

SECOND AMENDED AND RESTATED AGREEMENT

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AN OVERVIEW



PURPOSES OF THE AMENDMENT

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- **Extend capital projects from 2020 to 2035**
- **Provide for financing new projects**
- **Update schedule of projects**
- **Update the agreement based on 10 years of experience**

BACKGROUND OF WRA

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- Regional wastewater conveyance and treatment started in early 1920s
- Regional cooperation expanded in the 1960s
- In 1974 IDNR mandated regional planning
- ICA (now WRA) created in 1979
- Current WRA created in 2004

CURRENT WRA

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- **Created in 2004 – First Amended and Restated Agreement**
- **14 members**
- **Separate entity**
- **Governed by WRA Management Agency Board**
- **WRA owns its sewers and treatment facility**
- **WRA finances projects – revenue debt**
- **3 members added since 2004**

CURRENT WRA

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- Operating contract until 2024– City of Des Moines
- Flow of each community measured
 - Flow used for cost allocation
- Operating and administrative costs –
 - Allocated by flow
 - ✦ Percentage of total flow
 - Two categories of allocation
 - ✦ WRA – all flow
 - ✦ WRF – flow connected to WRA system

CURRENT WRA

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- **Capital projects – funded by revenue bonds/notes**
- **Limit in agreement - \$475M in debt**
 - Limit of all debt ever issued
 - Not current debt
- **Debt service allocated by flow**
- **Three categories**
 - Core – to all members by flow
 - Expansion – to expansion communities by flow
 - Southwest Diversion – blend of core and expansion

CURRENT WRA

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- **Core projects**
 - Treatment facility (WRF)
 - Backbone conveyance system projects
- **Expansion projects**
 - Extend sewers to connect communities
 - Additional capacity for communities
- **Expansion communities**
 - Benefit from expansion projects
 - All new members
- **Core communities**
 - Communities not classified as expansion

SURCHARGE PAYMENTS

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- For communities not connected to WRF in 2004
- Payment for Projects
 - Pre 2004 – extra annual payment – “surcharge payments”
 - Post 2004 – pay current debt service
- New communities in the 2004 agreement
 - Ankeny
 - Bondurant
 - Norwalk
- New member agreements - joining since 2004
 - Cumming
 - Waukee
 - Polk City

SURCHARGE PAYMENTS

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- **New member 2004 agreement surcharge payments**
 - 20 years from 2004
 - Fixed annual amount
- **New member since 2004 surcharge payments**
 - 40 years from joining
 - Variable annual amount

A SUCCESS STORY

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- **Excellent example of regional cooperation**
- **Constructed \$410M in projects**
- **Connected to WRF since 2004**
 - Altoona
 - Ankeny
 - Bondurant
 - Norwalk
 - Polk City
 - Waukee
- **Efficient operation**
 - Operating cost increase – about 3% per year

ISSUES TO ADDRESS IN 2014

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- **Treatment plant improvements to meet regulatory/permit requirements**
- **Address high flows issues**
 - Very high flows in 2008 and 2010
 - 2004 plan did not address every flow issue
 - ✦ Treatment plant
 - ✦ Westside Interceptor
- **Integrate Rock Creek Interceptor**

HOW TO MOVE AHEAD

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- **WRA Governance Committee appointed**
 - Jim Sanders - Johnson
 - Rick Clark – Des Moines
 - Jody Smith – West Des Moines
 - Jolee Belzung - Ankeny
 - Don Sandor – Pleasant Hill
 - Paul Drey – USSD - UWHSD
 - Tom Hadden - Altoona
- **Committee to develop amended agreement**
- **Started work in mid-2013**
- **Proposed Second Amendment**
 - Goal: to be effective July 1, 2014

**SECOND AMENDED AND RESTATED
AGREEMENT**



CHANGES IN SECOND AMENDMENT

14

- **Capital projects (CIP)**
 - Extend projects from 2020 to 2035
 - Carry forward 2004 Agreement projects
 - ✦ They were scheduled for 2018 to 2022
 - ✦ 10 projects
 - ✦ \$103M (2013 dollars)
 - Add new projects
 - ✦ 18 new projects
 - ✦ \$267M (2013 dollars)
 - Update project schedule

CHANGES IN SECOND AMENDMENT

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- **Update the debt limit**
 - Replace the \$475M limit of all debt issued
 - New limit - \$675M outstanding debt
 - ✦ Current debt outstanding - \$370M
 - ✦ Fund new and carry forward projects
- **Why the change**
 - Finance new projects
 - New limit aligns with annual cost
 - As debt is retired the debt issued limit is out of step

CHANGES IN SECOND AMENDMENT

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- **New debt limit**
 - Similar to GO debt limit
- **New debt**
 - Must meet all underwriting requirements
 - Individual bonds/loans each require Board approval

CHANGES IN SECOND AMENDMENT

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- **Simplify project financing**
 - Carry forward projects unchanged
 - All new projects are core
 - Transition to regional model
- **Exceptions to regional model**
 - A few projects may not fit regional model
 - Two new models for the exception projects
 - Model 1 – Communities build and fund project
 - ✦ Project preapproved by WRA
 - ✦ Projects then conveyed to WRA
 - Example: Rock Creek Interceptor
 - Model 2 – Benefitted communities fund share of WRA project
 - ✦ Community payment based on direct benefit
 - Example: Eastside Interceptor

CHANGES IN SECOND AMENDMENT

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- **Surcharge payments for new members since 2004**
 - Convert all to 20 year fixed payment
 - ✦ Affects: Cumming, Waukee, Polk City
 - ✦ Higher payment rates
 - Provides for prepayment
 - ✦ Some may issue bonds to pay off
 - Supported by all three communities

CHANGES IN SECOND AMENDMENT

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- **Other provisions**
 - Creates Executive Committee
 - Updates how WRA Director is selected
 - Broadens language for WRA activity
 - ✦ Sponsored projects in conformance with Iowa Code
 - ✦ Contract for services to non-members