,000
CURRENT % OF AGI:	0.99%	FINANCIAL PTS:	52	LOAN AMOUNT:	\$2,152,000
ESTIMATED MEDIAN AGI:	\$37,861			PRINC. FORGIVE.:	\$0
STATE AGI:	\$40,489			TOTAL REQUEST:	\$2,152,000
SYSTEM % OF STATE AGI:	94%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 4.48%		AFTER REPAYMENT PENALTY & POINTS 2.45%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	20	20		20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.48%		2.45%
REQUIRED DEBT SERVICE:	\$107,600.00	\$165,150.88		\$137,393.47
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$10,760.00	\$16,515.09		\$13,739.35
ANNUAL NEW DEBT PER CONNECTION:	\$70.79	\$108.65		\$90.39
O & M + FUNDED DEPRECIATION:	\$229,985.00	\$229,985.00		\$229,985.00
OTHER DEBT + COVERAGE:	\$184,406.25	\$184,406.25		\$184,406.25
REPLACEMENT RESERVE ACCOUNT:	\$24,255.50	\$27,133.04		\$25,745.17
ANNUAL EXPENSES PER CONNECTION:	\$262.35	\$264.07		\$263.24
TOTAL SYSTEM EXPENSES	\$557,006.75	\$623,190.26		\$591,269.24
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$31.26	\$34.56		\$32.97
% OF ADJUSTED GROSS INCOME:	0.99%	1.10%		1.04%

* Equivalent Residential Connections

\$20,000

R309-700-5

Fillmore
Millard
July 15, 2015

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	
	\$1,526	
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	X
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	
	15.7%	
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	
c. 1.51 to 2.00% of local median AGI	8	
d. 1.01 to 1.50% of local median AGI	3	X
e. 0 to 1.00% of local median AGI	0	
	1.05%	
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	X
TOTAL POINTS FOR FINANCIAL NEED	52	
TOTAL POSSIBLE POINTS FOR FINANCIAL NEED	100	

Fillmore

PROPOSED BOND REPAYMENT SCHEDULE

100 % Loan & 0 % P.F.

PRINCIPAL	\$2,152,000.00	ANTICIPATED CLOSING DATE	15-Nov-15
INTEREST	2.45%	FIRST P&I PAYMENT DUE	15-Sep-16
TERM	20	REVENUE BOND	
NOMIN. PAYMENT	\$137,393.47	PRINC. FORGIVE.:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2015	\$2,152,000.00		(\$8,787.33) *	\$0.00	(\$8,787.33)	\$2,152,000.00	0
2016	\$2,152,000.00		\$137,724.00	\$85,000.00	\$52,724.00	\$2,067,000.00	1
2017	\$2,067,000.00		\$137,641.50	\$87,000.00	\$50,641.50	\$1,980,000.00	2
2018	\$1,980,000.00		\$137,510.00	\$89,000.00	\$48,510.00	\$1,891,000.00	3
2019	\$1,891,000.00		\$137,329.50	\$91,000.00	\$46,329.50	\$1,800,000.00	4
2020	\$1,800,000.00		\$137,100.00	\$93,000.00	\$44,100.00	\$1,707,000.00	5
2021	\$1,707,000.00		\$137,821.50	\$96,000.00	\$41,821.50	\$1,611,000.00	6
2022	\$1,611,000.00		\$137,469.50	\$98,000.00	\$39,469.50	\$1,513,000.00	7
2023	\$1,513,000.00		\$137,068.50	\$100,000.00	\$37,068.50	\$1,413,000.00	8
2024	\$1,413,000.00		\$137,618.50	\$103,000.00	\$34,618.50	\$1,310,000.00	9
2025	\$1,310,000.00		\$137,095.00	\$105,000.00	\$32,095.00	\$1,205,000.00	10
2026	\$1,205,000.00		\$137,522.50	\$108,000.00	\$29,522.50	\$1,097,000.00	11
2027	\$1,097,000.00		\$136,876.50	\$110,000.00	\$26,876.50	\$987,000.00	12
2028	\$987,000.00		\$137,181.50	\$113,000.00	\$24,181.50	\$874,000.00	13
2029	\$874,000.00		\$137,413.00	\$116,000.00	\$21,413.00	\$758,000.00	14
2030	\$758,000.00		\$137,571.00	\$119,000.00	\$18,571.00	\$639,000.00	15
2031	\$639,000.00		\$137,655.50	\$122,000.00	\$15,655.50	\$517,000.00	16
2032	\$517,000.00		\$137,666.50	\$125,000.00	\$12,666.50	\$392,000.00	17
2033	\$392,000.00		\$137,604.00	\$128,000.00	\$9,604.00	\$264,000.00	18
2034	\$264,000.00		\$136,468.00	\$130,000.00	\$6,468.00	\$134,000.00	19
2035	\$134,000.00		\$137,283.00	\$134,000.00	\$3,283.00	\$0.00	20
			\$2,738,832.17	\$2,152,000.00	\$586,832.17		

