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TOWN OF NEW WINDSOR

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Special Work Session Minutes

October 27, 2021

Call to Order of Special Work Session in person and via Zoom: Vice-President Kimberlee Schultz called the meeting to order at 7:00 p.m.

Present in person: Vice-President of Council – Kimberlee Schultz, Councilmembers – Sharon Gribbin-Lindemon, William Holl, and David Hoffman. Also present, Town Manager Dye, Town Clerk Alban and 5 in person attendees.

Present via ZOOM: 12 attendees.

Priority Water & Sewer Projects –

Continued Discussion of MD 31 Water Main Improvement Project and Blue Ridge Pump Station Upgrade Specifically

Continued discussion of how to specifically pay for and fund these 2-priority projects. As previously reported, we have a healthy Enterprise Fund of Developer Fees & Capital Budget 3 R's Reserve herein after referred to as the Enterprise Side or ES.

Blue Ridge PS Upgrade is estimated to cost \$500,000 including CMI.

Recommend not taking a loan and increasing our debt further. Loan debt has a direct impact to base rates. Recommend using either ARPA money or ES money.

ARPA money totals \$1,377,392, half, \$688,696, was distributed 7/15/21 and the second half will be on or about 7/15/2022.

Need a decision. Is Council in agreement? Need a motion & vote. No decision, Town Council wants more information. Each member will email Town Manager Dye what additional information needed for continued discussion.

The MD 31 Water Main Improvement Project is estimated at \$4,066,000.

We have ARPA money and ES money. Need to maintain at least \$1,500,000 reserve in the ES! Some amount of a loan will more than likely be needed. You have the spreadsheet Mike put together with 6 various funding sources. A copy of that spreadsheet is in the new Document & Tools folder and was provided at the last WS meeting.

Using a combination of funding sources is a good, viable option. For example: Use some or all of the ARPA money, use some ES money and take remainder as a loan. Of course, any grants or 'extra' money allocated by Carroll County or State would be greatly beneficial and lower the cost to the Town.

Mike & Town Manager Dye had a phone conference 10/20 with Charlie Day & Darrel Connelly with MD Dept. of Housing & Community Development. They offer the Local Government Infrastructure Finance Program (LGIF). Advantages with LGIF: NW would definitely qualify, less cumbersome application and paperwork. Disadvantages: little higher interest rates, 30-year term max, loan only, no grant options. LGIF does 1 or 2 pooled issuances each year. The current Fall pooled issuance will be finalized in next few weeks and includes 6 municipalities borrowing

\$33 million. The 30-year rate will be approximately 3.25% & 20-year rate will be about 2.5%. Charlie and Darrel's recommendation is to apply to MDE Water Quality Financing Admin. As 1st choice. Advantages of MDE WQFA: Low rates, typically below 2%, Loan forgiveness, Grant options. Disadvantages: 30-year max term, incredibly competitive, formula-based app., cumbersome paperwork.

Charlie & Darrel's 2nd choice would be USDA. Advantages: 40-year term option, low interest rates, grant options. Disadvantages: Cumbersome paperwork, multi-step process, have to go through a bank 1st then USDA, if we take a grant, have to take loan also. Competitive app. process.

Mike Reynolds & Town Manager Dye have a meeting with Vicki Prettyman with SERCAP, Southeast Rural Community Assistance Project tomorrow at 10. Among other things, SERCAP technical staff help town managers, mayors and community leaders determine needs, secure funding and support for structural and economic development. They help town leaders & elected officials plan for their community's long-term water, wastewater and housing success. We will discuss the Town's options, pros & cons of each funding option/source and get Vicki's opinions & recommendations.

Mike has started looking at the applications and process for USDA and MDE WQFA loans. USDA is currently open for application submittal and MDE opens in January I believe. For any of the loan options we are going to need an amount we are looking to borrow for the application(s).

What are Council's thoughts with how to pay for the MD-31 Water Main Project? No decision made at this meeting.

As previously discussed, we should consider using Enterprise Side funds to pay off some or all of our existing water loans. The ARPA money **cannot** pay off or down existing debt. A copy of the current loan summary spreadsheet was provided to the Mayor & Council at the last WS meeting and is in the Document & Tools folder. There are 4 current water loans with a total balance of \$695,572. The 4 loans equate to approximately \$30 of water base rate. This would free up \$30 of base rate and help offset new debt associated with new loan(s). One particularly useful tool we have is the spreadsheet created by TSU & PALS Program. This spreadsheet is also in the new Document & Tools folder. You can save a copy to your computers and input projects, costs, interest rates, length of loan, number of EDU's and it calculates annual payment and amount of quarterly base rate.

You can calculate any number of scenarios but for example:

\$1,000,000 borrowed at 2% for 40 years equates to \$12.10 of quarterly base rate.

\$1,000,000 borrowed at 2% for 30 years equates to \$14.80 of quarterly base rate.

\$1,000,000 borrowed at 3% for 30 years equates to \$16.90 of quarterly base rate.

The point is, if the Town paid off all existing water loans, we could borrow money for the MD 31 W.L. project and **possibly** not change the water base rate depending on the loan amount, interest rate & term. Donna & I **do not** recommend lowering the water base rate if we pay off existing debt only to have to raise the base rate again when we take additional debt for the water main project. **What are Council's thoughts on paying of existing water loans using ES money? No decision made at this meeting.**

Base & Usage Rates

The adopted water and sewer rate schedule is good through FY-23 which begins July 1, 2022 and ends June 30, 2023. Water & sewer rates are integral to the Enterprise Fund and tied to paying for current debt, current & future projects and generating revenues to cover operation and maintenance costs.

Started working on and operation & maintenance (O&M) budget for water and sewer and trying to figure out how specifically Frank established the usage rates.

A Motion at 8:05 p.m. to adjourn the meeting by Councilmember Hoffman, 2nd by Councilmember Holl and approved by a vote of 4-0.

**Respectfully submitted,
Donna Alban, Clerk/Treasurer**