

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843
www.boardofwatersupply.com



July 22, 2019

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Chair and Members
Board of Water Supply
City and County of Honolulu
Honolulu, Hawaii 96843

Chair and Members:

Subject: Adoption of Resolution No. 900, 2019, Authorizing Up to \$50,000,000
Principal Amount of Series 2019 State Revolving Fund Water System
Revenue Loans

The State Revolving Fund (SRF) is a program funded by the U.S. Environmental Protection Agency under the Clean Water and Safe Drinking Water Acts. The Board of Water Supply (BWS) has been participating in this program since 2004.

Resolution No. 834, authorizing \$50,000,000 of SRF loans, was approved in June 2013. BWS negotiated seven loans with interest rates between 0% and 1% and loan fees of 0.75% and 1% for a total cost of capital of 1% to 2%. The loans at 2% were retired early so that the cost of capital on our current SRF loans is between 1% and 1.5%. That resolution was used to support the following 22 infrastructure improvements: (1) Foster Village Water System Improvements; (2) Kalihi Water System Improvements; (3) Woodlawn Water System Improvements; (4) Wilhelmina Rise Water System Improvements; (5) Ewa Beach Water System Improvements; (6) Wahiawa Reservoir Repair and Renovation; (7) Liliha Water System Improvements; (8) Kapahulu Water System Improvements; (9) Pensacola Water System Improvements; (10) Kamehameha Highway Heeia; (11) Design for Keanu Line Booster; (12) Kaluanui Renewal and Replacement; (13) Kalihi Pump Station; (14) Diamond Head Line Booster; (15) Kaonohi Booster No. 1; (16) Waihee Line Booster; (17) Punaluu Wells II; (18) Kapiolani Boulevard 12 Inch Main Construction Management; (19) Kalihi Pump Station Renovation; (20) Diamond Head Line Booster-Replace Pumping Units; (21) Punanani Wells Motor Control Replacement; and (22) Honouliuli Water Recycling Facility. In order to continue participating in the SRF program, the Board will need to authorize additional borrowing.

We recommend adoption of Resolution No. 900, 2019, authorizing up to \$50,000,000 aggregate principal amount of the BWS SRF Water System Revenue Loans, Series 2019 (Series 2019 Loans).

Chair and Members
July 22, 2019
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The Series 2019 Loans provide moneys to pay the costs of improvements to the Water System authorized in the capital budget of the BWS, to make a deposit to an SRF Series Reserve Account if applicable, and to pay costs of issuance of the Series 2019 Loans. The Series 2019 Loans are the fifth series of SRF Loans to be obtained by the BWS from the State Department of Health under and pursuant to the SRF General Resolution.

Resolution No. 900, 2019 further authorizes any Authorized Officer of the BWS, subject to limitations, the power to determine and carry out certain actions in connection with the issuance and execution of the Series 2019 Loans.

Respectfully submitted,



ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

Attachments

**BOARD OF WATER SUPPLY
CITY AND COUNTY OF HONOLULU, HAWAII**

**STATE REVOLVING FUND
WATER SYSTEM REVENUE LOAN
SERIES 2019 RESOLUTION NO. 900, 2019**

**AUTHORIZING UP TO
\$50,000,000 PRINCIPAL AMOUNT OF SERIES 2019 LOANS**

ADOPTED JULY 22, 2019

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STATE REVOLVING FUND
WATER SYSTEM REVENUE LOAN
SERIES 2019 RESOLUTION NO. 900, 2019

AUTHORIZING UP TO
\$50,000,000 PRINCIPAL AMOUNT OF SERIES 2019 LOANS

BE IT RESOLVED by the Board of Water Supply of the City and County of Honolulu, Hawaii (the "Board"), as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. Series 2019 Resolution; Findings and Determination. (1) This State Revolving Fund Water System Revenue Loan Series 2019 Resolution authorizing up to \$50,000,000 principal amount of Series 2019 Loans is supplemental to, and constitutes a Series Resolution within the meaning of and is adopted in accordance with Article IX of, the Resolution, as hereinafter defined.

(2) It is hereby found and determined by the Board that it is necessary and desirable that the Board obtain from the Department of Health at this time one or more Loans to be designated as provided herein to provide monies to carry out one or more purposes of the Board.

Section 1.02. Definitions. (1) All terms which are defined in Section 1.01 of the Resolution shall have the same meanings, respectively, in this Series 2019 Resolution as such terms are given in said Section 1.01 of the Resolution.

