CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Resolution -- Financing Agreement between the City and West Des Moines Water Works (WDMWW) for Water System Improvements

DATE: May 18, 2015

FINANCIAL IMPACT: WDMWW will make an upfront payment of $1,000,000 and (estimated) annual repayment for ten years of $500,000 each year to the City for certain portions of water system improvements projects associated with Project Alluvion. Total project principal cost will not exceed $5,500,000 and interest cost is being charged at the rate equal to the City's Bond Schedule Interest Rate as identified with the sale of the Series 2015A General Obligation Bonds.

A final (revised) payment schedule will be established when actual project costs are known (approximately 2017). The City has initially funded out-of-pocket costs associated with these improvements through an advance from the General Fund.

BACKGROUND: The proposed Finance Agreement details the repayment for water infrastructure improvements required to provide service to the Microsoft Alluvion Data Center. The Microsoft/Alluvion project in the South Area of West Des Moines requires development of treated water and additional infrastructure to serve the large seasonal demands of the data center. The required infrastructure to serve the data center includes the construction of an Aquifer Storage and Recovery (ASR) well, looped large diameter water main, and a redundant booster pump station. The Finance Agreement details the financing responsibility for all of the required infrastructure projects.

The proposed agreement defines the financial responsibilities for improvements, specifically assigning WDMWW responsibility for repayment of the project costs which provide benefit to the public water system, including the entirety of water main installation and a portion (25%) of the booster pump station. Those portions of the project required by and of specific benefit to Microsoft/Alluvion (specifically the ASR) are to be paid using Tax Increment Financing (TIF) funds generated by the Alluvion Urban Renewal Area.

WDMWW will pay the Bond Schedule Interest Rate as identified in the City's Series 2015A General Obligation Urban Renewal Bonds during the repayment period. WDMWW and City staff have negotiated the terms of the agreement and consider the content reasonable with appropriate allocation of responsibility for project costs.

The WDMWW will also be considering this agreement at its May 18th meeting.

RECOMMENDATON: Approve Resolution authorizing the Mayor and City Manager to execute the Finance Agreement with WDMWW on behalf of the City.

Lead Staff Member: Tim Stiles, Finance Director

STAFF REVIEWS

Department Director	
Appropriations/Finance	
Legal	
Agenda Acceptance	RTG

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee			
Date Reviewed			
Recommendation	Yes	No	Split

RESOLUTION

APPROVING FINANCE AGREEMENT BETWEEN THE CITY OF WEST DES MOINES AND WEST DES MOINES WATER WORKS FOR WORK ASSOCIATED WITH THE 2015/2016 SOUTH AREA WATER SERVICE EXPANSION

WHEREAS, the City Council believes that to promote economic growth and development in the South Area it is necessary to collaborate with the West Des Moines Water Works in the design, construction and financing of water infrastructure to meet the specific requirements of Microsoft/Alluvion and future development, and

WHEREAS, the City Council recognizes that the allocation of project costs within the proposed Finance Agreement has properly considered those portions of the project which provide specific benefit to the development of the Microsoft Alluvion Data Center and those which benefit the overall public water system,

NOW, THEREFORE, BE IT RESOLVED BY THE WEST DES MOINES CITY COUNCIL AS FOLLOWS:

That the Finance Agreement Between the City of West Des Moines and West Des Moines Water Works for Work Associated with the 2015/2016 South Area Water Service Expansion attached to this Resolution is hereby approved, and that the Mayor and City Manager are authorized to execute the Financing Agreement on behalf of the City.

PASSED AND APPROVED this 18th day of May, 2015

_____
Steven K. Gaer
Mayor

Attest:

_____
Ryan Jacobson
City Clerk

FINANCE AGREEMENT BETWEEN THE CITY OF WEST DES MOINES AND WEST DES MOINES WATER WORKS FOR WORK ASSOCIATED WITH THE 2015/2016 SOUTH AREA WATER SERVICE EXPANSION

THIS AGREEMENT (hereinafter "Agreement") made and entered into by and among the CITY OF WEST DES MOINES ("City") and the BOARD OF TRUSTEES OF THE WEST DES MOINES WATER WORKS ("WDMWW") as of the dates set forth below.

