SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date : September 1, 2016

SUBJECT: DISCUSSION/ACTION REGARDING PROGRESS WITH A POSSIBLE LOAN/BOND WITH USDA AND EXAMINATION OF DISTRICT DEBT

RECOMMENDED ACTION: Receive a presentation by the General Manager on the progress with the loan/bond from the U.S. Department of Agriculture Rural Development (USDA) to fund the 2017 CIP and a related presentation on other District Debt and possible actions to reduce the annual payments for that debt, and provide direction to staff.

FISCAL IMPACT: none

DISCUSSION:

The District has been seeking funding through USDA for the FY17 CIP which is replacement of approximately 6,800 ft of existing main and 75 services on Old River Rd at Morningside east to the eastern section of Foothill Drive and include Orchard Rd and Foothill Drive and River Rd on river side of the road.

Just prior to the August Board meeting the District received notice that a loan for $2,579,000 for 40 years at 2.25% interest rate had been approved by USDA and the District had to give notice that it wanted to proceed with the loan within a week. At the August meeting the Board gave direction to move forward. Staff did so and the District has received a letter of conditions from USDA for that loan/bond (attached). Staff will have a meeting on August 31 to discuss this letter and will provide information on that meeting at the September 1 Board meeting.

The Board also gave direction to staff to look at the alternative of splitting up the FY17 CIP into segments to see if and how this project could be constructed without borrowing funds over time. Staff will meet with Coastland Engineering on August 31 prior to the USDA meeting to discuss this.

The USDA loan will add approximately $100,000 to District annual debt payments which are currently in the $1 million range. Below is a summary of District debt from the FY17 Budget Report:

- General Obligation (GO) Bonds – Approximately $1.6 million remain in the USDA bonds that were approved to purchase the District and make needed capital improvements, and refinanced in part in 2013 and 2014. Paid off in 2054. Annual payment - $64,284, interest rate - 2.38%.

- Cap One Bond – The District refinanced the first 20 years of the GO Bonds in September 2013. Paid off in 2033, the FY17 payment is $566,508. Remaining principal is $6,941,000, interest rate - 3.60%.
- State Loans - two loans for approximately $3 million which were approved in 1995-96 for needed improvements. Paid off in 2021-22. Annual payment - $170,168.50. Remaining principal is $980,092.94, interest rate 2.95%.
- Private Placement Loan. $3 million loan acquired in 2008 for needed capital improvements. Paid off in 2028. Annual payment - $234,012. Remaining principal is $2,186,930.86, interest rate 4.75%.

Some of this debt is paid off soon just by making the annual payments (the State Loans which are completed in 2021 and 2022) and one loan in particular has a relatively high interest rate by today's standards (the Private Placement loan which was taken out in 2008 with a 20-year term at 4.75%).

State Loans: There are two State loans. The one maturing in 2021 has five annual payments left of $24,750. One of those payments is in a fund at the County for this year's payments, and one other one is in a reserve account at the County as a condition of the loan. Staff has inquired as to the payoff cost of this loan were we do to do immediately before this year's first installment payment is due. We could pay off the loan as of September 15 for $110,217. Subtracting this year's budgeted payment ($24,750) and the reserve for this loan ($24,750), the amount of extra payment this year is approximately $61,000.

The second, bigger State loan matures a year later. We could pay that off in the next fiscal year in the same manner; the hit to the budget would be bigger of course - budgeted annual payment of $146,739, same reserve account payment, and extra payoff payment of approximately $410,000. Funds in our reserves above policy are available to do this. Paying off both loans would reduce our annual debt payments by $171,370.

Private Placement Loan: The Private Placement Loan had a good interest rate in 2008 but it's considered high now. The loan has a maturity in 2028, has a condition that it can't be paid off until 2018, and has an early repayment penalty of 2% of principal for when it can be repaid according to the conditions of the loan. We have asked Brandis Tallman if there is any chance of refinancing/repaying this loan and have learned that it is possible to refinance this loan now. Our annual savings would be approximately $8,000 per year with a total savings of $100,000 (details from Brandis Tallman attached). This is not a big savings but it does reduce total debt and annual payments.

By doing the financial moves described above, annual debt payments from existing debt would be reduced by approximately $180,000. The new USDA loan would add $100,000, so the overall reduction in annual debt payments would be approximately $80,000 per year. The one-time costs of doing this would be approximately $515,000 - about the annual capital funding revenue target.

Staff recommends paying off the smaller State loan immediately, moving forward with refinancing the PPL, and considering paying off the larger State loan in the FY2018 Budget - that decision doesn't have to be made until then.

