

DRINKING WATER BOARD
BOARD PACKET FOR CONSTRUCTION LOAN
AUTHORIZATION

APPLICANT’S REQUEST:

San Juan Spanish Valley Special Service District (SSD) is requesting financial assistance in the amount of \$2,550,000 to develop a new culinary drinking water system. The total cost of the project is expected to be \$5,100,000 and they have requested \$2,550,000 from the Community Impact Board (CIB). They scored 25.3 points on the project priority list.

STAFF COMMENTS:

Currently, the Spanish Valley area within San Juan County does not have a community culinary water system. The residents rely on private on-site wells. San Juan County has recently formed a SSD to serve the area of Spanish Valley and have recently acquired the water rights necessary to operate a community wide culinary water system. An engineering study was conducted to determine the best alternative to install a new culinary system that is able to provide for the 230 existing homes and support population growth over the next 20 years for this area. A community wide culinary water system will provide fire protection and reduce the potential for aquifer contamination posed by many wells and septic systems.

The proposed project includes a new well, a 500,000-gallon water storage tank, 3,000 feet of distribution piping and several valve stations.

The local MAGI for San Juan County is \$31,965, which is 76% of the State MAGI. Based on their estimated operation and maintenance costs, a full loan at the calculated interest rate of 2.48% for 20 years would result in an average water bill of approximately \$121/ERC which is 4.56% of their local MAGI. Based on their MAGI and anticipated water bill, San Juan Spanish Valley SSD qualifies to be considered for additional subsidization. A maximum of 30% principal forgiveness meets the ceiling limits of most capitalization grants.

The following options were evaluated:

	Total Funding	Principal Forgiveness	Loan	Term	Interest Rate	Water Bill	% of Local MAGI
Option 1	\$2,550,000	\$510,000	\$2,040,000	20 yrs	2.48%	\$106.67	4.00%
Option 2	\$2,550,000	\$765,000	\$1,785,000	30 yrs	1.00%	\$78.84	2.96%
Option 3	\$2,550,000	\$765,000	\$1,785,000	30 yrs	0%	\$74.46	2.80%

San Juan Spanish Valley SSD

August 31, 2016

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*The evaluations are based on the assumption that CIB will provide 50% grant with 2.5% interest for 30 years as terms on the loan portion.

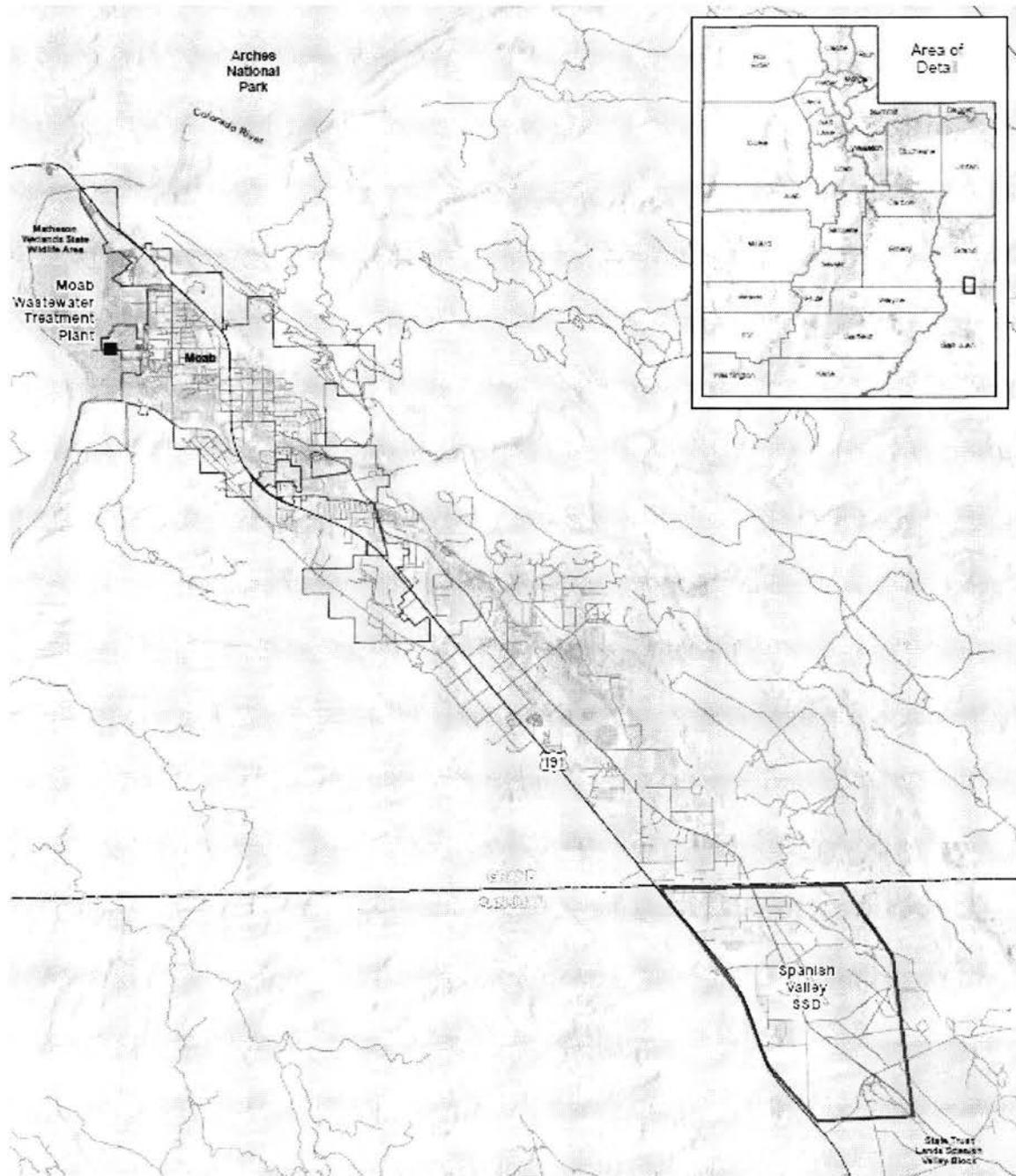
FINANCIAL ASSISTANCE COMMITTEE RECOMMENDATION:

The Drinking Water Board authorize a loan of \$2,550,000 at 0% interest for 30 years with \$765,000 in principal forgiveness to the San Juan Spanish Valley SSD.

APPLICANT'S LOCATION:

San Juan Spanish Valley SSD is located in San Juan County, 9 miles south of Moab.

MAP OF APPLICANT'S LOCATION:



PROJECT DESCRIPTION:

The proposed project is to construct a stand-alone culinary water system, to be maintained and administered by San Juan Spanish Valley SSD. The project will include a new well, a 500,000-gallon water storage tank, 3,000 feet of distribution piping, hydrants and several valve stations. The will also purse purchasing an existing well as a second source, and upgrading to comply with Division Rules.

ALTERNATIVES EVALUATED:

The following alternatives were evaluated:

- No action- Continue the use of private on-site wells to supply culinary water for residences within the Spanish Valley SSD service area.
- Design and construct a stand-alone culinary water system to be constructed, maintained and administered solely by Spanish Valley SSD.
- Design and construct a culinary water system cooperatively with Grand Water & Sewer Service Agency. This alternative would use the existing GWSSA well source, storage tank and 16-inch transmission line to serve the lowest pressure zone of the proposed distribution system in San Juan County. Also, if needed, water could be provided to the GWSSQ distribution system from the proposed Spanish Valley SSD well and storage tank.

POPULATION GROWTH:

Based on the Master Plan prepared for San Juan Spanish Valley SSD, a growth rate of approximately 2% per year is expected over the next 20 years.

	<u>Year</u>	<u>Population</u>	<u>ERC</u>
Current:	2016	575	229
Projected:	2035	854	340

IMPLEMENTATION SCHEDULE:

Apply to DWB for Construction Funds:	July 2016
SRF Committee Conference Call:	August 2016
DWB Funding Authorization:	August 2016
Advertise Environmental Assessment:	October 2016
Complete Design:	February 2017
Plan Approval:	March 2017
Advertise for Bids:	March 2017

Bid Opening:	March 2017
Loan Closing:	April 2017
Begin Construction:	May 2017
Complete Construction:	May 2018
Receive Operating Permit:	May 2018

COST ESTIMATE:

Legal and Bonding	\$10,000
Rights of Way & Easements	\$30,000
Environmental	\$43,000
Engineering	\$507,500
Construction- Well	\$565,000
Construction- Water Lines	\$2,584,500
Construction- Storage Tank	\$520,000
Road Repairs/Mobilization	\$430,000
Contingency	<u>\$410,000</u>
Total Project Cost	\$5,100,000

* American Iron and Steel and Davis Bacon Wages were incorporated into cost estimates

COST ALLOCATION:

The cost allocation proposed for the project is shown below.

