

CITY OF COOS BAY CITY COUNCIL

Agenda Staff Report

MEETING DATE	AGENDA ITEM NUMBER
August 1, 2017	6.

TO: Mayor Benetti and City Councilors

FROM: Jim Hossley, Public Works and Community Development Director

THROUGH: Rodger Craddock, City Manager

ISSUE: Approval of a Contract Amendment for Oregon Department of Environmental Quality SRF Clean Water Loan for Construction of Wastewater Treatment Plant 2 - Approval Will Require Adoption of Resolution 17-15

SUMMARY:

The original loan application for the construction of the expansion and upgrade project for WWTP 2 is for an amount not to exceed of \$19,636,876. It was anticipated that construction would commence summer 2015. Due to delays, construction did not commence till January 2017. At the December 6, 2016 Council meeting, Council approved a guaranteed maximum price for construction of \$24,531,820. Authorizing staff to request an amendment to the existing DEQ State Revolving Fund (SRF) loan agreement will ensure that the City has funds to complete the project. The Charleston Sanitary District will be responsible for payment of approximately 25% of the construction cost of WWTP2. The District has been awarded grants and loans to pay their share, however the funds won't be released until construction of the project is complete.

ACTION REQUESTED:

Approve Resolution 17-15 authorizing an additional amount of state revolving funds to resolution 16-09 loan agreement to finance the expansion and upgrade project for WWTP 2. In addition, authorize the City Manager to sign documents amending the existing State Revolving Fund loan agreement with DEQ.

BACKGROUND:

In early 2014 a loan application was submitted for the construction of the proposed Wastewater Treatment Plant (WWTP) 2 project. At the time, the loan application was submitted, the city had completed pre-design and was commencing forward with final design. Significant delays occurred due to environmental reviews. The delays pushed the construction commencement date from summer 2015 to summer 2016. Once environmental approvals were obtained further delays occurred due to investigations of privatizing the

wastewater system. At the December 6, 2016 Council meeting, the project was placed back online. Council approved the guaranteed maximum price of \$24,531,820, which was developed by the City's Construction Manager/General Contractor (CMGC), Mortenson Construction. Council also authorized the city to enter into a loan agreement with DEQ through the SRF program (Resolution 16-09). The loan agreement was based on the original application submitted in early 2014. The loan agreement was for approximately \$20M. At this time, staff is recommending that Council approve Resolution 17-15. This resolution authorizes the City to approve an amendment to this loan. The amendment will be for an amount of \$4,894,944 which will bring the total loan amount to the GMP amount. Staff has had discussions with DEQ and they have stated that they have the money to approve this amendment.

BUDGET IMPLICATIONS:

In order to pay for the construction of WWTP 2 and other projects, the City of Coos Bay has been working with a financial consultant named Steve Doty Donovan of Donovan Enterprises for several years. He has created a rate structure for the City to fund this and other projects. Additionally, the Charleston Sanitary District will be responsible for 25% of the design and construction costs associated with the Plant 2 project.

ATTACHMENT(S):

- Resolution 17-15

City of Coos Bay

Resolution 17 – 15

A RESOLUTION AUTHORIZING AND APPROVING AN ADDITIONAL AMOUNT OF STATE REVOLVING FUNDS TO RESOLUTION 16-09 LOAN AGREEMENT TO FINANCE A WASTEWATER TREATMENT FACILITIES PROJECT.

WHEREAS, the City of Coos Bay has applied for a revenue secured loan in the amount of \$19,636,876 through Resolution 16-09 which has been approved by the Oregon Department of Environmental Quality (DEQ) State Revolving Loan Fund (SRF) program pursuant to OAR Section 340-054-0065(2) for the purpose of financing the wastewater facilities projects (Project); and,

WHEREAS, the guaranteed maximum price for financing for the Project will be \$24,531,820 which requires the City of Coos Bay Council to authorize an amount up to the balance, \$4,894,944, in a loan from Oregon Department of Environmental Quality (DEQ) State Revolving Loan Fund (SRF) program pursuant to OAR Section 340-054-0065(2); and

WHEREAS, the revenue secured loan has been approved at One and 00/100 percent (1.00%) per annum; provided that if the Project or any part thereof is not completed in accordance with the terms of this Agreement, the interest rate shall be Two and 00/100 percent (2.00%) per annum, retroactive to the date of this Agreement.

WHEREAS, the DEQ SRF program requires an annual fee of 0.5% of the outstanding loan amount (as determined prior to the posting of the payment due on that date) to be paid during the repayment period commencing with the second payment date and annually thereafter; and,

WHEREAS, the Project requires a loan reserve requirement which will be determined in the loan agreement with DEQ; and

WHEREAS, the loan will end no later than (a) twenty (20) years after the earlier of the completion date or the estimated completion date set forth in loan documents ARTICLE 3(A)(10) or (b) September 1, 2037, whichever date is earlier; and,

WHEREAS, an interest-only payment will be due within six months after the estimated project completion date set forth in ARTICLE 3(A)(10) and thereafter semi-annual payments of principal and interest in accordance with the loan agreement; and,

WHEREAS, the City of Coos Bay grants to DEQ a security interest in and irrevocably pledges its net operating revenues to secure payment of and to pay the amounts due under the loan agreement; and,

WHEREAS, as a condition of the loan, the City of Coos Bay debt service coverage requirement provides the City shall maintain wastewater rates and charge fees in connection with the operation of the facility that are adequate to generate net revenues in each fiscal year sufficient to pay (i) all debt service (excluding debt service on the loan), (ii) all other financial obligations imposed in connection with prior lien obligations, and (iii) an amount equal to the debt service coverage factor of 105% multiplied by the debt service payments due under the loan agreement in that fiscal year.

NOW, THEREFORE, BE IT RESOLVED, the City Council of the City of Coos Bay authorizes and approves of the SRF loan agreement for financing the Projects. The City Council authorizes and approves the establishment and funding of a designated reserve account to meet the loan reserve requirements and establishes the loan reserve.

The foregoing resolution was duly adopted by the City Council of the City of Coos Bay, Coos County, Oregon this 1st day of August 2017.

Joe Benetti, Mayor

Attest: _____
Susanne Baker, City Recorder