



## **AGENDA ITEM ANALYSIS**

Project/Issue Name: 24-08 An Ordinance of the City Council Amending Title VIII, Chapter 805, Section 805.100 (“Utility Administration”) of the Municipal Code of the City of Republic, Missouri.

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

Date: February 20, 2024

### **Issue Statement**

Ordinance to create the necessary rate structure to secure SRF debt funding for compliance and capacity improvements at the wastewater treatment plant.

### **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.

In order 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 in years 3 and 4. 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 loan.

The staff evaluates the efficacy of the rates annually with the budget process and the council may adjust as necessary.

### **Recommended Action**

Staff recommends approval.