

Oak Creek Domestic Water Improvement District

Special Public Meeting - held at 90 Oak Creek Boulevard, Sedona, AZ

Monday, June 5, 2023.

1. Call to order and roll call:

- Called to order at 6:30 P.M.
- Present: Bob Bareuther (absent), Doug Bowen, Ed Dowling, Paul LeFevre, Creed Ostler, Paul Slevin, Chan Smith

2. Call to the Public for Items not on the Agenda:

3. Manager's Report:

4. Consent Agenda Items:

5. Regular Agenda Items:

A. Status Update and Discussion about USDA Grant/ Loan Projects

This meeting is only an informational meeting concerning USDA and its approval of subsequent Grant/ Loan funding for Oak Creek Water District. Doug presented the Board members and residents with a Water Main Bid History and provided possible scenarios of USDA Grant/ Loan funding. In summary there is a need for an additional \$8,160,000 in funds to complete this project. USDA's request to the National Office would be for \$5,563,000 in additional grants and \$2,597,000 in an additional loan, approximately a 66.4% (grant) to a 33.6% (loan) ratio. It was estimated a rate increase of 7.8% for the next three years would be needed. A modified 5-year rate increase study will be completed once the final numbers are obtained from USDA.

Both Board members and residents in the audience asked general questions. There were no objections to the request for additional funds; only compliments on finding \$11.2 Million in grant funds and the remaining \$4.9 Million loan at a low interest rate of 1.325%.

6. Executive Session Items

7. Announcements:

- A. Next Regular Board Meeting: June 20, 2023, at 4:30 P.M

8. Adjournment:

- Motion to adjourn/ 7:04 P.M./ Ed Dowling.

Respectfully submitted,

Creed Ostler

Secretary, Oak Creek Domestic Water Improvement District

USDA Loan Rates & Grant Percentage

Oak Creek Water District's Current Agreement:

Interest Rate: 1.325% for 40-year term
Grant to Loan Ratio: 75% Grant 25% Loan

Summary of Conference Call with USDA on May 9, 2023:

USDA reviewed everything and presented it to the National Office, and they decided to move forward with subsequent funding. USDA stated if they don't fund this anytime soon, there is a chance it won't be funded anytime this year. There is a chance OCWD will not get a 75% grant. It's based on the ratios they use and the funds they have available. USDA stated they hit a wall in terms of timing and everything else and agreed to move forward. USDA stated they want the project to move forward, it is whether we can do it without costing the users too much in water rates. USDA stated, obviously, they can't give OCWD \$8 million in loan and, they can't subsidize the whole thing so there is a balance. The USDA representative stated he was going to go through the underwriting; he is going to try to minimize the loan but at the same time he can only do so much.

To put things in context: Interest on \$1 Million over 40 years based on various interest rates.

1.325%	\$288,800	current agreement	
2.250%	\$517,500	difference	\$228,700
3.250%	\$788,200	difference	\$499,400

Additional funds obtained now would follow under the existing contract. By waiting, the loan interest rate will be higher and there is no guarantee we will still fall under the poverty category due to the workforce rentals becoming short-term rentals.

3rd Quarter FY2023 interest rates - see bottom of page.

4th Quarter FY2023 interest rates will be published and be effective July 1, 2023.



Water & Waste Disposal Loan & Grant Program

NOTE: Please ensure that your state is selected in the dropdown menu above to find the [state office contact information](#), and speak to a program specialist before attempting to fill out any forms or applications. This will save you time in completing your application.

Interest Rates:

Current interest rates for 3rd quarter FY2023, effective April 1, 2023.

Poverty: 2.250%
Intermediate: 3.000%
Market: 3.750%

The above was cut & pasted from the following website for printing purposing: <https://www.rd.usda.gov/programs-services/water-environmental-programs/water-waste-disposal-loan-grant-program#to-apply>

Oak Creek Water District

"Serving West Sedona Since 1953"

