

Drinking Water Board Packet

September 26, 2017

Agenda



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Environmental Quality

Alan Matheson
Executive Director

DIVISION OF DRINKING WATER
Marie E. Owens, P.E.
Director

Drinking Water Board

Betty Naylor
Brett Chynoweth
Jeff Coombs
Tage Flint
Eric Franson, P.E.
Roger G. Fridal
Brad Johnson
David Stevens, Ph.D.
Mark Whitney
Marie E. Owens, P.E.
Executive Secretary

DRINKING WATER EMERGENCY TELECONFERENCE BOARD MEETING

September 26, 2017 – 1:30 pm
Multi Agency State Office Building
Arches South
195 North 1950 West
Salt Lake City, Utah 84116
Teleconference Phone No: 1-877-820-7831
Participant Passcode: 878776#

Marie Owens' Cell Phone #: (801) 505-1973

1. Call to Order
2. Roll Call
3. Financial Assistance Committee Report
 - A. SRF Applications
 - i. STATE:
 - ii. FEDERAL:
 - a) Panguitch – Michael Grange
 - b) West Erda – Julie Cobleigh
 - iii. Other:
4. Next Board Meeting:

Date: Friday, November 3, 2017
Time: 1:00 pm
Place: Multi Agency State Office Building
Board Room
195 North 1950 West
Salt Lake City, Utah 84116

5. Adjourn

In compliance with the American Disabilities Act, individuals with special needs (including auxiliary communicative aids and services) should contact Larene Wyss, Office of Human Resources, at: (801) 297-3828, TDD (801) 903-3978, at least five working days prior to the scheduled meeting.

Agenda Item

3(A)(ii)(a)

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

APPLICANT'S REQUEST:

Panguitch City's spring sources were destroyed and rendered unsuitable for use by the recent Brian Head fire. The springs represented a significant portion of Panguitch City's total source capacity. The City is unsure how long it will be before the springs can be put to use again. The City proposes to drill a new well as an emergency measure to increase source capacity before next year's high use season.

The current cost estimate to complete the well is \$896,657. Panguitch City is requesting financial assistance from the Drinking Water Board for the full amount. Staff performed the base evaluation for the project at a total cost of \$897,000 due to bonding constraints which require bonds to be in even \$1,000 increments.

STAFF COMMENTS:

Panguitch City's local MAGI is reported at \$34,592 which is approximately 80% of the state MAGI. Therefore the City qualifies as a hardship community and is eligible for subsidy. The current average monthly water bill of \$34.92 includes a \$5.00 per month irrigation bill.

The City currently has two outstanding loans with the Drinking Water Board. Total outstanding balance for the two loans is approximately \$360,000 with annual payments totaling \$54,391. In addition to the base evaluation, Staff also investigated any cost savings available to the City by consolidating these loans with the emergency request.

The financial assistance evaluations are summarized in the following table.

Evaluation (Loan/Subsidy Ratio)	Loan	Interest Rate	Term	Subsidy	Total Repayable	Monthly Water Bill
Base	\$897,000	1.50%	20 yrs	\$0	\$897,000	\$43.49
60%/40% (no refi)	\$896,657	1.50%	30 yrs	\$355,657	\$541,000	\$39.82
70%/30% (w/refi)	\$1,249,266	1.50%	30 yrs	\$355,266	\$894,000	\$34.94

STAFF RECOMMENDATION:

Staff recommends the Drinking Water Board authorize a loan of \$1,249,266 with an interest rate/fee of 1.50% for 30 years with \$355,266 in Principal Forgiveness to Panguitch City to drill a new well and refinance existing debt. The repayable amount will be \$894,000.

APPLICANT’S LOCATION:

Panguitch is located on Highway 89 in Garfield County approximately 25 miles northwest of Bryce Canyon National Park.

MAP OF APPLICANT’S LOCATION:



PROJECT DESCRIPTION:

The project consists of drilling a new well to restore the City’s source capacity lost due to the Brian Head wildfire that destroyed the City’s spring sources.

