

## **SUBJECT**

**BOARD RESOLUTION NO. 26-246**

Pertaining to the Issuance and Sale of Water Revenue Bonds for McCarrons and the LSLR Projects.

**2026 STRATEGIC PLAN GOALS:** Financial Stability and Quality Water

See attached.

## **RECOMMENDATION**

Approval

## **BOARD RESOLUTION NUMBER: 26-246**

### **McCarron's Water Treatment Plant Improvements Project**

A separate resolution in the Feb. 2026 Board of Water Commissioners packet is entitled "Pertaining to an application for a loan from the Drinking Water Revolving Fund." Please see the staff report that accompanies that resolution for information related to the purpose and context of this loan.

Simply put, the separate resolution seeks Board approval to apply for a loan (Resolution #1 in series). This resolution seeks Board approval to subsequently prepare the terms and agreement for such a loan (Resolution #2 in series). Later in 2026 (likely in the late summer or the fall), SPRWS staff will bring a final resolution seeking the Board's approval to enter into the prepared agreement and to issue the loan (Resolution #3 in series). Resolution #3 will be the only resolution in the series that obligates SPRWS to commit anything beyond staff time, effort, and attention.

### **Lead Service Line Replacement Project**

#### **Background:**

At its March 8, 2022 meeting, the Board directed staff to initiate a 10-year enhanced lead service line replacement plan ("Lead Free SPRWS").

At its March 18, 2025 meeting, the Board directed staff to apply to the Minnesota Public Facilities Authority ("MNPFA") for funding in an amount of up to \$55,000,000 to finance the replacement of approximately 2,500 lead services in 2026 or 2027. On August 20, 2024, the Board accepted funding from the PFA totaling \$35,000,000 for the Lead Pipe Replacement Projects, pending the execution of the Phase V Project Order under the Master Loan and Grant Agreement, with funding allocated for both private and public service line replacement. The private portion of lead service line replacement is to be 100% grant funded and the public portion is to be funded through the issuance of a form of loan through the Drinking Water Revolving Fund secured by Grant Anticipation Notes.

#### **Proposal:**

It is proposed that the Board of Water Commissioners of the City of Saint Paul authorize the issuance of Grant Anticipation Notes in an aggregate principal amount of up to \$12,000,000. These notes will be sold in a direct placement to the MNPFA to provide funding for the Lead Pipe Replacement Projects anticipated to occur in 2026 or 2027. The Grant Anticipation Notes will be structured as special, limited obligations of the City, payable solely from the revenues

derived from grants received from the State of Minnesota and potentially other funding sources necessary to cover project costs and issuance expenses.

Actions Taken:

Utility staff, in coordination with City staff, will collaborate with legal counsel Ballard Spahr LLP and municipal advisor Ehlers and Associates, Inc. to facilitate the sale of the Grant Anticipation Notes to the MNPFA at an appropriate time. This process includes preparation of necessary documents, such as a project order under terms and conditions of the Master Loan and Grant Agreement, to ensure compliance with regulatory requirements and financial best practices.

Upon authorization from the Saint Paul City Council for the issuance and sale of each series of the Grant Anticipation Notes, the Board of Water Commissioners will review and provide concurrence at a subsequent meeting.

**Recommendation**

Staff recommends approval