PREAMBLE

WITNESSETH:

WHEREAS, City and WDMWW (collectively "Parties") desire to enter into an Agreement to cause, undertake, and define responsibilities and financial obligations for water related projects as hereinafter described in order to upgrade the capacity of the potable water system and deliver said water at acceptable pressures and flows in support of a specific project for Microsoft Corporation ("Project") which requires the redundant delivery of large volumes of potable water to allow for domestic and industrial uses and to prepare for similar future development; and

WHEREAS, to meet the objectives stated above regarding water service, certain improvements including an Aquifer Storage and Recovery (ASR) well, booster pump station, and water main infrastructure (collectively "improvements") must be designed and constructed; and

WHEREAS, the City desires to provide economic incentives in support of water delivery to Project and similar future development; and

WHEREAS, the parties desire to share in the cost of improvements and proceed with necessary design, bidding and construction as provided herein;

NOW THEREFORE, in consideration of the mutual undertakings hereby provided, the parties do hereby agree as follows:

Part I – Responsibility of Project Costs

1. Project Funding. City agrees to pay the entirety of costs associated with improvements and receive repayment by WDMWW for certain portions of improvements as outlined in Part I, Sections 3 and 4, and Part III of this Agreement.
2. City Responsibility. City shall be responsible for 100% of the costs related to design and construction of the ASR and all supporting infrastructure to Des Moines Water Works (DMWW) as detailed in the Chapter 28E Agreement By and Between West Des Moines Water Works, the City of West Des Moines, Iowa and the Board of Water Works Trustees of the City of Des Moines, Iowa ("28E"). Upon operation of the ASR and final payment by City, WDMWW will receive from DMWW the Regional Capacity Credit as defined in the 28E to support Project and future demands of similar nature.
3. WDMWW Responsibility. WDMWW shall be responsible for repayment as outlined in Part III, herein, of 100% of the costs associated with design and construction of all water main, casing, valves, hydrants and other related appurtenances necessary for Project, generally aligned along South 22nd Street, current and proposed future Maffitt Lake Road, South 8th Street, and 'Old' Army Post Road.
4. Joint Responsibility. City shall provide, at no cost to WDMWW, a suitable site for booster station permanent location. WDMWW shall be responsible to repay 25% of the total cost of

booster station design, construction, and necessary utility work. WDMWW will repay their responsible portion to the City as outlined in Part III, herein.

Part II – Responsibilities of Improvement Construction, Ownership and Operation

1. Project Initiation. Project work for the water main and booster station improvements shall be initiated by the City on behalf of WDMWW. Selection of consultants, review and approval of project documents, and determination of acceptable bids for award of construction contracts shall be done in consultation between City and WDMWW and agreed upon by both parties.
2. Inspections. Inspection and approval of water main and appurtenances shall be the responsibility of WDMWW.
3. Operation and Maintenance. Upon completion of the water main and booster station improvements, WDMWW shall operate and maintain the infrastructure as part of the municipal water system.
4. Ownership of Improvements. WDMWW will be the sole owner of the water main and booster station upon completion of the water main and booster station improvements. Upon completion of each phase of the improvements, and the City's acceptance of that phase of the project, WDMWW will accept that asset into the WDMWW system.