USDA
United States Department of Agriculture

Rural Development

Santa Rosa
Field Office

777 Sonoma Ave
E Street Annex
Santa Rosa, CA
95404

Voice 707.536.0248
Fax 844.206.7011

August 5, 2016

LETTER OF CONDITIONS

Mr. Steve Mack
Sweetwater Springs Water District
17081 Highway 116
Guerneville, CA 95446

SUBJECT: Recipient Name: Sweetwater Springs Water District
Project Name: Water System Improvements
CFDA Number: 10.760

Dear Mr. Mack:

This letter establishes conditions which must be understood and agreed to by the Sweetwater Springs Water District (recipient), before further consideration may be given to the application. The application can be processed on the basis of a USDA Rural Development loan not to exceed $2,579,000. The loan will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development, both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of project, or any other significant changes in the project or recipient must be reported to and concurred with by the Agency by written amendment to this letter. If significant changes are made without obtaining such concurrence, the Agency may discontinue processing of the application.

All conditions set forth under Sections I - III must be met prior to construction and no later than one year from the date of this letter. If the recipient has not met these conditions, the Agency reserves the right to discontinue the processing of the application.

If the recipient agrees to meet the conditions set forth in this letter and desire further consideration be given to the application, please complete and return the following forms within 3 days:

Form RD 1942-46, "Letter of Intent to Meet Conditions"
Form RD 1940-1, "Request for Obligation of Funds"

The loan will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds," is signed by the approving official. Please be advised that this letter in itself does not constitute loan approval, nor does it ensure that funds are or will be available for the project. After the recipient signs and returns the form to the Agency, the request will be processed and the loan funds will be approved and obligated.

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

The loan approval conditions are as follows:

SECTION I - PROJECT DETAIL

1. **Project Description** – Funds will be used to make improvements to the Sweetwater Springs Water District water system. This improvements include waterline replacement and the installation of fire hydrants.

Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies. The proposed facility design must be based on the Preliminary Engineering Report (PER) as concurred with by the Agency.

Owner Construction and Owner Performed Services are not included in the scope of this project. Prior USDA approval is required.

2. **Project Budget** – Funding from all sources has been budgeted for the estimated expenditures as follows:

Project Costs:	**Total Budgeted:**
Construction	$1,943,000
Contingency	$194,000
Engineering Fees	
Includes:	
Preliminary Engineering Report	$40,000
Environmental Report	$30,000
Design	$190,000
Permits and Compliance	$35,000
Resident Project Representation (Inspection)	$97,000
Interest - Interim	$20,000
Legal Fees - Local Attorney	$15,000
Legal Fees - Bond Counsel	$15,000
TOTAL	$2,579,000
Project Funding	
Recipient Contribution -	$0
Other Funding	$0
USDA Loan -	$2,579,000
USDA Grant -	$0
TOTAL	$2,579,000

This funding is offered based on the amounts stated above. Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary.

Agency funds will not be used to pre-finance funds committed to the project from other sources.

Obligated loan funds not needed to complete the proposed project will be de-obligated prior to start of construction. An amended letter of conditions will be issued for any changes to the total project budget.

SECTION II – LOAN TERMS

1 **Repayment** – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless the recipient requests otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount.

The loan will be scheduled for repayment over a period of (40) years. Interest-only payments will be due the first year, and will be made utilizing the recipients own funds. Payments for the remaining 39 years will be annual principal installments and semi-annual interest installments, beginning one year after final interest-only installment/specific date. For planning purposes, use a 2.25% interest rate and an amortization factor of .03879, which provides for an annual payment of $100,040. The precise payment amount will be based on the interest rate at which the loan is closed, and may be different than the one above.

The payment due date will be established as the day that the loan closes. Due dates falling on the 29th, 30th, and 31st day of the month will be avoided.

2 **Security** – The recipient is a legally organized water District under Division 12 Sections 30000 to 33901 of the Water Code of the State of California. The loan of $2,579,000 will be secured by a Certificate of Participation on parity with the existing water loans. The bond will be fully registered as to both principal and interest in the name of the United States of America, Acting through the United States Department of Agriculture.

If the loan will be on parity with another lender, the bond must specify that, in the event of default, each lender will be affected on a proportionate basis.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or its authorizing law. In particular, there must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983. The bond must be prepared in accordance with RUS Instruction 1780 Subpart D, and State law. The assistance and opinion of a recognized bond counsel must be obtained.

Additional security requirements are contained in RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)." A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids.

Prior to loan closing, the following must be duly adopted and executed:

a. RUS Bulletin 1780-27, Loan Resolution (Public Bodies)
b. Bond Resolution

A Parity Agreement will be required to be executed between the Agency and the Parity Lender prior to loan closing, and a draft concurred with by the Agency prior to advertising for bids.

3. **Electronic Payments** – Payments will be made on the day the recipient payment is due through an electronic preauthorized debit system. The recipient will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing. It will allow for the recipient's payment to be electronically debited from the bank account on the day that the payment is due.

4. **Construction Completion Timeframe** - All projects must be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, the recipient must submit to the Agency a written request for extension of time with adequate justification of circumstances beyond the recipient's control. Requests for waivers beyond the initial extension will be submitted to the Assistant Administrator for concurrence decision.

