

**CITY OF COOS BAY CITY COUNCIL**  
**Agenda Staff Report**

MEETING DATE	AGENDA ITEM NUMBER
March 15, 2016	

TO: Mayor Shoji and City Councilors

FROM: Jim Hossley, Public Works Director *JH*

THROUGH: Rodger Craddock, City Manager *RC*

ISSUE: Discussion – Terms of Clean Water State Revolving Fund Loan Agreement

**BACKGROUND:**

City staff has received a draft Clean Water State Revolving Fund (SRF) loan agreement from the Oregon Department of Environmental Quality (DEQ). The agreement is for a loan to pay for the construction of the new Wastewater Treatment Plant #2 (WWTP2). The City first applied for the loan in April 2014, however processing of the loan application has been on hold during the environmental review. The reasons for seeking the SRF loan are:

- A favorable interest rate that is at least half of what the City could get from the private market.
- The City won't have to start debt service payback on the loan until the project construction is complete.
- A 20 or 30 year loan repayment schedule, as opposed to 10 years on the private market.

DEQ has a program, called the Sponsorship Option, whereby SRF loan recipients are loaned an additional 1% in funds (approximately \$2M in our case) to do various stormwater quality projects. To incentivize loan recipients to do Sponsorship Option (S/O) projects, DEQ lowers the interest rate (to 1% in our case) for the entire WWTP2 project loan so that debt service payments for the WWTP2 project plus the S/O projects are the same amount as if we only borrowed funds for WWTP2 alone at the current 2% interest rate. Staff included S/O projects in our original loan application. These projects include creating a stormwater management plan and stormwater ordinance, restoration in Chicksees Creek, 6<sup>th</sup> Avenue culvert and upstream drainage restoration, North Empire drainage swale, First Creek restoration, green infrastructure improvements for: the Empire Fire Station and Ed Lund Park, downtown parking, centralized garbage Facilities, and development of a pet waste management education and outreach program. The City isn't obligated to do all the S/O projects, and has the life of the loan to complete them. If after signing the loan, the City decides not to do any S/O projects, the interest rate reverts back to the 2% for the actual amount borrowed.

The length of SRF loans has typically been 20 years, as that is the life expectancy of most infrastructure. While most of the concrete infrastructure to be constructed with the new WWTP2 will remain functional for much more than 20 years, portions of the plant may need to be expanded to increase capacity and will require refurbishment, replacement, or repair in approximately 20 years. SRF loan terms of 30 years have recently been allowed. The bi-annual debt service payments are lower for 30 year loans versus 20 year loans; however the sum of the total payments is significantly more. The interest rates are also different. Interest on the 20 year loan is 2.01% without the S/O projects and 1% with S/O. The interest rate for the 30 year loan is 2.5% without the S/O projects and 1.7047% with S/O. Staff recommends Council consider the 20 year term over the 30 year term for the loan.

The original source of the DEQ SRF loan funds is the federal government. While there are many advantages to the terms of the SRF loans, the federal origins add to the complexity of other terms in the loan agreement including contracting, environmental review, and expenditure tracking requirements. Some of the other terms of the SRF loan agreement include:

- The WWTP2 project must be completed within 5 years of execution of the loan agreement.
- The City shall provide the necessary resources for adequate operation, maintenance and replacement of WWTP2.
- The City shall not allow the private use of WWTP2 (a private firm cannot own or lease WWTP2).
- Debt service coverage factor requirement of 105% multiplied by the debt service payments due in that fiscal year.
- The City must review its wastewater rates annually and adjust them to ensure adequate funds to pay debt service and future debt service coverage requirements.
- The City will have a loan reserve requirement equal to one-half of the average annual debt service based on the final repayment schedule.
- The City must create a segregated Loan Reserve Account held in trust for the benefit of DEQ. The City would grant DEQ a security interest in and irrevocably pledge the Loan Reserve Account to pay the amounts due under the loan agreement.
- The City shall insure the new WWTP2 adequately to protect DEQ's interest.
- There are several audit requirements.
- The City must make a Disadvantage Business Enterprise (DBE) good faith effort to promote fair share awards to various DBE's.
- The City must prepare certain manuals, reports and certifications during the construction phase.
- All contracts and subcontracts awarded for the WWTP2 project shall comply with Davis-Bacon wage requirements and Oregon prevailing wage rates for public works projects.
- The City is required to pay DEQ an annual fee of 0.50% of the remaining loan principle balance.

