

Idaho Water Resource Board

Revolving Development Fund
Loan Program

WATER PROJECT LOAN PROGRAM GUIDELINES



In accordance with Idaho Code 42-1756.

Idaho Water Resource Board

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WATER PROJECT LOAN PROGRAM – GUIDELINES

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1.0 Introduction

1.1 Use of Guidelines

These Guidelines for the IWRB Revolving Fund Loan Program provide an overview of the steps required for obtaining an IWRB loan, including preparation of the Loan Document. They are based upon generally accepted practices for sound planning, design, and construction of water projects. The consulting/engineering firms or individuals responsible for the planning design, and construction activities are expected to develop specific analytical procedures that are appropriate for a particular project analysis. These Guidelines have been written to assist the project consultant and sponsor with the loan application process and with planning and implementing a cost-effective project for maximum benefit to Idaho water users. The process and procedures outlined here are intended to be as flexible as possible and to be responsive to the needs of the project sponsor.

1.2 **Steps to Obtain a IWRB Loan**

The following are the basic steps required to obtain an IWRB loan:

1. **Staff Contact** – The project sponsor should contact the IWRB staff to discuss the scope of the proposed project, to discuss the Loan Document and any planning or engineering work that may already be completed or underway.
2. **Loan Document** – The Loan Document and Loan Application are to be submitted no later than 28 days prior to next full meeting of the IWRB. A calendar of the Board meeting dates can be found at (<http://www.idwr.idaho.gov/waterboard/>). Loans received after this time will be held until the next full IWRB meeting. A Loan Document is required for any funding request from the IWRB. Loan Documents are generally conducted by consultants or consulting/engineering firms selected by the applicant but can be completed by the applicant.
3. **Loan Review Recommendation** – The IWRB staff will review the completed Loan Document and make recommendation to the Board regarding the feasibility of the project and loan. The loan sponsor will be notified if changes are required in the submitted Loan Application and Loan Document.
4. **IWRB Loan Authorization** – The IWRB staff will present the loan recommendation to the Board at their bi-monthly meetings. At this time the Board will make their decision as to whether or not they will loan the funds. If funds are to be loaned the Board will pass a resolution having any conditions it requires, amount of the loan, term and interest rate.
5. **Contract Execution** – Following the Board approval of the loan, contracts will be draw up with provisions requested by the Board and stated in the Loan Resolution presented to the Board. The contracts are generally sent out within a week or two for signing. The sponsor will sign the contracts first and must return them in 30 days to the Board for an authorized signature from the Board. No funds are provided until the contracts are signed. Contracts not signed and returned within the 30 days will be subject to withdrawal of the loan and replication to the Board will be required.
6. **Loan Repayment** – Loan repayment starts when the project is completed. Completion time for project is one (1) year from approval of loan. A letter of completion must be sent to IWRB staff along with any required documentation required in the contract. At that time a repayment schedule will be sent to the sponsor.

2.0 **Loan Document – Outline**

The following provides and outline for the preparation of an IWRB Loan Document. Requirement may vary depending on the project and objective of the Document. For questions on how to complete the Document, contact IWRB staff.

2.1 **Background information**

2.1.1 Purpose

This section provides a brief overview of the project, including the type of project, amount of loan funding being requested, and a statement of what the project and/or study is intended to accomplish. It should describe the need for the project, problems, and why the project is important to the borrower. It should include a brief history relevant to the project and any compliance issues that are being addressed (i.e. water quality).

2.1.2 Project Area Description

This is the geographical area to be served by the proposed project and should include the following:

- a. A narrative of the description of the project area to include the county, the proximity to towns or cities and locations of major water features.
- b. A map showing the items listed above and the location of the existing facilities, proposed project site, and boundary of the project.
- c. Characteristics of the project area such as residential and number of residences listing both seasonal and permanent, farm ground, irrigation and type of crops and any other type of characteristic that may be pertinent to the project.

