

Bond vs. loan comparison (possibly applicable to the reduced scope project only)

Bond:

Only the reduced scope project might be funded by a general obligation bond. The district is limited to a maximum bond debt of \$1,595,300, which is 2.5% of the current real market value (RMV) of property in the district. Because of the higher costs associated with issuing a bond, it is not yet certain that the reduced scope project could be fully funded with a bond.

A bond would be funded by an increase to the annual property tax bill. There are currently about 340 tax lots in the district.

A bond spreads the cost of repayment to each property in the district. It must be voted on by the registered voters residing in the district. The next opportunity would be in May.

Advantages of a bond:

- The debt is repaid by all property owners, whether customers or not,
- The county tax collector would be responsible for collecting the tax, not the district.

Disadvantages of a bond are

- The long and uncertain process of passing a levy (the next opportunity would be in May) before the bond issuing process can begin
- The fees associated with bond issuance (roughly 4.5%)
- A higher interest rate, currently 3.42%.
- The district owes the entire cost of the issued bond, even if the project turns out to cost less

The total debt cost is higher, but it is spread across more payers.

Loan:

Either project scope can be funded by a low-interest loan through the state. It would be funded by an increase in the monthly water bill.

A loan would be repaid by water customers as part of the monthly water bill. Currently there are 154 customer connections in the district.

Advantages of a loan are:

- The process is considerably faster and more straightforward, no uncertainty
- A lower interest rate, currently 2.47%.
- If the project cost is lower than the approved loan, only the actual amount spent on the project is borrowed

Disadvantages of a loan are:

- The debt is repaid by the customers of the district only
- The district is responsible for collecting that debt. The available leverage in the case of customers not paying is water shut-off (generally after 90 days) and placing a lien against the property.

The the total debt cost is lower, but it is spread across fewer payers.

Cost estimation for reduced scope project

The current annual cost to a homeowner for water service is \$600. A rate-based loan for the reduced scope project has an annual cost estimated at \$1,119.

The annual cost of a bond varies with property value. Use an estimated tax levy of \$1.64 for every thousand dollars of taxable assessed value. Then add that to the current \$600 annual water bill for your total annual cost. See the examples below.

Value	Levy calculation	Water bill	Annual cost
\$ 70,000	70 x \$1.64 = \$115	+ \$600 =	\$ 715
\$100,000	100 x \$1.64 = \$164	+ \$600 =	\$ 764
\$200,000	200 x \$1.64 = \$328	+ \$600 =	\$ 928
\$250,000	250 x \$1.64 = \$410	+ \$600 =	\$1,010
\$300,000	300 x \$1.64 = \$492	+ \$600 =	\$1,092
\$350,000	350 x \$1.64 = \$574	+ \$600 =	\$1,174