

City of Hughson

City Council Workshop

Financing Plan for Wastewater Treatment Plant Upgrade/Expansion

March 26, 2007



BARTLE WELLS ASSOCIATES
Independent Public Finance Advisors



Project Recap

- **Jan. 22 meeting**
 - Initial review of range of financing options available
 - Received staff and City Council feedback
- **Feb. 26 meeting**
 - Presented a detailed investigation of each funding opportunity
 - Narrowed down to 2-3 “best options”
 - Developed preliminary fiscal analysis of each option
- **Tonight**
 - Present final recommendations



Summary of Findings

- **Revenue bonds and Certificates of Participation (COPs)**
 - **Repayment guaranteed by utility revenues**
 - **City required to set sewer rates to meet 100% of annual debt service**
 - **Sewer rates would need to immediately increase by 130%+**

- *Not Recommended*

- **Mello-Roos (special tax) and Assessment District Financing**
 - **Fee assessed on parcels directly receiving project benefits**
 - **No candidate developments available that would be suitable for formation of district**

- *Not Recommended*



Summary of Findings

■ California i-Bank loan

- Designed for California community water & wastewater infrastructure improvements – maximum \$10 million
- Could only be used for part of financing (if in conjunction with SRF)

- Not recommended

■ Small Community Grant Program

- SWRCB grants of up to \$2 million for small community water & wastewater infrastructure improvements
- City of Hughson exceeds median income limits

- Ineligible



Summary of Findings

- **Capital appreciation bonds**
 - Initial payments are deferred resulting in a larger total issue
 - Relies on growth to build impact fee reserves to be used to pay future debt service
 - Development risk and high interest rates

- Not Recommended

- **Stanislaus County Economic Development Bank Loans**
 - Maximum loan available around \$500,000
 - Value of loan does not justify application effort

- Not Recommended



Summary of Findings

- **State Revolving Fund Loan**
 - **Below-market rate loans to finance wastewater treatment plant improvements. Currently around 2.5%**
 - **Payments not due until 12 months *after* improvements have been put in service**
 - **Additional time to accrue service charges and impact fees for future repayment**
 - **No reserve fund requirement**
 - **Flexibility in using impact fees to repay a portion of debt**

- Recommended



Financing Plan – DIF update

- Updated cost of treatment plant project
 - \$10 million → \$35.6 million
- Plant capacity to increase by 0.9 mgd to 1.9 mgd, sufficient to meet General Plan build-out of an additional 3000 EDUs
- User benefit of this upgrade is 19.8% to current user and 80.2% to future users (Carollo Engineers)
- Old DIF: \$5710 New DIF: \$13,755
- BWA recommends adopting new DIF as soon as possible

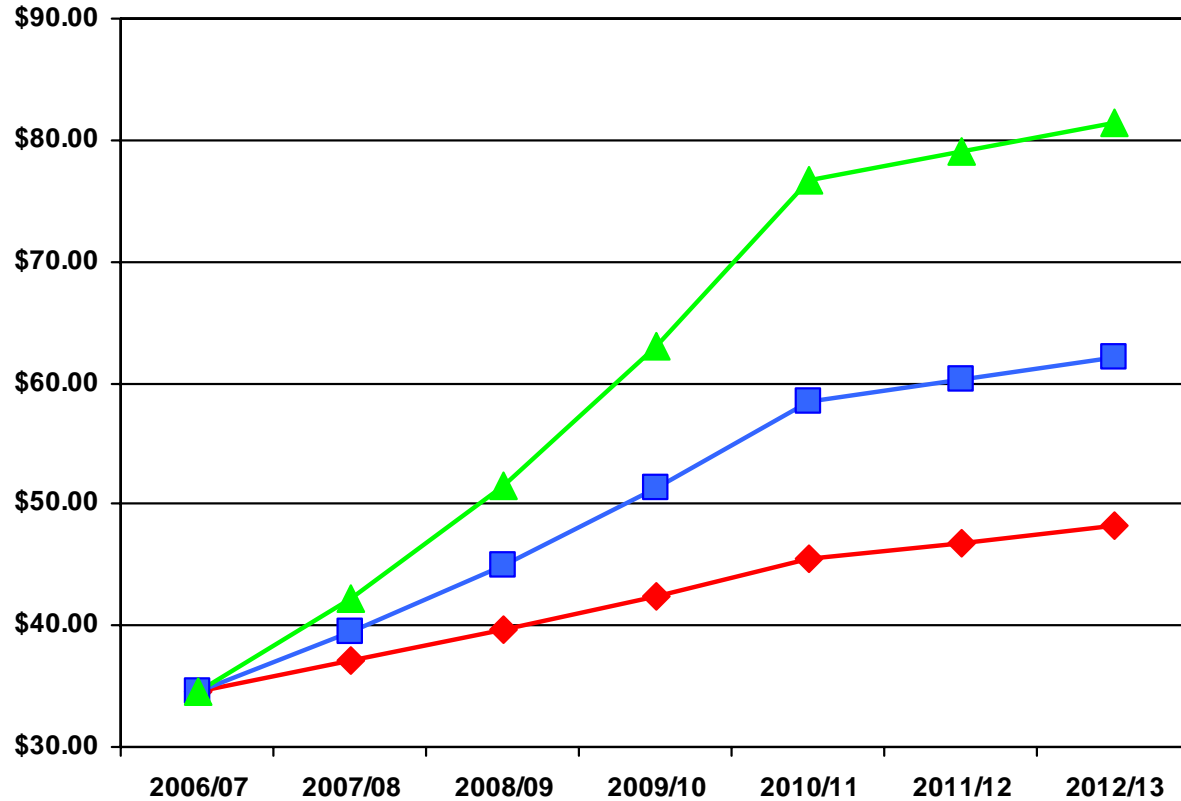


Financing Plan – Rates

- **Rate increases dependent on growth (and DIF revenue)**
- **Recommend phased rates over four years**
- **Recommend cost of living escalator**
- **BWA developed three scenarios**
 - **High growth (100 units a year)**
 - **Moderate growth (65 units a year)**
 - **Low growth (30 units a year)**

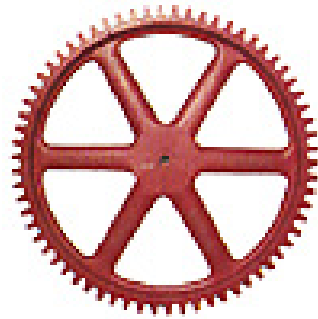


Financing Plan – Rates



◆ High Growth ■ Medium Growth ▲ Low Growth

NEXT STEPS





Next Steps

- **BWA has discussed project with State and Regional Water Board**
- **Get on regional Priority list by April 30, 2007**
- **Major deliverables:**
 - **Project report**
 - **Environmental report**
 - **Draft revenue program**
 - **Water conservation plan**
 - **Loan application**
- **Projects are being funded on an “as-ready” basis**

DISCUSSION