5. **Disbursement of Agency Funds** - Agency funds will be disbursed into the recipient's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to advertising for bids.

Any recipient contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

Funds are to be deposited in an interest-bearing account (exception provided below) in accordance with 2 CFR Part 200 and interest in excess of $500 per year remitted to the Agency. The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing accounts, unless:

a. The recipient receives less than $120,000 in Federal awards per year.

b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of $500 per year on Federal cash balances.

c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

6. **Reserves** – Reserves must be properly budgeted to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs, and assist with debt service should the need arise. The following reserves are required to be established as a condition of this loan and must be shown separately and as restricted funds in the recipient's financial statements and/or audits.

a. **Debt Service Reserve** – As a part of this Agency loan proposal, the recipient must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. Ten percent of the proposed loan installment would equal $834 per month; this amount should be deposited monthly until a total of $100,040 has accumulated. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully-funded amount is reached.

b. **Short-Lived Asset Reserve** – In addition to the debt service reserve fund, the recipient must establish a short-lived asset reserve fund. Based on the preliminary engineering report, the recipient must deposit at least $45,100 into the short-lived asset reserve fund annually for the life of the loan to pay for repairs and/or replacement of major system assets. It is the recipient responsibility to assess the facility's short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

SECTION III –REQUIREMENTS PRIOR TO THE START OF CONSTRUCTION

1. **Environmental Requirements** – At the conclusion of the proposal's environmental review process, specific action(s) were determined necessary to avoid or minimize adverse environmental impacts. As outlined in the Environmental Report dated August 1, 2016, the following actions are required for successful completion of the project and must be adhered to during project design and construction:

NONE

The project as proposed has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal, and local laws, regulations and or permits may apply or be required. If the project or any project element deviates from or is modified from the originally-approved project, additional environmental review may be required.

2. **Engineering Services** – The recipient will be required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance," or other approved form of agreement. The Agency will provide concurrence prior to advertising for bids, and must approve any modifications to this agreement.

3. **Contract Documents, Final Plans, and Specifications**

   a. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.

   b. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.

   c. The following must be reviewed and approved by USDA Rural Development in the sequence indicated:

      i. Preliminary Engineering Report
      ii. Agreement for Engineering Services
      iii. Final Plans and Specifications for the project
      iv. Bid Award Information.
      v. Executed Contract Documents

   d. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

4. **Legal Services** – The recipient will be required to execute a legal services agreement with the following:

   i. Attorney
   ii. Bond Counsel (if applicable)

The agreement(s) should stipulate an hourly rate for the work, with a "not to exceed" amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, "Legal Services Agreement," or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

5. **Property Rights** - Prior to advertising for bids, the recipient and its legal counsel must furnish satisfactory evidence that recipient has or can obtain adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

a. **Right-of-Way Map** – the project engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
b. **Form RD 442-20, "Right-of-Way Easement"** – This form may be used to obtain any necessary easements for the proposed project.
c. **Form RD 442-21, "Right-of-Way Certificate"** – The recipient will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.
d. **Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"** – The recipient's attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

The recipient is responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

6. **System Policies, Procedures, Contracts, and Agreements** – The facility must be operated on a sound business plan. The recipient must adopt policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

a. **Water Purchase Contract** – A draft of the proposed contract must be submitted to the Agency for review and concurrence prior to advertising for bids. The draft contract must meet the requirements of RUS Instruction 1780.62. NA
b. **Water User Agreement** – Projects not involving mandatory connection require users to execute a Water Users Agreement. The draft agreement must receive RD concurrence

prior to advertising for bids. RUS Bulletin 1780-9, "Water Users Agreement," or similar format may be used. NA

c. **Contracts for Other Services/Lease Agreement** – Drafts of any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements covering real property essential to the successful operation of the facility, must be submitted to the Agency for review and concurrence prior to advertising for bids. NA

d. **Parity/Intercreditor Agreement** – Projects with parity liens must have in place a written agreement between the parity lenders. The draft agreement must receive Agency concurrence prior to advertising for bids.

e. **Other agreements** with governments or other entities regarding joint operation of facilities, granting authority to Agency borrower for providing service within another entity's service area, etc. The draft agreement must receive Agency concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements must be submitted prior to loan closing.

7. **Closing Instructions** – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Closing instructions must be obtained prior to advertising for bids. All applicable bond closing documents must be submitted by the Bond Counsel, at least 45 days prior to the planned closing date.

8. **Interim Financing** – For all loans exceeding $500,000, where loan funds can be borrowed at reasonable interest rates on an interim basis from commercial sources for the construction period, such interim financing will be used to preclude the necessity for multiple advances of Agency loan funds. The recipient must provide the Agency with a copy of the interim loan financing agreement for review prior to advertising for bids. The Agency approving official may make an exception when interim financing is cost prohibitive or unavailable.

