



CITY OF SAINT PAUL

ALASKA

MEMORANDUM TO COUNCIL

TO: Mayor and City Council Members

FROM: Lynn Sterbenz, Grants & Projects Specialist

CC: Phillip A. Zavadil, City Manager; Aubrey Wegeleben, City Clerk; Stephanie Mandregan, Finance Director

DATE: September 17, 2024

RE: Resolution 24-11 – A Resolution of the City of Saint Paul Authorizing to Accept USDA RUS Loan for Electric Utility Upgrades

SUMMARY: Resolution 24-11 – authorizes the City to accept the US Department of Agriculture (USDA), Rural Utility Services (RUS) Program Loan for upgrades to the Saint Paul Municipal Electric Utility.

PREVIOUS COUNCIL ACTION: On November 3, 2022, City Council approved Resolution 22-21 authorizing the City Manager to apply for a USDA RUS Program loan for the Saint Paul Municipal Electric Utility Upgrades. City Council approved a revised version, Resolution 23-01, on January 18, 2023.

BACKGROUND AND DISCUSSION: On April 4, 2022, City Manager Zavadil presented to City Council a report on the status of the Electric Utility. This report demonstrated that the City's power generation system, electrical distribution system, fuel system and air intake system all require replacement. Additionally, this report explained that the Airport Feeder component had experienced a cost overrun, resulting in the USDA RUS suspending all work and reimbursement until additional funding has been secured to complete that component. The City researched options and found a long-term, low interest loan option available through the USDA RUS Program specifically for rural utilities. The City worked with USDA RUS on the application package requesting \$13,695,000, which was submitted on June 7, 2023. On February 27, 2024, the City received a letter of loan guarantee commitment from USDA RUS in the amount requested. The City Manager has worked with the USDA loan officer since that date, finalizing the loan documents in preparation for the City Council meeting September 17, 2024. The loan finances a critically needed project which will improve the quality of life on Saint Paul Island.

ALTERNATIVES: Council could choose not to move forward with accepting the USDA RUS loan, thereby not approving funding for the needed electrical utility improvements and upgrades.

FINANCIAL IMPLICATIONS: The USDA RUS loan offers favorable interest rates compared to private lenders. The USDA RUS loan will be a 30-year term. While the interest rate has not yet been determined, the City anticipates a rate under 5%. If the loan is not approved the City would need to spend its own funds, which it does not have, to perform these critical upgrades.

LEGAL: The City's legal firm has reviewed all USDA RUS loan documents and has provided edits. Legal counsel will issue an Opinion letter to be submitted USDA RUS with the loan documents after City Council approves Resolution 24-11.

ADMINISTRATION COMMENTS AND RECOMMENDATION: Administration recommends approval of this resolution.

PROPOSED MOTION: I move to approve Resolution 24-11.

ATTACHMENTS: Resolution 24-11, Loan Contract Documents.