#### **ADVANTAGES:**

The SRF loan interest rates along with 20-year or 30-year loan payback period are

better than other loan sources. The loan provides the City the needed funds to construct the project. The City Council has been steadily raising rates to ensure that the City has adequate revenues to meet the SRF loan's debt service and debt service coverage requirements

**DISADVANTAGES:**

Other than some of the extra requirements due to federal source of the SRF loan funds, none.

**BUDGET IMPLICATIONS:**

At this time, staff is seeking direction from the Council. No expenditure approval is being requested. The draft loan agreement provided by DEQ is for \$19.6M based on the City's consulting engineer's estimate from two years ago. Thus the four (4) DEQ supplied amortization tables attached to this report assume a \$19.6M loan. There are two tables for a 20-year loan; one is for the WWTP2 project only, and one for the WWTP2 and S/O projects combined. Two (2) similar tables for a 30-year loan term are also included. The final loan agreement will come to the City Council at a future meeting for approval. The final loan agreement amount will per our CMGC's conservative estimate is \$26.1M.

**ACTION REQUESTED:**

If it pleases the Council, provide staff with preferred loan terms related to repayment time, 20 years or 30 years, and if the City should receive sponsorship option funds or not. Staff recommends Council direct staff to prepare a final loan agreement with a 20-year payback period and include the sponsorship option funds.

**ATTACHMENTS:**

Four amortization tables

**BORROWER:** Sample Coos Bay  
with S/O  
**SRF LOAN NO.:**  
**LOAN AMOUNT:** \$ 21,836,876

**INTEREST RATE:** 1.00%  
Term in years 20  
**PAYMENT AMOUNT:** \$ 617,679  
**ANNUAL FEE:** 0.50%

Due Date	Pmt#	Principal	Interest	Fees	Total	Principal Balance
						21,836,876
8/1/2017	1	0	158,930	0	158,930	21,836,876
2/1/2018	2	508,495	109,184	109,184	726,863	21,328,381
8/1/2018	3	511,037	106,642	0	617,679	20,817,344
2/1/2019	4	513,592	104,087	104,087	721,766	20,303,752
8/1/2019	5	516,160	101,519	0	617,679	19,787,592
2/1/2020	6	518,741	98,938	98,938	716,617	19,268,851
8/1/2020	7	521,335	96,344	0	617,679	18,747,516
2/1/2021	8	523,941	93,738	93,738	711,417	18,223,575
8/1/2021	9	526,561	91,118	0	617,679	17,697,014
2/1/2022	10	529,194	88,485	88,485	706,164	17,167,820
8/1/2022	11	531,840	85,839	0	617,679	16,635,980
2/1/2023	12	534,499	83,180	83,180	700,859	16,101,481
8/1/2023	13	537,172	80,507	0	617,679	15,564,309
2/1/2024	14	539,857	77,822	77,822	695,501	15,024,452
8/1/2024	15	542,557	75,122	0	617,679	14,481,895
2/1/2025	16	545,270	72,409	72,409	690,088	13,936,625
8/1/2025	17	547,996	69,683	0	617,679	13,388,629
2/1/2026	18	550,736	66,943	66,943	684,622	12,837,893
8/1/2026	19	553,490	64,189	0	617,679	12,284,403
2/1/2027	20	556,257	61,422	61,422	679,101	11,728,146
8/1/2027	21	559,038	58,641	0	617,679	11,169,108
2/1/2028	22	561,833	55,846	55,846	673,525	10,607,275
8/1/2028	23	564,643	53,036	0	617,679	10,042,632
2/1/2029	24	567,466	50,213	50,213	667,892	9,475,166
8/1/2029	25	570,303	47,376	0	617,679	8,904,863
2/1/2030	26	573,155	44,524	44,524	662,203	8,331,708
8/1/2030	27	576,020	41,659	0	617,679	7,755,688
2/1/2031	28	578,901	38,778	38,778	656,457	7,176,787
8/1/2031	29	581,795	35,884	0	617,679	6,594,992
2/1/2032	30	584,704	32,975	32,975	650,654	6,010,288
8/1/2032	31	587,628	30,051	0	617,679	5,422,660
2/1/2033	32	590,566	27,113	27,113	644,792	4,832,094
8/1/2033	33	593,519	24,160	0	617,679	4,238,575
2/1/2034	34	596,486	21,193	21,193	638,872	3,642,089
8/1/2034	35	599,469	18,210	0	617,679	3,042,620
2/1/2035	36	602,466	15,213	15,213	632,892	2,440,154
8/1/2035	37	605,478	12,201	0	617,679	1,834,676
2/1/2036	38	608,506	9,173	9,173	626,852	1,226,170
8/1/2036	39	611,548	6,131	0	617,679	614,622
2/1/2037	40	614,622	3,073	3,073	620,768	0

