

PAGOSA AREA WATER AND SANITATION DISTRICT)
)
ARCHULETA COUNTY) S.S.
)
STATE OF COLORADO)

NOTICE OF REGULAR MEETING

NOTICE IS HEREBY GIVEN that a Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District (PAWSD) has been scheduled for Thursday August 29, 2024 at 5:00 p.m. The Regular Meeting will be held at 100 Lyn Avenue, Pagosa Springs, Colorado.

Proposed Agenda is follows:

Regular Meeting

1. Call to Order
2. Roll Call
3. Consideration of Agenda
4. Approval of Minutes – 7/25/2024 Special Meeting
5. Public Comment
6. Consideration of Alternative Funding for Vista WWTP Upgrades
7. Manager Talking Points
8. Any other Business Brought before the Board will be Duly Considered

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Justin Ramsey
For the Board of Directors



1
2 **RECORD OF PROCEEDINGS**
3 **PAGOSA AREA WATER AND SANITATION DISTRICT**
4 **JULY 25, 2024 SPECIAL MEETING**

5 **Call to Order (0:00:12)**
6

7 The Special Meeting of the Pagosa Area Water and Sanitation District was called to order by
8 Chairman Jim Smith at 4:00 p.m.
9

10 **Attendance (0:00:17)**
11

12 The following Directors were present: Jim Smith, Glenn Walsh, Bill Hudson (arrived late), and
13 Gene Tautges.
14

15 In attendance from staff: Justin Ramsey, Aaron Burns, and Renee Lewis.
16

17 Also present: Robert Hagberg, Travis Barber (virtual), Chuck Riehm (virtual), and Josh Pike
18 (virtual).
19

20 **Consideration of Agenda (0:00:26)**
21

22 The Board accepted the agenda as presented.
23

24 **Approval of Minutes – 6/13/2024 Regular Meeting (0:00:36)**
25

26 A motion was made by Director Walsh and seconded by Director Tautges to approve the minutes
27 as presented. The motion passed unanimously. Director Hudson was not present for the vote.
28

29 **Public Comment (0:00:59)**
30

31 Robert Hagberg, San Juan Water Conservancy District, provided comments regarding the Running
32 Iron Ranch Subcommittee meetings.
33

34 **Consideration of 2023 Audited Financial Statements – Ronny Farmer (0:01:32)**
35

36 Ronny Farmer presented the 2023 Audited financial Statements (attached). A motion was made
37 by Director Walsh and seconded by Director Tautges to accept the 2023 Audited Financial
38 Statements as presented. The motion passed unanimously. Director Hudson was not present for
39 the vote.
40

41 **Consideration of Main Line Extension Acceptance Agreement – Timberline (Trails at Pagosa
42 Springs) (0:31:42)**
43

44 Renee Lewis provided an overview of the Main Line Extension Acceptance Agreement –
45 Timberline (Trails at Pagosa Springs) (attached). A motion was made by Director Walsh and
46 seconded by Director Tautges to approve the Main Line Extension Acceptance Agreement –
47 Timberline (Trails at Pagosa Springs) as presented. The motion passed unanimously. Director
48 Hudson was not present for the vote.
49

50 **Consideration of Development Agreement for Public Improvements for Utility Service –**
51 **Timberline (Trails at Pagosa Springs) (0:39:49)**

52
53 Justin Ramsey provided an overview of Development Agreement for Public Improvements for
54 Utility Service – Timberline (Trails at Pagosa Springs) (attached). A motion was made by Director
55 Walsh and seconded by Director Tautges to approve the Development Agreement for Public
56 Improvements for Utility Service – Timberline (Trails at Pagosa Springs) as presented. The motion
57 passed unanimously. Director Hudson was not present for the vote.

58
59 **Consideration of Resignation Letter – Paul Hansen (0:46:40)**

60
61 Chairman Smith provided an overview of Director Hansen’s resignation letter (attached). A motion
62 was made by Chairman Smith and seconded by Director Tautges to accept the resignation
63 effective immediately. The motion passed unanimously. Director Hudson was not present for the
64 vote.

