

Presented By:
Utility Manager

Action Taken:
Yes 5
No 0
Abstain 0

CITY OF NOME, ALASKA

RESOLUTION NO. R-18-08-07

**A RESOLUTION APPROVING & ACCEPTING A LOAN FROM THE ALASKA
DEPT. OF ENVIRONMENTAL CONSERVATION ALASKA CLEAN WATER FUND
TO PROVIDE LOAN FINANCING FOR IMPROVEMENTS TO
COMMUNITY WATER INFRASTRUCTURE
TO ALLOW REFINANCING OF PRIOR LOANS MADE BY THE USDA**

WHEREAS, the Nome Joint Utility Board determined application should be submitted to the Alaska Department of Environmental Conservation Clean Water Fund Program to finance various infrastructure improvements to water and sewer systems, including replacements, extensions and enhancements; and

WHEREAS, the Alaska Department of Environmental Conservation has Alaska Clean Water and Alaska Drinking Water Fund loan programs with terms up to 20 years with no prepayment penalties to provide low interest (1.5%) financing to communities for water and sewer systems and NJUS submitted project funding questionnaires to be included on the Intended Use Plans for these ADEC programs; and

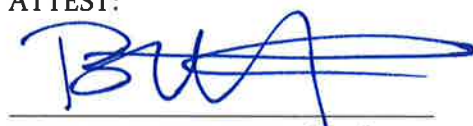
WHEREAS, following acceptance of NJUS' application, and pending availability of loan program funds, ADEC will be prepared to enter into an Agreement for Project # (pending) – USDA Wastewater Loan Refinance - \$588,480, and by Resolution 18-08 the Nome Joint Utility Board recommends the loan, expected to be offered, be accepted; and

NOW, THEREFORE, BE IT RESOLVED that the Nome Common Council approves and accepts an ADEC Clean Water Fund Loan for the refinancing of USDA loans which funded wastewater system improvements in the amount of \$588,480 with a up to 20 year payback at 1.5% interest, and authorizes the Utility Manager as Chief Operating Officer of the Utility to execute any and all documents that may be required by the Department to reflect the indebtedness, the terms of its repayment, and any security thereof, including but not limited to an agreement for the loan and a promissory note.

APPROVED and SIGNED this 27th day of August, 2018.


RICHARD BENEVILLE, Mayor

ATTEST:


BRYANT HAMMOND, Clerk



NOME JOINT UTILITY SYSTEM

NOME JOINT UTILITY BOARD

RESOLUTION 18-08

**A RESOLUTION REQUESTING THE NOME COMMON COUNCIL APPROVE & ACCEPT
A LOAN FROM THE ALASKA DEPT. OF ENVIRONMENTAL CONSERVATION ALASKA CLEAN WATER FUND
TO PROVIDE LOAN FINANCING FOR IMPROVEMENTS TO SEWER INFRASTRUCTURE
TO ALLOW REFINANCING OF PRIOR LOANS MADE BY THE USDA**

- WHEREAS, the Utility Board determined application should be submitted to the Alaska Department of Environmental Conservation Drinking Water Fund Program to finance various infrastructure improvements constructed to water and sewer systems, including replacements, extensions, enhancements and loan refinancing of related efforts; and,
- WHEREAS, the Alaska Department of Environmental Conservation Alaska Clean Water & Alaska Drinking Water Fund loan programs offers terms up to 20 years with no prepayment penalties to provide low interest (1.5%) financing to communities for water and sewer systems; and
- WHEREAS, NJUS submitted questionnaires to be included on the Intended Use Plan (IUP) for the ADEC Clean Water Loan program. ADEC completed the scoring process and published the SFY19 Priority List. While funding for USDA Loan Refinance (Sewer) in the amount of \$588,480 was not allocated, NJUS was invited to apply after September 14, 2018 for potentially available funds to be distributed on a first-come, first-served basis; and
- WHEREAS, Refinancing higher interest rate USDA loans (4.25 % - 4.875%) with ACWF (1.5% at 20 years) funds will save more than \$300,000 in finance charges.

