

DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
PRESENTED TO THE DRINKING WATER BOARD

APPLICANT'S REQUEST:

The Drinking Water Board entered into a \$1,248,000 loan agreement for 20 years at 1.8% interest with Interlaken Mutual Water Company in 2003 to construct the Interlaken water system. The shareholders of the water company have recently incorporated, and the new Interlaken Town is planning on taking over the management, operation and maintenance of the water system. The town is basically requesting to transfer the original loan from the water company to the town. This process will involve new funding to the Town through the municipal bonding process to pay off the 2003 water company promissory note. The remaining principle of the original loan is \$617,000 and the cost for the bonding process is estimated to not exceed \$25,000. The town is requesting \$642,000 to both pay off the original loan and cover the costs and fees associated with the bonding process.

STAFF COMMENTS:

The local MAGI for Interlaken area is \$53,644, which is 132% of the state's \$40,489 MAGI, and the estimated average monthly water bill of \$62.95 is 1.41% of the local MAGI. Therefore Interlaken Town does not qualify for additional subsidization.

The proposed bond repayment schedule includes an estimate of the interest that will be due on the existing loan as part of the first payment of the new loan in 2016. Once a loan closing date is scheduled, the final buyout amount based on that date will be obtained from the Utah Division of Finance and the repayment schedule will be adjusted to match.

Interlaken Town has requested the same terms for the new loan as originally authorized to the water company. The original loan was scheduled to be paid off in 2024. With the addition of the bonding process costs, and keeping the annual payment approximately the same, the new loan, as summarized below, would be paid off in 2025.

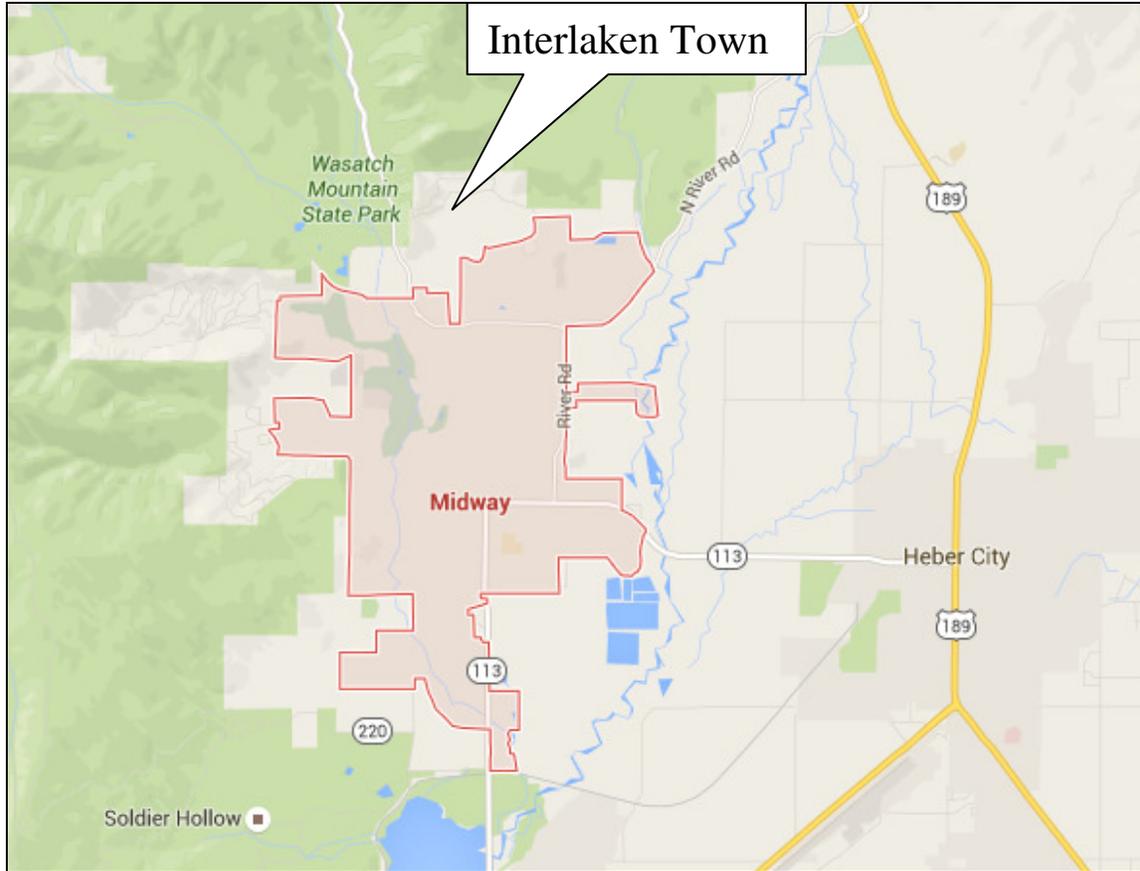
Description	Repayable Loan Amount	Interest Rate	Term	Principal Forgiveness	Monthly Water Rate	% Local MAGI
100% Loan	\$642,000	1.80%	10 yrs	\$0	\$62.96	1.41%

