SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date : January 7, 2016

SUBJECT: DISCUSSION/ACTION REGARDING THE 2017 CIP AND A POSSIBLE LOAN/BOND WITH USDA ITS CONSTRUCTION

RECOMMENDED ACTION: Receive a presentation by the General Manager on the progress of the design of the 2017 CIP and the possibility of a bond/grant from USDA to fund this project, 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 now know that the engineers estimate of probable cost, based on the preliminary design, is $1.98 million. This puts the project clearly in the range of needing financing if we choose to do this project on schedule in FY 2017.

At the January 7 Board meeting, we discussed the possibility of a USDA loan/bond to fund the 2017 CIP. The terms would be 2.5% interest with 25% loan forgiveness (Mr. Quinn of USDA 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 started completing the USDA loan/bond preapplication and expect to have it completed soon.

Embarking on this bond acquisition process will require bond counsel (USDA is the underwriter). For our last bond we engaged Meyers Nave as bond counsel. Bond counsel costs for that effort was $75,000. This is a smaller issue and perhaps less complex - bond counsel costs may be less. These costs can be included in the total amount of the bond.