

LRPC Notes

Feb. 13, 2016

- **Meter Study – New Participant Status**

- Feb 5th Progress: Installed 19 Full Time; 14 Part Time
- Request staff provide list of FT/PT by Tank
- Plan to install 30 meters Tank 4 (CCWD water) and 30 Tank 6 (Well water)
- Meters to be installed & tested by Feb ME
- Data to be analyzed and rate structure determined by Sept-Oct timeframe
- Need to determine more defined funding & installation options
- Goal is for new rate structure to be in place for 2017 billing cycle

- **Reasons for Meter Study**

- Shareholder involvement increases “buy-in”
- Ability to work out “bugs” in new radio read meter process prior to full implementation
- Utilize more frequent and detailed information available from automated new readings (Ex: Tank 4 vs. Tank 6 usage)
- Need current data relevant to our drought based environment
- 2015 data shows a major downward shift once the membership realized the need to reduce consumption (Need to validate how that reduction is holding for 2016 with members who know their water is being metered)
- Participant inputs (No. in household, cabin usage) may provide insight into the nuances of “zero” readings in historical data

- **Basis to consider for New Rate Structure (As a Reference CCWD Rate Info)**
 - State law requires CCWD to set rates and levy charges sufficient to cover operating expenses, including interest on debts, and to provide funds for replacement or construction of facilities
 - Service and demand charge. The monthly base charge to cover the fixed costs of maintaining the District's infrastructure to your meter, your account, and general District overhead

- **MC Engineering Preliminary Engineering Report (PER) Proposal**
 - Original estimate Aug 20, 2015 was \$40 - \$60K
 - Current Jan 26, 2016 proposal for MC Engineering's portion is \$53,250
 - Added in extra Subcontract costs for environmental and geotechnical work
 - The environmental work (Est \$36K) will cover Federal (NEPA) and State (CEQA) environmental review of the project, and is required for the loan. The cost for this will depend on the type of report the government wants us to file, negative declaration, as we did for well #4, or more extensive CEQA and NEPA.
 - The geotechnical work (Est \$9K) may be needed to determine soil condition prior to excavation.
 - A lot of info in Tasks 3 & 4 should have been covered in our Water Master Plan
Note: We need to make sure MC Engineering has access to all the data in our WMP, and utilize it to maintain consistency with efforts thus far, reduce redundancy, as well as keep the cost down
 - Schedule shows Final Report & Recommendations 6/23-7/20/16

- **Holman Capital Private Financing Proposal for “Meter Replacement Project”**
 - Financing amount \$1.323M based on Dave’s latest estimate:
 1. Remaining cost to purchase meters & equipment \$626,687
 2. Installation cost last estimate \$475/service X 1,440 = \$684,000
 - Interest Rate 5.78%; Term 10 Years
 - 20 Payments every 6 months of \$88,003.63 (\$176K annually)
 - Interest amounts to \$44K/year; total \$437K over 10 years
 - The loan to be secured by a lien on the water meters
 - Debt Service Reserve Fund - Borrower must maintain a reserve fund equal to one (1) year’s principal & interest (\$176K) to be held with escrow agent
 - Loan Covenant: The Borrower is required to maintain a 1.25x debt service coverage throughout the term of the loan agreement
 - In the event the borrower is unable to maintain the aforementioned debt service coverage, the Borrower will covenant to increase rates to meet the required coverage ratios. Debt service coverage is defined as the operating and non-operating income, divided by total debt and lease payments due in the fiscal year.
 - Parity Debt: Borrower shall not incur any obligations payable from or secured by revenues which is or purports to be payable on a basis which is superior to the payment of the Loan. Borrower shall not incur any parity debt unless the Lender provides written authorization.

- **Holman Capital Proposal for “Meter Replacement Project” (Continued)**
 - **Escrow Funding:** HCC has assumed funding of an escrow account for this transaction on or about **March 3, 2016**. The Funds will be used to pay equipment vendors/ contractors and any escrow expenses
 - **Rate Lock Expiration:** If funding does not take place by **March 3, 2016**, the Loan Rate and Loan Payment Amounts will be adjusted to market conditions three (3) days prior to funding. Once set, the Loan Rate will remain fixed for the Loan Term
 - **Documentation:** Holman Capital Corporation will document all facets of the transaction. The Borrower will be responsible for a \$12,000.00 documentation fee that has been included in the financing amount

NOTE: Much to consume and huge decision to have to make within short period of time. What are the implications/impacts this debt could have on our qualification for the USDA Loan and vice-versa, the USDA loan debt having on this private loan? Also, can probably install meters much cheaper if done in parallel with infrastructure improvements

- **Future Office actions/decisions**
 - What is current status?
- **Ebbett’s Pass Accounting Audit Review**
 - Verification of Audit Review Underway