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**COLORADO WATER RESOURCES  
&  
POWER DEVELOPMENT AUTHORITY**

**PROJECT FINANCE COMMITTEE  
MEETING AGENDA**

**September 28, 2020**

**Committee meeting at 9:00 a.m.**

**Via Zoom Conference Call**

Project Finance Committee Members: Steve Vandiver (Chair), Webb Jones (ex-officio), Steve Price, George Corkle, Bob Wolff

Authority Staff: Keith McLaughlin, Jim Griffiths, Wes Williams, Ian Loffert, Austin Reichel

Others present: Mark Henderson, Joe McConnell, Desi Santerre, Victor Chen

**AGENDA**

**1. DWRF Loan Application**

- City of Lamar Supplemental Loan Request – Austin (**Board Action**)

**2. Future Committee Meeting Times (Board Discussion)**

**Note:** A Zoom conference call has been scheduled for Monday, 9:00 a.m. September 28, 2020. The link to join via online is: <https://zoom.us/j/96093646479?pwd=WkNPOFFVbXIxZkozczUJwS0hTUTNjdz09>. If you prefer to dial-in, the call-in number is: **1-669-900-6833**, and the Meeting ID is: 960 9364 6479, Passcode: 326304.

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## COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

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### MEMORANDUM

September 28, 2020

**TO:** Project Finance Committee and Karl Ohlsen

**FROM:** Jim Griffiths, Finance Director  
Austin Reichel, Financial Analyst

**RE:** Review of the City of Lamar – Supplemental Direct Loan Request  
Drinking Water Revolving Fund ("DWRF")

The Division of Local Government has forwarded to the DWRF Committee its analysis of the above listed project. The DWRF Committee, composed of representatives from the Division of Local Government, the Water Quality Control Division, and the Authority, has reviewed the technical and financial aspects of the proposed project and agreed to forward the request to the Authority's Project Finance Committee with the following recommendation:

#### City of Lamar

On January 27, 2016, the Authority Board of Directors approved the City of Lamar's ("City") request for a Disadvantaged Communities direct loan through the DWRF loan program. The loan was subsequently executed on August 26, 2016, in the amount of \$1,612,800 (which comprised of \$1,417,300 principal forgiveness funds) for a term of up to 30 years at an interest rate of 0%. The project scope has not changed and consists of replacing the distribution and service pipelines along with associated appurtenances.

This original, phased project was only for two phases to be completed in conjunction with the Colorado Department of Transportation ("CDOT") Main Street Road Resurfacing Project. Phase 2 was postponed due to CDOT delaying their portion of the project (the delay was reportedly due to CDOT budget constraints). The City needs to pursue Phase 2 of the project prior to funding expiration deadlines without CDOT's involvement. The City hopes to coordinate with CDOT for the final Phase of the project (Phase 3). Phase 2 bids then came back higher than expected (because of the delay). The City plans to keep the Phase 2 contractor for Phase 3 in order to cut costs on rebidding and demobilization/mobilization.

Due to higher than anticipated bids and increasing costs associated with the project from the CDOT delay, the City is seeking a Disadvantaged Communities supplemental direct loan through the DWRF loan program in the amount of \$1,089,200. The City's project was authorized by HJR 13-1007.

#### Recommendation

Based on the attached 2020 DWRF credit report and the 2016 DWRF credit report, staff recommends that the Project Finance Committee forward to the Board a recommendation authorizing staff to begin negotiating a supplemental DWRF Disadvantaged Communities direct loan with the City in the amount of \$1,089,200. The loan term will be for up to 30 years, at an interest rate of 0.5%. The Board will consider this request on October 2, 2020.

**Note:** A Zoom conference call has been scheduled for Monday, 9:00 a.m. September 28, 2020. The link to join via online is: <https://zoom.us/j/96093646479?pwd=WkNPOFFVbXlxZkozczUJwS0hTUTNjdz09>. If you prefer to dial-in, the call-in number is: 1-669-900-6833, and the Meeting ID is: 960 9364 6479. The Passcode is: 326304.

Attachment: City of Lamar 2020 DWRF Credit Report and 2016 DWRF Credit Report

DWRF DIRECT LOAN CREDIT REPORT

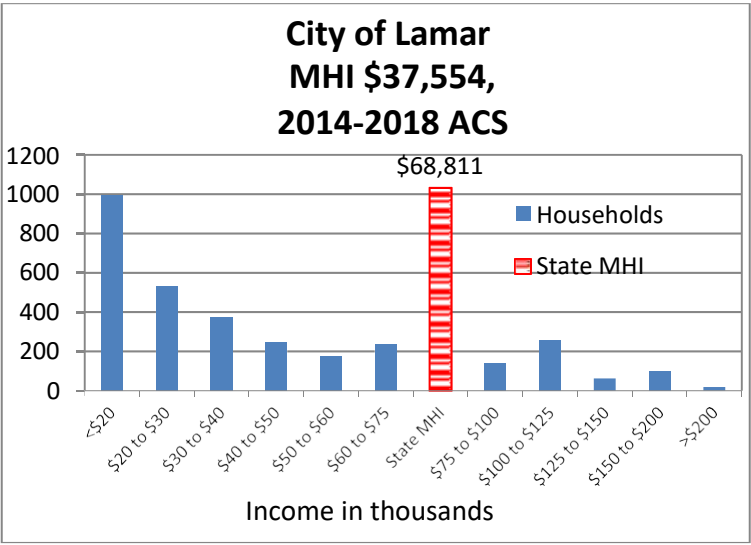
City of Lamar (“The City”), Prowers County

<b>Recommendation:</b>	APPROVAL	<b>Project Budget</b>	
<b>Loan Request:</b>	\$1,089,200	SRF Loan (Loan closed 8/26/16)	\$195,500
<b>Interest Rate &amp; Term:</b>	0.5%, 30 years	SRF Loan Principal Forgiveness (8/26/16)	\$1,417,300
<b>Annual Debt Service:</b>	\$39,143	SRF Supplemental (8/15/20 application)	\$1,089,200
<b>Pledge:</b>	Water and sewer revenues	Planning Grant	\$10,000
<b>Current Water Rate:</b>	\$52.18	D&E Grant	\$112,000
<b>Estimated Rate Increase:</b>	\$0.00	EIAF Tier I (2016)	\$112,000
		EIAF Tier II (2016)	\$1,612,800
		<u>EIAF Tier II (2020)</u>	<u>\$800,000</u>
		<b>Total</b>	<b>\$5,348,800</b>

**PROJECT DESCRIPTION:** This project consists of replacing the distribution and service pipelines along with associated appurtenances.

COMMUNITY PROFILE:							Avg. Annual Change
Lamar	2015	2016	2017	2018	2019	2020	
City Population	7,415	7,417	7,442	7,468	7,509		0.25%
Prowers County Population	11,928	11,934	11,992	12,051	12,122		0.32%
Prowers County Jobs	5,954	5,897	5,954	5,670			-1.21%
Number of Water Taps	3,448	3,478	3,489	3,485	3,472	3,498	0.24%
Number of Sewer Taps	3,306	3,319	3,334	3,333	3,324	3,352	0.23%
Assessed Value (\$000)		33,558	33,443	32,394	32,463	34,002	0.22%
Actual Value (\$000)		248,752	248,811	253,426	257,217	271,429	1.46%

**BORROWER BRIEF:** The City is the Prowers County seat and is located on the Arkansas River, located 123 miles east of Pueblo.



