



## AGENDA ITEM ANALYSIS

Project/Issue Name: 24-39 An Ordinance of the City Council Authorizing the Issuance of a Not to Exceed \$50,000,000 Principal Amount Special Obligation Bond (State of Missouri – Direct Loan Program) Series 2024; Prescribing the Form and Details of the Bond; and Authorizing Certain Other Actions and Documents in Connection Therewith.

Submitted By: Bob Ford | Finance Director

Date: June 18, 2024

### Issue Statement

An Ordinance of the City Council of the City of Republic Authorizing The City Of Republic To Issue \$50,000,000 in Special Obligation Series 2024 Bonds in a private placement to the Department Of Natural Resources, with Issuance Proceeds Used 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 administered via the MDNR to complete that last tranche of funding necessary to complete the WWTP.

- SRF funding is offered at a discounted interest rate when compared to market based tax-exempt interest rates for comparable debt amortized over the same period.
  - The debt will be amortized over a 27-year period and the projected interest rate is 30% of the Revenue Bond Index as published in the Bond Buyer most recently prior to the Closing Date, plus a 25-basis point semi-annual administrative fee.
  - The all in interest rate will be set on the Closing Date but will be approximately 1.5% or less, which will save the City approximately \$900K in annual interest expense when compared to debt issued at current market rates.



- As discussed in prior meetings:
  - To meet the SRF application requirements, the City had to demonstrate that the sewer utility 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 a letter dated May 9, 2024, The Missouri Department of Natural Resources' Financial Assistance Center stated that they had "reviewed the User Charge Ordinance, enacted on February 20, 2024, and the Sewer Use Ordinance, enacted on April 16, 2024, for the City of Republic, Missouri and found that the ordinances comply with the State Revolving Fund Program requirements and were approved".

### **Bond Closing and Required Actions**

Finance is currently finalizing the Bond Documents with Gilmore & Bell (our Bond Counsel)

- Documents include this specific Ordinance requiring Council's approval (which fleshes out the Resolution approved by Council on May 21, 2024)
- 1<sup>st</sup> & 2<sup>nd</sup> Read will occur at the June 18 Council Meeting – as per the recently passed ordinance allowing for such action.
- SRF Bond documents were/are not final in time for a first read on June 4, 2024
- Burns & McDonald needs to issue Full Notice to Proceed ("FNP") by July 1.
  - If FNP is not issued by July 1, there is risk the cost of the WWTP will increase.
  - Additionally, for Burns & McDonald to issue the FNP, the SRF Loan must be closed.
  - Therefore, Closing Date is currently set for June 25.
- Additionally, this action will be treated as an emergency in this Ordinance Section 1105. Emergency Ordinance. The City Council finds that an emergency exists within the meaning of Section 3.10(g) of the City Charter, because certain construction projects for the Project are subject to price increases if the Bonds are not issued on or before June 30, 2024.

### **Recommended Action**

Staff recommends approval.