



## **AGENDA ITEM ANALYSIS**

Project/Issue Name: 24-R-07 A Resolution of the City Council Authorizing the City's Application to the Missouri Department of Natural Resources' State Revolving Fund (SRF) for Funding to be used toward Required Capital Improvements to the Wastewater System.

Submitted By: Andrew Nelson, Asst. City Administrator – Community Development

Date: February 20, 2024

### **Issue Statement**

Authorization for application to the State Revolving Fund for a loan to fund a portion of the wastewater treatment plant expansion.

### **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 \$150M 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 not 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.

A third-party rate assessment was completed to facilitate the debt service on \$50M in State Revolving loan funds (SRF). The current funding deficit for the total capital wastewater program is approximately \$45M. SRF funding is offered at a substantially lower interest rate than market bonds or privatized funding. The projected interest rate is 2% for a 30-year debt service, which would save the City approximately \$1M in annual interest when compared to market funds.

To meet the SRF application requirements, the City must demonstrate that the rates necessary to fund the debt are approved and can be implemented by the time the improvements are completed. The proposed rate implementation is applied over 3-years with full implementation in January of 2027 aligning with the anticipated completion date of the wastewater improvements and plant expansion with inflationary increases shown in the subsequent years. This also allows time for the City to also evaluate, apply for and pursue additional funding alternatives to offset the potential rate increases necessary in those future years. The City, however, must demonstrate that if necessary the rates and revenue are in place to apply for the full amount of the loan. Should the City secure additional grant funds or revenue sources there is no obligation or penalty for not utilizing the full \$50M of SRF Funds.

### **Recommended Action**

Staff recommends approval.