**RECOMMENDATION:** The City serves a rural community in northwest Prowers County. This proposed loan is necessary to replace distribution and service pipelines. There is some existing debt but the City’s water and sewer fund appears to be in a healthy position to take on the proposed debt. Current rates and total proposed debt appear to be affordable and the water and sewer fund has maintained high operating ratios. We therefore recommend the DWRF Committee approve a \$1,089,200 Disadvantaged Communities direct loan to the City of Lamar.

PROJECT SUMMARY:

**System summary:** The City of Lamar (City) is located east of Pueblo in the southeast corner of Colorado, approximately 30 miles from the Kansas border, in northwest Prowers County. The City owns and operates a community water system. The PWSID number of the water treatment system is CO0150700. The City has a current population of 7,804 people. Modest residential and commercial development is anticipated over the 20-year planning period with a projected population of 9,129 people. The City of Lamar’s existing water distribution system consists of 6, 8, 12, and 18- inch diameter pipe composed primarily of old asbestos cement and cast iron. Approximately 75% of the existing services under US-287 are lead service lines.

**Reason/need:** Phase III of the Lamar Main Street Water Distribution System Replacement Project. The phased project has been in progress since approximately 2015 to replace the water distribution system beneath Main Street concurrently with CDOT during their Main Street Road Resurfacing Project. Delays in the CDOT project schedule forced the City to complete the next phases of the project alone prior to funding expiration deadlines. The necessity to expeditiously complete the water distribution system improvements project has only been increased by the recent CDOT project delays. Due to the age and condition of the existing system, replacing the existing mains and services is required in conjunction with the Resurfacing Project. The water infrastructure work must be completed in order to protect the longevity and effectiveness of the distribution system.

**System Compliance:** The City of Lamar is in compliance with the Colorado Primary Drinking Water Regulations.

**Project Delivery Method:** Design/Bid/Build.

**Contingency Allocated for the Project:** 8% of total project cost included as contingency.

**Project Usable Life:** The project has an estimated usable life of greater than 30 years.

CURRENT INDICATORS:	2017	2018	2019	Weak	Average	Strong
Total Debt per Capita (\$):	1,308	1,452	1,294	___ >\$2,000	<u>X</u> \$1,000 - 2,000	___ <\$1,000
Total + New Debt/Capita (\$):			1,439	___ >\$2,000	<u>X</u> \$1,000 - 2,000	___ <\$1,000
Total Debt/Tap (\$):	2,790	3,111	2,798	___ >\$5,000	<u>X</u> \$2,500-5,000	___ <\$2,500
Total Debt + New Debt/Tap (\$):			3,112	___ >\$5,000	<u>X</u> \$2,500-5,000	___ <\$2,500
Current Water Debt/Tap (\$):	2,369	2,586	2,376	<u>X</u> >\$2,000	___ \$1,000 - 2,000	___ <\$1,000
Current Water/Sewer + New W&S Debt/Tap (\$):			2,689	<u>X</u> >\$2,000	___ \$1,000 - 2,000	___ <\$1,000
Total Debt/Assessed Value:	29%	33%	30%	___ >50%	<u>X</u> 25-50%	___ <25%
Total Debt + New Water/Sewer Debt/Assessed Value:			33%	___ >50%	<u>X</u> 25-50%	___ <25%
Total Debt/Actual Value:	3.9%	4.3%	3.8%	___ >10%	___ 5-10%	<u>X</u> <5%
Total Debt + New Water/Sewer Debt/Actual Value:			4.2%	___ >10%	___ 5-10%	<u>X</u> <5%
Curr. Water/Sewer Debt + New Debt/Tap/MHI:			7.2%	___ >20%	___ 10-20%	<u>X</u> <10%
Water/Sewer Fund Current Ratio (CA/CL):	180%	235%	219%	___ <100%	___ 100-200%	<u>X</u> >200%
Water/Sewer Fund Reserves/Current Expense:	62%	66%	64%	___ <50%	<u>X</u> 50-100%	___ >100%
Water/Sewer Operating Ratio (OR/OE):	180%	167%	183%	___ <100%	___ 100-120%	<u>X</u> >120%
Coverage Ratio (TR-OE)/DS:	141%	155%	154%	___ <110%	___ 110-125%	<u>X</u> >125%
Coverage Ratio (TR-OE)/DS Excluding Tap Fees:	139%	153%	154%	___ <110%	___ 110-125%	<u>X</u> >125%
Coverage Ratio with New Loan:			148%	___ <110%	___ 110-125%	<u>X</u> >125%
Coverage Ratio with New Loan Excluding Tap Fees:			148%	___ <110%	___ 110-125%	<u>X</u> >125%
Current Annual W&S Rates/MHI:			1.7%	___ >3.0%	<u>X</u> 1.5-3.0%	___ <1.5%
Current Water/Sewer Rates + New W&S Debt Service/MHI:			1.7%	___ >3.0%	<u>X</u> 1.5-3.0%	___ <1.5%
Operation and Maintenance Reserve:			85%	___ <25%	___ 25-50%	<u>X</u> >50%
TOTAL:				2	9	10

**FINANCIAL ANALYSIS:** Of the twenty-one current indicators calculated, 10 are rated strong, nine are average and two are considered weak. Overall, the indicators illustrate that the financial state of the combined water and sewer fund is operationally healthy. The strong indicators show a strong operating ratio, high projected coverage ratios, and affordable rates relative to MHI. The weak indicators reflect a degree of debt burden that is mitigated by strong operating revenues.

- The City’s water and sewer fund shows consistent operating revenues that support operating expenses at an average operating ratio of 166% from 2015 to 2019.
- Based on 2019 financial information, coverage with the proposed loan is 148% with or without tap fee revenue, which was zero for 2019. No additional revenue is projected to be necessary in order to meet the 110% coverage requirement.
- The cash flow projections submitted with the application are straight-line projections with revenues and expenditures escalating at 2.85% per year.

Additional Project Financing

The City submitted an EIAF application for \$800,000, which was awarded in August 2020. The previous 2015 phase of this project had a project budget of \$3,459,600, which had the following financing components: DWRf Loan: \$195,500, DWRf Principal Forgiveness: \$1,417,300, DWRf D&E Grant: \$112,000, DWRf Planning Grant \$10,000, EIAF Tier II Grant: \$1,612,800, EIAF Tier I Grant: \$112,000.

**DESCRIPTION OF THE LOAN:** A \$1,089,200 direct loan with a thirty-year term, two payments annually at an interest rate of 0.5% will cost the City approximately \$39,143 in debt service annually.

Disadvantaged Community:

	Benchmark		Borrower	Met?		Benchmark		Borrower	Met?
P1: MHI	\$55,049	>	\$37,554	Y	S1: County MHI	\$55,049	>	\$40,907	Y
P2: MHV	\$313,600	>	\$87,500	Y	S2: Population Loss	0.00%	>	-3.94%	Y
P3: Unemployment	4.15%	<	2.90%	N	S3: Assessed Value per Housing unit	\$19,939	>	\$8,887	Y
Job Loss	0	>	-7.9%	Y	S4b: Curr. and Proj. System Debt	1.00%	<	3.30%	Y
					S5b: System Cost Per Tap to MHI	2.05%	<	2.08%	Y

The City met the requirements of a disadvantaged community and due to its projected rates to MHI and MHV, qualifies for the lowest interest rate available (0.5%).

