

Boonsboro's Wastewater Treatment Plant (WWTP)

Debt Timeline

The following information was compiled and documented as part of the Boonsboro Municipal Utilities Commission's (BMUC) challenge to develop a fiscally responsible and workable plan to address the debt incurred by the construction of Wastewater Treatment Plant (WWTP).

This information details the events leading up to, during and following the construction of the \$11.61 million plant along Monroe Road and the actions that have been considered and taken to address the debt associated with its construction.

1. In 2004, the State of Maryland Department of Environment mandated that the Town of Boonsboro install an advanced waste water treatment plant in order to comply with stricter discharge regulations.
2. In 2006, the Town entered into Annexation Agreements with developers (public documents):
 - a. King Road Associates (approx. 388 acres)
 - b. TT&K, LLC (approx. 213 acres)
 - c. Easterday Land Development, LLC (approx. 96 acres)
 - d. Ringley, LLC and 8486 Dean, LLC (approx. 36 acres)
 - e. Flook (approx. 41 acres)
 - f. Lakin (approx. 70 acres)
 - g. Shepherd (approx. 5 acres)
3. In 2008, BMUC authorized allocation of 1,400 sewer taps by the Town of Boonsboro. (Town did not address water taps.)
4. Also in 2008, Federal and State agencies authorized the Town to partially fund the construction of the new WWTP conditioned on pre-purchase of sewer taps (\$11,000 each) by some of the developers.
5. In 2009, Annexation Agreements were amended to include the pre-purchase of sewer taps by several developers:
 - a. King Road Associates (656 sewer taps allocated) – pre-purchase of 102 taps agreed on.
 - b. TT&K, LLC (360 sewer taps allocated) – pre-purchase of 56 agreed on.
 - c. Easterday Land Development (113 sewer taps allocated) – pre-purchase of 40 taps agreed on.
 - d. Ringley, LLC and 8486 Dean, LLC (36 sewer taps allocated) – pre-purchase of 18 agreed on.
 - e. A total of 216 sewer taps were to be pre-purchased, which covered the first five years of the debt owed for the WWTP. More than 1,000 sewer taps remained to be purchased by the annexed property owners for use in developing their properties beyond the first five years.
 - f. King Road Associates and Ringley/Dean LLCs completed payment agreements paying more than \$1.3 million. TT&K and Easterday did not complete paying for all of the pre-purchase sewer taps designated (above) in their Amended Annexation Agreements.
6. The anticipated development of the annexed lands did not materialize during the country-wide economic downturn. As a result, no additional sewer taps were required by the landowners and no more tap fees were collected for some period of time. The only way the Town could keep up with the WWTP debt payments was to use funds from the Town's General Fund to meet the debt obligations.

7. Town established Debt Task Force in 2013 to recommend a plan to relieve General Fund of paying sewer debt obligation. (Representatives from the Utilities and Planning Commissions and Town Council serve on the Task Force.)
8. Town adopted a WWTP debt fee of \$22.50 per EDU per quarter to cover one-quarter (25 per cent) of the annual debt payments (January 2014).
 - a. Town rescinded debt fee in July 2014 with approval of Tiered Utility Rate structure that included the debt fee as part of usage charge.
9. Town prepared a Debt Payment Plan that involved two components:
 - a. **Tiered Utility Rate Structure**, including a 20-year schedule that phased-in coverage of debt payments over a longer period to prevent having to assess a large rate increase that could have been a hardship for many residents – COMBINED WITH
 - b. **General Fund Reserve subsidies** until the rate schedule covered all debt payments. (Reserve funds are those unused funds that remain after the end of a fiscal year. The fund is primarily used as a "rainy day" fund to cover unforeseen expenses.)
10. The Debt Payment Plan was only partially implemented:
 - a. Every step of the 20-year schedule was not implemented as originally planned and, as a result, the current rates do not cover the debt payments.
 - b. The General Fund Reserve was not used to subsidize the debt, as originally planned, but instead, loaned funds to the Sewer Fund. As a result the Sewer Fund still has to pay down the debt.
11. The results of the actions of numbers Nos. 5 and 10 have actually increased the BMUC debt position by \$1.7 million while simultaneously reducing it by only about \$900,000 for a net debt increase of about \$800,000.
12. The recent audit highlights the reality that the General Fund Reserve or General Fund cannot continue to sustainably support the sewer debt and the only sustainable option is through a combination of continued cost controls and rate adjustments. Rate adjustments should be set years in advance consistent with the approach used for the proposed 20-year schedule.
13. The Town of Boonsboro recently received a Bay Restoration Fund (BRF) Grant from the State of Maryland for \$ 2 million. The grant was designated for use by the Town of Boonsboro to pay debt principal for costs associated with the construction and upgrade of the Wastewater Treatment Plant (WWTP). The Grant will be used to pay down debt. **This eliminates the need for the General Fund to continue to subsidize the Sewer Fund debt for approximately five years and reduces the need for larger rate increases.**
14. The approved October 1, 2017 rate increase combined with the recent \$2 million Bay Restoration Fund Grant will likely allow for coverage of the sewer debt payments for Fiscal Year 2018, but there will be an seven percent or more shortfall in the Sewer Budget beginning in FY 2019 and beyond without additional actions.
15. This information along with other budget analysis and considerations, including coordination with the Mayor and Council, Town Manager, Town Engineer, Utilities Superintendent, and Public Works Supervisor, is being used to identify and continually evaluate options to address the WWTP debt.

This information along with other pertinent information of the Boonsboro Municipal Utilities Commission (BMUC) can be found in the meeting minutes of the Commission. If you have any questions or need additional information, please contact Town Hall at 301-432-5141 or attend a BMUC meeting, held the second Thursday of each month at 7 p.m. in the Town Hall Annex.