

**SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET**

ITEM NO: Discussion D 1
DATE: December 10, 2009
SUBJECT: PWTF Loan # PW-06-962-PRE-131

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director 

ISSUE:

The issue before the City Council is review and discussion of a request to the Public Works Trust Fund Board (PWTFB) to extend loan PW-06-962-PRE-131 for the Wastewater Plant Design Phase.

SUMMARY:

The City received a Public Works Trust Fund loan in 2006 to design the upgrade and expansion of the Wastewater Treatment Plant. In August of 2008, the scope of the project was changed to include the addition of one of the centrifuges to Phase I of the project. The scope of work included the design, bid documents for the centrifuge installation, activities during the bid period and construction of the project.

The \$1,000,000 loan was for design and the repayment term is five years. The first payment was interest only in 2007. The city had anticipated starting construction on the upgrade project which would have allowed the city to extend the payments for the design phase loan out over a twenty year period. This did not occur and payment schedule is five years. The city has made two payments and there is a \$625,000 balance on the principle. The loan payment for the next two years will be \$315,600 each year. The 2010 budget includes the full payment on the loan

In October, city staff discussed extending the payment period with the PWTFB and they responded with a request for information and the city's proposal for restructure of the loan (Attachment A).

In discussions with the Board, increasing the interest was suggested. The original interest on the loan was set at 2%. Based on the city's contribution to the project, the final interest rate was dropped to .5%. The revised proposals include an increase in the rate from .5% to either 1% or 1.5%.

The policy decision the Council needs to make is how many years the city would like to request the loan be extended. The following shows the different scenarios for payments:

PWTF LOAN PW-06-692-PRE-131

PAYMENT REFLECTS PRINCIPAL AND INTEREST

Year	Current Schedule - 2 yrs	Revised Schedule - 3 yrs	Revised Schedule - 4 yrs	Revised Schedule - 5 yrs
Interest Rate	0.50%	1.00%	1.50%	1.50%
2007	652.78	652.78	652.78	652.78
2008	67500.00	67500.00	67500.00	67500.00
2009	315968.75	315968.75	315968.75	315968.75
2010	315625.00	212513.82	162152.99	130680.83
2011	314062.50	212513.82	162152.99	130680.83
2012	0.00	210409.72	162152.99	130680.83
2013	0.00		159756.64	130680.83
2014	0.00			128749.58
Total	1013809.03	1019558.89	1030337.14	1035594.43
 Increase in cost	 0.00	 5749.86	 16528.11	 21785.40

RECOMMENDED ACTION:

Direct staff to prepare the response to the PWTFB requesting an extension on the loan repayment terms.



Washington State Public Works Board

Post Office Box 48319
Olympia, Washington 98504-8319

ATTACHMENT A

October 20, 2009

Deborah Knight
City of Sultan
PO Box 1199
Sultan, WA 99323

Dear Deborah:

Thank you for letting us know that you may have difficulties in making your Public Works Trust Fund Pre-construction Loan payment next year. I'm sure you share our concern about this possibility. The Public Works Board is willing to work with you to try to come up with a resolution that will work for you, and also protect the fund so that others may benefit from this resource. As this process unfolds, you may be asked to attend a Public Works Board meeting to communicate directly with its members.

To help us determine how we can help you, please officially notify us about your current situation by letter. In the letter, please provide the information requested below:

1. Please describe the circumstances that have contributed to your situation. Why are you not able to make your loan payment? Is this a one-time event or do you foresee future problems?
2. Please describe, as clearly and succinctly as possible your financial situation when you initiated the loan:
 - What was your financial position at the time in terms of rates, reserves, operating costs? What is your current rate?
 - What steps had you taken to insure that you had sufficient funds to repay the loan?
 - Have you maintained the rate structure you anticipated was necessary to repay the loan when you applied for it?
 - What is the gap in the amount you owe for the payment and what you can pay?
3. Please describe how you recommend solving this situation and putting yourself in a position to meet your contractual commitment to repay the loan, such as, rate increases, loan restructuring, payment deferral.

We will review the information provided in your letter. After that time, we will schedule a visit with you to further discuss your situation, contractual obligations and any help we can provide.

Thank you again for informing us of your situation.

Sincerely,

Terry Dale
Client Service Representative
Public Works Board

Administrative services provided by the Department of Commerce

(360) 725-3150

Fax (360) 664-3029

www.pwb.wa.gov