65
66 **Consideration of Board Vacancy (0:47:46)**

67
68 The Board agreed the vacancy created by Paul Hansen’s resignation should be advertised in the
69 newspaper and directed staff accordingly.

70
71 **Consideration of Draft Resolution 2024 – 05 – Resolution Clarifying Policy to Determine**
72 **Equivalent Units for Residential, Commercial, and Mixed-use Connections to the District’s**
73 **Municipal Water and Wastewater Systems (0:55:11)**

74
75 The Board discussed Draft Resolution 2024 – 05 – Resolution Clarifying Policy to Determine
76 Equivalent Units for Residential, Commercial, and Mixed-use Connections to the District’s
77 Municipal Water and Wastewater Systems with staff and provided feedback.

78
79 **Manager Talking Points (1:39:26)**

80
81 Justin Ramsey provided updates on water loss, a large leak located near Snowball Water
82 Treatment Plant, Snowball Water Treatment Plant replacement construction progress, and outlying
83 subdivisions that are more difficult to serve. Renee Lewis provided updates on the need to move
84 the August 8, 2024 meeting to August 29, 2024, connections completed and scheduled, water and
85 wastewater compliance, and progress working with Pagosa Springs Sanitation and General
86 Improvement District.

87
88 There being no further business to come before the Board, the meeting was adjourned at 6:15 p.m.

89
90 Respectfully submitted,

91
92
93
94 Bill Hudson
95 Secretary

Board Agenda Summary Sheet

	To	Action	Signature, Date		To	Action	Signature, Date
1	Justin Ramsey	Review		6			
2	Board	Approve		7			
3				8			
4				9			
5				10			

Name of Action Official: Renee Lewis	Phone:	Board Meeting Date: 8-29-24	Priority <input type="checkbox"/> High <input checked="" type="checkbox"/> Medium <input type="checkbox"/> Low
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Subject: Consideration of Alternative Funding for Vista WWTP Upgrades

Staff has been exploring alternative funding options for the Vista WWTP upgrades required by Reg 85. Revenue bonds and EPA WIFIA program have emerged as the most viable options. Attached please find a WIFIA fact sheet from EPA and two PowerPoints from Piper, Sandler & Co.



The WIFIA program accelerates investment in our nation's water infrastructure by providing long-term, low-cost supplemental loans for regionally and nationally significant projects. The WIFIA program was established by the Water Infrastructure Finance and Innovation Act of 2014.

ELIGIBILITY

Eligible borrowers

- Local, state, tribal, and federal government entities
- Partnerships and joint ventures
- Corporations and trusts
- Clean Water and Drinking Water State Revolving Fund (SRF) programs

WIFIA can fund development and implementation activities for eligible projects

- Wastewater conveyance and treatment projects
- Drinking water treatment and distribution projects
- Enhanced energy efficiency projects at drinking water and wastewater facilities
- Desalination, aquifer recharge, and water recycling projects
- Acquisition of property if it is integral to the project or will mitigate the environmental impact of a project
- A combination of eligible projects secured by a common security pledge or submitted under one application by an SRF program

FUNDING AVAILABILITY

EPA announces WIFIA funding availability and application process details in the Federal Register and on its website.

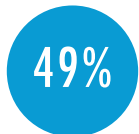
IMPORTANT PROGRAM FEATURES



Minimum project size for large communities.



Minimum project size for small communities (population of 25,000 or less).



Maximum portion of eligible project costs that WIFIA can fund.



Maximum final maturity date from substantial completion.



Maximum time that repayment may be deferred after substantial completion of the project.



Interest rate will be equal or greater to the US Treasury rate of a similar maturity.



Projects must be creditworthy.



NEPA, Davis-Bacon, American Iron and Steel, Buy America, Build America, and all federal cross-cutter provisions apply.

