

Hi-Desert Wastewater Project

August 9, 2011



Financing Assumption

- Rate 2.6% (Los Osos's rate)
- Term 30 years (Los Osos's term)
- Disadvantage Community Designation (DAC)
- DAC qualifies HDWD for extended term financing (standard 20 years amortization)
- DAC qualifies HDWD for interest rate reduction (standard is $\frac{1}{2}$ current General Obligation rate)

Estimated Project Costs

\$125M

Type of Cost	No Assistance	10% Grants	30% Grants
Property Assessment	\$16,667	\$15,000	\$11,667
On-Lot Costs	\$2,000	\$2,000	\$2,000
Subtotal	\$18,667	\$17,000	\$13,667
O&M Cost	N/A	N/A	N/A
TOTAL COSTS	\$18,667	\$17,000	\$13,667

Estimated Project Costs

\$125M

Type of Cost (all shown monthly)	No Assistance	10% Grants	30% Grants
Property Assessment	\$67	\$60	\$47
On-Lot Costs	\$8	\$8	\$8
Subtotal	\$75	\$68	\$55
O&M Cost	\$36	\$36	\$36
TOTAL COSTS	\$111	\$104	\$91

Why the Change?

- 30% in grants = \$37.5M
- 10% in grants = \$12.5M
- We have:
 - \$1.5M United States Bureau of Reclamation
 - \$300K in Environmental Protection Agency
 - \$3M Proposition 84 (round 1)

Why the Change?

➤ Potential Grants:

- \$2M - United States Bureau of Reclamation
- \$5M-10M in Proposition 84 (round 2)
- \$4.5M Town of Yucca Valley RDA (Loan)
- \$8M debt forgiveness (grant) from SRF

➤ HDWD can not get full loan approval until we have 100% of the project funded which will lead to additional grant funding.

On-Lot Connections

- From the municipal system (property line) to the property owners plumbing and abandoning the septic – most homes will be \$2K
- With AB741 which takes effect January 2012, allows the District to assess properties for private property improvements (on lot connection)
- The above would be optional to the homeowner

Policy Question?

- Option 1 – To create a separate project, “on-lot improvements”, that will finance, thru the SRF, the improvements. HDWD would procure the contractor to perform the work OR
- Option 2 – To apply for the loan thru the SRF, but loan the money to each homeowner for the on-lot improvement. Administratively intense.

Low Income Assistance

- Create a program that will help as many households as possible.
 - Funding a program
 - Eligibility requirements
 - Grant verse Deferral
 - Defer connecting to the system