9. **Construction Account** – The recipient must establish a construction account for all funds related to the project. Construction funds will be deposited with an acceptable financial institution or depository that meets the requirements of 31 CFR Part 202. A separate account will not be required for Federal funds and other funds; however, the recipient must be able to separately identify, report, and account for all Federal funds, including the receipt, obligation and expenditure of funds. Financial institutions or depositaries accepting deposits of public funds and providing other financial agency services to the Federal Government are required to pledge adequate, acceptable securities as collateral, in accordance with 31 CFR Part 202. All funds in the account will be secured by a collateral pledge equaling at least 100% of the highest amount of funds expected to be deposited in the construction account at any one time. The recipient's financial institution can provide additional guidance on collateral pledge requirements.

a. Electronic Funds Transfer: Agency funds will be disbursed into the recipient's depository account through an electronic transfer system. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted

to the Agency prior to advertising for bids.

10. System Users – This letter of conditions is based upon the recipient's indication at application that there will be at least 3071 residential users and 542 non-residential users, existing system when construction is completed.

a. Before the Agency can agree to the project being advertised for construction bids, the recipient must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.

b. The USDA Rural Development will authenticate the number of new users for projects that will be secured by a pledge of user fees or revenues.

c. The recipient's attorney will provide his/her opinion that rate increases required for this project have been adopted in accordance with Section 6 of Article XIIID of the California Constitution as well as other requirements of California law. The recipient will provide a copy of the Minutes from the public meeting. All voter approval requirements under state law must be obtained before the issuance of the USDA Offer to Purchase Bonds (or Certificates of Participation).

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, the recipient must provide the Agency with a written plan on how it will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

11. Other Funding – Prior to advertisement for construction bids, the recipient must provide:

a. Evidence of applicant contributions; and
b. Approval of other funding sources. This evidence should include a copy of the commitment letter.

12. Proposed Operating Budget – The recipient must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O&M), debt service, and reserves. Prior to advertising for bids, the recipient must submit a proposed annual operating budget to the Agency which supports the operation, maintenance, debt service, and reserves, as well as the proposed rate schedule. The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of the organization. Form RD 442-7, "Operating Budget," or similar format may be utilized for this purpose. It is expected that O&M will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help the recipient evaluate and complete a rate analysis on the system. This assistance is available free to the recipient. If interested, please contact our office for information.

13. Permits –The recipient, owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

14. Vulnerability Assessment/Emergency Response Plan (VA/ERP) – The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The VA/ERP documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

For new systems, see Section V of this letter of conditions. For VA/ERP requirements throughout the life of the loan, see Section VII. Technical assistance at no cost is available in preparing these documents.

15. Bid Authorization - Once the final plans and specifications have been developed for the project, the Agency will authorize the recipient to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

16. Bid Tabulation – Immediately after bid opening, the recipient must provide the Agency with the bid tabulation and the project engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of Section III of this letter have been satisfied, the Agency will authorize the recipient to issue the Notice of Award.

a. Cost Overruns. If bids are higher than expected, or if unexpected construction problems are encountered, the recipient must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds. Cost overruns exceeding 20% of the development cost at time of loan approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.

b. Excess Funds. If bids are lower than anticipated at time of obligation, excess funds must be de-obligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully

utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be de-obligated. Excess funds do not include contingency funds as described in this letter.

17. Contract Review – The recipient's attorney will certify that the executed contract documents, including performance and payment bonds, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61(b).

Once the attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for its concurrence. The Notice to Proceed cannot be issued until the Agency has concurred with the construction contracts and the pre-construction conference has been held.

18. Final Rights-of-Way – If any of the rights-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed. For projects involving the acquisition of land, the recipient must provide evidence of clear title to the land prior to the issuance of the Notice to Proceed.

19. Insurance and Bonding Requirements - Prior to the start of construction or loan closing, whichever occurs first, the recipient must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing the recipient has the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that the recipient have the project engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is the recipient's responsibility and not that of the Agency to assure that adequate insurance and fidelity or employee dishonesty bond coverage is maintained.

a. **General Liability Insurance** – Include vehicular coverage.

b. **Workers' Compensation** – In accordance with appropriate State laws.

c. **Fidelity Bond, Employee Dishonesty Bonds or Employee Dishonesty Insurance Policy** – Include coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through blanket coverage providing protection for all appropriate workers. During construction, each position should be bonded in an amount equal to the maximum amount of funds to be under the control of that position at any one time. The coverage may be increased during construction based on the anticipated monthly advances. After construction and throughout the life of the loan, the amount of coverage must be for at least the total annual debt service of all outstanding

Agency loans. The Agency will be identified in the fidelity bond for receipt of notices. Form RD 440-24, "Position Fidelity Schedule Bond," or similar format may be used.

d. **National Flood Insurance** - If the project involves acquisition or construction in designated special flood or mudslide prone areas, the recipient must purchase a flood insurance policy at the time of loan closing.

e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the contractor(s), the recipient must obtain real property insurance (fire and extended coverage) on all facilities identified above.

