

Presented By:
Assistant Utility Manager

Action Taken:
Yes 6
No 0
Abstain 0

CITY OF NOME, ALASKA

RESOLUTION NO. R-19-03-03

**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 WASTEWATER INFRASTRUCTURE AND
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 (ADEC) Clean Water Fund Program to finance various infrastructure improvements to water and sewer systems, including replacements, extensions and enhancements and loan refinancing of related efforts; and

WHEREAS, the ADEC has Alaska Clean Water (ACWF) and Alaska Drinking Water Fund (ADWF) loan programs with terms up to 20 years with no prepayment penalties to provide low interest financing to communities for water and sewer systems and in 2018 ADEC allocated \$588,480 and \$882,700 to refinance the wastewater and drinking water portions, respectively, of NJUS projects funded with USDA loans; and

WHEREAS, refinancing the wastewater portions of higher interest rate USDA loans through the ACWF Program is estimated to save more than \$225,000 in finance charges over 20 years, and by Resolution 19-02 the Nome Joint Utility Board recommends the loan be accepted; and

NOW, THEREFORE, BE IT RESOLVED that the Nome Common Council approves and authorizes acceptance of a 20-year term, lower interest rate loan for approximately \$520,000 through the ADEC ACWF Program for refinancing USDA wastewater system related improvements, and authorizes the Utility Manager as Chief Operating Officer of the Utility to execute any and all documents that may be required 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 25th day of March, 2019.



RICHARD BENEVILLE, Mayor

ATTEST:



CHRISTINE PISCOYA, Deputy Clerk



NOME JOINT UTILITY SYSTEM

NOME JOINT UTILITY BOARD

RESOLUTION 19-02

**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**

- 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 financing to communities for water and sewer systems; and
- WHEREAS, NJUS submitted questionnaires to be included on the Intended Use Plans (IUP's) 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 (approximately 1.75% at 20 years) funds will save more than \$225,000 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 lower interest rate loan of approximately \$520,000 through the ADEC Clean Water Fund Loan Program for refinancing USDA sewer system related improvements with a 20 year payback, 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 6th DAY OF March, 2019 AT NOME, ALASKA.


Carl Emmons, Chairman
NOME JOINT UTILITY BOARD

ATTEST:


David Barron, Secretary
NOME JOINT UTILITY BOARD

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



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

The Utility received funding from USDA Rural Redevelopment for utilidor replacement and upgrade of water / wastewater mains. For the funding, USDA required the Utility to take out loans through their agency as part of the financing package to receive grants.

Loan No.	Initial Loan	Interest	Loan Date	Duration (yrs)	12/31/2018	12/31/2018
					Principal Paid	Balance
93-06	\$1,070,000	4.875%	3/27/1998	40	\$313,937	\$756,063
93-15	\$613,000	4.375%	11/19/2008	40	\$75,393	\$537,607
**93-13	\$200,000	4.250%	12/20/2005	20	\$110,308	\$89,692
** Not pursuing refinancing					\$499,638	\$1,383,362

Little progress has been made on the principal for the first two loans listed – due to their longer durations and higher interest rates. The Utility Manager had on occasion pursued refinancing these loans with commercial loans but did not find these too be much more favorable.

In February 2018, the USDA sent us a “graduation letter” strongly encouraging that we seek out alternate sources for financing, and to pay off USDA. With this, we submitted candidate projects to ADEC for potential funding through (EPA pass-through) revolving loan programs. Our requests were reviewed and included on ADEC’s Intended Use Plans: \$882,700 for drinking water related loans & \$588,480 for wastewater loans.

Last year, and at the request of the Utility Board (Resolutions 18-07 & 18-08), the Nome Common Council approved resolutions (R-18-08-06 & R-18-08-07) to accept loans from the Alaska Department of Environmental Conservation Drinking Water Fund (ADWF) & Clean Water Fund (ACWF) programs to refinance higher interest rate loans issued by USDA Rural Development for water & wastewater projects that have been constructed.