STAY IN TOUCH				
		WEBSITE: www.epa.gov/wifia		EMAIL: wifia@epa.gov
		Sign-up to receive announcements about the WIFIA program at https://tinyurl.com/wifianews		

Pagosa Area Water & Sanitation District

Bond Numbers & Information

August 26, 2024



Robyn Moore
MANAGING DIRECTOR
(303) 405-0845
robyn.moore@psc.com

Andrew Ma
ASSOCIATE
(303) 405-0852
andrew.ma@psc.com

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Piper Sandler & Co., Member SIPC and NYSE

Funding Source Comparison

- Below is a quantitative comparison of three funding sources available to the District including the State Revolving Fund (SRF), Water Infrastructure Finance & Innovation Act (WIFIA) and publicly offered revenue bonds.
- All figures below assume a borrowing amount of \$12 million; however, federal requirements from SRF or WIFIA may result in a larger project size.
- **SRF** results in the lowest borrowing cost; however, lack of available funding may not align with the District’s cash flow needs. **Publicly offered bonds** takes advantage of the District’s strong ‘A’ credit rating and gives the District maximum control over the timing and terms of its financing. **WIFIA** – see the separate attachment titled “WIFIA Primer” for more information.

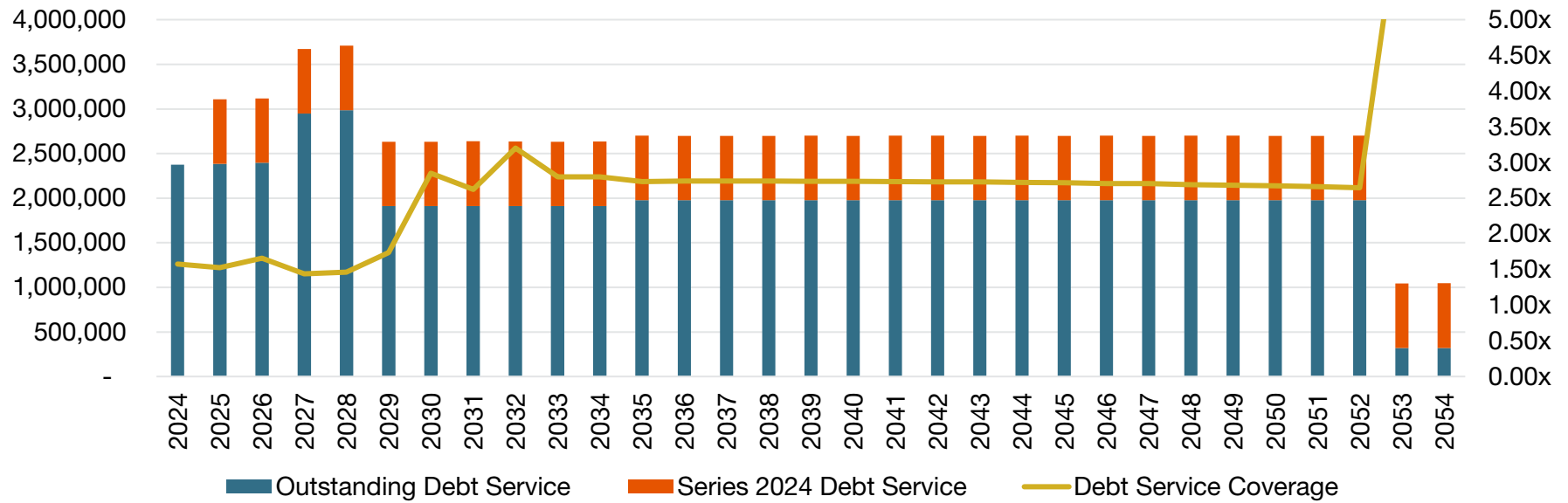
Comparison Table			
	Public Offering (30-Yr)	SRF	WIFIA
Net Proceeds	\$12,000,000	\$12,000,000	\$12,000,000
True Interest Cost	4.24%	3.25%	4.24%
Total Debt Service	\$21,698,488	\$19,353,888	\$21,709,983
Avg. Annual Debt Service	\$723,283	\$645,130	\$726,617
Final Maturity	12/1/2054	12/1/2054	12/1/2054

Public Offering – 30-Year Structure

- Traditional 30-year level debt service structure balances long-term borrowing cost and annual repayment.
- Leaves capacity for future issuance with debt service step downs in 2028 and 2053.

