Revised 04/09/2020

City of Wichita
City Council Meeting
April 14, 2020

TO: Mayor and City Council

SUBJECT: Federal Financing Assistance for the Northwest Water Facility Project (All Districts)

INITIATED BY: Department of Public Works and Utilities

AGENDA: New Business

Recommendation: Approve the credit agreement, adopt the resolution, and authorize staff to insert interest rates and a payment schedule, all subject to final passage of the ordinance, and place the ordinance on first reading.

Background: The two main financing sources for the Northwest Water Facility (NWWF) project are Water Infrastructure Finance and Innovation Act (WIFIA), offered by the Environmental Protection Agency (EPA), and a loan through the State of Kansas Drinking Water State Revolving Fund (SRF). The WIFIA credit terms have been negotiated and are now presented for consideration in the WIFIA Credit Agreement (WCA). Negotiation of the SRF credit terms is currently underway and the loan agreement is being developed.

Analysis: The WIFIA assistance will provide financing for 49% of the project costs. The EPA estimates the use of WIFIA for this project will provide cost savings of $69,069,005 compared to municipal bonds of a similar maturity. The basic terms are provided in the table below. Additional terms are highlighted in the attached summary.

<table>
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<tr>
<th>Basic WIFIA Credit Terms</th>
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<tr>
<td><strong>Amount</strong></td>
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<tr>
<td>$280,860,714 (capitalized interest excluded)</td>
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<td><strong>Interest Rate</strong></td>
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<td>To be determined on the Effective Date (expected to be April 23, 2020) by adding 0.01% to the rate for state and local government securities with a similar length of repayment</td>
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<td><strong>Repayment</strong></td>
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<td>April 1, 2029 – October 1, 2059</td>
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The WCA includes a WIFIA bond, resolution, and ordinance, all of which are required by law. Funds will be made available annually in increments estimated to cover project expenses for each year. Project expenses will first be paid with Water Utility cash, then reimbursed within 15 days of submitting the required forms to the EPA. Unused funds carry over to subsequent years.

In the third quarter of 2020, the City Council will be asked to approve the SRF loan agreement and the final notice to proceed for the remainder of the project. If all requested actions are approved, Phase 2 construction will begin in October 2020. The estimated substantial project completion date is January 31, 2025.
**Financial Considerations:** The key terms of the WCA are provided in the attached summary. The annual principal and interest payment amount estimated by the EPA is in line with the City’s previous projections, thus the future rate increases shared with the City Council on December 3, 2019, remain unchanged.

A number of service fees are required to facilitate the WIFIA assistance. The fees were included in the overall cost estimate and do not impact previously stated project cost total. The fees will be prorated as necessary, and fees charged after 2020 will be adjusted annually with the Consumer Price Index. The fees may be paid out of the project budget or the Water Utility Administration operating budget.

WIFIA Service Fees:
- $20,800; Servicing Set-up Fee; charged one time in 2020
- $20,800; Construction Period Servicing Fee; charged annually during construction
- $7,810; Operating Period Servicing Fee; charged annually from the time construction ends until the WIFIA assistance is paid off

**Legal Considerations:** The Law Department has reviewed and approved the WCA, resolution, and ordinance as to form. The WCA and accompanying legal documents are required to be validated by the Kansas Attorney General. The validation process is expected to be complete in May 2020.

**Recommendations/Actions:** It is recommended that the City Council approve the WIFIA Credit Agreement, adopt the resolution, and authorize staff to insert interest rates and a payment schedule, all subject to final passage of the ordinance; place the ordinance on first reading; and authorize the necessary signatures.

**Attachments:** Executive Summary, WIFIA Credit Agreement, resolution, and ordinance.