NOW THEREFORE BE IT RESOLVED that the Nome Joint Utility Board requests the Nome Common Council approve and authorize acceptance of a loan for \$588,480 through the ADEC Clean Water Fund Loan Program for refinancing USDA sewer system related improvements with a 20 year payback at 1.5% interest, and authorize the Utility Manager as Chief Operating Officer of the Utility to execute any and all documents that may be required by the Department to reflect the indebtedness, the terms of its repayment, and an security thereof, including but not limited to an agreement for the loan and a promissory note.

SIGNED THIS 21st DAY OF August, 2018 AT NOME, ALASKA.

ATTEST:

David Barron, Secretary
NOME JOINT UTILITY BOARD

Carl Emmons, Chairman
NOME JOINT UTILITY BOARD



USDA LOAN REFINANCING
UTILIZATION OF ALASKA ADEC DRINKING WATER & CLEAN WATER LOAN PROGRAMS

The Utility received funding from USDA Rural Development for utilidor replacement and upgrade of water-wastewater mains in the community. For the funding USDA required the Utility to take out a loan through their agency as part of the financing to receive a grant. Three separate grants/loans were accepted (1998, 2005 and 2006).

USDA loans carry interest based on federal funds rates; for the three loans: 4.785%, 4.25%, and 4.375%. While the 2005 loan was "snuck through" on a 20-year schedule, the other two (and standard agency practice) is that they are based on a 40-year period. Except for the small loan on the 20-year schedule, interest paid over time exceeds the actual principal borrowed. Based on the interest rates and long amortization, payments have pretty much covered the high interest only and we have barely made a dent in the principal. The manager has on occasion brought up the potential these notes should be refinanced and did investigate commercial (bank) financing but did not find this to be much more favorable.

In February, USDA sent us a "graduation letter" suggesting that we seek out alternate sources for financing, and to pay off USDA. With this, we determined to submit questionnaires to ADEC with the recent cycle for accepting projects to be considered under the low interest Alaska Drinking Water and Alaska Clean Water Loan Programs. Our requests were reviewed and included on the Intended Use Plans.

Funding (\$882,700) is available under the DWF program, and we may apply now. We are listed on the CWF program list (\$588,480), but must wait until after September 24 to see what funding, if any, has not been claimed by projects higher up on the IUP list. If as in the past, we believe there is high likelihood the CWF program will have residual funds to process our need.

The funding available through the DWF and DWF programs carries a service charge of 1.5% and can be amortized over up to 20 years. Based on our analysis, the potential interest savings by refinancing the three USDA loans through ADEC approaches \$700,000 based on new 20-year terms. We will evaluate the systems to confirm 20 years is appropriate, and potentially shorten (which would increase yearly payments but further reduce interest expense).

RECOMMENDED ACTION:

That the Utility Board adopt Resolutions 18-07 and 18-08, which forwards the recommendation to the City Council to approve the refinancing opportunity.

J. Handeland
08/19/18

USDA LOAN REFINANCING

USDA LOAN #93-06

Initial Loan: 1,070,000
Principal paid to date: 295,418
Balance at 7/20/18: 774,582

Loan Date: 3/27/1998
Duration: 40 years
Matures: 3/27/2038

Interest Rate	Schedule	Paid to Date	Remaining	If through ADEC	Reduction
4.875%	1,370,487	925,259	445,228	110,378	334,850
Debt Service:			USDA P & I	ADEC P & I	
	Payment Schedule:	Apr 1 Oct 1 Year	30,538 30,538 <u>61,076</u>		45,116

