SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-B**

FROM: Steve Mack, General Manager

Meeting Date : January 7, 2016

SUBJECT: DISCUSSION/ACTION REGARDING POSSIBLE LOAN/BOND WITH USDA FOR 2017 CIP

RECOMMENDED ACTION: Receive a presentation by the General Manager on the possibility of a bond/grant from USDA for the 2017 CIP and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

As we discussed at the December 3 Board meeting item on the District Capital Improvement Program (CIP), the District does not have sufficient funds to construct the 2017 CIP if the cost of this project exceeds the original contract cost estimate by the amount we suspect it will. We will have this cost estimate when the preliminary design is done in mid January. I am looking for alternative sources of funding - preferably grants, but also loans.

On December 15, I talked with Quinn Donovan of the United States Department of Agriculture (USDA) Rural Development Office in Santa Rosa at our office. USDA would be interested in loaning us funds for the 2017 CIP. As stated by Mr. Donovan, the terms would be 2.5% interest with 25% loan forgiveness (he believes we qualify as a disadvantaged community). So, if the project cost $2 million, the District would get a loan for $1.5 million and a $500,000 grant. The loan would be in the form of a bond (we would need bond counsel for an unknown cost) for 40 years. The annual payment would be approximately $60,000.

The timing for getting this bond done is such that the funds likely would not be available until the summer some time - July or August, if we started at the beginning of February.

I have been looking for other grant funding but so far unsuccessfully.