

SULTAN CITY COUNCIL  
AGENDA ITEM COVER SHEET

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Date: April 26, 2007

Agenda Item #: Action A-4

SUBJECT: Application to the Public Works Trust Fund (PWTF) Construction Loan Program – Wastewater Treatment Plant

CONTACT PERSON: Donna Murphy Grants and Economic Development Coordinator

**SUMMARY STATEMENT:**

The issue before the City Council is to authorize the Mayor to direct staff to apply for the Public Works Trust Fund Low Interest Construction Loan, and authorize Mayor Tolson to sign the application on behalf of the City of Sultan.

Washington State Public Works Board is offering up to \$10 million dollars in low interest loans for construction of the Waste Water Treatment Facility over the next 2 years from the Public Works Trust Fund (PWTF). Interest rates vary from ½ percent to 2 percent, depending on the local matching funds (5 to 15+ percent) provided by the City.

The City must submit the application now in order to be eligible for funding in 2008 for completion of plant construction by the end of 2009. Delaying the application will result in a delay in construction until 2010.

**FISCAL IMPACTS:**

To date, the City has \$1 million dollars in secured PWTF loan money and will apply for an additional \$825,000 this year to complete the design for the treatment plant. Currently, the \$1 million design loan is on a 5 year repayment schedule, but the repayment could be extended to 20 years when construction funds are secured.

The total cost for the phase I is \$15,435,000. The PWTF \$10 million construction loan is a 20 year loan with the first repayment due (interest only) in July 2009, a year after the first “draw” of funds next spring. Principle and interest payments will be due each year thereafter. Options for withdrawing funds and a sample repayment schedule for a \$1 million loan are presented in Tables 1 and 2 attached.

**ISSUES AND NEED**

The Waste Water Treatment Plant is the limiting factor for the future economic growth of the City of Sultan.

- Flows and loads are approaching the capacity of the existing system. The General Sewer Plan (May 2006) estimates the treatment facility will reach 85% capacity about 2009 and 100% approximately 2012.

- Since design, permitting and construction will take at least three years, the construction of added capacity is scheduled to start in mid 2008.
- The PWTF Program is competitive and requested loan funds are not assured each year, so it is important to apply for the maximum amount of funds when they are available so there are no missed opportunities.
- If awarded, this PWTF loan will help provide low cost funding for the necessary construction costs starting in mid 2008.
- Repayment of the loan is projected to be provided by general facility charges, developer contributions, and other revenues of the sewer system as necessary. The City Council will review a detailed loan repayment plan if the loan is awarded prior to Council approval to accept the funds.
- Additional funding will be required to support the local match and pay additional costs. Additional funds are projected to come from reserves, developer contributions, potential grants, general facility charges, and other sources.

#### ALTERNATIVES:

1. Direct staff to apply for the \$10 million dollar PWTF low interest construction loan. This alternative provides the City with the opportunity to secure a loan offer that will be used for construction of the Wastewater Treatment Facility when construction is planned to start in mid 2008.
2. Do not apply for the \$10 million dollar PWTF low interest construction loan. This alternative eliminates the opportunity to construct the Wastewater Treatment Facility within the timeframe needed.

**RECOMMENDATION:** Direct staff to apply for the Public Works Trust Fund Low Interest Construction Loan, and authorize Mayor Tolson to sign the application on behalf of the City of Sultan.

**MOTION:** I move to direct staff to complete the Public Works Trust Fund Construction Loan application, and authorize Mayor Tolson to sign the application on behalf of the City of Sultan.

Table 1. PWTF Funding Withdrawal Options

<b>Draw Number</b>	<b>Amount</b>	<b>When</b>
1 <sup>st</sup>	20% of loan amount	When loan agreement is executed.
2 <sup>nd</sup>	25% of loan amount	When "Notice to Proceed" is issued.
<b>OR</b>	<b>An amount equal to the cost of equipment</b>	<b>When borrower provides evidence a bid process was used to purchase equipment necessary for the project.</b>
3 <sup>rd</sup>	25% of loan amount	When borrower certifies 35% of the loan amount has been spent.
4 <sup>th</sup>	25% of loan amount	When borrower certifies 60% of the loan amount has been spent.
5 <sup>th</sup> (Final)	5% of loan amount	When borrower completes the project close-out report.