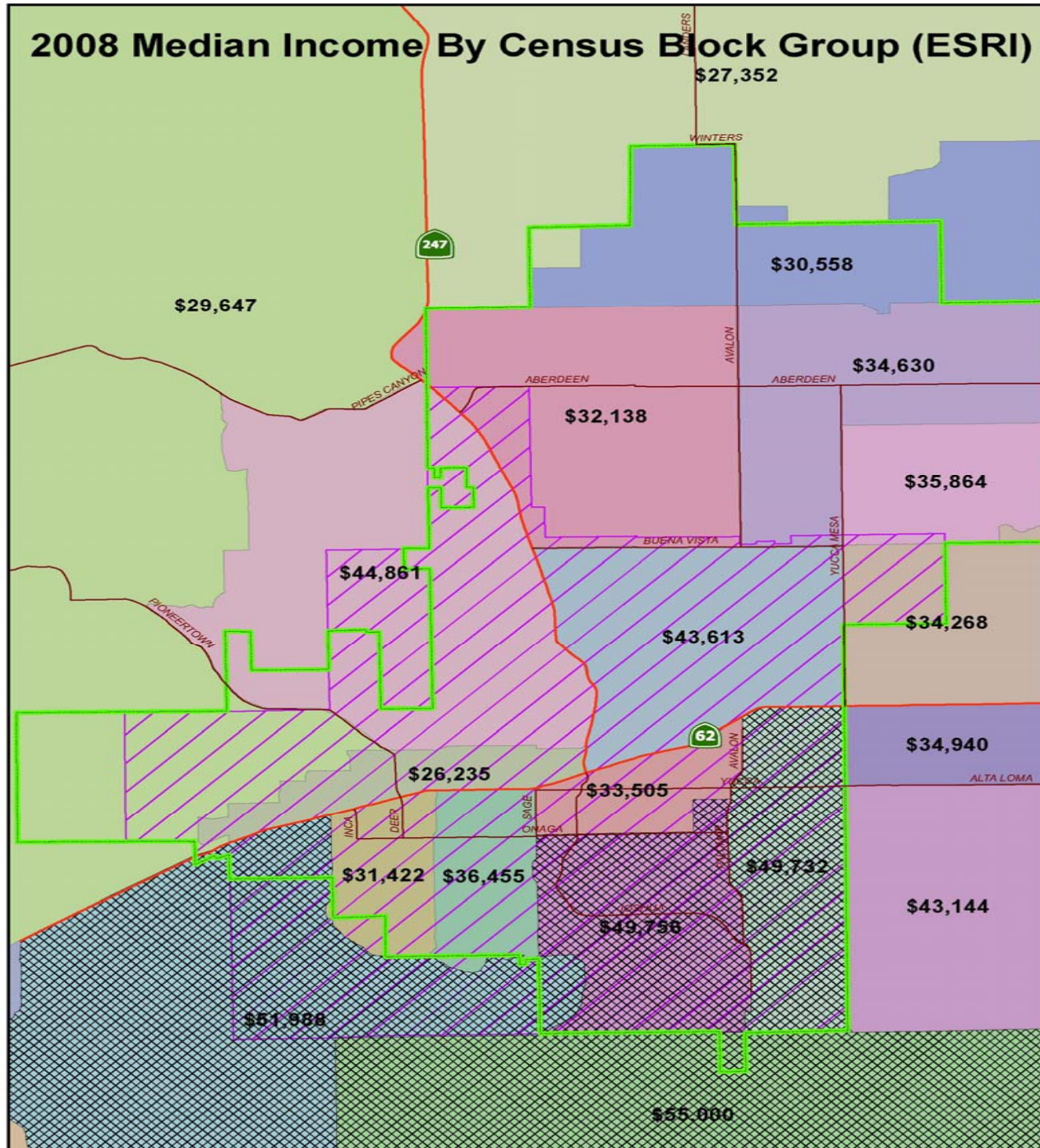
Funding a program

- Where to access funding?
 - Can **not** be from Assessment District (governed by Prop. 218 – one rate payer can not subsidize another rate payer)
 - Can be from grants over the amount in the Assessment District, i.e. 10% or \$12.5M
 - Can be from a potential sales tax initiative

Eligibility based on Income

- Need to establish an income level to enter the program.
 - The following is a 2008 diagram showing median household incomes per geographic area
 - Mojave Water Agency's GIS staff generated this for us and will collaborate to more data from the 2010 census

2008 Median Income By Census Block Group (ESRI)



Grants verse Deferral

➤ Grants

- Example - \$15,000 grant helping 350 households is \$5.25M – No repayment grant OR

➤ Deferral (Revolving Fund)

- Example - \$720 annual (\$60/month x 12 months) helping 900 households for 8 years.
- The annual contribution will be deferred until sale of the house then the revolving fund will get reimbursed which then can help other people or extend the 8 years

Grant verse Deferral

- The previous slide was 100% grant or deferral
 - Option could be to tier the grant or deferral
 - Example xxxx = 75% grant or deferral
 - Example xxxx = 50% grant or deferral
 - Example xxxx = 25% grant or deferral
- The above example would extend the amount of households the would get assistance

Waive Connection to the System

- If a homeowner qualifies for the assistance but resources in the program are exhausted then
 - An option could be to waive the connection to the system which would relieve the homeowner from paying the operation and maintenance (\$36/month) and not connecting to the system estimated at \$2K per connection
 - This option is limited to minimum flows to ensure proper operation