

SULTAN CITY COUNCIL COMMITTEE
Government Services and Public Safety

AGENDA ITEM COVER SHEET

DATE: December 6, 2007

SUBJECT: Wastewater Treatment Plant Upgrade
Funding Strategies

CONTACT PERSON: City Administrator Knight
Public Works Director Dunn
Wastewater Treatment Plant Supervisor Oesch

SUMMARY:

These are the materials provided to the Development group on funding strategy of Public-Private Partnership to secure funding for the Wastewater Treatment Plant Upgrade Design and Construction.

Attachments:
November 20, 2007 meeting

- A. Agenda
- B. Sign In Sheets
- C. Minutes of the meeting
- D. Cash Flow Spreadsheet

**City of Sultan
November 20, 2007
Agenda**

Wastewater Treatment Plant Upgrade Funding Strategy

To develop funding options and strategies for the upgrade at the WWTP to MBR treatment process is the purpose of this meeting.

Introductions:

Establishing Local Improvement Districts:

Reports:

Brown and Caldwell

Project design update

WWTP cash flow annual needs

Available Funding:

USDA, RD - Darla O'Connor

PWTF, - Terry Dale

DOE, Ken Ziebart, Regional Engineer

Tammie McClure, Financial Manager

Piper, Jaffray & Co. - Jane Towery, Bonding Information

CDBG - Debra May

DEVELOPER'S MEETING - WWTP
 NOVEMBER 20, 2007 - 10:00 A.M.
 SIGN-IN SHEET

NAME	ADDRESS	PHONE	EMAIL
Bill McCarthy Broun + Caldwell	701 Pike St. Suite 1200 Seattle, WA 98101	(206) 749-2303	bmccarthy@brunccald.com
Randy Oesch City of Sultan	P.O. Box 1199 Sultan WA 98294	360-793 2603	sultanwwtp@verizon.net
WAYNE ELLSTAD SKYRIDGE ESTATES, LLC	15823 80th ST SE SNOHOMISH, WA 98290	425.345.2468	WAYNEELLSTAD@YAHOO.COM
Kenneth Zebart	3140 160th SASE Bellevue WA 98008	425 649-7164	KZIE461@ECY.WA.GOV
TADD GIESBRECHT BROWN & CALDWELL	701 PIKE ST. 1200 SEATTLE, WA 98101	(206) 749-2315	tgiesbrecht@brunccald.com
Matt Anderson Pur One developer	6003 29th NE Seattle. 98115	208 852-1279	matth-and@comcast.net

ATTACHMENT B 1

DEVELOPER'S MEETING - WWTP
 NOVEMBER 20, 2007 - 10:00 A.M.
 SIGN-IN SHEET

NAME	ADDRESS	PHONE	EMAIL
Connie Dunn City of Sultan Keith Arndt	mailing address 345 S. Blakely St. Monroe, WA 98272	360 793 2231	connie.dunn@ci.sultan.wa.us
Jane Towery	601 Union St Ste 5010 Seattle, WA 98101 Piper Jaffray	206 254-7249	jane.d.towery@psj.com
Dan Songer	333 156th St. NE Arling, WA 98223	425-446-1906	dan@themolnickgroup.com
Tammie McHure	P.O. Box 417696 Olympia WA 98504	360 407-6410	Amcc46@Oly.wa.gov.
LAURA KOENIG CITY OF SULTAN		360 793 2231	laura.koenig@ci.sultan.wa.us

ATTACHMENT B 2

DEVELOPER'S MEETING - WWTP
 NOVEMBER 20, 2007 - 10:00 A.M.
 SIGN-IN SHEET

NAME	ADDRESS	PHONE	EMAIL
Darla Connor	2021 E. Collegeway North Vernon 98073	360/428-4302 X160	darla.connor@wa.usda.gov
Craig Sewan SULTAN 144 LLC	15 LAKE BELLEVUE DR #102 BELLEVUE WA 98005	425 869 1300	craig@taylordev.com
K. O'BRIEN SULTAN 144 LLC	<i>[Signature]</i>	<i>[Signature]</i>	KO@TAYLORDEV.COM
PAUL S'HALINA TORTORICE	32505 132ND ST SE SULTAN, PO BOX 1919	360 793-7721	TORTORICCI@GMAIL.COM
Rick Lisak	City of Sultan	360-793-2231	RICK.CISAK@CI.SULTAN.WA.US
D. Knight	City of Sultan	(360) 793-7358	deborah.knight@ci.sultan.wa.us

Wastewater Treatment Plant Upgrade Funding Strategy
November 20, 2007
Meeting Notes

Goal:

To develop funding options and strategies for the upgrade at the WWTP to MBR treatment process is the purpose of this meeting.

Introductions:

See attached for sign-in sheet

Establishing Local Improvement Districts:

Jane Towery with Piper Jaffrey discussed options for establishing a local improvement district (LID) limited to the property owners who are interested in extending sewer services to their properties.

Jane indicated that she is not aware of a limit on LIDs that excludes properties outside the City limits but inside the City's Urban Growth Area (UGA). The key is that LID must be based on a specific location that will benefit from the improvement.