USDA LOAN #93-13

Initial Loan: 200,000
Principal paid to date: 106,578
Balance at 7/20/18: 93,422

Loan Date: 12/30/2005
Duration: 20 years
Matures: 12/30/2025

Interest Rate:	Schedule	Paid to Date	Remaining	If through ADEC	Reduction
4.250%	98,976	81,989	16,987	14,005	2,982
Debt Service:			USDA P & I	ADEC P & I	
	Payment Schedule:	Jun 28 Dec 28 Year	7,474 7,474 <u>14,948</u>		5,441

USDA LOAN #93-15

Initial Loan: 613,000
Principal paid to date: 69,613
Balance at 7/20/18: 543,387

Loan Date: 10/26/2006
Duration: 40 years
Matures: 10/26/2046

Interest Rate	Schedule	Paid to Date	Remaining	If through ADEC	Reduction
4.375%	678,338	239,679	438,659	81,462	357,197
Debt Service:			USDA P & I	ADEC P & I	
	Payment Schedule:	Jan 26 Apr 26 Jul 26 Oct 26 Year	8,135 8,135 8,135 8,135 <u>32,540</u>		49,124

TOTAL	Principal
REMAINING:	1,411,391

USDA	If through ADEC	Potential
Interest		Reduction
900,874	205,845	695,029

Refinancing principal through ADEC:

ADWF 882,700
ACWF 588,480
Total 1,471,180

Total Annual Debt Service Payments:
USDA 108,564
ADEC 99,681



THE STATE
of ALASKA

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Department of Environmental
Conservation

DIVISION OF WATER

555 Cordova Street
Anchorage, Alaska 99501
Main: 907.269-7502
Fax: 907.269-7509
www.dec.alaska.gov

July 11, 2018

Kenneth W. Morton
Assistant Manager
Nome Joint Utility System
PO Box 70
Nome, AK 99762

Dear Mr. Morton:

The following project proposed by the Nome Joint Utility System has been included in the State Fiscal Year 2019 (SFY19) Alaska Clean Water Fund (ACWF) Project Priority List and may proceed with the loan application at this time.

Rank	Score	Project Title	Assistance Amount	Subsidy
3	575	Bering Street Sewer Replacement	\$2,086,937	\$600,000
23	105	USDA Wastewater Loan Refinance	\$588,480	

The complete Project Priority List can be found online at:

https://dec.alaska.gov/water/nomenuz/interested_new_page.htm

To guarantee funding through the State Revolving Loan Fund Program for this project, a complete application must be submitted by 4:30pm on September 14, 2018. An application will only be considered complete if it includes the following:

Environmental Review Documentation
Resolution
Attorney Certification
Disclosure of Lobbying Activities form
Green Project Assessment Forms (if applicable)
Engineering Cost Estimate
Useful Life Certification
Cost Effectiveness Certification
Fiscal Sustainability Plan
Current User Rates with enacting Ordinance
Force Account Labor Worksheet (if applicable)

All applications must be submitted electronically at: <https://dec.alaska.gov/water/nomenuz>

Step-by-step instructions for completing the online application can be found at:

http://dec.alaska.gov/center/033544Help_attachments/ACWF_Loan_Application_guidance.pdf

Additional information on each of the application requirements can be found at:

http://dec.alaska.gov/center/033544Help_attachments/InformationProcess.htm

Any available funding that remains after September 14, 2018 will be allocated to projects on the SFY19 ACWF Project Priority List on a first come, first served basis. Due to its rank on the Project Priority List, an application for the following project may be submitted after September 14, 2018.

Rank	Score	Project Title	Assistance Amount
21	105	USDA Wastewater Loan Refinance	\$588,480

We look forward to working with you to provide these important infrastructure improvements to your system for continued protection of public health. If you have any questions or concerns, please feel free to contact me at peggy.ulman@alaska.gov or (907) 334-2681.