FINANCIAL ASSISTANCE COMMITTEE RECOMMENDATION:

The Financial Assistance Committee recommended that the Drinking Water Board authorize a construction loan of \$642,000 at 1.80% interest for 10 years to pay off the 2003 loan to Interlaken Mutual Water Company and pay the costs to transfer the remainder of the loan to Interlaken Town.

APPLICANT'S LOCATION:

Interlaken Town is located in the Heber Valley, on the north side of Midway.



PROJECT DESCRIPTION:

Transfer existing SRF loan from Interlaken Mutual Water Company to Interlaken Town by authorizing funding to the Town to pay off the 2003 water company promissory note.

POPULATION GROWTH:

A growth rate of 1.0% was used in the population projections.

IMPLEMENTATION SCHEDULE:

DWB Funding Authorization	November 2015
Loan Closing	December 2015

COST ESTIMATE:

Legal/Bonding/Admin	\$25,000
2003 SRF Loan Payoff	\$642,000
Total Cost:	\$667,000

CONTACT INFORMATION:

APPLICANT: Interlaken Town
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Midway, UT 84049

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TREASURER/RECORDER: Lisa Simpkins
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BOND ATTORNEY: Eric Johnson
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DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Interlaken Town
 COUNTY: Wasatch
 PROJECT DESCRIPTION: Transfer existing debt from water company to town

FUNDING SOURCE: Federal SRF

100 % Loan & 0 % P.F.

ESTIMATED POPULATION:	348	NO. OF CONNECTIONS:	184 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$62.95 *			PROJECT TOTAL:	\$642,000
CURRENT % OF AGI:	1.41%	FINANCIAL PTS:	26	LOAN AMOUNT:	\$642,000
ESTIMATED MEDIAN AGI:	\$53,644			PRINC. FORGIVE.:	\$0
STATE AGI:	\$40,489			TOTAL REQUEST:	\$642,000
SYSTEM % OF STATE AGI:	132%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 4.20%		AFTER REPAYMENT PENALTY & POINTS 1.80%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	9	9		9
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	4.20%		1.80%
REQUIRED DEBT SERVICE:	\$71,333.33	\$87,133.18		\$77,905.98
*PARTIAL COVERAGE (15%):	\$10,700.00	\$13,069.98		\$11,685.90
*ADD. COVERAGE AND RESERVE (10%):	\$7,133.33	\$8,713.32		\$7,790.60
ANNUAL NEW DEBT PER CONNECTION:	\$484.60	\$591.94		\$529.25
O & M + FUNDED DEPRECIATION:	\$41,643.00	\$41,643.00		\$41,643.00
OTHER DEBT + COVERAGE:	\$0.00	\$0.00		\$0.00
REPLACEMENT RESERVE ACCOUNT:	\$0.00	\$0.00		\$0.00
ANNUAL EXPENSES PER CONNECTION:	\$226.32	\$226.32		\$226.32
TOTAL SYSTEM EXPENSES	\$130,809.67	\$150,559.48		\$139,025.47
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$59.24	\$68.19		\$62.96
% OF ADJUSTED GROSS INCOME:	1.33%	1.53%		1.41%

* 138 Residential Connections and 46 lots that are charged an annual water standby fee of \$61/month

R309-700-5

Interlaken Town
Wasatch
September 29, 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	
D. \$2,001 to \$3,000	8	
E. \$3,001 to \$5,000	4	X
F. \$5,001 to \$10,000	1	
G. Over \$10,000	0	
	\$3,489	
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	
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	X
F. Greater than 150% of State Median AGI	0	
	132%	
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	
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	
	1.41%	
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	X
C. Is creating or enhancing a regionalization plan	16	
D. Has a rate structure encouraging conservation	6	X
TOTAL POINTS FOR FINANCIAL NEED	26	
TOTAL POSSIBLE POINTS FOR FINANCIAL NEED	100	

Interlaken Town

PROPOSED BOND REPAYMENT SCHEDULE

100 % Loan & 0 % P.F.