Insurance types described above are required to be continued throughout the life of the loan. See Section V.

20. Initial Compliance Review – The Agency will conduct an initial compliance review of the recipient prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E.

21. Other Requirements – All requirements contained in the Agency's closing instructions, as well as any requirements of the recipient bond counsel and/or attorney, must be met prior to loan closing.

a. **System for Award Management**. The recipient will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: http://sam.gov. This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended. See Appendix A.

   To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at http://sam.gov).

b. **Litigation.** The recipient is required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.

c. **Certified Operator**. Evidence must be provided that the system has or will have, as defined by applicable State or Federal requirements, a certified operator available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

SECTION IV – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION

1. **Resident Inspector(s)** – Full-time inspection is required unless the recipient requests an exception. Such requests must be made in writing and the Agency must concur with the request. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the pre-construction conference.

2. **Preconstruction Conference** – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

3. **Inspections** - The Agency requires a pre-construction conference, pre-final and final inspections, and a warranty inspection. The project engineer will schedule a warranty inspection with the contractor and the Agency before the end of the one-year warranty period to address and/or resolve any warranty issues. The Agency will conduct an inspection with the recipient of the records management system at the same time, and will continue to inspect the facility and records system every three years for the life of the loan. See Section VII of this letter.

4. **Change Orders** – Prior Agency concurrence is required for all Change Orders.

5. **Payments** – Prior Agency concurrence is required for all Invoices and Partial Payment Estimates before Agency funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

6. **Use of Remaining Funds** – The recipient contribution and connection or tap fees will be the first funds expended in the project, followed by non-Agency sources of funds. Remaining funds may be considered in direct proportion to the amounts obtained from each source and handled as follows:

   a. Remaining funds may be used for eligible loan purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan remains the same.

b. Loan funds that are not needed will be applied as an extra payment on the Agency indebtedness unless other disposition is required by the bond ordinance, resolution, or State statute.

7. **Technical, Managerial and Financial Capacity** - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the particular individual and the utility system. Technical assistance providers are available to provide this training for the recipient, often at no cost. Contact the Agency for information.

8. **Reporting Requirements Related to Expenditure of Funds**

a. **Financial Audit**– An annual audit under the Single Audit Act is required if the recipient expends $750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of the recipients fiscal year end.

If an audit is required, the recipient must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

b. **Reporting Subawards and Executive Compensation** – The recipient and its first-tier contractors are required by 2 CFR Part 170 to report disbursements to subrecipients in accordance with Appendix B of this letter and www.fsrs.gov. The local Agency processing office can provide more information.

SECTION V – SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN

1. **Prepayment and Extra Payments** - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

> *Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.*

2. **Graduation** - By accepting this loan, the recipient is also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines the recipient is able to obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, the recipient will be requested to refinance. The ability to refinance will be assessed every other year for those loans that are five years old or older.

3. **Security/Operational Inspections** – The Agency will inspect the facility and conduct a review of the recipient's operations and records management system and conflict of interest policy every three years for the life of the loan. The recipient must participate in these inspections and provide the required information.

4. **Annual Financial Reporting/Audit Requirements** – The recipient is required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information and a rate schedule. Financial statements must be prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), and must include at a minimum a balance sheet and income and expense statement. The annual report will include separate reporting for each water and waste disposal facility, and itemize cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available at no cost with preparing financial reports.

The type of financial information that must be submitted is specified below:

a. **Audits** – An annual audit under the Single Audit Act is required if the recipient expends $750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

   All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal

auditor if allowed by State law, and must be submitted within 9 months of the recipients fiscal year end.

If an audit is required, the recipient must enter into a written agreement with the auditor and submit a copy to the Agency prior to the advertisement of bids. The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit or financial statements to be completed, the time frame in which the audit or financial statements will be completed, what type of reports will be generated from the services provided, and how irregularities will be reported.

b. **Financial Statements** –For local governments and Indian tribes, an audit in accordance with State or local law or regulation or regulatory agency requirements must be submitted when the recipient expends less than $750,000 in Federal financial assistance per fiscal year. These audits shall be submitted to USDA no later than 150 days after the end of the borrower's fiscal year.

c. **Annual Reports** - If the recipient is exempt from USDA audit requirements, the recipient may submit financial statements in lieu of an audit which will include at a minimum a balance sheet and an income and expense statement. The recipient may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of the fiscal year end.

5. **Annual Budget and Projected Cash Flow** - Thirty days prior to the beginning of each fiscal year, the recipient will be required to submit an annual budget and projected cash flow to this office. With the submission of the annual budget, the recipient will be required to provide a current rate schedule, and a current listing of the Board or Council members and their terms. The budget must be signed by the appropriate borrower official. Form RD 442-2 or similar format may be used.