IMPLEMENTATION SCHEDULE:

DWB Funding Authorization:	Sep 2017
Complete Design:	Oct 2017
Plan Approval:	Oct 2017
Advertise for Bids:	Oct 2017
Begin Construction:	Nov 2017
Complete Construction:	Jan 2018

COST ESTIMATE:

Legal – Bonding, Admin	\$5,000
Financial Consultant	\$5,000
Engineering- Plan, Design, CMS	\$88,000
Construction – well	\$542,900
Construction – transmission line	\$175,000
Contingency	\$71,790
DDW Administrative Fee	\$8,967
Project Cost	\$896,657
Existing Bond Refinance	\$352,609
Project Cost w/Refinance	\$1,249,266

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Panguitch City
 COUNTY: Garfield
 PROJECT DESCRIPTION: new well & refinance

FUNDING SOURCE: Federal SRF

72 % Loan & 28 % P.F.

ESTIMATED POPULATION:	1,600	NO. OF CONNECTIONS:	920 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$34.92 *			PROJECT TOTAL:	\$1,249,266
CURRENT % OF AGI:	1.21%	FINANCIAL PTS:	36	LOAN AMOUNT:	\$894,000
ESTIMATED MEDIAN AGI:	\$34,592			PRINC. FORGIVE.:	\$355,266
STATE AGI:	\$43,196			TOTAL REQUEST:	\$1,249,266
SYSTEM % OF STATE AGI:	80%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.81%		AFTER REPAYMENT PENALTY & POINTS 1.50%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	30	30		30
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.81%		1.50%
REQUIRED DEBT SERVICE:	\$29,800.00	\$50,514.08		\$37,225.43
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$2,980.00	\$5,051.41		\$3,722.54
ANNUAL NEW DEBT PER CONNECTION:	\$35.63	\$60.40		\$44.51
O & M + FUNDED DEPRECIATION:	\$235,504.00	\$235,504.00		\$235,504.00
OTHER DEBT + COVERAGE:	\$38,943.75	\$38,943.75		\$38,943.75
REPLACEMENT RESERVE ACCOUNT:	\$14,822.95	\$15,858.65		\$15,194.22
ANNUAL EXPENSES PER CONNECTION:	\$314.42	\$315.55		\$314.83
TOTAL SYSTEM EXPENSES	\$322,050.70	\$345,871.90		\$330,589.95
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$34.17	\$36.33		\$34.94
% OF ADJUSTED GROSS INCOME:	1.19%	1.26%		1.21%

* Equivalent Residential Connections

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Panguitch City
 COUNTY: Garfield
 PROJECT DESCRIPTION: new well

FUNDING SOURCE: Federal SRF

100 % Loan & 0 % P.F.

ESTIMATED POPULATION:	1,600	NO. OF CONNECTIONS:	920 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$35.46 *			PROJECT TOTAL:	\$897,000
CURRENT % OF AGI:	1.23%	FINANCIAL PTS:	41	LOAN AMOUNT:	\$897,000
ESTIMATED MEDIAN AGI:	\$34,592			PRINC. FORGIVE.:	\$0
STATE AGI:	\$43,196			TOTAL REQUEST:	\$897,000
SYSTEM % OF STATE AGI:	80%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.81%		AFTER REPAYMENT PENALTY & POINTS 2.55%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	20	20		20
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.81%		2.55%
REQUIRED DEBT SERVICE:	\$44,850.00	\$64,897.16		\$57,812.09
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$4,485.00	\$6,489.72		\$5,781.21
ANNUAL NEW DEBT PER CONNECTION:	\$53.63	\$77.59		\$69.12
O & M + FUNDED DEPRECIATION:	\$235,504.00	\$235,504.00		\$235,504.00
OTHER DEBT + COVERAGE:	\$106,932.50	\$106,932.50		\$106,932.50
REPLACEMENT RESERVE ACCOUNT:	\$18,295.00	\$19,297.36		\$18,943.10
ANNUAL EXPENSES PER CONNECTION:	\$392.10	\$393.19		\$392.80
TOTAL SYSTEM EXPENSES	\$410,066.50	\$433,120.74		\$424,972.90
TAX REVENUE:	\$6,000.00	\$6,000.00		\$6,000.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$42.14	\$44.23		\$43.49
% OF ADJUSTED GROSS INCOME:	1.46%	1.53%		1.51%

* Equivalent Residential Connections

DRINKING WATER BOARD FINANCIAL ASSISTANCE EVALUATION

SYSTEM NAME: Panguitch City
 COUNTY: Garfield
 PROJECT DESCRIPTION: new well

FUNDING SOURCE: Federal SRF

60 % Loan & 40 % P.F.

