

Donner Summit PUD Public Workshop and Special Board Meeting:

Wastewater Upgrade & Expansion Financing

Sugar Bowl, January 20, 2011

Catherine Hansford, HEC

Russ Powell, EPS

Dave Fama, Jones Hall

Workshop Agenda

■ **Section I : Overview of The Project**

- Summary of Public Outreach
- What is The Project ?
- How much will it cost?

Section II: What is the Cost Burden to Customers?

- Financing Strategy
- Paying for the Project
- Schedule

Section I:

Overview of The Project

- **Summary of Public Outreach**

- Cathy Preis, DSPUD Board President

- **What is The Project?**

- Tom Skjelstad, DSPUD General Manager

- **How much will it cost?**

- Catherine Hansford

Outreach Efforts

- Since May of 2008 numerous Board, and Joint Committee (DSPUD and SLCWD) publicly noticed workshops and committee meetings.
- Contract consultants
- Review of plant upgrade options
- Discussion of financing options
- Selection of preferred project
- Engineering pre-design of project
- Environmental scoping
- Website postings and coordination with other groups

Project Design

■ What is The Project:

- Increase Flow Equalization Storage by 750,000 gallons
- Heat Transfer and Temperature Management
- Membrane Bio Reactor (MBR) Filtration System
- Chemical Feed Facilities
- Disinfection Ultra Violet (UV) Light
- Increase Irrigation Facilities

Estimated Project Cost

■ Current Cost Estimates:

PLANNING		CONSTRUCTION	
Feasibility Study	\$346,000	Treatment Plant	\$11,642,400
Predesign	\$382,200	Irrigation Expansion	\$170,000
Environmental	\$687,500	General, Overhead	\$2,362,480
Financial	\$67,700	Contingencies	\$2,834,976
Outreach / Education	\$39,400	Engineering, Admin.	\$4,252,464
TOTAL **	\$1,522,800	TOTAL	\$21,262,320

** SRF planning loan is for **\$1,478,000**; \$44,800 costs were ineligible for the loan.

Cost Allocation

- Allocation based on Flows and Loads

DONNER SUMMIT PUD	SIERRA LAKES CWD
Existing* Customers	Existing Customers
Future Customers	Future Customers

* Includes customers who have paid connection fees but are not yet connected to the sewer system

Section II:

Cost Burden to Customers

- **Financing Strategy**

- Catherine Hansford

- **Paying for the Project**

- Catherine Hansford

- **Information on a Community Facilities District (CFD), including Formation Process and Schedule**

- Russ Powell and Dave Fama

DSPUD Financing Strategy

- **DSPUD Share of Total Cost Estimate \$13,736,000**
- **Two Best Funding Sources:**
 - USDA Rural Utilities Program for Water and Wastewater (Federal)
 - Clean Water State Revolving Fund (CWSRF) (California / Federal)
- **Three Scenarios:**
 - A – 100% USDA
 - B – Combination USDA / SRF
 - C – 100% CWSRF

DSPUD Financing Scenarios

DSPUD

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Financing Scenario	USDA	CWSRF Program			TOTAL
		Planning Loan	Construction Loan	Total SRF	
Project Cost Share [1]					
A 100% USDA, existing loans not refinanced	\$12,908,108	\$827,680	\$0	\$827,680	\$13,735,788
B Combination USDA / CWSRF (planning loan refinanced)	\$5,000,000	\$0	\$8,735,788	\$8,735,788	\$13,735,788
C 100% CWSRF (planning loan refinanced)	\$0	\$0	\$13,735,788	\$13,735,788	\$13,735,788
Estimated Annual Debt Service					
A 100% USDA, existing loans not refinanced	\$654,000	\$179,104	\$0	\$179,104	\$833,104
B Combination USDA / CWSRF (planning loan refinanced)	\$253,000	\$0	\$429,000	\$429,000	\$682,000
C 100% CWSRF (planning loan refinanced)	\$0	\$0	\$674,000	\$674,000	\$674,000
Loan Terms					
Rate	2.50%	planning 2.70%	construction 2.70%		
Term	30 Years	5 Years	30 Years		
Bond Load (costs of issuance and bond reserve fund)	1.06	1.00	1.00		

Source: HEC

[1] Total Project Cost Share:

	<u>DSPUD</u>	<u>SLCWD</u>	<u>Total</u>
Planning	\$827,680	\$650,320	\$1,478,000
Construction	\$12,908,108	\$8,354,212	\$21,262,320
Total Project	\$13,735,788	\$9,004,532	\$22,740,320

DSPUD Customer Types

■ Existing

- Current ratepayers who are connected to the sewer system

■ Reserved

- Current ratepayers who have paid a connection fee and are able to connect at any time, but have not yet connected to the sewer system

■ Future

- Customers for whom the plant is being expanded; these customers will be able to connect to the sewer system upon completion of the Project (spring of 2014)

Estimated Cost Burden of Project by Customer Type

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100% CWSRF (planning loan refinanced)