Bond Statistics	
Net Proceeds	\$12,000,000
True Interest Cost	4.24%
Total Debt Service	\$21,698,488
Avg. Annual Debt Service	\$723,283
Final Maturity	12/1/2054
Min. Debt Service Coverage	1.44x

Projected Outstanding + New Debt Service



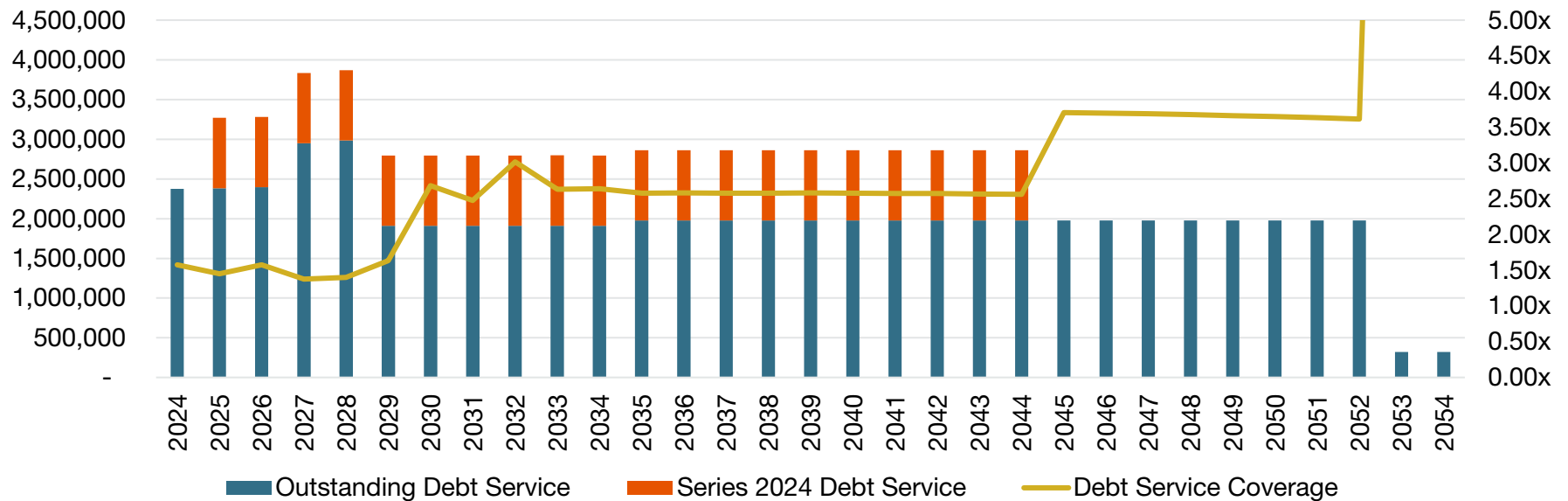
Rates as of August 26, 2024 and subject to change

Public Offering – 20-Year Structure

- Shorter, 20-year level debt service structure results in lower total borrowing cost in exchange for higher annual payments.
- Alternative term lengths such as 25 years are also viable options.

Bond Statistics	
Net Proceeds	\$12,000,000
True Interest Cost	3.90%
Total Debt Service	\$17,719,500
Avg. Annual Debt Service	\$885,975
Final Maturity	12/1/2044
Min. Debt Service Coverage	1.38x