2.1.3 Previous Studies

To maximize the extent of the Loan Document, any previous studies and investigation should be utilized such as a reconnaissance-level study.

2.2 **Project Sponsor**

The project sponsor may not be an individual. Each Loan Document should include a description of the entity be it municipality, irrigation district, canal company or subdivision that is sponsoring the proposed project. The description should include the following:

- a. Type of organization, official name, the year formed, and the statutes under which the entity was formed. For subdivisions a copy of the By-laws should be attached to the report.
- b. For public entities the number of customers or taps served, current water usage, and future growth plans.
- c. For private entities the number of members or shareholders, shares of stock or water and what a share is equivalent to, and the current water delivery.
- d. A brief history of the sponsoring entity.
- e. Identification of revenue sources (existing service charges, taps fees, share assessments, etc.).
- f. A description of the existing water supply facilities owned and/or operated by the entity.

2.3 Water Rights

2.3.1 Water Availability

The Loan Document should provide a detailed description and analysis of each water supply source to be utilized by the proposed project. A brief description of existing source may be adequate for projects that involve only rehabilitation of existing facilities. Each source of supply should be described in terms of location, yield, extent of development and water right status.

For new water supply facilities or the expansion of existing facilities and analysis of the expected yield of the water supply source should be included. The analysis should take into account a reasonable range of variations in flow due to hydrologic and meteorological conditions.

2.3.2 Water Supply Demand

Existing and future water demands are analyzed as well as the adequacy of water rights/existing yields, and water demand and the availability are compared. The demands should look at a time period of 15 years in most cases.

2.4 Project Description – Analysis of Alternatives and Selected Alternative

This section documents the project need by assessing existing and future conditions, identifies problems and deficiencies, and formulates and evaluates potential solutions.

2.4.1 Analysis of Alternatives

Each document should include the formulation and evaluation of a reasonable number of alternatives for accomplishing the project objective(s). The number of alternatives will depend upon the objective and scope of the Loan Document. Generally, a minimum of three alternatives should be presented with one of the three being “no action alternative”. Each alternative should be described in terms of components both structural and non-structural and in the operation of the facility. Non-structural are things such as management of water supply and water transfer from existing to new uses etc.

Evaluation Factors – Alternative should be evaluated to distinguish the differences between them in accordance with the factors listed below:

- a. Outputs/yields – projected outputs should be expressed in terms of acre-feet or cubic feet per second.
Municipal and subdivisions – water supply should estimate the annual yield of the project and expected yield during dry conditions.
Irrigation – water supply should be expressed in terms of acre-feet of water

supplied to the project area on an annual basis. For projects that involve rehabilitation of existing facilities the yield should be expressed as the incremental difference in water supply with and without the project.

- b. Costs – Cost comparisons should be made between alternatives. The cost analysis should consist of (1) an estimate of total capital costs and total annual operation and maintenance and replacement costs for each alternative and (2) the total cost for each alternative, and (3) the cost per unit of project output (annual cost of project per acre-foot of water delivered).
- c. Impacts – Identifies and compares potential impacts to the man-made environment and the natural environment.
 - Impacts on the *man-made environment* – residential or commercial buildings affected; utility relocations; acreages of developed lands impacted; historical or archaeological site impacts; impacts on outdoor recreation activities.
 - Impacts on the *natural environment* – acres of grassland, forest, etc. to be impacted; stream flow impacts; water quality impacts; aquatic and terrestrial wildlife impacts; impacts to federal or wilderness areas; impacts on endangered species in project area.
- d. Economic analysis and feasibility – The level of economic analysis will vary from project to project but should generally include assessment of benefits and costs. An estimated number of shareholders, member, households, etc. expected to benefit from the project.
- e. Institutional requirements – Identify and evaluate permits, court actions, contracts, and agreements etc. that are required for the project implementation.
- f. Special considerations – The extraordinary situations that are likely to be encountered during the design and or construction of the project. The uncertainty or risk associated with demand projections or cost estimates, or the possibility of new technologies affecting the project.