*Interest Only Payment

Fillmore

DWB Loan Terms

Local Share (total):	\$	400,000
Other Agency Funding:	\$	-
DWB Grant Amount:	\$	-
DWB Loan Amount:	\$	2,152,000
DWB Loan Term:		20
DWB Loan Interest:		2.45%
DWB Loan Payment:	\$	137,393

DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	2,573,520
Existing Facility O&M Expense:	\$	229,985
Proposed Facility O&M Expense:	\$	229,985
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	147,525

DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		1,672
Projected Growth Rate:		1.0%
Impact Fee/Connection Fee:	\$	710
Current Monthly User Charge:	\$	27.88
Needed Average Monthly User Charge:	\$	29.47

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%	17	1,672	559,400	12,070	-	571,470	-	-	2,152,000	-	-	147,525	229,985	377,510	-
1	1.0%	17	1,689	597,281	12,070	-	609,351	137,724	13,739	2,067,000	85,000	52,724	147,525	229,985	528,973	1.33
2	1.0%	17	1,706	603,293	12,070	-	615,363	137,642	13,739	1,980,000	87,000	50,642	147,525	232,285	531,191	1.34
3	1.0%	17	1,723	609,304	12,070	-	621,374	137,510	13,739	1,891,000	89,000	48,510	147,525	234,608	533,382	1.36
4	1.0%	17	1,740	615,316	12,070	-	627,386	137,330	13,739	1,800,000	91,000	46,330	147,525	236,954	535,548	1.37
5	1.0%	17	1,757	621,328	12,070	-	633,398	137,100	13,739	1,707,000	93,000	44,100	147,525	239,323	537,688	1.38
6	1.0%	18	1,775	627,693	12,780	-	640,473	137,822	13,739	1,611,000	96,000	41,822	147,525	241,717	540,802	1.40
7	1.0%	18	1,793	634,058	12,780	-	646,838	137,470	13,739	1,513,000	98,000	39,470	147,525	244,134	542,868	1.41
8	1.0%	18	1,811	640,424	12,780	-	653,204	137,069	13,739	1,413,000	100,000	37,069	147,525	246,575	544,908	1.43
9	1.0%	18	1,829	646,789	12,780	-	659,569	137,619	13,739	1,310,000	103,000	34,619	147,525	249,041	547,924	1.44
10	1.0%	18	1,847	653,154	12,780	-	665,934	137,095	13,739	1,205,000	105,000	32,095	147,525	251,531	549,891	1.46
11	1.0%	18	1,865	659,520	12,780	-	672,300	137,523		1,097,000	108,000	29,523	147,525	254,047	539,094	1.47
12	1.0%	19	1,884	666,239	13,490	-	679,729	136,877		987,000	110,000	26,877	147,525	256,587	540,988	1.49
13	1.0%	19	1,903	672,958	13,490	-	686,448	137,182		874,000	113,000	24,182	147,525	259,153	543,859	1.50
14	1.0%	19	1,922	679,677	13,490	-	693,167	137,413		758,000	116,000	21,413	147,525	261,744	546,682	1.51
15	1.0%	19	1,941	686,396	13,490	-	699,886	137,571		639,000	119,000	18,571	147,525	264,362	549,458	1.53
16	1.0%	20	1,961	693,468	14,200	-	707,668	137,656		517,000	122,000	15,656	147,525	267,005	552,186	1.55
17	1.0%	19	1,980	700,187	13,490	-	713,677	137,667		392,000	125,000	12,667	147,525	269,675	554,867	1.56
18	1.0%	20	2,000	707,260	14,200	-	721,460	137,604		264,000	128,000	9,604	147,525	272,372	557,501	1.58
19	1.0%	20	2,020	714,332	14,200	-	728,532	136,468		134,000	130,000	6,468	147,525	275,096	559,089	1.60
20	1.0%	20	2,040	721,405	14,200	-	735,605	137,283		-	134,000	3,283	147,525	277,847	562,655	1.61

Total Paid in Debt Service = 2,152,000 595,620