



MEMORANDUM

Date: September 27, 2023

To: Mayor Satya Rhodes-Conway
City of Madison Common Council
City of Madison Finance Committee
Water Utility Board

From: Krishna Kumar, General Manager
January Vang, Finance and Administration Manager

Subject: 2023 SDWLP Subordinate Bonds

BACKGROUND

The Water Utility (Utility) has previously issued \$20,000,000 Revenue Bond Anticipation Notes, Series 2019, dated December 19, 2019 (**2019 BAN**), pursuant to a resolution adopted by the Common Council on December 3, 2019. The 2019 BAN has a current outstanding of \$20,000,000. The 5-Year 2019 BAN was issued to finance on a short term basis the Utility's capital projects included in the 2019, 2020, and 2021 Capital Improvement Plans. The 2019 BAN needs to be repaid by November 2024.

To provide long-term financing for the projects initially financed by the 2019 BAN, the Utility has successfully secured \$4,675,000 from the 2023 WI Safe Drinking Water Loan Program (SDWLP) at an attractive annual interest rate of **2.145%** and repayable over a 20-year period. That amount will entirely be used to repay a portion of the 2019 BAN. The average annual debt service is estimated to be \$287,700. This is also the first time that the Utility has been able to secure low-interest loan from the SDWLP.

The attached Resolution # 79781 authorizes the following:

1. Execution of a Financial Assistance Agreement with the State of Wisconsin
2. Receipt of \$4,675,000 from the SDWLP
3. Issuing \$4,675,000 in bonds to the SDWLP as security for the loan
4. Paying off \$4,675,000 of the 2019 BAN.

The remaining outstanding of 2019 BAN, after this payment, will be \$15,325,000. The Utility plans to apply for and secure funds from the 2024 SDWLP as well, the proceeds of which will be used to repay a portion of the remaining 2019 BAN. The Utility will use available cash reserves, if needed, to completely pay off the 2019 BAN by November 2024.

The State Department of Natural Resources, who administers the SDWLP, plans to close the Utility's loan on October 11, 2023. The legislative path for this item is shown below.

9/19/23 – Common Council (introduction)

9/26/23 – Finance Committee

9/27/23 – Water Utility Board

10/03/23 – Common Council (final action)

ATTACHMENTS:

1. Resolution #79781 Authorizing the Sale and Issuance of up to \$4,675,000 Subordinate Water Utility Revenue Bonds, Series 2023; and Providing for Other Details and Covenants With Respect Thereto.
2. Resolution #7978 – Exhibit A
3. Resolution #7978 – Exhibit B