ESTIMATED POPULATION:	1,600	NO. OF CONNECTIONS:	920 *	SYSTEM RATING:	APPROVED
CURRENT AVG WATER BILL:	\$34.92 *			PROJECT TOTAL:	\$896,657
CURRENT % OF AGI:	1.21%	FINANCIAL PTS:	36	LOAN AMOUNT:	\$541,000
ESTIMATED MEDIAN AGI:	\$34,592			PRINC. FORGIVE.:	\$355,657
STATE AGI:	\$43,196			TOTAL REQUEST:	\$896,657
SYSTEM % OF STATE AGI:	80%				

	@ ZERO % RATE 0%	@ RBBI MKT RATE 3.81%		AFTER REPAYMENT PENALTY & POINTS 1.50%
<u>SYSTEM</u>				
ASSUMED LENGTH OF DEBT, YRS:	30	30		30
ASSUMED NET EFFECTIVE INT. RATE:	0.00%	3.81%		1.50%
REQUIRED DEBT SERVICE:	\$18,033.33	\$30,568.37		\$22,526.80
*PARTIAL COVERAGE (15%):	\$0.00	\$0.00		\$0.00
*ADD. COVERAGE AND RESERVE (10%):	\$1,803.33	\$3,056.84		\$2,252.68
ANNUAL NEW DEBT PER CONNECTION:	\$21.56	\$36.55		\$26.93
O & M + FUNDED DEPRECIATION:	\$235,504.00	\$235,504.00		\$235,504.00
OTHER DEBT + COVERAGE:	\$106,932.50	\$106,932.50		\$106,932.50
REPLACEMENT RESERVE ACCOUNT:	\$16,954.17	\$17,580.92		\$17,178.84
ANNUAL EXPENSES PER CONNECTION:	\$390.64	\$391.32		\$390.89
TOTAL SYSTEM EXPENSES	\$379,227.33	\$393,642.62		\$384,394.82
TAX REVENUE:	\$0.00	\$0.00		\$0.00
<u>RESIDENCE</u>				
MONTHLY NEEDED WATER BILL:	\$39.35	\$40.66		\$39.82
% OF ADJUSTED GROSS INCOME:	1.37%	1.41%		1.38%

* Equivalent Residential Connections

Agenda Item

3(A)(ii)(b)

DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
AUTHORIZATION

APPLICANT'S REQUEST:

West Erda Improvement District (WEID) is requesting an additional \$80,000 in grant for unexpected cost over-runs involved in their project to connect to Stansbury Park Improvement District (SPID).

STAFF COMMENTS:

On November 7, 2014, the Drinking Water Board (Board) authorized WEID a loan of \$1,478,600 at 0% interest for 30 years with \$739,600 in principal forgiveness to fund a project to connect WEID to Erda Acres and upgrade their existing distribution system. On January 9, 2015, the Board amended the original authorization to total a loan of \$1,622,600 at 0% interest for 30 years with \$811,600 in principle forgiveness. On November 13, 2015, WEID presented a change of scope to the Board involving a regionalized water system, connecting WEID with SPID. On May 12, 2017 the Board amended the authorization to total a \$1,700,600 loan at 0% interest for 30 years with \$850,600 in principle forgiveness to SPID. However, due to the aggressive project construction schedule, it was more feasible for WEID to assume the loan obligation with the understanding that the ownership and loan assumption transfer would occur after construction has been completed and accepted.

