

SUBJECT

BOARD RESOLUTION NO. 23-555

Pertaining to an application for a loan from the Drinking Water Revolving Fund to fund the continued construction of the McCarron's Water Treatment Plant Improvements.

STRATEGIC PLAN GOALS: Quality Water

Staff is seeking authorization to apply for a Drinking Water Revolving Fund loan. The amount of the loan application shall be approximately \$25,000,000. The purpose of the proposed loan is to fund the continued construction of the McCarron's Treatment Plant Improvements.

Currently, the McCarron's Treatment Plant Improvements project is approximately 23 percent complete and is on schedule and trending slightly under budget. More information about the project will be shared in a presentation to the Board at the April 2023 meeting.

SPRWS staff has collaborated with our financial advisors and the City's Office of Financial Services to determine that \$25,000,000 is an appropriate amount of funding to request from the PFA's DWRF program in 2023. The subsidized rate offered by the DWRF program only applies to the first \$25,000,000 of funds utilized for a project in any calendar year, so the chosen loan amount will ensure that we maximize the benefit of subsidized interest rates. That said, the finalized loan amount will be determined through the loan closing process and may differ somewhat from the \$25,000,000 estimate provided herein.

This will be the fourth debt issuance related to the McCarron's Water Treatment Plant Improvements project. Previously, we issued a \$15.4 million DWRF loan in 2021, a \$46 million DWRF loan in 2022, and a \$93.415 million revenue bond in 2023. The total project cost (for design and construction) is expected to be approximately \$250 million. With this \$25 million of DWRF funds secured, SPRWS will have obtained funding for \$179.815 million of project costs – meaning that the project will be approximately 72 percent funded. Additional funds from the DWRF program will be sought in 2024 and 2025.

The form of the resolution is as required by the Minnesota Public Facilities Authority and has been used on previous MN PFA funding applications.

RECOMMENDATION

Approval