

OAK RIDGE CITY COUNCIL MEMORANDUM

DATE: June 21, 2022

TO: Mark S. Watson, City Manager

FROM: Janice McGinnis , Finance Director

SUBJECT: \$1,900,000 Clean Water State Revolving Fund (SRF) Loan Administered Through the Tennessee Department of Conservation (TDEC) Division of Water Resources.

Introduction

An item for City Council's consideration is a resolution authorizing a \$1,900,000 loan from the State Revolving Fund (SRF) loan program to finance improvements to the Emory Valley Sewer Pumping Station. The project consists of the rehabilitation or replacement of up to 350 manholes, rehabilitation of approximately 10,000 linear feet of sewer mains, evaluation and design of improvements needed for the Emory Valley Sewer Pump Station.

A \$2,000,000 SRF loan application for this project was previously approved by City Council on February 8, 2021. The loan did not progress in the TDEC loan review process to the level of being submitted by TDEC to the Tennessee Local Development Authority (TLDA) for loan award approval. The delay was due to several reasons including COVID and turnover in TDEC staff including the loan reviewer. Upon subsequent review by TDEC it was determined a new easement for a section of line needed to be obtained prior to loan award. Due to the amount of time lapsed between the submission of the initial loan application packet, TDEC has determined that a new loan application packet needed to be submitted for the project.

Funding

Funding will be provided from wastewater rates.

Background

Attached is the Revolving Fund Loan Agreement to be executed by the City and State which outlines the terms and conditions of the loan. The SRF Loan Program is administered by the State of Tennessee Department of Environment and Conservation (TDEC).

Key points related to the loan are as outlined below.

Term: 20-year principal payment amortization begins with the earlier of (1) within 90 days after Initiation of Operation of the Project or, (2) within 120 days after 90% of the Project Loan has been disbursed.

Issuance Costs: No loan issuance costs

Interest Rate: The fixed interest rate will be set by the State at the meeting the loan is approved by the State. This rate is estimated to be 2.42%.

Other Fees: Administrative Fee of .08% annually of the outstanding loan balance.

Payment: Monthly Interest and fees on the outstanding loan balance once loan draws occur. Monthly principal payments once the principal payments begin as outlined in the loan terms above.

Pre-Payment: Can prepay all or part of the loan.

Projects funded through the SRF loans require specific bidding and contractual procedures, including compliance with Davis-Bacon wages by contractors. The advantages of this loan program are very low fixed interest rate, interest/fee payments only during spend down period of the loan and no loan issuance costs. Loan proceeds are drawn as work progresses and interest/fee are applicable only on the outstanding loan amount. At closure of the loan to additional draws, the loan principal payment amortization is restructured based on the actual principal borrowed.

Recommendation

Staff recommends approval of the attached resolution. The project allows the City to remain in compliance with EPA and TDEC requirements. Once the loan application packet is submitted to TDEC it must be reviewed and then submitted to the Tennessee Local Development Authority (TLDA) for approval.

Attachments:

[SRF -Clean Water - Loan Documents Attachment.pdf](#)

[Resolution - SFR 2021-455.docx](#)