

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

APPLICANT'S REQUEST:

The Town of Sterling is requesting \$258,000 to redevelop three springs. Total project cost is estimated to be \$300,000 and the town has qualified for \$42,000 in Community Development Block Grant (CDBG) funding.

STAFF COMMENTS:

This project was not submitted in time to be discussed by the Financial Assistance Committee, but the applicant has requested the project be presented to the Drinking Water Board now because the CDBG funding is contingent on the remaining project funding being secured by May 31, 2016.

Based on information from the Utah State Tax Commission, the Median Adjusted Gross Income (MAGI) for Sterling is \$40,435, which is 96% of the State MAGI of \$41,923. The current average water bill for Sterling is approximately \$38 per month, which is 1.12% of the local MAGI.

The base evaluation returned an interest rate of 2.52% for 20 years, and resulted in a water bill of 1.72% of the local MAGI. Therefore Sterling does not qualify for additional subsidization. The base evaluation is summarized in the following table.

Description	Repayable Loan Amount	Interest Rate	Term	Principal Forgiveness / Grant	Monthly Water Rate	% Local MAGI
Base Evaluation	\$258,000	2.52%	20 yrs	\$0	\$57.91	1.72%

STAFF RECOMMENDATION:

Staff recommends the Drinking Water Board authorize a \$258,000 construction loan at 2.52% per annum interest rate (or fee) for 20 years to Sterling Town for spring redevelopment.

APPLICANT'S LOCATION:

The Town of Sterling is located in Sanpete County, approximately 6 miles south of Manti.



PROJECT DESCRIPTION:

The project consists of redeveloping three springs on the east side of Sterling. Upper Cove Spring was washed out by a mud slide several years ago and is currently not connected to the water system. Lower Cove Spring (aka Cove Hole Spring) has experienced significant declining flows. The Lowry Spring has experienced smaller declines in flows and will not need as much work as the Upper and Lower Cove springs.

POPULATION GROWTH:

An annual average rate of change of 1% is used in the following population projections.

	<u>Year</u>	<u>Population</u>
Current:	2016	300
Projected:	2036	366

IMPLEMENTATION SCHEDULE:

Apply to DWB for Construction Funds:	May 2016
DWB Funding Authorization:	May 2016
Complete Design:	May 2016
Plan Approval:	June 2016
Advertise for Bids:	June 2016
Bid Opening:	June 2016
Loan Closing:	June 2016
Begin Construction:	July 2016
Complete Construction:	Aug 2016
Receive Operating Permit:	Sept 2016

COST ESTIMATE:

Construction (including 9% Contingency):	\$211,620
Engineering - Planning/Other	\$5,800
Engineering - Design	\$13,000
Engineering - Construction Management	\$13,000
Environmental	\$42,000
Legal/Admin/Bonding	\$12,000
Loan Origination Fee (1%)	\$2,580
<u>Total Cost:</u>	<u>\$300,000</u>

COST SHARING:

<u>Funding Source</u>	<u>Funding Amount</u>	<u>Percent of Project</u>
DW Board	\$ 258,000	86%
CDBG	\$ 42,000	14%
<u>Total Amount</u>	<u>\$ 300,000</u>	<u>100%</u>

Sterling
May 13, 2016
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APPLICANT:

Sterling Town Water System
P.O. Box 650069
Sterling, UT 84665
Telephone: 801-232-6735
Email: sterling@mail.manti.com

PRESIDING OFFICIAL &
CONTACT PERSON:

Randall Cox
Sterling Mayor
P.O. Box 650069
Sterling, UT 84665
Telephone: 801-232-6735
Email: sterling@mail.manti.com

TREASURER/RECORDER:

Yvonne Larsen
Telephone: 435-835-8241
Email: sterling@mail.manti.com

CONSULTING ENGINEER:

Lynn Wall, P.E.
Wall Engineering
55 South Main
Fillmore, UT 84631
Telephone: 435-864-7503
Email: wallengineering@frontiernet.net

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Sterling Town Water System
 COUNTY: Sanpete
 PROJECT DESCRIPTION: Spring Redevelopment

