



Agenda Item:

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## **COUNCIL COMMUNICATION**

### **City Manager's Office**

#### **GENERAL INFORMATION**

Agenda Date: 4/19/04

No.: 04-179

Agenda Item Type: Resolution

No.:

Communication

Roll Call

Submitted by: Merrill Stanley, Finance Director

#### **SUBJECT—**

Approval of resolution for the reimbursement of Sanitary Sewer project costs from future bond proceeds.

#### **SYNOPSIS—**

The planned transition to a revised WRA agreement discourages the issuance of debt prior to the completion of that agreement. City sanitary sewer projects to be financed by State Revolving Fund Loans need to begin prior to the expected date of final execution of WRA agreements. The City would like to advance project costs from Sanitary Sewer Fund cash and be reimbursed by the future loan proceeds. The approval of this resolution will make the reimbursement of project costs incurred prior to the loan approval allowable under U.S. Treasury regulations.

#### **FISCAL IMPACT—**

An advance from the Sanitary Sewer Fund not to exceed \$5,465,000

#### **RECOMMENDATION—**

Approval

**BACKGROUND—**

The city wants to begin construction of two Sanitary Sewer projects that will be financed with State revolving Fund loans. Those projects are Upper Union Park Sewer Separation in the amount of \$4,000,000, and Clark Street Sanitary Pump Station in the amount of \$1,465,000.

The city is also moving toward the execution of a revised 28E agreement governing the WRA. The new agreement will remove the obligation for all WRA borrowing from the City of Des Moines and place the obligations with the newly structured WRA. This action will change the credit characteristics of both entities. With the change of credits planned, it would be unwise to enter into a new loan agreement, only to have to refinance it when the new agreement takes affect.

The best course of action, therefore, is to advance project costs from Sanitary Sewer Fund cash until the loan can be finalized, then reimburse the Sanitary Sewer Fund cash with loan proceeds.

According to Federal Treasury regulations, in order to reimburse project expenses from the proceeds of a future loan, a Reimbursement Resolution must be approved prior to incurring the expenses.