

BMUC Bay Restoration Fund (BRF) Grant Recommendation – Post Hold Summary Memorandum

The BMUC had previously approved a recommendation to use the \$ 2 M State of Maryland BRF Grant to pay off the State of Maryland Department of Environment (MDE) Loan in its entirety and use the remainder to pay the Maryland Community Development Administration (CDA) Bond principal payments until the funds are exhausted. That recommendation was developed after careful consideration of conditions of the grant and the determined best fit use of those funds to address the BMUC Sewer Rate and Stabilization implementing goals of:

1. Permanently reduce the Sewer Fund debt level to a sustainable and industry recommended healthy ratio of the overall budget.
2. Reduce the Sewer Fund annual debt payments permanently if possible or temporarily if not whenever possible.
3. Reduce dependence on the General Fund/General Fund Reserve and move towards a self-funded enterprise fund consistent with industry recommendations.

That recommendation was placed on hold to allow others to explore any changed circumstances events that would warrant a re-evaluation of the recommendation and the associated basis. The next MDE payment opportunity is February 2018 and there have been no changed circumstances presented to the BMUC therefore, the BMUC discussed removing the recommendation hold and moving the recommendation forward for review and action as decided.

At this point, with no changed circumstances, there are no additional viable options to evaluate. The BMUC decided NOT to evaluate any speculative non-viable options as part of this recommendation.

The specific recommendation, as detailed in the original recommendation memorandum for using the BRF Grant funds, was to pay off the MDE Loan in its entirety during the next payment opportunity and use the remaining funds to pay the CDA Bond principal payments as they come due until the remaining funds are exhausted. *The original recommendation has been updated to reflect current loan amounts

Note: The additional information contained in the original recommendation memorandum on the future years' budget evaluations have changed due to the evolving Fiscal Year 2019 Budget Process and the new information will be presented and discussed as part of the upcoming budget process.



TOWN OF BOONSBORO

21 NORTH MAIN STREET ♦ BOONSBORO, MARYLAND 21713

WWW.TOWN.BOONSBORO.MD.US ♦ 301-432-5141

MEMORANDUM

To: Mayor Long and Town Council Members

From: Megan Clark, Town Manager

Date: January 31, 2018

Subject: BMUC Recommendation - \$2mil BRF Grant

At the January 11th Regular Meeting of the Boonsboro Municipal Utilities Commission, **the Commission unanimously recommended to the Mayor and Council to use the \$2mil BRF grant award to pay off the existing MDE WWTP loan and use the remainder to fund annual payments of the WWTP CDA bond until exhausted.**

Below please find information relative to the recommendation:

1. The BMUC is implementing the Water and Sewer Budget Plans prepared in accordance with the Charter requirements and that were approved by the Mayor and Council.
2. Oversight involves monitoring actual and revised estimated revenue and expenditure projections of both Budget Plans under real-time conditions to ensure a net zero or surplus end of year close-out.
3. A four-year effort to secure forgiveness of the MDE \$ 2,000,000.00 Loan under the Boonsboro Wastewater Treatment Hardship Request came to fruition. The incorporation of the \$ 2,000,000.00 BRF Grant into the Sewer Budget Plan involved evaluation of all available options including payment of the MDE Loan and CDA Bond payments until the grant funds were exhausted. However, this option results in delaying and not addressing the high debt ratio of the total Sewer System's cost. Therefore, this option was eliminated from further consideration. This resulted in the following assessment and selected recommendation:
 - a. The BRF Grant was secured under the request to forgive the MDE Loan.
 - b. The Grant funds can only be used for payment of costs associated with the construction of the Waste Water Treatment Plant (WWTP).
 - c. There are 2 financial vehicles the Town secured that are associated with covering the cost of constructing the WWTP.
 - i. MDE Loan – current balance as of February 1st: \$1,435,316.05*
 - ii. CDA Bond – current balance \$ 5,537,669.90.
 - d. The CDA Bond cannot be paid off early nor advance payments made for 9 years.
 - e. The BMUC is recommending paying off the balance of the MDE Loan.
 - f. The BMUC is recommending using the remaining funds of \$ 564,683.95* to make the CDA Bond Principal payments until exhausted as follows:

- i. 04/1/18 - \$ 103,169.90*
 - ii. 04/1/19 - \$ 123,500.00*
 - iii. 04/1/20 - \$ 126,500.00*
 - iv. 04/1/21 - \$ 129,500.00*
 - v. 04/1/22 - \$ 82,014.05* (partial)
- g. Executing this recommendation will result in an estimated small revenue surplus for the FY 2018 end of year close-out under the approved sewer rates WITHOUT any General Fund Reserve subsidy.
- h. The estimated impacts on the out years are as follows:
- i. A small revenue short-fall for FY 2019 which, will be covered by the small FY 2018 surplus, WITHOUT any General Fund Reserve subsidy
 - ii. A 10%* revenue short-fall for FY 2020 WITHOUT any General Fund Reserve subsidy

Note: Options are being evaluated to minimize the 2020 estimated revenue short-fall.