(2) In addition, as used in this Series 2019 Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Resolution" means that certain resolution adopted by the Board on February 23, 2004 entitled "A Resolution Authorizing and Providing for State Revolving Fund Loans to be Obtained from time to time from the State of Hawaii Department of Health by the Board of Water Supply of the City and County of Honolulu, Hawaii, for the Purposes of the Water System of the City and County; Covenanteeing as to Establishment, Maintenance, Revision and Collection of Charges and Rates for the Use and Services of the Water System and the Collection and Disbursement of Revenues Derived therefrom; Pledging on a Junior and Subordinate Basis the Net Revenues Derived from the Water System to the Payment of the Principal of and Interest on such Loans as the same Fall Due; Creating and Establishing Certain Funds and Accounts; Setting Forth the Limitations or Conditions upon the Obtaining of Additional Loans Payable from such Revenues and Making Other Covenants and Agreements in connection with the Foregoing" as amended and supplemented.

"Series 2019 Loans" mean the Loans authorized by Article II of this Series 2019 Resolution.

“*Series 2019 Project*” means the Improvements authorized in the capital budget of the Board and identified in one or more Series 2019 SRF Loan Agreements to be financed.

“*Series 2019 Resolution*” means this State Revolving Fund Water System Revenue Loan Series 2019 Resolution authorizing up to \$50,000,000 principal amount of the Series 2019 Loans.

“*SRF Series 2019 Loan Agreements*” means one or more interim and final Loan Agreements to be entered into between the Department of Health and the Board pursuant to which the Department of Health is to make one or more loans to the Board and the Board is to obtain one or more of such loans from the Department of Health to finance the Improvements identified therein constituting a part of the Series 2019 Project.

(3) Words of any gender shall be deemed and construed to include correlative words of the other genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

(4) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder”, and any similar terms, as used in this Series 2019 Resolution, refer to this Series 2019 Resolution.

Section 1.03. Authority for the Series 2019 Resolution. This Series 2019 Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND OBTAINING OF SERIES 2019 LOANS

Section 2.01. Authorization of Series 2019 Loans, Principal Amount, Designation and Title. One or more Loans (collectively, the “Series 2019 Loans”) entitled to the benefit, protection and security of the Resolution is hereby authorized to be obtained from the Department of Health in an aggregate principal amount not to exceed \$50,000,000. The Series 2019 Loans may be initially obtained on different dates; provided that no Series 2019 Loan shall be obtained later than six years from the date of adoption of this Series 2019 Resolution. For purposes of this Series 2019 Resolution, a Series 2019 Loan is obtained when the Board receives money from the Department of Health and the amount of the Series 2019 Loan is the actual amount that the Board receives.

Section 2.02. Purposes. The purposes for which the Series 2019 Loans are being issued are (1) to pay the Costs of Improvements constituting the Series 2019 Project; (2) to make such deposit to the SRF Series Reserve Account in the SRF Revenue Fund as may be necessary in connection with obtaining the Series 2019 Loans; and (3) to pay the costs of obtaining of the Series 2019 Loans.

Section 2.03. Delegation of Authority. (1) There is hereby delegated to any Authorized Officer of the Board, subject to the limitations contained herein and in the Resolution

and the Act, the power with respect to the Series 2019 Loans to determine and carry out the following:

(a) The terms and provisions of each Series 2019 Loan to be obtained from the Department of Health to finance the cost of one or more Improvements; *provided, however,* that all terms and provisions shall be in the best interest of the Board and shall carry out the purposes of the Board;

(b) The principal amount and designation and title of each Series 2019 Loan to be obtained; *provided however,* that the principal amount of all Series 2019 Loans shall not exceed \$50,000,000 or, together with other bonds and loans of the Board, any applicable limit approved by the City Council to be issued or obtained by the Board;

(c) The specific Improvements constituting the Series 2019 Project to be financed from the proceeds of the Series 2019 Loans;

(d) The date or dates, maturity date or dates and principal amount of each maturity of each 2019 Loan;

(e) The interest rate or rates of each Series 2019 Loan, the date from which interest on such Series 2019 Loan shall accrue, the dates on which interest on such Series 2019 Loan shall be payable, if any; *provided, however,* that the true interest cost (as determined by an Authorized Officer of the Board, which determination shall be conclusive) on the Series 2019 Loans shall not exceed eight percent (8%) per annum;

(f) The Paying Agent or Paying Agents for the Series 2019 Loans and the place or places of payments of the principal, Sinking Fund Installments, if any, prepayment price of and interest on the Series 2019 Loans, if other than the Board;

(g) The prepayment prices, if any, and the prepayment terms, if any, for the Series 2019 Loans, *provided, however,* that the prepayment price of Series 2019 Loans at the election or direction of the Board shall not be greater than one hundred three percent (103%) of the principal amount of the Series 2019 Loans to be prepaid, plus accrued interest thereof to the prepayment date;

(h) Any provisions with respect to funds and accounts and subaccounts therein, if applicable, and the Revenues and application thereof, as provided in Article V of the Resolution;

(i) Whether a SRF Series Reserve Account shall be established for the Series 2019 Loans, and if so determined to be established, the amount of the SRF Series Reserve Account Requirement and the method of funding or providing for such SRF Series Reserve Account Requirement, and any provisions with respect to subaccounts therein, if applicable, and the Revenues and application thereof, as provided in Article V of the Resolution;

(j) Directions for the application of the proceeds of each Series 2019 Loan, including the interest on the Series 2019 Loans to be capitalized from the proceeds thereof, if any, and the date or dates to which such capitalized interest shall accrue; and

(k) Any other provisions deemed advisable by an Authorized Officer of the Board, not in conflict with the provisions hereof or of the Resolution.

