
Memo

DATE: August 18, 2020

TO: Williston Selectboard

FROM: Erik Wells, Town Manager

RE: BOND VOTE CONSIDERATION – LAMPLIGHT WATER LINE PROJECT

A major waterline replacement project in the Lamplight Acres Neighborhood in the capital improvement plan is currently in the preliminary design phase. The Town was informed that this project is on the priority list for the drinking water state revolving fund (DWSRF), a funding mechanism for a loan. The current estimate for the project is approximately \$2 million, inclusive of street paving at the project's completion.

The DWSRF has a number of criteria to meet for project eligibility to apply. Funded projects are also eligible for a subsidy for principal loan forgiveness. The formula for the subsidy changes each fiscal year, and the subsidy is distributed on a first come, first served basis. The current subsidy formula is 75% of up to the first \$1 million and 25% for any amount over the first million. The subsidy was set at this threshold in order to incentivize construction in the current economic climate, and utilized uncommitted subsidy allocations from prior years. In total \$13 million of uncommitted subsidy is available for projects this fiscal year. This funding formula and the amount available is greater than in other years.

Using this subsidy formula, the Town could receive up to \$1 million in funds for the project if the Town's application was accepted and enough funding remained in the subsidy pool at time of award.

This issue is being brought to the Selectboard now because one of the requirements to apply for a loan and secure an additional subsidy is bonding authority for the project. To meet this requirement a bond vote is required before May 1, 2021. The risk with the DWSRF subsidy is that there are some larger projects competing for the funds, so if a bond vote took place at Town Meeting in March 2021 then the subsidy could all be committed by then. A bond vote could take place earlier, although there is no guarantee the subsidy will be available in the full amount. Nonetheless, the chances of obtaining a larger subsidy increase by holding a bond vote sooner.

I'd like to offer some other points for background on this issue:

- If bonding authority is granted the Town isn't obligated to then pursue the DWSRF funding if we find the subsidy amount isn't as high as anticipated based on what is left in the fiscal year pool. This is a possible opportunity to achieve project savings, with the bond vote being a prerequisite. We can move forward with executing a bond at a later date if authority is granted. The project is on the priority list, which makes it eligible to receive a loan from the DWSRF. The

priority list ranks project applications and unlocks the DWSRF funds for a loan. The Town can wait, but should be aware of its position on the list over time as it can get bypassed by other projects ready to go and could fall out of the priority list.

- Interest rates (administrative fees) on DWSRF financed projects are set by the State and typically range from zero to three percent. The DWSRF Program has recommended that the administrative fee be set at two percent for projects. For reference, the administrative fee is normally set at three percent for Williston.
- It was originally anticipated this bond vote would be looked at for Town Meeting 2021 or 2022.
- Aldrich and Elliot who are designing the project advise the plans would be ready for 2021 construction. As a component of this project a loan application to the DWSRF is before the Selectboard for consideration for final design work on the project for \$87,500. If a construction loan is also obtained the two loans would be consolidated in the future.
- The debt service on the project would not be due until one year after completion, and the administrative fee would not apply during that time.
- Debt service would be paid out of the water fund primarily. The Town could explore using the general fund for a portion of the costs if applicable, for example paving.
- The debt service cost will be passed onto water system users in the form of a rate increase effective in a future year. The opportunity of reducing that rate increase tied to the debt service is a reason to pursue a greater subsidy award. In FY 23 the debt service on the land off Mountain View Road purchased for the water tank will be paid off, which had an annual payment of \$40,000. Replacing this debt service with new debt from the Lamplight project serves as a partial offset.

Voting Mechanics and Logistics for Consideration

I consulted Town Clerk Sarah Mason, the Secretary of State's Office and Town Attorney Bob Fletcher and there are some logistical components to sort out determining a local November election, especially this year. The Board has the following options to consider:

- 1) The State will be mailing ballots to all registered voters in Vermont for the November 3rd election. Local ballot items can be included on this main ballot. The deadline for submission is soon – Monday, August 24th. Should the Board want to pursue this option legal counsel has advised the Board can call a special meeting

before this deadline to authorize the required resolution and legal documents. The Town Attorney can prepare these documents in the time period needed if this option is pursued.

2) The Town can print its own ballots for a Special Election on November 3rd and decide whether to mail that separate ballot out to all registered voters under the authority granted by the Secretary of State's COVID directive. The Selectboard would need to decide by September 15th to meet legal requirements and allow enough time for printing and mailing. The special meeting must be warned 30-40 days prior in any circumstance. The cost for printing and mailing is estimated at \$5,000.

3) A Special Election can be held another day in November/December and would follow the same parameters as outlined in option 2.

4) Hold the bond vote at Town Meeting 2021 next March.

Staff seeks guidance from the Board on what approach to take if it would like to move forward with a vote on this bond item.