



TO: Mayor Shaun Sipma
Members of the City
Council

FROM: David Lakefield, Finance Director

DATE: June 18, 2019

SUBJECT: PAYOFF OF GARRISON DIVERSION DEBT

I. RECOMMENDED ACTION

1. With the abandonment of the Sundre pipeline, the city has been given the option to pay in full the US Bureau of Reclamation loan (Garrison Diversion). Recommend approval of the budget amendment ordinance using water and sewer cash reserves to pay in full the United States Bureau of Reclamation loan in the amount of \$878,930.00.

II. DEPARTMENT CONTACT PERSONS

David Lakefield, Finance Director 857-4784

III. DESCRIPTION

A. Background

The City entered into an agreement with the Bureau of Reclamation in the early seventies for the construction of the Minot Pipeline. This was the first phase of a project which was to eventually provide water for the City from Garrison Diversion Unit facilities. The Bureau of Reclamation financed the project for the City. The original loan was for \$3,781,560.51 over 50 years at an annual interest rate of 3.5 percent. The City is currently making semi-annual principal/interest payments with the final payment scheduled for July 1, 2027.

IV. IMPACT:

A. Strategic Impact:

B. Service/Delivery Impact:

C. Fiscal Impact:

Paying this loan off early will save approximately \$130,000 in interest. The water/sewer fund has adequate reserves to cover this cost.

V. ALTERNATIVES

City Council can choose to continue with semi-annual installments to the Bureau of Reclamation, with a tentative payoff date of July 1, 2027. The Bureau has requested a new Contract Administration Memorandum be signed if this is the route the Council chooses.

VI. TIME CONSTRAINTS

The earliest possible payoff date will result in the most savings of interest.