These resolutions authorized the acceptance of ADWF / ACWF loans with a 1.5% interest rate. However, ADEC recently modified these programs by tying the interest rate to *The Bond Buyer’s Municipal Bond Index’s Current Day – Yield to Maturity*.

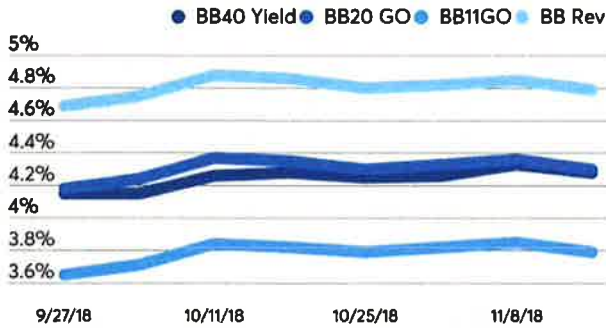
For loan terms ranging from 5-20 years:

- If the Bond Rating is less than 4%, the finance rate is **1.5%**
- If the Bond Rating is greater than 4%, the finance rate is **1.5 + (0.625x(Bond Rate -4))**

Bond Rate	4.0%	4.4%	4.8%	5.0%
Finance Rate	1.50%	1.75%	2.00%	2.13%

Bond Buyer indexes

Seven-week yield trend



Source: The Bond Buyer

The Bond Buyer's 20-Bond GO Index of 20-year general obligation yields dropped six basis points to 4.30% from 4.36% the previous week. It is at its lowest level since Oct. 25, when it was also at 4.30%.

Based on our analysis, use of a 1.75% rate to refinance the two longer-term USDA loans will result in interest savings approaching \$590,000 based on new 20-year terms.

NJUS does not recommend refinancing loan #93-13 (the shorter term loan) with this program as little time & interest remain on the note.

RECOMMENDED ACTION:

That the Nome Common Council adopt Resolutions 19-03-02 & 19-03-03 as recommended by Nome Joint Utility Board Resolutions 19-01 and 19-02 to approve the refinancing of USDA Loans #'s 93-06 & 93-15.

USDA LOAN REFINANCING WITH ADEC AT 1.75%

USDA LOAN #93-06					
Initial Loan:	\$1,070,000	Loan Date:	3/27/1998		
Principal paid at 12/31/18:	\$313,937	Duration:	40 Years		
Balance at 12/31/18:	\$756,063	Matures	3/27/2038		
Interest Rate	Schedule	Paid to Date	Remaining	If through ADEC	Reduction
4.875%	\$1,370,487	\$953,382	\$417,105	\$146,544	\$270,561
	USDA RD	ADEC			
Annual Debt Service:	\$61,076	\$45,130			
Matures:	3/27/2038	12/31/2038			

USDA LOAN #93-15					
Initial Loan:	\$613,000	Loan Date:	11/19/2008		
Principal paid at 12/31/18:	\$75,393	Duration:	40 Years		
Balance at 12/31/18:	\$537,607	Matures	7/26/2048		
Interest Rate	Schedule	Paid to Date	Remaining	If through ADEC	Reduction
4.375%	\$678,338	\$255,843	\$422,495	\$104,201	\$318,294
	USDA RD	ADEC			
Annual Debt Service:	\$32,540	\$32,090			
Matures:	7/26/2048	12/31/2038			

	PRINCIPLE
TOTAL REMAINING	\$1,293,670

USDA INTEREST	IF THROUGH ADEC	POTENTIAL REDUCTION
\$839,600	\$250,745	\$588,855

Refinancing principal thru ADEC:

ADWF (60%)	\$776,202
ACWF (40%)	\$517,468
	<u>\$1,293,670</u>

TOTAL ANNUAL DEBT SERVICE

USDA	ADEC
\$93,616	\$77,221