The results of the alternatives evaluation should be described and displayed in such a manner that the differences between alternatives are apparent.

2.4.2 Selected Alternatives

A detailed description of the *Selected Alternative* should be provided and should include the following:

- a. Project Description – A narrative description of project components and operation to indicate how the entire project will function.

- b. Map – A map of the entire project area showing the locations of existing and proposed project components and other features like streams, canals, flood plain etc.
- c. Conceptual Plan/Cross Section – Layout and cross-section for each major structure to include dimensions and hydraulic properties. Profile and typical sections for canals and pipelines with water surface and hydraulic gradeline elevations.
- d. Conceptual Design Features – Hydraulic, hydrologic, and structural design criteria for all proposed facilities including:
 - Sizing for all hydraulic features such as canals, pipelines, pumping plants, outlet works, etc. with associated energy losses where applicable.
 - Number, size and operating characteristics of pumping units.
 - Number, size and operating characteristics of variable speed drives.
 - Other site factor that require special consideration.
- e. Right-of-Way/Land – Land and right-of-way requirements for the proposed project and a tabulation of land ownership at the site of the proposed project.

2.4.3 Cost Estimate

Provide a detailed estimate for all capital costs of the project implementation such as engineering design, construction inspection, administrative and legal cost, land and right-of-way acquisition, relocation costs, construction costs, financing costs, and a contingency costs and total costs.

2.4.4 Implementation Schedule

Provide a project implementation schedule showing the beginning and completion dates for all activities required for the project implementation to include but not limited to permits, design, contracts, land and right-of-way acquisition, and construction.

2.5 Financial Feasibility Analysis

This section documents the financial feasibility of the selected alternative. It provides a detailed financial program to describe finances to be used in addition to the IWRB Loan and for the IWRB Loan and how they will be used. It should provide an analysis of the project sponsor's ability to repay all existing and projected debt service as well as operating expenses.

- Loan Amount – Discuss the total project costs and the amount of the IWRB loan requested.
- Financing Sources – Identify other sources of financing for the project.

- Revenue and Expenditure Projections – Include a detailed schedule of estimated annual revenues and annual expenditures for a fifteen (15) year period. Estimates for annual revenue should display for each source of funds (assessment, water sales, property taxes, etc.). Expenditures should include debt retirement payments to each category of debt, operation and maintenance cost, and for payments to reserve funds.
- Loan Repayment Source – Describe source of funds for loan repayment, such as assessments, water sales, property taxes, or grants.
- Financial Impacts – Discuss the financial impacts of the project on the total debt, water rates, assessment to users, and property taxes. Determine future rates needed to cover the IWRB loan obligations and additional operating costs. Discuss any saving or new revenue that may be generated.
- Collateral – The IWRB holds the water rights of the sponsor and the completed project as collateral. In addition to this what collateral will be offered to assure repayment?
- Sponsor's Ability to Repay – Provide information to be used by IWRB staff evaluate creditworthiness and financial need as follows:
 - Current schedule of rates or assessments.
 - Copies of the three most recent audit reports of financial statements.

2.6 Conclusion and Recommendation

Provide a summary of the document conclusions and an opinion and recommendation as to the overall feasibility of the project and loan repayment.

2.7 Loan Request and Submittals

The following is a list of documents that should be included with the loan request:

- a. A letter of transmittal of the Loan Application and Loan Document, from the sponsor.
- b. A completed loan application with all information filled in and attached financial statements. Incomplete applications will be returned to the sponsor and no action will be taken by the IWRB staff toward processing the loan.
- c. The Loan Document which is submitted for staff review and comment. Loan Document should have Appendices that include technical information about the project, design drawings and maps, by laws of the applicant, copy of easement(s) if required and financial statement.

***Please Note: Incomplete packets will be returned to the sponsor unless previously discussed with staff and no further action will be taken on the part of the staff. All loan requests must be received 28 working days prior to the bi-monthly Board meeting. No exceptions!!!**