90 Oak Creek Blvd. Sedona, AZ 86336
928 282-3404 – info@oakcreekwater.com

Date May 22, 2023

From: Doug Bowen

RE: **USDA Project History**

To: Documentation for File

- The Engineering Report utilized to obtain the USDA funding was created prior to COVID, the shortage of materials/labor and inflation. Construction prices have doubled requiring additional funding.
- Bids for the arsenic removal system and rehabilitation of the five storage tanks were opened on March 28, 2022. Four bids were received. Fann Environmental was the lowest bidder at \$1.66 Million, twice the engineers estimate. The project was awarded and is 85% complete.
- Bids for the water main project were opened on August 1, 2022. Only one \$32.2 million bid was received, three times the engineers estimate. The contractors that did not bid stated they could not get the bonding for such a large project. The bid was rejected.
- The project was modified by cutting a few things and broken down into three sections. Three bids were received on March 31, 2023. The lowest bidder was Summit Construction of Flagstaff at \$12.4 Million utilizing pipe bursting. This was about one million below the revised engineer's estimate. Pipe bursting instead of excavation eliminates a lot of pavement and landscaping disturbance.
- USDA stated the bids were too high, comparing it to one project in Payson. USDA required the engineer to value-engineer the project, investigate if there could be any cost savings, and find out why other contractors did not bid on our project. The district and the engineer researched recently bid projects throughout the state. Twelve projects of various sizes were found and the average price per foot far exceeding the current bid price received from Summit Construction.
- USDA recommended removing unnecessary parts of the project, however the district's waterline replacement project is 100% replacement of mains, hydrants, and valves that are failing. There is no fluff in the project.,
- USDA recommended breaking the project down into \$1.0 million bids. Bidding this project in 12 or more smaller projects could extend the life of the project by an additional three to five years, putting an additional financial burden on the residents and small family run businesses in our community due to inflation and extend interim interest payments. Neither are cost-saving measures.
- The district's water project has now been bid twice, has been valve engineered and is ready for construction. We need additional funds to complete this project. USDA has finally agreed to complete their underwriting and submit our project to Washington D.C. for additional funds. Those that sent letters of support, thank you. Every bit helped during this stressful process.

Bid Tab Comparison - Cost/LF Waterline Replacement in Representative Communities
Total Project Cost / Length of 6" to 8" Waterline Replaced

<u>Project</u>	<u>City</u>	<u>Engineer</u>	<u>Estimate</u>	<u>Bid A</u>	<u>Bid B</u>	<u>Bid C</u>	<u>Notes:</u>
			<u>Cost/LF</u>	<u>Cost/LF</u>	<u>Cost/LF</u>	<u>Cost/LF</u>	
OCWD Waterline Bid A, B, C	Sedona		\$378	\$326	\$518	\$346	Highly Representative, 3 bids, Mar 2023, Bidder C late with bid
Mile High Park Waterline	Prescott		\$449	\$563	\$565	\$626	Highly Representative, 5 bidders, Jun 2020
Pipe Bursting Project, TT Technologies	Eureka, CA			\$352	\$445	\$452	Highly Representative, 3 bidders, Nov 2020, pipe burst 25% savings over excavating
Juniper Vista Project (Juniper & Karen Dr)	Prescott		\$346	\$623	\$785		Highly Representative, 2 bidders, July 2022, similar neighborhood and rock
Rocky Dells Water Main Replacement	<u>Prescott</u>		\$403	\$482	\$595	\$659	Highly Representative, 3 bidders, Dec 2021
Cathedral Rock Rd (VOC)	Sedona	<i>BPW</i>		\$314			Highly Representative, No rock, installed by Big Park, +20% if bid (\$261/LF in-house)
City of Lake Havasu Water Main	Lake Havasu		\$559	\$590	\$641	\$666	3 bidders, 2022 bid tab, costly area to install; potentially higher than Sedona
Mohave County Procurement Waterline	Lake Havasu			\$217	\$229	\$241	4 bidders, 16 mailboxes vs. our 46, houses spaced out w/ random trees, April 2023
8" Waterline Replacement ENG-17-0058	Kingman			\$245			No bidding, used a job order contractor, Sept 2021
USDA Project in Payson	Straw/Pine		\$149	\$152	\$170	\$175	Payson, (USDA), 2023, wide streets, rural, little to no traffic control required.
USDA Project in Flagstaff	Flagstaff			\$207			Mountain High Excavating (USDA), 2023, no project comparison
	Average Cost/LF			\$370			
	Average Cost/LF			\$443			Average of highly representative projects

Construction Costs have more than doubled since 2020.

Shipping of Materials is averaging 6 months

Shortage of Contractors so they can they can pick and choose projects

USDA READY TO SUBMIT TO NATIONAL OFFICE

USDA Initial Proposal*	\$8,467,000 Funds	33.6% Loan	\$2,842,000
OCW with \$50K contingency	\$7,859,000 Funds		
OCW Estimate \$300K contingency	\$8,160,000 Funds	33.6% Loan	\$2,597,000

*Must use up loan first then get the grant. Excess funds...lose grant.