Jane emphasized that LIDs should be affordable and based on appropriate ratios of expense and benefit.

There are two parts to an LID – interim financing where there are no assessment to the property and project completion (construction) where properties are assessed for the completed improvements.

The group discussed whether LIDs were required to be contiguous properties. The group discussion led to an understanding that LIDs cannot be assessed against undeveloped properties. They can be assessed against undeveloped properties but are not marketable in the public market.

At the conclusion of the discussion, it appeared that establishing an LID limited to the interested property owners to fund the waste water treatment plant expansion is not a feasible option. Other alternatives will need to be developed.

Reports:

Brown and Caldwell

Project design update –

- The project design is moving forward on schedule. The question is whether the City will have sufficient cash flow in 2008 to make the

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Discussion:

Time line for funding needs

Funding Needs	Project Phase	Time	Sources of Revenue
Short-term	Design	6/2008-7/2009	Water/sewer revenue bonds
Mid-term	Construction	8/2009-12/2010	State Revolving Fund State Appropriation PWTF loan Rural Development Upfront Connection Charges
Long-term	Debt Repayment	12/2010	General facility charge

- The City needs to cover the cash flow shortages between June 2008 and July 2010 in order to keep the project moving forward.
- Developers would rather pay general facility charge at the time of building permit (i.e. at the time of need) than pay cash up front today even if the connection fee doubles as proposed between now and final construction.
- Any advanced funding from developers (i.e. before connections are needed) should take into consideration the time value of money.
- An LID doesn't seem to be a financing vehicle the City can use for short-term financing since the properties that would benefit are mostly vacant land.
- The City needs to keep in mind the needs of the bond market and ensure any funding from the open market provides sufficient return on investment compared to the risk. Instead use: does not result in utility rates that are too high compared to surrounding communities.

Next meeting agenda

What is the best financial tool to meet the City's short-term need for funding and the City's ability to repay debt service?

**Sultan WWTP Upgrade
Cash Flow Estimate**

Cash Flow Estimate		Total (in 2008)	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
WWTP Upgrade Related Costs																
Design Cost																
BC and subconsultants design	\$1,245,000		\$50,000	\$75,000	\$100,000	\$100,000	\$100,000	\$100,000	\$105,000	\$120,000	\$120,000	\$125,000	\$130,000	\$100,000	\$10,000	\$10,000
Enviroquip MBR design	\$150,000			\$45,000	\$15,000	\$15,000	\$15,000	\$15,000	\$10,000	\$10,000	\$10,000	\$10,000	\$5,000			
Construction Cost		\$16,762,000														
Additional O&M																
~\$75k/year starting after commissioning																
Total		\$18,157,000	\$50,000	\$120,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000	\$130,000	\$130,000	\$135,000	\$135,000	\$100,000	\$10,000	\$10,000
WWTP Upgrade Related Loan Payments																
Existing PWTF Design Payment (\$1M)		\$1,090,500														
Total		\$1,090,500								\$172,500						
WWTP Upgrade Related Revenue																
Existing PWTF Design Loan (\$1M)		\$745,000	\$50,000	\$120,000	\$115,000	\$115,000	\$115,000	\$115,000	\$115,000							
Project Cash Shortfall																
Total		-\$18,043,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$302,500	-\$130,000	-\$135,000	-\$135,000	-\$100,000	-\$10,000	-\$10,000
Cumulative Project Cash Shortfall										-\$302,500	-\$432,500	-\$567,500	-\$702,500	-\$802,500	-\$812,500	-\$822,500

ERUs		Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Total ERU Capacity of WWTP		2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180
ERU Capacity Available		0	0	0	0	0	0	0	0	0	0	0	0	0	0

