

ACTION: Consider request for additional principal forgiveness and a 30 year loan term for one Clean Water State Revolving Fund (CWSRF) Core Program loan

AUTHORITY: W.S. §§ 16-1-201 through -207 and State Loan and Investment Board Rules, Chapter 11

ALTERNATIVES: Approve, Defer, or Deny Request

Background:

Beginning with the Federal 2010 EPA CWSRF Capitalization Grant, States were required to award a specific percentage of grant funds in “additional subsidies” as one of the grant conditions. The State of Wyoming choose to award principal forgiveness to eligible borrowers to meet this grant condition.

On June 10, 2014, President Obama signed into law the Water Resources Reform and Development Act of 2014 (WRRDA). Among its provisions are amendments to Titles I, II, V, and VI of the Federal Water Pollution Control Act. One of the amendments extended the allowable term of a loan from 20 years up to 30 years or the useful life of the project, whichever is less.

During the 2016 Legislative Budget Session (2016 Wyo. Sess. Laws Ch. 14), changes were made to the governing statutes to address the changes in the federal regulations. The amendments to the statutes included expanding the type of projects that are eligible for funding, inclusion of additional options for determining the amount of funding available for administration, increasing the loan term from 20 to 30 years, and other administrative changes.

Analysis:

At the August 14, 2014 SLIB meeting, the Board conditionally approved a \$3,321,500 loan to the North Sweetwater Water and Sewer District to help finance the Wastewater Regionalization & Sanitary Sewer Upgrades project. The project will consolidate and upgrade two sewer systems that have historically had compliance issues.

At the time of the loan request, the CWSRF program only had \$559,386 available to award in principal forgiveness. In addition to the District’s request for 25% principal forgiveness (\$828,125) there were two other small projects that were requesting principal forgiveness by other borrowers. Staff allocated the two smaller projects the total amount of principal forgiveness requested due to the smaller amounts, \$68,444 and \$87,500, and recommended the remaining balance of \$403,442 to the District. The amount of principal forgiveness received by the District was less than half of what was requested and the awarded principal forgiveness is only equal to 12% of the project.

Since August 2014, there have been many unforeseen delays with this project and the loan has not closed. The District has struggled to come up with the necessary match funding to complete this project as the CWSRF loan is only financing a portion. Recent developments have put the District’s ability to repay the loan in question.

Due to the above mentioned issues, the District is requesting additional principal forgiveness in the amount of \$424,683 -- the amount they were not awarded when their loan application was conditionally approved in August 2014. In addition, they are seeking to extend the loan term from 20 to 30 years as this was not an option when the loan was conditionally approved by the Board. The District is exploring various options to ensure they are able to close the loan, complete the project and afford the annual CWSRF loan payment without excessive hardship to its users.

If the additional principal forgiveness and extended term is approved, but the District is still unable to service the loan without excessive hardship to its users all SRF and MRG funding will be relinquished, including the principal forgiveness.

DIRECTOR'S RECOMMENDATION:

The Director recommends the Board approve additional principal forgiveness in the amount of \$424,683 and an extended loan term of 30 years for the North Sweetwater Water and Sewer District project as set forth above and in the attachment.

BOARD ACTION: Board Approved



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Get there!

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**RE: North Sweetwater Water and Sewer District
CWSRF Loan Offer**

Dear Mr. King:

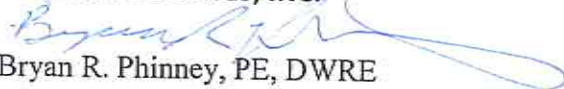
Keller Associates has been asked to submit this letter on behalf of the North Sweetwater Water and Sewer District (District) to request the State Land and Investment Board's (SLIB) consideration of the District's request for loan funding. The request was originally made in August of 2014 and a preliminary offer was issued to the District pending approval of an MRG grant package. At that time, the monies available for principal forgiveness were limited and the District's loan offer reflects that.

The District has been made aware that additional principal forgiveness through the CWSRF program is available. They are respectively requesting consideration to increase their awarded principal forgiveness to 25% (\$828,125), as originally requested in their application, with a loan term of 30-years. This request is being made in-light of the anticipated monthly sewer fee of \$100. A sewer fee of this magnitude is nearly unfeasible for the District's patrons and would set the sewer rate as one of, if not the, highest in the State.

This project is an important project for the protection of Wyoming's waters. The project will replace two failing wastewater treatment systems and flow the District's wastewater into Rock Spring's advanced wastewater treatment facility. We appreciate the Board's consideration of this matter.

Respectfully,

KELLER ASSOCIATES, INC.


Bryan R. Phinney, PE, DWRE
Project Manager

cc: Dave Barnhouse, President – District
Lenore Perry, Legal Council