Projected Outstanding + New Debt Service



Outstanding Debt Service Assumptions

Year	SRF - Hatcher	SRF - Snowfall	CWCB A	CWCB B	Total
2024	\$465,825	\$1,654,716	\$256,131		\$2,376,672
2025	\$473,061	\$1,654,716	\$256,131		\$2,383,908
2026	\$485,737	\$1,654,716	\$256,131		\$2,396,584
2027	\$1,037,979	\$1,654,716	\$256,131		\$2,948,826
2028	\$1,076,525	\$1,654,716	\$256,131		\$2,987,372
2029		\$1,654,716	\$256,131		\$1,910,847
2030		\$1,654,716	\$256,131		\$1,910,847
2031		\$1,654,716	\$256,131		\$1,910,847
2032		\$1,654,716	\$256,131		\$1,910,847
2033		\$1,654,716	\$256,131		\$1,910,847
2034		\$1,654,716	\$256,131		\$1,910,847
2035		\$1,654,716		\$321,198	\$1,975,914
2036		\$1,654,716		\$321,198	\$1,975,914
2037		\$1,654,716		\$321,198	\$1,975,914
2038		\$1,654,716		\$321,198	\$1,975,914
2039		\$1,654,716		\$321,198	\$1,975,914
2040		\$1,654,716		\$321,198	\$1,975,914
2041		\$1,654,716		\$321,198	\$1,975,914
2042		\$1,654,716		\$321,198	\$1,975,914
2043		\$1,654,716		\$321,198	\$1,975,914
2044		\$1,654,716		\$321,198	\$1,975,914
2045		\$1,654,716		\$321,198	\$1,975,914
2046		\$1,654,716		\$321,198	\$1,975,914
2047		\$1,654,716		\$321,198	\$1,975,914
2048		\$1,654,716		\$321,198	\$1,975,914
2049		\$1,654,716		\$321,198	\$1,975,914
2050		\$1,654,716		\$321,198	\$1,975,914
2051		\$1,654,716		\$321,198	\$1,975,914
2052		\$1,654,716		\$321,198	\$1,975,914
2053				\$321,198	\$321,198
2054				\$321,198	\$321,198
Total	\$3,539,128	\$47,986,765	\$2,817,440	\$6,423,966	\$60,767,299

Disclosure

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Water Infrastructure Finance & Innovation Act ("WIFIA") Primer

August 2024

Robyn Moore
MANAGING DIRECTOR
O: (303) 405-0845
E: robyn.moore@psc.com

Andrew Ma
ASSOCIATE
O: (303) 405-0852
E: andrew.ma@psc.com

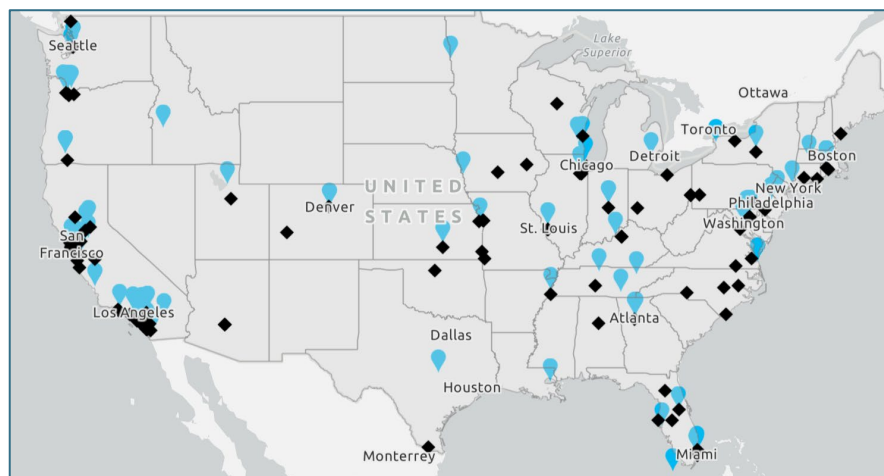
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WIFIA
PROGRAM

WIFIA Loan Program Background

<https://www.epa.gov/wifia>

- Established under the *Water Infrastructure Finance & Innovation Act of 2014* as a federal lending program for eligible water and wastewater infrastructure projects – modeled after the transportation version of the program (TIFIA).
- What projects qualify?
 - Projects that are eligible for Clean Water SRF or Drinking Water SRF
 - Energy efficiency projects at water or wastewater facilities
 - Water supply projects (reservoirs, desalination, etc.)
 - Drought prevention / mitigation projects