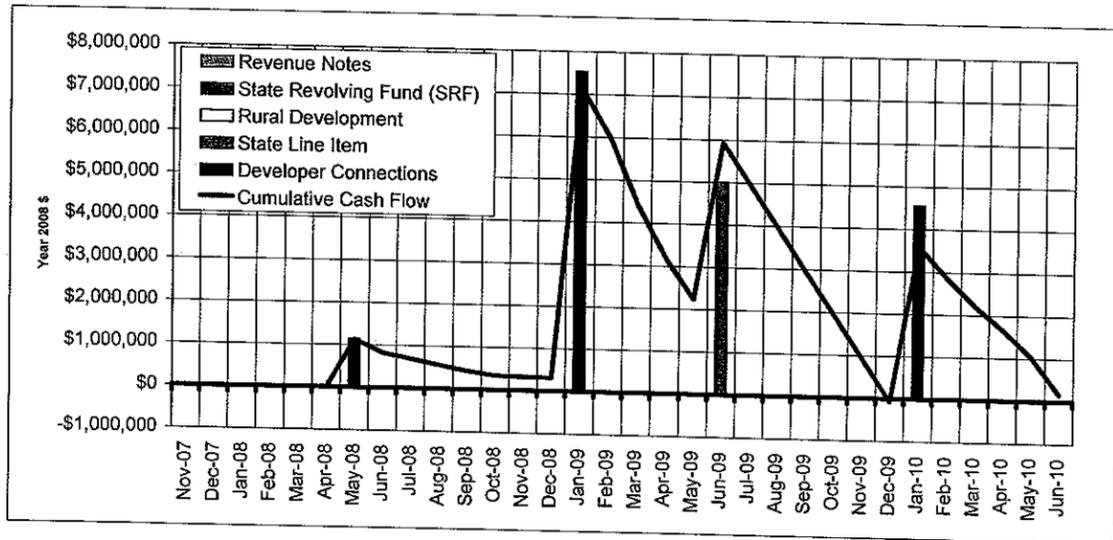
2.87

Funding Options		Total	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
1) Developer Connection Charges																
Total charge per ERU																
Number of ERUs		925			\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282	\$11,282
Total Charge		\$13,205,650						\$0	\$100	\$0	\$1,128,200					
2) City Revenue Notes with Developer Agreement for Payback																
3) PWTF Year 2010 - shift construction to 2010																
4) Rural Development/USDA																
no deadlines, NEPA and Engr Rpt, funding plan reqd. before app																
5)																

**Sultan WWTP Upgrade
Cash Flow Estimate**

Total (in 2008)	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
6) DOE														
7) CDBG														
8) State Line Item														
9) SRF earliest funding June 2009														
10) CERB														
11) Other Developers														
12) Rates														
Cumulative Cash Flow	\$0	\$0	\$0	\$0	\$0	\$0	\$1,128,200	\$825,700	\$695,700	\$560,700	\$425,700	\$325,700	\$315,700	\$305,700

1 The 2006 Engineering Report estimated the total cost at \$15.2M in year 2006 \$. This construction cost was inflated by 5% for 2 years to account for construction cost inflation and to get to current dollars.
 Construction cost includes CM services and C
 2 As of Nov 07, ~\$255,000 Spent
 3 Per A-6 handout titled "Example GFC Calculation for Future Years"



**Sultan WWTP Upgrade
Cash Flow Estimate**

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10
Cash Flow Estimate																	
WWTP Upgrade Related C																	
Design Cost																	
BC and subconsultants design																	
Enviroquip MBR design																	
¹ Construction Cost	\$700,000	\$1,125,000	\$1,575,000	\$1,250,000	\$950,000	\$1,075,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$900,000	\$720,000	\$651,000	\$551,000	\$615,000
Additional O&M	\$700,000	\$1,125,000	\$1,575,000	\$1,250,000	\$950,000	\$1,075,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$900,000	\$720,000	\$651,000	\$551,000	\$615,000
WWTP Upgrade Related L																	
Existing PWTF Design Paymen						\$229,500											
	\$0	\$0	\$0	\$0	\$0	\$229,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WWTP Upgrade Related R																	
² Existing PWTF Design Loan (€)						\$229,500											
	\$0	\$0	\$0	\$0	\$0	\$229,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Cash Shortfall																	
	-\$700,000	-\$1,125,000	-\$1,575,000	-\$1,250,000	-\$950,000	-\$1,304,500	-\$1,000,000	-\$1,000,000	-\$1,000,000	-\$1,000,000	-\$1,000,000	-\$1,000,000	-\$900,000	-\$720,000	-\$651,000	-\$551,000	-\$615,000
Cumulative Project Cash Shortfall	-\$1,522,500	-\$2,647,500	-\$4,222,500	-\$5,472,500	-\$6,422,500	-\$7,727,000	-\$8,727,000	-\$9,727,000	-\$10,727,000	-\$11,727,000	-\$12,727,000	-\$13,727,000	-\$14,627,000	-\$15,347,000	-\$15,998,000	-\$16,549,000	-\$17,164,000

ERUs																	
Total ERU Capacity of WWTP	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180
ERU Capacity Available	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Funding Options																	
1) Developer Connection (
³ Total charge per ERU	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$13,685	\$16,548	\$16,548	\$16,548	\$16,548
Number of ERUs	550																
Total Charge	\$7,526,750													\$0	\$0	\$0	\$0
2) City Revenue Notes with Agreement for Payback																	
3) PWTF Year 2010 - shift																	
4) Rural Development/USI no deadlines, NEPA and En																	
5)																	

**Sultan WWTP Upgrade
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	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10
6) DOE																	
7) CDBG																	
8) State Line Item						\$5,000,000											
9) SRF earliest funding June 2009								\$0									
10) CERB																	
11) Other Developers																	
12) Rates																	
	\$7,132,450	\$6,007,450	\$4,432,450	\$3,182,450	\$2,232,450	\$5,927,950	\$4,927,950	\$3,927,950	\$2,927,950	\$1,927,950	\$927,950	-\$72,050	\$3,578,650	\$2,858,650	\$2,207,650	\$1,656,650	\$1,041,650

1 The 2006 Engineering Report as
 Construction cost includes CM ser
 2 As of Nov 07, ~\$255,000 Spent
 3 Per A-6 handout titled "Example"

