Sweetwater Springs Water District

ORIGINAL

To: Board of Directors **Agenda Item No.** V-C

From: Chuck Howell, General Manager **Meeting Date:** April 3, 2008

Subject: Discussion/Action re: CIP Phase IV, and Other Sources of Funding

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Recommended Action: This item was placed on the agenda as a Discussion/Action item to Discuss and then take action regarding Funding the upcoming CIP Phase IV-A projects.

Fiscal Impact: $237,584 annually for a 20-year period of time.

Discussion:

Based upon the information provided by the Investment Banking firm Brandis & Tallman, ar considering the overall needs of financing the Districts share of the costs of the upcoming CIP Phase IV projects, Staff makes the following recommendations:

1. Consider borrowing a sum of $3M of private placement funding from the Investment Banking firm of Brandis & Tallman for a period of 20 years.
2. Direct Brandis & Tallman to make the effective date of this loan to be funded in August of 2008.
3. Due to the volatility of the present financial market place, I make the recommendatic of borrowing $3M rather than the minimum required of $2M to allow us to continue moving from CIP Phase IV-A to Phase IV-B in the event the CDC does not continue matching funding beyond 2009, or we experience excessive delays in the CDC process.
4. This funding recommendation would also allow the District to lock in rates which are very close to the historical low for this type of financing.

The Board should also consider the following options regarding repayment of the principal and interest of a $3M loan for 20 years and its impact on the ratepayers. Costs are as follows basec upon a 5% interest rate for 20 years divided by 3600 customers:

1. Annual P&I payment=		$237,584
2. Monthly P&I payment=		$19,799
3. Bi-Monthly P&I per customer	(3,600)	$11 (added to CDRC charge)
4. Current bi-monthly per customer	(3,600)	$8 (current CDRC charge)
5. Total bi-monthly charge	(3,600)	$19 (new CDRC charge)

Staff would also recommend that the BOD consider paying all of the $11 CDRC out of the CIRF Reserve fund for the **first year** of the contract, it is assumed that we will be offsetting a portion of these cost with the interest being earned until the funds are all exhausted. Then the BOD can consider adding all or a part of the $11 charge to the CDRC as a part of the FY 2009/2010 or any of the upcoming budgets. The cost to the District would be the annual P&I payments of $237,584. There are sufficient funds in the CIRF Reserve Fund to absorb this cost for this year

In the event that the BOD does not choose to lower the CIRF Fund, then the CDRC charge will need to be increased to $19 at this meeting for budgeting purposes.