**ECONOMIC ANALYSIS:** The City has a 2019 population estimated at 7,509 and has grown at an average annual rate of 0.25% since 2015. Prowers County has experienced an increase of 0.32% in population since 2015. The state population increased at an average annual rate estimated 1.1%. Despite the small increases in population since 2015, both the City and Prowers County have experienced overall population declines since the 1990s.

The region’s economy is dominated by government, agriculture, retail, and healthcare. The City is a regional hub for services in southeastern Colorado and is also served by the Amtrak Southwest Chief rail line.

The region’s largest employers consist of Prowers Medical Center, with 200 employees, Dragon Products, a manufacturer with 200 employees, the City, with 190 employees, Walmart, with 174 employees, and the High Plains Community Health Center, with 120 employees.

The City’s Fairmont cemetery is the only customer that accounts for more than 3% utilization at 3.3% utilization of total water usage and 2.5% of total revenues.

ORGANIZATIONAL ANALYSIS:  
Bond Rating

The City’s debt has not been rated by Fitch, Moody’s, or Standard & Poor’s in the last five years. In 2009, the City’s credit rating was rated A by Standard & Poor’s.

Section 37-60-126(2) C.R.S. (Water Conservation Planning)

The City does not sell more than 2,000 acre-feet of water per year.

Organizational Structure

The home rule City is a municipality governed by a council/mayor form of government and was incorporated in 1886. The City provides services including police and fire protection, water and wastewater, electricity distribution, solid waste, and parks and recreation services. Approximately nine full-time employees staff the water and wastewater utility. The water and wastewater supervisor, who reports to the public works director, who in turn reports to the city administrator, oversees the water and wastewater utility.

- The City has generally been in compliance with Colorado statutory budgeting and auditing requirements for the past five years.
- The City maintains general liability insurance coverage through CIRSA.
- There are currently no pending lawsuits against the City.

- There have been no recall elections in the last ten years.

**Capital Improvement Plan**

The City is currently working on a grant for a new Master Plan and Rate Study that will include an updated CIP.

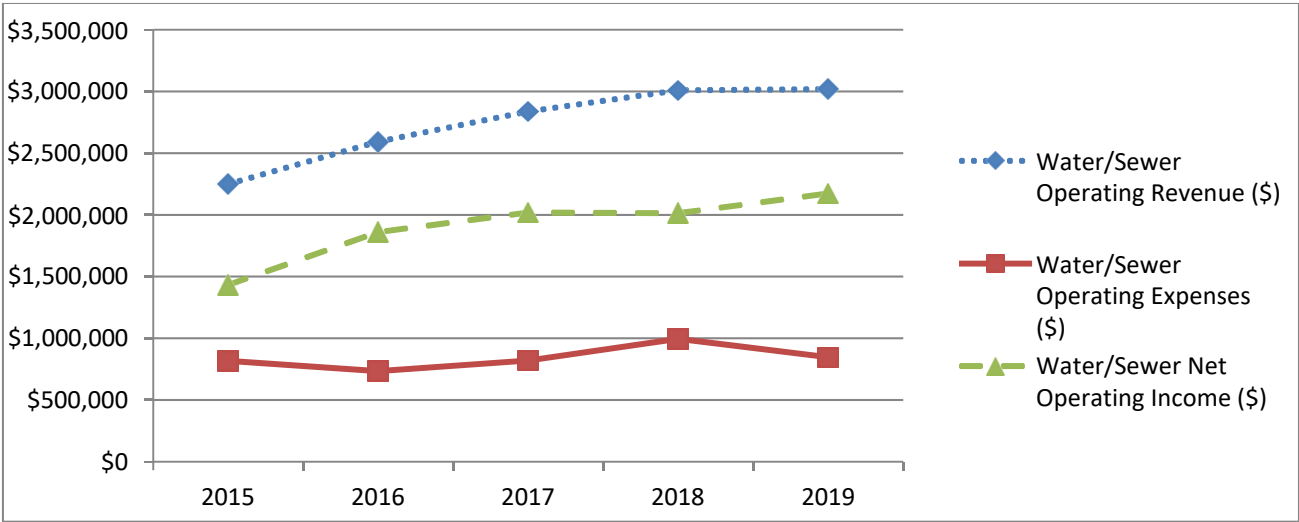
**REVENUE ANALYSIS:**

The City’s water and sewer fund shows consistent operating revenues that support operating expenses in addition to a healthy reserve fund. Operating revenues have increased from 2015-2019. The water and sewer fund is not overly reliant on tap fee revenues, which have averaged less than 1% of total revenue from 2015-2019. Significant capital outlay in 2013 and 2014 appear to have led to current liabilities exceeding current assets in 2015, reserves have since improved.

TRENDS	2015	2016	2017	2018	2019	2020
Monthly Water Rate (\$)	36.80	47.68	51.18	52.18	52.18	53.18
Monthly Sewer Rate (\$)	13.50	14.32	18.32	19.32	19.32	20.32
Residential Water Tap Fee (\$)	1,300	1,300	1,300	1,300	1,300	
Residential Sewer Tap Fee (\$)	650	650	650	650	650	
Total Water/Sewer Revenue (\$)	2,267,756	2,602,933	2,861,397	3,047,295	3,024,458	
Tap/Development Fees (\$)	0	8,069	17,007	12,971	0	
Water/Sewer Operating Revenue (\$)	2,248,199	2,592,324	2,836,626	3,007,240	3,017,310	
Water/Sewer Operating Expenses (\$)	1,630,619	1,589,136	1,574,475	1,800,517	1,651,182	
Water/Sewer Net Operating Income (\$)	617,580	1,003,188	1,262,151	1,206,723	1,366,128	
Water/Sewer Debt (\$)	9,561,639	9,021,177	8,264,111	9,012,997	8,247,744	
Total Debt (\$)	9,752,589	10,750,008	9,734,593	10,841,627	9,714,736	
Water/Sewer Debt Service (\$)	895,244	906,477	911,937	805,007	891,652	
Water/Sewer Debt Service/Tap/Month (\$)	21.64	21.72	21.78	19.25	21.40	
Water/Sewer Fund Reserves (\$)	-206,885	129,450	1,306,290	1,461,710	1,409,393	
Water/Sewer Fund Current Assets (\$)	1,061,014	1,152,455	2,947,881	2,544,583	2,589,651	

Ratios	2015	2016	2017	2018	2019	Average
Operating Revenue as % of Total Revenue	99%	100%	99%	99%	100%	99%
Operating Revenue as % of Expenses	138%	163%	180%	167%	183%	166%
Tap Fee Revenue as % of Total Revenue	0.0%	0.3%	0.6%	0.4%	0.0%	0.3%



**Recent Rate Increases**

The City’s most recent rate increase of \$1.00 to the base rates was implemented in 2020.

**User Charges**

The City's current monthly water rate is estimated at \$41.68 compared to the 2018 estimated state median of \$47.14. The City's average monthly water rate is based on typical residential consumption of 10,000 gallons per month (approximately 1,337 cubic feet). Residential in-City ¾" users pay a \$12.40 base rate up to 3,740 gallons (500 cubic feet), a volume charge of \$18.00 per 7,481 gallons (1,000 cubic feet) for consumption from 3,741 to 9,725 gallons and a volume charge of \$24.80 per 7,481 gallons for consumption over 9,725 gallons. Commercial in-City ¾" users pay a \$13.40 base rate up to 3,740 gallons (500 cubic feet), a volume charge of \$24.30 per 7,481 gallons for consumption over 9,725 gallons. Out-of-city users pay base and volume rates that are exactly twice the amount of in-city base and volume rates.

