

**City of Starke**  
**Invitation to Bid – Interim Financing**

**Responses to Requests**  
**for Additional Information**

**Tax Exempt Status**

*Request: Is the financing requested eligible for tax-exempt status?*

Response: YES. IT IS ELIGIBLE FOR EXEMPT STATUS.

*Request: Does the City expect to seek tax exempt financing in this transaction?*

Response: YES. THE DEBT IS NOT EXPECTED TO BE “BANK-ELIGIBLE” FOR PURPOSES OF THE INTERNAL REVENUE CODE.

**Loan/Line of Credit**

*Request: Is the City seeking bids for a term loan, a line of credit, or both?*

Response: THE CITY IS SEEKING BIDS FOR A TERM LOAN.

*Request: If the City is seeking bids on lines-of-credit as a financing option, does the City prefer a revolving line of credit or a straight line of credit?*

Response: THE CITY IS NOT SEEKING LINES OF CREDIT AS A FINANCING OPTION.

*Request: Will the City take full loan disbursement at loan closing, or does the City desire a draw-down loan facility?*

Response: THE CITY WOULD LIKE RESPONSES ON BOTH FULL LOAN DISBURSEMENT AND DRAW-DOWN.

*Request: What is the expected draw activity? Particularly, what is the anticipated highest draw and the anticipated average monthly draw.*

Response: USING THE USDA TOTAL PROJECT COST AFTER BID OF \$27,171,003 (SEE TABLE BELOW), AND A 24-MONTH CONSTRUCTION PERIOD, THE AVERAGE MONTHLY

DRAW WOULD BE \$1,132,125. YOU MAY WANT TO ASSUME THE FIRST FEW MONTHLY DRAW REQUESTS COULD BE 25% MORE THAN THE MONTHLY AVERAGE. IN ADDITION, THE CITY MAY CHOOSE TO PROMPTLY REIMBURSE THEIR UTILITY ENTERPRISE FUND FOR PRIOR SOFT COST (ENGINEERING, LEGAL, ETC.). UNDERSTAND, THE USDA LOAN ELEMENT TOTALS \$10,676,000 AND WILL BE SUPPORTED BY INTERIM FUNDING. INTERIM FUNDING IS NOT REQUIRED BY USDA AFTER ALL LOAN FUNDS ARE EXPENDED. LOAN FUNDS ARE APPLIED FIRST. USING THE RATIO OF 24 MONTHS TOTAL PROJECT TIME TO DRAW DOWN A \$27,171,003 TOTAL PROJECT COST, COMPARES TO A TOTAL LOAN DRAWDOWN OF \$10,676,000 OVER 9.4 MONTHS.

September 7, 2022

Item 1

Updated Project Budget Based on Construction Bid

Project Budget Based on June 1, 2021 USDA LOC Letter			
Breakdown of Project Budget		% of Development	Notes:
Development	\$ 16,645,000		Based on Woodard & Curran January 9, 2021 Cost Estimate at 10% design
Contingency	\$ 1,665,900	10.01%	Based on Woodard & Curran January 9, 2021 Cost Estimate at 10% design
Engineering Fees	\$ 1,780,300	10.70%	
Interest - Interim	\$ 125,000	0.75%	
Fiscal Agent	\$ 25,000	0.15%	
Legal Fees	\$ 67,800	0.41%	
<b>Total</b>	<b>\$ 20,309,000</b>		

Updated Project Budget Based on Construction Qualified Low Bidder ( PWC Joint Ventures, LLC August 25, 2022 Bid)			
Breakdown of Project Budget		% of Development	Notes:
Development	\$ 23,361,150.00		PWC Joint Ventures, LLC bid price for base bid + alternate for Grit Removal system.
Contingency	\$ 1,168,058	5.00%	5% included, as project has been bid
Engineering Fees	\$ 2,336,115	10.00%	10% Engineering
Interest - Interim	\$ 175,437	0.75%	
Fiscal Agent	\$ 35,087	0.15%	
Legal Fees	\$ 95,157	0.41%	
<b>Total</b>	<b>\$ 27,171,003</b>		

For each item, the % of Development applied in the June 1, 2021 LOC letter from USDA is applied to the bid results, with the exception of contingency and engineering. Since the project is fully designed and bid, a 5% contingency is applied. An engineering fee of 10% is applied.