Part III – Terms of Repayment

1. Initial Repayment. Upon final acceptance of each phase of improvements, City is responsible to provide to WDMWW evidence of total cost of work, including a copy of the awarded design and construction contracts, individual pay requests and change orders. WDMWW will reimburse the City for the first one-million dollars ($1,000,000) of progress payments for which WDMWW is responsible, within 30 days of receipt of proof of construction. The remainder of the total cost of improvements will be repaid in installments as outlined in Part III, Sections 2-4.
2. Repayment Schedule. WDMWW shall include in their annual budget a repayment to City for those portions of the improvements as outlined in Part 1, Sections 3 and 4. Repayment to the City shall be a maximum of 10 years, with equivalent payments of $500,000 per year for principal and interest. Remaining principal balance at the end of the repayment schedule shall be paid in full at the time of the last scheduled payment. The total cost of principal repayment shall not exceed $5,500,000. The Estimated Payment Schedule follows in Exhibit A. This schedule is based on total estimated construction costs. When final costs are determined in 2017, the Estimated Payment Schedule will be updated based on those final costs. At that point, the allocation of principal and interest will be updated for 2015 and 2016, and future annual principal and interest payments will be adjusted based on the final costs.
3. WDMWW Repayment Considerations. WDMWW shall dedicate the first $500,000 of connection fee district revenue for repayment, with the first calendar year payment occurring in 2015.
    a. Repayment shall be made in the month of December of each calendar year, upon verification by WDMWW that a minimum debt service ratio of 1.25 has been met.
    b. The Water Works Board of Trustees has the discretion to pre-pay for the following year's repayment, or make additional principal payments to the City. There shall be no penalty for early pay-off of the principal balance.

4. Interest Rate. Interest rates charged shall be the Bond Schedule Interest Rate as identified in the Series 2015A General Obligation Urban Renewal Bonds.

Part IV – General Provisions

1. Notices and Invoices. All notices, project documents, payment requests, and revisions to payment schedule shall be in writing and may be personally delivered or sent US Post to the addresses hereafter provided. Mailed notices and payment requests shall be deemed received by the party to whom directed when they are postmarked. Such notices and payment requests shall be delivered or mailed to the following persons at the addresses listed:

   Notices to City:

   City Manager
   City of West Des Moines
   PO Box 65320
   4200 Mills Civic Parkway
   West Des Moines, IA 50265-0320

   Notices to WDMWW:

   General Manager
   West Des Moines Water Works
   4200 Mills Civic Parkway
   Suite 1D
   West Des Moines, IA 50265-0320

2. Payment. Annual repayment to the City shall be made after approval by the WDMWW Board of Trustees at the regularly scheduled meeting held in December. Payment shall be made by check and personally delivered to the City Manager or designated alternate within seven (7) calendar days of the approval.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed in counterparts, each of which shall be considered an original.

BOARD OF TRUSTEES OF THE WEST DES MOINES WATER WORKS, WEST DES MOINES, IOWA

By:_____
Karen Novak Swalwell, Chair

Attest:_____
Diana Wilson, General Manager

CITY OF WEST DES MOINES, IOWA

By:_____
Steven K. Gaer, Mayor

Attest:_____
Tom Hadden, City Manager

Exhibit A
Estimated Payment Schedule

Payment #	Date	Payment	Principal	Interest	Bond Debt Service Coupon Rate	Estimated Cost
						5,500,000.00
Initial Repayment	Per Part III-1	1,000,000.00	1,000,000.00			4,500,000.00
1*	December 2015	500,000.00	440,000.00	60,000.00	1.33%	4,060,000.00
2	December 2016	500,000.00	418,800.00	81,200.00	2.00%	3,641,200.00
3	December 2017	500,000.00	427,176.00	72,824.00	2.00%	3,214,024.00
4	December 2018	500,000.00	435,719.52	64,280.48	2.00%	2,778,304.48
5	December 2019	500,000.00	430,542.39	69,457.61	2.50%	2,347,762.09
6	December 2020	500,000.00	441,305.95	58,694.05	2.50%	1,906,456.14
7	December 2021	500,000.00	452,338.60	47,661.40	2.50%	1,454,117.55
8	December 2022	500,000.00	463,647.06	36,352.94	2.50%	990,470.49
9	December 2023	500,000.00	477,714.41	22,285.59	2.25%	512,756.07
10	December 2024	528,138.75	512,756.07	15,382.68	3.00%	0.00
		6,028,138.75	5,500,000.00	528,138.75		

* Bond Debt Service Coupon Rate: 2.00% * 8/12 months