<u>Funding Source</u>	<u>Cost Sharing</u>	<u>Percent of Project</u>
DWB Loan (0%, 30-yrs)	\$1,785,000	35%
DWB Grant	\$765,000	15%
CIB	<u>\$2,550,000</u>	<u>50%</u>
Total Amount	\$5,100,000	100%

ESTIMATED ANNUAL COST OF WATER SERVICE:

Operation and Maintenance plus Depreciation: \$55,000
 DDW Debt Service: \$59,500
 DDW Debt Service Coverage: \$5,950
 Partial Coverage: \$8,925
 CIB Debt plus coverage: \$76,145
 Annual Cost/ERC: \$15,260.50
 Monthly Cost/ERC: \$74.46/ERC
 Cost as % MAGI: 2.80%

APPLICANT:

San Juan Spanish Valley SSD
P.O. Box 9
Monticello, UT 84535
Telephone: (435) 587-3225

PRESIDING OFFICIAL &
CONTACT PERSON:

Kelly Pehrson

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From: **Ryan Jolley** <Ryanj@jonesanddemille.com>

Date: Mon, Jun 20, 2016 at 8:57 PM

Subject: RE: San Juan Spanish Valley SSD - O&M Estimate

To: Nathan Hall <nhall@utah.gov>, "Pehrson, Kelly" <kpehrson@sanjuancounty.org>

Cc: Scott Hacking <SCOTTH@utah.gov>, John Chartier <Jchartier@utah.gov>, Michael Grange <mgrange@utah.gov>, Daniel Hawley <daniel.h@jonesanddemille.com>

Nathan,

Thanks for the thorough review and the thought you've put into this application.

We are working on finalizing the written water system feasibility study. We used the alternatives analysis from that study to determine the most feasible water system alternative. We'll send the written report over in the next week, which will give you some more information on the system in the area including the O&M estimate. We're also almost finished with the DDW application for the remainder of the funding.

In summary, the alternative of combining systems with Grand Water and Sewer was considered and evaluated closely. It was determined that a combined system wouldn't eliminate any portion of the proposed system. In fact connecting the systems would require a significant amount of additional piping and valve/pump stations. In addition to the additional system components, the Grand Water and Sewer District intended to charge full impact fees to each of the new hookups. GWSSA has also told us multiple times that they will not encumber their residents to help pay for the San Juan Spanish Valley system. Because of the significant additional expenses (added components and impact fees), it was determined that a separate system was much more economical to the SV resident.

We have discussed an emergency connection between the systems and both districts are very amenable to this idea.

We are also very aware of the difficulty in getting people to sign up and we have discussed at length. We have a couple of ideas that we intend to implement if we can't sell enough connections to the existing residents. ...

Your input and questions are appreciated. This project is very important to San Juan County and they are willing to provide whatever information is needed to make this a successful funding request.

Ryan Jolley, PE

Principal

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infrastructure professionals

From: Nathan Hall [<mailto:nhall@utah.gov>]

Sent: Tuesday, June 14, 2016 9:17 AM

To: Pehrson, Kelly <kpehrson@sanjuancounty.org>

Cc: Ryan Jolley <Ryanj@jonesanddemille.com>; Scott Hacking <SCOTTH@utah.gov>; John Chartier <Jchartier@utah.gov>; Michael Grange <mgrange@utah.gov>

Subject: Re: San Juan Spanish Valley SSD - O&M Estimate

Kelly,

I know that you are working with Grand Water and Sewer on the sewer part of this project and you have evaluated the possibility of getting wholesale drinking water from them too - but with the elevation differences and impact fees the water side ended up being more economical to have a separate system with maybe an emergency connection to Grand W&S.

In the past when we have funded brand new systems like the one you are proposing, one of the biggest challenges is getting enough people to "sign up" to connect before loan closing so you have a verified income source large enough to pay back the bond.

In that respect, and regarding economies of scale, the scenario of expanding Grand W&S to serve across the county line makes a lot more sense - just because they are already an established system and not starting from scratch. I know there are political considerations, and issues with them providing service across the county line, but I have heard that there are ways around that, with interlocal agreements and other legal tools. I don't think it is impossible for a District to cross into another County if they really want too and there is cooperation between counties, and I believe there are Districts along the Wasatch Front that have worked around it.

Can you let me know your thoughts about this scenario? Whether you have already had this specific conversation with Grand W&S? If this option has not been explored, can you look into it, reach out to Grand W&S, and let me know how it goes? Please reply-all and add any others you think should be in the conversation.

Thanks,

Nathan D Hall, P.E.
Utah Division of Drinking Water
Construction Assistance Section
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