PRINCIPAL	\$642,000.00	ANTICIPATED CLOSING DATE	01-Dec-15
INTEREST	1.80%	FIRST P&I PAYMENT DUE	10-Jan-16
TERM	9	REVENUE BOND	
NOMIN. PAYMENT	\$77,905.98	PRINC. FORGIVE.:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2016	\$642,000.00		\$70,556.00	\$59,000.00	\$11,556.00	\$583,000.00	0
2017	\$583,000.00		\$70,494.00	\$60,000.00	\$10,494.00	\$523,000.00	1
2018	\$523,000.00		\$70,414.00	\$61,000.00	\$9,414.00	\$462,000.00	2
2019	\$462,000.00		\$71,316.00	\$63,000.00	\$8,316.00	\$399,000.00	3
2020	\$399,000.00		\$71,182.00	\$64,000.00	\$7,182.00	\$335,000.00	4
2021	\$335,000.00		\$71,030.00	\$65,000.00	\$6,030.00	\$270,000.00	5
2022	\$270,000.00		\$70,860.00	\$66,000.00	\$4,860.00	\$204,000.00	6
2023	\$204,000.00		\$70,672.00	\$67,000.00	\$3,672.00	\$137,000.00	7
2024	\$137,000.00		\$70,466.00	\$68,000.00	\$2,466.00	\$69,000.00	8
2025	\$69,000.00		\$70,242.00	\$69,000.00	\$1,242.00	\$0.00	9
			\$707,232.00	\$642,000.00	\$65,232.00		

*2016 interest is estimate of buyout interest of old loan plus interest between loan closing and first P&I Payment

Interlaken Town

DWB Loan Terms

Local Share (total):	\$	-
Other Agency Funding:	\$	-
DWB Grant Amount:	\$	-
DWB Loan Amount:	\$	642,000
DWB Loan Term:		9
DWB Loan Interest:		1.80%
DWB Loan Payment:	\$	77,906

DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	642,000
Existing Facility O&M Expense:	\$	41,643
Proposed Facility O&M Expense:	\$	41,643
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	-

DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		184
Projected Growth Rate:		1.0%
Impact Fee/Connection Fee:	\$	-
Current Monthly User Charge:	\$	62.95
Needed Average Monthly User Charge:	\$	62.96

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%	2	184	138,994	-	-	138,994	70,556		642,000	59,000	11,556	-	41,643	112,199	1.38	
1	1.0%	2	186	140,537	-	-	140,537	70,494		582,000	60,000	10,494	-	41,643	112,137	1.40	
2	1.0%	2	188	142,048	-	-	142,048	70,414		521,000	61,000	9,414	-	42,059	112,473	1.42	
3	1.0%	2	190	143,559	-	-	143,559	71,316		458,000	63,000	8,316	-	42,480	113,796	1.42	
4	1.0%	1	191	144,314	-	-	144,314	71,182		394,000	64,000	7,182	-	42,905	114,087	1.42	
5	1.0%	2	193	145,826	-	-	145,826	71,030		329,000	65,000	6,030	-	43,334	114,364	1.44	
6	1.0%	2	195	147,337	-	-	147,337	70,860		263,000	66,000	4,860	-	43,767	114,627	1.46	
7	1.0%	2	197	148,848	-	-	148,848	70,672		196,000	67,000	3,672	-	44,205	114,877	1.48	
8	1.0%	2	199	150,359	-	-	150,359	70,466		128,000	68,000	2,466	-	44,647	115,113	1.50	
9	1.0%	2	201	151,870	-	-	151,870	70,242		59,000	69,000	1,242	-	45,093	115,335	1.52	
Total Paid in Debt Service =											642,000	65,232					