FUNDING SOURCE: State SRF

100 % Loan & 0 % Grant

ESTIMATED POPULATION:	300	NO. OF CONNECTIONS:	131 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$37.75 *			PROJECT TOTAL:	\$300,000
CURRENT % OF AGI:	1.12%	FINANCIAL PTS:	41	LOAN AMOUNT:	\$258,000
ESTIMATED MEDIAN AGI:	\$40,435			GRANT AMOUNT:	\$0
STATE AGI:	\$41,923			TOTAL REQUEST:	\$258,000
SYSTEM % OF STATE AGI:	96%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.76%		AFTER REPAYMENT PENALTY & POINTS 2.52%
SYSTEM				
ASSUMED LENGTH OF DEBT, YRS:	20	20		20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.76%		2.52%
REQUIRED DEBT SERVICE:	\$12,900.00	\$18,582.84		\$16,581.24
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$1,290.00	\$1,858.28		\$1,658.12
ANNUAL NEW DEBT PER CONNECTION:	\$108.32	\$156.04		\$139.23
O & M + FUNDED DEPRECIATION:	\$55,363.00	\$55,363.00		\$55,363.00
OTHER DEBT + COVERAGE:	\$6,250.00	\$6,250.00		\$6,250.00
REPLACEMENT RESERVE ACCOUNT:	\$3,663.15	\$3,947.29		\$3,847.21
ANNUAL EXPENSES PER CONNECTION:	\$498.29	\$500.46		\$499.70
TOTAL SYSTEM EXPENSES	\$79,466.15	\$86,001.42		\$83,699.58
TAX REVENUE:	\$0.00	\$0.00		\$0.00
RESIDENCE				
MONTHLY NEEDED WATER BILL:	\$55.22	\$59.37		\$57.91
% OF ADJUSTED GROSS INCOME:	1.64%	1.76%		1.72%

* Residential Connections

R309-700-5

Sterling Town Water System
 Sanpete
 May 9, 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	
D. \$2,001 to \$3,000	8	X
E. \$3,001 to \$5,000	4	
F. \$5,001 to \$10,000	1	
G. Over \$10,000	0	
	\$2,290	
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	X
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	
	96%	
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	X
d. 1.01 to 1.50% of local median AGI	3	
e. 0 to 1.00% of local median AGI	0	
	1.73%	
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	41	
TOTAL POSSIBLE POINTS FOR FINANCIAL NEED	100	

Sterling Town Water System

PROPOSED BOND REPAYMENT SCHEDULE

100 % Loan & 0 % Grant

PRINCIPAL	\$258,000.00	ANTICIPATED CLOSING DATE	30-Jun-16
INTEREST	2.52%	FIRST P&I PAYMENT DUE	05-Aug-17
TERM	20	REVENUE BOND	
NOMIN. PAYMENT	\$16,581.24	GRANT AMOUNT:	\$0.00

YEAR	BEGINNING BALANCE	DATE OF PAYMENT	PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	PAYM NO.
2016	\$258,000.00		\$632.10 *	\$0.00	\$632.10	\$258,000.00	0
2017	\$258,000.00		\$16,501.60	\$10,000.00	\$6,501.60	\$248,000.00	1
2018	\$248,000.00		\$16,249.60	\$10,000.00	\$6,249.60	\$238,000.00	2
2019	\$238,000.00		\$16,997.60	\$11,000.00	\$5,997.60	\$227,000.00	3
2020	\$227,000.00		\$16,720.40	\$11,000.00	\$5,720.40	\$216,000.00	4
2021	\$216,000.00		\$16,443.20	\$11,000.00	\$5,443.20	\$205,000.00	5
2022	\$205,000.00		\$16,166.00	\$11,000.00	\$5,166.00	\$194,000.00	6
2023	\$194,000.00		\$16,888.80	\$12,000.00	\$4,888.80	\$182,000.00	7
2024	\$182,000.00		\$16,586.40	\$12,000.00	\$4,586.40	\$170,000.00	8
2025	\$170,000.00		\$16,284.00	\$12,000.00	\$4,284.00	\$158,000.00	9
2026	\$158,000.00		\$16,981.60	\$13,000.00	\$3,981.60	\$145,000.00	10
2027	\$145,000.00		\$16,654.00	\$13,000.00	\$3,654.00	\$132,000.00	11
2028	\$132,000.00		\$16,326.40	\$13,000.00	\$3,326.40	\$119,000.00	12
2029	\$119,000.00		\$16,998.80	\$14,000.00	\$2,998.80	\$105,000.00	13
2030	\$105,000.00		\$16,646.00	\$14,000.00	\$2,646.00	\$91,000.00	14
2031	\$91,000.00		\$16,293.20	\$14,000.00	\$2,293.20	\$77,000.00	15
2032	\$77,000.00		\$16,940.40	\$15,000.00	\$1,940.40	\$62,000.00	16
2033	\$62,000.00		\$16,562.40	\$15,000.00	\$1,562.40	\$47,000.00	17
2034	\$47,000.00		\$16,184.40	\$15,000.00	\$1,184.40	\$32,000.00	18
2035	\$32,000.00		\$16,806.40	\$16,000.00	\$806.40	\$16,000.00	19
2036	\$16,000.00		\$16,403.20	\$16,000.00	\$403.20	\$0.00	20
			\$332,266.50	\$258,000.00	\$74,266.50		