The City's current monthly flat in-city residential sewer rate is \$11.32 compared to the 2018 estimated state median of \$33.35. Out-of-city users pay a flat sewer rate of \$22.64. Commercial in-city users pay a flat sewer rate of \$6.67 and commercial out-of-city users pay a flat sewer rate of \$13.34.

### Contributed Capital

Revenue from tap fees has ranged from zero to \$17,007 and has averaged 0.24% of total water and sewer revenue during the last five years. The City's most recent water tap fee rate increase occurred in 2010.

- Water tap fees are charged in an amount that corresponds to the tap size: \$1,300 for ¾", \$2,167 for 1", \$4,333 for 1½", \$6,933 for 2", \$13,859 for 3", \$21,667 for 4", and \$43,333 for 6".
- Sewer tap fees are also charged in an amount that corresponds to the tap size: \$650 for ¾", \$1,083 for 1", \$2,167 for 1½", \$3,467 for 2", \$6,930 for 3", \$10,833 for 4", and \$21,667 for 6".

Current System Utilization		
	Usage	Revenue
<b>Residential</b>	62%	65%
<b>Non-residential (per EQR)</b>	38%	35%

Current Fee Summary		
Tap size	Water user/tap fees	Sewer user/tap fees
¾"	\$41.68/\$1,300	\$11.32/\$650.00
¾"	\$32.49/\$1,300	\$6.67/\$650.00

### DEBT as of December 31, 2018

Executed	Lender	Term End	Pledge	Outstanding	Interest Rate	Annual payment
12/17/2009	CWRPDA-DWRF	6/15/2030	Water and Sewer	\$684,587.31	2.50%	\$197,618.76
12/17/2009	CWRPDA-DWRF (ARRA)	6/15/2030	Water and Sewer	\$2,272,615.54	0.00%	\$68,864.90
5/27/2010	CWRPDA-WPCRF	5/1/2031	Water and Sewer	\$1,355,463	2.00%	\$123,094
8/28/2016	CWRPDA-DWRF	5/1/2047	Water and Sewer	\$185,725	0.00%	\$6,516
11/10/2014	CWCB	10/1/2044	Water	\$540,517	2.25%	\$28,505
6/17/2016	CWCB	2029	Water	\$83,200	1.95%	\$9,238

**LOAN COVENANTS:** The City will have to meet the Authority's 110% rate covenant, 3-month operations and maintenance reserve fund covenant, and the 110% additional bonds test (if applicable) on an annual basis.

The City has met the Loan Covenants on its DWRF ARRA and Disadvantaged Community direct loans dated 2009 and 2016 respectively, as well as its WPCRF direct loan dated 2010 with the Authority. The City has also had no debt service payment issues.

Prepared by: Victor Chen  
Date: September 17, 2020

<b>August 31, 2020</b>  <b>DWRF Credit Report</b> <b>Lamar, Prowers County, CO</b> <b>Using most recent data available</b> <b>(Census, audits, local records)</b>	
<b>2019 Population (Estimated)</b>	<b>7,509</b>
<b>Number of Water Taps (or customers) - 2019</b>	<b>3,472</b>
<b>Total 2019 Assessed Valuation</b>	<b>\$34,784,000</b>
<b>Actual Value of all Real Property (2019)</b>	<b>\$257,217,000</b>
<b>Median Household Income (MHI)</b>	<b>\$37,554</b>
<b>Monthly Water Rate (2019)</b>	<b>\$40.68</b>
<b>Water Operating Revenue (2019)</b>	<b>\$3,017,310</b>
<b>Water Total Revenue (2019) [May include non-operating revenue, such as contributed capital, tap &amp; system development fees, interest income, S.O. tax and property tax. Excludes one-time capital grants.]</b>	<b>\$3,024,458</b>
<b>Water Tap and System Development Fee Revenue (2019)</b>	<b>\$0</b>
<b>Water Operating Expense (2019)</b>	<b>\$1,651,182</b>
<b>Water Current Expense (2019)</b>	<b>\$2,202,573</b>
<b>Water Debt (2019)</b>	<b>\$8,247,744</b>
<b>Total Debt (2019)</b>	<b>\$9,714,736</b>
<b>Water Reserves [2019 current assets minus current liabilities]</b>	<b>\$1,409,393</b>
<b>All Fund Reserves [2019 current assets minus current liabilities]</b>	
<b>Water Debt Service (2019)</b>	<b>\$891,652</b>
<b>New Water Debt (requested DWRF loan amount)</b>	<b>\$1,089,200</b>
<b>Requested DWRF Loan Term</b>	<b>30</b>
<b>Requested DWRF Loan Interest Rate</b>	<b>0.50%</b>
<b>New Loan's Annual Water Debt Service [two payments annually]</b>	<b>\$39,143</b>



<u>Current Indicators (2019)</u>				
<u>Lamar</u>				
<u>( Water Only)</u>				
1 Total Debt	\$9,714,736	÷ Population	7,509	= \$1,294
New Debt	\$1,089,200	÷ Population	7,509	= \$145
Total Debt + New Debt	\$10,803,936	÷ Population	7,509	= \$1,439
2 Total Debt	\$9,714,736	÷ Number of Taps	3,472	= \$2,798
New Debt	\$1,089,200	÷ Number of Taps	3,472	= \$314
Total Debt + New Debt	\$10,803,936	÷ Number of Taps	3,472	= \$3,112
3 Total Debt	\$9,714,736	÷ Assessed Value	\$34,784,000	= 27.93%
New Debt	\$1,089,200	÷ Assessed Value	\$34,784,000	= 3.13%
Total Debt + New Debt	\$10,803,936	÷ Assessed Value	\$34,784,000	= 31.06%
4 Total Debt	\$9,714,736	÷ Actual Value	\$257,217,000	= 3.78%
New Debt	\$1,089,200	÷ Actual Value	\$257,217,000	= 0.42%
Total Debt + New Debt	\$10,803,936	÷ Actual Value	\$257,217,000	= 4.20%
5 Current Water Debt	\$8,247,744	÷ Number of Taps	3,472	= \$2,376
(Current Water Debt + NewWater Debt)/Number of Taps	\$2,689	÷ MHI	\$37,554	= 7.16%
6 Current Ratio [CA/CL]				
Current Assets	\$2,589,651	÷ Current Liabilities	\$1,180,258	= 219%
7 Reserve/Expense Ratio				
Reserves	\$1,409,393	÷ Current Expenses	\$2,202,573	= 64%
8 Operating Ratio [OR÷OE]				
Operating Revenues	\$3,017,310	÷ Operating Expenses	\$1,651,182	= 183%