### USDA Table of Cost

*Request: Is this transaction structured such that the interim-lender provides construction funding, and upon completion of construction, USDA “takes out” the interim-financing lender with permanent financing?*

Response: YES. THE TRANSACTION IS STRUCTURED SUCH THAT THE INTERIM-LENDER PROVIDES CONSTRUCTION FUNDING, AND UPON COMPLETION OF CONSTRUCTION, USDA “TAKES OUT” THE INTERIM-FINANCING LENDER WITH PERMANENT FINANCING.

*Request: Will USDA approve all contractor requests for construction draws through the course of construction?*

Response: YES, USDA WILL BE INVOLVED IN APPROVING ALL PAY REQUESTS TO INCLUDE REIMBURSEMENT FOR CONSTRUCTION DRAWS, ENGINEERING FEES, ATTORNEY FEES, ETC.

## **Loan Repayment**

*Request: Is the City looking for interest-only payments during the term of the loan? If not, what is the desired amortization for purposes of calculating payments?*

Response: THE CITY IS LOOKING FOR INTEREST ONLY PAYMENTS DURING THE TERM OF THE LOAN.

*Request: What is the desired payment structure for repayment of the loan, i.e., interest only payments, payment of the full loan balance upon maturity, annual payments, or semi-annual payments?*

Response: THE CITY DESIRES SEMI-ANNUAL INTEREST ONLY, PRINCIPAL PAYABLE AT MATURITY.

*Request: What is the latest anticipated maturity date in the event an extension is needed?*

Response: THE WWTP CONTRACT IS SLATED TO HAVE A TOTAL DURATION OF 24 MONTHS FROM THE NOTICE TO PROCEED. UNDERSTAND, THE USDA LOAN ELEMENT TOTALS \$10,676,000 AND WILL BE SUPPORTED BY INTERIM FUNDING. INTERIM FUNDING IS NOT REQUIRED BY USDA AFTER ALL LOAN FUNDS ARE EXPENDED, I.E., LOAN FUNDS ARE APPLIED FIRST. USING THE RATIO OF 24 MONTHS TOTAL PROJECT TIME TO DRAW DOWN A \$27,171,003 TOTAL PROJECT COST, COMPARED TO A TOTAL LOAN DRAWDOWN OF \$10,676,000 OVER 9.4 MONTHS. BEST GUESS, EXPECT ALL INTERIM FUNDING WILL BE EXPENDED AROUND 10 MONTHS AFTER THE NOTICE TO PROCEED IS ISSUED.

*Request: What is the secondary source of repayment of the funds borrowed for interim financing?*

Response: SEWER SYSTEM NET REVENUES.

## **Collateralization/Security**

*Request: How will the loan be collateralized?*

Response: SECURED BY THE USDA TAKEOUT LETTER. IF FOR ANY REASON SAID PAYOUT IS INSUFFICIENT, BY A FIRST LIEN ON SEWER REVENUES.

*Request: Will the USDA issue a take-out commitment letter?*

Response: YES

*Request: Will the USDA loan be the sole pledged revenue source to collateralize the anticipated interim loan facility?*

Response: NO – THERE WILL BE A BACKUP PLEDGE OF THE CITY’S SEWER NET REVENUES.

*Request: If the USDA loan is not the sole pledged revenue source to collateralize the anticipated interim loan facility, what would be the normal revenue stream pledged?*

Response: SEWER NET REVENUES.

*Request: Will the obligation to repay moneys borrowed in support of this waste water treatment plant construction project be a general obligation of the City?*

Response: NO.

## **Financial Statements**

*Request: Please provide the City’s financial audit for fiscal year 2020/2021.*

Response: SEE THE CITY OF STARKE’S DRAFT FY 2021 AUDIT ON THE CITY OF STARKE WEBSITE.