Sincerely,



Peggy Ulman
Program Coordinator



United States Department of Agriculture

Rural Development

February 12, 2018

Alaska field office

510 L Street
Suite 410
Anchorage, AK
99501

John Handeland, Utility Manager
Nome Joint Utility System
P.O. Box 70
Nome, AK 99762

Voice 907.271.2424
Fax 855.201.1074

Dear Mr. Handeland:

We have reviewed the financial progress you have made since obtaining your Rural Utilities Service (RUS) loan(s). In accordance with the terms of your RUS security instruments, you are required to refinance the unpaid balance of your loans(s) when credit is available from responsible cooperative or private lenders.

We have contacted lenders to determine their requirements and the availability of credit to new customers. We have also evaluated your financial progress, together with the lender requirements, and find you should now be able to secure satisfactory credit to refinance your RUS loan(s). Therefore, we request that you refinance your Water and Wastewater Disposal loans in full.

The approximate outstanding balance is \$1,471,200.14 for the following loans (amounts are based on a payoff date of June 30, 2018):

1. 93-06 for \$814,535.30
2. 93-13 for \$100,895.36
3. 93-15 for \$555,769.48

We suggest you contact lenders that can make Water and Wastewater Disposal Loans.

If you are unable to graduate your loans in full, you will need to provide this office with written evidence showing that an earnest effort was made to seek other credit within 120 days of the date of this letter. Such evidence should include:

1. The name(s) of other lender(s) contracted;
2. The amount of the loan requested and the amount, if any, offered by the lender(s);
3. The rate and terms offered by the lender(s) or the specific reason(s) why other credit is not available; and,
4. The purpose of the loan request.

At your request, an appointment may be arranged to discuss RUS' graduation policies and procedures. You may contact the undersigned at robert.chambers@ak.usda.gov or (907) 271-2424 extension 101.

Sincerely,

ROBERT CHAMBERS
WEP Specialist

USDA is an equal opportunity provider and employer

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-8992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 680-7442 or email at program.intake@usda.gov.



NOME JOINT UTILITY SYSTEM

NOME JOINT UTILITY BOARD

RESOLUTION 18-02

**A RESOLUTION REQUESTING CONSIDERATION BY
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION TO REFINANCE, THROUGH THE
ALASKA DRINKING WATER LOAN FUND AND ALASKA CLEAN WATER LOAN FUND PROGRAMS,
WATER & WASTEWATER LOANS PREVIOUSLY MADE BY THE US DEPARTMENT OF AGRICULTURE**

WHEREAS, management has recommended and the Utility Board has determined it prudent to submit application to the Alaska Department of Environmental Conservation Alaska Drinking Water & Alaska Clean Water Fund Programs to refinance water and sewer system loans held by the United States Department of Agriculture; and

Whereas, the Alaska Department of Environmental Conservation Alaska Drinking Water Fund & Alaska Clean Water Fund loan programs offer terms up to 20 years with no prepayment penalties to provide low interest (1.5%) financing to communities for water and sewer systems; and

WHEREAS, the United States Department of Agriculture is requiring the unpaid balance (\$1,471,200.14 on June 30, 2018) of three Rural Utilities Service loans when credit is available from another source; and

WHEREAS ADEC is soliciting Alaska Drinking Water & Clean Water Loan questionnaires to identify and rank candidate drinking water & wastewater projects for potential funding;

NOW, THEREFORE BE IT RESOLVED that the Nome Joint Utility Board authorizes management to submit questionnaires to the ADEC Drinking Water Fund & Alaska Clean Water Fund programs seeking refinancing of three USDA Rural Utilities Service loans (estimated at \$1,471,200 as of 6/30/18) through the ADEC Drinking Water Fund & Alaska Clean Water Fund programs, with up to a 20 year payback at 1.5% interest.

SIGNED THIS 20th DAY OF February, 2018 AT NOME, ALASKA.

Carl Emmons, Chairman
NOME JOINT UTILITY BOARD

ATTEST:

David Barron, Secretary
NOME JOINT UTILITY BOARD