Hopi Arsenic Mitigation Project

FINANCING AND BIA/BIE PARTICIPATION

JANUARY 22, 2013

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Project Funding Overview

- Funding Component per Phase/Funding Year.

Component	Phase/Funding Year			Totals
	1/2014	2/2015	3/2016	
• IHS/EPA Funds Committed to Date	$5,300,000	$0	$0	$5,300,000
• Funds Needed	7,988,000	4,201,000	2,217,000	14,406,000
• Total Funding	13,288,000	4,201,000	2,217,000	19,706,000

- Costs per December 2012 IHS estimates.
- Phasing per 4/12 Draft IHS Preliminary Engineering Report.
- Designed to supply BIA/BIE facilities (30% of water/27% of cost).
  - $1.6 M BIA/BIE hook-up cost not in estimates.
- Index amounts going forward.

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Financing Assumptions

- Five scenarios presented; combinations possible.
- HAMP built in 3 phases & contracts.
- Each phase provides water to customers.
- Meets EPA arsenic standards, but delayed.
- EPA & IHS funding more limited going forward.
- RDA helps fund each phase, but budget constrained.
- BIA/BIE may or may not participate; $5.4 M cost allocation of $19.7 M total.
- IHS potential participant as water customer.

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The Path We Are On…

Scenario 1 – HAMP w/Option for BIA/BIE Participation; No BIA/BIE Commitment; Assumes RDA Funding Balance

- RDA loan - based on ability to pay O&M, amortize loan over 40 years.
- Requires substantially larger RDA grant than is realistic.
- Project most likely fails for lack of funding; EPA arsenic standards not met.
- Higher per capita water cost (fixed O&M allocated over less water).

Component	Phase/Funding Year			Totals
	1/2014	2/2015	3/2016	
• Funds Committed to Date	$5,300,000	$0	$0	$5,300,000
• RDA Loan	1,100,000	237,000	163,000	1,500,000
• RDA Grant	6,888,000	3,964,000	2,054,000	12,906,000
• Totals	13,288,000	4,201,000	2,217,000	19,706,000

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Could Lead to…

Scenario 2 - HAMP could be downsized

- Not much savings expected from downsizing – here estimated at 10% cost savings.
- Project still beyond realistic RDA grant level; fails.
- Higher per capita water cost.

Component	Phase/Funding Year			Totals
	1/2014	2/2015	3/2016	
• Funds Committed to Date	$5,300,000	$0	$0	$5,300,000
• RDA Loan	1,100,000	237,000	163,000	1,500,000
• RDA Grant	5,559,000	3,544,000	1,832,000	11,335,000
• Totals	11,959,000	3,781,000	1,995,000	17,735,000

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BIA/BIE Participation – Scenario 3

Scenario 3 – BIA/BIE Front-end Capital Cost; BIA/BIE Hook-ups in Phase 1 Contract

Component	Phase/Funding Year			Totals
	1/2014	2/2015	3/2016	
• Funds Committed to Date	$5,300,000	$0	$0	$5,300,000
• BIA/BIE Funding	5,427,000	573,000	656,000	6,944,000
○ BIA/BIE Share of HAMP Costs	(3,877,000)	(573,000)	(619,000)	(5,357,000)
○ BIA/BIE Facility Hookup Costs	(1,550,000)	(0)	(37,000)	(1,587,000)
• RDA Loan	1,100,000	237,000	163,000	1,500,000
• RDA Grant	3,011,000	3,391,000	1,435,000	7,549,000
• Total Funding	14,838,000	4,201,000	2,254,000	21,293,000
○ HAMP Totals	(13,288,000)	(4,201,000)	(2,217,000)	(19,706,000)
○ BIA/BIE Facility Hookup Costs	(1,550,000)	(0)	(37,000)	(1,587,000)

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Scenario 3 – Details

- Increases financial viability.
  - Meets RDA loan requirements; within RDA loan feasibility.
  - Possibly within RDA grant feasibility.
- Permanent, high quality water supply to villages & BIA/BIE/IHS facilities.
- Eliminates costs/staffing of 3 existing BIA/BIE arsenic removal systems. BIA/BIE customer; not water provider.
- No loan amortization in BIA/BIE/IHS water service cost.
- Potential savings in BIA/BIE hook-up costs.
- Lower per capita water cost for villages, perhaps BIA/BIE/IHS facilities - economies of scale.

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BIA/BIE Participation – Scenario 4

Scenario 4 – BIA/BIE Front-end Capital Costs; BIA/BIE Hook-ups Funded in Year 2 or 3

Component	Phase/Funding Year			Totals
	1/2014	2/2015	3/2016	
• Funds Committed to Date	$5,300,000	$0	$0	$5,300,000
• BIA/BIE Funding	3,877,000	2,123,000	656,000	6,944,000
○ BIA/BIE Share of HAMP Costs	(3,877,000)	(573,000)	(619,000)	(5,357,000)
○ BIA/BIE Facility Hookup Costs	(0)	(1,550,000)	(37,000)	(1,587,000)
• RDA Loan	1,100,000	237,000	163,000	1,500,000
• RDA Grant	3,011,000	3,391,000	1,435,000	7,549,000
• Total Funding	13,288,000	5,751,000	2,254,000	21,293,000
○ HAMP Total	(13,288,000)	(4,201,000)	(2,217,000)	(19,706,000)
○ BIA/BIE Facility Hookups	(0)	(1,550,000)	(37,000)	(1,587,000)

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Scenario 4 – Details

- Possibly within RDA grant capability.
- Smoothes out BIA/BIE funding over several years.
- No potential cost savings for BIA/BIE hook-up costs as part of Phase 1 contract.
- Provides water delivery benefits of Scenario 3.

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BIA/BIE Participation – Scenario 5

Scenario 5 - Hopi Tribal Utility Finances BIA/BIE Participation; Capital Cost Share Amortized in Water Service Charge; BIA/BIE Fund Hook-ups.

Component	Phase/Funding Year			Totals
	1/2014	2/2015	3/2016	
• Funds Committed to Date	$5,300,000	$0	$0	$5,300,000
• Loan to Cover BIA/BIE Share of HAMP Costs	3,877,000	573,000	619,000	5,357,000
• BIA/BIE Facility Hookup Costs	0	1,550,000	37,000	1,587,000
• RDA Loan	1,100,000	237,000	163,000	1,500,000
• RDA Grant	3,011,000	3,391,000	1,435,000	7,549,000
• Total Funding	13,288,000	5,751,000	2,254,000	21,293,000
○ HAMP Total	(13,288,000)	(4,201,000)	(2,217,000)	(19,706,000)
○ BIA/BIE Facility Hookups	(0)	(1,550,000)	(37,000)	(1,587,000)

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Scenario 5 – Details

- BIA/BIE/IHS participation as customers helps Tribe secure private loan.
  - Loan amortized as part of water delivery charges;
  - BIA/BIE/IHS water delivery service charges higher w/private financing than upfront capital.
- Avoids BIA/BIE front-end appropriations costs.
  - Potential for also financing BIA/BIE hook-up costs.
- Same water benefits as Scenarios 3 & 4.

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Other Potential Funding

- HUD – Portion of Indian Business Development Grant to supplement RDA grant.
- EPA – Additional grants; anticipated to be small going forward; perhaps up to $200K per phase to supplement RDA grant.
- IHS – Coverage of engineering services; upfront construction capital contribution as major customer.
- Combination of Hopi Tribe Utility loan financing with smaller BIA, BIE & IHS upfront financing.