*Interest Only Payment

Sterling Town Water System

DWB Loan Terms

Local Share (total):	\$	-
Other Agency Funding:	\$	42,000
DWB Grant Amount:	\$	-
DWB Loan Amount:	\$	258,000
DWB Loan Term:		20
DWB Loan Interest:		2.52%
DWB Loan Payment:	\$	16,581

DW Expenses (Estimated)

Proposed Facility Capital Cost:	\$	302,580
Existing Facility O&M Expense:	\$	55,363
Proposed Facility O&M Expense:	\$	55,363
O&M Inflation Factor:		1.0%
Existing Debt Service:	\$	5,000

DW Revenue Sources (Projected)

Beginning Cash:	\$	-
Existing Customers (ERC):		131
Projected Growth Rate:		1.0%
Impact Fee/Connection Fee:	\$	1,600
Current Monthly User Charge:	\$	33.08
Needed Average Monthly User Charge:	\$	53.24

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%	1	131	52,002	1,600	-	53,602	-	-	258,000	-	-	5,000	55,363	60,363	-
1	1.0%	1	132	84,339	1,600	-	85,939	16,502	1,658	248,000	10,000	6,502	5,000	55,363	78,523	1.42
2	1.0%	2	134	85,616	3,200	-	88,816	16,250	1,658	238,000	10,000	6,250	5,000	55,917	78,824	1.55
3	1.0%	1	135	86,255	1,600	-	87,855	16,998	1,658	227,000	11,000	5,998	5,000	56,476	80,132	1.43
4	1.0%	1	136	86,894	1,600	-	88,494	16,720	1,658	216,000	11,000	5,720	5,000	57,041	80,419	1.45
5	1.0%	2	138	88,172	3,200	-	91,372	16,443	1,658	205,000	11,000	5,443	5,000	57,611	80,712	1.57
6	1.0%	1	139	88,811	1,600	-	90,411	16,166	1,658	194,000	11,000	5,166	5,000	58,187	81,011	1.52
7	1.0%	1	140	89,450	1,600	-	91,050	16,889	1,658	182,000	12,000	4,889	5,000	58,769	82,316	1.47
8	1.0%	2	142	90,728	3,200	-	93,928	16,586	1,658	170,000	12,000	4,586	5,000	59,357	82,601	1.60
9	1.0%	1	143	91,367	1,600	-	92,967	16,284	1,658	158,000	12,000	4,284	5,000	59,950	82,892	1.55
10	1.0%	2	145	92,645	3,200	-	95,845	16,982	1,658	145,000	13,000	3,982	5,000	60,550	84,189	1.61
11	1.0%	1	146	93,283	1,600	-	94,883	16,654	1,658	132,000	13,000	3,654	5,000	61,155	82,809	1.56
12	1.0%	2	148	94,561	3,200	-	97,761	16,326	1,658	119,000	13,000	3,326	5,000	61,767	83,093	1.69
13	1.0%	1	149	95,200	1,600	-	96,800	16,999	1,658	105,000	14,000	2,999	5,000	62,384	84,383	1.56
14	1.0%	2	151	96,478	3,200	-	99,678	16,646	1,658	91,000	14,000	2,646	5,000	63,008	84,654	1.69
15	1.0%	1	152	97,117	1,600	-	98,717	16,293	1,658	77,000	14,000	2,293	5,000	63,638	84,932	1.65
16	1.0%	2	154	98,395	3,200	-	101,595	16,940	1,658	62,000	15,000	1,940	5,000	64,275	86,215	1.70
17	1.0%	1	155	99,034	1,600	-	100,634	16,562	1,658	47,000	15,000	1,562	5,000	64,917	86,480	1.66
18	1.0%	2	157	100,312	3,200	-	103,512	16,184	1,658	32,000	15,000	1,184	5,000	65,567	86,751	1.79
19	1.0%	1	158	100,951	1,600	-	102,551	16,806	1,658	16,000	16,000	806	5,000	66,222	88,029	1.67
20	1.0%	2	160	102,228	3,200	-	105,428	16,403	1,658	-	16,000	403	5,000	66,885	88,288	1.80
Total Paid in Debt Service =											258,000	73,634				