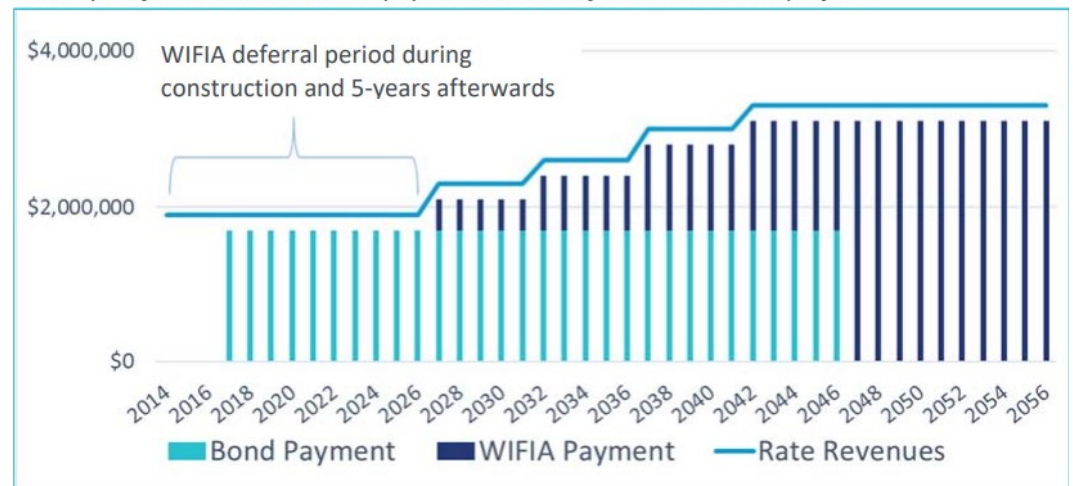


- ◆ Selected WIFIA Projects
- Closed WIFIA Loans

Why Use WIFIA?

- **35-Year Repayment.** WIFIA loans can be structured with term lengths up to 35 years from substantial completion of the project (not issue date).
- **Drawdown Structure.** Similar to an SRF loan, WIFIA loans only charge interest based upon the amount of the loan that has been drawn.
- **Capitalized Interest / Deferral Available.** If additional cash flow support is required, WIFIA also allows the use of capitalized interest for up to five years after substantial completion of the project.
- **Flexible Debt Structures.** Unlike many state agency lenders, WIFIA can be structured with essentially any repayment structured, including wrap structures.
- **Funding Rate.** WIFIA loans can only fund up to 49% of the eligible project cost and are often combined with additional funding sources, such as bonds.

Example of a customized debt repayment structure for a \$100 million project



Why Use WIFIA? (cont.)

- **Optional Redemption.** WIFIA loans can be refunded or “re-executed” once before any draws are made. After draws begin, the WIFIA loan can be prepaid at any time (but not re-issued).
- **Interest Rate Formula.** The interest rate paid on a WIFIA loan is calculated off of State and Local Government Securities (SLGS) rates, a taxable benchmark. The exact formula is as follows:

SLGS Rate for the Weighted Average Maturity of the Loan + 1 bp

For example, if your desired WIFIA loan structure has a weighted average maturity of 20 years, your loan rate would be 4.49%.

SLGS rates are updated daily and can be found at:

<https://www.treasurydirect.gov/GA-SL/SLGS/selectSLGSDate.htm>

From (Year-Month)	Through (Year-Month)	Rate
19-00	ONLY	4.48%
19-01	ONLY	4.48%
19-02	ONLY	4.48%
19-03	ONLY	4.48%
19-04	ONLY	4.48%
19-05	ONLY	4.48%
19-06	ONLY	4.48%
19-07	ONLY	4.48%
19-08	ONLY	4.48%
19-09	ONLY	4.48%
19-10	ONLY	4.48%
19-11	ONLY	4.48%
20-00	ONLY	4.48%
20-01	ONLY	4.48%
20-02	ONLY	4.48%
20-03	ONLY	4.48%
20-04	ONLY	4.48%
20-05	ONLY	4.48%
20-06	ONLY	4.48%
20-07	ONLY	4.48%
20-08	ONLY	4.48%
20-09	ONLY	4.48%
20-10	ONLY	4.48%
20-11	ONLY	4.48%
21-00	ONLY	4.48%

Federal Requirements

- **Davis-Bacon Requirements.** Issuers utilizing a WIFIA loan must adhere to the prevailing wage requirements (Davis-Bacon).

Contractors must pay their workers the prevailing wage rates for the specific job classifications in the area where the project is being carried out.