**TOTALS** 21,836,876 2,411,551 1,154,309 **25,402,736**  
**REQUIRED LOAN RESERVE:** \$ 606,211



OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY  
 CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM  
**REPAYMENT SCHEDULE**

BORROWER: <b>Sample Coos Bay</b> SRF LOAN NO.: <b>with S/O</b> LOAN AMOUNT: <b>\$ 21,836,876</b>	INTEREST RATE: <b>1.70470%</b> TERM IN YEARS: <b>30</b> PAYMENT AMOUNT: <b>\$ 472,490</b> ANNUAL FEE: <b>0.50%</b>
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Due Date	Pmt#	-----PAYMENT-----				Principal Balance
		Principal	Interest	Fees	Total	
						21,836,876
8/1/2017	1	0	205,898	0	205,898	21,836,876
2/1/2018	2	286,363	186,127	109,184	581,674	21,550,513
8/1/2018	3	288,804	183,686	0	472,490	21,261,709
2/1/2019	4	291,266	181,224	106,309	578,799	20,970,443
8/1/2019	5	293,748	178,742	0	472,490	20,676,695
2/1/2020	6	296,252	176,238	103,383	575,873	20,380,443
8/1/2020	7	298,777	173,713	0	472,490	20,081,666
2/1/2021	8	301,324	171,166	100,408	572,898	19,780,342
8/1/2021	9	303,892	168,598	0	472,490	19,476,450
2/1/2022	10	306,482	166,008	97,382	569,872	19,169,968
8/1/2022	11	309,095	163,395	0	472,490	18,860,873
2/1/2023	12	311,729	160,761	94,304	566,794	18,549,144
8/1/2023	13	314,386	158,104	0	472,490	18,234,758
2/1/2024	14	317,066	155,424	91,174	563,664	17,917,692
8/1/2024	15	319,769	152,721	0	472,490	17,597,923
2/1/2025	16	322,494	149,996	87,990	560,480	17,275,429
8/1/2025	17	325,243	147,247	0	472,490	16,950,186
2/1/2026	18	328,015	144,475	84,751	557,241	16,622,171
8/1/2026	19	330,811	141,679	0	472,490	16,291,360
2/1/2027	20	333,631	138,859	81,457	553,947	15,957,729
8/1/2027	21	336,474	136,016	0	472,490	15,621,255
2/1/2028	22	339,342	133,148	78,106	550,596	15,281,913
8/1/2028	23	342,235	130,255	0	472,490	14,939,678
2/1/2029	24	345,152	127,338	74,698	547,188	14,594,526
8/1/2029	25	348,094	124,396	0	472,490	14,246,432