<b>9 Coverage Ratio [(TR - OE)/DS]</b>					
Total Revenues	\$3,024,458	-			
minus Operating Expenses	<u>\$1,651,182</u>				
	=	\$1,373,276	÷	Current Debt Service	\$891,652 = 154%
<b>Coverage Ratio Excluding Tap &amp; Development Fee Revenue</b>					
10 Coverage Ratio Excluding Tap & Development Fee Revenue	\$1,373,276				
minus Tap and Dev. Fee Revenue	<u>\$0</u>				
	=	\$1,373,276	÷	Current Debt Service	\$891,652 = 154%
<b>11 Projected Coverage Ratio</b>					
Total Revenues	\$3,024,458				
minus Operating Expenses	<u>\$1,651,182</u>				
	=	\$1,373,276		Total Debt Service (with new loan)	\$930,795 = 148%
<b>Projected Coverage Excluding Tap &amp; Dev. Fee Revenue</b>					
12 Projected Coverage Excluding Tap & Dev. Fee Revenue	\$1,373,276				
minus Tap & Dev. Fee Rev.	<u>\$0</u>				
	=	\$1,373,276	÷	Total Debt Service (with new loan)	\$930,795 = 148%
<b>13 Current Debt Service</b>					
Current Debt Service	\$891,652	÷	Number of Taps	3472	= \$256.81
Annual New Water Debt Service	\$39,143	÷	Number of Taps	3472	= \$11.27
<b>2019 Annual Water Rate (monthly rate x 12)</b>					
2019 Annual Water Rate (monthly rate x 12)	\$488.16	÷	MHI	\$37,554	= 1.30%
2019 Annual Water Rate + New Annual Debt Service per Tap	\$499.43	÷	MHI	\$37,554	= 1.33%
<b>15 Current 2019 Monthly User Charge</b>					
Current 2019 Monthly User Charge					\$40.68
Debt Service on DWRF/2019 Taps/month					<u>\$0.94</u>
Total					\$41.62
<b>16 Operation and Maintenance Reserve</b>					
Reserves	\$1,409,393	÷	Operating Expenses	\$1,651,182	= 85%

## DWRF DIRECT LOAN CREDIT REPORT

City of Lamar ("The City"), Prowers County

<b>Recommendation:</b>	<b>APPROVAL</b>
<b>Funding Request:</b>	\$1,612,800
<b>Interest Rate &amp; Term:</b>	0%, 30 years
<b>Annual Debt Service:</b>	\$53,760
<b>Pledge:</b>	Water and Sewer System Revenue
<b>Current Rate:</b>	\$36.30
<b>Estimated Rate Increase:</b>	\$0.00

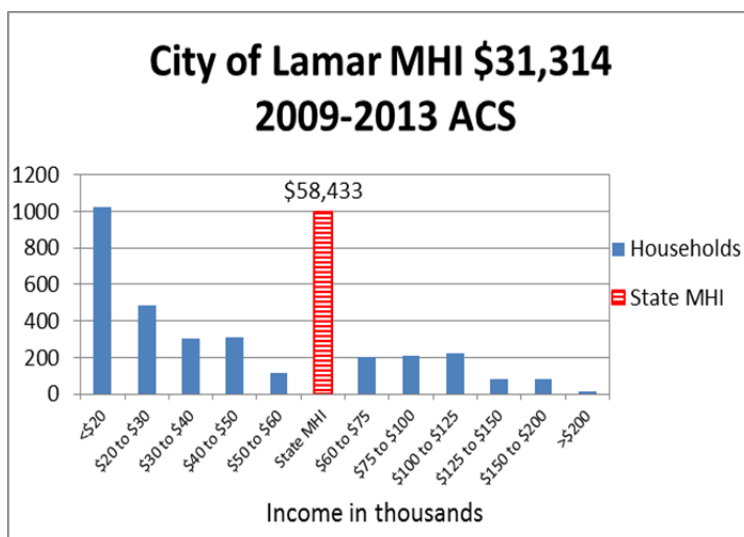
<b>Project Budget</b>	
<b>DWRF Loan:</b>	\$195,500
<b>DWRF Principal Forgiveness:</b>	\$1,417,300
<b>DWRF D&amp;E Grant:</b>	\$112,000
<b>DWRF Planning Grant</b>	\$10,000
<b>EIAF Tier II Grant:</b>	\$1,612,800
<b>EIAF Tier I Grant:</b>	\$112,000
<b>Total</b>	<b>\$3,459,600</b>

**PROJECT DESCRIPTION:** The project consists of distribution system replacement and improvements to align with the Colorado Department of Transportation (CDOT) road replacement project. The project will replace the distribution and service pipelines along with associated appurtenances.

### COMMUNITY PROFILE:

City of Lamar	2010	2011	2012	2013	2014	Avg. Annual Change
City Population	7,792	7,748	7,685	7,610	7,444	-0.91%
Prowers County Population	12,531	12,456	12,361	12,243	11,985	-0.89%
Prowers County Jobs	6,070	6,209	6,026	5,986	5,760	-1.04%
Number of Water Taps	3,486	3,501	3,513	3,447	3,434	-0.30%
Number of Sewer Taps	3,427	3,442	3,387	3,362	3,327	-0.59%
Assessed Value (\$000)	33,375	33,658	34,429	34,348	34,481	0.65%
Actual Value (\$000)	251,265	255,862	255,871	247,397	247,831	-0.27%

**BORROWER BRIEF:** The City is the Prowers County seat and is located on the Arkansas River.



**RECOMMENDATION:** The City serves a rural community in northwest Prowers County. This proposed loan is necessary to remove lead service lines, improve water quality, and reduce operation and maintenance costs. The regional economy has been challenging and has not grown significantly in recent years, with both population and job numbers declining. The City has undertaken numerous civic projects, including several large water and sewer capital projects, and has maintained a positive operating ratio for its water and sewer utilities. A rate increase averaging \$13.72 per water tap is planned for 2016, which is estimated to increase annual operating revenue by \$565,575 and allow the City to easily meet the requirements for the proposed debt. We therefore recommend the DWRF Committee approve a \$195,500 direct loan and a \$1,417,300 principal forgiveness loan to the City of Lamar.

**PROJECT SUMMARY:** The project consists of distribution system replacement and improvements to align with the Colorado Department of Transportation (CDOT) road replacement project. The project will replace the distribution and service pipelines along with associated appurtenances.

**System summary:** The City is located east of Pueblo in the southeast corner of Colorado, approximately 30 miles from the Kansas border, in northwest Prowers County. The City owns and operates a community water system. The City has a current population of 7,444 people. Modest residential and commercial development is anticipated over the 20-year planning period with a projected population of 9,129 people. The City's population is currently declining. The City's existing water distribution system consists of 6, 8, 12, and 18- inch diameter pipe composed primarily of old asbestos cement and cast iron. Approximately 75% of the existing services under US-287 are lead service lines.

**Reason/need:** CDOT plans to bid the Lamar Main Street Resurfacing Project in multiple phases beginning in March of 2016. The Water Distribution System Improvement Project consists of replacing all water main, services, fire hydrants, and valves from Lamar Canal Road to Saddle Club Drive. The Project will be constructed during the first two phases of CDOT's Resurfacing Project and will be completed within three years of SRF loan execution. Due to the age and condition of the existing system, replacing the existing mains and services is required in conjunction with the Resurfacing Project. The water infrastructure work must be completed in order to protect the longevity and effectiveness of the water distribution system, improve water quality, and reduce operation and maintenance costs.

