

## SUBJECT

### **BOARD RESOLUTION NO. 24-369**

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 \$29,000,000 (see paragraph #3 below for notes on loan value). 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 42 percent complete and is on schedule and trending slightly under budget.

With this debt issuance, the McCarron's WTP project would be approximately 90% funded. The financing plan for the project calls for one further DWRf loan to be issued in 2025, which will fully fund the project. Currently, \$183,650,000 of debt has been issued for the McCarron's WTP project. With an estimated construction cost of \$235,000,000, the remaining \$51,350,000 of financing needs will be divided between the 2024 DWRf loan and the 2025 DWRf loan.

As SPRWS staff advances the loan application, further collaboration with the City's Office of Financial Services and with financial advisors is required to confirm that \$29,000,000 is the optimal amount of funding to request from the PFA's DWRf program in 2024. The subsidized rate offered by the DWRf program only applies to the first \$29,000,000 of funds utilized for a project in any calendar year, so this loan value would minimize debt service costs for future years. That said, a robust analysis of anticipated cash flows for the coming 15 months of construction cost is needed to ensure that \$29,000,000 will be sufficient to cover construction costs until the final round of debt (2025 DWRf loan) is issued. The finalized loan amount will be determined through the loan closing process and will reflect the results of this financial analysis. The loan value may increase, as needed, to ensure that sufficient funds will be available to carry us until the 2025 DWRf loan.

This will be the fifth 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, a \$97.25 million revenue bond in 2023, and a \$25 million DWRf loan in 2023. The total project cost (for design and construction) is expected to be approximately \$250 million.

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