

ITEM #: 27
DATE: 6-13-23
DEPT: FIN

COUNCIL ACTION FORM

SUBJECT: RESOLUTION AUTHORIZING AND APPROVING A LOAN DISBURSEMENT AGREEMENT AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$12,161,000 WATER REVENUE BONDS 2023

BACKGROUND:

This resolution is the final step in authorizing a not-to-exceed amount of \$12,161,000 in Sewer Revenue Bonds through the Iowa Drinking Water State Revolving Loan Fund (DWSRF) in support of the North River Valley Well Field and Pipeline Project.

On November 22, 2022, the City Council held a public hearing and adopted a resolution instituting proceedings to take additional action for the authorization of a loan disbursement agreement in an amount not to exceed \$8,500,000 and identified the Iowa Drinking Water State Revolving Loan Fund (DWSRF) as the funding source in anticipation of the construction of three new wells and an interconnecting pipeline to the Water Treatment Plant.

On March 3, 2023, bids were received and were significantly higher than the original engineer's estimate and included a low bid of \$10,200,956. Upon review, staff found that the bid prices reflected the current market conditions and that the discrepancy between the estimate and the bids resulted from a bad estimate rather than bad bids. As a result, the bid was awarded to the low bidder, Keller Excavating, Inc., and as a precautionary measure, the award was contingent on securing the necessary funding from the DWSRF program.

Additionally, on May 9, 2023, in order to accommodate the increased cost of the project, the City Council held a public hearing and adopted a resolution instituting proceedings to take additional action for the authorization of a loan disbursement agreement in an amount not to exceed \$4,000,000.

With both public hearings and authorizations approved, the total not-to-exceed amount for the project is now \$12,500,000.

The following itemization of costs associated with the project:

Total Project Loan

Admin Expense	\$ 37,472
Planning and Design	505,894
Engineering Construction	181,906
Construction	10,200,956
Test Drilling	124,005
Land	111,038
Contingency	939,229
Origination Fee	60,500
Total SRF Loan	\$ 12,161,000

Staff believes the DWSRF program offers the lowest cost option for borrowing for capital projects with a 1.75% annual interest rate and a 0.25% annual servicing fee, in addition to a 0.5% origination fee. The funding source for the repayment of the loan will be water utility revenues which have been included in the financial model used to project future rate increases.

ALTERNATIVES:

1. Adopt a resolution approving a State Revolving Fund Agreement in the amount of \$12,161,000 to be repaid with Water Utility Revenue.
2. Do not approve the loan and disbursement agreement and provide staff additional direction for the financing of the project.

CITY MANAGER'S RECOMMENDED ACTION:

Authorization of the construction loan will allow the City to access State Revolving Funds to finance the North River Valley Well Field and Pipeline Project. The financing terms of the SRF program are the most cost-effective method of financing the project. The principal and interest payments related to the loan have been accounted for in the Water Fund rate design. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.