

# USDA



## Consulting Engineers Training

June, 2014

# TERMINOLOGY

- New District vs. District Extension
- Wholesale User
- Outside Users

# TERMINOLOGY

- Vacant Parcels
- Residential User
- Commercial/Other User

# EDU'S DEFINED

- Equivalent Dwelling Units (EDU's) are based on the average consumption per day /month/year for the residential customers.
- Average Consumption is used to convert the commercial users to an equivalent number of residential users.

# Calculating EDU's

- Residential Average Consumption
  - Residential Users
  - 110 users use a total of 15,090 GPD
  - $15,090/110$  EDU's = 137 GPD/EDU
  - $137 \times 365$  days =  $50,005/12$  = 4,167 GPM

# Calculating EDU's

- Commercial Users
  - Commercial Users
  - 7 users use a total of 5,162 gallons/day
  - $5,162/137$  GPD for residential =
  - 38 EDU's

# Calculating EDU's

- Vacant Parcels
  - Each vacant parcel will be charged  $\frac{1}{2}$  EDU for debt service
  - 14 vacant parcels = 7 EDU's

# Calculating EDU's

- Total EDU's for O & M
  - Residential 110
  - Commercial 38
  - Total EDU's 148



# Calculating EDU's

- Total EDU's for Debt Service
  - All Residential 110
  - All Commercial 38
  - Vacant Parcels 7
  - Total EDU's 155

# Other Operating Income

- The applicants Audit or Annual Financial Statement Update Document (AUD) filed with NYS will be reviewed to determine if there is other operating income such as Interest/Penalties that needs to be included.

# Non-Operating Income

- The applicants Audit or AUD will be reviewed to determine if there is any non-operating income such as Interest/Dividends that needs to be included.

# Operation & Maintenance (O&M)

- The proposed O&M expenses (less Interest & Depreciation) need to be itemized.
- The O&M expenses should be realistic.
- For existing Districts or Villages, the O&M expenses will be compared to previous years actual operating expenses.

# Replacement Reserves- Short Lived Assets (SLA)

- Does not include items that are budgeted in O & M as normal repairs or maintenance.
- Breakdown into 5, 10 or 15 year replacement.
- The items should be realistic and supported by the replacement schedule in the preliminary engineering report .

# Commercial Credit

- Applicants must certify in writing and the Agency shall determine and document that the applicant is unable to finance the proposed project from their own resources or through commercial credit at reasonable rates and terms.

# Debt Service & Reserve

- Existing Debt Service for the water or sewer facility will be included. For Towns only the water or sewer debt for that district will be included. For Villages all water or sewer debt will be included.
- Proposed Debt Service for other loans such as co-funding with EFC will be included.

# Project Costs

- Obtained from the preliminary engineering report or addendum.
- The Form E should match the PER.
- The project cost should be rounded to the nearest thousand



# Contribution Connection/Tap Fees

- This should be included in the preliminary engineering report.
- Any net income from connection fees will be contributed to the project cost and reduce the amount of RD funds needed.

# Applicant Contribution

- Based on the latest AUD or Audit along with a current Balance Sheet
- Capital Reserve or Enterprise Funds must be identified
- Unrestricted excess cash is required to be used towards project cost

# Other Funding Sources

- Any proposed other funding sources should be identified in the preliminary engineering report.
- Other funding will reduce the demand for loan and grant from RD

# LOAN DETERMINATION

- All applicants can afford 100% loan if you raise the rates high enough.
- Our goals and objectives are to start with a reasonable user rate comparable to similar systems, maximize loan, and only put enough grant funds in to achieve positive cash flow.

# Similar Systems

- A minimum of three similar systems must be used.
- RUS Instruction 1780.10 (b) states grant funds may not be used to reduce EDU costs to a level less than similar system cost.

# Estimating Target Cost Per EDU for Villages

<u>MHI</u>	<u>% of MHI</u>	<u>Monthly Cost/EDU</u>	<u>Annual Cost/EDU</u>
\$ 25,000 or less	1.1%	\$ 23.00	\$ 280
\$ 30,000	1.15%	\$ 28.80	\$ 350
\$ 35,000	1.2%	\$ 35.00	\$ 420
\$ 40,000	1.25%	\$ 41.70	\$ 500
\$ 45,000	1.3%	\$ 48.80	\$ 590
\$ 50,000	1.35%	\$ 56.30	\$ 680
\$ 55,000	1.4%	\$ 64.20	\$ 770
\$60,000 or more	1.5%	\$ 75.00	\$ 900

# Estimating Target Cost Per EDU for Towns

<u>MHI</u>	<u>% of MHI</u>	<u>Monthly Cost/EDU</u>	<u>Annual Cost/EDU</u>
\$ 25,000 or less	1.35%	\$ 28.20	\$ 340
\$ 30,000	1.4%	\$ 35.00	\$ 420
\$ 35,000	1.45%	\$ 42.30	\$ 510
\$ 40,000	1.5%	\$ 50.00	\$ 600
\$ 45,000	1.55%	\$ 58.20	\$ 700
\$ 50,000	1.6%	\$ 66.70	\$ 800
\$ 55,000	1.65%	\$ 75.70	\$ 910
\$60,000 or more	1.7%	\$ 85.00	\$ 1,020

# Determining Interest Rate

MHI of Service Area Per 2010 Census Data	Meets Criteria for Health or Sanitary Concern	Interest Rate	Maximum Percentage of Grant Eligibility
<\$45,506	Yes	Poverty Rate	75%
<\$45,506	No	Intermediate Rate	45%
\$45,506 to \$56,882	N/A	Intermediate Rate	45%
>\$56,882	N/A	Market Rate	0%



# Maximum W&W Grant Amount

- Cannot exceed the actual cash flow needs based on reasonable user rates, or the maximum percentage (45% or 75%) of eligible project cost, whichever is less.
- Grant funds may be further limited subject to the availability of funding.

# Current Maximum Grants

- Qualifies for Poverty Rate = 75% of total eligible project cost up to a maximum \$750,000 grant
- Qualifies for Intermediate Rate = 45% of total eligible project cost up to a maximum \$500,000 grant
- MHI over \$56,882 = No grant eligibility per regulations

# USDA



**THIS CONCLUDES THE PRESENTATION**