

# Northwest Water Facility Project Financing



Public Works & Utilities

April 19, 2022



# Background



- Northwest Water Facility is a 120 MGD treatment facility that will replace the City's aging water plant
- Project financing sources:
  - WIFIA (49%)
  - SRF (48%)
  - Water Utility cash and revenue bonds (3%)



# Background



- WIFIA Credit Agreement approved in April 2020
- SRF financing provided in a series of loans
  - Each SRF loan has a specific interest rate, but all other terms are the same across all loans in the series
  - First SRF Loan Agreement approved in November 2020
  - Second SRF Loan Agreement provided today for City Council's consideration



# Basic Credit Terms



- \$267,342,000 maximum principal (capitalized interest included)
- Interest rates are calculated as a percentage of the average Bond Buyer Index rate
- 20-year repayment on all loans in the series
- Estimated cost of required loan insurance is 0.25% of total debt service cost



# First and Second Loans



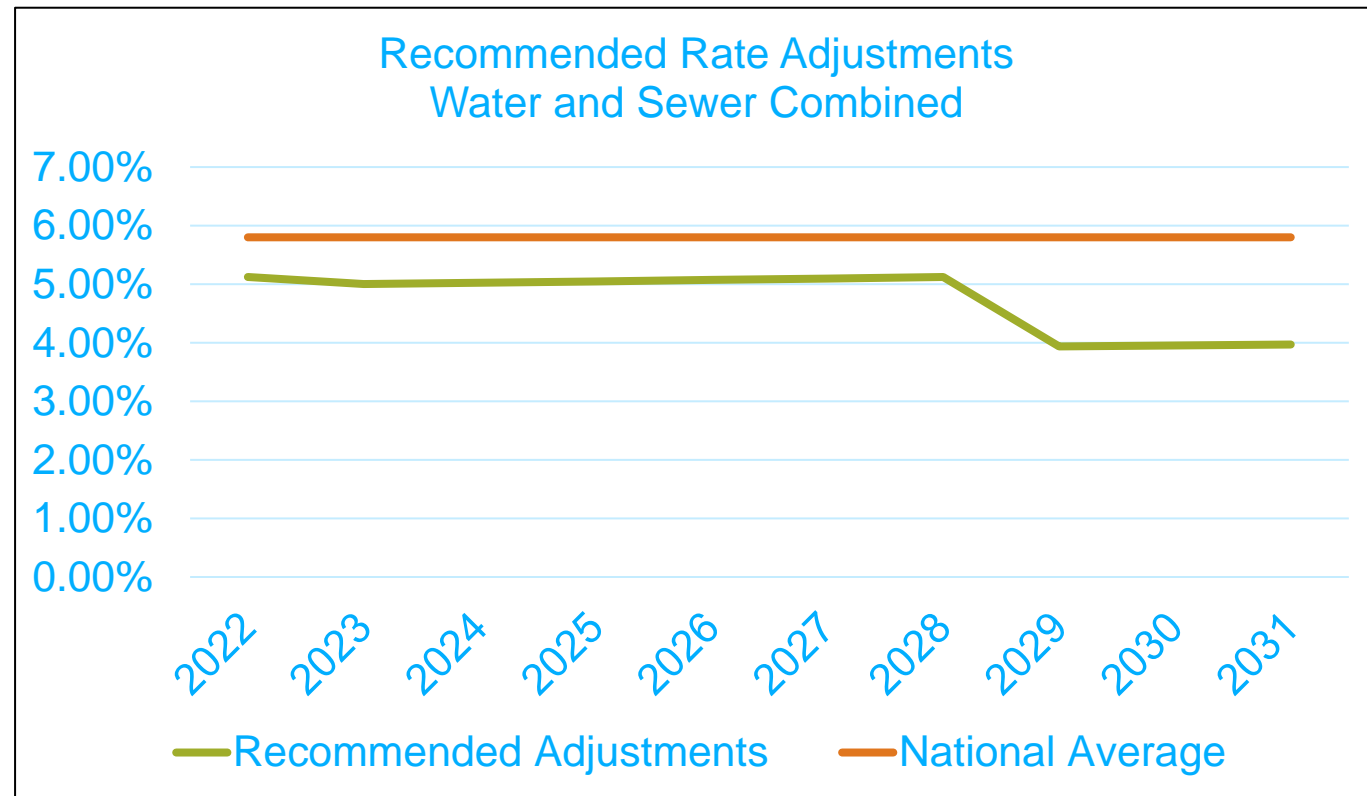
	November 2020 (Loan 1)	April 2022 (Loan 2)
Loan amount	\$55 million	\$60 million
Interest rate	1.48%	1.34%
First payment due	August 1, 2025, or one year after project completion, whichever comes first	
Estimated service fees	Approximately \$3.7 million per loan (included in annual debt service payment)	
Insurance cost	\$150,227	\$162,339
Estimated savings compared to revenue bonds	\$11 million	\$12 million



# Future Rate Adjustments



- Annual debt payments estimated by KDHE are in line with previous estimates
- No changes to the projected future rate adjustments shared with City Council on December 7, 2021, are expected as a result of this loan



# Recommendations



- Approve the loan agreement
- Authorize the required insurance payment to be paid out of the Water Utility Fund operating budget
- Authorize the necessary signatures





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# “Buy American”



- New legislation requires projects receiving federal funding to purchase all construction materials from American suppliers, significantly increasing the cost of impacted projects.
- The new rule does not apply to financing agreements executed before May 14, 2022.
- The City’s WIFIA loan and loans 1-2 of the SRF series of loans are not impacted due to being executed before May 14, 2022. Loans 3-5 of the SRF series of loans may be impacted.
- Guidance from the Office of Management and Budget (OMB) is still pending which may exempt projects already in progress, potentially through a waiver. An availability date for this guidance has not been provided.
- If the project is not exempted by November 2022, revenue bonds would likely be issued in place of the remaining SRF loans. Future rate projections would not be impacted.