Utah Department Of Environmental Quality

Division Of Drinking Water

STERLING TOWN WATER SYSTEM	PWS ID: UTAH20009 Rating: Approved	11/18/1986	Active
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Legal Contact	Site Updates	Consumptive Use Zone
STERLING TOWN WATER SYS	Last Inventory Update: 09/11/2014	Irrigation Zone: 3
RANDY WADE ANDERSON	Last Surveyor Update: 10/08/2013	Date: 02/15/2013
PO BOX 650069	Surveyor: JASON HATCH	
STERLING, UT 84665	Operating Period: 1/1 - 12/31	
Phone: 435-835-3431	Last IPS Update: 05/09/2016 07:00:00	
County: SANPETE COUNTY		
System Type: Community		
Population: 285		

Admin Contacts

Name	Title	Office	Emergency	Email
ANDERSON, RANDY WADE		435-835-1799	435-835-3431	andersonhounddog1@hotmail.com

IPS Report

IPS Summary

Total IPS Points	Admin & Physical Facilities	Quality & Monitoring	Operator Certification	Significant Deficiency
47	-3	50	0	0

Physical Facility Points

Code	Description	Severity	Point Effective		
M001	CURRENT EMERGENCY RESPONSE PROGRAM REC		-10		
Facility	Comments	Status	Determined	Point Not Assessed	Point Assessed
	EMERGENCY RESPONSE PLAN		06/20/2002		-10
SSL2	VENT NOT PRESENT BUT RECOMMENDED	REC			0
Facility	Comments	Status	Determined	Point Not Assessed	Point Assessed
WS001 COVE HOLE SPRING		Active	08/31/2010		0
WS002 LOWER FUNK CANYON SPRING		Active	08/31/2010		0
WS003 UPPER FUNK CANYON SPRING		Inactive	07/25/2007	0	
TD04	CL2 LACKS A 150 LB CHLORINE CYLINDER REPAIR KIT	REC			0
Facility	Comments	Status	Determined	Point Not Assessed	Point Assessed
TP001 COVE HOLE SPRING CHLORINATOR		Active	07/25/2007		0
TD09	CL2 IMPROPER LOCATION FOR VENTILATING FAN SUCTION	MIN			5

Facility	Comments	Status	Determined	Point Not Assessed	Point Assessed
TP001 COVE HOLE SPRING CHLORINATOR		Active	07/25/2007		5
TD10	CL2 AIR INLETS NOT LOCATED NEAR CEILING W/LOUVERS	MIN			2
Facility	Comments	Status	Determined	Point Not Assessed	Point Assessed
TP001 COVE HOLE SPRING CHLORINATOR		Active	07/25/2007		2

Total Effective Points: -3

Chemical Monitoring Rule Violations

Facility	Violation No.	Period	Violation Type	Seasonality	Point Effective
SS197	2016-6045763	01/01/2015-12/31/2015 Determined: 01/09/2016	[03] MONITORING, ROUTINE MAJOR Analyte/Group: NITRATE	P	50

Total Effective Points: 50

Operator Certification Points

Type	Level Required	Highest Certificate	Point Effective
Distribution	Small System	Small System	0
Treatment			0

Total Effective Points: 0