

DECEPTION PARK VIEW ASSOCIATION

P.O. Box 2446, OAK HARBOR, WA 98277

USDA Meeting Report December 2, 2019

Jack Smith, Water Manager, and Kathleen Johnson, Treasurer, met with Darla O'Connor from USDA (United States Department of Agriculture) to discuss applying for a loan to fund the reconstruction of our water system (new infrastructure, pipes) with a subcomponent to connect to North Whidbey Water District and City of Oak Harbor for emergency water access. Our current Department of Health permit allows us to build out to full capacity (105 connections). Darla stated we would need to have a memorandum of understanding (MOU) with North Whidbey Water District for it to be included in the funding request.

Jack stated we are working with the Davido Consulting Group with Jeff Tasoff as our assigned engineer. Darla has worked closely with Mr. Tasoff and he is very familiar with the USDA process. Darla stated that funding starts once we have a construction contract signed.

Darla stated our project qualifies for a loan and we might qualify for federal grants based on median resident household income which is provided from the United States census data. Loan APRs change quarterly, it is currently 2.375%. Once we obligate the funds the interest rate will be fixed for the life of the loan even if construction has not begun yet. Current loan terms can go out 40 years, which is what she recommends for the size of loan we may need (possibly up to \$1 million). If we qualify for grants, loan money is spent before grant money. To start the process we need to submit an application to include applying for the grant. The application process includes: Online Application, Engineer's preliminary report, Environmental report, Archeology report, and Financials (2019-2018-2017 and year to date expenses).

Some of the water system documents the application will need are: What property we own, miles of line, operations and maintenance, and mapping out the service area – use tutorial.

We will also need to provide the following: public notice of intent to apply for a USDA loan; articles of incorporation and bylaws; and apply for level 2 authorization (part of application process). We will also need to apply for a cage number at SAM.gov. We will need to talk with 2-3 banks about a loan for the project noting the APR, plus an interim construction loan.

We will need multiple Level 2 Representatives in the application system, social security numbers are required for all representatives. All representatives must select a role; the president is the certifier. Tutorials are available if needed. We can upload documents into the system and should use the appropriate category. Once we hit send, Darla will see it and if we have missing info she can fix that.

Darla recommended the engineer's report for construction include a 15-20% contingency on pricing. She inquired about our current water rates, which are \$75 base rate every other month with 8500 gallons included and then a tier rate after that. The USDA will be underwriting the loan at \$60-65 / month for water rates, which is based on similar systems. USDA is not a regulatory agency and does not mandate

increasing rates but we will need to show that we can make the payment, reserves and our operating and maintenance expenses and may need to increase rates to do so, but this is a decision that the board will make. She recommended that if we choose to raise water rates we should do it now because there will be initial costs before the loan. She recommended we pursue the project at the beginning of the year or November due to processing and engineer availability.

Darla asked if we have fire flow. Jack stated that we have hydrants but no ability to use them; our water system cannot support the amount of pressure and water required. She also asked if we had a current water system plan. Jack is not aware of one.

Darla recommended we secure an attorney to review the construction contract and to assess opinion of our easements. Kathleen stated that Mr. Wallen is currently our legal representative and Darla suggested we get a legal representative agreement with Mr. Wallen noting that we will need the total cost of project not cost per hour. Darla will email a sample agreement.

Other discuss points noted:

- We will be leaving the old pipes and installing new as not to disrupt water service.
- We cannot cross the road or that would be considered new construction and this loan does not cover that.
- We have to have an official audit (A133) if using more than \$750,000, we will explore that when the time comes.
- We can add graveling the tank area as part of the project but only if it is in the preliminary report.
- We will need a resident inspector onsite for construction management.