

GENERAL

Ordinance Fact Sheet

210593

Ordinance Number

Brief Title	Approval Deadline
Wastewater Revenue Bond Authorization	8/4/2021

Reason
Enable KC Water to utilize low cost revenue bonds to finance Consent Decree and Non-Consent Decree capital projects for the Wastewater utility

Details

<p>Reason for Legislation</p> <p>The Wastewater Utility has exhausted the 2012 Revenue Bond Authorization with the most recent \$100M State Revolving Fund Loan it received in April 2021. In order to continue to finance debt at low interest rates for both Consent Decree and Non-Consent Decree capital projects, the utility needs to obtain new revenue bond authority from the voters of Kansas City, MO. This ordinance would put that initiative on the ballot on November 2, 2021.</p>
<p>For a capital intensive utility, revenue bond financing is the lowest cost method of financing projects that BOTH current and future ratepayers will realize the benefits from. In addition, it enables a utility to plan for and stabilize rate increases by spreading costs out over longer periods of time.</p> <p>As part of the Third modification to the Federal Consent Decree, the Wastewater utility's Plan of Finance (long term financial model) was projecting the use of Revenue Bond Financing as a low cost method to pay for the majority of the remaining capital projects in the Consent Decree through 2035. In addition, in order to meet the projected 6% annual rate increases in the Consent Decree, KC Water was forecasting the use of revenue bonds throughout the remaining years in the program. Also, revenue bond authority enable the utility to use the State State Revolving Fund program.</p> <p>KC Water's Wastewater Capital Plan calls for \$1.8 billion in capital projects (approximately \$1.0 billion are Consent Decree projects) between now and FY2035. This compares to a remaining \$3.9 billion (a reduction of \$2.1 billion) it was calling for prior to the signed Third modification of the Consent Decree.</p> <p>However, in order to utilize revenue bond financing, the voters of Kansas City, MO must approve it. In the last revenue bond authority election (8/07/2012), 82% of voters approved the request out of 37,000 ballots cast (17% turnout). Given that the Wastewater Utility would like to utilize revenue bond financing in the current fiscal year (FY2022) and given that it takes approximately 4 months to issue a revenue bond, it is imperative that this ask be put on the November 2nd, 2021 ballot. In order to do this, Council would need to approve this ordinance by August 19th, 2021 and notify the Kansas City Election Board by August 24th, 2021.</p>

Positions/Recommendations	
Sponsor	Water Services Department
Programs, Departments, or Groups Affected	Water Services
Applicants / Proponents	<p>Applicant</p> <p>City Department Water Services Department</p> <p>Other</p>
Opponents	<p>Groups or Individuals</p> <p>None Known Basis of opposition</p>
Staff Recommendation	<p><input checked="" type="checkbox"/> For</p> <p><input type="checkbox"/> Against</p> <p>Reason Against</p>
Board or Commission Recommendation	<p>By</p> <p><input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> No action taken</p> <p><input type="checkbox"/> For, with revisions or conditions (see details column for conditions)</p>
Council Committee Actions	<p><input type="checkbox"/> Do pass</p> <p><input type="checkbox"/> Do pass (as amended)</p> <p><input type="checkbox"/> Committee Sub.</p> <p><input type="checkbox"/> Without Recommendation</p> <p><input type="checkbox"/> Hold</p> <p><input type="checkbox"/> Do not pass</p>

(Continued on reverse side)

Details

Is it good for the children? Yes. It helps the utility meet its environmental obligations under the Consent Decree at the lowest possible cost to today's and tomorrow's ratepayers, thus maintaining rate stability into the future.

How does this contribute to a sustainable Kansas City?

This ordinance enables the Wastewater utility to ask the voters for approval of wastewater revenue bond authority. Revenue bond financing enables the utility to plan for meeting its regulatory obligations under the Consent Decree in future years and maintain stable rate increases.

To illustrate the savings that revenue bond financing provides compared to other debt forms of financing (like non-voter approved Appropriation Debt), here's an example assuming a \$100M bond over 25 years at 3% annual interest:

Appropriation debt would cost roughly 3.5% in annual interest. Over the life (25 years) of a \$100M bond that's an extra \$8M in interest costs compared to a Revenue bond at 3% annual interest for 25 years.

If we utilize SRF loans (which require the utility to have revenue bond authority from voters), the interest savings on a \$100M SRF loan over 20 years (standard term) at 1.4% would be \$36M over the life of the loan compared to using Appropriation debt.

Policy/Program Impact

Policy or Program Change	<input checked="" type="checkbox"/> No <input type="checkbox"/> Yes
Operational Impact Assessment	

Finances

Cost & Revenue Projections -- Including Indirect Costs	
Financial Impact	
Fund Source (s) and Appropriation Account Codes	

(Use this space for further discussion, if necessary)

Applicable Dates:

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Reference Numbers