*Request: Please provide the City’s financial audit for fiscal year 2021/2022.*

Response: NOT AVAILABLE.

*Request: Please provide the City’s unaudited financial statements for fiscal year 2021/2022.*

Response: NOT AVAILABLE.

*Request: Please provide a Sources and Uses Statement for the City.*

Response: SEE THE CITY OF STARKE’S DRAFT FY 2021 AUDIT ON THE CITY OF STARKE WEBSITE.

## **Requests for Additional Non-Financial Documentation**

*Request: Please provide any executed grant agreements, notices of award, or other pertinent documents outlining deliverables and the scope of the project.*

Response: SCOPE OF WORK INCLUDES THE CONSTRUCTION OF A NEW 1.25 MGD 5-STAGE OXIDATION DITCH PROCESS WITH EFFLUENT DISCHARGE TO ALLIGATOR CREEK AND CONTINUED USE OF THE EXISTING RESTRICTED PUBLIC ACCESS SPRAYFIELD. BASIC DISINFECTION WOULD BE ACHIEVED USING ULTRAVIOLET DISINFECTION.

BIOSOLIDS HANDLING WOULD CONSIST OF AEROBIC DIGESTION FOLLOWED BY DEWATERING BOXES AND DISPOSAL IN THE TRAIL RIDGE LAND FILL.

*Request: Please provide any correspondence with the USDA showing USDA's commitment to the City's waste water treatment plant construction project.*

Response: SEE USDA LETTER OF COMMITMENT UPLOADED TO CITY OF STARKE WEBSITE.

*Request: Please provide a copy of the USDA letter of conditions.*

Response: SEE ATTACHED USDA LETTER OF CONDITIONS UPLOADED TO THE CITY OF STARKE WEBSITE.

## **Other Matters**

*Request: In addition to bids being delivered to the City's physical address as provided in the Invitation to Bid, does the City also require an electronic copy delivered via email or other means by November 18<sup>th</sup>?*

Response: THE CITY WILL NOT REQUIRE AN ELECTRONIC COPY BE DELIVERED VIA EMAIL OR OTHER MEANS FOR THE INVITATION TO BID FOR INTERIM FINANCING.

*Request: Why is the requested loan amount for interim financing in the Invitation to Bid the same amount as the funds to be borrowed from USDA?*

Response: MATCHES USDA'S REQUIREMENT.

*Request: When will grant funds be disbursed by USDA?*

Response: GRANT FUNDS WILL BEGIN TO BE DISBURSED WHEN ALL LOAN PROCEEDS HAVE BEEN EXTINGUISHED.

*Request: What conditions must be met by the City (and/or others), if any, before grant funds will be disbursed by USDA?*

Response: ALL LOAN PROCEEDS HAVE TO BE EXTINGUISHED/USED FIRST BEFORE GRANT FUNDS CAN BE UTILIZED.

*Request: Please elaborate on the impact this project will have on the City and the greater-Starke community and the factors driving this project?*

Response: THE CITY IS UNDER A DEP CONSENT ORDER FOR EFFLUENT VIOLATIONS AND THE NEED TO MEET NEW DEP STANDARDS. THE IMPACT ON THE CITY IS BETTER

EFFICIENCY AND MODERNIZATION OF THE EXISTING WASTEWATER TREATMENT  
PLANT AND ALSO TO SATISFY THE CONSENT ORDER FROM DEP.

*Request: Is this waste water treatment plant project being driven by anticipated population growth in the City?*

Response: NO.

*Request: When completed, will this waste water treatment plant project increase the City's revenues?*

Response: NO.

*Request: Please provide the City's bond rating if the City has one.*

Response: N/A.

*Request: Will USDA sign-off on the City's draw requests from the interim-lender?*

Response: YES.

*Request: Who is City bond counsel on the transaction?*

Response: NABORS, GIBLIN & NICKERSON, P.A.