AGENDA ITEM ANALYSIS

Project/Issue Name:	21-01 An Ordinance of the City Council of the City of Republic, Missouri, Calling a Bond Election in the City of Republic, Missouri, and Authorizing Certain Actions in Connection Therewith; Designating the Time for Holding Said Election; and Authorizing and Directing the City Clerk to Give Notice to the County Clerks of Said Election.
Submitted By:	Debbie Parks
Date:	January 19, 2021

Issue Statement

The City Council is being asked to consider sending a bond referendum to the voters in April to utilize the State Revolving Loan Fund (SRF) program to finance a portion of the wastewater plant and infrastructure upgrades as outlined in the 2021-2025 Capital Improvement Plan and the Wastewater Comprehensive Plan. Under State Law Revenue Bonds take the authorization of the voters. The City plans on asking for authorization to issue revenue bonds up to $36 million on the April 6, 2021 ballot.

Discussion and/or Analysis

The City hired the engineering firm Burns and McDonnell in 2018 to begin work on the Water and Wastewater Comprehensive Plans. These plans were completed in 2019. The City has identified $36 million in repairs necessary in the next 5 years out of the proposed $50 million listed in Wastewater Plan.

The City entered into a Voluntary Compliance agreement with the MDNR in 2011 for violations of the Clean Water Act and the NPDES Operating Permit for the wastewater treatment plant. This agreement requires the City to progressively make improvements in eliminating the practice of bypassing treatment of wastewater during rainfall events. A bypass of the treatment process is necessary in the current configuration due to stormwater runoff entering the sanitary sewer lines through inflow and infiltration (I&I), this excess volume of water exceeds the volume that the plant can process through our primary treatment process. The water is deterred to a stormwater clarifier from which it will be discharged directly violating the operating permit. The Voluntary Compliance Agreement was extended in 2016 and is set to expire in 2021 at which time the MDNR has indicated that the City will enter an Administrative Order to address this compliance issue. The Administrative Order will establish a strict timeline and process which if not met will include penalties that can come in the form of fines and limitations to the system in the form of new growth.

Approximately $20 million of the requested bonds is allocated to expansion and updating of the existing wastewater treatment plant that has not had major investment in over 20 years. The expanded capacity and updated treatment process will help address the additional stormwater volumes and provide the necessary improvements for the City's projected 20-year growth.

An additional $10 million in requested bonding is being allocated to the Brookline Lift Station and force main. Currently all the wastewater from Brookline is pumped from Brookline all the way to the Shuyler Creek lift station at the south end of Republic and pumped through the City multiple times back to the treatment plant. The City recently spent approximately $3M on the Shuyler Creek Lift Station and with the growth and development in the former Brookline area capacity will again become an issue. In order to update the Shuyler Creek system again we would spend $11M but not gain the flexibility and capacity the $10M investment in the Brookline alignment would allow.

The last $6M in requested bonding is directly linked to the elimination of I&I in the system. Every gallon that we can eliminate from the entering the system is one less gallon that has to be treated and one more gallon of capacity for the system. Through the master planning effort, we are able identify the major areas and pipes that are causing the problem. This program and effort will target those areas directly and help us further achieve compliance.

The City intends to go through the Department of Natural Resources to utilize the State Revolving Loan Fund for a lower interest rate. The wastewater rate analysis will be brought back to Council for review as part of the bond funding process. Staff intends to submit the application in March 2021. This is the first step in the funding process and is estimated to take a total of 18 months.

The bond issue would be paid out of the wastewater user fees. Part of the SRF funding process is a rate analysis to see if the current rates structure is sufficient to fund the capital improvements and the proposed bond issue. Burns and McDonnell has been retained to work on the rate study. The results of analysis this will be brought back to Council for review upon completion.

Revenue Bond issuances are required to be approved by the citizens. If this ordinance is adopted, it will be placed before the voters on April 6, 2021 for authorization to issue debt. The bond ordinance has been reviewed and approved by the City's bond counsel.

There are other financing options available to the City in addition to revenue bonds. The City can utilize Special Obligation Bonds or Certificate of Participation (C.O.P.) issuances to finance the needed system improvements. These forms of debt do not require a citizen vote. Special Obligation Bonds or Certificate of Participation financing options do have a higher interest rate than a loan through the State Revolving Loan program. Included in this packet is a comparison between the Revenue Bond and C.O.P. financing. The State Revolving Loan program discounts the interest rate, however there are other costs involved with preparing the required forms up front.

It is important to note that the sample debt issuance comparison is off current interest rates with slight inflation of 50 basis points. Rates will probably change between now and when the bonds are issued.

Recommended Action

Staff is recommending Council consider the various options available to fund the Wastewater Capital Improvements. If Council would like to proceed with a revenue bond, then approve the authorization to have the bond issuance on the April 6, 2021 Ballot.