The project budget was very tight going into the construction phase. Many administrative costs went over the anticipated budget, which is attributed to regionalization components of the project as the project evolved. The contingency budget was capable of absorbing these over-runs, in addition to offsetting costs by eliminating or reducing costs in other areas. However, during construction of the water line along Erda Way, they have discovered multiple utility conflicts which is forcing approximately 7,000 feet of 12-inch water line alignment to be moved into the paved roadway. The cost for shifting the alignment is estimated to be approximately \$150,000. WEID is able to cover approximately half of the additional cost by selling available water rights to Tooele County.

The local MAGI for the WEID is \$29,797, which is 79% of the State MAGI. The current 18 connections have a water bill of approximately \$79 per month, which is 3.18% of local MAGI. Based on the funding authorized, the existing WEID customers rates will be increased to \$105 and the lots in the District boundary on private wells will pay \$20 per month for fire suppression.

STAFF RECOMMENDS:

No recommendation



Julie Cobleigh
 Utah Department of Environmental Quality
 Utah Division of Drinking Water
 195 North 1950 West
 P.O. Box 144830
 Salt Lake City, Utah 84114-4830

Re: *West Erda Improvement District
 Federal SRF Loan Authorization
 Project No. 3F233, System #23001
 Emergency Funding Request*

Dear Julie,

We appreciate the DDW Board recognizing the benefits to sizing the system to accommodate not only the current needs of the residents of the area but also the future needs and plans of the norther Tooele County area. The resultant region system is the most cost effective means of addressing the existing and accommodating foreseeable future culinary water needs of the area.

The project has experienced un-expected project cost over-runs in excess of available contingencies. In general the cost over-runs are largely attributed to additional costs associated with regionalization components of the project. Following is a breakdown of preconstruction original budgets and changes as we have worked through the process with all involved with this important regional project:

Table 1. Pre-Construction Over-Run Summary

Item	Orig. Budget Amount	Cost to Date	Over-Run Summary
Administrative (Tooele Co.):	\$ 8,335.00	\$ 3,658.90	\$ 4,676.10
SPID (Manager meetings):	\$ -	\$ 1,722.00	\$ (1,722.00)
SPID Engineer (Impact Fees, Planning, etc.):		\$ 15,323.40	\$ (15,323.40)
ADMIN. SUB-TOTAL:			\$ (12,369.30)
Legal & Bonding:	\$ 15,000.00		\$ 15,000.00
Clyde, Snow, Sessions, & Swenson:		\$ 38,494.28	\$ (38,494.28)
Eric Johnson:		\$ 20,000.00	\$ (20,000.00)
Bill Prater:		\$ 6,184.00	\$ (6,184.00)
LEGAL & BONDING SUB-TOTAL:			\$ (49,678.28)
Engineering:			
Ph. 10: Misc. Administration Assistance	\$ 3,930.00	\$ 27,380.31	\$ (23,450.31)
Ph. 30: Environmental	\$ 21,265.00	\$ 21,265.00	\$ -
Ph. 31: Right-of-Way	\$ 8,045.00	\$ 21,479.80	\$ (13,434.80)
ENGINEERING SUB-TOTAL:			\$ (36,885.11)



Additional Items:			
SPID Impact Fees (updated: 83.33 ERC's x \$2,101.66/ERC):	\$ 111,387.93	\$ 175,131.39	\$ (63,743.46)
ADDITIONAL ITEMS SUB-TOTAL:			\$ (63,743.46)
PRE-CONST. COST			
OVER-RUN TOTAL:	-	-	\$ (162,676.15)

The above over-runs were still considered manageable through some contributions from the County through purchase of WEID water rights. The project construction budget has been very tight from the beginning, however we have been able to control over-runs through offsetting costs with eliminating or reducing costs in other areas until the recent discovery of multiple utility conflicts along Erda Way which is forcing approximately 7,000 lineal feet of 12-inch diameter pipe alignment into the paved roadway. The cost for shifting the alignment is estimated at approximately \$150,000. The WEID is able to cover almost half of the additional costs through selling the remainder of the available water rights to Tooele County. The West Erda Improvement District (WEID) respectfully requests emergency principle forgiveness funding of \$80,000. The remainder of the funding shortfall will be covered with revenue from Tooele County from purchase of WEID excess water rights.

Sincerely,
West Erda Improvement District Board