**System Compliance:** The City is in compliance with the Colorado Primary Drinking Water Regulations.

<b>CURRENT INDICATORS:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Weak</b>	<b>Average</b>	<b>Strong</b>
Total Debt per Capita (\$):	1,813	1,577	1,983	___ >\$2,000	<u>X</u> \$1,000 - 2,000	___ <\$1,000
Total + New Debt/Capita (\$):			2,008	<u>X</u> >\$2,000	___ \$1,000 - 2,000	___ <\$1,000
Total Debt/Tap (\$):	3,966	3,483	4,394	___ >\$5,000	<u>X</u> \$2,500-5,000	___ <\$2,500
Total Debt + New Debt/Tap (\$):			4,451	___ >\$5,000	<u>X</u> \$2,500-5,000	___ <\$2,500
Current W&S Debt/Tap (\$):	3,417	3,327	2,991	<u>X</u> >\$2,000	___ \$1,000 - 2,000	___ <\$1,000
Current W&S + New Water Debt/Tap (\$):			3,048	<u>X</u> >2,000	___ \$1,000 - 2,000	___ <\$1,000
Total Debt/Assessed Value:	40%	35%	44%	___ >50%	<u>X</u> 25-50%	___ <25%
Total Debt + New Water Debt/Assessed Value:			44%	___ >50%	<u>X</u> 25-50%	___ <25%
Total Debt/Actual Value:	5.44%	4.85%	6.09%	___ >10%	<u>X</u> 5-10%	___ <5%
Total Debt + New Water Debt/Actual Value:			6.17%	___ >10%	<u>X</u> 5-10%	___ <5%
Curr. W&S Debt + New Debt/Tap/MHI:			9.73%	___ >20%	___ 10-20%	<u>X</u> <10%
Water & Sewer Fund Current Ratio (CA/CL):	502%	158%	120%	___ <100%	<u>X</u> 100-200%	___ >200%
Water & Sewer Fund Reserves/Current Expense:	176%	32%	11%	<u>X</u> <50%	___ 50-100%	___ >100%
Water & Sewer Operating Ratio (OR/OE):	184%	187%	177%	___ <100%	___ 100-120%	<u>X</u> >120%
Coverage Ratio (TR-OE)/DS:	202%	156%	120%	___ <110%	<u>X</u> 110-125%	___ >125%
Coverage Ratio (TR-OE)/DS Excluding Tap Fees:	200%	156%	119%	___ <110%	<u>X</u> 110-125%	___ >125%
Coverage Ratio with New Loan:			119%	___ <110%	<u>X</u> 110-125%	___ >125%
Coverage Ratio with New Loan Excluding Tap Fees:			118%	___ <110%	<u>X</u> 110-125%	___ >125%
Current Annual Rates/MHI:			1.39%	___ >3.0%	___ 1.5-3.0%	<u>X</u> <1.5%
Current Water Rates + New Water Debt Service/MHI:			1.40%	___ >3.0%	___ 1.5-3.0%	<u>X</u> <1.5%
Operation and Maintenance Reserve:			-16%	<u>X</u> <25%	___ 25-50%	___ >50%
<b>TOTAL:</b>			<b>5</b>		<b>12</b>	<b>4</b>

**FINANCIAL ANALYSIS:** Of the twenty-one current indicators calculated, four are rated strong, twelve are average and five are considered weak. Overall, the indicators illustrate affordable water rates, limited reserves, and significant amounts of debt relative to the size and property values of the City. The strong indicators show rates as a percent of income to be affordable, and a consistently strong operating ratio. The weak indicators reflect that debt is high on a per capita and per tap basis, and unrestricted reserve amounts need to be increased.

- The water and sewer operating revenues have been strong, ranging from 177% to 187% of operating expenses in the last three years. The water and sewer fund makes annual transfers to the general fund to reimburse for services provided by the general fund.
- Based on 2014 financial information, coverage with the proposed loan is 119% with tap fee revenue and 118% without tap fee revenue. Additional annual revenue is not needed to pay for the proposed loan.
- When the additional revenue of \$565,575 from the planned 2016 rate increase of \$1.91 per tap per month is factored in, coverage with the new loan increases to 182%.
- An operations and maintenance reserve equal to 3 months of annual operating expenses is required for the DWRf program. The City's reserves are calculated by subtracting the water and sewer fund's current assets from its current liabilities. When the restricted assets held in the water and sewer fund for debt service are factored in, reserves as a percent of O&M result in a figure of -16%.
- This project is expected to reduce water loss and reduce system maintenance costs, therefore helping to control long-term operating costs.

#### **Additional Project Financing**

On November 25, 2015 a DWRf design and engineering grant in the amount of \$112,000 was awarded. The City was also awarded a \$10,000 DWRf planning grant on July 15, 2015. The City has also been coordinating additional funding for the project with the Department of Local Affairs, and has received two grant awards for this project. On June 8, 2015 the City was awarded an EIAF grant of \$112,000, to help pay for engineering and design and on December 8, 2015 a request for \$1,612,800 was funded to pay for a portion of the construction costs.

**DESCRIPTION OF THE LOAN:** A \$1,612,800 direct loan with a thirty year term, two payments annually at an interest rate of 0% will cost the City approximately \$6,517 in debt service annually. Using the Census Bureau's 2009-2013 five-year American Community Survey information, the City's MHI is less than 61% of the state's MHI at 54% and meets criteria for a 0% loan under the DWRf Disadvantaged Community Program.

- If principal forgiveness had not been available to support this request, annual debt service of \$53,760 would have been required to repay the requested \$1,612,800 loan.

**ECONOMIC ANALYSIS:** The City has a 2014 population estimated at 7,444 and the area's employment is dominated by agriculture. Prowers County has experienced a decrease of 17% in population since 2000. Closures of major employers in recent years have eliminated many jobs in the region.

The City's largest employers consist of the City of Lamar with 257 employees, School District RE-2 with 225 employees, Prowers Medical Center with 217 employees, Prowers County government with 193 employees, and the Wal-Mart Super Center with 174 employees.

#### **ORGANIZATIONAL ANALYSIS:**

##### **Bond Rating**

The City's debt has not been rated by Fitch, Moody's, or Standard & Poor's in the last five years.

##### **Section 37-60-126(2) C.R.S. (Water Conservation Planning)**

The City does not sell more than 2,000 acre-feet of water per year.

##### **Organizational Structure**

The home rule City was incorporated in 1886 and governed by a council/mayor form of government. It provides police and fire protection, water and wastewater, electricity distribution, solid waste, and parks and recreation services. Approximately 14 full-time employees staff the water utility. The water utility is overseen by the water and wastewater supervisor, who reports to the water resources manager, who in turn reports to the city administrator.

- The City has generally been in compliance with Colorado statutory budgeting and auditing requirements for the past five years.
- The City maintains general liability insurance coverage through CIRSA.
- There are currently no pending lawsuits against the City.
- There have been no recall elections in the last ten years.

### Technical/Managerial/Financial (TMF)

The WQCD and DLG conducted a review of the City's technical, managerial and financial capacity to operate the water system. The review resulted in the following mandatory items:

- The City must augment its unrestricted operations and maintenance reserve to the required three months.

