



AGENDA ITEM ANALYSIS

Project/Issue Name: 24-R-24 A Resolution of the City Council Authorizing the City to Accept \$50,000,000 from the Missouri Department of Natural Resources Via the State Revolving Loan Fund (SRF) Program for Required Capital Improvements to the Wastewater System.

Submitted By: Bob Ford | Finance Director

Date: May 21, 2024

Issue Statement

A Resolution of the City Council of the City of Republic Authorizing The City Of Republic To Accept \$50,000,000 From The Department Of Natural Resources Via The State Revolving Fund (SRF) Loan Program For Required Capital Improvements To The Wastewater System.

Discussion and/or Analysis

After completion of the wastewater master plan and the execution of an Abatement Order on Consent (AOC) with MDNR, the City identified a capital program of \$150 million necessary to become compliant and meet capacity requirements of the wastewater system. To meet the requirements of the AOC, the City must eliminate the stormwater bypass no later than April 1, 2025. In addition, new permit limits for phosphorous removal and blended stormwater require that the treatment plant be upgraded and expanded for capacity and capability, collectively referred to as the Wastewater Treatment Plant Project (“WWTP”).

With regards to funding the capital requirements for the WWTP, the City:

- Borrowed \$45.4 million via the Series 2022 tax exempt bonds; and
- Received grant commitments from the Missouri Department of Natural Resources (“MDNR”) for \$50 million.

The current funding deficit for the total capital requirement for the WWTP is approximately \$45 million. As discussed in prior meetings, and as approved by Council, the City applied for \$50 million in additional funding from the SRF administrator via the MDNR to complete that last tranche of funding necessary to complete the WWTP.

- SRF funding is offered at a lower interest rate than debt issued at existing tax-exempt rates. The projected interest rate is 2% for debt amortized over a 27-year period, which will save the City approximately \$1M in annual interest when compared to debt issued at current market rates.
- To meet the SRF application requirements, the City had to demonstrate that the rates necessary to fund the debt service were approved by Council, along with an implementation timeline so that the new rate structure was in place in time to fund the incremental debt service. To that end, the necessary rate plan and timeline was approved by Council on February 20, 2024.



In the meantime, the City will continue to pursue additional funding alternatives to potentially offset the necessary rate increases to fund the debt service associated with the SRF funding. Should the City secure additional grant funds or revenue sources:

- If the City has only drawn a portion of the \$50 million, there is no obligation to draw the full amount nor is there a penalty assessed for not drawing the full amount.
- Furthermore, the City can prepay any amount of the SRF debt without penalty at any time.

Recommended Action

Staff recommends approval.