

ITEM#:	<u>9</u>
DATE:	<u>01-10-23</u>
DEPT:	<u>FIN</u>

### **COUNCIL ACTION FORM**

**SUBJECT: RESOLUTION AUTHORIZING AND APPROVING A LOAN DISBURSEMENT AGREEMENT AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF \$4,071,000 OF SEWER REVENUE BONDS, SERIES 2023A**

#### **BACKGROUND:**

The City's Capital Improvement Plan includes a program for rehabilitation/reconstruction of deficient sanitary sewers and deteriorated manholes at various locations throughout the City. A State Revolving Fund (SRF) Clean Water Loan in the amount of \$4,071,000 was identified as the funding source for the sanitary sewer system improvements which include rehabilitation of approximately 7,700 linear feet of sanitary sewer near Ames High School and Veenker Golf Course.

**A public hearing was held on November 22, 2022, and a Council resolution is now necessary to enter into the agreement to receive the requested funding for this FY 2022/23 project.**

The SRF program provides competitive interest rates to support publicly financed water and sewer projects. This resolution authorizes and approves the issuance of the bonds and disbursement agreement with a 20-year term and an interest rate of 1.75%. The agreement also includes a 0.25% annual servicing fee and a one-time initiation fee of 0.5%. The annual debt service varies over the course of the bond repayment schedule, but once fully amortized will result in annual debt service payments of approximately \$260,000. Funding for the annual debt service payments will be included in the Sanitary Sewer Utility's annual budget.

#### **ALTERNATIVES:**

1. Approve the State Revolving Fund Clean Water Loan agreement in an amount not to exceed \$4,071,000.
2. Do not approve the loan agreement and direct City staff to identify other sources to fund the project.

#### **CITY MANAGER'S RECOMMENDED ACTION:**

Approval of this loan agreement will ensure that funding is available to carry out the sanitary sewer system improvements as previously approved by Council. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1 as described above.