2/1/2030	26	351,061	121,429	71,232	543,722	13,895,371
8/1/2030	27	354,053	118,437	0	472,490	13,541,318
2/1/2031	28	357,071	115,419	67,707	540,197	13,184,247
8/1/2031	29	360,114	112,376	0	472,490	12,824,133
2/1/2032	30	363,184	109,306	64,121	536,611	12,460,949
8/1/2032	31	366,279	106,211	0	472,490	12,094,670
2/1/2033	32	369,401	103,089	60,473	532,963	11,725,269
8/1/2033	33	372,550	99,940	0	472,490	11,352,719
2/1/2034	34	375,725	96,765	56,764	529,254	10,976,994
8/1/2034	35	378,928	93,562	0	472,490	10,598,066
2/1/2035	36	382,157	90,333	52,990	525,480	10,215,909
8/1/2035	37	385,415	87,075	0	472,490	9,830,494
2/1/2036	38	388,700	83,790	49,152	521,642	9,441,794
8/1/2036	39	392,013	80,477	0	472,490	9,049,781
2/1/2037	40	395,354	77,136	45,249	517,739	8,654,427
8/1/2037	41	398,724	73,766	0	472,490	8,255,703
2/1/2038	42	402,123	70,367	41,279	513,769	7,853,580
8/1/2038	43	405,550	66,940	0	472,490	7,448,030
2/1/2039	44	409,007	63,483	37,240	509,730	7,039,023
8/1/2039	45	412,493	59,997	0	472,490	6,626,530
2/1/2040	46	416,009	56,481	33,133	505,623	6,210,521
8/1/2040	47	419,555	52,935	0	472,490	5,790,966
2/1/2041	48	423,131	49,359	28,955	501,445	5,367,835
8/1/2041	49	426,737	45,753	0	472,490	4,941,098
2/1/2042	50	430,375	42,115	24,705	497,195	4,510,723
8/1/2042	51	434,043	38,447	0	472,490	4,076,680
2/1/2043	52	437,742	34,748	20,383	492,873	3,638,938
8/1/2043	53	441,474	31,016	0	472,490	3,197,464
2/1/2044	54	445,236	27,254	15,987	488,477	2,752,228
8/1/2044	55	449,031	23,459	0	472,490	2,303,197
2/1/2045	56	452,859	19,631	11,516	484,006	1,850,338
8/1/2045	57	456,719	15,771	0	472,490	1,393,619
2/1/2046	58	460,611	11,879	6,968	479,458	933,008
8/1/2046	59	464,538	7,952	0	472,490	468,470
2/1/2047	60	468,470	3,993	2,342	474,805	0
<b>TOTALS</b>		<b>21,836,876</b>	<b>6,245,905</b>	<b>1,799,342</b>	<b>29,882,123</b>	
<b>REQUIRED LOAN RESERVE:</b>			<b>\$ 468,046</b>			
<b>1/19/2016</b>						

