

MEMO

TO: Selectboard
FROM: Richard McGuire, Town Manager
RE: Water Tank Replacement/Expansion
DATE: May 26, 2016

Background:

The water tank located on Tower Lane is owned by the Champlain Water District and is too small for current and future town needs. Given the size and elevation of the current tank, it is not possible to increase the size of the tank. In 2012, the town voted in favor of a bond to cover the expense of purchase a site for a new tank with sufficient elevation to eliminate the need for a tower type tank. The land was subsequently purchased and is located near the corner of Mountain View Road and Old Stage Road.

Proposal:

Recently, the Water District expressed an interest in moving the schedule up somewhat to eliminate a large investment they will need to make in maintaining the existing tank. In exchange, the District will help pay for a significant portion of the new tank.

The proposal is for the new tank to be owned by the Water District and once constructed they will be responsible for its maintenance. The District has agreed to oversee the design, permitting, bidding and construction of the water tank and related improvements. To receive approval for the financing they will be required to hold a district-wide bond vote which is planned for this coming November, 2016.

Financing:

Since the District will own the new tank, the Town cannot borrow to pay its portion of the cost. The project will therefore be financed by the Water District. The original plan was to coordinate construction of the new tank with the needs of the Water District and at the same time attempt to finance the new tank after the loan for the land purchase had been paid off. The loan for the land purchase resulted in an annual expense of about \$44,000 with the last payment due in fiscal year 2023. With the advanced scheduled, there will likely be double payments by the town for two to three years.

A rough calculation of the annual cost to the Town for the new tank is about \$70,000 per year. This assumes a twenty-year term and borrowing through the state revolving loan fund. Interest is assumed at 2%. The District is hoping to use the State's Revolving Loan fund to finance their loan which provides the 2% interest rate and a two-year delay in paying interest and principal on the loan. The two-year delay will mean that the first payments to the District will need to be made in fiscal year 2020. This means there may be an overlap of three years. In order to plan for the double payments for both the land and the tank, some of the water department's capital reserves will need to be used to avoid an expenditure and rate spike. A detailed outline of the actual project costs is included.

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Project Schedule:

Assuming the vote in November is successful, the final design and permitting phase is expected to be completed by December 2016 as work on both is already underway. Bids for construction will be advertised in early 2017 with construction starting in June 2017 and being completed by December 2017.

Next Step:

In advance of the bond vote, the town will be required to enter into an Inter-local Agreement and a License Agreement for use of Town water department land. The Water District will be voting on the proposal at its June 14th meeting. The Selectboard will be asked to vote on the measure on June 21.