



Meeting Date: March 20, 2017

Report No. CC-17-35 / SUA-17-04

Agenda Item No. CC 8e / SUA 5a

Status: General Orders

Purpose: 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 B and to request Trust authorization to enter into agreements with Bond Counsel and Financial Advisor.

Background Summary: The Water 2040 program consisting of funding packages A, B and C was established to improve water distribution in southwest Stillwater. The Package A loan was accepted by Council and Trustees in June 2016 at \$29.9M in loan capacity. Per Water 2040 Implementation Plan III (IP3), the Package B loan includes construction and construction oversight services for seven additional projects beyond what Package A provides. However, due to real estate expenditures and actual construction bid prices underrunning the IP3 cost estimates, available loan capacity has been created within Package A.

To take advantage of this available capacity, which is at a lower interest rate than the estimated rate for the Package B loan, a planned Package B project, WTP Upgrades, will be funded under Package A. This allows for the Package B loan to be less than originally estimated in IP3. Specifically, the Package B loan request is changing from \$14.4M to \$12.6M. The Trust Indenture limits SUA's indebtedness for FY18 at about \$33M. Package B projects are currently in design with the first of the remaining Package B projects beginning construction in Fall 2017.

In order to move forward with the loan application through DWSRF, 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 0.5 percent of loan value each with MFS and Kiser for a total fee of 1.0 percent of loan value plus direct expenses at an estimated \$6,000. Letters of Engagement between SUA and each firm are being prepared.

Additionally, 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).

Prior Council Action or Part of an Approved Project: Yes

Related Items: Multiple professional services, inspection and construction task orders and contracts have been authorized by SUA and executed by staff for the Water 2040 Program. Only the primary items related to Water 2040 planning and financing are included in the below list.

Southwest Zone (Phase 1) Water Distribution Improvements, December 17, 2012
[SUA-12-42](#)

Water 2040 Implementation Plan II, May 19, 2014
[SUA-14-28](#) [Att I: Schedule](#) [Att II: DWSRF Option](#) [Att III: Bonds Option](#)

A Resolution authorizing the filing of an application with OWRB, January 4, 2016
[SUA-16-06](#) [CC-2016-02/SUA-2016-01](#)

Water 2040 Implementation Plan III, February 1, 2016
[SUA-16-10](#) [Info Memo](#) [Att I: Imp Plan](#) [Att II: Schedule](#)

Water 2040 Resolution of Reimbursement for Package A, March 7, 2016
[CC-16-23](#) [CC-2016-10/SUA-2016-02](#)

Water 2040 Resolution of Reimbursement for Package B, May 2, 2016
[CC-16-53](#) [CC-2016-15/SUA-2016-03](#)

Letter of Binding Commitment with DWSRF for Package A at \$29.9 Million, June 6, 2016
[SUA-16-26](#)

Water 2040 Resolution to Accept a Loan for Package A, June 20, 2016
[RESO CC-2016-20](#) [RESO SUA-2016-6](#) [SUA-16-32](#)

Alternatives: The following alternatives are available to Council and Trustees:

- Pass the Resolution to Apply for a Loan for Water 2040 Package B and authorize associated contracts. Construction of Package B projects for Water 2040 will be fully funded.
- Do not pass the Resolution or authorize associated contracts. The first bid package will not be awarded and Water 2040 will be postponed until funding is available.

Recommendation: The recommended actions are consistent with the Water 2040 Implementation Plan III approved by the Trustees. To proceed with the proposed DWSRF financing per the approved Plan, three actions are required this evening in the following order:

- 1) Later on this agenda and 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 B.
- 2) Later on the SUA agenda, it is recommended that the Trustees approve the Resolution authorizing the issuance of debt and application for a loan for Water 2040 Package B.
- 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.

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Reviewed by: William Millis, WR Director **Reviewed by:** Dan Blankenship, Utilities Director

Submitted by: Norman McNickle, General Manager