



## Legislation Text

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**File #:** K-1920-25, **Version:** 1

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**CONTRACT K-1920-25:** A CONTRACT BY AND BETWEEN THE NORMAN UTILITIES AUTHORITY, THE CITY OF NORMAN, OKLAHOMA, AND CENTRAL OKLAHOMA MASTER CONSERVANCY DISTRICT (COMCD) CONCURRING IN THE FINANCING FOR THE DEL CITY AQUEDUCT REPLACEMENT PROJECT.

**BACKGROUND:** Lake Thunderbird, the dam, and the associated property, easements and appurtenant water delivery systems (the “Norman project”) were constructed by the United States Department of Interior, Bureau of Reclamation in the early 1960’s to address drinking water needs for Norman, Midwest City and Del City. The Central Oklahoma Master Conservancy District (“COMCD”) was created under the Conservancy Act of Oklahoma (82 Okla. Stat. §531 et. seq.) for the operation of the Norman Project. COMCD subsequently entered into contracts in 1961 with the Cities of Norman, Midwest City, and Del City to share in the repayment of the construction costs of the Norman Project, and related operation, maintenance and replacement costs, in exchange for proportional shares of water. Each city is represented on the Board of Directors for COMCD. Norman’s proportional share of costs and water is 43.8%. The 1961 contract was renewed for twenty-five year terms in 1991 and 2017. The current contract expires on December 31, 2041.

**DISCUSSION:** The Del City aqueduct is part of the Norman Project and includes a deteriorating pipeline that provides water to Del City. As maintenance and repairs of the line became more costly, COMCD began looking at the possibility of replacing the line. Based on preliminary estimates, COMCD requested a low interest loan through the Drinking Water State Revolving Fund (“DWSRF”) loan program administered by the Oklahoma Water Resources Board, in a maximum amount of \$11 million. Ultimately, once the project was bid, the lowest responsive bid was from Matthews Trenching in the amount of \$5,643,680.

Although not required by the contract with COMCD, COMCD requested input from the three cities regarding the term of the loan. Although a maximum term of 30 years is allowed, the three cities expressed a preference for a 15 year term. Contract K-1920-25 documents the loan term. Interest rates will be determined by the Oklahoma Water Resources Board 10 days before closing but it is expected that the rate will be in the range of 2.1% - 2.5%.

The 1961, 1991, and 2017 agreements with COMCD require that COMCD provide an annual budget for the respective City Councils and Trustees to inform each city’s budgeting process. If supplemental funds are needed during the fiscal year, a supplemental request is made under the agreement. Under the terms of the DWSRF program, repayment of the loan principal begins after completion of the project, in this case, approximately 12 months after it begins. The initial interest payments will be paid from COMCD’s reserve funds. It is anticipated that first principal payment will not be due until September 2020, thus, a supplemental request for the FYE 2020 budget is not needed. Loan payments related to this project will be included in the annual COMCD budget provided to the member cities for FYE 2021. Norman’s share of the principal will be \$2,471,931.84 over the 15 year term with annual debt service payments ranging from approximately \$125,000 in the first year to

approximately \$193,000 every year thereafter.

**RECOMMENDATION:** Contract K-1920-25 formalizes the agreement of the member cities to a 15 year repayment term related to a DWSRF loan of \$5,643,680 for the aqueduct replacement project. Staff recommends approval. COMCD is scheduled to consider the agreement at its meeting on July 11, 2019.