	DSPUD Customers			
	Existing	Reserved	Future	Total
Total Estimated Project Cost [1]	\$8,060,256	\$1,073,388	\$3,774,464	\$12,908,108
Number of EDUs	818.50	109.00	362.00	1,289.50
Total Cost per EDU	\$9,848	\$9,848	\$10,427	
Percentage of Cost	62.4%	8.3%	29.2%	
Total CWSRF Loan Principal [2]	\$8,577,087	\$1,142,214	\$4,016,486	\$13,735,788
Principal per EDU	\$10,479	\$10,479	\$11,095	
Financing Charge [3]	\$4,947	\$4,947	\$5,238	
Total Estimated Cost per EDU	\$15,426	\$15,426	\$16,333	
Estimated Annual Debt Service	\$420,868	\$56,047	\$197,085	\$674,000
Annual Burden per EDU	\$514	\$514	\$544	
<i>Monthly Burden per EDU</i>	<i>\$42.85</i>	<i>\$42.85</i>	<i>\$45.37</i>	

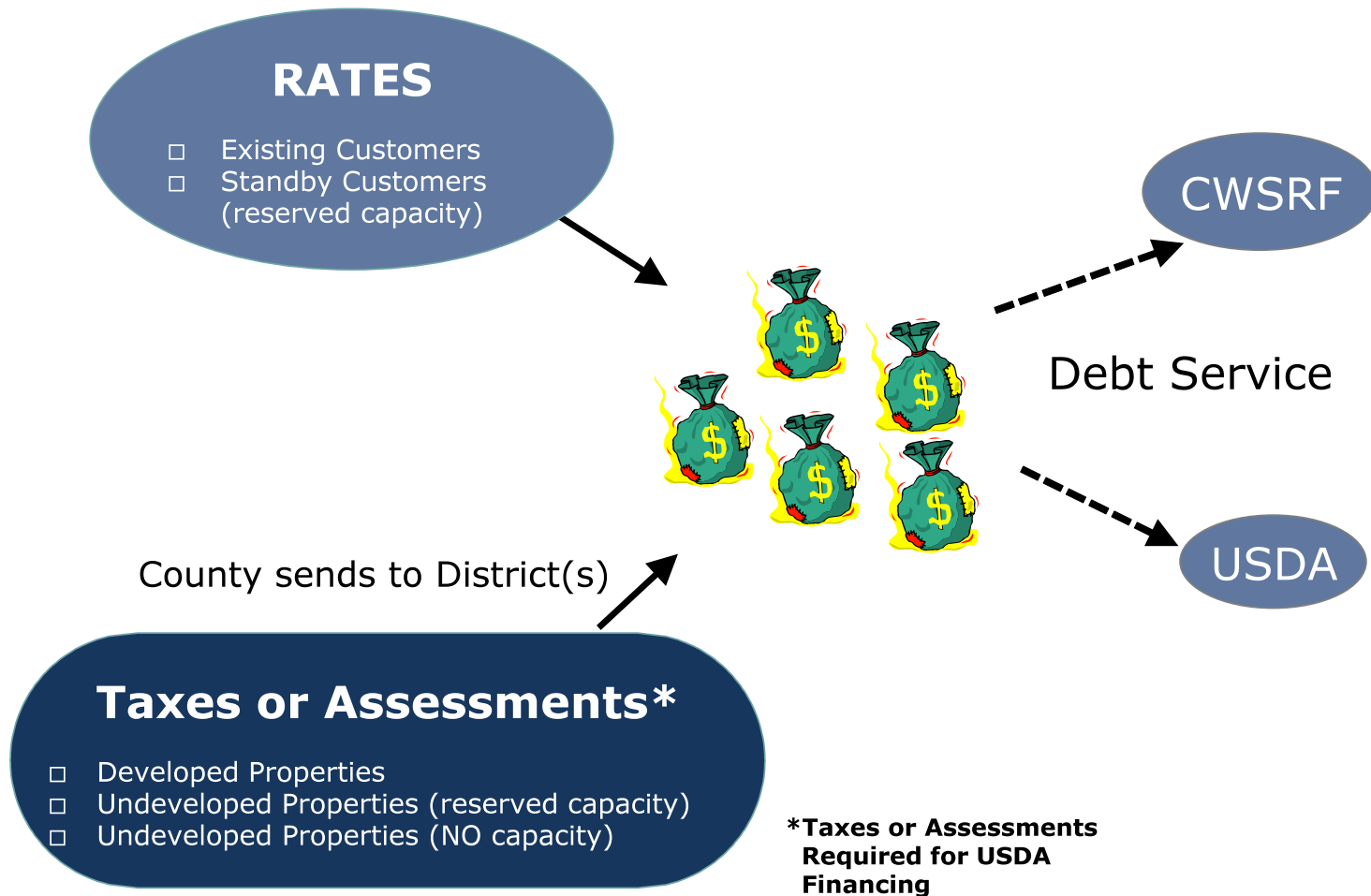
Source: HEC

[1] Total estimated cost per ECO:LOGIC Preliminary Design, August 2010.

