

TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN *MSL*
GENERAL MANAGER

DATE: MAY 8, 2013



**CONSIDER ALTERNATIVE FINANCING PLAN FOR
SUPPLEMENTAL WATER PROJECT PHASE 1**

ITEM

Review the financing plan for Supplemental Water Project Phase 1 [RECOMMEND CONSIDER FINANCING PLAN AND BY MOTION AND ROLL CALL VOTE APPROVE FINANCING PLAN FOR SUPPLEMENTAL WATER PROJECT PHASE 1].

BACKGROUND

On February 13, 2013, the Board of Directors authorized circulating bid documents for Supplemental Water Project Phase 1 and approved a Financing Plan based on the Engineer's Estimate for the Phase 1 project.

District received bids for the Phase 1 project the week of March 24. The total low bid exceeds the previously estimated project cost by 24%. Projected costs are outlined below.

Supplemental Water Project Phase 1, Cost Estimate

Description	Projected Cost (based on apparent low bidder)
Bid Package 1 - Santa Maria River Crossing	\$7,197,140
Bid Package 2 - Nipomo Area Pipeline Improvements	Not part of this Phase
Bid Package 3 - Blosser Road Waterline and Flow Meter	\$2,575,710
Bid Package 4 - Joshua Street Pump Station and Wellhead Chloramination Systems	\$4,344,710
Construction Subtotal	\$14,117,560
Construction Contingency (5%)	\$706,000
Estimated Construction Total	\$14,823,560
Right-of-Way (ROW) Acquisition	\$250,000
Design Engineering	\$450,000
Construction Management	\$1,736,000
Non-Construction Subtotal	\$2,436,000
Non-Construction Contingency (10%)	\$243,600
Estimated Total Non-Construction Costs	\$2,679,600
Estimated Total Cost	\$17,503,160

FISCAL IMPACT

On April 10, 2013 your Board reviewed a financing plan approach based on these projected costs and directed staff to proceed with further analysis. On April 24, your Board's approved the finance plan outlined below.

Supplemental Water Project Phase 1, Financing Plan

Fund Source	Amount Proposed for SWP Phase 1	Remaining Fund Balance
DWR Proposition 84 Grant	\$2,200,000	Not Applicable
Certificates of Participation (COP) secured by existing property tax revenue	\$5,000,000	Not Applicable
Fund #500 Supplemental Water Fund	\$1,000,000	\$138,000
Fund #600 Property Tax Fund	\$2,400,000	\$0
Fund #805 Funded Replacement – Water Fund	\$4,000,000	\$1,000,000
Fund #125 Water Fund	\$1,500,000	\$1,370,000
Fund #700 Water Capacity	\$1,404,000	\$1,500,000
Total From All Funding Sources	\$17,504,000	\$4,008,000

An alternate funding plan that preserves District liquidity by borrowing additional funds may be advantageous to preserving District options for funding of future water fund projects. District Financial Advisor de Crinis and Company confirms Districts ability to issue additional COPs with repayment covered by existing District rates. This alternative Financing Plan would be as follows:

Supplemental Water Project Phase 1, Alternative Financing Plan

Fund Source	Amount Proposed for SWP Phase 1	Remaining Fund Balance
DWR Proposition 84 Grant	\$2,200,000	Not Applicable
Certificates of Participation (COP) secured by existing property tax revenue	\$9,000,000	Not Applicable
Fund #500 Supplemental Water Fund	\$1,000,000	\$138,000
Fund #600 Property Tax Fund	\$2,400,000	\$0
Fund #805 Funded Replacement – Water Fund	\$0	\$5,000,000
Fund #125 Water Fund	\$1,500,000	\$1,370,000
Fund #700 Water Capacity	\$1,404,000	\$1,500,000
Total From All Funding Sources	\$17,504,000	\$8,008,000

The \$4 million in new COP funding would subject to an optional early call. The Board identifies Fund 805 as a potential source to support the early call post-litigation.

DISCUSSION OF FUNDS

The \$2.2 million California Department of Water Resources (DWR) grant was awarded to the District through San Luis Obispo County's Integrated Regional Water Management Grant application. The County is prepared to issue a grant agreement for disbursement of funds concurrent with your Board's award of construction contracts (scheduled for May 22, 2013).

Certificates of Participation (COP) –The issue would refinance the District's 2003 COPs and raise approximately \$9,000,000 in capital. The annual debt service for the combined issue would be approximately \$736,000. The District would pledge existing annual property tax revenue stream of approximately \$500,000 per year and a portion of funds earmarked annually for reserves, for repayment of the COPs.

The majority of Fund #500, Supplemental Water Fund, is designated for the project. Approximately \$75,000 of this fund is designated for desalinization supplemental water project. The desalinization designated funds would not be used on this project.

Fund #600, Property Tax Fund, is reserves generated by annual property tax revenues. Your Board made a finding on February 13, 2013, to use the reserves for the supplemental water project and pledge/dedicate the annual property tax revenue stream for repayment of the debt.

Fund #805, Funded Replacement – Water Fund, is designated for replacing existing water infrastructure. Use of this fund would be appropriate since the proposed supplemental water project would replace/offset current water sources (wells). This fund is fully preserved by the Alternate Financing Plan.

Fund #125 Water Fund, these funds represent current balance of the Water Fund in excess of District Reserve policy.

Fund #700 Water Capacity Fund, capacity funds are set aside for constructing new District infrastructure and adding capacity.

STRATEGIC PLAN

- Strategic Plan Goal 6.1 – Operate all enterprise funds to be financially sound
- Strategic Plan Goal 6.2 – Achieve targeted operating and non-operating reserves
- Strategic Plan Goal 6.3 – Ensure that decisions consider short and long term fiscal impacts

RECOMMENDATION

Staff recommends that your Board, approve the Alternate Financing Plan for Supplemental Water Project Phase 1.

ATTACHMENT

None