Technical assistance is available at no cost to help the recipient evaluate and complete a rate analysis on the system, as well as completing the annual budget. If the recipient is are interested, please contact the local USDA Rural Development office for information.

6. **Vulnerability Assessment/Emergency Response Plan (VA/ERP)** – The recipient will be required to submit a certification to the servicing office every three years that the VA/ERP is current and covers all sites related to the facility. The documents themselves are not submitted to the Agency. The VA/ERP must address potential impacts from natural disasters and other emergency events. In particular, it should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every three years at a minimum.

7. **Insurance**. The recipient will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

8. Statutory and National Policy Requirements – The recipient has received an award of Federal funding and is required to comply with U.S. statutory and public policy requirements, including but not limited to::

a. **Section 504 of the Rehabilitation Act of 1973** – Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Agency financial assistance.

b. **Civil Rights Act of 1964** – All recipients are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.

c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.

d. **Age Discrimination Act of 1975** – This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

e. **Limited English Proficiency (LEP) under Executive Order 13166** - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. The recipient must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information the recipient provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. The recipient must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor the recipient's compliance with these requirements during regular compliance reviews.

9. **Compliance Reviews and Data Collection** – The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter. If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that the recipient provides, the recipient must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

We look forward to working with the Sweetwater Springs Water District to complete this project. Non-compliance with the conditions in this letter or requirements of the recipient security documents will be addressed under the provisions of 7 CFR 1782 and other applicable regulations, statutes, and policies.

If there are any questions, please contact Quinn Donovan at 707.536.0248 or by e-mail at quinn.donovan@ca.usda.gov.

Sincerely,

Quinn Donovan

Attachments

cc: Community Programs Director

BRANDIS TALLMAN LLC

22 Battery Street
Suite 500
San Francisco, CA 94111

Phone: 415-912-5635
Fax: 415-912-5636
www.brandistallman.com

August 22, 2016

Via E-mail

Steve Mack, General Manager
Sweetwater Springs Water District
17081 Highway 116
Guerneville, CA 95446

RE: Sweetwater Springs Water District
2016 Refunding of 2008 Installment Sale Agreement

Thank you for the opportunity to provide this information to you and the Sweetwater Springs Water District (the "District"). We have prepared a direct placement refunding analysis for the District's consideration. The preliminary set of numbers is attached herewith.

We prepared this information as a placement agent and not a municipal advisor. As such, we are obligated to provide the following disclosures:

We prepared the attached materials that consist of factual or general information (as defined in the SEC's Municipal Advisor Rules). We are not hereby providing any advice or making any recommendation as to action concerning the structure, timing or terms of any issuance of municipal securities or financial products. To the extent that we provided any alternatives, options, calculations or examples in the attached information, such information is not intended to express any view that the District could achieve the particular results, and the alternatives, options, calculation or examples do not constitute a recommendation that you should effect any municipal securities transaction.

Brandis Tallman is providing this information in the regulatory framework of MSRB Rule G-23 as an underwriter or placement agent and not as a financial advisor. The primary role of an underwriter or placement agent is to purchase securities for resale to investors in an arm's-length commercial transaction. Serving in this role, we have financial and other interests that differ from those of the District. Brandis Tallman is acting in its own interests, and not as the District's municipal advisor and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934. The District should consult with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

We look forward to further discussing this financing model with you.

Best Regards,

Nicki Tallman

Member
FINRA MSRB SIPC

SWEETWATER SPRINGS WATER DISTRICT
2016 Refunding of the 2008 Installment Sale Agreement
(Capital Improvement Private Placement Loan)
Summary of Refunding Results as of August 22, 2016

	Private Placement
REFUNDING BONDS	
Cost of Defeasance @ 10/12/2016 for a 8/1/2018 call date	2,324,097
Cost of Issuance (1)	53,503
Par Amount	2,377,600
Arbitrage Yield	2.20%
All-In True Interest Cost	2.60%
Final Maturity (August 1st)	2028
AVERAGE ANNUAL DEBT SERVICE	
Existing	234,013
Refunding	225,387
Savings	8,627
TOTAL DEBT SERVICE	
Existing	2,808,159
Refunding	2,706,321
Savings	101,837
Net Present Value Savings	89,263
Net Present Value Savings %	4.21%

(1) Includes bond counsel, placement agent, bank counsel, and miscellaneous fees.