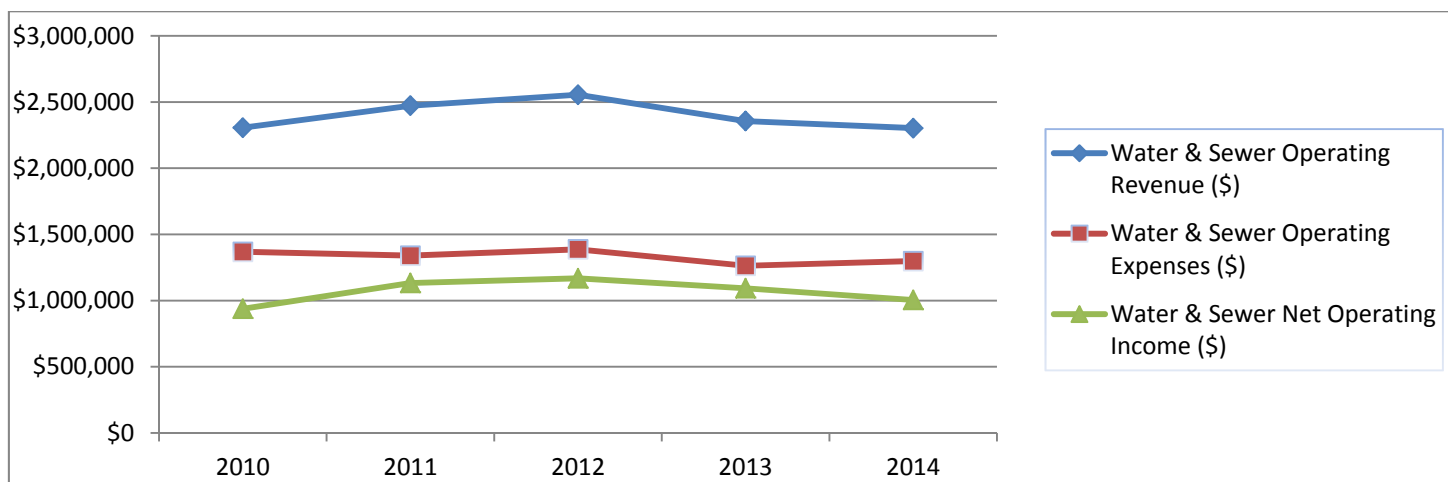
### Capital Improvement Plan

As part of the application process, the City submitted a capital improvement schedule, which anticipates capital outlay of \$1,155,000 for other water system upgrades including transmission lines between wells and drainage improvements to be funded from the water and sewer cash reserves.

**REVENUE ANALYSIS:** Water and sewer operating revenue has been stable in recent years, averaging 98% of total revenue. Small amounts of tap fee revenue have been collected, averaging \$4,426 over the past four years.

TRENDS	2010	2011	2012	2013	2014	2015
Monthly Water Rate (\$)		36.30	36.30	36.30	36.30	36.30
Monthly Sewer Rate (\$)		13.50	13.50	13.50	13.50	13.50
Residential Water Tap Fee (\$)		1,300	1,300	1,300	1,300	1,300
Residential Sewer Tap Fee (\$)		650	650	650	650	650
Total Water & Sewer Revenue (\$)	2,366,359	2,548,166	2,605,363	2,378,469	2,362,493	
Tap/Development Fees (\$)		5,975	6,961	1,300	3,467	
Water & Sewer Operating Revenue (\$)	2,305,992	2,471,936	2,554,904	2,355,790	2,302,336	
Water & Sewer Operating Expenses (\$)	1,367,662	1,338,849	1,386,833	1,262,861	1,297,696	
Water & Sewer Net Operating Income (\$)	938,330	1,133,087	1,168,071	1,092,929	1,004,640	
Water & Sewer Debt (\$)	8,469,465	8,043,386	12,002,206	11,467,471	10,270,276	
Total Debt (\$)	11,024,465	10,263,386	13,931,391	12,004,346	15,087,910	
Water & Sewer Debt Service (\$)	279,330	514,231	604,378	715,714	890,810	
Water & Sewer Debt Service/Tap/Month (\$)	6.68	12.24	14.34	17.30	21.62	
Water & Sewer Fund Reserves (\$)	3,420,601	1,973,981	3,505,564	627,632	238,376	

Ratios	2010	2011	2012	2013	2014	Average
Operating Revenue as % of Total Revenue	97%	97%	98%	99%	97%	98%
Operating Revenue as % of Expenses	169%	185%	184%	187%	177%	180%
Tap Fee Revenue as % of Total Revenue	0.0%	0.2%	0.3%	0.1%	0.1%	0.1%



### Recent Rate Increases

The City's most recent rate increase of \$2.22 was implemented in January 2009. A rate increase is being developed for 2016 which is expected to increase annual operating revenues by \$576,575. The increase will raise the facility investment fee by \$0.50 for both water and sewer, add a new volume tier for consumption between 500 and 1,000 cubic feet, and increase the volume charges.

### User Charges

The City measures its water for billing purposes based on cubic feet. The City's current residential water rate is estimated at \$36.30 compared to the 2014 estimated state average of \$47.61. The City's average monthly water rate is based on typical residential consumption of 13,484 gallons (1,803 cu. ft.) per month. Residential users pay an \$11.05 base rate up to 3,740 gallons (500 cu. ft.) and a pro-rated volume charge of \$14.40 per 7,480 gallons (1,000 cu. ft.) for consumption above 3,740 gallons. A facility investment fee of \$6.50 is added to every customer's bill. Customers outside the city limits pay double the inside rates, including the facility investment fee.

Commercial customers pay \$29.55 for the same amount of water. Their rate includes the \$11.05 base rate for up to 6,732 gallons (900 cu. ft.) and a pro-rated volume charge of \$14.40 per 7,480 gallons (1,000 cu. ft.) for consumption above 6,732 gallons. A facility investment fee of \$5.50 is added to every customer's bill. Commercial customers outside the city limits pay double this rate.

The City's current average monthly residential sewer rate is \$13.50 compared to the 2014 estimated state average of \$23.11. This rate is comprised of a \$10 flat monthly fee, and a \$3.50 facility investment fee. Residential customers outside the City pay \$20 per month and a \$7.00 facility investment fee.

### Contributed Capital

The City's audit does not report tap fee revenues separately from operating revenues, but in its loan application provided details of recent tap fee revenues it has received. Revenue from tap fees has ranged from \$1,300 to \$6,961 and has averaged 0.1% of total water revenue during the last five years. The City's most recent water tap fee increase occurred in 2009.

- Residential and commercial water tap fees start at \$1,300 for a 3/4" water tap plus materials and labor.
- Residential and commercial sewer tap fees start at \$650 for customers with a 3/4" water tap plus materials and labor.

Current System Utilization		
	Usage	Revenue
<b>Residential</b>	54%	56%
<b>Non-residential (per EQR)</b>	46%	44%

Current Fee Summary		
Tap size	Water user/tap fees	Sewer user/tap fees
¾"	\$36.30/\$1,300	\$13.50/\$650
¾"	\$29.55/\$1,300	\$15.50/\$650

### DEBT as of December 31, 2014

Executed	Lender	Term End	Pledge	Outstanding	Interest Rate	Annual payment
2009	Refunding bonds	2019	Water & Sewer	\$690,000	2.5%	\$142,645 – \$205,813
2013	Bank of America	2027	Water & Sewer	\$3,027,664	2.95%	\$270,000 – \$334,000
2009	CWRPDA	2030	Water & Sewer	\$859,416	2.5%	\$68,865
2009	CWRPDA	2030	Water & Sewer	\$2,964,281	0%	\$197,619
2010	CWRPDA	2031	Water & Sewer	\$1,676,367	2.00%	\$123,094
2015	CWCB	2044	Water & Sewer	\$616,994	2.25%	\$28,504
<b>Total:</b>				<b>\$9,834,722</b>		

**LOAN COVENANTS:** The City will have to meet the Authority’s 110% rate covenant, 3 month operation and maintenance reserve fund covenant and the 110% additional bonds test (if applicable) on an annual basis. The City has met the Loan Covenants on its WPCRF direct loan and two DWRf direct loans dated 2010, 2009, and 2009 ARRA, respectively, with the Authority for the last 5 years. The City has also had no debt service payment issues.