Table 2. Sample Project Repayment Schedule per \$1,000,000 \*This is a request for \$10 million dollars, so please make the appropriate calculations.

**Public Works Trust Fund  
Sample Repayment Schedule  
For Construction Loan  
Loan Amount: \$1,000,000  
Term: 20 Years**

2007 Construction Loan  
Loan Amount: \$1,000,000  
Term: 20 Years  
Payment starts July 1, 2008

	Principal Payment	Interest Payment At 2%	Interest Payment At 1%	Interest Payment At 0.5%
Payment in year 2008	\$0.00	\$12,272.23	\$6,136.11	\$3,068.06
Payment in year 2009	\$52,631.57	\$20,000.00	\$10,000.00	\$5,000.00
Payment in year 2010	\$52,631.57	\$18,947.36	\$9,473.68	\$4,736.84
Payment in year 2011	\$52,631.57	\$17,894.73	\$8,947.36	\$4,473.68
Payment in year 2012	\$52,631.57	\$16,842.12	\$8,421.04	\$4,210.53
Payment in year 2013	\$52,631.57	\$15,789.47	\$7,894.73	\$3,947.36
Payment in year 2014	\$52,631.57	\$14,736.84	\$7,368.43	\$3,684.20
Payment in year 2015	\$52,631.57	\$13,684.20	\$6,842.12	\$3,421.04
Payment in year 2016	\$52,631.57	\$12,631.57	\$6,315.80	\$3,157.88
Payment in year 2017	\$52,631.57	\$11,578.96	\$5,789.47	\$2,894.73
Payment in year 2018	\$52,631.57	\$10,526.32	\$5,263.16	\$2,631.57
Payment in year 2019	\$52,631.57	\$9,473.68	\$4,736.84	\$2,368.43
Payment in year 2020	\$52,631.57	\$8,421.04	\$4,210.53	\$2,105.27
Payment in year 2021	\$52,631.57	\$7,368.43	\$3,684.20	\$1,842.12
Payment in year 2022	\$52,631.57	\$6,315.80	\$3,157.88	\$1,578.96
Payment in year 2023	\$52,631.57	\$5,263.16	\$2,631.57	\$1,315.80
Payment in year 2024	\$52,631.57	\$4,210.53	\$2,105.27	\$1,052.64
Payment in year 2025	\$52,631.57	\$3,157.88	\$1,578.96	\$789.47
Payment in year 2026	\$52,631.57	\$2,105.27	\$1,052.64	\$526.32
Payment in year 2027	\$52,631.74	\$1,052.64	\$526.32	\$263.16
<b>Total Payment</b>	<b>\$1,000,000.00</b>	<b>\$212,272.23</b>	<b>\$106,136.11</b>	<b>\$53,068.06</b>

Assumptions:				
	First Draw	\$200,000.00	Date Taken	5/1/2007
	Second Draw	\$250,000.00	Date Taken	10/1/2007
	Third Draw	\$250,000.00	Date Taken	12/28/2007
	Fourth Draw	\$250,000.00	Date Taken	3/29/2008
	Fifth Draw	\$50,000.00	Date Taken	6/18/2008

Total Drawn \$1,000,000.00

First repayment date: July 1, 2008

Interest only charged in first fiscal year (ending June 30).

Note: All numbers generated are rounded.

The payment schedule and sources of potential funding for the current PWTF loan are described in Table 3 below.

Table 3. Current Loan Payment Schedule and Sources

	Payment Date	Payment Description	Payment	Repayment Source
City Match	At project close-out	5%	\$50,000	Utility Reserve Funds
First Payment Due	June 1, 2007	Interest Only (Based on the amount that has been drawn) Up to \$750,000	Up to \$15,000	1) New Connection Fees 2) % of Developer Contracts - The City is currently finalizing the Developer Contracts to mitigate the total cost of the Waste Water Treatment Plant.
Second Payment Due	June 1, 2008	Principle & Interest payment on \$1,000,000	\$270,000	1) New Connection Fees 2) % of Developer Contracts - The City is currently finalizing the Developer Contracts to mitigate the total cost of the Waste Water Treatment Plant.