The prevailing wage rates are determined by the U.S. Department of Labor and are based on the wages paid to workers in similar projects in the locality.

Additionally, the issuer must keep accurate records of hours worked by each employee, the wages paid, and any fringe benefits provided. Records must be made available for inspection by the Labor Department.

- **Build America, Buy America (BABA).** As part of the Bipartisan Infrastructure Law, BABA requires WIFIA projects to utilize certain domestically produced materials, including iron or steel products.

In sum, federal requirements typically increase project cost by 10-15%.

Other Considerations

- **Timing.** The WIFIA loan application and origination process is extensive. The issuer submits a letter of interest to WIFIA. After a successful review (typically several months), WIFIA will return to the issuer with an “invitation to apply”. The issuer then gets a year to submit a full application. Upon acceptance, the loan can be negotiated and originated after a 3-6 month process, depending on the complexity of the financing.



- **Rating.** Despite being a “placed” loan, WIFIA requires the issuer to obtain an investment grade rating in order to qualify for the loan. As long as the rating is investment grade, the rating does not affect the interest rate.
- **Subordination.** WIFIA advertises that subordination is an option; however, this is highly uncommon.

Comparison to Other Funding Sources

	WIFIA	Colorado State Revolving Fund	Colorado Water Conservation Board	Publicly Offered Bonds
Pros				
Pay Interest only on Draws	✓	✓	✓	
Flexible Repayment Structuring	✓			✓
Call Flexibility	✓	✓	✓	
Low Interest Rate		✓	✓	
Can Typically Fund >\$100M	✓			✓
Cons				
Long Financing Process	✓	✓	✓	
Inconsistent Funding Availability		✓	✓	
Federal Requirements	✓	✓		
Rating Required	✓			✓

- WIFIA interest rates are currently high as they are priced on a taxable basis. We expect to see WIFIA loan rates come down as the fixed income markets normalize.

WIFIA Tombstones

- Since origination of the program, Piper Sandler has assisted with the negotiation and origination of 10 WIFIA loans summing \$1.2 billion, **including advising King County through the first ever WIFIA loan in April 2018.**



WIFIA Case Studies – City of Boise, ID



- In 2022, Piper Sandler advised the City of Boise in obtaining \$815 million for a 10-year capital project labeled the Boise Water Renewal Project.
- Boise’s capital stack included WIFIA loans, pay-go funding and water revenue bonds. In June 2022, Piper Sandler recommended selling water revenue bonds in order to set the covenant package and terms of the parity lien. This was an important step in **ensuring WIFIA loan terms would remain favorable to the City.**
- Piper Sandler then assisted in closing the first tranche of WIFIA loans in December 2022, \$264 million at 3.55%. The WIFIA coordinator commented that it was the fastest closing they could remember.



Boise Water Capital Stack

WIFIA Loans - \$399 Million

System Net Revenue - \$245.6

Publicly Offered Bonds - \$171 Million

WIFIA Case Studies – Willamette Water Supply System, OR

- In 2019, Piper Sandler advised the City of Hillsboro in its partnership with the Tualatin Valley Water District to obtaining funding sources for a new \$1.3 billion water supply system.
- As municipal advisor, Piper Sandler assisted Hillsboro in submitting a letter of interest, indicative rating process and negotiation of a \$250 million WIFIA loan. **This WIFIA loan was innovative as the program’s first ever joint application.**
- The WIFIA loan was executed at a low interest rate of 1.98%, the lowest of any WIFIA loan to that date and saved approximately \$125 million over a standard water revenue bond issue. Further, in 2020, Piper Sandler advised a successful re-execution of the loan to bring the ultimate rate to an even lower 1.36%.

Willamette Water Supply
Our Reliable Water Future

SUPPLY PLANNING PARTNERS AND STAKEHOLDERS

- Tualatin Valley Water District
- Hillsboro
- Beaverton
- Tualatin
- Tigard
- Sherwood
- Wilsonville
- Washington County

Total Project Cost	\$1.3 Billion
WIFIA Loan Amount	\$638 Million
Bonding Amount	\$48 Million
Population Served	400,000
Jobs Created	4,168

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