Oak Creek Water District (Based on TB April 2022 Info)
Rate Study Scenario Summary: Additional Grant/Loan Funds

Scenario	Overall	% Increase	*Preliminary	*Preliminary	Total % Incr.	Total % Incr.	Estimate		
	Revenue Incr.	Over TY 2021	5-year	5-year	2 of 5 Years	Years 3-5	Base Rate +	\$	
			Avg. 3/4 Inch Res.	Avg. 3/4 Inch Res.	Bill Impact %	Bill Impact %	per yrs 3-5		
			Bill Impact	Bill Impact %			Base Impact		
Original	\$ 85,000	14.72%	\$4.68	12.86%				\$ 577,241.00	TY Adjust Revenue
Addnl \$7M Grant/\$1M Loan	\$ 125,000	21.65%	\$7.61	20.91%	7.89%	4.59%	\$0.75	\$ 85,000.00	Original Increase
Addnl \$6M Grant/\$2M Loan	\$ 160,000	27.71%	\$10.08	27.70%	7.89%	6.61%	\$1.07	\$ 2,325,000.00	Original Loan
Addnl \$5.5M Grant/\$2.5 Loan	\$ 180,000	31.18%	\$11.56	31.74%	7.89%	7.76%	\$1.26		
Addnl \$5M Grant/\$3M Loan	\$ 200,000	34.65%	\$13.03	35.79%	7.89%	8.92%	\$1.45	\$ 3,325,000.00	\$ 121,559.14
Addnl \$4M Grant/\$4M Loan	\$ 240,000	41.57%	\$15.97	43.88%	7.89%	11.23%	\$1.83	\$ 4,325,000.00	\$ 158,118.28
								\$ 4,825,000.00	\$ 176,397.85
								\$ 5,325,000.00	\$ 194,677.42
								\$ 6,325,000.00	\$ 231,236.56

Previous Rate Increases			Base Rate	Base Change	
ACC Rate Increase 2001	12/1/2001	N/A	\$7.00		4.05%
ACC Rate Increase 2008	12/1/2008	15%	\$8.00	\$1.00	
ACC Rate Increase 2016	12/1/2016	82%	\$14.55	\$6.55	31.74%
ACC Rate Increase 2020 (DWID)	9/1/2020	14%	\$17.10	\$2.55	
5-Year Plan to meet USDA Req	3/1/2022	3.69%	\$17.68	\$0.58	1st Yr
5-Year Plan to meet USDA Req	3/1/2023	3.69%	\$18.26	\$0.58	2nd Yr

Borrowing 2 Million Scenerio

Last 3-Yrs of 5 Yr Plan*				
5-Year Plan to meet USDA Req	3/1/2024	6.61%	\$19.47	\$1.21
5-Year Plan to meet USDA Req	3/1/2025	6.61%	\$20.75	\$1.29
5-Year Plan to meet USDA Req	3/1/2026	6.61%	\$22.13	\$1.37

*These are estimated. Breaking this down over four years could be an alternative.

Borrowing 2.5 Million Scenerio

Last 3-Yrs of 5 Yr Plan*				
5-Year Plan to meet USDA Req	3/1/2024	7.76%	\$19.68	\$1.42
5-Year Plan to meet USDA Req	3/1/2025	7.76%	\$21.20	\$1.53
5-Year Plan to meet USDA Req	3/1/2026	7.76%	\$22.85	\$1.65

*These are estimated. Breaking this down over four years could be an alternative.

Borrowing 3 Million Scenerio

Last 3-Yrs of 5 Yr Plan*				
5-Year Plan to meet USDA Req	3/1/2024	8.92%	\$19.89	\$1.63
5-Year Plan to meet USDA Req	3/1/2025	8.92%	\$21.66	\$1.77
5-Year Plan to meet USDA Req	3/1/2026	8.92%	\$23.60	\$1.93

*These are estimated. Breaking this down over four years could be an alternative.

Becky Lisle

From: OAK CREEK WATER DISTRICT <no-reply@ruralwaterimpact.com>
Sent: Thursday, June 1, 2023 12:42 PM
To: Jody Moreno
Subject: Alert from OAK CREEK WATER DISTRICT

Importance: High

Alert from OAK CREEK WATER DISTRICT: Important Public Meeting June 5, 2023

Date: Jun 01, 2023

Important Public Meeting. [Click here](#) for Agenda

For details, visit: [<https://rw1.co/44CC1>]

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