

AGENDA REPORT

DATE APRIL 1, 2008

ITEM RESOLUTION NO. 9734, RELATING TO FINANACING THE CONSTRUCTION OF WATER MAIN REPLACEMENTS; ESTABLISHING COMPLIANCE WITH REIMBURSEMENT BOND REGULATIONS UNDER THE INTERNAL REVENUE CODE

INITIATED BY FISCAL SERVICES/WATER UTILITY

ACTION REQUESTED ADOPT RESOLUTION 9734

PREPARED BY MARTHA CAPPIS, OPERATIONS SUPERVISOR

PRESENTED BY COLEEN BALZARINI, FISCAL SERVICES DIRECTOR

RECOMMENDATION: Staff recommends adoption of Resolution 9734, to establish compliance with reimbursement bond regulations under the internal revenue code.

MOTION: "I move the City Commission adopt Resolution 9734."

SYNOPSIS: Staff is proceeding with the issuance of water utility system debt, not to exceed \$4,010,000. Proceeds of the debt are intended to finance water main replacements within the city limits of Great Falls during the next two construction seasons. All issuance fees and costs will also be paid out of this financing. Staff has had discussions with the Department of Natural Resources and Conservation, which has tentatively agreed to finance the debt at 3.75% for 20 years. Pending the application review, cash balances in the Water fund will provide sufficient cash, to pay expenses pending completion of the financing process. This debt financing supplements the yearly capital improvements constructed using accumulated funds. Adoption of this Resolution serves as official recognition of the intent to reimburse related expenses for construction costs from debt financed proceeds.

BACKGROUND: Distribution mains in the City of Great Falls range in age from newly constructed to main installed in 1889. By taking a pro-active stance on water main replacement, the City has seen a decrease in the number of total unforeseen main brakes. In 2002, the City had 90 breaks, compared to 73 in 2007. The seven replacement projects will be constructed in various phases in the following areas:

- 2nd Avenue South: 5th to 7th Street South; 6th Avenue South: 9th to 14th Street South;
- 7th Avenue South: 4th to 14th Street South; 8th Avenue South: 4th to 9th Street South;
- 8th Avenue South: 13th to 14th Street South; 9th Street South: 10th to 17th Avenue South;
- 14th Street South: 19th to 20th Avenue South; 15th Street South: 10th to 12th Avenue South;
- 19th Avenue South: 14th to 17th Street South; 20th Avenue South: 14th to 18th Street South;
- 5th Avenue SW: 14th to 20th Street Southwest; 14th Street SW: 3rd to 5th Avenue SW;
- 16th Street SW: 4th to 5th Avenue SW

Mike Judge