



TO THE HONORABLE CHAIRMAN AND TRUSTEES

REPORT TO: STILLWATER UTILITIES AUTHORITY

No. SUA-16-06
CC-16-09

ISSUED BY THE GENERAL MANAGER - STILLWATER, OKLAHOMA

Date of Meeting: January 4, 2016

Subject: Financing for Water 2040 Package A

Purpose of Report: To inform the Council and Trust about the proposed resolution authorizing application for Drinking Water State Revolving Fund (DWSRF) loan needed to finance Water 2040 Package A and to request Trust authorization to enter into agreements with Bond Counsel and Financial Advisor.

Discussion: The Water 2040 program was established to improve water distribution in Southwest Stillwater. The following Trustee authorizations for Water 2040 have been made:

- December 17, 2012 (SUA-12-42), Trustees authorized \$4.98M for Phase 1 program management, real estate acquisition services, design and construction management.
- February 4, 2013 (SUA-13-05), Trustees authorized \$4.45M for Phase 2 and 3 program management, real estate acquisition services, design and construction management.
- May 19, 2014 (SUA-14-28), Trustees authorized the Water 2040 Implementation Plan which included funding each of three phases (Packages A, B and C) through the DWSRF.

Package A includes design and real estate acquisition for most of the Water 2040 projects and includes construction for Package A projects only. Package A projects are currently in design with bidding for the first pair of projects planned for April 2016. In order to meet this schedule and follow with two additional bid phases for subsequent Package A projects, funding through DWSRF must move forward. The funding needed for Package A totals approximately \$30M. The Trust Indenture limits SUA's indebtedness for FY2016 at about \$33.5M.

In order to move forward with the loan application, certain financial and legal services are required. Municipal Finance Services, Inc. (MFS) has been selected for financial advisement, negotiation with OWRB regarding rates, terms and conditions of the financing, loan application preparation, legal document review, and other general services. Don Kiser has been selected as Bond Counsel for assistance with security agreements, certificates, contract reviews, and rendering the opinion of Bond Counsel required for financing through the DWSRF program. Fees have been negotiated at a rate of 0.25 percent of loan value each with MFS and Kiser for a total fee of 0.5 percent of loan value plus direct expenses up to \$6,000. Letters of Engagement between SUA and each firm have been submitted by the respective firms.

In order to apply for the DWSRF loan and comply with the Trust Indenture, Trustees and Council must approve a resolution agreeing to file the loan application with OWRB and approving issuance of the debt. This proposed resolution is on both the Council and Trust agendas.

Budget Impact: There are no up-front costs associated with the DWSRF loan. All loan costs including the fees and direct expenses for both MFS and Kiser will be included in the loan and will be paid from the initial loan disbursement. Debt service payments will be made from the existing Water Capital Fund (WCF) until funds are no longer available in the WCF then debt service payments will be made from the recently established Water Fund (established by Resolution No. SUA-2015-7).

Recommendation: The recommended actions are consistent with the Water 2040 implementation plan approved by the Trustees. To proceed with the proposed DWSRF financing per the approved implementation plan requires three actions at this time in the following order:

- 1) It is recommended that the Trustees approve the resolution authorizing the issuance of debt and application for a loan for Water 2040 Package A.
- 2) Subject to Trustee approval of said resolution, it is recommended that the Council approve the resolution authorizing the issuance of debt and application for a loan for Water 2040 Package A.
- 3) Subject to Trustee and Council approval of said resolution, it is recommended that the Trustees authorize staff to execute the Letters of Engagement with MFS and Kiser for financial and legal services related to financing of the same.

Prepared by:

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Reviewed by Water Utilities Director:

Bill Millis, Water Utilities Director

Reviewed by Administrative Director:

Dan Blankenship, SUA Director

Reviewed by City Attorney's Office:

John E. Dorman, City Attorney

Date of Preparation:

December 21, 2015

Submitted by:



Norman McNickle
Interim City Manager

Related Reports: SUA-12-42, SUA-13-05, SUA-14-28