

ITEM #: 31
DATE: 10-08-24
DEPT: FIN

COUNCIL ACTION FORM

SUBJECT: PUBLIC HEARING ON THE PROPOSED ISSUANCE OF NOT MORE THAN \$65,185,000 IN SEWER REVENUE BONDS (SRF LOAN)

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 at the Water Pollution Control Facility 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. To access these funds, a public hearing must first be held, after which the Council will consider a resolution authorizing additional steps necessary to enter into a loan agreement with the CWSRF program.**

The following is the current project budget:

Engineering	Expenses	
Original Design Agreement	\$1,675,000	
Amendment #1	\$763,000	Moving from two construction phases to three
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.

ALTERNATIVES:

1. Approve a resolution taking additional action on a proposal to enter into a Sewer Revenue Loan Disbursement Agreement.
2. Direct staff to pursue alternative financing arrangements for the Nutrient Reduction project.

CITY MANAGER'S RECOMMENDED ACTION:

The CSWRF program has a long history of working with the City and provides the lowest borrowing costs available to support the project. Approval of the resolution will allow the City to undertake the process necessary to consider a loan agreement with the CWSRF program in the coming months. Therefore, it is the recommendation of the City Manager that the Council adopt Alternative No. 1, as described above.