

MEETING DATE: June 16th, 2026

BOARD RESOLUTION NO. 26-976

Updating a Previous Request for the City of Saint Paul, Minnesota to Issue and Sell Water Revenue Bonds for the WTP Modernization Project.

Background

The Board of Water Commissioners previously approved resolutions 26-245 and 26-246 related to 2026 debt issuance through the MN Public Facilities Authority’s Drinking Water Revolving Fund (DWRF). Those resolutions authorized SPRWS staff to apply for a loan of approximately \$7.5 million and to reimburse expenditures with that loan.

The 2026 debt issuance will be the last issuance needed to support the McCarron’s plant project and will carry the project to completion.

Change in Circumstances

Since the February resolution, SPRWS staff has been working with the Design-Builder to investigate possible improvements to the facility. While the new facility has never failed to produce high-quality water, there is room for operational and maintenance improvements. To date, most of these improvement opportunities are quite minor and have been comfortably covered by allowance and contingency funds already authorized in the contract.

One notable exception stands out: heating of the clarifiers in the facility. After operating the facility through the winter of 2025-26, it is evident that some degree of heating is necessary to provide protection to infrastructure within these facilities. At this point, our team has only rough ideas of which solution will provide the best long-term value and what the expenses associated with that solution will be.

Proposed New Direction

The MN PFA has confirmed that they have more than \$7.5 million available for the McCarron’s Plant Project if we desire to issue a loan for a greater value.

With the current uncertainty surrounding possible heating infrastructure installation, we believe that it’s prudent to issue a \$10 million loan instead. This belief is bolstered by the

fact that the DWRP program is a reimbursement program. This means that, if we sign a \$10 million loan agreement but use only \$7.5 million of that loan agreement, we will only pay debt service on the \$7.5 million used. The other \$2.5 million will never leave the DWRP or hit the SPRWS balance sheet.

Our team believes that we are likely to be able to deliver the needed heating improvements without tapping the additional \$2.5 million of funds. Nonetheless, the debt issuance timeline must move forward before we get certainty on clarifier heating costs. Authorizing these additional funds should give us the capacity to deliver any of the possible solutions on the table with the loans available to us.

Implications for Current Budget of Project

With respect to the project budget, there are three values of note.

- The board has authorized up to \$241.6 million for the construction phase of the treatment plant project (I can provide the budgets and resolutions behind this as needed).
- Past debt issuances + the \$7.5 million planned for 2026 debt would give us a total of \$238.03 million of funds available. **A change to a \$10 million debt issuance would change this value to \$240.53 million**
- Lastly, the actual contract with Jacobs for construction work is for \$235.95 million. (Note: there are some additional minor contract expenses outside of the contract with Jacobs; omitted here for simplicity.)

The numbers are deliberately different as they provide buffer, minimize the likelihood of running out of budget authorization/financing, and reflect increasingly refined levels of scope definition.

This is most easily understood by analogy. The first number (Board authorization) is similar to a pre-approval number from a mortgage lender. The second number (debt issuance) is analogous to a home price budget that a buyer sets for him/herself. It must be less than or equal to the value of loan that they were pre-approved for. The final number (contract value) is analogous to the value of the home that the buyer actually purchases. Ideally, there's a decrease in value with each of these step.

The change proposed in this resolution would modify the middle value and would remain within the previously authorized budget.

Future Touchpoints

If this resolution is approved, SPRWS will work out the terms of a \$10M loan with the MN PFA. Once terms have been reached, City Council would need to pass a resolution to issue

the debt in accordance with the terms. The Board of Water Commissioners would subsequently need to issue a resolution to concur with the City Council and approve the terms of the debt. The debt capacity will not be issued until both of these resolutions are passed.

Further, SPRWS engages the Board of Water Commissioners at each of the steps described in the previous section. Adding a considerable amount of heating to project scope would require a contract amendment with Jacobs to increase the value of our contract together. That change order would require Board Approval. That change order, if it is deemed necessary/advantageous in the future, would ultimately be what produces financial obligations for the Board of Water Commissioners since it would lead to real spending, real debt issuance, and real debt service payment. This resolution simply provides the debt capacity to make sure that we have flexibility to pursue that path if needed.

If this resolution is not approved, we will limit the heating options available to us. We feel that that would prematurely narrow our options at this point in time.