

ITEM #:	13
DATE:	09-24-24
DEPT:	FIN

COUNCIL ACTION FORM

SUBJECT: RESOLUTION FIXING DATE FOR A MEETING ON THE AUTHORIZATION OF A LOAN AND DISBURSEMENT AGREEMENT AND THE ISSUANCE OF NTE \$65,185,000 SEWER REVENUE BONDS (SRF LOAN) FOR OCTOBER 8, 2024

BACKGROUND:

On August 18, 2024, the City entered into an agreement with Woodruff Construction in the amount of \$53,370,000 for the construction of improvements necessary to comply with the unfunded mandates of the 2013 Iowa Nutrient Reduction Strategy. Staff believes it is in the City's best interest to utilize the Iowa State Revolving Fund Clean Water Program (CWSRF) to fund the improvements. This program has a long history of providing below-market rate loans to municipalities to fund utility improvements, including several loans to the City of Ames.

The following is the current project budget:

Engineering	Expenses
Original Design Agreement	\$1,675,000
Amendment #1	763,000 (Moving from two to three construction phases)
Amendment #2	3,600,000 (Adding construction phase services)
Other Professional Services	
Geotechnical	16,620
Commissioning	74,600
Special Inspections (estimated)	75,000
Construction	
Construction	53,370,000
Owner's Equipment Allowance	275,000
Owner's Contingency (5%)	2,667,780
Total	\$62,517,000

In addition to the known project costs above, staff recommends including an additional \$2,668,000 be included in the not-to-exceed borrowing amount. This will provide a significant cushion for project changes and prevent unnecessary issuance costs associated with increasing the not-to-exceed amount as a separate action, should it be necessary.

It should be noted that the CWSRF program is a reimbursement program, meaning that the City first spends the money, then the program reimburses for eligible expenses. This method ensures the City will only borrow for expenses the City Council has authorized and are necessary to complete the project, thus minimizing interest expense associated with the improvements. **The total recommended not-to-exceed amount is \$65,185,000, which includes the project expense and additional contingency noted above.**

If approved, the CWSRF loan will be repaid over twenty years at an interest rate expected to be lower than 2.86% at closing. To access these funds, the City must hold a public hearing on the loan agreement. This action sets the required public hearing for October 8, 2024.

ALTERNATIVES:

1. Set October 8, 2024, as the date of the public hearing to enter into an Iowa State Revolving Loan Clean Water Program agreement in an amount not to exceed \$65,185,000.
2. Delay the hearing on the loan agreement.
3. Finance these improvements from other revenue sources.

CITY MANAGER'S RECOMMENDED ACTION:

Setting the date of the public hearing will ensure that the City receives the benefits of the below-market rate financing provided by the Iowa State Revolving Loan Clean Water Program. Additionally, by setting the public hearing, the City will ensure the funding exists to meet the terms of the agreement with the project's associated contracts. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.