



AGENDA ITEM ANALYSIS

Project/Issue Name: 26-11 An Ordinance of the City Council Authorizing the Chief Financial Officer to Finalize/Secure a \$2 Million Line of Credit (“LOC”) with Arvest Bank to Fund Short Term Cash Flow for Water Improvements as a Special, Limited Obligation Payable Solely from Water Fund Revenues.

Submitted By: Bob Ford | Chief Financial Officer

Date: March 3, 2026

Issue Statement

To approve a \$2 million Line of Credit (“LOC”) to function as a “Bridge Loan” to finance the City of Republic’s (“City”) Water Fund Capital Expenditure shortfall that may occur between now and the completion of a Tax-Exempt Special Obligation Bond Offering.

Discussion and/or Analysis

1. Water Fund rate increases were implemented in 2025 to fund an estimated \$90 million in upgrades over the next 15 years to the water infrastructure, including but not limited to the Convoy of Hope water tower, the upgrade of the 4- and 6-inch mains, the Frisco Square water tower, the upgrade of our meter collection system to AMI and annual increases in operating cost of the Water Fund.
2. Staff have continued to evaluate all the factors that led the City to the 2025 Rate Increases.
 - a. **Ten-Year CIP Revision** - In that evaluation, the City has reduced its Ten-Year Capital Investment Plan from \$70 million to \$45 million.
 - b. **Debt As A Funding Source** – while one of the City’s primary financial goals continues to be to minimize the use of incremental debt, there are legitimate instances where funding with debt is appropriate, such a Capital Projects, where the cash proceeds generated by the debt offering is invested in the Water Fund’s Property, Plant & Equipment, thus swapping one balance sheet item – CASH for another balance sheet item – PPE.

The LOC is dedicated to the Water Fund’s use only and whose purpose is to act as a Bridge Loan, i.e., to fund the initial phases of the \$45 million CIP before the Special Obligation Bond Offering is complete.

- The LOC will NOT be used for any cash flow gaps for the City’s Government Funds or the Wastewater Fund.
- Money accessed through the LOC for the Water Fund capital improvements must be repaid through revenues generated from the rate increases from the Water Fund.
- Additionally, the City may not utilize general funds or rely on its full faith and credit to secure or make payments on the LOC, which could be deemed “indebtedness” of the City under Article 26(a) of the Missouri Constitution and require voter approval.

In summary, the LOC will provide the City’s Water Fund with the following financial flexibility.

- **Cash Flow Management:** - The LOC will allow the Water Fund to fund any cash flow gaps resulting in revenue generation from new rates and cash proceeds from Special Obligation Bonds issued in the future to fund the \$45 million CIP.
- **Flexibility** - Unlike term loans with fixed repayment schedules, the LOC offers revolving credit, meaning the City can borrow, repay, and borrow again as needed, up to the \$2 million limit.
- **Cost Efficiency** - In some cases, the LOC can be a more cost-effective way to manage short-term financing needs compared to other options, especially if the funds are needed for a brief period due to timing issues.

Terms

- Floating – Wall Street Journal Prime Rate less 50 bps, with a floor of 5.00%.
- Renewed every 12 months.
- \$500 origination/monitoring fee.

Recommendation

Staff recommends approval.