



MEMORANDUM

December 5, 2012

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator
Russ Truell, Assistant City Administrator

SUBJECT: Update on Status of State Revolving Loan Fund application

Purpose

The purpose of this agenda item is to update the Board on the status of the City's application for loans from the State Revolving Fund for water projects included in the Integrated Water Resource Planning process (IWRP.)

Background

The City submitted all of the water projects recommended in the IWRP for consideration by the Tennessee Department of Environment and Conservation (TDEC.) Of those projects, TDEC returned favorable ratings on all of the projects affecting improvements to the distribution system, upgrades to the water treatment facility, and enhancement of automated metering.

On December 1, Water Management Director Mark Hilty and Assistant City Administrator Russ Truell met with the TDEC staff in a pre-application meeting regarding the water projects (water only, at this point.) Bo Butler of Smith Seckman and Reid (SSR) also participated in the meeting. Six members of the TDEC staff reviewed the application requirements and gave the City additional material to use in the process. They specifically went over their needs to qualify us for the Revolving Fund interest rate program. The TDEC staff covered the financial requirements for the loan program, as well as the documentation necessary to adhere to their standards for public meetings, notice of meetings, complete technical description of the projects, environmental review, short-term and long-term benefits, and the impact on user fees.

In the process, they advised that our rate, if approved today, would be 1.27% for the 20-year loan period. The actual rate will be locked at the time our loan approval is granted, not the time that the funds are drawn down. This extremely low rate is unlikely to move upward in the immediate future, but it would be a shame to fail to take advantage of this opportunity on behalf of our rate payers.

The TDEC staff recommended that projects be grouped in three categories: water plant improvements, distribution system improvements, and automatic metering. They also recommended that we make our request for all of the projects in a single letter rather than submit the requests separately. Requesting the loans does NOT obligate us to complete the projects; we can advise at any time during the next five years on the progress, or lack of progress, on the projects. The loan request does give TDEC the ability to reserve the funds for our projects from the pool of money that is available to all Tennessee jurisdictions. Our financial reports are in good shape, allowing TDEC to make a relatively quick approval once they receive our request.



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Financial Impact

There is no impact on finances until execution of final contracts. The City has the option to refuse any of the funds designated if projects are not approved by the Board of Mayor and Aldermen. The interest rate offered appears to be roughly 35% below the current market rate compared to bonds issued in a competitive sale.

Recommendation

While no specific Board action is required at this point, staff recommends moving forward in the State Revolving Loan program and that the City Administrator send a letter of request for the loan (up to \$20 million) for the water projects as soon as possible.