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY  
 CLEAN WATER STATE REVOLVING FUND LOAN PROGRAM  
**REPAYMENT SCHEDULE**

<b>BORROWER:</b> Sample Coos Bay	<b>INTEREST RATE:</b> 2.50%
<b>SRF LOAN NO.:</b> without S/O	<b>TERM IN YEARS:</b> 30
<b>LOAN AMOUNT:</b> \$ 19,636,876	<b>PAYMENT AMOUNT:</b> \$ 472,494
	<b>ANNUAL FEE:</b> 0.50%

Due Date	Pmt#	-----PAYMENT-----				Principal Balance
		Principal	Interest	Fees	Total	
						19,636,876
8/1/2017	1	0	301,956	0	301,956	19,636,876
2/1/2018	2	227,033	245,461	98,184	570,678	19,409,843
8/1/2018	3	229,871	242,623	0	472,494	19,179,972
2/1/2019	4	232,744	239,750	95,900	568,394	18,947,228
8/1/2019	5	235,654	236,840	0	472,494	18,711,574
2/1/2020	6	238,599	233,895	93,558	566,052	18,472,975
8/1/2020	7	241,582	230,912	0	472,494	18,231,393
2/1/2021	8	244,602	227,892	91,157	563,651	17,986,791
8/1/2021	9	247,659	224,835	0	472,494	17,739,132
2/1/2022	10	250,755	221,739	88,696	561,190	17,488,377
8/1/2022	11	253,889	218,605	0	472,494	17,234,488
2/1/2023	12	257,063	215,431	86,172	558,666	16,977,425
8/1/2023	13	260,276	212,218	0	472,494	16,717,149
2/1/2024	14	263,530	208,964	83,586	556,080	16,453,619
8/1/2024	15	266,824	205,670	0	472,494	16,186,795
2/1/2025	16	270,159	202,335	80,934	553,428	15,916,636
8/1/2025	17	273,536	198,958	0	472,494	15,643,100
2/1/2026	18	276,955	195,539	78,216	550,710	15,366,145
8/1/2026	19	280,417	192,077	0	472,494	15,085,728
2/1/2027	20	283,922	188,572	75,429	547,923	14,801,806
8/1/2027	21	287,471	185,023	0	472,494	14,514,335
2/1/2028	22	291,065	181,429	72,572	545,066	14,223,270
8/1/2028	23	294,703	177,791	0	472,494	13,928,567
2/1/2029	24	298,387	174,107	69,643	542,137	13,630,180
8/1/2029	25	302,117	170,377	0	472,494	13,328,063
2/1/2030	26	305,893	166,601	66,640	539,134	13,022,170
8/1/2030	27	309,717	162,777	0	472,494	12,712,453
2/1/2031	28	313,588	158,906	63,562	536,056	12,398,865
8/1/2031	29	317,508	154,986	0	472,494	12,081,357
2/1/2032	30	321,477	151,017	60,407	532,901	11,759,880
8/1/2032	31	325,495	146,999	0	472,494	11,434,385
2/1/2033	32	329,564	142,930	57,172	529,666	11,104,821
8/1/2033	33	333,684	138,810	0	472,494	10,771,137
2/1/2034	34	337,855	134,639	53,856	526,350	10,433,282
8/1/2034	35	342,078	130,416	0	472,494	10,091,204
2/1/2035	36	346,354	126,140	50,456	522,950	9,744,850
8/1/2035	37	350,683	121,811	0	472,494	9,394,167
2/1/2036	38	355,067	117,427	46,971	519,465	9,039,100
8/1/2036	39	359,505	112,989	0	472,494	8,679,595
2/1/2037	40	363,999	108,495	43,398	515,892	8,315,596
8/1/2037	41	368,549	103,945	0	472,494	7,947,047
2/1/2038	42	373,156	99,338	39,735	512,229	7,573,891
8/1/2038	43	377,820	94,674	0	472,494	7,196,071
2/1/2039	44	382,543	89,951	35,980	508,474	6,813,528
8/1/2039	45	387,325	85,169	0	472,494	6,426,203
2/1/2040	46	392,166	80,328	32,131	504,625	6,034,037
8/1/2040	47	397,069	75,425	0	472,494	5,636,968
2/1/2041	48	402,032	70,462	28,185	500,679	5,234,936
8/1/2041	49	407,057	65,437	0	472,494	4,827,879
2/1/2042	50	412,146	60,348	24,139	496,633	4,415,733
8/1/2042	51	417,297	55,197	0	472,494	3,998,436
2/1/2043	52	422,514	49,980	19,992	492,486	3,575,922
8/1/2043	53	427,795	44,699	0	472,494	3,148,127
2/1/2044	54	433,142	39,352	15,741	488,235	2,714,985
8/1/2044	55	438,557	33,937	0	472,494	2,276,428
2/1/2045	56	444,039	28,455	11,382	483,876	1,832,389
8/1/2045	57	449,589	22,905	0	472,494	1,382,800
2/1/2046	58	455,209	17,285	6,914	479,408	927,591
8/1/2046	59	460,899	11,595	0	472,494	466,692
2/1/2047	60	466,692	5,834	2,333	474,859	0
<b>TOTALS</b>		<b>19,636,876</b>	<b>8,542,258</b>	<b>1,673,041</b>	<b>29,852,175</b>	
<b>REQUIRED LOAN RESERVE:</b>			<b>\$ 469,652</b>			
<b>1/19/2016</b>						