



Finance Department

DATE: March 9, 2021

FROM: Dmitriy Chernyak, Finance Director

ITEM: State Revolving Fund and Bank of North Dakota Loans for Water and Wastewater – Increase 2020 Loan to potentially apply for loan forgiveness from State

REQUEST

Consider request to increase the Drinking Water State Revolving Fund Loans for an additional \$2 million, from \$5 million to \$7 million, to finance water infrastructure improvements in the City and apply for loan forgiveness in the amount of \$1.3 million.

Please place this item on the 3/9/2021 City Commission meeting consent agenda.

BACKGROUND INFORMATION

The City needs to continue replacement of obsolete cast-iron mains and associated lead service water lines (street-to-curb) in areas around the City where current street projects will be completed in order to improve the City's water utility infrastructure. In order to complete this larger project without causing additional infrastructure costs or water quality issues, the City entered into a loan agreement in 2020 with the State Revolving Fund. However, due to the increased demand for cast iron line replacements among City's residents, the City is requesting to amend the 2020 DWSRF loan agreement and increase the loan payable by \$2 million, from \$5 million to \$7 million, in 2021. In addition, the City will apply and likely receive approximately \$1.3 million in loan forgiveness from the State of North Dakota's State Revolving Fund. Other than the increase in loan principal, the remaining terms of the loan would be similar to the original 2020 DWSRF loan.

The Bank of North Dakota and the State Revolving Fund provide the City the most advantageous loan terms, interest rates, and fees at this time. The City's water fund is able to make debt service payments related to this loan using current utility rates based on the 2018 Utility Rate Study.

RECOMMENDED CITY COMMISSION ACTION

Approve the request to apply for the \$2 million increase to the 2020 DWSRF loan from the State Revolving Fund from the State of North Dakota with a potential for obtaining loan forgiveness of approximately \$1.3 million.

STAFF CONTACT INFORMATION

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