



# TOWN OF BOONSBORO

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## MEMORANDUM

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**To:** Mayor Long and Town Council Members

**From:** Megan Clark, Town Manager

**Date:** October 26, 2017

**Subject:** BMUC Recommendation - \$2mil BRF Grant

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At the October 24<sup>th</sup> 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 \$ 1,533,672.57.
    - 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 \$ 466,327.43 to make the CDA Bond payments until exhausted as follows:

- i. 10/1/17 - \$ 62,082.08 (full)
  - ii. 04/1/18 - \$ 196,784.69 (full)
  - iii. 10/1/18 - \$ 92,557.30 (full)
  - iv. 04/1/19 - \$ 114,903.36 (partial on \$ 216,057.30 payment)
- 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 14% 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.