BRANDIS TALLMAN LLC

Sources and Uses of Funds
Sweetwater Springs Water District
Refunding Installment Sale Agreement (2008)

Sources:		
Bond Proceeds:		
	Par Amount	2,377,600.00
		2,377,600.00
Uses:		
Refunding Escrow Deposits:		
	Cash Deposit	0.13
	SLGS Purchases	2,324,097.00
		2,324,097.13
Delivery Date Expenses:		
	Cost of Issuance	53,500.00
Other Uses of Funds:		
	Additional Proceeds	2.87
		2,377,600.00

Escrow Requirements

Sweetwater Springs Water District

Refunding Installment Sale Agreement (2008)

Period Ending	Principal	Interest	Principal Redeemed	Redemption Premium	Total
2/1/2017	66,612.61	50,394.00			117,006.61
8/1/2017	68,194.65	48,811.95			117,006.60
2/1/2018	69,814.28	47,192.33			117,006.61
8/1/2018	71,472.37	45,534.24	1,845,758.68	36,915.16	1,999,680.45
	276,093.91	191,932.52	1,845,758.68	36,915.16	2,350,700.27

Cost of Issuance
Sweetwater Springs Water District
Refunding Installment Sale Agreement (2008)

Cost of Issuance	Amount
Bond Counsel	22,500.00
Placement Agent	20,000.00
Bank Counsel	8,500.00
Miscellaneous	2,500.00
	53,500.00

Bond Summary Statistics
Sweetwater Springs Water District
Refunding Installment Sale Agreement (2008)

Dated Date	10/12/2016
Delivery Date	10/12/2016
Last Maturity	8/1/2028
Arbitrage Yield	2.200250%
True Interest Cost (TIC)	2.200250%
Net Interest Cost (NIC)	2.200000%
All-In TIC	2.599860%
Average Coupon	2.200000%
Average Life (years)	6.284
Weighted Average Maturity (years)	6.284
Par Amount	2,377,600.00
Bond Proceeds	2,377,600.00
Total Interest	328,721.46
Net Interest	328,721.46
Total Debt Service	2,706,321.46
Maximum Annual Debt Service	227,068.06
Average Annual Debt Service	229,295.30
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	

Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	2,377,600.00	100.000	2.200%	6.284
	2,377,600.00			6.284

	TIC	All-In TIC	Arbitrage Yield
Par Value	2,377,600.00	2,377,600.00	2,377,600.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-53,500.00	
- Other Amounts			
Target Value	2,377,600.00	2,324,100.00	2,377,600.00
Target Date	10/12/2016	10/12/2016	10/12/2016
Yield	2.200250%	2.599860%	2.200250%

Prior Bond Debt Service

Sweetwater Springs Water District

Refunding Installment Sale Agreement (2008)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
2/1/2017	66,612.61	4.750%	50,394.00	117,006.61	
8/1/2017	68,194.65	4.750%	48,811.95	117,006.60	234,013.21
2/1/2018	69,814.28	4.750%	47,192.33	117,006.61	
8/1/2018	71,472.37	4.750%	45,534.24	117,006.61	234,013.22
2/1/2019	73,169.84	4.750%	43,836.77	117,006.61	
8/1/2019	74,907.62	4.750%	42,098.98	117,006.60	234,013.21
2/1/2020	76,686.68	4.750%	40,319.93	117,006.61	
8/1/2020	78,507.98	4.750%	38,498.62	117,006.60	234,013.21
2/1/2021	80,372.55	4.750%	36,634.06	117,006.61	
8/1/2021	82,281.40	4.750%	34,725.21	117,006.61	234,013.22
2/1/2022	84,235.58	4.750%	32,771.02	117,006.60	
8/1/2022	86,236.17	4.750%	30,770.43	117,006.60	234,013.20
2/1/2023	88,284.28	4.750%	28,722.32	117,006.60	
8/1/2023	90,381.04	4.750%	26,625.57	117,006.61	234,013.21
2/1/2024	92,527.58	4.750%	24,479.02	117,006.60	
8/1/2024	94,725.12	4.750%	22,281.49	117,006.61	234,013.21
2/1/2025	96,974.84	4.750%	20,031.77	117,006.61	
8/1/2025	99,277.99	4.750%	17,728.62	117,006.61	234,013.22
2/1/2026	101,635.84	4.750%	15,370.76	117,006.60	
8/1/2026	104,049.69	4.750%	12,956.91	117,006.60	234,013.20
2/1/2027	106,520.87	4.750%	10,485.73	117,006.60	
8/1/2027	109,050.74	4.750%	7,955.86	117,006.60	234,013.20
2/1/2028	111,640.70	4.750%	5,365.91	117,006.61	
8/1/2028	114,292.17	4.750%	2,714.44	117,006.61	234,013.22
	2,121,852.59		686,305.94	2,808,158.53	2,808,158.53

