

City Council Workshop

Agenda Item #3

June 23, 2014

Bond for Thornton Heights Work –
November

The City Council is being asked to consider sending a bond referendum to the voters in November to utilize the Clean Water State Revolving Loan Fund (SRF) program to finance a portion of Thornton Heights and Pleasantdale projects.

The areas of Thornton Heights and Pleasantdale have had long histories of flooding because of inadequate sewers and no storm drains in the areas. The high flows generated from these areas have contributed significant flows to combined sewer overflows at three of the most active CSO's in the City; Cash Corner, Broadway/Evans, and Elm Street. Separation of these areas are critical components identified in the City's CSO Facilities Plan to significantly reduce the overflow events from the three CSO locations.

In reviewing available resources to fund these projects, it was determined that long term financing should be utilized to finance a portion of this multi-year project. There are various phases of these projects. Phase 1 includes work in the Sunset area, which is currently underway as approved in the 2015 CIP and paid for with available resources. Phase 2 work in the Main Street area includes stormwater and sewer work as well as streetscape work on Main Street. The City has been successful in obtaining a \$934,998 PACTS grant as previously discussed and approved at the June 16, 2014 Council meeting to pay for a portion of the street improvements and a large contribution from the TIF funds is anticipated to pay a portion of the project. At present the estimated total project costs of all phases totals in excess of \$12 million.

It is essential to seek voter approval for the balance of the Phase 2 project costs (\$2,240,000) and similar Phase 3 costs (\$840,000) and Phase 4 project costs (\$720,000). In total we are recommending the City request voter approval for \$3,500,000 at this time.

The Maine Department of Environmental Protection (MDEP), through the Maine Municipal Bond Bank, administers the Clean Water State Revolving Loan Fund (SRF). Under the program's design, the SRF program provides communities with low interest and partially forgiven loans. The City has submitted an application to MDEP and has received preliminary notice that the Thornton Heights and Pleasantdale projects are eligible to receive funding by the DEP in the form of a 20-year low interest loan for \$3,500,000 with \$100,000 of principal forgiveness. The interest rate on the loan and associated fees result in a net interest rate which is 2% below market. At present that rate would be below 1.5%

The loan is anticipated to be for both sewer (\$1,250,000) and storm water costs (\$2,250,000). Debt service relating to sewer cost would be paid through the Sewer Enterprise fund and would have minimal (<\$40,000) impact on the sewer rate. At present the Sewer Fund is carrying very little debt (approximately \$420,000) and this added debt would not be detrimental. All stormwater debt service costs will be paid for using TIF funds in the early years (through 2024). Upon expiration of the TIF districts (post 2024), these

costs would be shifted over to be funded by the General Fund. Upon expiration of the TIF districts, the related tax revenue would also shift and would not result in a negative impact to the tax rate.

The City is very fortunate to be able to finance a large portion of these projects with TIF and grant funding. Bonding for these projects will represent less than 30% of project costs, with minimal impact to the sewer rate and no net impact to the tax rate.

Greg L'Heureux and Pat Cloutier will provide a short PowerPoint presentation at the workshop.


City Manager