[2] Includes DSPUD's share of Project Cost and Planning Loan.

[3] Interest paid over 30-year term at 2.70% interest rate.

Paying for the Project



Current and Projected Cost Burden – Existing Customers

DSPUD

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100% CWSRF (planning loan refinanced)

Item	Current	Projected
Existing Customers [2]		
Current Monthly Rate [1]	\$110.32	\$110.32
Estimated Additional Project Monthly Cost		\$42.85
Estimated Total Monthly Burden	\$110.32	\$153.17
Percentage Increase		39%
2009 monthly MHI (per CWSRF)	\$3,401.42	\$3,401.42
Sewer Bill as % of MHI	3.2%	4.5%

Current Rate Schedule

May be paid by
increasing rates or
as a special tax
collected with
property tax (with
formation of a CFD)

Source: HEC and CWSRF July 2010 Planning Loan

[1] Impact of project on annual operations and maintenance (o&m) costs not estimated; total burden may increase (or decrease) from shown depending on final project costs and projected o&m costs.

[2] Existing includes current ratepayers who are connected to the system.

Current and Projected Cost Burden – Reserved and Future Customers

DSPUD

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100% CWSRF (planning loan refinanced)

Item	Current	Projected
Reserved Customers [2]		
Current Monthly Rate [1]	\$45.72	\$45.72
Estimated Additional Project Monthly Cost		\$42.85
Estimated Total Monthly Burden	\$45.72	\$88.57
Future Customers [3]		
Monthly Rate [1]	\$45.72	\$45.72
Estimated Total Monthly Burden		\$45.37
Estimated Total Monthly Burden	\$45.72	\$91.09

Current Rate Schedule

May be paid by
increasing rates or
as a special tax
collected with
property tax (with
formation of a CFD)

Source: HEC and CWSRF July 2010 Planning Loan

- [1] Impact of project on annual operations and maintenance (o&m) costs not estimated; total burden may increase (or decrease) from shown depending on final project costs and projected o&m costs.
- [2] Reserved includes current ratepayers who have paid a connection fee and are able to connect at any time, but have not yet connected to the system.
- [3] Future includes customers for whom the plant is being expanded and will be able to connect on completion of the Project (spring of 2014).

What is a Community Facilities District?

- State Law allows Creation of a CFD for Long-term Financing of Improvements
- People Vote on Purpose, Length and Maximum Annual Amount to be Taxed
- Tax is not a Personal Liability; it Stays With the Property upon Sale
- CFD Tax is Paid With and is Similar to Property Taxes
- Tax is a Deduction for Income Tax

Advantages of a Community Facilities District (CFD)

Annual payments are Special Taxes due with Property Taxes and Special Taxes are a Tax Write-off

Secure and predictable revenue stream for DSPUD; the pledged revenue for the CWSRF loan is not subject to future rate increases (proposition 218 process)

Special taxes will begin to be collected with property taxes Fiscal Year 2012-13 (first payment November 2012) and cannot increase beyond the maximum set by a vote of landowners and / or registered voters

Customer can prepay the special tax on their property (or partially prepay)

The CFD is only authorized to finance specified facilities; keeps the Project cost separate from regular operations of the sewer system

Collection ease for DSPUD – Placer & Nevada Counties will send DSPUD the special taxes (no cash flow issue since loan payment due once annually)

The CFD can be created to best suit the customer base; taxes may be collected on reasonable nexus

Formation Process and Timeline for a CFD

2011	
Jan - Mar	Initiate CFD and Prepare Documents (map, list of facilities, tax formula), approve CFD Goals and Policies
Mar	Resolution of Intention (Board Meeting)
Apr	Notice of Hearing, file hearing report with County Clerk(s)
May	Hearing (Board Meeting) – <i>if no majority protest by registered voters, continue with</i> Resolution of Formation
Aug	Special Election of Registered Voters - <i>requires 2/3rds approval to pass</i>
Sep	Resolution Canvassing Election (Board Meeting)
Oct	Ordinance to Levy Special Tax Effective
2012	
Jul	Calculation of special taxes, placement on tax rolls for FY 12-13
Nov	First Taxes Due (with property tax)

Project Milestones

2011	
Jan / Feb	Initiate CFD (optional)
Apr	Pre-design & Environmental reports complete
May	Funding application packages complete; 30-year lease on properties secured
Aug	CFD special election (optional)
Nov	Proposition 218 hearing
Dec	Treatment Plant Design complete
2012	
Feb	Bid Opening and Contract Awarded
May	Construction Begins
Aug	First Levy of CFD max. taxes (optional)

Workshop Conclusion

■ Questions and Answers

■ Contact Information

■ **HEC** - Catherine Hansford (530) 412-3676

■ *www.hansfordecon.com*

■ **EPS** - Russ Powell (916) 649-8010

■ *www.epsys.com*

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■ *www.joneshall.com*