

RUNNING SPRINGS WATER DISTRICT

MEMORANDUM

DATE: July 8, 2011

TO: Finance Committee

FROM: Sam G. Massey, General Manager

SUBJECT: FINANCE COMMITTEE REVIEW OF THE WASTEWATER TREATMENT PLANT EXPANSION PROJECT ARROWBEAR BILLING OPTIONS

BACKGROUND

The Wastewater Treatment Plant Expansion Project was approved by the Board of Directors at the May 19, 2010 Board Meeting. The total cost of the project was to be \$620,225 with Arrowbear Park County Water District (Arrowbear) and CSA-79 (Green Valley Lake) responsible for their proportionate share of the costs.

A Finance Committee Meeting was held on June 9, 2010 to discuss the possibility of offering Arrowbear and CSA-79 financing options on the amount of their share of the project. At the June 16, 2010 Board Meeting, the Board agreed to offer the two entities the option of paying their share of the project over a 3 to 5 year period at an interest rate of 0.25% to 0.5% below current market rates. This loan arrangement would be paid in two semi-annual installments.

CURRENT STATUS

Arrowbear has expressed an interest in financing their share of the recent Wastewater Treatment Plant Expansion Project over a five year period with the District. Their balance owed to the District for this project is \$81,208.88. An Upstream Billing Report was mailed to Arrowbear on March 28, 2011 requesting payment and outlining the loan offer made by the District. A copy of this letter has been attached to this memo for the Committee's review.

Arrowbear General Manager Mike Scullin has stated he had an understanding with retired General Manager Ed Brittain that payment on this loan would not begin until after the loan for the plant conversion to the MBR system was paid off in 2017. I contacted Ed Brittain on July 5, 2011 to ask about this informal agreement he may have had with Mike Scullin. Mr. Brittain had no recollection of any formal or informal agreement made to Arrowbear in this matter.

Payments on \$81,208.88 amortized over a five year period at 4% would amount to two semi-annual installments of \$9,139.88 equaling an annual total of \$18,279.76. An interest only loan at 4% would equate to two semi-annual payments of \$1,624.20 equaling an annual total of \$3,248.40.

March 28, 2011

Mike Scullin
Arrowbear Park County Water District
P.O. Box 4045
Arrowbear Lake, CA 92382

Dear Mr. Scullin:

As per your conversation with Sam Massey, General Manager, please find the enclosed Upstream Billing Report regarding the Running Springs Water District Treatment Plant Expansion Project. The enclosed billing report reflects a balance of \$81,208.88 for Arrowbear Park County Water District. You will receive one additional billing report that will include supplementary costs associated with this project.

The Finance Committee held a meeting on June 9, 2010 and approved offering the upstream users the option of paying their share of the project over a short term (3 to 5 year) loan period at an interest rate of 4% that is ¼% below the current rate established by Municipal Finance Corporation.

If you would like to finance this project or have any questions, please contact Sam Massey or myself directly at 909/867-2766.

Best Regards,

Joan C. Eaton
Administration Supervisor
Running Springs Water District

enclosures

NOT APPROVED

MINUTES – JUNE 16, 2010
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Visitor Richard Luczynski commented on District policy and expressed his concern with the fees and charges for District services specifically the time frame that delinquent fees are imposed in the amount of \$6.00 or 3% of the unpaid balance, whichever is higher for water and sewer services. District policy states the District allows 21 days for payment of bills and mails out delinquent notices on the 22nd day. Discussion continued regarding billing procedures and accounts receivables. Supervisor Eaton stated that Administration staff recently met and considered whether the District should allow additional days for customer payments. After consulting with billing staff, it was determined that more than three additional days would interrupt the monthly billing process schedule. Director Shouse stated the District recently conducted a Delinquent Fee Survey with other Mountain Agencies and the late fee of \$6.00 or 3% is equitable and less severe than fees and policies imposed by comparable Mountain agencies. Examples of fees and charges from other Mountain agencies were verbally provided to Mr. Luczynski. President Ayers affirmed that 21 days to remit payment is reasonable and sufficient time allowed for a customer to remit payment without incurring a late fee.

Visitor Comment
Fees and Charges

Visitor Richard Luczynski then commented on the District website stating the Board Meeting minutes and agendas that were posted were outdated and not informative. Supervisor Eaton stated with approval of the 2010/11 Budget, District technology will be upgraded to include PDF formatting that will allow the District to post Board Packet documentation directly on the website.

Visitor Comments
Regarding District
Website

Manager Massey reported on the Treatment Plant Expansion Project that was approved by the Board of Directors at the May 19, 2010 Board Meeting. The total projected cost of the expansion project is estimated to be \$620,225 with upstream users Arrowbear Park County Water District and CSA-79 responsible for a proportionate share of the costs. A Finance Committee meeting was held on June 9, 2010 and the Board agreed to offer Arrowbear and CSA-79 the option of paying their share of the project over a short term (3 to 5 year) loan period at an interest rate which was 0.25% to 0.5% below market rates. Manager Massey provided the Board with a spreadsheet outlining the loan terms and varying interest rate options for each upstream user and stated that two semi-annual payments will be made to the District. Upon motion by Vice-President Kellems, second by Director Shouse, and carried by a 5 to 0 vote, the Wastewater Treatment Plant Expansion Project Funding with a loan amount of \$130,743.00 for Options #2 for 3 years and Option #5 for 5 years applying both options to Arrowbear and CSA-79 at 0.25% below the market rate when the contract is signed, was approved.

Wastewater Treatment
Plant Expansion Project
Funding Options for
Arrowbear and CSA-79