Prepared by: Barry Cress  
Date: January 7, 2016

Project #:	141511D-I
Cost Categories:	Transmission & Distribution – 100%



<b>January 7, 2016</b>  <b>DWRF Credit Report</b> <b>City of Lamar, Prowers County</b> <b>Using most recent data available</b> <b>(Census, audits, local records)</b>	
<b>2013 Population (Estimated)</b>	<b>7,610</b>
<b>Number of Water Taps (or customers) - 2014</b>	<b>3,434</b>
<b>Total 2013 Assessed Valuation</b>	<b>\$34,348,000</b>
<b>Total 2014 Assessed Valuation</b>	<b>\$34,481,000</b>
<b>Actual Value of all Real Property (2013)</b>	<b>\$247,397,000</b>
<b>Actual Value of all Real Property (2014)</b>	<b>\$247,831,000</b>
<b>Median Household Income (MHI)</b>	<b>\$31,314</b>
<b>Monthly Water Rate (2014)</b>	<b>\$36.30</b>
<b>Water Operating Revenue (2014)</b>	<b>\$2,302,336</b>
<b>Water Total Revenue (2014) [May include non-operating revenue, such as contributed capital, tap &amp; system development fees, interest income, S.O. tax and property tax. Excludes one-time capital grants.]</b>	<b>\$2,362,493</b>
<b>Water Tap and System Development Fee Revenue (2014)</b>	<b>\$3,467</b>
<b>Water Operating Expense (2014)</b>	<b>\$1,297,696</b>
<b>Water Current Expense (2014)</b>	<b>\$2,188,506</b>
<b>Water Debt (2014)</b>	<b>\$10,270,276</b>
<b>Total Debt (2014)</b>	<b>\$15,087,910</b>
<b>Water Reserves [2014 current assets minus current liabilities]</b>	<b>\$238,376</b>
<b>All Fund Reserves [2014 current assets minus current liabilities]</b>	<b>\$12,194,020</b>
<b>Water Debt Service (2014)</b>	<b>\$890,810</b>
<b>New Water Debt (requested DWRF loan amount)</b>	<b>\$195,500</b>
<b>Requested DWRF Loan Term</b>	<b>30</b>
<b>Requested DWRF Loan Interest Rate</b>	<b>0.00%</b>
<b>New Loan's Annual Water Debt Service [two payments annually]</b>	<b>\$6,517</b>

<u>Current Indicators (2014)</u>				
<u>City of Lamar</u>				
<u>( Water and Sewer)</u>				
<b>1 Total Debt</b>	<b>\$15,087,910</b>	<b>÷ Population</b>	<b>7,610</b>	<b>= \$1,983</b>
<b>New Debt</b>	<b>\$195,500</b>	<b>÷ Population</b>	<b>7,610</b>	<b>= \$26</b>
<b>Total Debt + New Debt</b>	<b>\$15,283,410</b>	<b>÷ Population</b>	<b>7,610</b>	<b>= \$2,008</b>
<b>2 Total Debt</b>	<b>\$15,087,910</b>	<b>÷ Number of Taps</b>	<b>3,434</b>	<b>= \$4,394</b>
<b>New Debt</b>	<b>\$195,500</b>	<b>÷ Number of Taps</b>	<b>3,434</b>	<b>= \$57</b>
<b>Total Debt + New Debt</b>	<b>\$15,283,410</b>	<b>÷ Number of Taps</b>	<b>3,434</b>	<b>= \$4,451</b>
<b>3 Total Debt</b>	<b>\$15,087,910</b>	<b>÷ Assessed Value</b>	<b>\$34,481,000</b>	<b>= 43.76%</b>
<b>New Debt</b>	<b>\$195,500</b>	<b>÷ Assessed Value</b>	<b>\$34,481,000</b>	<b>= 0.57%</b>
<b>Total Debt + New Debt</b>	<b>\$15,283,410</b>	<b>÷ Assessed Value</b>	<b>\$34,481,000</b>	<b>= 44.32%</b>
<b>4 Total Debt</b>	<b>\$15,087,910</b>	<b>÷ Actual Value</b>	<b>\$247,831,000</b>	<b>= 6.09%</b>
<b>New Debt</b>	<b>\$195,500</b>	<b>÷ Actual Value</b>	<b>\$247,831,000</b>	<b>= 0.08%</b>
<b>Total Debt + New Debt</b>	<b>\$15,283,410</b>	<b>÷ Actual Value</b>	<b>\$247,831,000</b>	<b>= 6.17%</b>
<b>5 Current Water Debt</b>	<b>\$10,270,276</b>	<b>÷ Number of Taps</b>	<b>3,434</b>	<b>= \$2,991</b>
<b>(Current Water Debt + NewWater Debt)/Number of Taps</b>	<b>\$3,048</b>	<b>÷ MHI</b>	<b>\$31,314</b>	<b>= 9.73%</b>
<b>6 Current Ratio [CA/CL]</b>				
<b>Current Assets</b>	<b>\$1,415,066</b>	<b>÷ Current Liabilities</b>	<b>\$1,176,690</b>	<b>= 120%</b>
<b>7 Reserve/Expense Ratio</b>				
<b>Reserves</b>	<b>\$238,376</b>	<b>÷ Current Expenses</b>	<b>\$2,188,506</b>	<b>= 11%</b>
<b>8 Operating Ratio [OR÷OE]</b>				
<b>Operating Revenues</b>	<b>\$2,302,336</b>	<b>÷ Operating Expenses</b>	<b>\$1,297,696</b>	<b>= 177%</b>

<b>9 Coverage Ratio [(TR - OE)/DS]</b>					
Total Revenues	\$2,362,493	-			
minus Operating Expenses	<u>\$1,297,696</u>				
	=	\$1,064,797	÷ Current Debt Service	\$890,810	= 120%
<b>10 Coverage Ratio Excluding Tap &amp; Development Fee Revenue</b>					
Coverage Ratio Excluding Tap & Development Fee Revenue	\$1,064,797				
minus Tap and Dev. Fee Revenue	<u>\$3,467</u>				
	=	\$1,061,330	÷ Current Debt Service	\$890,810	= 119%
<b>11 Projected Coverage Ratio</b>					
Total Revenues	\$2,362,493				
minus Operating Expenses	<u>\$1,297,696</u>				
	=	\$1,064,797	Total Debt Service (with new loan)	\$897,327	= 119%
<b>12 Projected Coverage Excluding Tap &amp; Dev. Fee Revenue</b>					
Projected Coverage Excluding Tap & Dev. Fee Revenue	\$1,064,797				
minus Tap & Dev. Fee Rev.	<u>\$3,467</u>				
	=	\$1,061,330	÷ Total Debt Service (with new loan)	\$897,327	= 118%
<b>13 Current Debt Service</b>					
Current Debt Service	\$890,810	÷ Number of Taps	3434	=	\$259.41
Annual New Water Debt Service	\$6,517	÷ Number of Taps	3434	=	\$1.90
<b>14 2014 Annual Water Rate (monthly rate x 12)</b>					
2014 Annual Water Rate (monthly rate x 12)	\$435.60	÷ MHI	\$31,314	=	1.39%
2014 Annual Water Rate + New Annual Debt Service per Tap	\$437.50	÷ MHI	\$31,314	=	1.40%
<b>15 Current 2014 Monthly User Charge</b>					
Current 2014 Monthly User Charge					\$36.30
Debt Service on DWRF/2014 Taps/month					<u>\$0.16</u>
Total					\$36.46
<b>16 Operation and Maintenance Reserve</b>					
Reserves	-\$212,840	÷ Operating Expenses	\$1,297,696	=	-16%