(2) Such Authorized Officer shall set forth in the Series 2019 Loan Agreements the determinations or other actions taken pursuant to the authority granted herein or in the Resolution and any such Series 2019 Loan Agreements shall be conclusive evidence of the action or determination of such Authorized Officer as to the matters stated therein.

Section 2.04. Authority to Enter into Series 2019 Loan Agreements. Any Authorized Officer of the Board is hereby authorized to execute, and acknowledge and agree to, one or more Series 2019 Loan Agreements in the name and on behalf of the Board in substantially the form as presented at the meeting at which this Series 2019 Resolution is adopted, which form is hereby approved, with such changes, insertions and omissions as may be approved by such Authorized Officers, such execution and acknowledgement and agreement being conclusive evidence of such approval; provided that no Series 2019 Loan Agreement shall be entered into later than four years from the date of adoption of this Series 2019 Resolution

Section 2.05. Execution of Documents. Any Authorized Officer of the Board is hereby authorized to execute and deliver, in the name and on behalf of the Board, any and all documents and instruments, and to do and cause to be done any and all acts and things, such Authorized Officer deems necessary or advisable in connection with obtaining the Series 2019 Loans from the Department of Health and to carry out the transactions contemplated by this Series 2019 Resolution.

ARTICLE III

APPLICATION OF PROCEEDS

Section 3.01. Application of Proceeds. On the date each Series 2019 Loan is obtained, the proceeds of such Series 2019 Loan shall be applied in accordance with the written direction of any Authorized Officer given pursuant to Section 2.03(1)(j) of this Series 2019 Resolution.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Effectiveness. The Series 2019 Resolution shall become effective immediately upon its adoption.

ADOPTED:

BRYAN P. ANDAYA
Chair

Honolulu, Hawaii
July 22, 2019

WATER FOR LIFE

Safe, dependable, and affordable water now and into the future



Board of Water Supply
City and County of Honolulu

State Revolving Fund Program

July 22, 2019



What is SRF

- State Revolving Loan Fund
- A program funded by the EPA



What is SRF

- State Revolving Loan Fund
- A program funded by the EPA
- It is a “revolving” fund because once we pay the State back, they loan the money again
- Purpose: To fund investments in water and wastewater infrastructure for public health protection



Clean Water and Drinking Water

- Clean Water SRF (CWSRF) was created in 1987 under the Clean Water Act
- Drinking Water SRF (DWSRF) was created in 1996 under the Safe Drinking Water Act



BWS and SRF

- February 2004 – Resolution 741,2004 to establish an SRF fund
- 2005 – Loan for Waimanalo Well III for \$2,251,700 at an interest rate of 3.25%
- 2007 – Total of 9 SRF loans
- 2008 – Rates would not support additional SRF debt service



BWS and SRF

- 2012 – Developed a strong partnership with DOH
- 2016 – Developed a new programmatic financing program, ProFi:
 - Greater flexibility
 - Faster disbursement of Federal funds
- 2019 – over \$143 million in SRF loans to date



Projects of note

- Energy Saving Performance Contract – \$33 million
- Refinanced \$26 million in revenue bonds to an SRF loan, saving \$6 million in interest costs
- Ewa Shaft GAC Treatment Facility – \$13 million
- Honouliuli Recycled water treatment plant upgrade – \$8 million



ProFi Loans

- Under the ProFi program we received
 - \$5 million in FY17
 - \$8 million in FY19
 - Expect \$8 to \$15 million in FY20
- The current SRF loans are at
 - An annual interest rate 1/2%
 - An annual 1% loan fee



Additional Loans Test

- Demonstrate that we have adequate cash flow to pay back the loans
- Similar to the Net Revenue Requirement that we discussed last month
- Maximum Annual Debt Service, “MADS”
- BWS passes the test
- Our DSC ratio in 2028 will be 2.0

WATER FOR LIFE

Safe, dependable, and affordable water now and into the future



Board of Water Supply
City and County of Honolulu

SRF Resolution 900,2019

Recommend approval of Resolution No. 900,2019 authorizing the BWS to borrow \$50 million in SRF loans over the next 6 years.

WATER FOR LIFE

Safe, dependable, and affordable water now and into the future



Board of Water Supply
City and County of Honolulu

Questions or Comments