Bond Debt Service
Sweetwater Springs Water District
Refunding Installment Sale Agreement (2008)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
2/1/2017	93,000	2.200%	15,837.46	108,837.46	
8/1/2017	93,100	2.200%	25,130.60	118,230.60	227,068.06
2/1/2018	89,100	2.200%	24,106.50	113,206.50	
8/1/2018	89,100	2.200%	23,126.40	112,226.40	225,432.90
2/1/2019	91,000	2.200%	22,146.30	113,146.30	
8/1/2019	91,100	2.200%	21,145.30	112,245.30	225,391.60
2/1/2020	93,000	2.200%	20,143.20	113,143.20	
8/1/2020	93,100	2.200%	19,120.20	112,220.20	225,363.40
2/1/2021	95,100	2.200%	18,096.10	113,196.10	
8/1/2021	95,100	2.200%	17,050.00	112,150.00	225,346.10
2/1/2022	97,300	2.200%	16,003.90	113,303.90	
8/1/2022	97,200	2.200%	14,933.60	112,133.60	225,437.50
2/1/2023	99,400	2.200%	13,864.40	113,264.40	
8/1/2023	99,400	2.200%	12,771.00	112,171.00	225,435.40
2/1/2024	101,600	2.200%	11,677.60	113,277.60	
8/1/2024	101,600	2.200%	10,560.00	112,160.00	225,437.60
2/1/2025	103,800	2.200%	9,442.40	113,242.40	
8/1/2025	103,800	2.200%	8,300.60	112,100.60	225,343.00
2/1/2026	106,100	2.200%	7,158.80	113,258.80	
8/1/2026	106,100	2.200%	5,991.70	112,091.70	225,350.50
2/1/2027	108,400	2.200%	4,824.60	113,224.60	
8/1/2027	108,500	2.200%	3,632.20	112,132.20	225,356.80
2/1/2028	110,800	2.200%	2,438.70	113,238.70	
8/1/2028	110,900	2.200%	1,219.90	112,119.90	225,358.60
	2,377,600		328,721.46	2,706,321.46	2,706,321.46

Savings

Sweetwater Springs Water District

Refunding Installment Sale Agreement (2008)

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 10/12/2016 @ 2.2002495%
2/1/2017	117,006.61	108,837.46	8,169.15		8,115.20
8/1/2017	117,006.60	118,230.60	-1,224.00	6,945.15	-1,202.69
2/1/2018	117,006.61	113,206.50	3,800.11		3,693.31
8/1/2018	117,006.61	112,226.40	4,780.21	8,580.32	4,595.31
2/1/2019	117,006.61	113,146.30	3,860.31		3,670.61
8/1/2019	117,006.60	112,245.30	4,761.30	8,621.61	4,478.06
2/1/2020	117,006.61	113,143.20	3,863.41		3,594.04
8/1/2020	117,006.60	112,220.20	4,786.40	8,649.81	4,404.23
2/1/2021	117,006.61	113,196.10	3,810.51		3,468.10
8/1/2021	117,006.61	112,150.00	4,856.61	8,667.12	4,372.11
2/1/2022	117,006.60	113,303.90	3,702.70		3,297.04
8/1/2022	117,006.60	112,133.60	4,873.00	8,575.70	4,291.91
2/1/2023	117,006.60	113,264.40	3,742.20		3,260.09
8/1/2023	117,006.61	112,171.00	4,835.61	8,577.81	4,166.79
2/1/2024	117,006.60	113,277.60	3,729.00		3,178.27
8/1/2024	117,006.61	112,160.00	4,846.61	8,575.61	4,085.88
2/1/2025	117,006.61	113,242.40	3,764.21		3,138.84
8/1/2025	117,006.61	112,100.60	4,906.01	8,670.22	4,046.43
2/1/2026	117,006.60	113,258.80	3,747.80		3,057.51
8/1/2026	117,006.60	112,091.70	4,914.90	8,662.70	3,966.02
2/1/2027	117,006.60	113,224.60	3,782.00		3,018.63
8/1/2027	117,006.60	112,132.20	4,874.40	8,656.40	3,848.21
2/1/2028	117,006.61	113,238.70	3,767.91		2,942.29
8/1/2028	117,006.61	112,119.90	4,886.71	8,654.62	3,774.42
	2,808,158.53	2,706,321.46	101,837.07	101,837.07	89,260.62

Savings Summary

PV of savings from cash flow	89,260.62
Plus: Refunding funds on hand	2.87

Net PV Savings	89,263.49

Summary of Refunding Results
Sweetwater Springs Water District
Refunding Installment Sale Agreement (2008)

Dated Date	10/12/2016
Delivery Date	10/12/2016
Arbitrage yield	2.200250%
Escrow yield	0.689761%
Value of Negative Arbitrage	56,845.18
Bond Par Amount	2,377,600.00
True Interest Cost	2.200250%
Net Interest Cost	2.200000%
Average Coupon	2.200000%
Average Life	6.284
Par amount of refunded bonds	2,121,852.59
Average coupon of refunded bonds	4.750000%
Average life of refunded bonds	6.612
PV of prior debt to 10/12/2016 @ 2.200250%	2,466,860.62
Net PV Savings	89,263.49
Percentage savings of refunded bonds	4.206866%
Percentage savings of refunding bonds	3.754353%